A Critical Evaluation of Myanmar's Social Protection Strategy

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Introduction

Myanmar is building a social protection program from the ground up. This process is being undertaken in a country with no history of providing social protection, and by the first democratically elected government in six decades, which has limited administrative capacity and scant financial resources. Myanmar is classified by the UN as a "least developed country". It experiences frequent environmental, health, conflict-related, or macro-economic shocks and was recently rated by the Asia Development Bank as the country most negatively affected by climate change among all Asian countries.[i] The importance of providing protection for the most vulnerable in Myanmar society, a basic level of financial security, and opportunities for human capital development, therefore, cannot be overstated.

The economic conditions in Myanmar have improved markedly since the country emerged from 60 years of military dictatorship in 2011. Since then, the economy has grown by an average of 7.3% annually and the poverty headcount has dropped from 48% in 2005 to 32% in 2015, according to the latest estimates by the World Bank.[ii] Myanmar has experienced these gains despite minimal public investment in social

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protection. International aid has been the primary source of public goods provision during this period. And while gains have been made, poverty remains endemic:

60% of children who start school drop out before the end of middle school
29% of children under 5 are moderately or severely stunted and 19% are moderately or severely underweight[iii]
33% of household report limiting the quality of their diet because of inadequate financial resources
17% of individuals have taken time off work in the past 30 days because of an injury or health issue
Just **33%** of households have access to electricity through the public grid
50% of households are regularly affected by weather, income, or health shocks[iv]

Poverty rates vary significantly between geographic and demographic groups. Of the 15.8 million poor in Myanmar, 87% reside in rural areas. Children are more likely to live in a poverty than any other age group.[v] Residents of Chin State experience significantly higher rates of poverty than all other states. Myanmar has no gender-disaggregated poverty statistics. Informal sector employment, where 77% of men are employed and 90% of women, is often used as a proxy for the poverty disparity between men and women in Myanmar since the informal sector is characterized by lower wages and less job security.

In 2014, the Myanmar government partnered with the International Labor Organization, UNDP, and other development organizations to address these challenges through an integrated social protection program. They released the "Myanmar National Social Protection Strategic Plan" (NSPS) in December 2014, which is the country's first policy document outlining a social protection plan. The plan includes objectives, programs, cost estimates and a timeline for deployment. The following is a critical evaluation of the NSPS, focusing on its poverty estimation strategy, objectives, and programs.

Status Quo

While this is the first comprehensive social protection plan ever created in Myanmar, the government already deploys a cadre of programs that it calls social protection programs. Article 32 of the 2008 Constitution of the Republic of Myanmar proclaims that "The Union shall…care for mothers and children, orphans, fallen defense services personnel's children, the aged, and the disable".[vi] Under this provision, the Ministry for Social Welfare has established a handful of programs that are under-resourced and reach only a small fraction of the population. Government expenditure on social protection amounted to less than 0.5% of GDP in 2015, which is the lowest among Southeast Asian nations. The existing programs are implemented by a total of 180 social workers nation-wide, each of whom is responsible for about 300,000 citizens. No physical infrastructure exists in Myanmar to support these programs. The current programs include a voucher system for pre and post-natal care that reached just 1,346 beneficiaries in 2014; a school stipend program that provides 1,000k (<$1) per year per student in just 11,000 schools nationwide; elderly shelters that house 2,282 individuals nationwide; and other programs of similar scale. Roughly 3% of the population and 0.1% of the most vulnerable and poorest receive any benefits.[vii]

2014 National Social Protection Strategy Plan

Poverty & Inequality Measures

The NSPS defines general poverty as "a state where individuals or households do not have enough resources or abilities to meet their needs".[viii] The report uses two different poverty measures that were calculated by the UNDP in 2011: a food poverty line and a general poverty line.[ix] Both poverty lines use consumption expenditure as the measure of well-being. The food poverty line is defined as the minimum expenditure required to meet a household's caloric requirements. The NSPS does not go into detail about this caloric threshold or whether the income is adjusted for cost of living or consistent nationwide. Using these definitions, the poverty rate is slightly lower than the abovementioned World Bank estimates. According to these measures, about 26% of the population falls below this general poverty threshold and 5% fall below the food poverty threshold, which is 73% of general poverty. Defining poverty based on consumption expenditure, rather than income, is a reasonable measurement method for several reasons. It is easier to measure in the absence of a functional tax system and in a country like Myanmar with high levels of corruption and a large informal sector. This measure is more stable than income and a closer measure of permanent income. It also has drawbacks, though, including difficulty collecting reliable individual-level information on consumption. It also may vary across communities and households according to consumption preferences and differential ability to smooth consumption through external support.

