

## Upgrading social protection in Myanmar: a discussion piece

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*This informal note offers some reflections and ideas on upgrading the organisation and financing of social protection in Myanmar. It would like to support creative enquiry into policy and programme options which might be able to respond to current policy challenges in Myanmar.*

*The paper begins with a brief discussion of the policy context (section I), and then presents a range of possible approaches to – gradually - building a system of social protection (section II). Social protection is understood as comprising formal sector, contributory social insurance and tax financed non-contributory social assistance. A brief scan of the current socioeconomic situation (section III) serves as the basis for proposing a selection of social assistance transfers and providing rough estimates of their cost over the next six years (section IV). This paper is interested specifically in social protection, and within that in social assistance. Scenarios for social security, health insurance, and other areas of economic and social policy – which are equally important and urgent - are not discussed.*

### I. Policy context

Myanmar is in an intensive phase of political, economic, and social reform and restructuring. In a context of rapid change, the population has high expectations for immediate, concrete outcomes and visible improvements, which puts much pressure for success on the groups in power and the political elite.

The policy reforms initiated by the government are, among other things, directed at decreasing poverty and food insecurity, enhancing livelihoods and increasing incomes and income security, addressing low productivity in the rural economy, and working towards social inclusion in all regions of the country. Specifically, the government of Myanmar announced a number of overarching priorities, including sustainable agricultural development, promoting development among regions and states, inclusive growth, and building quality statistical systems (Ministry of Planning and Economic Development 2012). This is in tune also with the objectives spelt out in the 2013 Nay Pyi Taw Accord for Effective Development Cooperation (President Office 2013).

In this vein, the government convened a high-level conference on social protection in 2012. It outlined the factors necessary for creating a “Myanmar Social Protection System,” based on the needs of different social groups and sectors, including children and women, the vulnerable, the aged and people with disabilities. Points made include:

- “recognizing the basic needs of every citizen for comprehensive health care and education as well as income security and job security;
- promoting rights of workers and farmers on the establishment of universal health system;
- ensuring that social protection policy be developed and aligned with the second phase of the Government’s overall reform strategy, People Centered Development approach, and specifically linking social protection with the Rural Development and Poverty Alleviation Strategy;
- encouraging energetic cooperation, including with bilateral and multilateral organizations and NGOs, for an integrated and all inclusive social protection system;
- creating a national high-level institution (committee) for the coordination of social protection to ensure its policy formulation, and monitoring implementation to inform the policy makers and the public.
- developing a comprehensive social protection policy and strategies.” (UNICEF Myanmar 2012b).<sup>2</sup>

In this paper, social protection is defined as comprising contributory social insurance – or social security – on the one hand, and tax-based social assistance on the other. In order to create a social protection system, two things are important. Firstly, the formal-sector, contributory social insurance system needs

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<sup>2</sup> On the political process, also see President U Thein Sein 2012 a and b. On the case for economic reforms, see von Hauff 2009.

to be overhauled. It has been in place since 1956, but covers only a fraction of the population – those employed in the government, large firms, and the army. Secondly, new social assistance interventions to reach and adequately cover the entire population need to be introduced. Currently, very few social assistance transfers exist.

Since Myanmar is a wealthy nation in terms of its resource base (Cammack 2012; UNICEF Myanmar 2013b), it is in a position to develop a comprehensive social protection system, which would be fiscally sustainable. Given the great expectations, nationally and internationally, regarding the country's socio-economic progress, social protection could be conceptualised as a rights-based approach, and universalised gradually but progressively, as fiscal resources and administrative capacity evolve.

## II. Approaches to building a system of social protection

The international “state of the art” position<sup>3</sup> concerning social protection is to create a unified system of universal coverage, to be achieved progressively as resources permit, to address poverty, vulnerability and social exclusion. In some countries, social protection systems are also conceptualised as a means to address income inequalities, by directly linking the introduction of social protection with tax reform. The objective is to provide a legally binding system in terms of entitlements and benefits, with special efforts to reach excluded and vulnerable groups, based on a notion of social solidarity. Governments are increasingly framing social protection as a right, with the government as the duty bearer. Other principles include transparency and accountability, and financial, fiscal and economic sustainability. Monitoring and periodic evaluations, and complaint and appeal mechanisms need to be built into the system. There is also a general agreement that social protection needs to be in coherence with and support other social policies, such as high-quality, genuinely inclusive public services delivery, and progressive macroeconomic policies committed to employment and decent work.

