Success Strategies for Poverty-Alleviating Rural Development for Myanmar: Lessons from Asian Experience

Thomas Reardon
Michigan State University
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1. Introduction

Myanmar faces a set of well-known challenges and problems, both in the overall economy and in rural areas in general and in agriculture.

But Myanmar is also in one of the most blessed situations on the planet to expect rapid growth and poverty alleviation: it is next to (literally surrounded by) the fastest growing and largest food markets in the entire world, in China, India, Southeast Asia, and eventually Bangladesh, to name a few; the trade opportunities these represent are with only few historical parallels. Myanmar is in the best position to fuel rural development from regional trade, on the planet.

Also, Myanmar is one of the areas of greatest resources on the planet, not just in water and wood and minerals, but in amazing soil resources for agriculture – not just in rice, but in the diverse set of other products of high value – fruits, vegetables, pulses, livestock, flowers, coffee, rubber, fish! Put these two advantages together and I can think of few better starting contexts for the new economy of Myanmar to be in.

To address the problems and challenges, and start to take advantage of the massive opportunity for broad-based inclusive growth, The Government of Myanmar (GOM) published the "Framework for Economic and Social Reforms" in December 2012. This landmark document laid out an ambitious and broad set of policy reforms to rapidly liberalize the economy, improve regulations, and invest in infrastructure in rural and urban areas. In August 2013 the GOM formed the Ministry for Livestock, Fisheries, and Rural Development. At that time, GOM commissioned a "Strategic Framework for Rural Development (RD)" October 2013. This has as I understand it not been presented as a "strategy", but rather a "framework" to help build a strategy.

The purpose of my talk now in November is to propose some elements of an RD Strategy, drawn not from theory but mainly from practical lessons of success seen in the Asian region.

2. Concepts and Ingredients

a) Rural **Development (RD) can be seen as "critical triangle"[2] of "(1) growth – (2) poverty alleviation – (3) sustainability**". In this brief I focus on the first two, growth and poverty alleviation. A key message from experiences reviewed by Vosti and Reardon (1997) for Asia and Latin America is that a

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[2] Vosti, S. and T. Reardon (eds.). 1997. *Sustainability, Growth, and Poverty Alleviation: Policy and Agroecological Perspectives*; Johns Hopkins University Press.

country **cannot (long) have rural poverty alleviation without robust rural economic growth that is broad-based (includes the poor).**

b) **Economic growth - itself comprises both agriculture (crops/trees, fish, livestock) and nonfarm employment (on average this is half of rural incomes in Asia and Latin America).** The rural nonfarm employment itself includes a lot of activities linked to the rural (local and district) foundations of the rural-urban food supply chain[3]; these include agricultural services (such as mechanization service teams serving small farm communities), agricultural product distribution (wholesale and logistics), and processing for value added.

c) In most (initial) situations in Asia and Latin America, **agriculture (crops/fish/livestock) is the driving "growth motor" of overall rural development as well as poverty alleviation. We found in our surveys in past decade of nearly 10,000 farms and rural economic actors in C**hina, India, Vietnam, Indonesia, Philippines, that the strongest and most poverty alleviating rural development has occurred where agricultural development (with trend toward semi-commercialized, small productive farms intensively using technology and producing diversified outputs, rice and fruit, rice and vegetable, vegetables and fish, and so on).

d) **The most successful RD experiences in Asia have had 3 Beneficial Characteristics**:

(d.1) broad based (focused on millions of small farms as well as 10's of 1000s of small/medium scale actors along the food supply chains in rural and urban areas: agricultural input and service suppliers like small machinery services and pump supply and repair; small scale truckers and wholesalers; small and medium scale processors and packers);

(d.2) s**trongly linked via value chains to markets that have growing demand, urban and export markets** (as rural demand alone is usually initially insufficient a base for poverty-alleviating rural development). **A key point is that doing local CDD (Community Driven Development) and even local zone investment is "necessary but not sufficient"** if this rural supply base cannot be linked to growing demand bases which are in town/city and export markets. In other words, investments in community infrastructure (through CDD) is good, but will not lead to poverty alleviation without complementary investments in supply chains and markets

(d.3) **with rural households "climbing the value ladder"** (say from common/low quality rice to high quality rice, to fish, vegetables, fruit, livestock), all of which are employment-creating and pay 2 times more (for quality rice) and 4-10 times (for fruit, vegetable, fish, livestock) more income per hectare and labor day than does common quality rice.

I provide examples of such rural development "booms" (successful and rapid development cases) below.

