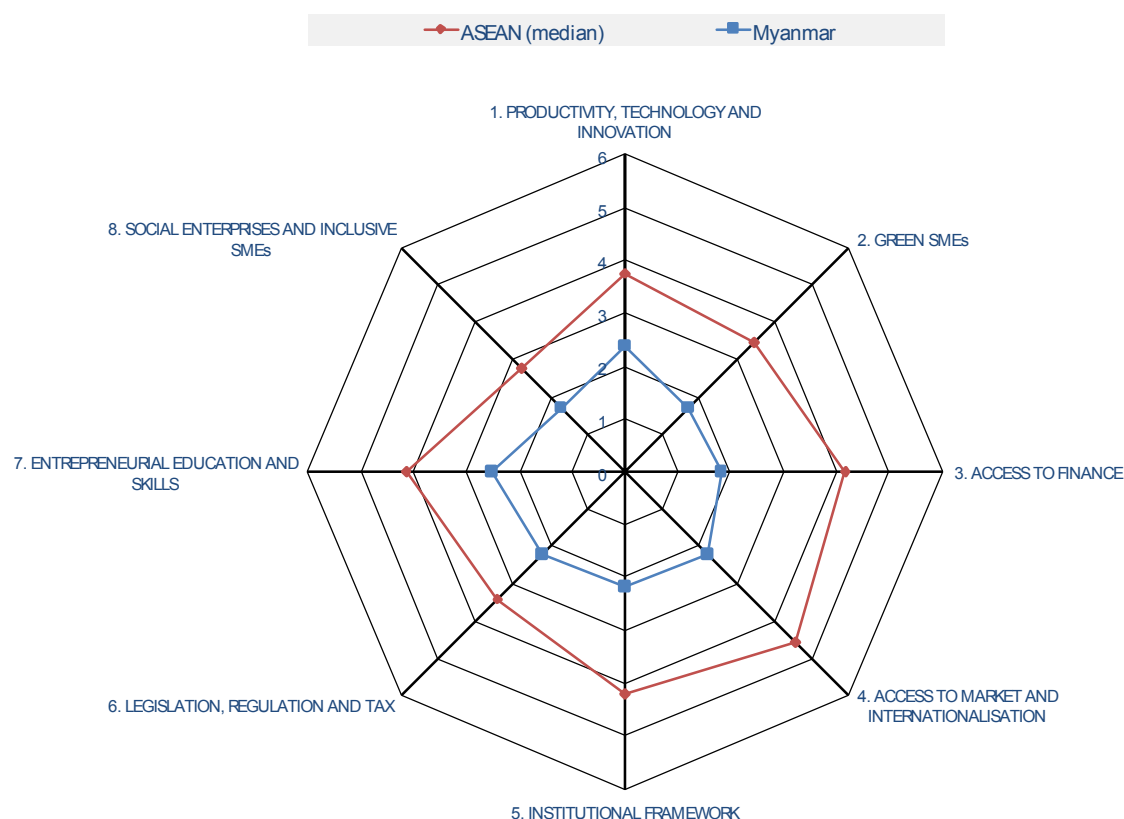


Chapter 17. Myanmar

Myanmar is at an early stage of developing SME policies and has tended to prioritise interventions to enhance the legal and regulatory environment for SMEs. A number of significant steps were taken over the period 2014-2015, but reform appears to have stalled during the past couple of years. Very recently, however, new steps have been taken to enhance the institutional setting and SME access to finance. Going forward, Myanmar could continue to focus on developing its institutional framework for SME policy.

Figure 17.1. 2018 SME policy index scores for Myanmar



Overview

Economic structure and development priorities

Economic structure

Myanmar is a lower middle-income country located in the Greater Mekong Subregion. It has the second largest territory in ASEAN and a rather sparse population (although still the fifth largest), with 52.9 million people spread over 676 576 km² (ASEC, 2016^[1]). It is richly endowed in natural resources such as precious stones (particularly rubies and jade), timber (notably teak), petroleum and natural gas. The economy remains highly agrarian, however, with 65.4% of the population living in rural areas¹ and agriculture accounting for 23.6% of employment and 25.5% of value added (ILO, 2016^[2]; World Bank, 2016a^[3]).

Between 1962 and 1988, Myanmar was a centrally planned and isolationist economy as it pursued the “Burmese Way to Socialism” under the Burma Socialist Programme Party. During this time, the industrial and service sectors were almost wholly under the control of the central planning office, and only agriculture was to some extent free, reflecting the fact that agriculture never collectivised in Myanmar. In 1988, the military government announced that the country would begin its transition to a market-oriented economy. The economic transition began during a period of turmoil in the late 1980s, when the country was still not free from conflict. Even at present, a significant proportion of the country

remains affected to varying degrees by conflict and associated tensions (an estimated 35.8% of townships, or 118 out of 330) (Asia Foundation, 2017^[4]).

Since 2011, Myanmar has begun its transition to a civilian government. It has placed an emphasis on attracting foreign direct investment (FDI), particularly in infrastructure and investment to build up its industrial base. Between 2012 and 2015, Myanmar was one of the fastest growing economies in the world, with substantial FDI flowing into the country in 2014 and 2015. This was mainly concentrated in the telecommunications sector, drawn by Myanmar's significant market size, followed by manufacturing, hotels and construction. While Myanmar's success at attracting FDI in manufacturing has been more limited than in telecommunications, a number of foreign investment projects have recently begun in the sector, mainly in labour-intensive industries such as garments, footwear and electronic assembly. The country has established one special economic zone (SEZ) to date, the Thilawa SEZ located just outside Yangon, which has attracted export-oriented manufacturing FDI and has secured foreign capital to advance infrastructure developments. As a result of these efforts, Myanmar's industrial base has significantly increased over recent years.

Table 17.1. Myanmar: Main macroeconomic indicators, 2012-2016

Indicator	Unit of measurement	Year				
		2012	2013	2014	2015	2016
GDP growth	Percent, y-o-y	7.3	8.4	8.0	7.3	6.3
Inflation	Percent, average	2.8	5.7	5.1	10.0	7.0
Government balance	Percent of GDP	1.0	-1.4	-0.9	-4.4	-4.6
Current account balance	Percent of GDP	-4.0	-4.9	-3.3	-5.2	-6.6
Export of goods and services	Percent of GDP	11.5	19.6	20.1	20.8	-
Imports of goods and services	Percent of GDP	10.9	18.9	22.2	26.5	-
Net FDI (inflows)	Percent of GDP	2.2	3.7	3.3	6.5	-
External debt	Percent of GNI	10.6	12.6	10.1	-	-
Gross reserves	Percent of external debt	93.8	-	-	-	-
Domestic credit to the private sector	Percent of GDP	9.3	12.8	15.5	18.1	-
Unemployment	Percent of active population	4.0	4.0	4.0	4.0	4.0
GDP per capita	PPP (constant 2011 int\$)	1 068.6	1 149.0	1 230.3	1 308.7	-

Source: Source: World Bank (2017) *World Development Indicators*; IMF (2017) *World Economic Outlook*.

On the macroeconomic front, downside risks to growth over the medium term include a current account deficit and a negative government balance. The country does have a fairly active export sector, but its exports tend to be concentrated in a few primary commodities such as petroleum gas (which accounted for 31% of merchandise exports in 2016) and primary agricultural goods (19%) (MIT, 2016^[5]). It also predominantly exports to its neighbours, with China (40.6%) and Thailand (19.1%) the largest recipients in 2016 (MIT, 2016^[5]). The government enacted a Public Debt Management Law in 2016 and it is currently attempting to cut spending. However, the country's budget deficit is expected to grow over the medium term (IMF, 2017^[6]).