A well-designed social protection system takes institutional capacity and financial resources into account. In terms of funding modalities for social protection, there is some international consensus in policy circles that social *assistance* should be government funded, i.e. from revenues from taxes, levies, and other sources of public finance, for which fiscal space is available in most settings. Formal sector social *security* or *insurance* on the other hand is to be contributory, with employers and employees paying into the scheme, with possible government co-contributions. In lower income countries, at the design stage, social assistance pilot schemes and capacity building processes tend to be funded or co-funded by bilateral or multilateral agencies through a grant or a soft loan.

There is a wide range of approaches and options to select from when building a social protection system (see table 1 below), gradually merging the social insurance and social assistance “wings” of social protection. One approach is to progressively universalise social protection, starting from and building a comprehensive set of social assistance transfers; another is to extend an existing social insurance to progressively and steadily cover increasing shares of the population. A third approach is to do both. Over time, the social security and social assistance measures need to be brought together into an interrelated and, ideally, unified system.

Social protection systems, in any country, are the result of its specific institutional history, and influenced by political processes. In Myanmar, for example, *social security*, in the form of contributory systems in the formal economy under the Social Security Board, was introduced soon after independence, and maintained, albeit with an extremely low coverage rate, throughout the country's socialist and autocratic eras. *Social assistance*, as in most low-income countries, has a broad range of forms, and includes schemes that are community- or faith-based, as well as a few, ad-hoc government schemes provided by line ministries, primarily the Ministry of Social Welfare (Nishino and Koehler 2011).

In Myanmar at this point, one viable approach appears to deepen social protection by focusing on social assistance, and concentrating on the most vulnerable groups. This would mean introducing new social protection transfers, as well as consolidating and regularising existing and emerging programmes and interventions. It would be important to ensure their coordination, by having a common coordinating mechanism, ideally at a high government level, such as the cabinet or a specially created body with formalised access to the president's office and the cabinet. There is also a need to draft and adopt pertaining legislation.

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<sup>3</sup> See especially ILO 2012 and UNICEF 2012. Also see ESCAP 2011; Handayani 2011; UN Asia Pacific 2012; European Commission 2012, and World Bank 2012. Murthy et al 2012 trace the evolution of social protection systems in a number of countries.

<b>Table 1. Overview of approaches towards building a system of social protection</b>			
<b>Type</b>	<b>Objective</b>	<b>Advantages</b>	<b>Shortcomings</b>
Social <i>assistance</i> extension	Looks at current social assistance transfers, introduces new ones, and ensures their coordination and consolidation	Simple and logical in terms of using the existing transfers as building blocks for a system	Risks maintaining the separation between social security and social assistance systems
Social <i>security</i> extension and deepening	Uses existing social security system and explores coverage extension	Reaches from the existing, small, formal system into the informal economy	Likely to be very slow and costly, and interventions to include the informal economy, or to tackle social exclusion, may not be available. In the long run will result from development of the formal economy.
Social protection floor, using a life cycle approach	Uses “four guarantees approach” for social protection extension	Could be a combination of the social security extension and social assistance deepening and extension	Would require mobilising considerable resources – which are however available considering the country’s resource base
Social protection floor, using a life cycle approach, plus supply side interventions	Combines “four guarantees approach” for social protection extension with social services delivery improvement	Comprehensive approach, looks at monetary transfers as well as services delivery (health, education and others).	Would require mobilising considerable resources. Complex to negotiate and deliver; requires cooperation among many line ministries
Social protection floor plus decent work	Ditto, and includes interventions for employment generation under decent work conditions	Addresses broad range of socio-economic challenges - poverty, exclusion, unemployment. Could be especially geared to address youth unemployment	Complex to initiate and coordinate.
Social health insurance	Create a universal health system.	Addresses health expenditures which often trigger or exacerbate poverty notably in low-income households.	Complex to design and implement.
Source: Koehler 2012			

Another approach is the extension of formal sector social security. This is an approach put forward by the Myanmar Social Security Board (SSB) (Ministry of Labour 2012), and formalised in the Social Security Act, which was adopted by the Parliaments on 31 August 2012. It offers extended social security provisions on a contributory basis for employees in the formal economy, to be complemented by an arrangement for voluntary contributions into the system from persons outside the formal economy.

A third approach would be to work with the social protection floor. It sees a parallel development of *social assistance broadening* and *social security deepening*, as adopted by the ILO Assembly in 2012. The social protection floor recommendation document recommends “four guarantees” which can be introduced consecutively, as resources permit (ILO 2012: 3):

- (1) access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;
- (2) basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
- (3) basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
- (4) basic income security, at least at a nationally defined minimum level, for older persons.