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[3] Food Supply Chain or Value Chain is the flow of inputs and products over "segments" from farm input suppliers to farms to wholesalers/distributors and processors in rural and urban areas, to retailers or exporters in rural and urban areas. Keep in mind that there are, in turn, supply chains feeding each of the segments of the food supply chain; an example is the "fish feed supply chain" feeding into the "feed input segment" in the fish supply chain.

3. Strategies and Actions

In successful rural development cases, governments had an "investment perspective" applied to all levels: the key strategic goal of RD promotion was to get households and firms (local rural and along the value chains) to invest in activities directly or indirectly related to the growth motors. Thus **RD promotion is aimed at inducing private investment by huge numbers of small farmers, input suppliers, transporters, wholesalers, processors – in growth (and thus poverty alleviation): to create "growth multipliers"**[4].

Governments (and private sector) in the success stories in Asia (China, Southeast Asia, India) promoted <u>3 Action Pillars</u> to help "enabling context and incentives" for private investment in village, zone (district level) and rural-urban value chains:

a) **hard infrastructure** (roads, footpaths, irrigation, electricity grid, etc.) to enable private sector at the village local level and in the region/districts of the zone as key connectivity. A key point is that CDD-led investment in village level is "necessary but not sufficient" as one also needs infrastructure in rural region to make the link from village to markets.

b) **soft infrastructure** (input, credit, and output markets, institutions (such as land titles), organizations (of governance or economic groups to aggregate product such as coops), and extension/information systems). A key point is that hard infrastructure is necessary but not sufficient for rural growth (and thus longer term poverty alleviation) as you need soft infrastructure … and vice versa.

c) o**verarching policy conditions that incentivize private sector all along the supply chains from villages through zones to towns/cities and ports:** This involves
c.1) macro: **Getting right Ag and macro policy** (to provide an enabling/incentivizing environment for investments by entrepreneurs, large and small, in rural areas, along the value chains, and in the urban areas and ports to develop production, employment, and markets);
c.2) Micro: **Getting right community development, farm productivity, and livelihood promotion and household and individual level** – by making hard and soft infrastructure investments at the village/local level, and promoting governance and institutions such as land property rights that enable local people to invest in agriculture and nonfarm activity.
c.3) Meso: **Getting right rural regional development and rural connectivity** – via linking local infrastructure development with regional, rural-urban, and inter-regional connections of roads and rail and ports and wholesale markets.

4. Exciting Asian Cases of Success Paths

A number of remarkable rural development booms resulted quickly and recently in Asia both sides of Myanmar. Given this is a brief, I list **just some of the many success cases we found in our field research**[5]**:**

a) **Shandong, China (similar population to Myanmar): rapid shift from rice to vegetables and fruit to supply urban and export markets**; became the largest domestic supplier in the world, and number 1 in exports in the world.

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[4] Growth multipliers are "ripple effects" out from economic growth in one sector such as farming that builds incomes and employment in other sectors affected by the initial sector development: such as income and production growth in agriculture causing (via demand) growth in farm input supply sectors, agricultural product distribution and processing, and in turn other services such as truck repair that in turn service all these sectors affected by the initial increase in output and income in the farm sector. These ripple effects are felt over rural areas and into urban areas.

[5] See Reardon, T., K.Z. Chen, B. Minten, and L. Adriano. 2012. *The Quiet Revolution in Staple Food Value Chains in Asia: Enter the Dragon, the Elephant, and the Tiger.* Asian Development Bank and IFPRI, December.

b) **Luzon, Philippines (similar population to Myanmar)**: **shift from rice to mangoes** to become a leading mango exporter in Asia, raising rural incomes rapidly.

c) **Java, Indonesia (similar in population to Myanmar)**: **rapid shift of poor coastal and river fishermen into fish pond farmers, and poor rice farmers into mango and vegetable farmers**. This led to rapid and large increase in rural incomes and employment. The focus was on supplying towns/cities (very little to export markets so far).

d) **Western Uttar Pradesh (set of districts with population same as Myanmar)**: rapid shift from small farmer wheat to potatoes, with boom in local private investment in cold storages and wholesale and transport for the supply chain to Delhi. All the supply is aimed at the rapidly growing urban market.

e) **Mekong River Delta, Vietnam: shift from common quality rice to high quality rice** and connection mainly to urban markets and also (as minority of sales) to export markets.

