

## POVERTY ANALYSIS

1. One of the critical development challenges facing Myanmar is how to reduce poverty and inequality. An in-depth understanding of the state and nature of poverty and inequality in the country is necessary to address this challenge, including identifying who the poor are, where they live, and the causes of their poverty and vulnerability. This analysis discusses the main findings of the Integrated Household Living Conditions Survey (IHLCS) in Myanmar, 2009–2010 and related studies,<sup>1</sup> and outlines their broad implications for poverty reduction strategies and policies in the country.

### A. Poverty Level and Trends

2. The IHLCS used two measures of poverty incidence in Myanmar: (i) the food poverty line, which is based on consumption expenditure required to meet basic nutritional needs; and (ii) the poverty line, which adds a provision for nonfood expenditure to the food poverty line. The survey data showed the following:<sup>2</sup>

- (i) Food poverty affected about 5% of the population, half the incidence as in 2005. Food poverty was more than twice as high in rural areas than in urban areas, with rural areas accounting for more than 85% of total food poverty. The highest incidence of food poverty was in Chin (25%), Rakhine (10%), Tanintharyi (10%), and Shan (9%). Based on population, the biggest contributors to the incidence of national food poverty were Ayeyarwady (19%), Mandalay (16%), Shan (15%), and Rakhine (15%).
- (ii) Poverty affected 25.6% of the population compared with about 32% in 2005 (table). Poverty was twice as high in rural areas than in urban areas, with nearly 85% of the poor living in rural areas. The highest incidence of poverty was in Chin (73%), Rakhine (44%), Tanintharyi (33%), Shan (33%), and Ayeyarwady (32%). Based on population, the biggest contributors to the incidence of national poverty were Ayeyarwady (19%), Mandalay (15%), Rakhine (12%), and Shan (11%).
- (iii) The same states or regions had the highest incidence of and contribution to poverty based on the two measures used in the IHLCS. Food poverty declined in all states or regions between 2005 and 2010. In contrast, poverty increased in Kayin, Yangon, and Ayeyarwady during this period because of a rise in rural poverty.
- (iv) Three proxies for poverty were used to determine if their movements were consistent with the observed decline in the incidence of poverty: caloric intake, food share in consumption, and ownership of small assets. The data on caloric intake and ownership of small assets were generally consistent with falling levels

<sup>1</sup> Ministry of National Planning and Economic Development, Swedish International Development Cooperation Agency, United Nations Children's Fund, United Nations Development Programme. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009–2010): Poverty Profile*, *Integrated Household Living Conditions Survey in Myanmar (2009–2010, Poverty Dynamics Report*; *Integrated Household Living Conditions Survey in Myanmar (2009–2010): MDG Data Report*, *Integrated Household Living Conditions Survey in Myanmar (2009–2010): Quality Report*; B.N. Tiwari, S. Rahman, and K. Tun. 2011. *Poverty, Food Insecurity and Vulnerability: Issues and Strategies (Myanmar)*. Background Paper for Development Policy Options, Myanmar 2011. Yangon, Myanmar; Tin Maung Shwe. 2011. *Agriculture Development Issues and Strategies: Myanmar*. Background Paper for the Development of Policy Options, Myanmar 2011. Yangon, Myanmar.

<sup>2</sup> The IHCLS, 2009–2010 was a follow-up to the IHCLS, 2004–2005. A similar format was used in both surveys to allow consistent comparison of the results. Moreover, half of the sample households in the 2004–2005 survey were retained in the 2009–2010 survey to facilitate the analysis of poverty dynamics.

of poverty, but those on the share of consumption were not. In light of these conflicting results, the IHCLS urged caution in interpreting data on poverty levels and trends, particularly the magnitude in the decline in poverty.

## **B. Poverty, Inequality, and Vulnerability**

3. The IHCLS used two indicators of inequality: (i) relative inequality, or the consumption share of the poorest 20%; and (ii) absolute inequality, or the consumption gap between the richest and poorest 20%. The survey data suggested the following:

- (i) The consumption share of the bottom 20% increased slightly from 11% to 12% between 2005 and 2010, with this trend being similar across all states or regions.
- (ii) The consumption gap between the richest and the poorest 20% fell between 2005 and 2010, with this trend being similar in most states or regions.
- (iii) Both relative and absolute inequality declined between 2005 and 2010, implying that lower-income groups increased their consumption faster than the higher-income groups across the whole consumption spectrum.<sup>3</sup>

4. Since the IHCLS did not provide data broken down by ethnic and other groups, horizontal inequalities between sociocultural groups cannot be assessed. However, the higher poverty incidence in Chin, Rakhine, and Shan where most ethnic groups reside suggests that income distribution is skewed against these groups and the people in the rural areas of eastern Myanmar that have experienced local conflicts for many years.

5. Another dimension of poverty is vulnerability, i.e., the capacity of a person or household to cope with risks. Low-income households are usually the most vulnerable because they have limited means to deal with the wide range of risks they face. Thus, people who are just above the poverty line could readily regress into poverty because of natural disasters or changes in economic conditions (e.g., slower economic growth, higher prices, lower levels of public services). The IHCLS examined changes in the poverty status of households over time and differentiated among households that (i) remain poor (chronically poor), (ii) enter or escape from poverty (transitory poor), and (iii) remain nonpoor. The survey found that transitory poverty (28%) in Myanmar is almost three times higher than chronic poverty (10%).

## **C. Characteristics of the Poor: Poor versus Nonpoor Households**

6. The poor in Myanmar can be characterized according to factors such as demographics, economic activities of household members, access to water supply, housing and sanitation, health and nutrition, and education. The survey findings on these factors are summarized below.