Challenges to socio-economic development over the long term include a low level of basic education and issues with health. These areas are improving but are still affected by a lack of infrastructure and the ongoing conflicts. In 2015, the government concluded a Nationwide Ceasefire Agreement with eight insurgency groups,² yet eight ongoing conflict areas remain. Malnutrition is high, with 35.1% of children under 5 reported as

malnourished, and the country has a relatively high rate of HIV exposure. A nontrivial share of people (6.5%) live at or below the international poverty line, on just USD 1.90 a day, and only 23.8% of the population have some secondary education. There are significant urban-rural disparities across the country, with only 44.5% of the rural population having access to electricity.³

Reform priorities

The government's long-term economic development priorities are elaborated under its National Comprehensive Development Plan (NCDP), which covers the period 2011 to 2030. Its principal objective is for Myanmar to be a market-oriented economy with a GDP of USD 180 billion and a GDP per capita of USD 3 000 by 2030 (the threshold to graduate from the category of least-developed countries), with a sound infrastructure and a strong industrial base.

The government also elaborates mid-term plans under the NCDP, with the current five-year plan (the second of its kind) running from 2016-20. This plan places particular emphasis on attracting investment, and also stresses industrial development, agricultural reform, reducing regional inequalities, increasing human development and developing more reliable, accurate and regular statistical data to inform public policy decisions.

Private sector development and enterprise structure

Business environment trends

Myanmar has posted impressive economic growth rates since its transition to a civilian government began in 2011, and it has successfully attracted FDI into a number of key sectors. However, it faces the challenging task of completing far-reaching reform of its institutions, legal frameworks and mentalities, as well as of upgrading infrastructure and health and primary education outcomes, while ethnic tensions persist in many parts of the country. In particular, private-sector activity is hampered by long and costly administrative procedures for starting a business, registering property, dealing with construction permits and trading across borders, as well as the difficulty of enforcing contracts (World Bank, 2017^[7]). The government has undertaken important reforms to improve the business environment since the last assessment, for instance by slashing the time and cost required to start a business, adopting a regulation allowing for the establishment of credit bureaus and lowering stamp duty (and thereby the cost of registering property). It has also abolished export licence requirements for 166 categories of goods, and import licence requirements for 152 categories, cutting the time required to export general cargo products by 20% since 2013.

The country is expected to continue to attract FDI in infrastructure and consumer goods over the medium term, but recent tensions and reform fatigue have caused investment to drop off slightly, accelerating the need for reforms that could improve the business environment for SMEs.

SME sector

Data are scarce on the number of MSMEs in Myanmar. Around 127 000 enterprises are registered with various government agencies, of which 99.4% are counted as MSMEs. In addition, some 620 000 unregistered firms are estimated to be operating in the country (Bernhardt, De and Dickenson-Jones, 2016^[8]). Of the registered firms, 4 749 enterprises

were registered with the Ministry of Industry (MOI) as of 2017, of which 87.1% were SMEs and a relatively high share (18.9%) were medium-sized enterprises.

Data on the structural contribution of SMEs to the economy are also scarce, but by some estimates they account for around 80% of employment.

SME policy

Most private enterprise was effectively banned in Myanmar from 1962 to the late 1980s.⁴ In 1990, the Private Industrial Enterprise Law provided a legal basis for private enterprise, and it also stipulated a definition of an SME.

Few targeted SME policies were implemented between 1990 and 2010, save the creation of the Small and Medium Industrial Development Bank (SMIDB) in 1996. Following the 2012 elections, however, SME development was emphasised as a priority by the president at that time, U Thein Sein. The government set up a Central Committee for SME Development, enacted an SME Development Law and took steps to streamline company registration procedures. From the end of 2015 until recently, however, SME development policies appear to have taken a back seat. Over the past few months, there has been renewed momentum behind SME development, and the government is close to finalising an institutional structure for SME policy in Myanmar.

2018 ASPI results

Strengthening the institutional, regulatory and operational environment (Dimensions 5 and 6)

Myanmar is currently at a very early stage of developing SME policies. The institutional framework for SME policy is rather fragmented, and there appears to be a degree of policy stagnation since the last assessment. The regulatory and operational environment remains relatively complex, and good regulatory practices are either not used or employed infrequently and require further work. Notable progress on company registration has been made over the past three years by the country's Directorate of Investment and Company Administration (DICA). Myanmar's scores of 2.17 for institutional framework and 2.23 for legislation, regulation and tax reflect these findings.

Framework for strategic planning, design and co-ordination of SME policy

The body responsible for formulating SME policy in Myanmar is the Central Committee for SME Development (SME Committee). This body was established in 2013 to formulate SME policies, laws and strategies; to conduct dialogue with stakeholders; and to co-ordinate donor funds and projects targeted at SMEs. It is chaired by the country's president and has 27 members, mainly from the government, represented at minister or equivalent level.⁵ The SME Committee is required by law to meet twice a year, but it has met only once since it was established. This is partly because its members are very senior officials who face competing demands on their time. In addition, there are relatively few mechanisms in place to translate high-level policy formulation into implementation, or to provide the committee with substantive input. To address this constraint, the government began to create a working committee for the SME Committee, but this was not a policy priority and therefore has moved at a relatively slow pace.

The main body responsible for implementing SME policies and programmes has been the SME Development Department within the MOI's Directorate of Industrial Supervision

and Inspection. It has faced limited resources, particularly for regional outreach. The creation of a dedicated SME agency to take over from the department has been under discussion, but it was put on hold pending the establishment of a working committee for the SME Committee. Over the past few months, however, these efforts have been ramped up, with the government finalising a new institutional architecture for SME policy. This includes the formation of an inter-ministerial SME agency under a working committee chaired by the country's vice president. The agency is to have a governing board chaired by the Ministry of Commerce, a secretariat under the MOI, a fund management committee chaired by the Ministry of Planning and Finance, and a monitoring and reporting committee under the MOI.

The government does not currently have a working strategy for SME development in place. Instead, a general policy for SME development was drafted in 2015, marking an improvement from the 2014 assessment. This policy calls for the creation of “regionally innovative and competitive SMEs across all sectors” that could enhance income generation and contribute to the country's overall socio-economic development. It has seven priority areas: *i)* human resources; *ii)* technology development and innovation; *iii)* financial resources; *iv)* infrastructure development; *v)* market access; *vi)* appropriate taxation and procedures; and *vii)* conducive business environment. It particularly emphasises increasing agricultural productivity and SME internationalisation, and enhancing SME data collection. An SME Master Plan is now being formulated.

Very little monitoring and evaluation of SME policies and programmes currently takes place in Myanmar. SME data are collected only from the company register, and this is the basis on which estimates of SMEs' contribution to employment and share of total enterprises are calculated (as a share of this population). An economic census has not been conducted due to budgetary constraints. Numbers are not provided on the SME contribution to GDP or value added.

Scope of SME policy

A legal SME definition was enacted in 2015 under the Small and Medium Enterprises Development Law following a long process of negotiation among various stakeholders.⁶ This definition removed the “horsepower” criterion that had been used to measure firm size under the former Small Scale Industry Law (2011). However, it retains three metrics of firm size⁷ as well as the use of six sectoral size thresholds, which may reduce its ease of use. Currently, the definition is not used consistently by government agencies, and even within the MOI at least one department is still using the country's previous definition. In addition, the employment measure counts only permanent employees, which may incentivise firms to hire staff on temporary contracts in order to stay eligible for support programmes.

