



## WHY ACCELERATE MYANMAR AGRICULTURE'S TRANSFORMATION?<sup>1</sup>

1. **Except for a limited few natural resource-rich countries, no country has made a transition to high income status without a successful process of agricultural transformation.** This transformation is a multi-stage process of structural change involving fundamental shifts in resource utilization, farm and value chain organization, product composition, and the scale and types of contributions to a country's macroeconomy. For most countries, dynamic changes in agriculture pre-date and help to foster broader patterns of economic structural transformation. Conversely, a stagnant and underproductive agriculture can halt overall economic development in its tracks and limit a country's capacity to address inequalities between rural and urban areas, thereby incubating instability.<sup>2</sup>
2. **These lessons from international experience strongly apply to Myanmar.** Agriculture still represents a large share of Myanmar's GDP and labor force. Taking into account forward and backward linkages, Myanmar's agri-food sector still accounts for nearly 42 of GDP and 58 percent of employment. Agriculture's effectiveness in generating raw materials and a diversified mix of quality and safe food products will continue to play a vital role in the development of the country's manufacturing and services sectors. And, the sector's profitability will strongly impact the scope for domestic financial resource mobilization as well as the ultimate size of the domestic consumer class. A vibrant agriculture can support the development of a healthy urban economy, while a struggling agriculture will simply absorb resources and retard the country's overall competitiveness.
3. **Poverty in Myanmar is primarily a rural and agriculture-related phenomenon and must be largely addressed in these contexts.** Of the 15.8 million people classified as poor in 2015, 87 percent lived in rural areas. Rural out-migration, both to cities and other countries, can play some role in reducing poverty, but not for the bulk of Myanmar's poor households. Much of the solution to poverty in Myanmar will have to be found in rural areas, both through agriculture and non-agricultural activities. Nearly half of the country's poverty reduction between 2005 and 2015 is attributable directly to progress

<sup>1</sup> Attribution— "World Bank. 2019. *Benchmarking of Myanmar's Food Systems: Evidence and Strategic Directions*. 3. Executive Summary". Report No: AUS0000470. Report Authors: Indira Janaki Ekanayake, Mateo Ambrosio-Albala, Steven M. Jaffee.

<sup>2</sup> Mellor (2017) notes that "note taking advantage of the transformative role of agriculture slows and delays economic transformation to the detriment of the growth rate, poverty reduction, food security, and broad welfare of urban and rural people."

in agriculture. Agriculture's contribution to poverty reduction seems to be slowing, however, precisely at a stage of development when it needs to accelerate.

**4. Considering a wide variety of performance indicators, Myanmar's agriculture and overall agri-food system appear to be lagging behind many regional peers** with which it either competes or has some degree of integration with via trade, investment, and technical/institutional collaboration. This may partly be a legacy from the past era of relative isolation. But, there is little evidence in recent years of a narrowing of agricultural productivity, farm profitability, value chain efficiency, nutritional status, or other gaps between Myanmar and multiple peer countries in Southeast Asia. And, the sector has shown itself to be highly vulnerable, both to weather and external market (and policy) shocks.

**5. It is not only a sustained (or widening) performance gap. In many although not all respects, Myanmar's agriculture and wider agri-food system are transforming at a much slower pace than what is being observed elsewhere in the region.** This applies in the patterns of primary production, in the post-farm logistical, processing, and distributive functions, and even on the demand side, the latter being constrained by the persistence of food poverty and the slow development of a middle class. The very slow pace of agri-food system transformation is worrisome, given what was said earlier about its importance for the broader socio-economic development of Myanmar. It suggests that 'business as usual' from a policy and public spending perspective, is not a viable option.