- (i) Poor households tend to be larger than nonpoor households. Poor households have more economically active members, implying that poverty is not because of a lack of work but to low returns on work.
- (ii) Most poor households are engaged in agricultural activities and/or have members employed as casual laborers. Poor households have smaller farm sizes than nonpoor households. Landlessness is much higher among poor households (34%) than nonpoor households (19%).

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<sup>3</sup> The IHCLS urged caution in interpreting the trends among the top 20% because of high standard errors.

- (iii) Compared to nonpoor households, poor households have less access to housing (32% versus 59%), safe drinking water (62% versus 72%), sanitation (72% versus 84%), and electricity (28% versus 55%).
- (iv) Children of poor households have less immunization coverage (76%) than those of nonpoor households (86%). Access to maternal health care of poor households (77%) is less than those of nonpoor households (86%).
- (v) Poor households are likely to be less literate than nonpoor households (84% versus 93%). They have lower net primary enrolment (81% versus 90%) and secondary enrollment (35% versus 59%), and lower educational attainment than nonpoor households. Only about 22% of the heads of poor household have completed middle school or higher, compared with 40% of heads of nonpoor household. In rural areas where most of the poor live, 75% have only a primary education compared with 37% in urban areas.

#### **D. Causes of Poverty**

7. Three sets of factors have been cited as the major causes of poverty in developing countries such as Myanmar: (i) lack of income and assets to satisfy basic needs; (ii) weak economic, social, and political power of certain groups, leading to their exclusion from the benefits of development (para. 4); and (iii) vulnerability to shocks (e.g., natural disasters such as typhoon Cyclone Nargis and economic shocks such as rising fuel prices) because of the limited coping abilities of persons, households, and communities (para 5).<sup>4</sup> The reasons for the lack of income and assets in Myanmar include the following:

- (i) inadequate economic growth because of gaps in economic policies, leading to a lack of technological progress in agriculture, a small manufacturing sector, little value added from exports, macroeconomic instability, and untapped tourism potential;
- (ii) underemployment, which rose from 34% in 2005 to 37% in 2010, affecting rural and urban areas, poor and nonpoor, and male and female alike;
- (iii) larger families in rural areas, which may have led to fragmentation of farm land and lower farm incomes. small return on physical assets as a result of the low level of agricultural productivity, inadequate infrastructure support, price disincentives, and lack of diversified sources of income because of the limited economic opportunities; and
- (iv) undue reliance on natural-resource-based exports, which has resulted in narrowly based development and an inability to create economic opportunities for the majority of the population.

#### **E. Implications for Poverty Reduction Strategies and Policies**

8. The poverty situation and trends in Myanmar, including the underlying causes, have important implications for poverty reduction strategies and policies in the country. These broadly include the following:

- (i) Economic growth should be inclusive. In Myanmar, this means not only increasing the incomes of the poor, but also addressing the needs of disadvantaged and excluded groups. The income gap between the poor and

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<sup>4</sup> B.N. Tiwari, S. Rahman and Khine Tun. 2011. *Poverty, Food Insecurity and Vulnerability: Issues and Strategies (Myanmar)*. Background Paper for Development Policy Options. Yangon.

nonpoor also must be reduced. At the same time, faster, sustainable economic growth with macroeconomic stability will be needed to increase employment and income opportunities for a large segment of the population.

- (ii) Agriculture and rural development will be essential in reducing poverty in Myanmar as most of the poor live in rural areas and depend on agriculture for their livelihood. To close the significant gap between the well-being of rural and urban households, agricultural productivity and both farm and nonfarm jobs will need to be increased in the rural areas.
- (iii) Since poverty is multidimensional, with both income and non-income elements, a multisector approach will be needed to increase income-earning opportunities and strengthen the capacity of the poor to participate in and benefit from development. This, in turn, will require a coordinated poverty reduction program in terms of planning, implementation, and monitoring.
- (iv) Although the data show that poverty has declined nationally, poverty incidence varies widely among regions and states. This suggests that poverty reduction strategies and policies should include consideration of spatial targeting.

### TRENDS IN POVERTY INCIDENCE, 2005–2010 (%)

State or Region	Urban		Rural		Total	
	2005	2010	2005	2010	2005	2010
Kachin	37.7	23.4	46.8	30.6	44.2	28.6
Kayah	26.1	2.3	38.2	16.3	33.6	11.4
Kayin	7.8	16.8	12.5	17.5	11.8	17.4
Chin	45.9	52.1	80.9	80.0	73.3	73.3
Sagaing	21.9	16.0	27.4	14.9	26.6	15.1
Tanintharyi	20.8	16.7	37.2	37.5	33.8	32.6
Bago	30.7	19.0	31.8	18.2	31.6	18.3
Bago (East)	34.8	20.9	30.2	20.1	30.9	20.2
Bago (West)	23.1	15.6	33.8	15.9	32.6	15.9
Magwe	25.8	15.8	43.9	28.2	42.1	27.0
Mandalay	24.1	14.1	44.7	31.6	38.9	26.6
Mon	22.5	17.8	21.3	16.0	21.5	16.3
Rakhine	25.5	22.1	41.2	49.1	38.1	43.5
Yangon	14.4	11.9	17.4	28.7	15.1	16.1
Shan	31.0	14.1	50.5	39.2	46.1	33.1
Shan (South)	26.1	8.3	44.5	31.2	40.2	25.2
Shan (North)	34.7	16.3	55.0	43.1	50.6	37.4
Shan (East)	37.1	28.6	56.0	52.3	51.8	46.4
Ayeyarwady	24.4	23.1	30.3	33.9	29.3	32.2
Union	21.5	15.7	35.8	29.2	32.1	25.6

Source: Integrated Household Living Conditions Survey, 2004–2005 and Integrated Household Living Conditions Survey, 2009–2010.