According to the World Bank, Myanmar exhibits relatively modest levels of income and wealth inequality as a large portion of its population falls below or just above the poverty line. The ratio of the 50th decile to the 10th decile, for example, resembles that of Scandinavian countries.[x] Like many of its neighboring countries, though, Myanmar has extreme outliers - individuals who control large amounts of wealth. Current income statistics are unreliable in part because of the sizable informal sector and prevalence of corruption and elite capture in the lucrative extractives industry, making it difficult to calculate an income inequality measure. The NSPS evaluates inequality based on the difference in consumption between the richest and poorest deciles. It aims to reduce that difference by 6%.

Analytical Criteria & Goals

The introduction to the NSPS outlines its analytical criteria, some of which are overlapping or contradictory, and goals, which are tied to specific empirical benchmarks. The criteria are: (1) complementarity with other government programs, (2) impact, (3) equity and coverage, (4) sustainability, (5) holistic approach, (6) addresses an individual's life-cycle, (7) people-centered, (8) evidence-based, (9) gender-sensitive, and (10) flexible and adaptive. Many criteria are redundant. The impact criterion, for example, encompasses sustainability, holistic, life-cycle, flexible and adaptive, and evidence-based, all of which are ways of describing an effective or impactful program. It is also difficult to differentiate between a holistic program and one that addresses an individual's full life-cycle. Other criteria are potentially contradictory. A program that complements existing government programs may not necessarily be the most impactful, for example. The criteria also do not lend themselves to measurement. How, for example, would an evaluator determine if a program is people-centered? Furthermore, without a description of how each criterion is weighted, it is difficult to deploy this set of analytical criteria.

A better approach would be to build a set of non-redundant nor contradictory criteria around the base concepts of

(1) *effectiveness*, which considers a program's sustainability, and its ability to protect against extreme poverty, reduce vulnerability, and promote individual capability; (2) *efficiency*, which considers program costs, complementarity with other programs, targeting, and effects on labor supply and demand and prices; (3) *equity*, which considers distributional effects across key demographic groups, and potential for social polarization, stigma or 'othering' of recipients; (4) *administrative feasibility*, including an evaluation of the potential for elite capture or leakage; and (5) *political feasibility*, which considers the difficulty to roll back social protection programs once they are established.

Programs

The 2014 NSPS proposes eight "flagship" programs:

1. To promote physical and cognitive development during the first 1,000 days of life, the government will establish a **maternal and child well-being cash transfer program**. The program will be a universal transfer of 15,000ks ($11.10) per month to eligible mothers and it will be conditional upon mothers participating in antenatal and postnatal health assessments. (0.32% of GDP)
2. To support the well-being and social inclusion of those with disabilities, the government will provide a universal **cash allowance of 30,000ks ($22.20) per month to those individuals who have been certified to be disabled**. (0.24% of GDP)
3. To encourage school attendance, reduce child labor, and promote childhood development, all **children over the age of 3 years old will receive a cash allowance** of 8,000ks ($5,92). The allowance will be universal and unconditional. (0.98% of GDP)

4. To promote the physical development of children, encourage school attendance, and facilitate learning, the government will implement a **school feeding program** under which every school child will receive one cooked meal per day. Program roll-out will begin with the neediest schools and gradually scale up to complete national coverage of all public schools throughout the school year. (0.64% of GDP)
5. To smooth employment during the lean season, after natural disasters, or after macroeconomic shocks, the government will offer a **guaranteed public employment program**. The program will offer a daily wage of 3,000ks ($2.22) for up to 60 days of work, which will be paired with active labor market program such as vocational training. (1.7% of GDP)
6. To address endemic poverty among the elderly, all **individuals over the age of 65 will receive a cash allowance** of 25,000ks ($18.50) per month. This is a universal and unconditional benefit. (1.39% of GDP)
7. To promote social inclusion of the elderly, each village in Myanmar will **establish an Older Person Self-Help Group** that offers programs to improve the lives of the elderly.

