MORE AND BETTER JOBS IN MYANMAR

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DELIVERING BETTER JOBS FOR MYANMAR:

IDENTIFYING KEY SECTORS FOR FURTHER ANALYSIS

CONTENTS

DELIVERING BETTER JOBS FOR MYANMAR: IDENTIFYING KEY SECTORS FOR FURTHER ANALYSIS

Executive summary

The Myanmar economy has performed relatively well over the last decade, though its performance in 2020 was negatively affected by the coronavirus pandemic. The government's ambition is for the benefits of this growth to be spread widely, including through strong growth in employment in manufacturing and services and an increase in the proportion of formal jobs in the economy.

So far, however, progress on jobs has been mixed. Jobs have been created in manufacturing and services (though 2020 saw a setback), but too many people in Myanmar still work in jobs that are insecure and low-paid. For too many people work is casual, part-time and informal.

Myanmar needs to create more jobs so that surplus workers in the agricultural sector can find more productive work in the manufacturing and service sectors; so that those who are currently inactive, unemployed or underemployed can find work; and so that fewer people need to go to other countries to get work. It also needs to create more formal jobs, more contracted jobs and more full-time jobs; it needs higher productivity and better-paid jobs; and it needs to have more people in secure paid employment and fewer in insecure self-employment.

Our analysis has identified two sub-sectors within manufacturing (food processing and automobile components) and two other sectors (construction and wholesale and retail trade) that have the potential to contribute disproportionately to the creation of these better jobs in coming years. But it has also highlighted a series of risks and barriers that might prevent this from happening. In particular, these are poor infrastructure, out-of-date technology and an inadequate regulatory environment in food processing, skills shortages in construction and an over-reliance on foreign investment and a failure to take advantage of the opportunities afforded by e-commerce in the wholesale and retail sector.

Further research will be conducted to fully understand these barriers and risks and recommendations for policymakers will be developed about how to remove barriers and reduce risks so as to support jobs-rich growth over the next five to ten years in the chosen sectors, and in the economy more widely.

1. Introduction

Prior to 2020 and the coronavirus pandemic, the Myanmar economy grew at an annual rate of 6 to 7 per cent for several years. This growth was accompanied by increases in job productivity and earnings for some workers, but the jobs market was characterised by major structural weaknesses. These were set out by the World Bank in a report published in September 2018.[1] It described how more than nine in every ten jobs in Myanmar were 'low-productivity and low-paid' and noted in particular that, despite agriculture's share in the economy falling sharply as a result of strong growth in the manufacturing and service sectors over the previous two decades, 'two out of every three workers were engaged in low-skilled or subsistence agricultural work, which is the lowest paid and most informal type of work'.

At the beginning of 2020, the Myanmar economy was expected by forecasters like the IMF to continue growing at an annual rate of 6 to 7 per cent into the foreseeable future.[2] However, the coronavirus pandemic, and the measures taken to control it in Myanmar and elsewhere, hit the economy hard. Little if any growth in output is now expected to have been recorded in 2020, with the manufacturing and service sectors hit the hardest. As a result, many workers previously employed in urban areas have returned to the land and to poorly-paid work in the agricultural sector, and their numbers have been swollen by migrant workers returning from abroad because the jobs they were doing in Thailand and elsewhere have disappeared. The government has taken action to mitigate some of the short-term impacts of the pandemic, but these did not stop the structural labour market problems identified by the World Bank from worsening.

Most forecasters now expect output growth in Myanmar to recover somewhat in 2021 before returning to its pre-coronavirus rate of 6 to 7 per cent in 2022. The long-standing weaknesses in the labour market make it essential that this growth is 'jobs rich': that it produces more jobs, better jobs, and jobs across all regions of the country. The coronavirus pandemic has acted as a big drag on growth in Myanmar and made the challenge of creating more and better jobs particularly pressing, but it also opens up the opportunity to rethink jobs policy.

Myanmar needs to create more jobs so that surplus workers in the agricultural sector can find more productive work in the manufacturing and service sectors. It needs to create more jobs so that those who are currently inactive, unemployed or underemployed can find work. And it needs to create more jobs so that fewer people need to go to other countries to get work.

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[1] Myanmar's Future Jobs: Embracing Modernity, Myanmar's Future Jobs: Embracing Modernity, September 2018 (worldbank.org)

[2] See, for example, the IMF 2019 Article IV Consultation published in March 2020, Myanmar : 2019 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Myanmar (imf.org)

Myanmar also needs to create better jobs. Too many people in Myanmar have jobs that are insecure and poorly-paid. Too many jobs are informal, casual or part-time. Too many people work for themselves, scratching out a living from day-to-day with little income security. Myanmar needs to create more formal jobs, more contracted jobs and more full-time jobs. It needs higher productivity and better-paid jobs. And it needs to have more people in secure paid employment and fewer in insecure self-employment.

Myanmar also needs to ensure that new and better jobs are created in all regions of the country, not just in a few large urban areas. The benefits of increasing prosperity need to be widely spread.

It is very likely that export-oriented industries, such as the garment industry or agricultural processing, which have been crucial for growth in Myanmar in recent years, will create some of these new and better jobs. But these industries are not, and never will be, large enough on their own to deliver all the jobs-rich growth that Myanmar needs. Sectors that serve the domestic market, like retailing, will have a big part to play too.

While most of these jobs will be created in the private sector, the government will have a critical role to play in determining labour market outcomes. The theoretical case for government intervention that enables the generation of more and better jobs is a strong one. Many of the right policies are in place in Myanmar, but the incoming government must ensure that existing policies are implemented in a way that translates into meaningful impacts in the labour market and that new polices and strategies are developed in response to medium-term challenges that have been exacerbated by coronavirus.

As a minimum, government is responsible for creating the conditions within which the private sector can generate jobs-rich economic growth. This requires macroeconomic stability, including low inflation and stable exchange rates, and the creation of a positive environment for doing business, including investments in skills and infrastructure, and effective and proportionate regulation.

Furthermore, government can be active in targeting and supporting particular sectors or sub-sectors of the economy. This more interventionist role for policymakers is common practice in 'developmental states', many of which are in East Asia. Policymakers in many of Myanmar's neighbours have achieved rapid and broad-based development by having a proactive industrial strategy. This does not mean implementing protectionist policies, which prop-up inefficient and low-productivity sectors. Rather, it means identifying sectors where Myanmar has a comparative advantage, or has the potential to develop one in the near future, and then implementing policies designed to support the growth of those sectors.

Myanmar's policies already combine these two roles for government to a degree. The challenge for policymakers now is to build on existing policies and develop a medium-term suite of policy interventions that will lead to widely shared economic development. This requires identifying the sectors and areas of the economy that have the most potential in the short- and medium-term to generate more and better jobs, so favouring manufacturing, construction and services over agriculture. And it requires focusing on the policies that create the right conditions overall for jobs-rich growth, for example through cross-cutting initiatives like skills development, and that support specific sectors, for example through investment incentives.

This report identifies a number of sectors that will have a crucial role to play if Myanmar is to deliver jobs-rich growth over the next five years, and which highlight some of challenges and potential barriers to job creation. Future reports will examine these barriers in more detail and investigate ways of reducing or eliminating them. They will also provide some read across from these particular sectors and industries to the rest of the economy. In doing so, the overarching aim is to present a set of policy options that, if pursued, will help ensure that Myanmar experiences jobs-rich growth in the next five years and beyond.

