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ASEAN SME POLICY INDEX 2014

TOWARDS COMPETITIVE AND INNOVATIVE
ASEAN SMEs

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The ASEAN SME Policy Index is based on the SME Policy Index methodology devised by the Organisation for Economic Co-operation and Development (OECD) and was developed with the support of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the OECD or of the governments of its member countries.

FOREWORD

Small and medium-sized enterprises (SMEs) are an important driver for job creation and economic growth in the ASEAN region. As the ASEAN Economic Community moves towards a higher level of market integration, new perspectives are opening for these firms. Innovative and high-growth SMEs, in particular, have an opportunity to transform their business.

To help SMEs fully tap these new possibilities, the 10 ASEAN member countries (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) are taking steps to stimulate SME growth. This includes extensive structural reforms to enhance productivity, human capital and enterprise performance.

This report presents the SME development policies and actions implemented by the ASEAN countries and helps identify strengths and weaknesses in policy design and implementation. It compares the experiences and performance of the 10 countries, measures convergence towards the policy guidelines of the ASEAN Strategic Plan for SME Development (2010-15), and recommends priority reforms. Its methodology - the SME Policy Index - is based on a tool developed by the Organisation for Economic Co-operation and Development (OECD) to assess policy development across countries sharing a common SME policy platform.

This publication underscores the need for a more comprehensive approach to SME development in the ASEAN region. It calls for combining on-going reforms to improve the general business environment with targeted interventions to support specific segments of the enterprise population, such as innovative enterprises, start-ups or export-oriented enterprises. The report also recommends government action to create a level playing field for all SMEs through regulatory reform and administrative simplification, as well as investment in human resources, provision of business development services, better access to finance, and the fostering of technological transfer.

This publication is the result of the joint effort between the Economic Research Institute for ASEAN and East Asia (ERIA) and the OECD through its Southeast Asia Regional Programme, supported by the ASEAN Secretariat and the members of the ASEAN SME Working Group. ERIA and the OECD greatly value the work that has been accomplished over the last two years and look forward to continuing this close and fruitful co-operation.



Hidetoshi Nishimura
Executive Director of ERIA



Angel Gurría
Secretary-General of the OECD

FOREWORD

ASEAN will emerge and present itself as a stronger community on the global stage with the formation of the ASEAN Economic Community (AEC). With 2015 fast-approaching, governments in the region are working hard to ensure the realization of the AEC. The fact that small and medium enterprises (SMEs) account for more than 96 per cent of all enterprises in ASEAN shows their significance as the engine of growth in the region. It is therefore vital that development of SME policies is comprehensive to enable SMEs to be well-positioned to tap on incoming opportunities for growth.

The publication of this index is thus a timely milestone for the ASEAN SME Working Group (SMEWG) to review the policy development for the SME sector, and to examine the effectiveness of their implementation. This index tracks SME development among ASEAN member states, and identifies gaps in both policy development and implementation. In charting the direction for policy design in the medium term, this index serves as a useful reference for ASEAN to identify areas for collaboration, and essential pillars of SME development to be strengthened. One example is the need to drive greater public-private partnership at both the national and regional level to benefit more SMEs.

I am heartened by the collaboration between the Economic Research Institute for ASEAN and East Asia (ERIA), OECD, members of the ASEAN SMEWG, and the ASEAN Secretariat in producing the ASEAN Policy Index. This is a positive step in deepening the cooperation between the ASEAN SMEWG and multilateral organizations. I look forward to more of such initiatives to support the development of SMEs in the region.



Ted Tan
Deputy Chief Executive, SPRING Singapore
Chairperson, ASEAN SME Working Group (2014 – 2015)

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MYANMAR

**TOWARDS COMPETITIVE AND INNOVATIVE ASEAN SMEs:
MYANMAR SME POLICY INDEX 2012**

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SEPTEMBER 2013

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TOWARDS COMPETITIVE AND INNOVATIVE ASEAN SMEs:

MYANMAR SME POLICY INDEX 2012

I. Introduction

a. Significant of SMEs in the Economy

Myanmar is endowed with plenty of natural resources and trainable human resources with high literacy rate favorable for development of its economy through resources based industrialization. As Myanmar is still an agricultural country, the contribution to GDP by agriculture, livestock and fisheries, and forestry accounted for 36.4%, while the processing and manufacturing sector accounted for about 26% and service sector account 37.6% in 2010-2011.¹

Small and medium enterprises (SMEs) represent a major share of Myanmar economy as in the case of other ASEAN countries. SMEs play a significant role in the country's economic, social and political development and also creating a lot of job opportunities for the local population. The sustainable development of the SMEs will contribute to employment creation, resource utilization, income generation and promotion of investment. At the same time, SMEs has comparative advantage in their flexibility and dynamism in terms of response to the changing economic and social environment. Due to these facts, SMEs get significant share in output of goods and services in Myanmar economy.