The long-awaited Myanmar Companies Act is expected to establish a firmer basis for defining an enterprise in the country when it replaces its century-old predecessor. Enactment was due in August 2018. One of the new law's most significant reforms is a clause stipulating that a local company in which foreign investors invest up to 35% may still be classified as a domestic enterprise.⁸

Table 17.2. Myanmar's SME definition

Size classification	Indicator	Unit	Sector					
			Manufacturing	Labour-intensive manufacturing	Wholesale	Retail	Services	Other activities
Small	Fixed assets	MMK (mn.)	>500	>500	-	-	-	-
	Turnover	MMK (mn.)	-	-	>100	>50	>100	>50
	Employees	Persons	≥ 50	≥ 300	≥ 30	≥ 30	≥ 30	≥ 30
Medium	Fixed assets	MMK (mn.)	500 - 1000	500 - 1000	-	-	-	-
	Turnover	MMK (mn.)	-	-	100 - 300	50 - 100	100 - 200	50 - 100
	Employees	Persons	51 - 300	301 - 600	31 - 60	31 - 60	51 - 100	31 - 60

High informality rates may exclude a large number of SMEs from policy interventions. Relatively little data are available on the true size of the informal sector in Myanmar, but in 2016 it was estimated that around 57% of the total workforce was operating in “vulnerable employment,” i.e. as own-account or contributing family workers (LO/FTF Council, 2016^[9]). There are few programmes in place to tackle informality, save some measures to streamline and enhance company registration procedures.

Development of legislation and regulatory policies affecting SMEs

Myanmar has started relatively recently to use practices such as public-private consultations (PPCs) and regulatory impact analysis (RIA), and they are therefore not well developed. In 2012, the government started using PPCs, and now the practice tends to be used at least once in the process of developing regulations by most regulators. To facilitate this practice, Myanmar has made use of its strong Chamber of Commerce and Industry (CCI), which is the main private-sector representative in most PPCs. However, a passive selection of private-sector representatives by regulators may reduce the private sector “voice” in these discussions. Comprehensive materials are not prepared by regulators to inform the PPCs. As for RIA, it is at an earlier stage of development. Actions are being taken on a very small scale to socialise its use among regulators. In 2017, four people were trained on the use of RIA from national universities and two from government. RIA was conducted on changes to the land law and their potential impact on fisheries.

Myanmar has undertaken various measures to reform and improve the operational environment for businesses. However, the most comprehensive approach to identifying laws and regulations for potential reform is taken via a Legislative Review Committee, which approaches the task from a legal standpoint rather than an economic one, and which is responsible for reviewing a huge number of laws, and not just those concerning the business environment. The process appears to have slowed over recent years.

Company registration and ease of filing tax

Myanmar has significantly streamlined the requirements for launching a business since 2014. At that time, it took around 77 days to launch a business, costing 139.6% of income per capita and requiring the equivalent of 6 190.1% of income per capita in minimum capital, and it involved 15 procedures (World Bank, 2014a^[10]). Today it takes 14 days, costs 40.1% of income per capita (still rather high), involves 12 steps and there is no

minimum capital requirement (World Bank, 2017^[7]). DICA has implemented a significant number of reforms in this area since 2014. The reforms eliminate the minimum capital requirement for forming a business, lower incorporation fees, abolish a requirement to obtain separate temporary and permanent certificates of incorporation, and remove a requirement to submit a reference letter and a criminal history certificate in order to incorporate a company (World Bank, 2015^[11]); (World Bank, 2016b^[12]).

The time required to file taxes has increased, however, with new requirements introduced for at least three taxes and higher costs attached to at least two.⁹ To comply fully with tax filing regulations, a company must now submit 31 payments a year, taking 282 hours (an increase from 240.5 hours in 2015) and amounting to 31.2% of total profits (a reduction from 34% in 2015).

E-governance facilities

E-governance platforms are not currently available in Myanmar. The country has started to look into the development of platforms for filing tax online. An Electronic Transactions Law was passed in 2004 that could be used to cover the use of e-signature to some extent, although it is very general in nature and further work may be required to develop a comprehensive legal framework. The main agency looking into the development of e-governance platforms is the Ministry of Communication.

Facilitating SME access to finance (Dimension 3)

Myanmar has a highly underdeveloped financial sector according to global indicators, ranking 177th out of 190 countries on the ease of getting credit in 2017¹⁰ (World Bank, 2017^[7]). After almost half a century of state control,¹¹ the country's banking sector is gradually being opened up. Few SMEs have access to formal external finance, and a relatively limited range of products are available. When loans are extended, collateral requirements are very high, averaging around 412.9% of the value of the loan in some surveys (World Bank, 2016c^[13]), and there are few measures in place to address this. The country does not yet have a credit reporting system or a movable assets register in place. Myanmar also has a relatively high number of unbanked citizens: only 23% of those aged over 15 had a bank account in 2014 (World Bank, 2014b^[14]). Overall, the country has a very low level of financial intermediation. Domestic credit to the private sector, a proxy measure of this, stood at only 22% of GDP in 2016 (World Bank, 2016a^[3]). The country's Dimension 3 score of 1.83 reflects these findings.

Legal, regulatory and institutional framework

For debt financing, there are few facilities to support financial institutions in assessing and hedging against credit risk. Myanmar does not yet have a credit reporting system, although in March 2017 the government enacted a regulation allowing for the establishment of private credit bureaus. This facilitated the realisation of steps already taken by the private sector, namely a 2016 memorandum of understanding between the Myanmar Banks Association and NSP Holdings of Singapore to set up a credit bureau in the country. Financial institutions also face difficulties in using contracting elements such as securitisation to hedge against credit risk. The country does not yet have a movable assets register, nor does it have a comprehensive secured transaction framework with clear rules over perfection and priority of security interests. Different types of collateral are currently registered under different departments, and claims on assets are not regularly updated.¹² This compounds an already weak contracting environment: measures

to resolve insolvency can take more than three years and can cost 51.5% of the claim value. A cadastre is in place, but a large share of land property is not formally registered, partially due to the fact that certain areas of Myanmar are still controlled by rebel groups. Digitisation of the cadastre is at an early stage. Immovable property, particularly real estate, remains the dominant form of collateral used, given the absence of a secured transaction framework.

For equity financing, the country has had a stock market since the end of 2015, the Yangon Stock Exchange (YSX), but it remains relatively shallow and illiquid. Only five companies were listed as of March 2018, with a combined market capitalisation of around USD 590 million, and the majority are state-owned enterprises.¹³ TMH Telecom, which listed in January 2018, was the first company on the YSX to raise fresh capital through an IPO (rather than floating existing shares). Given the bourse's limited depth and turnover, it makes sense that a specialised SME platform has not yet been established. Consequently, no public programmes are in place to facilitate listing of SMEs.

Sources of external finance for MSMEs

The government of Myanmar has few instruments in place to stimulate bank lending to SMEs. Its main instrument is the SMIDB, a specialised government-owned development bank created in 1996 to address the missing market. The bank currently has limited outreach, with only 11 branches operating over the entire country. Alternative instruments to bring in the private sector, such as dedicated credit lines for SME lending, are not extended. Myanmar does have a credit guarantee insurance scheme, which is jointly implemented by Myanmar Insurance, the Sumitomo Mitsui Banking Corporation and CB Bank. Around 300 loans have been extended under this scheme over the past two years. The government is currently drafting a new law to regulate credit guarantee schemes.