To achieve these amazing successes, Asian neighbors put in place the 3 Action Pillars and pursued rural development with the 3 Beneficial Characteristics discussed above. Especially to note are:

a) In all the cases 1000s or 10's of 1000's of small-scale farms, 1000's of mills, truckers, cold storage firms, wholesalers, all making in aggregate a very large investment. Without this kind of "grass roots involvement" the RD strategies cannot succeed at a large scale to alleviate poverty.

b) The governments also made important "enabling" investments in hard infrastructure and soft infrastructure – extension of new varieties, information systems, roads, electricity grids for industrial-level electricity, rural wholesale markets, and improved ports.

c) The governments all put in place "free market" policies to encourage participation in value chains to urban and export markets; an example of this is the fully liberalized/free market system for vegetable and fish production and marketing in China.

d) An important emphasis was placed on investments to connect these rural areas to towns/cities and ports. This pulled them into being "dynamic, connected areas" instead of hinterland areas cut off from dynamic sources of demand to feed rural development. I discuss more below the challenges related to different kinds of zones.

5. Strategic Challenges and Issues on Myanmar's Road to Rural Development Success

a) **To best promote the "local enabling context", it appears best to combine actions over Ministries to put together the above package** – RD at CDD level, Electricity and Roads and Wholesale Markets at Zone and urban and port levels; Rural Development Policy and Agricultural Policy to provide property rights and free markets to incentivize investments; etc.

b) To focus in on sequencing and putting in place needed investments to build villages links to rural-urban value chains and growing sources of demand to feed rural development, it is valuable for government in concert with rural actors and urban market actors to "pick winners" in terms of key product categories with strong demand potential (like fish, pulses, chicken, fruit/vegetables, and of course differentiated qualities of rice) and market winners (regional market is key, town/city market) that they have to link to. **The overall enabling environment is key but there is also a need to "adapt" investment plans to short-term high opportunity products/value chains that will be motors for RD**

c) **It is crucial to have Differentiation of RD strategy by different types of zones**. One way to think of this is to divide districts/zones by **economic-distance from market and by agroclimatic performance/potential of the area.** There are many poor in all divisions and states/regions of Myanmar, so in all areas there are opportunities to alleviate poverty massively. One can think of several types of zones.

c.1) The first can be thought of as the **drier part of the broad midland of the country,** with its great potential in pulses and oilseeds, but also, with irrigation, a wide variety of fruit and vegetables, with access (that should become increasingly feasible with appropriate investment) to booming markets in China via Shan and India and Bangladesh.
c.2) The second can be thought of as the **irrigated wetter areas of the broad midland**, with its rice and fish and vegetables and easy access to ports and urban markets.
c.3) The third can be thought of as the **eastern mountain states/regions** with diverse microclimates and massive potential in production of fruit and vegetables and maize for the next-door market of China and Southeast Asia, like Northern Mexico perched next to the market of the US.
c.4) The fourth can be thought of as the **long coastal areas with immense potential in fish/seafood, in Rakhine and the Southeast**. The markets for fish in India, southeast Asia, and China are basically endless, and growing far faster than the rice markets there (which have stabilized and are in gradual decline).

We have observed that in all of these four zones there are areas that are close to markets and have a strong (potential) resource base to respond to demand. In those areas of those zones, the priority would seem to be, benefitting from the example of other Asian countries, to rapidly build infrastructure to link to the markets, and build the capacity of local farmers and supply chain actors to respond to demand. Again, there are many poor in these areas that face large constraints at present to allow them to participate in economic growth in these areas. Building basic assets and skills of the farmers and landless in these areas is key.

But also in all these four zones, in areas more remote from markets, the challenge will be greater. It is inevitable, based on other Asian experience, that progress will only be gradual in these areas. Finding products that they can send via longer supply chains to the coasts and towns will be critical, as local demand is far too weak to raise incomes to alleviate poverty. And in these areas, just raising the productivity of subsistence farming and access to inputs will be crucial.

d) **Getting lots of new empirical data (base is far too weak to go far now) and building capacity for analysis is crucial: It is key to** build capacity in various interlinked dimensions –
d.1.) capacity for dialogue about rural and market conditions;
d.2) **capacity as a long term asset to analyze and observe rural and market condition**s via surveys, research, analysis, and outreach from those to policymakers; in the end, building the local “land grant university” and research/action centers of excellence will be crucial to continuous inflow of empirically based information into the debate as the best method of finding practical, realistic, and “differentiated” solutions;
d.3.) **capacity of the private sector** small and large scale to link to that dialogue to express needs for change in the enabling environment;
d.4) capacity of local and regional governments to link to d.1-d.3 to meet their needs for design of initiatives.