Messaging & Political Feasibility: The NSPS is built upon the premise that social protection is a right. I would encourage the government to reframe social protection, not only as a right, but also as an investment. Recent research on the effect of India's guaranteed employment program, MGNREGA, and Brazil's conditional cash transfer program, Bolsa Familia, for example, found that these programs generate sizable return on investment. Increasing Bolsa Familia by 1% of GDP leads to a 2.4% increase in household consumption.[xi] A 2012 study of MGNREGA revealed that each rupee spent on the program yielded between 3.1 and 3.6 rupees of economic activity.[xii] A more recent study of MGNREGA found that the $100 million program generated $800 million in value.[xiii] Another set of studies found that cash transfers reduced stunting, which the World Bank estimates can lower GDP by 2-3% annually, by 9% in Zambia, 10% in Mexico and 7% in Bangladesh.[xiv] In short, these programs are much more than altruism. They are high-yield investments. Not only do they provide essential protection and consumption smoothing in the event of a shock, they help to preserve aggregate demand during economic downturn, which can facilitate long-term sustainable development.

Targeting: None of the NSPS programs are means tested - meaning they cover all individuals nationwide who meet the eligibility criterion regardless of income level. This comes with costs and benefits. Targeting can be a complex and administratively burdensome endeavor. When it is done poorly, resources could flow to those who don't need them and away from those who do. To highlight the difficulty in targeting, recent behavioral economics revealed that traditional targeting mechanisms, which ignore factors such as bandwidth poverty, can result in misallocation of resources.[xv] At the same time, allocating a benefit universally can be costly and can undermine the equity objective of providing resources to those who really need them. Given the complexity of accurate targeting, low administrative ability, and widespread poverty in Myanmar, choosing to allocate resources universally is a reasonable approach in the near-term. As administration becomes more sophisticated, the government may consider targeting programs to the neediest. Approaches to targeting could include traditional means-tested eligibility criterion such that only those below a specific income or consumption level receive certain benefits.

Alternatively, the government could use a community-based targeting scheme whereby local communities receive block grants and choose how to allocate them. Many low-income countries use proxy-means tests to determine who should receive assistance. For example, some places determine eligibility based on whether an individual life in a house with a thatched or tin roof. Each approach offers a trade-off between precision, equity, and administrative cost.

The current set of programs addresses poverty across the lifecycle without targeting any age group. The prevalence of poverty across age groups justifies such an approach, but resources could be better allocated to target extreme poverty among children. The largest programs in the NSPS are the pension program (1.39% of GDP) and guaranteed employment program (1.7% of GDP). Re-allocating resources from the public employment program, which primarily benefits the working-age able-bodied poor, to the cash transfer program for pregnant mothers and children (0.32% of GDP) could yield a greater long-term impact and be a more equitable distribution of resources.

Notably, the highly discriminatory 1982 Citizenship Law in Myanmar creates three tiers of citizens in Myanmar. For the NSPS to achieve its universality and equity objectives, it must provide universal coverage across all three citizenship classifications without discrimination or favoritism.

Complementarity: Three NSPS programs are conditional transfers (Programs #1, #2, and #4), whereas the others are unconditional. One conditional program requires that mothers receive health assessments before receiving the benefit and two other require that children attend school to receive the benefit.

These conditions could be counter-productive if health facilities and schools do not provide worthwhile services for beneficiaries or the opportunity cost of traveling to school or the clinic are too high. If, for example, a school offers limited learning opportunity and is far from a student's home, the student could make a rational calculus to forego schooling and the corresponding benefits, and choose to work. It is incumbent on the government, therefore, to ensure that these programs are paired with investment in the health and education sectors. Without doing so, the poorest individuals who face the highest opportunity cost of attending school or clinic, may be missed by the program.

Distortion vs. Protection: While the NSPS programs offer limited cash benefits (see table 1 below for an illustrative benefit schedule), the programs provide important protection against deep poverty. The heavy emphasis on out-of-work cash transfer programs raises concerns about potential disemployment effect. Given that the programs are not means tested and are never phased out, there is no substitution effect that would reduce employment on the intensive margin. The unconditional cash transfers may yield an income effect that reduces employment on the intensive and extensive margin. Interestingly, though, the economic literature has found little disemployment effect in practice. Studies in Iran[xvi], Brazil[xvii], the United States[xviii], and South Africa[xix], among many others[xx] show little to no disemployment effect across a variety of cash transfer program designs. In fact, some studies reveal an *increase* in labor market participation because of general equilibrium effects. This vast body of literature suggests that cash transfers provide an income supplement that enables households to overcome constraints to their productivity. Transfers could help facilitate migration to more productive employment or purchase of productive assets.

In short, there is little evidence to suggest that the cash transfer programs included in the NSPS would have a disemployment effect. They will provide protection, especially for the deep poor, and could feasibly increase labor market participation if well-designed (i.e. encourages investment in productive assets).