Microfinance is a main source of external financing for the country's MSMEs. In 2011, the government passed a Microfinance Law, which has significantly increased the number of microfinance institutions (MFIs) in Myanmar.¹⁴ As of December 2015, there were more than 256 MFIs operating in the country. However, there are few government programmes in place to increase regulatory oversight of these activities or to support licensed banks or MFIs in providing microfinance products for MSMEs. Many MFIs operate in Yangon and other urban areas, and a requirement that at least 50% of an MFI's clients reside in rural areas is not strictly enforced. Moreover, over indebtedness of borrowers is not currently monitored. There is no credit reporting system in place for MFIs, and few share information with each other.

Asset-based instruments are rarely used by firms of any size in Myanmar, partially due to a limited legal and regulatory framework. The government is developing a law to govern leasing, with plans to enact it in 2018. In 2016, the Mitsubishi UFJ Financial Group became the first foreign leasing company to establish a representative office in Myanmar.

Equity instruments are very scarce in the country. A number of private equity/venture capital (PE/VC) firms are interested in the potential afforded by Myanmar's market, but few deals have yet been concluded. There are various funds operating in the Mekong region, such as the Mekong Angel Investors Network, and some of these are based in Myanmar. There are no government programmes in place to stimulate PE/VC financing, but this is perhaps wise given the limited mass of such firms as well as the need to address more pressing issues.

Enhancing access to market and internationalisation (Dimension 4)

Myanmar has shown notable commitment to promoting its national trade. However, it is still in the early phase of developing more strategic and concrete policies to help its local SMEs go international, as reflected in its score of 2.20 for this dimension.

Export promotion

Determined to foster export-led growth, Myanmar's Ministry of Commerce launched a National Export Strategy (NES) in 2015. Technical assistance in design and management was provided by the International Trade Centre in collaboration with Germany's GIZ, with financial support from the German Ministry of Economic Co-operation (BMZ). The NES provides a detailed five-year framework and targeted plan for effective resource allocation. Its seven priority sectors for export development are: *i)* textiles and garments; *ii)* forestry products; *iii)* beans, pulses and oilseeds; *iv)* rice; *v)* fisheries; *vi)* rubber; and *vii)* tourism. Strategic documents for each priority sector have been developed.

The country's trade promotion agency, the Myanmar Trade Promotion Organisation, was established under the Ministry of Commerce with support from the Republic of Korea. It aims to raise the profile of Myanmar exporters, including SMEs, in international markets. The agency has established at least 12 Myanmar Trade Centres across the country to provide trade information and promotion services, including facilitating participation in trade fairs, workshops and business matching. It also provides basic market information on its website, such as commodity prices, export and import statistics, and a foreign traders' directory. The accuracy of the statistics provided cannot be confirmed, however, as the source of the data is not displayed.

As an important part in NES implementation, several projects by donor partners have been conducted. For example, BMZ funded a project to strengthen quality infrastructure in Myanmar, with budget of EUR 800 000 for January 2015-December 2018. The ultimate beneficiaries of the project are SMEs with a focus on food and the agricultural sector, as the improved infrastructure will support SME competitiveness. Other projects aimed at helping small businesses under the national export strategy include an inclusive tourism programme, implemented by the International Trade Centre and focusing on Kayah State, which aims to ensure that local SMEs and communities benefit directly from tourism revenues. The project is funded by the Centre for the Promotion of Imports from developing countries with support from the Netherlands Ministry of Foreign Affairs. Another project focuses on textiles and garments, another NES priority sector. The Export Promotion Guide for Myanmar Garment Manufacturers was launched in 2015 under an EU-funded project called Myanmar SMART (SMEs for Environmental Accountability, Responsibility and Transparency). The project was designed to help Myanmar manufacturers export garments to European Union countries. Its second phase (2016-2019) is now being conducted with the aim of building capacity and increasing skills among local garment SMEs in order to enhance their exports.

Since NES does not specifically tackle SME export promotion, Myanmar has sought to draft an SME development strategy that focuses on specific sector development for local SMEs, which constitute the vast majority of enterprises in the country (Kyaw, 2017^[15]). Several strategies have been considered by the government to promote SME exports, including a plan to give favourable consideration to export-oriented SMEs for accessing government loans. Another initiative seeks to enhance the participation of local SMEs in major trade fairs. In February 2018, the government launched a regional competition for SMEs displaying their products in SME trade fairs across the country. These trade fairs

are expected to reduce marketing costs and foster business linkages for local SMEs (Hnin, 2018^[16]).

Integration to GVCs

Myanmar has not yet designed clear strategies to promote the integration of local SMEs into global value chains (GVCs). The country's garment sector is a case in point. The sector has been a destination for foreign investments, as it is seen to be the last low-cost production frontier for factory relocation and diversification in Southeast Asia (Tsui, 2016^[17]). According to research in Yangon in 2016 by the Hong Kong Trade Development Council, export-oriented garment factories in Myanmar were primarily operating under a Cut-Make-Pack system, carrying out basic labour-intensive tasks in the garment supply chain of "cutting the fabric", "making the garment" and "packing the garment". They were not carrying out more sophisticated tasks like "developing the style", "purchasing raw materials" and "shipping the garments" due to a lack of technology and knowledge transfers from multinational companies (MNCs). This hampered them from moving their production higher up in the value chain.

A separate 2016 study named three main factors that impede the participation of Myanmar's SMEs in local, regional and international supply chains: lack of raw materials, scarcity of skilled labour and difficult access to finance. The study, which involved a survey of Myanmar's enterprises in processed food and apparel manufacturing, cited other factors such as lack of government support and political instability (Bernhardt, De and Dickenson-Jones, 2016^[8]). It was conducted by the Centre for Economic and Social Development (CESD) Myanmar and was funded by ERIA and the Institute of Southeast Asian Studies-Yusof Ishak Institute. The survey also showed that Myanmar is still barely integrated into ASEAN business chains, with only 13% of respondent firms having any business relationship with companies in other AMS. Of those, small firms represented only a tiny minority.

In the absence of specific government intervention to integrate Myanmar's SMEs into the regional and global production network, several initiatives have emerged with support from foreign development partners. A project to supply capacity-building services and raw materials to small farmers and industries in the rubber sector was conducted with funding from the Swiss Agency for Development and Co-operation. In 2014, the United Nations Industrial Development Organisation (UNIDO) conducted a project to boost SME competitiveness by developing clusters and business linkages, which included providing policy advice to the MOI and the Ministry of Co-operatives. On 18 October 2016, Myanmar enacted a new Investment Law that offers improved incentives for investing in the appointed zones. However, there have been no clear guidelines on promoting the transfer of knowledge from larger companies to SMEs or business linkages that could foster SME integration into GVCs. The lack of support for SMEs in industrial zones has exposed them to direct competition from foreign businesses and products without equipping them with the necessary capacities to compete. For example, *The Myanmar Times* reported on 1 December 2017 that the number of SMEs in the Mandalay industry zone had dropped by half since 2010. Coming up with strategic intervention in this area might not only enhance opportunities for local SMEs to join GVCs and expand their businesses, but could also prevent them from being side-lined by foreign competitors in the domestic market.