A wider, inter-sectoral approach, which would involve several line ministries, would combine social assistance and health protection modalities and social security with the “supply” side: consolidating basic education, health, and basic social infrastructure – corresponding to the first item of the social protection floor approach. Another, more complex and ambitious approach would be to complement the social protection floor approach with decent work initiatives.<sup>4</sup> - This paper looks only at points 2, 3 and 4 of the social protection floor recommendation because they pertain specifically to social transfers, and will limit itself to the social assistance modality.

The above approaches are not mutually exclusive, but the choice of the entry point for creating a system will have some impact on the actual evolution and design of the system. Within each approach, various interventions and combinations of interventions, and decisions regarding their respective size and sequencing, are conceivable.

For example, if one were to choose the social protection floor approach, one would be working towards a system comprising three or all four of its elements, and could then opt for their sequential introduction. Thus, the government could first introduce a child grant, and/or old age social pensions, or combinations thereof. Social assistance for the active age population, which would require a larger financial outlay, might be phased in later.

One argument for selecting a child benefit as a starting point in a nascent social assistance system could be that it can serve as a symbol of social solidarity. Moreover, in a period of transition and reform, a child benefit can support national unity and nation building. In the case of Myanmar, most households have children and would thus be likely to benefit from a universal child benefit, regardless of their location, ethnicity and income, thus making it a type of transfer that most families can relate to and identify with, and would then perhaps associate positively with the reform efforts.<sup>5</sup>

From a rights-based perspective, a child benefit could help to ensure child well-being – an important consideration since interventions for child welfare cannot be postponed without damaging or jeopardising the child’s development and potential. A link could be made to birth registration, which is low, especially in low-income households, rural areas and ethnic minority areas (see UNICEF Myanmar 2012a); such a step would however need to be deliberated carefully so as to not lead to new processes of discrimination and social exclusion. A child benefit also could have advantages at the technical (delivery) level, because it could be simply based on child registration. Operationally, it could build on, expand and modify the existing grant for mothers with three and more children. Another option would be to combine a maternal and a young child benefit to cover the first 1000 days in a child’s existence.

Alternatively, one might start with social transfers to address the rural economy, hard-to-reach and remote areas, and the informal economy. A social transfer for rural areas would be more costly than, for example, a child grant, unless a very small benefit level is chosen which would then make it less effective. If such an income transfer were directed only to the very lowest income groups, for example, the lowest quintile rather than the lowest 30%, it would require some form of means testing, which would make it more difficult to administer. A rural income grant would however bring economic support to the country’s worst-off communities and regions, conceivably help improve productivity, and politically would be in tune with the government’s Rural Development and Poverty Alleviation Strategy. A sub-form of an income transfer would be to introduce social health insurance for all rural citizens as a first step to address one of many key factors in creating poverty in Myanmar, and thus correspond to the government’s commitment to a universal health system.

Whichever interventions are introduced as starting points for expanding social assistance, their rationale would be to respond to poverty, social exclusion, and child wellbeing. Any set of interventions selected needs to be designed with the final system already in mind, so that the social assistance transfers, introduced perhaps as building blocks, ultimately create a comprehensive, connected, inclusive and efficient system. Interventions need to be referenced to each other so that they do not result in a

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<sup>4</sup> The ILO (ILO/EU 2013) has piloted this approach in three countries, including in Cambodia. It entails coordinating social protection-related interventions of the social welfare ministry, social security board and related entities with interventions on employment, work conditions and wages, generally under the ministry of labour.

<sup>5</sup> If average family size in low-income and ethnic minority groups is larger than in the population as a whole, a child grant would more than proportionally benefit these groups, creating the additional effect of higher economic support to disadvantaged groups. There could however be concerns whether maternal or child benefits might incentivise larger family size. Based on experience in other countries, this would presumably only be the case if the benefit level is high enough to substitute for wage income, and if child care structures.

fragmented arrangement. Costing of, and then budgeting for, the various approaches in the fiscal budget, and introducing dedicated budget lines will be a key component of the process.<sup>6</sup> And: it will be important to have a good public communications strategy, to build political support, and to ensure that all entitlement holders are aware of the social protection schemes advanced.