**6. Over the past decade, the budget allocations to agriculture have represented a consistently large share of relatively limited budget resources.** For example, during the period 2009-2010 to 2015-2016, as a share of the GDP, Myanmar allocation to agriculture grew constantly from 0.77 to 1.21 percent. Since then allocation has dipped slightly below 1 percent. Larger share of the allocation comes from the Union budget while both Presidential budget and Regional budgets also allocate to agriculture. However, the agricultural public expenditure is three times smaller when viewed as a share of agricultural GDP (2.4 percent) than the world average (8.2 percent).

**7. However, the implementation efficiency and quality of most agricultural public programs has been very low and narrowly targeted, with some very important dimensions of public agricultural support receiving inadequate attention.** For example, irrigation has accounted for between 50 and 60 percent of public agricultural spending during this decade. Despite a doubling of spending between 2011 and 2015, the cultivated area serviced by irrigation increased by only 3 percent. And, the productivity in managed irrigation schemes differs little from that in rainfed agriculture. In relation to seed, some 50 percent of the commercial product generated in the public system is rejected by testing laboratories and simply consumed as grain. This contributes to an underserved market for high quality seed. Public spending on innovation—via agricultural research and extension—has been extremely low in absolute terms and proportionate to the size of the sector. This has translated into the highest ratio of farmers to extension workers in the region, and some of the lowest rates of adoption of improved, productivity-raising technologies.

**8. Beyond the limited payoff from public agricultural spending, agricultural development has also been hindered by an inadequate enabling environment for private investment in the sector and affiliated industries.** Myanmar ranks toward the bottom of many cross-country comparisons for enabling agribusiness. For example, recent surveys by the World Bank, have found Myanmar to rank very low among countries in relation to the regulatory environment for machinery, finance and water resources management. Similarly, assessments of capacities for managing animal health and food safety risks position Myanmar's status well below that of regional peers with whom it competes, or market integrates.

**9. Until the recent development of the Agriculture Development Strategy (2018-2023), Myanmar lacked a comprehensive vision for the sector and instead pursued a rather narrow set of goals based upon a limited set of targeted interventions.** The ADS offers a holistic vision for an inclusive, competitive, and resilient sector and recognizes the need for integrated—and oftentimes multisectoral—approaches to address long-standing or newly emerging issues. The challenge is to move from vision to action, to effectively implement priority policy and regulatory reforms and improved programs of public investment, advocacy and facilitation. The ADS Implementation Plan is expected to offer a realistic fiscal framework for monitoring outcomes and budget flexibility to different pillars.

**10. There is some urgency for Myanmar to upgrade, substantially, the quality of public support and governance for the agricultural sector and broader agri-food system.** Part of this

stems from emerging systemic risks which must be mitigated. For example, continued natural resource degradation, including in relation to fisheries and forestry, may result in long-term losses in productivity and livelihood opportunities. change impacts on Myanmar's agriculture are both significant and broad and the responses will need to be multi-dimensional. The same applies to biosecurity and food safety, issues which will become ever more challenging along with urbanization and further dietary changes.

**11. The urgency for better results also stems from the competitive environment.** There are enormous emerging opportunities in the agri-food space, especially stemming from the extraordinary growth of the urban middle class in developing Asia and the dietary shifts towards higher value foods, processed foods, and out of home eating. By 2030, an additional 2.2 billion people will enter middle class status in Asia. The 'race' to capture this market via the development of reliable supply chains, recognized consumer brands and other means is beginning to enter a sprint mode, with regional and extra-regional players, both large and small, entering the fray. Slow moving Myanmar food and agricultural actors will find themselves not only missing out on major opportunities regionally but also potentially run over by a competitive hoard trying to service the emergent Myanmar urban consumer market. We already see aspects of this in terms of a recent surge in Myanmar's imports of higher value and processed foods and also in the development of the domestic fast food service sector. This is not just a story of individual market players competing. In such cases as China and Vietnam we are seeing major shifts in government support which are aiming to accelerate transformative changes in the quality and sustainability of production and the competitiveness of entire industries. Hence, the competition which Myanmar farmers and firms will face will likely be far more formidable in the future than in the recent past.