This report is organised as follows. Section 2 summarises our understanding of the government's priorities for economic development and the key policies that it is pursuing both in terms of the overall economy and for specific sectors. Section 3 describes developments in the structure of the Myanmar economy over the decade to 2020, with a particular focus on output and the labour market; and it summarises the main effects of coronavirus and the government's responses. Section 4 briefly discusses the short-term outlook for the economy and considers some of the opportunities and risks facing Myanmar in 2021. Finally, Section 5 identifies two industries within manufacturing – agricultural processing and automobile components – and two sectors of the economy – construction and retailing – that illustrate many of the challenges facing Myanmar as it seeks to deliver jobs-rich growth. It sets out why these are key sectors with the potential to deliver more and better jobs in the next five years, but also notes the barriers that could stop this happening.

2. Government economic priorities and key policies

The government's overarching priorities for economic development, which are still in place, were first set out in the twelve-point Economic Policy of the Union of Myanmar, published in July 2016. This had the stated desire of achieving inclusive and continuous development and establishing an economic framework that supports national reconciliation. It sought to establish Myanmar as a modern industrialised economy that provides better jobs, higher incomes and improved access to education and health services for the whole population.

These aims were to be delivered by the growth of larger economic enterprises, particularly in labour-intensive, export-oriented industries, which would create many job opportunities for all citizens, including returnees from abroad; and the promotion of micro, small and medium-sized enterprises (SMEs) as generators of employment and income growth in the domestic economy. Private sector development would be supported by the government delivering the human capital needed in a modern developed economy through improved and expanded vocational education and training, particularly for young people, and spending on infrastructure, in particular to improve electricity generation, roads, bridges and ports. Foreign direct investment was to be encouraged. And existing industrial zones and Special Economic Zones (SEZs) would be upgraded at the same time as new ones were developed.

Many of the more detailed policies needed to deliver this vision were subsequently set out in the Myanmar Sustainable Development Plan (MSDP), which covers the period to 2030 and was launched in August 2018. It contains three pillars, five goals, 28 strategies and no less than 251 action plans, all designed to facilitate private sector-led growth and job creation. Among the policy priorities identified were providing a secure macroeconomic environment that is conducive to investment decision-making; increasing access to financial services; building the country's infrastructure to facilitate sustainable growth and economic diversification; and encouraging creativity and innovation for the development of a modern economy. The agricultural sector was to be developed in order to reduce poverty levels in rural areas, while in urban areas small and medium-sized businesses were seen as the way to deliver increased job creation in the industrial and service sectors.

The MSDP's commitments to improve Myanmar's infrastructure, to develop new smart and eco-city projects and new industrial zones/parks and to build more affordable housing are particularly important for the construction sector. The Ministry of Construction is already rolling out new infrastructure projects, using the government's budget, international loans, aid and grants, along with private sector cooperation. It is also developing a National Housing Development Law that is expected to call for broader participation of the private sector in the housing market.

Other parts of the economy have subsequently benefited from sector-specific policies and strategies designed to promote their development. Agriculture and the food processing industry are seen as priorities in Myanmar for achieving food security, creating non-farm employment, and increasing export earnings. So the Agriculture Development Strategy was published in 2018 to provide a framework for agricultural policy over the next five years, to 2023. It is wide-ranging, encompassing production (crops, livestock and fisheries), processing, trade and support services (research, storage, transportation and logistics, finance and marketing) and seeks to plot a path to a higher value-added agriculture sector in the future.

Another part of the economy that has benefited from sector-specific support is the wholesale and retail trade sector. Since 2018 the Ministry of Commerce has encouraged foreign companies and joint ventures between foreign and Myanmar companies to develop in this sector. At the same time, there has been a skyrocketing increase in internet connection across the country, allowing e-commerce activities to grow significantly. And the coronavirus pandemic has further boosted online activity, creating an enormous opportunity for e-commerce businesses to expand and for new business to start up. There is the potential to create new jobs, such as in online marketing and trade, express delivery service to other regions and e-payments. The Ministry of Commerce has responded by drawing up official e-commerce rules and regulations. Online procedures for issuing import and export licenses were launched in April 2020 covering 815 tradable goods, including garments, pharmaceutical products, hospital supplies, consumer goods, chemical fertilizers, essential foods, oil products, motorbikes and bicycles, agricultural products and natural gas.

Meanwhile, the manufacturing and trade sectors are being supported by the development of new industrial zones andparks and the continued development of special economic zones. It is expected that these will lead to new jobs being created in higher value-added production, including of agriculture machinery and automobile parts. The Myanmar Singapore Industrial Park is being developed in the Hlegu Township of Yangon Region for industrial, residential and commercial purposes, with a particular focus on manufacturers specialising in food-based industries. The Japanese retail group Aeon will build a large commercial facility in Dagon Seikkan Township, Yangon, with an investment of $180 million. It will join Samanea Yangon Market (a wholesale market) that is jointly developed by Singapore-based Samanea Group and Yangon-based EI Company Limited. Furthermore, the first phase of the Korea-Myanmar Industrial Complex (KMIC) in Hlegu Township was commenced on December 2020. When KMIC is complete, it will be worth US$4.7 billion and create more than 500,000 jobs.

All these policies have had an important impact on the way the economy has developed over the last decade. This is discussed in the next section.

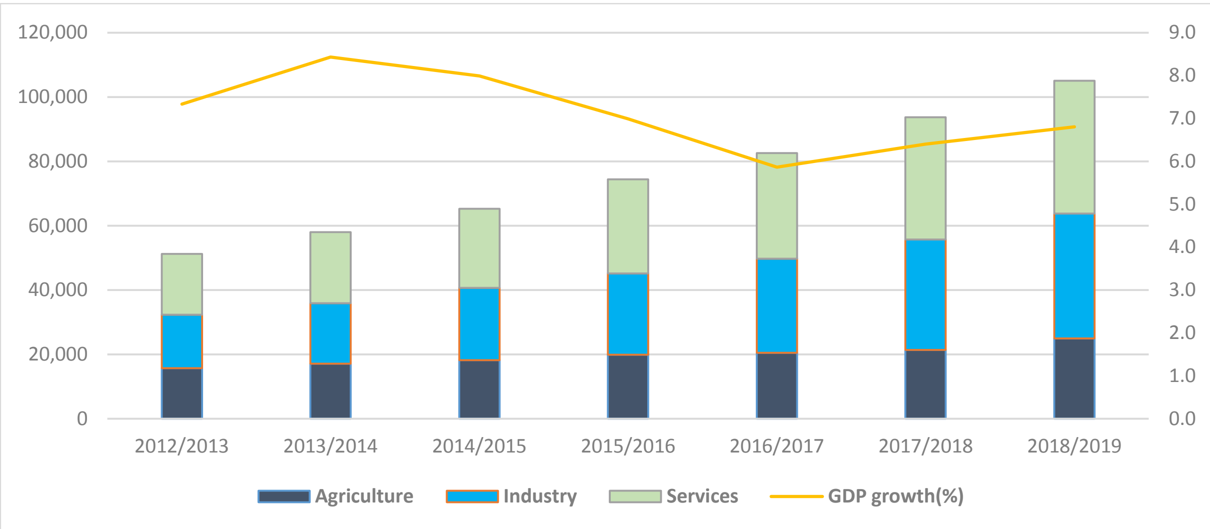
3. The Myanmar economy in recent years

Developments prior to 2020

Myanmar's favourable geographical position and abundance of natural resources give it the potential to experience prolonged and rapid economic growth. Over the last decade, first the elected military-backed government and then the National League for Democracy (NLD) government have attempted to release this potential through economic liberalisation and other initiatives. They have, for example, actively sought to attract foreign direct investment through the creation of macroeconomic stability, a unified exchange rate and preferential tax and export tariffs and a series of reforms designed to ease domestic ownership requirements. These policies have had a good degree of success. Myanmar has been one of the fast-growing economies in Southeast Asia and the poverty rate has declined from 48 percent in 2005 to 25 percent in 2017.[3]

Helped by these initiatives, the country's economic structure has been gradually changing, from a heavily agriculture-based economy to one in which industry and services play a bigger part. The official data show the share of the agriculture sector in total GDP declined from over 30 percent in 2012/2013 to 21 percent in 2018/2019. Meanwhile, the share of industry rose to 38 percent in 2018/19, and that of services to 41 percent.