The guaranteed employment program offers jobs that can smooth income when the poor experience a shock. It will also help the development of much-needed public assets such as roads and irrigation. The program raises concerns, though, about effects on prices and on employment in the private sector. Recent research from the MGNREGS guaranteed employment program in India reveals no changes in prices, but an increase in workers' reservation wage. Despite the increased reservation wage, though, people worked more, especially in the private sector. It showed a 12.4% increase in household income that was primarily driven by non-MNREGS income and an increase in days worked in the private sector that the researchers estimate could have been driven by public asset creation.[xxi] This program is the only element of the NSPS that is targeted (self-targeted, in this case), which could make it more efficient. It also addresses labor market frictions. It may facilitate labor migration and, in rural communities where a single firm has market power, constitutes an alternative employer to address monopsony power. Reducing monopsony power could increase wages and explain the increase in private sector income. In summary, it is unlikely that this program will distort prices. It may lead workers to move away from low-paying employment, but research in India revealed that it has a net positive effect on the private sector in part because of the creation of public assets.

In-Work vs. Out-of-Work

Most of the programs in the NSPS provide out-of-work cash welfare benefits. This approach ensures a basic income floor for all, which could have a disemployment effect. Myanmar might consider introducing an in-work benefits program for manufacturing workers in the formal sector that is akin to the Earned Income Tax Credit to address poverty among the working poor and to encourage work. Although the minimum wage was raised by 33% earlier this year(2018), Myanmar still has the lowest minimum wage of any country in Southeast Asia. An in-work benefit for manufacturing workers would enable working adults to better adapt to the increasing cost of living in Myanmar who face persistently low wages. It would also increase income by more than the subsidy amount by encouraging more work and increasing income from work. This could have the ancillary benefit of reducing the need for families to enter their children into the workforce to make ends meet. Pulling children from the labor market could also raise wages. An in-work benefit would amount to a wage subsidy for firms. Subsidizing wages could encourage industrial foreign domestic investment, which would catalyze technology transfer and infrastructure development, increase tax revenue, and provide other macroeconomic benefits. An in-work benefit program could also encourage workers to move from the informal sector to the formal sector. Nonetheless, it would do little to address extreme poverty, especially in the informal sector and rural areas, and would need to be accompanied with other programs that target that population. The subsidy could be phased out over time once the cost of the wage subsidy outweighs the benefit of FDI.

Conclusion

The guiding questions in evaluating the NSPS is how it measures against the "iron triangle of welfare".

(1) *Does it increase the living standards of the poor?* The program will increase the living standards of the poor, especially the extreme poor. Although the program transfers a small amount of cash to the poor, it provides an important income floor that could help address the scourge extreme poverty.

(2*) Does it encourage work?* The program appears to be well-designed to avoid discouraging work. The NSPS relies heavily on cash transfers, which have little to no dis-employment effect. The guaranteed employment program will likely increase employment in the program during the lean season and aftermath of negative shocks as well as in the private sector. The program may have a beneficial dis-employment effect on children and the elderly.

(3) Is the program cost-effective? This is where the NSPS underperforms. Given low administrative ability and widespread poverty, deploying programs that are not means tested is a reasonable approach, but it will result in resources being allocated to higher-income individuals who don't need them. As administrative capacity improves, particularly if income inequality grows, the government may choose to use better targeting to reduce social protection resources from being wasted on high earners.

The NSPS is a positive step toward reducing extreme poverty and vulnerability in Myanmar. As administration becomes more sophisticated and new data is collected, the program can be refined to better target those in need and reformed to adapt to macroeconomic dynamics.

Table 1: Illustrative Benefits Schedule

Household Composition	Maternal/ Child CT (15k/month)	Disability (30k/month)	Child CT 8k/month	Elderly Stipend 25k/month	GPE 3k/day (max 180k)	MAX Annual Benefit
1 Working Age	-	-	-	-	180,000	180,000
2 working age + 1 child	-	-	96,000	-	360,000	456,000
1 working age + 1 child + 1 elderly	-	-	96,000	300,000	180,000	576,000
2 working age + 1 child + 1 elderly	-	-	96,000	300,000	360,000	756,000
1 working age + 1 child + 1 disabled adult	-	360,000	96,000	-	180,000	636,000
1 working age + 1 child + 1 disabled adult + 1 elderly	-	360,000	96,000	300,000	180,000	936,000
1 working age + 1 child + 1 disabled adult + 1 pregnant adult + 1 elderly	180,000	360,000	96,000	300,000	180,000	1,116,000

2017 Per Capital GDP: $1,275
Exchange Rate (May 2, 2018): 1,351kyat = $1

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