## HOW TO FRAME AND STRUCTURE THE APPROACH?

**12. Myanmar needs to adopt agri-food policy goals consistent with its broad economic development aspirations. This can be summarized as a shift from rice to RICE.** That is, a shift from a predominant focus on expanding the production of and affordable access to its staple grain, rice, to a broader vision for the agri-food system which will be increasingly resilient (R), inclusive (I), competitive (C), and environmentally sensitive (E). Each of these attributes involves multiple dimensions, many of which have also been embraced under the Agricultural Development Strategy. For example:

- a) *Resilient*: the food system must ensure ample availability and affordability of stable and other foods; mitigate production risks posed by weather and other natural factors; mitigate market performance risks, including from external shocks; and accurately monitor status and performance.
- b) *Inclusive*: the food system is expected to provide many stable and remunerative livelihood opportunities (from-fork-to-farm); meet the food and nutritional security needs of low-income households; contribute to improved diets and nutritional outcomes more generally; and make the most effective and equitable use of invested public resources.
- c) *Competitive*: stakeholders within the food system are expected to attain higher and sustained levels of productivity; realize synergies and economies of scale; make effective use of locally available raw materials and minimize food losses; and meet consumer needs and preferences for food variety, quality, safety and ethics.
- d) *Environmentally sensitive*: the food system is expected to operate preventing or minimizing adverse environmental impacts associated with food supply and distribution; minimizing food waste; adapting and minimizing contributions to climate change; and promoting awareness and pursuit of responsible consumption.

**13. Looking to the future, Myanmar also needs to be explicit about what it wants to avoid in the development of its food system.** This statement of purpose can be based upon lessons learned from other countries about the pitfalls encountered during processes of agricultural intensification and food system 'modernization'. For example, at the level of primary production, Myanmar should aim to avoid (i) a farm productivity plateau linked to soil quality degradation and loss of ecosystem services from excessive and imprecise use of inputs and improper animal waste management, and (ii) boom and bust cycles in aquaculture brought about by disease, toxic contamination invasive species, etc. due to poor

biosecurity practices. other points in the food system, Myanmar should aim to minimize (i) food waste, with its economic and environmental consequences, and (ii) the health and socio-economic burdens of diet-related chronic disease.

**14. The agenda for pursuing these goals and mitigating these risks is intrinsically multi-sectoral.** The best way to approach this is by conceptualizing the broad agri-food system, with its multiple components, stakeholders, drivers, disrupters, and outcomes. And, to think in terms of multi-dimensional pillars. The ADS employs only three pillars, namely (i) productivity, (ii) competitiveness, and (iii) governance. One could alternatively organize thinking around five broad (multisectoral) dimensions, namely:

- a) agricultural productivity, sustainability and diversification,
- b) food and feed business and trade facilitation,
- c) food safety management and consumer protection,
- d) integrated approaches to nutrition, and
- e) safety nets and other measures to address food vulnerability.

**15. This calls for a different weighting or balancing of policy attention as well as strong emphasis on realizing consistencies in policies and synergies in interventions on the ground.** Hence, there is an evident need for more balanced attention between food demand (and consumer welfare) and food supply dimensions, between primary production and the food system challenges beyond the farm-gate, and between food quality and quantity dimensions. Initiatives are needed to bring greater consistency and synergy among food-related agricultural, health, industrial, environmental, transport and trade policies; and between the delivery of core public goods and the initiatives to facilitate private investment and initiative.

**16. The materials generated under this study and consultative process lay out a set of integrated strategies to realize higher levels of performance and transformative change in various areas.** For example, strategies and potential entry points are identified in relation to climate smart agriculture, agricultural innovation, nutrition-sensitive value chains, food safety, and other areas. A mix of strategies is also depicted in relation to achieving the four categories of goals in terms of a more resilient, inclusive, competitive and environmentally sensitive food system.