Figure 3.1: Gross domestic product by sector (Kyat billion) and real growth rate (%)



Source: Central Statistical Organisation[4]

Prior to 2020, Myanmar's economy had been doing well in terms of output growth. The growth rate of gross domestic product (GDP) peaked at 8.4 percent in 2013/14 before declining to around 6 percent in 2016/17, but it subsequently recovered to reach 6.8

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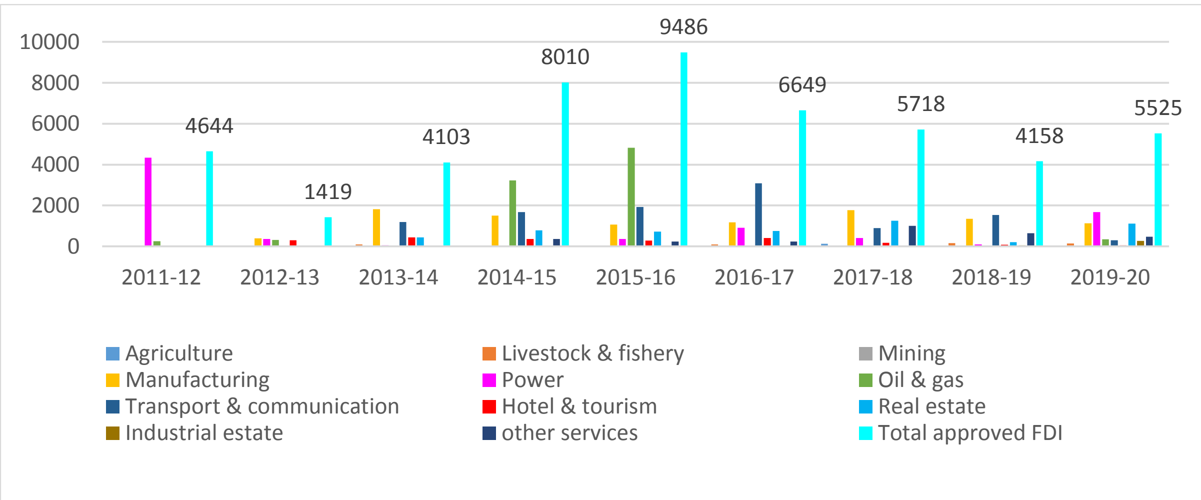
percent in 2018/19. Overall, GDP has expanded by an average of 7.4 percent annually since 2011/12. In 2018/19, GDP per capita was estimated to be 1,647,795 million kyats (equivalent to just under US$1,100).

Throughout this period GDP growth has been driven by the industrial and service sectors, which grew on average by 9.4 percent and 9.1 percent respectively. Growth in both sectors has benefitted from foreign direct investment (FDI), for example in the garment industry and in wholesale and retail markets in urban cities. The industrial sector is dominated by manufacturing, which accounts for three-quarters of the sector's output, especially low-tech, labour-intensive manufacturing; but construction is responsible for a not insignificant 18 per cent of the sector's output. In contrast, over this period, agriculture experienced slow growth of 1.2 per cent a year, reflecting limited external demand and a preponderance of low-value products.

This growth has been led by the private sector, but facilitated by the government. Micro and small firms operating in the informal economy and concentrated in the urban cities of Yangon and Mandalay are particularly important in the food and beverage industry, accounting for 57 percent of enterprises. In other areas, such as manufacturing, logistics, communication and information services a growing number of larger, foreign-owned enterprises have been important.

Foreign direct investment (FDI) has been a crucial part of the story of Myanmar's economy throughout this period. Since 2011/12 the average annual amount of FDI has been US$ 5.5 billion, with a highest value of US$9.5 billion in 2015/16. When FDI dipped in 2018/19, the Myanmar Investment Commission launched the Myanmar Investment Promotion Plan (MIPP) in October 2018 to establish a road map for facilitating and supporting private investments (both for domestic and foreign investments). Its target is to attract more than US$200 billion over the next 20 years, and particularly US$8.5 billion a year in the four years starting from 2021/22.

Figure 3.2: Approved FDI amounts by sector (US$ million)

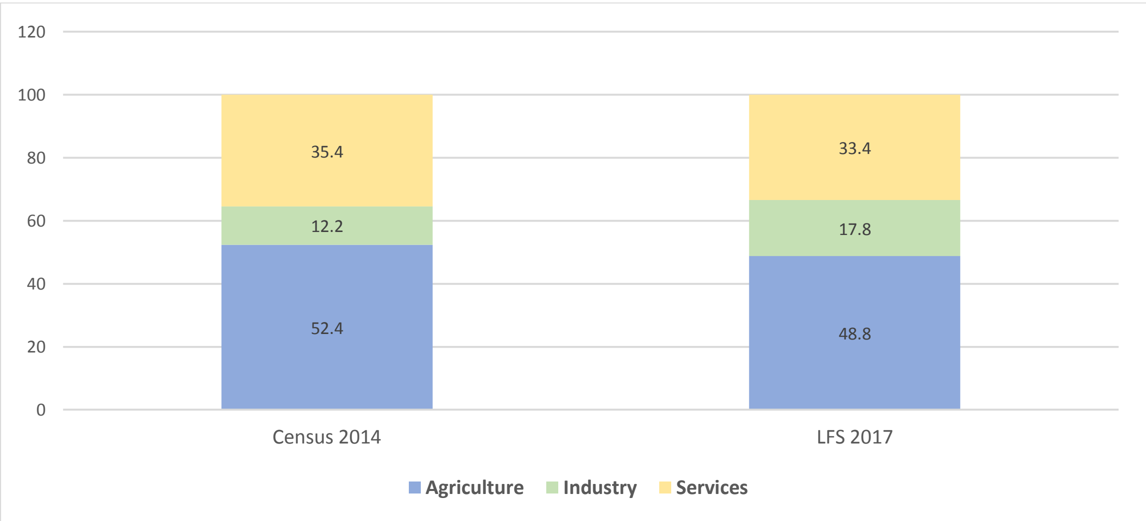


Source: Directorate of Investment and Company Administration[5]

A related part of Myanmar's growth story has been the building of industrial zones and special economic zones (SEZs) to attract FDI and facilitate the development of the manufacturing and processing sector with the ultimate aims of diversifying exports and creating employment. SEZs attract FDI by promoting multinationals' exporting operations as well as enhancing their access to the domestic market. This is the extension of a policy that began in the 1990s and currently Myanmar has 63 industrial zones and parks in operation in all states and regions except Chin State (though 65 percent are located in the Yangon Region).

Although there has also been a shift in the workforce away from agriculture and towards industry and services in recent years, it has been less dramatic than the shift in economic activity. Around 70 percent of Myanmar's total population (about 38 million out of a total of 54 million people) still reside in rural areas and rely for their livelihoods on activities related to agriculture, livestock, fisheries and forestry. The share of employment in the agricultural sector declined from 52 percent in 2014 to 48 per cent in 2017, but remains much higher than the sector's share in output reflecting low labour productivity levels. Over the same period, the share of workers employed in the service sector declined by 2 percentage points, to 33 percent, while the share of labour in industry increased from 12 to 18 percent.

