



Making Myanmar's Cities More Inclusive

A WAY FORWARD

Background

The Asian Development Bank (ADB) conducted consultations in three of Myanmar's fastest-growing cities—Mandalay, Nay Pyi Taw, and Yangon—to learn more about the challenges cities are facing in the midst of rapid urbanization and to discuss measures that could make them more inclusive.¹ The consultations built on ADB's earlier work in Myanmar, starting with the pilot demonstration activity Community-Led Approach to Improved Sanitation Systems (2012) in Yangon² and a scoping study for inclusive cities in September 2014. The consultations with key stakeholders from civil society, government, and the private sector (see Appendix) covered three main areas of urban exclusion identified in the scoping study: lack of finance, restricted access to land, and lack of involvement in the decisions that affect excluded households in underserved urban areas.

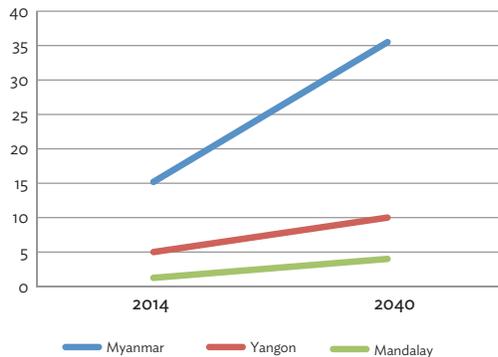
This brief shares a summary of the issues discussed, practical challenges, and proposed solutions. The consultations were held in the form of multistakeholder discussions and integrated workshops in Yangon and Mandalay, followed by a final workshop in Nay Pyi Taw to share consultation findings and discuss proposed follow-up actions with key decision makers. We hope it assists policy makers and development practitioners in their decision-making processes as they investigate future urban development projects in Myanmar.

Myanmar's 2014 Population and Housing Census indicates that about 3 out of every 10 people in the country—approximately 15 million people—reside in cities. The Ministry of Construction's Department of Urban and Housing Development

¹ This brief is a summary of stakeholder participant views from consultations and workshops undertaken, at the request of Ministry of Construction's Department of Housing and Urban Development, in January 2015. The urban sector consultations were funded under ADB Technical Assistance (TA) 8595 as part of ADB's support to civil society consultations in general and urban sector knowledge work in Myanmar. The brief does not necessarily reflect the views of ADB.

² The project in Yangon's Dawbon Township piloted a community demand-driven approach for joint community-Yangon City Development Committee solid waste management, service delivery, and maintenance. The project's success informed the design preparation of ADB's subsequent Pro-Poor Community Infrastructure and Basic Services project covering a wider range of urban services and basic infrastructure for the urban poor in Yangon and Mandalay.

Figure 1. Projected Urban Population Growth, 2014–2040 (million)



Source: ADB. 2013. *Project Preparatory Technical Assistance to Myanmar for the Mandalay City Urban Services Improvement Project*. Manila (TA 8472-MYA).

foresees increasing urbanization in the coming decades, projecting that by 2040 half of Myanmar's 35.5 million people will be living in urban areas. Yangon's population will more than double to over 10 million, while Mandalay's population will soar from 1.25 million to over 4 million (Figure 1).³

It is estimated that over 150,000 housing units will be required each year to accommodate this growing urban population.⁴ Given the limited absorption capacity of the formal construction sector due to limited resources and the expanding gap between housing prices and wages in urban centers, the informal housing sector is likely to meet the major part of this rising housing demand. These areas are often unserved, with limited road access, poor drainage, shared and illegal electricity connections, poor sanitation and water supply, and often lacking even rudimentary medical or educational facilities.

What is an Inclusive City?

Workshop participants defined inclusive cities as cities that provide a safe and livable environment; affordable and equitable access to urban services, social services, and livelihood opportunities for all residents; promote the optimal development of human resources; and ensure the respect of human dignity and equality.

The Consultation Process

The first round of consultations was held with households experiencing various forms of exclusion, such as inadequate access to microfinance, housing, or urban infrastructure. This was to better inform the more specific technical consultations that followed. Based on the information from this first round, the subsequent multistakeholder consultations focused on concerns regarding upgrading settlements, land management and finance, pro-poor housing and finance, and livelihood development and finance. The integrated workshops in each city included representatives of the urban poor from areas where pro-poor projects were being implemented to reflect their priorities in the discussions.