Use of e-commerce

Myanmar has shown impressive growth in the number of internet users in recent years. According to a recent report by We Are Social, the country's digital population increased by 97% during 2017. Most new users are mobile users (Kanale, 2017^[18]), and they tend to use the internet mainly for access to social media and entertainment (Hyne, 2017^[19]). Myanmar's e-commerce ecosystem is still at the early stage of development. Many SMEs have no online market presence, and those that do usually use popular social media platforms like Facebook as an online marketplace.

Nevertheless, there has been an increasing appetite and need for online transactions in Myanmar. In 2017, the managing director of shop.com.mm, a leading online marketplace, said that more than half a million people per month were visiting the website for online shopping (Kyaw, 2017^[15]). Myanmar's first business-to-business e-commerce marketplace, BaganMart.com, was launched in 2016 with the aim of helping SMEs to connect with suppliers, wholesalers and exporters in the building materials industry. E-payment platforms have also flourished in Myanmar to support online transactions. In 2015, the Myanmar Payment Union (MPU) was launched as the country's first national e-commerce payment platform (Digital News, 2015^[20]). It was followed by others, like DICA's MyanPay and TrueMoney Myanmar of Ascend Group. In June 2017, a taxi service firm, Grab, agreed with an e-payment platform, Wave Money, to provide online payment for its taxi service in Yangon (Win, 2017^[21]).

Despite the rapid growth of e-commerce, Myanmar is still at the early stage of developing a regulatory framework. A consumer protection law was enacted in 2014, but the country is still working to enact its first e-commerce law, and many e-commerce transactions remain unregulated (Ko, 2018^[22]). However, Myanmar enacted a new financial institutions law in 2016 to regulate mobile banking and e-payments.

Quality standards

The development of quality standards is still at an early stage in Myanmar. The main institution responsible for standards is the Ministry of Education's Department of Research and Innovation (DRI), which represents the country in international fora such as the International Standardisation Organisation (ISO), where it is a correspondent member;¹⁵ the International Electrotechnical Commission, where it is an affiliate member; and the World Trade Organisation (WTO) Technical Barriers to Trade (TBT) Committee, where it is the country's enquiry point. In 2014, Myanmar enacted a law on standardisation that aims to support export promotion through improved quality standards, among other objectives. The National Standard Council was created under this law with the mandate of setting Myanmar's standards for imported and exported goods, among other functions.

Myanmar had relatively few standards in place as of 2016 (around 65 in total) and none of the country's trade agreements included a component on standards or technical regulations (Bernhardt, De and Dickenson-Jones, 2016^[8]). Local SMEs may therefore lack incentives or know-how to improve the quality of their products and/or operations, putting them at a disadvantage in international trade. A number of development assistance agencies are implementing projects in this space. For instance, Standards Australia and SPRING Singapore participated in the ISO's Institutional Strengthening Project for Myanmar in 2015, building the country's capacity to participate in national and international standards development. The project shared the experiences of Singapore and Australia in standards development, and advised the government of Myanmar on how to

develop standards in reference to the WTO's TBT Agreement and Good Standardisation Practices. UNIDO implemented a project between 2015 and 2018 that sought to develop a national quality standards framework for Myanmar. The EUR 2.5 million project, conducted in collaboration with the Ministry of Education, the Ministry of Health and the Myanmar Food Processors and Exporters Association, was financed by the Norwegian Agency for Development Co-operation. Myanmar is also looking to promote the adoption of International Financial Reporting Standards among its SMEs, but no specific actions have yet been taken in this area.

Trade facilitation

According to the 2017 OECD Trade Facilitation Indicators (TFIs) used in this 2018 ASPI¹⁶, Myanmar has room to improve trade facilitation in many areas, especially concerning formalities. However, the country has shown a strong commitment to simplifying its processes. Although many projects are still in a developing phase, Myanmar's Customs Department began implementing an electronic import-export clearance system in January 2017 in collaboration with the Japanese government. The Myanmar Automatic Cargo Clearance System (MACCS) and Myanmar Customs Intelligence System (MCIS) were first introduced in the Yangon area, including the Yangon Airport International Cargo Terminal and Thilawa Special Economic Zone, and will gradually serve an extensive border area (Tsui, 2016^[17]). The country's National Single Window works in parallel with MACCS and MCIS to ease the flow of trade.

Myanmar has also improved its cross-border trading information through the Customs Department website, which lists basic export and import procedures, and the Myanmar National Trade Portal, which functions as a single point of cross-border trading information, with a Myanmar Trade Repository and an import-export guide embedded in its website. Information on tariff nomenclature, rules of origin, free trade agreements and a TBT Enquiry Point are available in Burmese and English. In December 2017, Myanmar launched a new Authorised Economic Operator (AEO) programme to enhance customs administration and international supply-chain security (Mizzima, 2017^[23]). Specific support for SMEs has not yet been defined. Nevertheless, with the rapid development of basic trade facilities in the country, Myanmar is on its way to launching itself into the mid-stage of policy development in the trade facilitation area.

Boosting productivity, innovation and adoption of new technologies (Dimension 1 and 2)

Myanmar is advancing in the provision of business development services (BDS) and initiatives to promote productivity, but resources are limited and further efforts are needed in the areas of policy design (particularly data collection) and implementation. It has also enacted a number of environmental policies, but none of these contains a specific provision for SMEs, and no incentives have been identified to support SME greening. Myanmar's scores of 2.38 for Dimension 1 and 1.72 for Dimension 2 place it at an early stage of policy development in these areas.

Productivity measures

The MOI is the main agency for the development and implementation of Myanmar's productivity enhancement policies. The 2015 SME Development Policy emphasises the improvement of SME productivity in the agriculture sector as the backbone of the country's economy. Strategic plans such as the 2016 Industrial Policy and the 2017

Myanmar Industrial Development Strategy also cover productivity enhancement. Consultations on policy development have been conducted with the private sector, mainly through Myanmar's Federation of Chambers of Commerce and Industry (UMFCCI). The budget for productivity enhancement programmes is limited and donors take an active role in policy implementation. Public-private dialogue on productivity is conducted every two months by UMFCCI with the MOI and the Japan Productivity Centre. The Ministry of Agriculture, Livestock and Irrigation is developing a strategy to boost productivity in the agricultural industry, with technical assistance from the Asian Development Bank (ADB), the UN Food and Agricultural Organization (FAO) and the Livelihoods and Food Security Trust Fund. Studies on capital investment programmes have been conducted, but implementation has taken place on a very small scale. Key performance indicators (KPIs) on productivity, specifically SME productivity, are very limited.

Business development services

There is political will to advance with the development of BDS, but actions remain general and do not have precise timelines or targets. A number of national policies cover BDS, including the SME Development Policy (2015), the Industrial Policy (2016) and the Myanmar Industrial Development Strategy (2017). Some targets relating to BDS have been set in regional five-year roadmaps, specifically in Chin State, Magway Region and Ayeyarwady Region. The MOI's SME Development Department and Directorate of Industrial Collaboration are the main bodies responsible for BDS policy development.

The SME Development Department is the main co-ordination body for policy implementation. The government has made an effort to promote the provision of BDS through various initiatives. At the regional level, information and basic support are provided through the regional offices of DICA and the Directorate of Industrial Supervision and Inspection. The SME Development Department also launched an SME Centre of Excellence, which has organised awareness-raising and training activities in Yangon with the support of department staffers and invited experts. Regional SME Development Centres act as one-stop shops to provide information and basic training, but access to counselling and advice on business management is very limited. UMFCCI runs a business training institute and provides business matching services. Donors play an important role, for example in the implementation of a BDS support trainer programme by GIZ, UNIDO and the International Labour Organization. The private sector has taken a much more prominent role in the provision of business development services over the past few years. Key players in this area include the Myanmar Leadership and Management Institute, the Strategy First Institute, Project Hub Yangon, Phandeeyar and Ideabox. Although the number of players has been increasing, which is a positive sign, the supply side of the business services market is very weak, with a very limited range of services, low capacity and limited outreach.