Figure 3.3: Share of employment by sector (%)



Source: Department of Population, Census 2014 and Labour Force Survey 2017[6]

Changes in the employment share of the five largest sectors are shown in Figure 3.4. Of the 21.2 million people aged 15-64 reported as 'employed' by the 2014 Census, just over half

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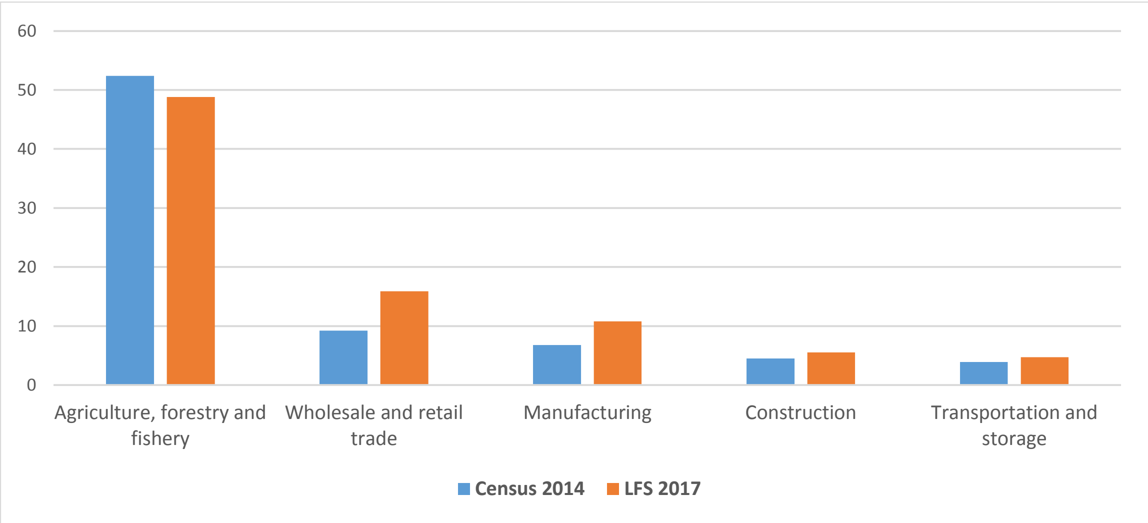
(11 million) worked in either agriculture, forestry or fishing. Although, agricultural employment had reduced to 10.7 million (out of 21.9 million) in 2017, it remained the largest sector by far. Only in the Yangon region was agriculture, forestry and fishing not the dominant sector for employment.

Figure 3.4: Share of employment in selected economic sectors/sub-sectors (%)



Source: Department of Population, Census 2014 and Labour Force Survey 2017[7]

The employment share of all the other main sub-sectors increased between 2014 and 2017: in wholesale and retail trade from 9.4 to 15.9 percent, in processing and manufacturing from 6.8 to 10.8 percent, in construction from 4.6 to 5.5 per cent and in transportation and storage from 3.9 to 4.7 percent. So, although agricultural employment still dominates, an important structural shift is taking place. The growing services and industrial sectors are playing a crucial role in generating jobs in Myanmar.

However, although jobs in services and industry may be better paid and offer better conditions than jobs in agriculture, they are still for the most part low-skilled and relatively low-paid. This is a reflection of the generally low level of education and training that people in Myanmar have received. The majority of the labour force are only educated to primary education level. Furthermore, those with a vocational training certificate account for just 4.9 percent of workers in the manufacturing and construction sectors and 9.7 percent in the trading sector.

Data on the education level of workers are available separately for the manufacturing and construction sector and for the trading services sector[8]. These show that most workers in both sectors are educated to middle school level or below. In fact, a significant portion of

7

8 Trading services includes the whole of the wholesale and retail trade sectors and no disaggregated data are available for sub-sectors such as overseas trade, border trade and retail trade.

the workforce in these sectors has below primary education levels. On the other hand, workers with high school qualifications or higher are a small proportion of the workforce. Thus, it is clear that, even in the main industrial and service sectors, the Myanmar economy suffers from a lack of well-educated – and therefore well-skilled – workers. This is holding down productivity levels, wages and living standards now and, unless it is rectified, it will eventually prove a drag on the economy's ability to grow. The government has recognised this problem and the Myanmar Sustainable Development Plan identifies the provision of on-the-job training and vocational training - especially for youth workers who cannot afford to study – as a priority, but so far progress has been very limited.

Figure 3.5: Education level of workers in selected sectors, 2017 (000s)

Source: Department of Population labour force survey[9]

The low level of skills among workers is one of the main problems in Myanmar's labour market. Another is the preponderance of informal jobs, which means high levels of insecurity for workers and their families, who can never be sure about their income. Informal workers will not receive social benefit payments from the Social Security Board (SSB), including when firms were temporarily or permanently closed due to the impact of coronavirus. The Ministry of Labour defines employment status in line with the International Labour Organization's (ILO's) definitions, and this shows informal employment is extremely high in Myanmar. Although it has declined from 89 percent in 2015, the share of informal employment in total employment was 83 percent in 2019.

Figure 3.6: Informal employment in the labour force (%)

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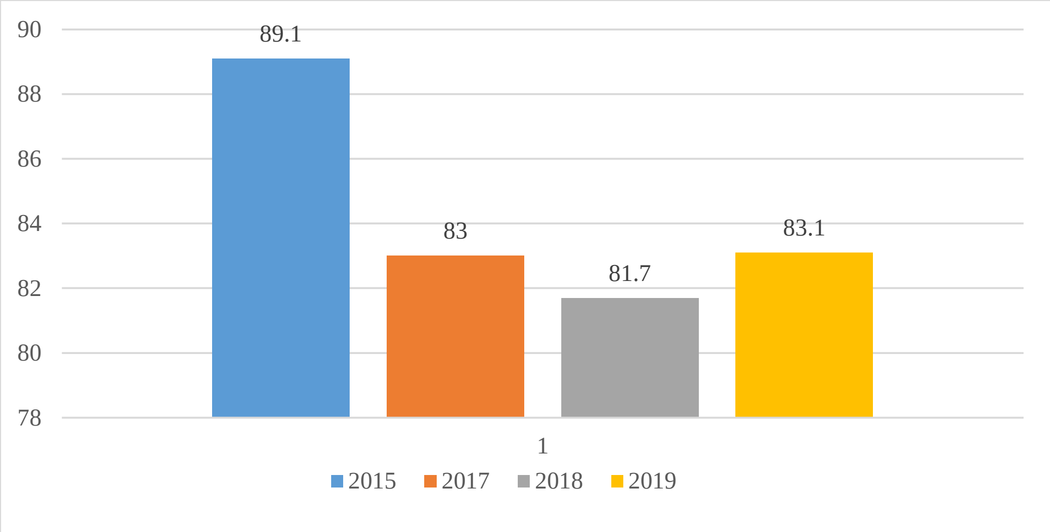

Source: Department of Population Labour Force Survey[10]

High rates of informal employment occur across all sectors of the economy, even those that have been driving growth in recent years. According to the Social Security Board (SSB), nearly two-thirds of workers in the processing and manufacturing sector are employed in unregistered firms and so very likely to be employed informally. In addition, the majority of people in wholesale and retail services and in construction are informal workers, especially when employed by small and medium-sized enterprises (SMEs), which often fail to register with the Directorate of Industrial Supervision and Inspection (DISI) in order to avoid paying taxes and social benefits to workers.

So, although much progress has been made and the structure of the Myanmar economy has been changing steadily, with workers moving from the agricultural sector to industry and services, many people are working in low-skill, informal jobs, either on their own account or in micro and small enterprises.