Consultation Findings

Yangon

Some issues raised by participants were unique to their city. In Yangon, where residents have been given long-term leases to the land, their highest priorities were related to **environmental conditions** in the area. The Yangon group also pointed to the need to increase road width to facilitate the **access of emergency vehicles** (e.g., fire trucks) and the provision of **health centers and schools**. In addition, the Yangon community raised "soft" improvements that were needed, including access to affordable financing schemes for house improvements and livelihood development as well as community participation for a sustainable community.

Inclusive Cities

- Safe
- Livable
- Affordable services
- Equitable access
- Livelihood opportunities
- Promote human resource development
- Respect human dignity and equality

³ While Mandalay's population was initially projected to grow to 3 million, the Mandalay City Development Committee now projects the population to grow to 4 million by 2040, with the inclusion of three more townships.

⁴ ADB. 2013. *Urban Development Policy Discussion Paper*. Consultant's report. Manila (TA 8244-MYA).



Lack of drainage system—open disposal of wastewater and free flow of flood waters (top left) and a problem of solid waste management system—drains clogged with solid waste (top right); lack of access to water and sanitation—toilet without septic tank (middle left) and living without basic water and infrastructure services (middle right); lack of all-weather access roads (bottom left) and lack of water supply system—open water storage and private water tanks (bottom right). Photos are from Mandalay and Yangon township areas that are being supported under MYA G9177 “Pro-Poor Community Infrastructure and Basic Services” project.

Mandalay

One major concern of the Mandalay group was the **lack of open space** and the need to reduce densification in urban settlements, especially in areas where the ownership of vacant lots is unknown and difficult to establish. While Mandalay participants seemed to feel more secure in their rights to land, of concern was the issue of **illegal settlers**. The participants perceived that squatter upgrading and transfer of ownership to illegal settlers might encourage “professional squatting” whereby the beneficiary might sell his plot to a private developer for gain and repeat the process. In response, the concept of community ownership for a whole project area was suggested, such that the individual beneficiary does not have a land title. This was viewed positively by some government authorities, with the support of development partner assistance. Beyond physical dimensions of exclusion, Mandalay community members also appeared more aware of the need for **skills training** (e.g., in microfinance) as well as civic education to promote constructive behavior within neighborhoods.

Shared Concerns

There were a number of shared concerns raised at the workshops. Representatives of the urban poor focused on elements of exclusion which were primarily spatial and physical such as the lack of access to basic services and urban infrastructure such as drainage. Participants, echoing the earlier scoping study, noted that the **low-cost government housing** currently being provided, does not always reach the poorest (i.e., those below the 30th income percentile).⁵

Available microfinance products are not necessarily suitable for short-term housing loans, and other potential mortgage providers, particularly the Construction and Housing Development Bank (CHDB), are yet to develop lending lines for the lowest income groups.⁶ A major challenge for those seeking a housing loan is the terms of access, including lack of adequate collateral. Microfinance institutions (MFIs) are not permitted to take collateral for loans given but operate on a very short-term basis. The **housing finance** “market” is only now being developed in Myanmar. This corresponds to the banking sector as a whole, characterized in a “rudimentary stage” according to a Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) study in 2013.⁷ MFIs and cooperatives, while playing an important role in providing investments, are not in a position, generally, to make loans for long-term investments, as would

Stakeholder Concerns

- Affordable housing
- Land access
- Land tenure
- Illegal settlers
- Lack of livelihood opportunities
- Financial assistance
- Skills training
- Lack of access to basic services
- Lack of access to water and sanitation
- Poor drainage
- Problem of solid waste disposal
- Lack of health centers
- Lack of schools
- Emergency vehicle access
- Lack of open space
- Lack of community involvement

be required for land purchase and house construction, as MFIs, under current legislation, restricts loans for a maximum of 1 year.