Productive agglomerations and clusters enhancement

Policies on the promotion of industrial zones (IZs) and special economic zones (SEZs) are stipulated in the Myanmar Industrial Policy 2016. The 2012 Industrial Zone Law and 2014 Special Economic Zones Law provide the legal framework on investments in such business agglomeration areas. Incentives for investing in SEZs include: corporate income tax exemptions (e.g. for the first five to seven years, depending on location and type of business), customs duty exemptions (e.g. on materials and equipment used during the construction period and for the first five years of commercial operation) and land lease

incentives (investors can lease land for up to 75 years). Other non-fiscal incentives, such as visa exemptions for foreign investors and experts, are still limited.

Myanmar scored 86.5% in the 2014 ERIA Foreign Investment Liberalisation rate, below the ASEAN median. It is also the only ASEAN country that has seen no improvement in its FIL score since 2011. FDI has declined in recent years, particularly in the real estate sector, and the number of industrial zones has grown only gradually. To date, more than 20 IZs and SEZs have been established in Yangon, with minimum infrastructure. Monitoring mechanisms and KPIs for the industrial clusters are also very limited.

Technological innovation

Surveys suggest that technology use and technological sophistication is quite low among Myanmar SMEs (World Bank, 2016c_[13]), but precise data are scarce and difficult to obtain. The country does not have an innovation strategy in place, but some elements (with no focus on SMEs) are included in policy documents, such as the 2016 Industrial Policy and 2015 SME Development Policy. Myanmar has neither a defined action plan to promote innovation nor assigned targets. The 1994 Science and Technology Law serves as the legal basis for national science and technology policy, which is developed by the Committee on Science and Technology under the leadership of the prime minister (who chairs the committee).

The Ministry of Science and Technology (MOST) is the lead policy-making and policy implementation body for technological research and development. The DRI within MOST has been the lead implementation agency for technological research and development since 2015, when it replaced the Myanmar Scientific and Technological Research Department. The SME Development Committee within the MOI, is also involved in areas related to specific industries. There is no intergovernmental body to co-ordinate the various ministries and institutions involved in facilitating research and development (R&D).

Myanmar's legal framework for intellectual property (IP) rights is not yet up to international standards. The country is not a signatory to the Paris Convention for the Protection of Industrial Property or any other multilateral trademark treaty. IP registration is not yet available in the country. Copyrights from other countries are not recognised and there are no procedures for registering foreign copyrights in Myanmar.

There has been little action on the implementation side, given the limited government budget. DRI offers technical services such as sample analysis, issuance of certification, fine mechanics (fabrication, maintenance and repair of laboratory instruments), standards testing, technical information resources and maintenance and repair of processing equipment. Some 160 companies benefitted from the support of DTI and the SME Development Department over the last several years. There is also a donor-funded Business Innovation Facility, formed mainly to promote innovation in the garments sector from 2014-19. In addition, actions have been undertaken by ILO and UNIDO as well as private players such as Idealab. Infrastructure is limited to Myanmar ICT Park (Myanmar ICT Development Corporation Limited, or MICTDC) and several small-scale initiatives. MICTDC has promoted information and communications technology (ICT) development in Myanmar since 2002 and provides broadband connectivity, reliable power, human resources, promotion of ICT businesses at the local and global levels, and incubation for start-up ICT entrepreneurs.

Environmental policies targeting SMEs

Myanmar's approach to managing the environmental impact of economic growth is developing. The country continues to receive support from the international community on matters related to the greening of SMEs, but policies that directly target the greening of SMEs mainly occur on a sectoral basis.

Like many countries the region, Myanmar does not make specific mention of greening in its SME policies. However, it introduced an Environmental Conservation Law in 2012 and Environmental Conservation Rules in 2015, establishing a national framework for the basic principles of environmental conservation, sustainable development and natural resource use, and the promotion of public awareness. The Environmental Conservation Committee provides guidance to other branches of government on the implementation of conservation measures. It has been reformed multiple times, most recently in 2013. However, it does not specifically work with SMEs, and rather functions as an intragovernmental body.

Environmental governance in Myanmar is spread across different branches and levels of government. The Environmental Conservation Law is an important advance in terms of co-ordinating environmental governance, but it requires institutional capacity building (UNDP, 2016^[24]). Myanmar is developing new environmental legislation, but it has yet to introduce an action plan or associated targets and a timeframe. The lead role on environmental governance is held by the Ministry of Environmental Conservation and Forestry (previously the Ministry of Forestry), but in practice governance is decentralised, involving different branches and levels, including municipal governments.

Incentives and instruments for green SMEs

Myanmar has not implemented significant regulatory or financial incentives to support the greening of SMEs. However, sectoral programmes sponsored by international partners have worked towards this goal. A major programme in this area is the EU-funded SMART Myanmar project, which aims to increase the competitiveness of SMEs in the garment sector through greening. Other donor-funded projects include an initiative to increase SME access to green finance in collaboration with the Central Bank of Myanmar, and an initiative to increase SME compliance with international environmental standards. The government of Denmark's country programme for Myanmar also includes components on SME greening.

Stimulating entrepreneurship and human capital development (Dimensions 7 and 8)

Promotion of entrepreneurial education and skills in Myanmar has mainly relied on foreign development assistance and initiatives, as the government has not yet defined clear strategies in the area. The country's score of 2.38 for Dimension 7 indicates its early stage of policy development in nurturing entrepreneurial education and skills. Myanmar also has social needs that need to be addressed, and policy makers should ensure that development is inclusive of the target groups. The concept of social enterprise (SE) is very new in Myanmar, although increasingly popular, and there is a lack of consistency in terms of the definition and understanding. Inclusive entrepreneurship is also new: the government has a rich tradition of developing social policies, but they are not necessarily focused on entrepreneurship. Myanmar's score of 1.71 for Dimension 8 places it at an early stage of policy development in inclusive entrepreneurship.

Entrepreneurial education

Entrepreneurial learning (EL) has not yet been clearly integrated into Myanmar's education system. The newest National Education Strategic Plan (NESP) 2016-2021 did not set clear EL measures. However, it did set out a roadmap towards developing an industry-led and competency-based system for Technical and Vocational Education and Training (TVET) to train a skilled and competitive local workforce through enhanced co-operation between business entrepreneurs and TVET providers. To carry out the roadmap, Myanmar receives support from non-profit organisations such as Australia's Sustainable Skills, which shares expertise and best practices from the Australian TVET system. The Centre for Vocational Training (CVT) of Switzerland has also supported TVET in Myanmar by operating a prototype school in Yangon to provide youth with quality TVET from Swiss specialists and professionals. Vocational training by CVT covers specific skills in areas such as furniture work, metal casting and hotel services.

Myanmar has also received foreign assistance to promote entrepreneurial education at university level. One notable example is MOST's establishment of the Myanmar Institute of Information Technology (MIIT) in Mandalay as a National Centre of Excellence in information technology and related areas. Myanmar received development assistance from India's Ministry of External Affairs to set up and operate MIIT in its first years, as the institute was based on the education model of the International Institute of Information Technology in Bangalore. MIIT was established to promote university-industry linkages and foster entrepreneurship. Although the country is still at a very early stage of developing entrepreneurial education, the importance of including entrepreneurship in the education system has gained recognition.