### III. The current socioeconomic situation

Myanmar is a country in transition, facing complex socioeconomic challenges. Per capita incomes remain low, and precise data are lacking for many economic indicators and regarding population statistics. Roughly 25 per cent of the population are estimated to live under the national poverty line of 376 151 kyats per year (2010). The food poverty line was 274 990 kyat per person per year (Ministry of National Planning and Economic Development and UNDP, 2011a: 6; 12). For many of the human development indicators, Myanmar performs far below its potential, and lags behind most countries in the region. However, in terms of its economic potential, the country could afford a generous system of social services and transfers (UNICEF Myanmar 2013a and b).

Evidence compiled in recent studies suggests that a number of socio-economic groups would require particular priority in terms of social assistance. They include:

➤ The rural poor

The majority of the country's population lives and works in the rural economy. Poverty incidence is estimated at 29% - almost double urban poverty. There are moreover large differences in poverty incidence, ranging from over 70% in Chin State, 44% in Rakhine State, and around 33% in Tanintharyi Region, Shan State and Ayerwaddy Division, to below 15% in some of the other regions/states (Ministry of National Planning and Economic Development and UNDP, 2011a: 12f). Rural food poverty too is double the urban rate, with food poverty incidence at 5.6% (Ministry of National Planning and Economic Development and UNDP, 2011a: 6f). Migrant workers, internally displaced people and landless farmers are especially vulnerable.

Reasons for rural poverty include low agricultural productivity, insecurity over land titles, landlessness, and recently also land grabbing; lack of alternative remunerative work in remote areas; and, depending on the region, lack of agricultural, economic and social infrastructure. Health shocks are a particular threat to low-income rural households. Expenditures on health services and medication are generally paid out of pocket and easily consume large shares of income or even savings.

➤ Ethnic minorities

Rural poverty is compounded in the border areas where ethnic and language minorities live. They are, generally speaking, also religious minorities. The ethnic minority regions are partly difficult to reach, and many remain in open or latent armed conflict or situations of tension – although cease fire agreements are now under negotiation. The outcomes on nutrition, on maternal and child health, and on education in these areas are systemically worse than in the country's central plains.

➤ People in environmentally fragile zones

Another, less easily demarcated, vulnerable group is those people living in regions especially susceptible to natural disasters such as cyclones, floods, drought and other environmental hazards.

➤ Children

In Myanmar, children under 5 are seriously affected by malnutrition (35%), and household income poverty is correlated with child malnutrition, lack of or low quality of education, and violence against children. Affecting all children is the inequity in access to and the quality of social services, notably education and health, but especially for children living low income quintile households and in particular geographic areas, including those with higher poverty incidence, or remote ethnic minority areas (see Ministry of National Planning and Economic Development and UNICEF, 2011; Ministry of National Planning and Economic Development and UNICEF 2012). For school-aged children, the net completion rate of primary school is only 54%, and there are particular vulnerabilities in the transition from primary to secondary school (Ministry of National Planning and Economic Development and UNICEF, 2011). All of these sub-groups might merit prioritised attention when designing a social protection policy.

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<sup>6</sup> See UNICEF 2013a for an analysis of the fiscal budget of Myanmar. For examples of other costing exercises, see ILO 2008 and ILO Regional Office for Asia and the Pacific 2012.

➤ Senior citizens

Poverty among senior citizens is not well documented in Myanmar. However, one does know that the majority of older people (60 years and above) live with the family of one of their children, and that, roughly from the age of 70 onwards, the older generation tends to become economically dependent on their adult children (HelpAge, 2013).

➤ People with disabilities

There are no statistics on the number of people with disabilities in Myanmar. Global averages from the WHO estimate that 15% of a population tend to face disabilities. Since this population group in most instances will face difficulties in terms of earning an income, a disability benefit would be called for. It could be based on medical certification.

➤ Youth

Youth is another highly vulnerable group in Myanmar. Again, precise data are missing, but it is known that large numbers of working age youth are unemployed, and need to rely on their families for income support. The lack of decent work opportunities for young people would however be better addressed via active labour market and decent work policies, such as general and youth employment creation schemes; vocational or on-the-job-training opportunities; and job matching exercises and the like, rather than by social protection interventions.

For six of these groups, the government may then want to consider developing social assistance transfers, possibly using the social protection floor with its life cycle or life course approach (also see ILO 2014). Some such options are presented for discussion in section IV.

#### **IV.) Ideas for social assistance transfers and their respective costs**

Given the extent and depth of rural poverty, building an equitable social protection system will require a concerted effort to extend coverage to rural areas in a systematic and transparent fashion. It would be desirable that benefit amounts are sufficient to bring households at the very least up to half of the current poverty line of 31 000 kyat per person per month,<sup>7</sup> which would correspond to roughly 15% of per capita GDP.