Myanmar banks, including the CHDB, can lend to MFIs at rates set by the government (presently a maximum of 12%). However, the terms for securing the loan limit MFI access. Most banks require collateral. In the case of the CHDB, this is landed property⁸ or a fixed-term deposit covering the entire period of the loan. Moreover, the Central Bank of Myanmar's guidelines do not currently allow an MFI to pledge part or all of its loan portfolio as an asset to borrow from a local bank.

The present regulations for MFIs in Myanmar, therefore, effectively rule out their involvement in housing, except in small-scale repairs or improvements. But MFIs can play an important role in increasing access to funds for entrepreneurs within urban poor communities. However, the most successful MFIs appear to have backing from international funding sources that provide capital at much lower rates than the 15% required by the Financial Regulatory Department, the regulatory body for MFIs, for domestically derived deposits.

Land access was flagged as another common concern. The key issues identified affecting land use related to change of use, the unclear manner of acquiring land rights, and the bureaucratic

⁵ ADB. 2013. *Project Preparatory Technical Assistance to Myanmar for the Mandalay City Urban Services Improvement Project*. Manila (TA 8472-MYA).

⁶ Response to follow-up questions sent to CHDB by Aye Aye Kyu, 18 May 2015.

⁷ GIZ. *Myanmar Financial Sector—A Challenging Environment for Banks*. November 2013.

⁸ Landed property refers to use of both the building and land title it sits on as collateral.

and insufficiently dynamic land management system impacting the price of the limited land that is available. There are also many challenges involving the change of land use. It was noted that while land may be farmed within the boundary of urban plan areas, farmers' rights are limited, allowing them to farm the land but not to transfer these rights to new owners.

Further, land, if classified as agricultural land, cannot be changed to urban use unless approved by the Ministry of Agriculture. The urban area is defined in the spatial plan though many of these plans have not yet been approved and/or only part of the area within the township may be classified as urban. Spatial planning is further limited by the lack of a clear set of laws and regulations. The government is in the process of drafting its Urban and Regional Planning Law.

Limited income opportunities in rural areas and changes in livelihood deriving from rural–urban migration also have corollary effects. Migrants to cities in search of economic opportunities but without relevant skills have difficulty finding gainful employment. The irregularity of incomes often leads to settling in informal, peri-urban settlements lacking decent housing and social services which can spiral into further vulnerability associated with poor environmental conditions. An informal service sector tends to develop around such populations that also need housing. Potential synergies from support to skills development and microfinance are discussed in the “Proposed Solutions” section.

Many stakeholders expressed the desire to see systems change to enable **citizen participation** in identifying and managing solutions to all these problems. Urban development support programs, which include community governance and participatory planning dimensions, were perceived as relevant to Myanmar's culture of self-help at the community level.

Proposed Solutions

Affordable Housing and Finance

Since affordable housing and land right issues were priority concerns, much attention was focused on possible solutions to these challenges. To expand access to financing, stakeholders suggested exploring new ways to encourage the provision of loan products for a wider range of homeowners. Extending the time span of loans (e.g., from the present 3 years to 15 years) was one key recommendation. The nongovernment organization Women for the World suggested working with communities

to encourage savings and to form credit associations to help prospective homeowners meet their short-term credit needs as an alternative to the formal credit system. Members of the group would take turns providing each other loans to finance improved and secure housing.

Participants proposed a wider array of housing products, including rental housing, low-cost housing, and home upgrading to meet the needs of the poorest 50% of the population. Stakeholders also recommended a review and possible revision of laws governing MFIs to better enable them to borrow from local banks, making it easier for low-income borrowers to access housing financing. Specific recommendations included the following:

- (i) Review regulations affecting domestic deposit interest rates for MFIs, possibly bringing them in line with the bank minimum deposit rate.
- (ii) Explore ways to encourage new loan products for a full range of house owners, including associations of urban poor.
- (iii) Consider alternative systems of security for loans to urban poor associations including a loan guarantee fund, which might be used to reduce the deposit requirements for loans.