Entrepreneurial skills

Myanmar has not yet defined a clear strategy to foster entrepreneurial skills in society. Nevertheless, several initiatives supported by foreign development partners have emerged. A notable example is a project by Entrepreneurship Development Network Asia (EDNA) Myanmar to educate close to 10 000 local entrepreneurs. The three-year project secured just over USD 2 million in funding and commenced in 2014. EDNA Myanmar also trains local mentors on entrepreneurship with a focus on business content, communicative knowledge and emancipatory knowledge. Under its training-of-trainers programme, trainees work with entrepreneurs over a period of six months, meeting weekly to study the teaching materials and monthly to network with local entrepreneurs.

Other entrepreneurship initiatives have been led by NGOs and communities based in Myanmar. For example, the Myanmar Business Executives Association initiated the establishment of a Business Capacity Building Centre to provide training and assistance on all aspects of business skills development. The association also provides social and community development activities and microfinance for small businesses. Another notable association is the Myanmar Young Entrepreneurs Association (MYEA). Established in 2012, MYEA provides incubators and mentorship on entrepreneurship and conducts seminars and workshops to foster entrepreneurial skills among youth. In 2018, MYEA organised a Myanmar Entrepreneurs Carnival at MIIT in Mandalay to strengthen business linkages among local entrepreneurs, especially from mature businesses to young entrepreneurs (Marn, 2018^[25]). A number of development partners are also active in this area. For instance, UNIDO has recently initiated a project to enhance the financial literacy skills of entrepreneurs in Myanmar.

Social entrepreneurship

Myanmar does not have a formal definition of social enterprise, and SEs are not specifically mentioned in any of its national strategies. Since the concept is new, there is no dedicated government agency dealing with SEs. It is likely that the mandate could be given to either the Ministry of Social Welfare or the MOI. But while very few entities in Myanmar define themselves as social enterprises, awareness of the concept is growing among associations, NGOs and co-operatives. On the funding side, the social sector is characterised by a large and growing pool of domestic and foreign donors, a trend underlined by the perception that social activities targeting the poor do not go well with revenue generation. Many organisations have also simply never considered potential revenue generating opportunities (British Council, 2013^[26]).

Although the SE concept is not clear, activities relating to the concept of inclusive business are taking place, mainly led by the private sector and donor community. For example, the DaNa Facility, a private-sector development programme launched in 2017 and funded by UK AID, focuses on the concept of promoting inclusive business. Private initiatives such as Project Hub Yangon, Hamsa Hub, KIVA and Sustainable Business Myanmar play a key role in creating networks, building knowledge and providing capacity building to SEs.

Inclusive entrepreneurship

Few inclusive policies have been designed targeting women, youth and persons with disabilities (PWD), and overall their scale is small and they are largely dependent on private or donor-led initiatives.

Nevertheless, several processes have begun that seek to address youth. One was initiated in 2012 by the Myanmar Youth Forum and is led by the newly formed National Youth Congress. The MYEA is taking an active role in empowering young entrepreneurs and assisting them in creating an entrepreneurship ecosystem. Among other things, MYEA organised the Tigers@Mekong Entrepreneurship Boot Camp and RISE Camp for Business Plan Development. However, a strategic approach is lacking in the country, with efforts conducted on an ad hoc basis and with limited outreach.

Myanmar's National Strategy and Action Plan for the Advancement of Women (2013-2022) makes no explicit reference to women's entrepreneurship. The Ministry of Social Welfare, Relief and Settlement is the relevant policy-making body. The Myanmar Women's Union supports women by providing information, capacity building and advocacy, but it has only a limited focus on women's entrepreneurship issues, although it is linked to a microfinance fund. The Myanmar Women Entrepreneurs Association is a pioneering organisation of feminist activists in Myanmar that aims to unite and support women entrepreneurs. The Myanmar Access to Rural Credit project also supports women entrepreneurs by providing access to financial services and capacity-building activities.

Myanmar ratified the Convention on the Rights of People with Disabilities in 2011. A law on the rights of PWD was adopted in June 2015, although there is little government focus on promotion of entrepreneurship activities. Among the few initiatives available, the Abilis Foundation helps PWD to implement their projects, including entrepreneurial activities.

The way forward

Strengthening the institutional, regulatory and operational environment

Myanmar is still at a very early stage of developing a comprehensive institutional framework for SME policy, and the operational environment for SMEs remains burdensome. Going forward, Myanmar could:

Institutional framework for SME policy

- **Consider reviewing the country's SME definition.** Myanmar's SME definition includes three criteria and covers six sectors. This decreases its ease of use and its likelihood of being applied consistently through the public administration. Moreover, its employment criterion is based on a count of permanent employees, which may incentivise firms to employ more temporary workers. The government could consider setting up a working group to review and potentially update the definition, taking into account administrative capacity and the current structure of Myanmar firms. This could take place following enactment of the new Company Act.
- **Enhance SME statistics.** Access to reliable data on Myanmar's enterprise population will be a crucial element in designing and delivering targeted SME policies. The fact that little data is available on the size and nature of the SME population is a critical barrier for policy makers. To finance and increase the accuracy of a first comprehensive economic census, Myanmar could consider seeking technical assistance from international or bilateral agencies with demonstrated expertise.

Legislation, regulation and tax

- **Start work to socialise the use of good regulatory practices.** Myanmar could consider adopting the approach used by Cambodia and Lao PDR on introducing good regulatory practices. Those countries successfully set up a policy framework for RIA, and training programmes on its use, by creating an RIA Office funded by ADB.

Facilitating SME access to finance

Myanmar has a very underdeveloped financial sector by global standards, with only a rudimentary legal, regulatory and informational framework in place to extend credit and few government programmes to support SME lending. Going forward, Myanmar could:

- **Consider linking MFIs to a credit reporting system when it is established.** Many microfinance institutions currently operate in Myanmar and they are well placed to provide credit to a large number of unbanked citizens. Credit information on potential clients would help MFIs to scale their operations and increase their sustainability.
- **Consider conducting a diagnostic exercise on credit guarantees.** Myanmar has recently begun to provide credit guarantees, but other models could be tested with different features. In addition, a number of important framework conditions for the extension of credit guarantees are currently missing or incomplete, such as a sound regulatory framework, effective insolvency procedures and strong financial

literacy and accounting skills. Credit guarantees can be a market-friendly tool and can reach a higher number of SMEs than traditional credit lines or other instruments, but they are also challenging to implement. A diagnostic exercise could be helpful to increase the sustainability of such schemes. The exercise should seek to identify priority framework gaps as well as appropriate models for Myanmar's context.