As mentioned above, policy makers have acknowledged that rural poverty is a key policy challenge in Myanmar. Less visible in public discourse is how rural poverty is compounded by vulnerabilities due to remoteness, ethnic conflict or tensions, and environmental disasters and hazards. Frequently, migration is used as a coping strategy; such distress migration is generally associated with low wages and a lack of income, job and personal security prevailing in the communities concerned – and then replicated in the destination communities. Social protection cannot substitute for policies and measures to create decent work and employment, but it can alleviate income poverty, and thereby, if well designed and sufficiently resourced, enable households or communities to take up small investments that might contribute to stabilising their income. Social protection could offer an alternative to distress migration and help bridge income losses and poverty due to natural disasters.

Given the many decades of ethnic strife, and its impact on social and economic outcomes, social protection interventions could consider developing some form of transfers for ethnic minority regions. The objectives could be to support national identity and help the country move towards sustainable inclusive peace and social justice. Conceivably, they could become part of the current ceasefire negotiations.

For example, social assistance – in the form of a poverty alleviation or basic income benefit - could perhaps contain a supplement in form of top-ups or higher benefit levels for disadvantaged geographic areas. This might be preferable to individual-based identity-based social transfers, which carry a risk of stigmatising the groups concerned, and thus creating new problems. However, geographical targeting in the form of top-ups may not be desirable, or feasible, for political reasons. In that case, an alternative would be to accompany income poverty benefits with special efforts for outreach in disadvantaged regions and communities, such as information campaigns to overcome language barriers, and institutional provisions to address access in the more difficult terrain, and the remoteness and dispersion of the population. In any case, the political and geographic challenges in such regions imply higher administrative costs for social protection interventions, which need to be factored into costing estimates.

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<sup>7</sup> This is 2010 data, with 376 151 kyat per year giving 31 345 kyat per month.

Based on the social protection floor classification system, three conceivable interventions areas are suggested and costed below (see tables 2 and 3 below). In this note, the projection exercise is divided into two parts: firstly, projecting the underlying factors (demographic and macroeconomic), and secondly, with a set of specified assumptions on the benefit parameters (eligibility conditions, coverage, benefit level etc.), projecting beneficiaries, benefit levels, and overall costs over the next 6 years.

For the demographic projection, the study uses the medium-variant population projection made available by the United Nations Department of Economic and Social Affairs, Population Division (United Nations 2013). The data set is disaggregated by sex and single-year age.

For the macroeconomic model, the study uses the latest IMF's medium-term forecast for the real GDP growth rate, inflation rate, and fiscal budget to GDP ratio, which covers until 2018 (IMF 2014). From 2018 to 2020, the rates are fixed at the rate of 2018. GDP in current prices and per capita GDP are calculated for the projection period using the standard relationship under the neoclassical long-run path of economic growth.

The purpose of this – rough and selective – costing is to get a first *feeling* for orders of magnitude of various types of social assistance transfers. The potential interventions, and their respective rationales, include:

- **Basic income security for children**

A child grant would correspond to the first of the cash-based elements in the life-cycle oriented social protection floor approach. Apart from the conceptual rationales for a child benefit discussed in section II, it would also be justified because of the high levels of child malnutrition and low educational retention and attainment in Myanmar.

- One option could be a **universal child benefit**. It could be categorically targeted to children under 1, or under 2, as this is the most vulnerable phase of life; or to children under 5, until they reach school age. Another design option would be to extend the child benefit until the age of 15, to cover early childhood as well as school age, and could address nutrition, health and education expenditures, and thus function also as an income support, notably for low income families.<sup>8</sup>
- An alternative, or complementary idea would be a “bridging” grant for children in the vulnerable phase of transitioning from primary to middle school (age 10-14), because many children drop out of school before or at the end of primary school, due to the costs, or distance of, secondary schools, or because they are expected to contribute the family's care work or income generation.<sup>9</sup>
- The child benefit could be accompanied by special measures to address the particular challenges to child health and nutrition, and education exclusion, in remote and ethnic minority areas. This could be in the form of geographical targeting via top-ups – higher benefit amounts in these regions. As mentioned above, there would definitely need to be dedicated public information campaigns.
- In this exercise, the potential grant is estimated for children under 2 years and under 5 years, and the benefit level is set at an initial level of 8000 kyat per child per month. Since most families with children are likely to have more than one child, the cumulated income from child benefits over time could contribute to increasing or at least stabilising family income in poor households. By 2020, the benefit amount would roughly double, if indexed by per capita GDP. The estimates show that in 2014, it would take 0.27% of GDP for a universal benefit for under-2s, and 0.66% for an under-5 benefit. Depending on the indexation rule applied, by CPI or GDP, in 2020, a child benefit for children under 2 would correspond to between 0.17 to 0.24% of GDP, and between 0.6% and 0.8% of the fiscal budget.