2020, the impact of coronavirus and the government's response

Since March 2020 and the onset of the coronavirus pandemic, Myanmar has experienced significant economic shocks, with all sectors of the economy affected in various degrees. Measures to contain the spread of the virus, such as lockdowns and quarantines, have had devastating repercussions for business operations and disrupted many existing local and international value chains. Even temporary barriers to the country's border trade have caused problems for importers of some inputs required by the agriculture, manufacturing and construction sectors and for exporters of agricultural commodities. As a consequence, domestic incomes and employment have fallen with an estimated 6.5 million to 7.3 million jobs at risk of disruption.[11]

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[11] International Labour Organisation,

Almost four in every five of the people working in the agricultural sector do so on their own account or as contributing family workers, and the remainder are almost all low-paid seasonal labourers or part-time workers. In 2020 their numbers were boosted by returnees from urban areas within Myanmar and from overseas who had lost their jobs. This increased pressure on rural households' living standards. Although the government provided exemptions for most agricultural activities from its coronavirus restrictions, linkages to other sectors indirectly affected the agricultural sector significantly. The temporary closure of restaurants and tea shops, and disruption in transportation, meant that the food sector saw falling demand for agricultural products, leading to declining incomes. Aquaculture producers have also seen a collapse in exports, after the cancellation of international orders, resulting in a serious threat to employment and incomes for nearly three million full-time and part-time employees. As a result of these pressures, the agricultural sector is expected to have contracted by between 1.1 and 2.4 percent in 2020.[12]

The manufacturing and construction sectors have been hit by lost markets overseas, disruption to supply chains and also restrictions in business and working environments as a result of measures taken to slow the spread of coronavirus in Myanmar. Official data show garment exports, for example, declined by more than US$60 million in FY 2019/20. Overall, output in these sectors is expected to have contracted by 1.3 percent in 2020.[13] In October 2020, 12 percent of all registered factories (6,069 out of a total of 50,696) were temporarily or permanently closed and about 21 percent of registered workers (178,000 out of a total of 856,000) were unemployed.[14] But the overall effect has been much greater. In the processing and manufacturing sector, which employed 2.36 million workers before the onset of the pandemic, a marked drop in exports and other factors mean that the jobs of 1.2 million workers – half the total – have been disrupted, or even disappeared, in 2020.

This also has knock-on effects in the agricultural and service sectors due to the strong linkages between manufacturing and upstream primary agriculture and downstream marketing and trade services. The service sector has also been hit badly by decreased domestic and external demand, especially in wholesale and retail trade, hotels and tourism and other relevant businesses such as transportation, food and accommodation services.

The government has sought to counter some of the negative impact of the pandemic through its Coronavirus Economic Relief Plan (CERP). On April 27th 2020, the Ministry of Planning, Finance and Industry published a comprehensive emergency economic stimulus package which contained seven goals, ten strategies, 36 action plans and 78 specific actions. The CERP has a broad scope and effectively covers the main areas for which economic and other interventions are needed in response to coronavirus. The government has also implemented a range of fiscal measures, including offering tax relief, credit support and loan

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[12] International Food Policy Research Institute,
[13] World Bank,
[14] Social Security Board,

relief, and has simplified processes for investment and trade in order to improve the macroeconomic environment and ease the impact on the private sector.

Meanwhile, to ease some of the pressure on workers and households, unemployed workers covered by the Social Security Board (SSB) have been receiving a range of support measures, and all households were provided with up to 150 units of free electricity per month until the end of December 2020. In addition, cash transfers, in-kind transfers, and employment programmes have been offered to poor and vulnerable households that are most in need of assistance. A public employment programme was also implemented by the Department of Rural Development (DRD) in 3,500 villages across the country to support the vulnerable households in rural areas.

The new government will want to build on these measures as it develops economic policies to support Myanmar's recovery from the effects of the pandemic. The immediate outlook for the economy and for policymaking is discussed in the next section.

4. The immediate outlook

The government's relief measures have helped to mitigate the effect of the pandemic on the economy to some extent, but the second wave of coronavirus infections in Myanmar and rising numbers of infections in many western countries have led forecasters to downgrade earlier expectations that the economy could quickly bounce back to its pre-2020 growth rate. The World Bank, for example, now estimates that real GDP will increase by just 2 per cent in 2020/21.[15]

Whether growth subsequently returns to its pre-coronavirus rate or not will depend on whether Myanmar can make the most of the opportunities that are likely to become available to it, while at the same time removing, or at least reducing, potential barriers to its development. While the government's policies have helped to facilitate a transformation of the economy over the last decade, the main attraction of Myanmar to investors is the abundance of unskilled labour that can be hired at low wage rates. This has meant high returns to investment in industries that intensively use unskilled labour, such as garments and textiles. This may have been the best way forward ten years' ago, but if the country wants to experience sustained strong growth and rising living standards for the bulk of the population in the future, it will have to find a way to lift wage rates without reducing its attractiveness to investors.

The biggest opportunities are likely to be found in parts of the manufacturing sector. In November 2020 Myanmar signed the Regional Comprehensive Economic Partnership (RCEP) with 15 partner nations, forming the largest free trade agreement in the world. It is expected that RCEP will strengthen the commercial and trade ties of the member countries, ensuring access to the regional markets of Japan and South Korea for Myanmar, while increasing flows of quality, responsible foreign investment into the country. With China moving away from textile and apparel production and industrial upgrading in other Asian economies, Myanmar is well-placed to increase its share of global production in these areas and, crucially, to gradually move into higher value-added parts of the industry. However, it would be foolish to focus exclusively on one industry alone, and Myanmar should also take other opportunities available to it to diversify its manufacturing base.

Myanmar will only be able to take advantage of these opportunities if it addresses some significant barriers. The World Bank argues that private sector growth could be hampered by lack of access to factors of production, in particular finance, land and skilled workers; poor physical and digital connectivity; and a restrictive business environment.[16] Myanmar was included among the top 20 reformers in 2020, suggesting that the government is moving in the right direction. This allowed the country to rise out of the bottom 20 in the world for the ease of doing business. But its overall rank has only risen to 165 out of 190 economies in 2020, showing that there is a lot more to be done.[17]

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[15] World Bank,

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Currently, the government is preparing a Myanmar Economic Recovery and Reform Plan (MERRP), which is designed to build on the emergency measures in the Coronavirus Economic Relief Plan (CERP). The MERRP will be geared towards supporting economic recovery and reform in the medium and long-term. It will focus on strengthening the macroeconomic environment and delivering financial stability as ways of supporting private sector participation in the economy. Among its new aims will be promoting inclusive rural growth through agricultural development, facilitating reverse migration and improving the tax base.

However, this is also a good opportunity for the government to implement policies that support jobs-rich growth across the economy. In order to highlight some of the measures that will be needed, we have identified several key areas of the economy and looked at the opportunities they present and the potential barriers to their expansion. These are discussed in the next section.

5. Key sectors for further analysis

Introduction

In this section of our report we identify a small number of sub-sectors of the economy that have the potential to deliver job-rich growth in Myanmar in a post-coronavirus context. The initial analysis used secondary data to assess six key sectors: agriculture, manufacturing, food services and accommodation, construction and ICT. During this process, we considered several key questions:

- How important is this sector to the economy, what is its contribution to GDP and exports and is it a relatively high or low productivity sector?
- Was this sector growing faster or slower than the overall economy prior to 2020?
- How significant is the sector for employment, what is the employment share and does it provide decent jobs?
- How severe is the impact of coronavirus and is that impact likely to be short or long term?

After considering these questions, we identified parts of the economy that have the potential to create more, and better, jobs over the next five years. During the next phase of research, we will explore in more detail the barriers and risks to growth in three sub-sectors: manufacturing (specifically agricultural-processing and automobile parts), construction and retail; and we will develop policy proposals to support a job-rich economic recovery within these sub-sectors.