Enhancing access to market and internationalisation

As Myanmar continues to carry out reforms in many areas to enhance national trade, specific forms of support for SMEs need to be developed. The country could consider the following actions in order to promote its local SMEs to go global:

- **Develop a national capacity-building programme.** This would help local SMEs to improve their knowledge and skills in order to venture into international trade. A CESD survey in 2016 suggested that the lack of knowledge on foreign trading and market opportunities was the main obstacle hindering Myanmar's SMEs from competing beyond its borders. Capacity-building programmes could be delivered through the establishment of business centres or similar offices across the country, along with more frequent national-scale workshops and training for SMEs.
- **Develop technology upgrade programmes for SMEs.** Such programmes would acquaint SMEs with the latest technology, which could help them move into international trade and promote their integration into GVCs. Establishment of science parks and special industrial zones could allow SMEs to benefit from technology transfer from more advanced companies and promote their adoption of technology.
- **Develop a digital platform for SME networking.** SMEs, particularly those in rural areas, face significant connectivity constraints in Myanmar. Yet internet use is growing at a rapid pace in the country. A digital platform for SMEs to access new markets, both within and outside Myanmar, could be of significant value. However, auxiliary measures will be necessary to ensure SME access to such a platform. These measures could seek to increase investment in broadband infrastructure and competition among broadband providers in order to increase coverage and bring down prices. Training programmes may also be required.
- **Develop policies on quality standards that target SMEs.** SMEs face competition in local markets from imported goods of higher quality. Complying with international standards is also inevitable for any business wishing to penetrate foreign markets.
- **Integrate SME-specific support in trade facilitation development.** Myanmar has rapidly developed its trade facilitation system. Providing SMEs with assistance in accessing the improved trade facilities would boost their opportunities and competitiveness in trading across borders.

Boosting productivity, innovation and adoption of new technologies

To increase productivity, spur innovation and promote the adoption of new technologies and SME greening, Myanmar could consider the following actions:

Productivity, technology and innovation

- **Improve data collection and evaluation of SMEs.** This would help policy makers to monitor the implementation of SME productivity policies and get a better understanding of the current situation.
- **Further promote collaboration with the private sector.** Myanmar could benefit from closer collaboration with the private sector when developing and implementing initiatives for SMEs. Private BDS or tech-support organisations could be invited to participate in government-managed business development centres or to co-develop a common curriculum for BDS that could be rolled out across the country.
- **Develop links between local SMEs and companies present in SEZ and IZs.** Collaboration with local SMEs as suppliers or secondary suppliers could be supported through incentives and other promotional activities and by co-developing quality upgrading instruments. In this way, policy makers could help SMEs enter into regional and global value chains and improve their productivity in the long run.
- **Promote policies that facilitate investment and technology upgrades.** Few SMEs in Myanmar put effort and investment into innovation and acquisition of technology. The government could support this by strengthening the linkages between SMEs and innovation and technology agents and by expanding the network of technological and business incubators, as well as multinational companies active in these areas.

Environmental policies and SMEs

- **Develop dedicated provisions for SMEs in environmental policies.** Policies to support SME greening need to be delineated from policies supporting better environmental performance for the economy as a whole. Concrete policy with targets and timelines would be valuable.
- **Develop a co-ordination unit or function.** Government co-ordination should be strengthened in order to avoid duplication and increase programme uptake and policy impact. Currently, responsibility for planning and implementation of environmental policies is fragmented across government levels and branches.
- **Promote exchanges on good practice.** Myanmar could work with international organisations and regional peers to pinpoint the programmes and strategies that work best to support SME greening. It could then institutionalise their implementation within government policy. This includes projects such as SMART that focus on specific sectors but that may have lessons applicable to other sectors of the economy.
- **Promote implementation through capacity-building support exercises.** Because of Myanmar's relatively decentralised approach to environmental governance, capacity building could be carried out at different levels of government to ensure that officials are equipped to implement support structures for green SMEs.

Stimulating entrepreneurship and human capital development

The promotion of entrepreneurial education and skills has not yet been prioritised in Myanmar. Several actions could be considered to level up policy development on entrepreneurship:

Entrepreneurial education and skills

- **Introduce entrepreneurial learning in primary and secondary education.** Activities could include pilot projects to provide business simulation for students or projects to develop creative business ideas or nurture leadership and teamwork skills. Myanmar could call on its foreign development partners or on successful local entrepreneurs to collaborate in designing and implementing such entrepreneurship projects in the national education system.
- **Develop national programmes to improve entrepreneurial skills in society.** The programmes could cater to the needs of different business maturity levels and cover different areas of starting and running a business, such as obtaining financial assistance, designing and developing products, and management skills. They could also target specific population groups, especially vulnerable sectors such as school leavers, the low-income population and the unemployed.

Social and inclusive entrepreneurship

- **Improve awareness about social and inclusive entrepreneurship.** Lack of understanding of these new concepts can be a source of confusion and lead to misperceptions among policy makers. Increasing their awareness could lead them to consider the need to develop measures to promote these concepts in the country.
- **Explore collaboration with the private sector and academia.** A lack of resources makes it challenging for Myanmar's policy makers to develop a range of activities supporting social or inclusive entrepreneurship. Partnering with academia and the private sector could accelerate progress on supporting the target groups.

Consider promoting entrepreneurship among the target groups. One way for policy makers to empower women, youth and persons with disabilities is to integrate activities that promote entrepreneurship into policy.

Notes

¹ A relatively small decline from 77.2% in 1970 (World Bank, 2016a_[3]).

² Namely the ABSDF, the Arakan Liberation Party, the Chin National Front, the DKBA-5, the Karen National Union, the KNU/KNLA Peace Council, the Pa-O National Liberation Army and the Restoration Council of Shan State.

³ Or 51.1% of Myanmar's total population.

⁴ In 1962 most private enterprises were nationalised, and the formation of new private enterprises was banned in 1963. The few remaining private enterprises were subject to strict trade and price

controls. After 1974 these policies were relaxed to some extent, but only informally. Transformative reforms only came after the formal abandonment of central planning from 1988.

⁵ Only one member represents the private sector, the president of the Myanmar Federation of Chambers of Commerce and Industry, and a vast range of ministries are represented on the CSDC.

⁶ The process took two years in total.

⁷ An indicator of capital structure (fixed assets), financial performance (turnover) and employment, and all three must be applied to determine size.

⁸ Under the 1914 Company Act, an enterprise would be classified as foreign owned following just 1% of foreign investment.

⁹ Corporate tax became more complicated and the rate was increased, employer contributions and the ceiling for this were increased for social security payments, extra documentation requirements were introduced for commercial tax returns, and quarterly income tax filing and payment were introduced.

¹⁰ Myanmar is not included in the World Economic Forum's 2017/18 *Global Competitiveness Index*, and thus this assessment of financial sector development has not been conducted.

¹¹ In 1963 all privately owned banks (10 local and 14 foreign) were nationalised and renamed People's Bank Numbers 1-24, and military officers were appointed as their general managers. In 1970 all banks were merged into one entity, which was renamed the Union of Burma Bank in 1972. In 1975 this bank was split into one Central Bank and three state-owned banks with specific areas of responsibility. In 1992 private bank licenses were issued for the first time, but licenses have only been issued to foreign banks since 2014.

¹² For instance automobiles, land and buildings.

¹³ As of March 2018, the following companies were listed on the YSX: *i*) First Myanmar Investment (2016); *ii*) Myanmar Thilawa SEZ Holdings (2016); *iii*) Myanmar Citizens Bank (2016); *iv*) First Private Bank (2017); and *v*) TMH Telecom (2018).

¹⁴ Myanmar is an attractive market for microfinancing on account of its estimated 33 million currently unbanked citizens.

¹⁵ It has been a correspondent member since 2005.

¹⁶ Four sets of indicators from the 2017 OECD TFIs are used in the 2018 ASPI: *i*) Information availability; *ii*) Fees and charges; *iii*) Formalities-documents; and *iv*) Formalities-procedures, with 2 being the highest possible score for each of the indicators. In 2017, Myanmar scored 0.7 for information availability, 1.0 for fees and charges, 0.4 for formalities-documents, and 0.5 for formalities-procedures.

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