- **Basic income security for the working age population**

Basic income security is the core section of the social protection floor. In light of the income disparities and scale of poverty notably in many of the rural areas of Myanmar, this would be a large transfer.

- There could be a **rural income support benefit**, for example for the lowest income quintile or lowest income third, as per the rural poverty rate, with the objective to address income poverty and livelihood vulnerabilities and risks. Given the extent and depth of rural poverty, it will be important to ensure that benefit amounts are sufficient to bring households at the very least to the poverty line. It could either be universal in the form of geographically targeted social assistance to the country's regions with the highest poverty rates, which were Chin State, Rakhine State, and Tanintharyi Region, Shan State and Ayerwaddy Division as per the study cited above. Alternatively, it could be in the form of a means tested benefit applicable in the country as a whole. This mode would be chosen

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<sup>8</sup> Those high-income, OECD countries that have child benefits extend them til 15 or even 18 years of age.

<sup>9</sup> The Myanmar Ministry of Education planned to pilot a school grant for 5000 children, 1000 per school grade (Ministry of Education, August 2012).

with a view to being economically just, and would perhaps be less divisive politically than a geographically targeted grant. It could be in the form of direct income transfers to households, or in the form of a social health insurance.<sup>10</sup> Such a grant could easily be scaled up when natural disasters affect an area. If sufficiently resourced, predictable and reliable, they could help bridge income losses and poverty due to natural disasters, and perhaps offer an alternative to distress migration. As argued in the case of a child support benefit, an income support benefit could conceivably have particular features for ethnic minorities, such as a higher benefit level. It would certainly want to include special information campaigns to overcome language barriers and ensure that all who are entitled are aware of the grant. The difficult terrain, remoteness, and dispersion of the population are likely to result in higher administrative costs in ethnic minority areas to ensure that the benefit is paid accurately, safely, and on time to all entitlement holders.

- In this exercise, the benefit level is calculated as a means tested one for the entire country. It is set at an initial level of 15000 kyat per month per household for a 2014 estimate. By 2020, it would increase to 21 000 kyat or 29 300 kyat per household, respectively, if indexed with an estimated CPI, or by GDP. The cost estimate shows that it would take 2.8% of the current fiscal budget and 0.8 of 2014 GDP. Depending on the index, by CPI or GDP, in 2020, it would correspond to between 0.6% to 0.9% of GDP, and between 2.0% and 2.9%% of the fiscal budget.
- A **maternity benefit** could enable expectant mothers to seek health services, and at least cover the costs of some of her supplementary nutrition, medical fees and transportation, and other expenses related to pregnancy or to child care for the family's older children. It could thus indirectly address maternal mortality, which remains very high in Myanmar. If this were combined with a child benefit covering the first two years, one would be providing **income support for the first 1000 days** of a child's life, which is a particularly decisive, and vulnerable, period for mother and child.
- In this exercise, a pregnancy benefit is calculated at 15 000 kyat for 2014 from the second trimester of pregnancy, universal for all pregnant women. In analogy to the estimates for a rural household income benefit, by 2020, it would rise between to 21 000 kyat or 29 300 kyat respectively, if indexed with an estimated CPI, or by GDP. Depending on the index used, in 2020, it would amount to between 0.06 and 0.09 of GDP and between 0.2 to 0.3% of the fiscal budget. Because of the small number of estimated beneficiaries – less than 700 000 women per year, it is the smallest of the benefits proposed – and perhaps the easiest to introduce, as it could be linked to maternity check-ups.
- A **benefit for people with disabilities** could be introduced in both rural and urban areas. In this exercise, a prevalence of extreme disability of 5% of the population is assumed. The benefit could be tied to medical certification and an entitlement to free medical attention. The benefit level is set at an initial level of 15 000 kyat per month, covering the age group from 5 years to 69 years, with the assumption of a universal social pension, which would automatically include people with disability, becoming available from age 70 onwards. In 2014, a disability grant would cost 0.8% of GDP, and between 0.6 and 0.9 in 2020, and 2.9% of the 2014 fiscal budget.
- **Basic income security in old age.**  
The fourth element in the social protection floor would be in the form of universal, **social pensions** distributed to senior citizens by virtue of their age. In analogy to the child benefit, it could have a nation building effect as a citizen right, as every older person would receive such a transfer.
  - Social pensions could start at age 60, 65, 70 or 75.<sup>11</sup> The higher the age threshold, the more regressive the pension may become, as people from more privileged income and educational backgrounds tend to have higher longevity, while people from low income groups are likely to have died before they would reach a high pension age threshold. In this exercise, the benefit level is again set at 15 000 kyat per person per month, and the pension is calculated for age 65 and above, and age 70 and above. In 2014, it would cost 0.8% or 0.5% of GDP respectively, and in 2020 (indexed with per capita GDP) is estimated to amount to 1.0% for over 65, or 0.5% of GDP for over 70, which would be 3.25% and 1.75 % of the fiscal budget respectively.