Table 5.1: GDP and employment shares for the key sectors in the economy

Sector	Contribution to GDP (2017, %)	Employment share (2018, %)
Agricultural sector	27.0	?
Agriculture	17.7	50.0
Livestock & fisheries	8.0	?
Forestry	0.1	?
Services	50.0	34.0
Retail & trade	18.0	16.5
Transport	16.4	5.3
ICT	?	0.2
Accommodation & food	?	?
Industry	32.0	16.0
Manufacturing	23.0	11.0
Construction	5.6	5.5

Source: [18]

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As we have already seen, pre-coronavirus the agricultural sector was growing less rapidly than other parts of the Myanmar economy, but more people still work in agriculture than in any other sector. However, many of these jobs are low-quality, informal, subsistence jobs. During the coronavirus pandemic, the agricultural sector has absorbed many workers who have been displaced from other sectors, and so it is likely that it now employs more than half the workforce again. However, it will not be a source of jobs-rich growth in the future and better jobs will be found in other sectors.

Manufacturing has overtaken agriculture as the largest contributor to GDP in Myanmar. Around 2.4 million workers, accounting for 11 percent of total employment, were engaged in processing & manufacturing in 2018. Although this is significantly lower than the agricultural sector, more of this employment is formal, with 63 percent of total employment in manufacturing registered with the Social Security Board. Manufacturing is a key priority for the government and the sector is projected to continue to grow rapidly, but a conscious policy effort is required to support this growth and to ensure that high quality jobs are created. For phase two of our research, we have selected two key industries within manufacturing to be the subject of further, policy-focused, research. These are:

i. Agro-processing: This is a leading sector within manufacturing (along with the garment sector). Phase 2 will look at how to protect the existing agro-processing jobs, and how to grow the sector to absorb more of the labour force – particularly given its strong links the agricultural sector.
ii. Automobile parts: This is a younger sector within manufacturing, but is an important government priority and an opportunity to 'level-up' manufacturing in Myanmar to more complex and higher value goods. Phase 2 will explore how this infant industry can be supported to grow in a post-coronavirus context.

We have also selected the construction sector for phase 2. Although construction makes a relatively small contribution to GDP and employment, the sector is expected to grow at a faster pace than average over the next five years. Planned investments in transport, power infrastructure, affordable housing and the development of economic zones will drive growth in the sector following the lifting of containment measures. The construction sector has remained reasonably resilient to coronavirus and is a key part of the government's strategy to recover from the crisis. So far the Myanmar Investment Committee have approved 51 million MMK worth of infrastructure projects, estimated to create 3,200 job opportunities. At present, workers in the construction sector typically have limited education and training and construction jobs are usually informal. Many workers travel from rural to urban areas to work, and jobs are often seasonal. There is, therefore, lots of scope for improvement in the quality of jobs in the sector, in particular through the use of more skilled workers. The construction industry is currently suffering from a number of skill shortages. Phase 2 will pay specific attention to skills development. This will have broader relevance to developing skills in other sectors of the economy, beyond the construction sector.

The food services and accommodation and transport sectors were not selected for phase 2 research, in part because of their close links to tourism, and the ongoing uncertainty within that industry due to coronavirus. This makes it difficult to generate any definitive policy proposals. The ICT sector was also ruled out for phase 2. Although it is growing rapidly and has been resilient to the coronavirus crisis, it is a very young industry and presents a much longer-term opportunity for the economy than is our focus. It currently accounts for only 0.2% of total employment, which makes it unsuitable for research that sets out to identify policies needed to bring about a jobs-focused recovery.

Within the service sector, phase 2 will explore opportunities in wholesale and retail trade. This is the second largest sub-sector for employment, accounting for 34 percent of the total. The sector has only been open to foreign investment relatively recently and so the market is dominated by local brands and small independent shops. A large share of employment is informal. Pre-coronavirus, the retail sector in Myanmar was considered an attractive investment for foreign investors due to the unsaturated market and rising middle class consumer base. Phase 2 will explore whether this is still the case in the post-coronavirus context, and how Myanmar can market itself as an attractive investment opportunity. It will also explore the extent to which jobs created by foreign-owned companies are more formalised – and what can be done to ensure that any new jobs created through international investors are formal jobs with better conditions and security.

Each of the three selected sub-sectors are now discussed in more detail.

5.1. Manufacturing

Opportunities

The industrial sector, and manufacturing and processing in particular, is, arguably, the most important sector for the development of Myanmar's economy over the next five to ten years. In 2018/19, manufacturing and processing already accounted for 25 percent of GDP and in 2017 for 11 percent of all employment (2.36 million workers). These shares are sure to increase if the Myanmar economy develops as the government hopes. Crucially, manufacturing and processing is also a sector with a relatively high, by Myanmar's standards, degree of formal employment. Around 60 percent of small and medium-sized enterprises in the sector are registered with the Social Security Board (SSB), and thus their workers receive all social benefits from their companies and the SSB. However, much of the work is currently low skilled and therefore low paid – though generally paid better than farm labour.

Manufacturing was the largest sector for approved FDI in each of the last three years (2017/18, 2018/19 and 2019/20) and received US$1.1 billion in the last of these years.[19] To encourage even greater inflows of capital in coming years, Myanmar is currently developing three special economic zones (SEZs): Thilawa, Kyaukpyu and Dawei. The Thilawa SEZ, for

[19] DICA 2020

example, offers better infrastructure to support successful businesses. More than 60 percent of businesses in Thilawa are domestic-oriented manufacturing enterprises and the remainder are export-oriented manufacturing.

The most recent development is New City of Yangon, a major project planned in the southwestern Yangon region by the New Yangon Development Corporation. Its main objective is to develop an urban industrial area with a large manufacturing component to provide about 2 million new and better jobs. In addition, the Korea-Myanmar Industrial Complex (KMIC) was started in December 2020 in Hlegu Township, Yangon Region with a projected cost of $110 million. It is expected to attract more FDI and create up to 100,000 better jobs in processing and manufacturing.

Manufacturing is a very diverse sector, but its two most important elements currently are the garment industry and food processing. The garment industry's exports are a mainstay of Myanmar's industry, and have increased from US$349 million in 2010 to over US$ 4.6 billion in 2018. The export share of garments increased significantly, from 17 percent in 2017/18 to 25 percent in 2018 (April-Sept).[20] Meanwhile, among micro, small and medium-sized enterprises (MSMEs), food and beverages operations account for the largest share, amounting to 58 per cent in 2017.[21]

It is widely accepted that the recovery of the garment and textile sector from its coronavirus-related troubles is essential to Myanmar's resurgence in the next few years. However, the World Bank's recent Myanmar Economic Monitor highlighted the packaged food processing industry as having the potential to become Myanmar's second most important for exports.[22] The agri-food sector already employs around half a million people and this could grow substantially. Private-public partnerships along with inter-ministry collaboration and foreign direct investment via special industrial zones (SEZs) could lead to the creation of more and better jobs.

Risks and barriers

Industrial zones have been established in various regions and states to promote the development of manufacturing and industrial clusters, and the majority of SMEs, supported by government agencies, are located in these industrial zones. However, they report many problems that hinder their operations and make growth harder. These include a lack of infrastructure, such as access to electricity, public water, good roads and internet connections, insufficient investment, low access to market and business networks and shortages of skilled labour.

[20] CSO 2019
[21] MSME Survey 2018
[22] World Bank, December 2020

More generally, a lack of skilled labour, limited access to finance and a low level of technology are preventing SMEs from growing efficiently and sustainability. Recognising its importance, the government announced a plan to enhance skills through sector specific vocational training and higher education courses geared to the garment industry. It is hoped these will contribute to a long-term transition of the garment industry from Cut-Make-Pack (CMP) to Free-On-Board (FOB). Similar measures are needed in other parts of manufacturing, including both industries that are already well-developed in Myanmar, such as food processing, and those that are in the infant industry stage, like automobile components.