Land Use and Access

It was recognized that current government policies, regulations, and institutions influence the performance of the housing sector (e.g., restrictions on land conversion, complexity of the systems for permits) resulting in increased land prices, thereby restricting access to land for lower income households. It was recommended that existing legal, regulatory, and institutional arrangements—including the passage of the proposed Urban and Rural Planning Law; the Land Acquisition Act; and the Vacant, Fallow and Virgin Lands Management Law—be reviewed to address perceived bottlenecks. Specific recommendations included the following:

- (i) Ensure the national land use plan takes into account future demand for land, including urban land.
- (ii) Review planning standards to allow for ultrasmall plots of as little as 50 square meters or even less for housing development.
- (iii) Identify and develop a land titling system that uses a nationally accepted georeferencing system, which will also be used for land use classification and spatial planning.

- (iv) Prepare land use and land suitability maps for all the main urban areas, including information in land classification, land ownership, and prevailing market price.

Livelihood and Microfinance

To improve livelihood and expand financial assistance, participants proposed integrating microfinance and skills development to better support livelihoods development. It was suggested that additional funds be made available to MFIs, which could then be used to bundle assistance to microenterprises. Stakeholders also suggested developing marketing and financial management training—packaged with corresponding financial assistance—for individual entrepreneurs from urban poor communities. During consultations, it was noted that one nongovernment organization, Save the Children, is already making these connections in integrating skills development with access to financial instruments. Specific recommendations included the following:

- (i) Review current legal, regulatory, and institutional arrangements to enhance the role of government entities in assisting the initiatives of poor communities. This would not only encourage more community involvement but also enhance the provision of a full range of social services.
- (ii) Enable guidance and assistance in establishing urban poor associations, with legal status, in an open and transparent system.

Conclusions

Making Myanmar's cities more inclusive for the urban poor is challenging but not impossible. An important starting point is acknowledging the scale of the problem, as well as the current resource deficits and administrative bureaucracies to more effectively address these challenges. Enabling poor communities' opportunities to play constructive roles in their own development is one of the best means for the government to change the dynamic. Participatory inclusion will help enhance local-level development improvements—whether for drainage, sanitation, water, schools, health facilities, public transportation, or other public goods. Active community involvement, coupled with assistance synergies in housing, finance, and livelihood options, can help make substantial and meaningful inroads in addressing the current problems faced by urban poor households. Thus, multidimensional needs of excluded populations can best be addressed by encouraging partnerships between civil society, the private sector, and government in a facilitator role.

Acknowledgments

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Appendix: List of Stakeholder Participants

Mandalay

- Mandalay City Development Committee: Committee members (Committees 1 and 5), Department Heads and Assistant Directors, and staff
- Ministry of Agriculture and Irrigation, Settlement and Land Records Department
- Microfinance institutions and nongovernment organizations: World Vision, 9 GEMS Humanitarian Aid Organization, Brahmaso Humanitarian Aid Organization, Mandalay Peacekeeping Committee (umbrella organization with 25 civil society organizations in Mandalay), PEACE, and Paung Ku
- Community leaders: Ward administrators of Mya Yi Nandar Ward, Chan Mya Thazi Township
- ADB technical assistance team from the Mandalay City Urban Services Improvement Project
- Media: *7 Days News Journal* and *The Voice*
- Education sector: Myanmar Educational Professional Development Academy and MBA Alumni
- ADB staff and consultants
- Microfinance institutions (MFIs) and nongovernment organizations: Accion International, ACLEDA MFI, Save the Children - Dawn MFI, Myanmar Legal Aid Network, Local Resource Centre (umbrella organization to support relief and rehabilitation), and Free Funeral Service Society
- International donors and agencies: World Food Programme, United Nations Children's Fund (UNICEF), United Nations Human Settlements Programme (UN-Habitat), Livelihoods and Food Security Trust Fund (LIFT), Yangon Heritage Trust, and Japan International Cooperation Agency
- Community: Community Development Support Committee for the Community-Led Approach to Improved Sanitation Systems in Lamudan Ward
- ADB technical assistance team from the Transformation of Urban Management: Capacity Building and Urban Management Project
- ADB staff and consultants

Nay Pyi Taw

- Department of Urban and Housing Development, Ministry of Construction: Director General, Deputy Director General, and Department Heads
- ADB staff and consultants

Yangon

- Yangon City Development Committee: Division Heads, Section Heads
- Central government: Officials from the Settlements and Land Records Department of the Ministry of Agriculture and Irrigation and from the Construction and Housing Development Bank under the Ministry of Construction

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to half of the world's extreme poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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