### Discussion of the options presented

This is a set of rough estimates. Table 2 below shows the estimates for 2014, while table 3 below shows estimated shares for 2020, using a scenario where benefits are indexed by GDP per capita. Administrative costs are estimated at 20%. Annex 1 (Rabi 2014) provides a table and a set of illustrative

<sup>10</sup> This form of income support has been introduced in Thailand.

<sup>11</sup> The Ministry of Social Welfare has worked with HelpAge regarding the feasibility of a social pension.



graphs which presents a complete time line from 2014 through 2020, with information on population development, the evolution of total costs, and of the benefit levels indexed for GDP and for the consumer price index (CPI).

As tables 2 and 3 show, applying the modest benefit levels proposed in this paper, in 2014 the fiscal budget expenditures for any of the options would range from 63 billion to 514 billion Kyat, constituting between 0.1% and 0.85 % of GDP. For 2020, any of the options would be roughly equivalent to a minimum of 0.09% of GDP to a maximum of 1.0% of GDP, if one indexes the 2014 benefit levels for GDP per capita growth. In other words, even the most costly of intervention types, on its own, would correspond to only 1% of GDP, under the assumptions made in these calculations.

Looking at the calculations for the options, in 2014, the disability grant would be the most costly of the benefit types estimated, despite the low prevalence rate assumed. Conceivably, it could therefore be introduced in the lowest income districts initially, and gradually scaled up as fiscal space increases with improved tax compliance and tax reform.

Support to rural households is the second largest item in 2014, only insignificantly less than the disability grant (at 510 versus 514 billion kyat), and if projected population dynamics are correct, would constitute the largest expenditure head under social assistance in 2020. However, assuming positive economic, social and political development, by 2020, the share of the rural population requiring such an income support measure would likely have decreased from the initial level of 30% of the population, used in these calculations.

Child benefits are less costly options, especially if designed for the age group of 0 to 2 years only, amounting to an estimated 160 billion kyat expenditure in 2014. Over time, it would compare “favourably”, in terms of expenditure, with social pensions, as the population pyramid shifts, reaching an estimated 299 billion kyat expenditure in 2020 (if indexed with per capita GDP).

A conceivable “1000 days mother and child benefit” to cover the second trimester of pregnancy through the child’s first two years, would cost an estimated 224 billion kyat in 2014, and 415 billion kyat in 2020 (using GDP per capita indexed benefit level) and together constitute only 0.37% of GDP in 2014, and 0.33% in 2020. Politically, this could offer a strong message of enhancing incomes for a population group whose entitlements every citizen – and policy maker - would want to support.

Another scenario could be a combined effort to address the very young and the very old, in the form of a child benefit for children under 2 years and a social pension for persons over 70. Such a package would still be easy to finance, at roughly 0.76% to 0.78% – i.e. less than 1% - of GDP, and cost roughly 2.6% of the fiscal budget in 2014, marginally decreasing to an estimated 2.5% of the budget in 2020. It would cover a significant group of the population and notionally reach almost all households.

Any of these approaches would be a modest “burden” for resource-rich Myanmar (see UNICEF 2013 a and b); they could thus be fiscally, and politically, feasible. In fact, benefit levels could be raised or coverage could be extended, for more impact of the benefits in *monetary* terms for the household. In *political* terms, this could help the government convince of its stated commitment to social and economic reform.

These initial, rough cost assessments clearly need to be complemented by a more systematic actuarial exercise, which would take economic and social specificities of Myanmar into account, and allow for more precision on the population dynamics. For instance, data on the exact size and age composition of the population, or fertility rates of subgroups of the population, will only be available when the results of the 2014 census become available. Based on those data, it will then be possible to build more precise scenarios, with a range of projections to offer a bandwidth of cost developments over time.