For food-processing firms especially rice-mills, which are a substantial portion of the food-processing sector, a major problem is a lack of working capital and access to loans with low interest rates to upgrade processing plants.[23] As a result, they are operating with out-of-date technology and using unskilled labour. The predominance of low-grade rice varieties also means low prices and less profit for exporters. To get better prices, and to move into new export markets, the agricultural sector needs value-addition activities in all segments, including seed industry development, agricultural machinery and equipment development and the application of best management practices. Food quality and safety regulations also need to be upgraded. These will create better jobs, including more formal jobs, in the private sector in rural areas.

Next steps for research

The next steps for research are to examine the barriers to development in the food processing and automobile parts industries in more detail and to assess which are the most important; to investigate what government can do in terms of practical policy measures to reduce or remove these barriers; and to provide some read across from the food processing and automobile parts industries to other manufacturing sectors where Myanmar has a presence (e.g. garments) or hopes to develop one.

This will be achieved by reviewing the literature and conducting interviews with a range of stakeholders, including government officials from the Ministry of Agriculture, Livestock, and Irrigation, the Ministry of Planning, Finance & Industry, the Ministry of Commerce, the Directorate of Investment and Company Administration (DICA), the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), farmers associations, international NGOs, and development partners such as the EU, USAID and GIZ.

These interviews will focus on:

- The impact of coronavirus on agribusiness, food processing and manufacturing.

[23] According to Myanmar Rice Miller's Association, there were 10,225 small mills and 1,441 medium & large mills in 2017/18.

- The short, medium and long-term response plans to stimulate the economy especially the New Textile Policy and Myanmar Economic Recovery and Reform Plan.
- The easier-to-use and faster online platform, TradeNet 2.0, for applying for export and import licenses and permits, planned for 2021.
- The promotion of foreign direct investment and how it will prioritise economic sectors and improve incentives for investment in different regions or states.
- Provision of loans from both public and private banks for SMEs' development.

In addition, the important role of the public and private sectors in facilitation of agribusiness development including food processing, market and trade information dissemination and providing training and workshops for SMEs to gain knowledge on new technology will be reviewed and analysed.

The urgent need for better human resource development policies in response to the vast demand from the business sector and foreign investors will also be assessed, in particular a lack of managerial level skills and the weak capacity of the vocational and higher education sectors in Myanmar. A key part of this work will be to identify ways of improving the interaction and collaboration between industry, various government ministries and educational and training institutions.

5.2. Construction

Opportunities

Construction has been one of the key sectors that has driven Myanmar's economic growth over the last decade, largely due to the government's focus on infrastructure development. As a result, the sector's share in GDP had gradually increased. This is very likely to be repeated over the next five to ten years. There are still gaps in transport and power infrastructure and a shortage of affordable housing that needs to be addressed. Moreover, the creation of several economic zones aimed at attracting domestic and foreign investment is expected to expand economic growth in the sector.

Increasing urbanisation will be an important opportunity for the sector. Big cities, including Yangon, have been expanding outwards gradually for several years and more residential housing will be needed as this expansion continues. One of the main policies of the Ministry of Construction is the expansion of the stock of public housing through the National Urban Development Plan and the Regional Urban System Plan, and these are supported by the government and International Development Assistance.

Coronavirus had a significant negative effect on the construction sector in 2020, largely due to the work from home instructions by the government during the pandemic though uncertainties about future demand for goods produced in Myanmar will also have had an impact. The number of construction permits issued started to decline from April despite the launching of big infrastructure projects and accelerated imports of building materials. However, it is hoped that the effects of coronavirus will pass over the next year and, if so, the sector is well-placed to bounce back. The Myanmar Investment Commission (MIC) approved some big new projects during 2020 in the construction sector as part of the government's plan to minimize the impact of the pandemic. Myanmar's construction industry is labour intensive, with a large workforce and low wages, so these projects have the potential to support job recovery in 2021 and beyond.

As the sector's share of GDP has grown, so has its share of total employment, increasing from 4.5 percent in 2014 to 5.2 percent in 2018. However, most employment in construction is informal, reflecting the manual nature of the work and the low levels of educational attainment of the workforce. Long-term contracts are rare and workers are more likely to move from one place to another, especially to urban areas, to get jobs on construction sites. Myanmar's Social Security Board currently affords some protection against the risk of work injury, poor health and sickness and maternity, but these benefits are extended only to those in formal employment. Therefore, coverage in construction is extremely low. On the other hand, this means there is much scope for the provision of better jobs – with higher pay and more social protection – as the sector develops.

Risks and barriers

The biggest risk to the development of the construction sector over the next five to ten years is that it will be held back by skilled labour shortages. Various types of skilled workers will be needed on the infrastructure projects that the government hopes to see built – and there are already signs that this could be problematic. The construction sector is suffering from a shortage of high-skilled and mid-skilled workers, such as engineers, bricklayers, carpenters, iron workers, surveyors, electricians, pipefitters and safety managers according to insiders. A particular problem is that well-trained skilled workers are going to other countries where they can earn more money. Meanwhile, lower-skilled workers remain in Myanmar and, while they can work on big projects, they can only do so if there are more highly-skilled people to work alongside them.

The Myanmar Sustainable Development Plan recognises the risk of skills shortages and prioritises a better skilled workforce by emphasising technical and vocational education, but skills shortages have nevertheless arisen. This is largely due to a lack of coordination between government, learning institutions and businesses. In Myanmar, the training of skilled labour is provided by many vocational schools, which are supported by the government and the private sector. Although there are thirteen ministries implementing vocational education in Myanmar, the Ministry of Education (MoE) is by far the most important. It oversees 36 government technical high schools (GTHS), 22 government technical institutes and 3 government technical colleges, which provide engineering courses delivering both theoretical and practical skills. Between 100 and 300 participants attend per school every year.

However, according to research conducted by researchers from Myanmar Development Institute, the skills being provided at GTHSs do not match the needs of the domestic labour market. There is a lack of coordination between the private sector and government when it comes to developing the curriculum for technical and vocational education and training. Furthermore, internship or apprenticeship programmes are scarce in GTHSs, so students cannot get practical on-the-job work experience. More interaction between stakeholders, in particular between the private sector and GTHSs is vital to improve the matching of supply and demand in the labour market.

There are additional problems. The average age of students is 16 years and 96 percent of them aim to continue their studies, rather than enter the workforce. The salaries on offer in construction are a barrier stopping young people entering the construction sector, because the private sector is unwilling to pay the amount that students expect to earn. And to work on big infrastructure projects funded by foreign investment, English language skills are very important for communication, but most students focus on practical training whereas English language is only taught in theoretical teaching streams.

Next steps for research

The next step is to understand better the gap between supply of and demand for skills in the construction sector in Myanmar, and then to make recommendations about policies that will close this gap.

This will require deeper investigation into a number of interrelated areas:

- The number of certificate holders and graduates that are being produced by the government and private sector annually, and how the private sector is cooperating with the government on vocational training for long-term and short-term skill development.
- Where vocational and engineering graduates are working and the qualification levels of workers in the construction and other related sectors, such transport.
- The role of the private sector in cooperating with providers of technical and vocational education and training and offering work experience opportunities.
- The training methods used in vocational schools and institutes and their appropriateness given the demand for skills in the labour market.
- The numbers of skilled workers who are going abroad to get better jobs every year and the factors, including salary, that are behind this decision.
- The reasons that foreign companies substitute skilled workers from overseas for domestic skilled workers on big infrastructure projects.

This will be done by conducting interviews with senior figures in the construction industry who are responsible for implementing large infrastructure projects, as well as government officials and education and training providers.

Once this analysis has been completed, we will develop recommendations for policymakers about how to support jobs-rich growth in the construction sector, including recommendations that will be relevant for skills shortage more generally across other sectors in Myanmar. These are likely to include recommendations about curriculum development for technical and vocational schools, coordination between government, schools and the private sector, and job matching.