Similarly, the ongoing political reform process and ceasefire agreements in minority areas are likely to have an effect on the population – there may be numerous returnee migrants, if new employment opportunities crop up and Myanmar achieves sustained peace in all regions. Conversely, if the political situation does not develop favourably, more people might out-migrate. As citizens, migrants remain eligible for benefits, but may not be in a position to claim them. The design of benefit entitlements also needs to be sensitive to emerging issues, such as current religious-ethnic tensions, and to come in a form that can neutralise animosities and create a unifying momentum for Myanmar.

**Table 2. Overview of potential benefits, estimates, 2014**

<b>Intervention</b>	<b>Challenge to be addressed</b>	<b>Group addressed</b>	<b>Benefit level per month</b> kyat	<b>Total cost</b> billion kyat	<b>Cost as share of GDP</b> %	<b>Cost as share of fiscal budget</b> %
<b>Basic income security for children: child benefits and education grants</b>	Child poverty	Children				
Benefit for children under 2		Universal 1 399 000 children	8 000	161	0.27	0.92
Benefit for children under 5		Universal 3 498 000 children	8 000	403	0.66	2.30
<b>Basic income security for active age groups</b>						
Income benefit for rural households	Income poverty in rural areas. Social exclusion of ethnic minorities. Communities living in fragile zones	Means tested, covering 30% of all households  2 362 000 households	15 000	510	0.84	2.92
Income support to pregnant women	Maternal mortality	Pregnant women from 4 <sup>th</sup> month  696 000 women	15 000	63	0.1	0.36
Disability benefit	Potential income poverty Social exclusion	People with acute disabilities, estimated at 5% of the population, age group 5-69  2 380 000 persons	15 000	514	0.85	2.94
<b>Basic income security in old age: social pensions</b>						
Social pension over 65 yrs	Old age poverty	Persons over 65 2 279 000 persons	15 000	492	0.81	2.81
Social pension over 70 yrs	Old age poverty	Persons over 70 1 395 000 persons	15 000	301	0.4950	1.72
Source: Rabi 2014						

Taking economic, political and social factors into account will complicate, but also improve, the actuarial exercise. Such a second-round of costing would generate more precise calculations on social protection interventions and their cost over time.

<b>Table 3. Overview of potential benefits, benefit indexed by GDP per capita, estimates for 2020</b>						
<b>Interventions</b>	<b>Challenge to be addressed</b>	<b>Group addressed</b>	<b>Benefit level per month, indexed GDP p.c.</b>  kyat	<b>Total cost</b>  Billion kyat	<b>Cost as share of GDP</b>  %	<b>Cost as share of fiscal budget</b>  %
<b>Basic income security for children: child benefits and education grants</b>						
Benefit for children under 2	Child poverty	Children  Universal  1 328 000 children	15 651	299	0.24	0.78
Benefit for children under 5		Universal  3 357 000 children	15 651	757	0.61	1.98
<b>Basic income security for active age groups</b>						
Income benefit for rural households	Income poverty, Social exclusion, environmental hazards	Rural areas, ethnic minorities, communities living in fragile zones Means tested, covering 30% of households  2 614 000 households	29345	1 105	0.89	2.89
Income support to pregnant women	Maternal mortality	Pregnant women from 4 <sup>th</sup> month  696 000 women	29345	116	0.09	0.30
Disability benefit	Potential income poverty Social exclusion	People with acute disabilities, estimated at 5% of the population, age group 5-69  2 498 000 persons	29345	1 055	0.85	2.76
<b>Basic income security in old age: social pensions</b>						
Social pension over 65 yrs	Old age poverty	Persons over 65  2 936 000 persons	29345	1 241	0.99	3.25
Social pension over 70 yrs	Old age poverty	Persons over 70  1 578 000 persons	29345	667	0.54	1.75

Source: Rabi 2014

## V. Conclusions

This discussion piece has presented ideas for building a social protection system that could perhaps correspond to some of the recommendations developed at the 2012 Social Protection Conference, and which have been under discussed in various fora and government committees since then. It offers a range of ideas on conceivable types of social transfers, and possible “packages” – such as for young mothers and children, or for children and senior citizens, using the framework of the social protection floor in a life cycle or life course mode.

The social assistance transfers proposed have been costed as a way to provide an idea of the order of magnitude of various conceivable options. More detailed work will be needed to reach a proper basis for decision making. But as a first sketch of scenarios, this paper will hopefully provide a basis for discussion in the policy reflection processes in Myanmar.

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