5.3. Retail and wholesale trade

Opportunities

Over the last two decades, the share of wholesale and retail trade in GDP has been reasonably constant at close to 20 percent. Wholesale trade mainly relates to trading activity between manufacturers and retailers, while retail trade is the action of selling goods and services to final consumers, but the two activities are often combined for statistical and analytical purposes.

The government recently opened up the sector to foreign investment and, pre-coronavirus, it was thought to be an attractive market for international brands given the rising number of middle-income consumers in Myanmar and the uncrowded market. The government hoped that increased competition among retail and wholesale distributors would lead to consumers having more choice and paying less, while firms would be attracted by the possibility of establishing their retail and consumer brands in the market, particularly for products ranging from consumer electronics to beauty and cosmetics and in big cities like Yangon and Mandalay.

Wholesale and retail services are now allowed by foreign companies and by joint venture companies between foreigners and Myanmar citizens. There are altogether 89 companies (37 fully foreign-owned companies, 37 joint venture companies and 15 Myanmar local companies) that have been allowed to operate wholesale and retail businesses in Myanmar up to at least 2023. Among those 89 companies, 56 are registered for wholesale solely, 7 for retail, and 26 for both wholesale and retail businesses. Most of the fully foreign-owned companies originated in Thailand, Japan, Singapore and China and they are targeting commodities such as agricultural inputs and products, food products, consumer goods, household items, tools used in construction, and other products and goods related to communication, electronics and IT services.

As a consequence, traditional grocery retailers are increasingly being replaced by modern shopping malls and supermarkets, and this is likely to generate more formal jobs in the modern retail sector. In addition, car accessory and auto-part shops, petrol stations, 24/7 convenience stores such as G&G, fast food restaurant chains, food and beverage shops and fashion outlets have all been emerging rapidly in the recent past. And there are many developments in progress, such as Japan working with Zaygabar Company to open a chain of convenience stores in Myanmar and in May 2020 the first Siam Makro store in Myanmar opening its doors as the Thai-based cash & carry operator.

Although the sector was hit by the coronavirus pandemic, its progress appears to have been slowed, rather than stopped altogether. That said, the second wave of the pandemic in Myanmar has affected the operations of many convenience stores and retailers, especially in Yangon and urban areas – although, except for those who need direct contact with their customers, it has given a fillip to e-trading.

From the labour market perspective, the biggest benefit from opening up wholesale and retail trade to foreign investment is likely to be the creation of more formal employment. The sector accounts for 17 percent of total employment.[24]. Traditionally, most of this employment is in the form of informal jobs. The share of informal employment is around 82 percent in total employment, and the share of total employment outside the formal sector is estimated at 67 percent.[25] (The informal sector consists of unregistered private enterprises while informal employment refers to employees working either in the formal or informal sector if their employment conditions do not meet with national labor law or procedures, income tax, social protection or entitlement to certain employment benefits.) It can be assumed that retail jobs are concentrated in urban areas since consumer buying power continues to be concentrated in Yangon and Mandalay as the two most populated cities in Myanmar. Apart from the urban areas, trading processes across border areas also contribute a lot in creating job opportunities.

It is generally assumed that the increasing number of shopping malls and large stores will be accompanied by a decrease in the proportion of workers in the wholesale and retail sector who are employed informally. This is probably correct, though the picture is complex and the effect may, initially at least, be smaller than some hope. Many of the salespersons/staff working in those stores and shops are counted as informal workers because they rarely have formal contracts with their employers. Moreover, many hawkers and street vendors, who are self-employed, have seen their work boom in the last year when shops have been closed during the coronavirus pandemic. These small-scale retailers will continue to grow as informal workers, and their situation might be more favorable than working as an informal staff member in a store and shop.

On the other hand, a formal retail business will create jobs not only for sales, but also in areas like management and accountancy. In bigger shops, like the supermarkets or chain stores, there are normally HR departments, marketing departments and a sales department. These are all likely to involve formal employment. Entry level jobs do not normally require a degree except for the corporate professionals. Jobs in wholesale have a similar dynamic, but the customers are not individuals but retail businesses. There are a lot more logistics involved in wholesale as not only do they buy the goods, but also distribute them. As such

[24] Labour Force Survey 2019
[25] Impact of Coronavirus on Employment & Labour Market (ILO, 2020)

the business requires not only warehouse workers and sales representatives, but also a sizeable team to monitor the cash flow and administrative roles such as data entry and customer service.

The role of e-commerce has also been crucial to the attractiveness of foreign investment in Myanmar. The opportunities of e-commerce will mainly be the easy access to banking services, payments at the retail mall, human capital development and technology transfer. E-commerce has been a rare beneficiary of coronavirus and the government will prioritise the digital economy in future. E-commerce online shop registration guidelines have been drafted to promote the activities of e-payment and delivery services. Furthermore, in order to accelerate e-commerce adoption in Myanmar, good practice guides for retail businesses, such as selling consumer goods online, selling food online, selling groceries online and selling transportation and travel services online, have been laid out by the Ministry of Commerce.

Risks and barriers

Foreign investment in Myanmar fell short of its target level in 2020, presumably largely due to the uncertainties caused by coronavirus. It remains unclear what the future will look like, for example for the tourist industry in Myanmar, and this could affect expectations about the growth of a middle-income group and the prospects for retail operators. This highlights the risks of a policy that is over-reliant on foreign investment. A complementary route to creating better job opportunities in wholesale and retail would involve encouraging local investment.

The growth of e-commerce-based businesses will create additional demand for employees with technical or electronic skills. 70 percent of employers are in need of workers with technical skills (other than with computers) or vocational skills and 65 percent in need of computer skills or general IT skills.[26] Most of these job opportunities are located in urban areas, especially in Yangon. To enhance the capacity of Myanmar's labor force to meet this demand, the role of vocational training will be crucial. The job types required for the wholesale and retail sector – sales, business development, finance, accounting, IT, cashiers, supervisors and grocery clerks - should be prioritised because the sector is already a large one and demand for new employees is likely to remain high. An additional benefit will be that some of those who receive this training will establish their own retail businesses or SMEs, which would reduce the need for foreign investment in the future.

Traditional retailing will still be the primary focus for many small and family-owned businesses, especially in rural areas. For these traditional retail businesses, the registration process is mainly dealt with by local development councils in their respective townships. Since all states and regions (including Yangon, Mandalay and Naypyitaw) have their own development laws and practices, there may be differences in the registration process for

[26] World Bank, 2018

traditional retail or any other local businesses. It is important to make the registration process as simple as possible, so that the traditional retailing sector can be more organized and well-developed.

There are further challenges for these traditional retailers, including being able to afford and to use the latest technology, attracting individual consumers and managing supply chains.

Next steps for research

In order to identify the most important barriers and risks to attracting more foreign investment into the wholesale and retail sector, there is a need to analyse how much has been allowed in the past, how many local companies are cooperating with foreign companies and how many wholesale and retail enterprises have been established. After that, it will be necessary to contact selected enterprises and conduct telephone interviews to discover their views about the barriers and risks for conducting investments in this sector in Myanmar. In addition to potential barriers and risks, possible solutions, suggestions and their opinions will be acquired through the interviews.

To investigate the policy measures and specific guidelines from the government side, further interviews need to be conducted with relevant government organisations such as the Ministry of Commerce, Directorate of Investment and Company Administration and Myanmar Investment Commission.

The wholesale and retail sectors have close links with other parts of the economy, in particular transportation and ICT (the latter especially so when it comes to e-commerce). These relationships will need to be considered in relation to the potential outcomes of foreign investment and how the regulatory process might hinder Myanmar’s ability to fully reap the benefits of increasing foreign investment and creating job opportunities.

Once this analysis has been completed, we will develop recommendations for policymakers about how to support jobs-rich growth in the wholesale and retail sector.