SMEs contribute mainly for import substitution, local employment, provision for niche market requirement and reducing poverty in Myanmar. SMEs are estimated as representing 96 percent of all economic activities of the country and about 90 percent of manufacturing industries. Small and medium industries (SMIs) are required to register under Private Industrial Enterprise Law in the Ministry of Industry. The number of SMIs registered is increasing year by year and it is reaching up to nearly 40,000 in 2012 (Table–1 and Table–2). In fact, almost all of the businesses in the private sector are said to be SMEs and about 64 percent of them are concentrated in food processing industry.

¹ ADB, Key Indicators for Asia and the Pacific 2012

Table – 1: Registered Private Industries in Myanmar

	2000	2005	2007	2012 (As of July, 2012)
Large	1843 (5.10%)	3194 (7.63%)	3483 (8.01%)	4808 (11.12%)
Medium	4185 (11.50%)	6149 (14.68%)	6516 (14.98%)	7287 (16.86%)
Small	30201 (83.40%)	32534 (77.69%)	33504 (77.01%)	31137 (72.02%)
Total	36229	41877	43503	43232

Source: Directorate of Industrial Supervision and Inspection (2012)

Table – 2: Sectoral Distribution of SMIs in Myanmar

(As of July, 2012)

Sr. No.	SMIs	Quantity of SMIs				% of Total
		Large	Medium	Small	Total	
1	Food & Beverages	2369	4110	20976	27455	63.51
2	Clothing &	341	380	1001	1722	3.98
3	Construction	510	650	2117	3277	7.58
4	Personal goods	375	410	330	1115	2.58
5	Consumer	144	79	97	320	0.74
6	Literature and Art	60	117	183	360	0.83
7	Raw good	169	240	282	691	1.60
8	Metal and Mineral	315	381	1204	1900	4.39
9	Agriculture	9	25	37	71	0.16
10	Industrial tools	15	49	66	130	0.30
11	Automobile	194	40	33	267	0.62
12	Electrical	43	15	12	70	0.16
13	General Industries	264	791	4799	5854	13.54
	Total	4808	7287	31137	43232	100
	% of total	11.09	16.92	71.99	100	

Source: Directorate of Industrial Supervision and Inspection (2012)

SMEs have long been received much attention in Myanmar as a catalyst to promote industrial and economic development. The importance of SMEs has been cited by many academicians and practitioners for many years. In contrary, there were a little practical action have been taken place to support them in reality. Much of the efforts of government to develop SMEs in the country are basically ad hoc and end up with politically for show activities. Therefore, nothing change was happened practically at the grass root level. There were many government departments which have stated objectives to support SMEs in theory but in reality they became administrative burdens. There was no concrete plan for their development in term of financing, technology and human resources development and marketing. Till now, SMEs are facing many difficulties particularly from poor infrastructures, shortage of skilled labor and technology, market access and availability of finance. These and inadequate institutional supports effectively hinder their development potential.

After one year of new government has handed over power, attention to SMEs development has been regained attention of the top level policy makers as a tool for economic development and poverty reduction in the country. National SME development council which is chaired by the President U Thein Sein has been formed to provide leadership for effort towards SMEs development in the country with the primary aim of promoting indigenous SMEs. A SME development policy framework has been currently drafted by the working committee headed by the Ministry of Industry with the aim to enhancing performance and contribution of SMEs.

b. The Objectives of the Policy Review

ASEAN countries well recognize that the role of SMEs development is crucial for narrowing development gaps among member countries in order to bring about the benefits of ASEAN Economic Community for them. They believe that competitiveness and robustness of the region's economic depend to a large extent on the competitive and robustness of their SMEs.

In line with this, a framework is proposed for the establishment of an ASEAN SME Policy Index to serve as the monitoring tool for SME development in the region. The ASEAN SME Policy Index starts with ASEAN Policy Blueprint for SME Development (APBSD), 2004-14. In order to effectively implement ASEAN SME policy Index, concrete and detailed

policy measures, implementation time frame, and indicative outputs have been identified. The main objective of the policy review to create competitive and robust SMEs in the ASEAN region thereby to seize opportunities in the global market and supply chain while capable of facing challenges from increasingly global competitions and customer aspirations.

To achieve this objective, ASEAN SME policy review covers the following dimensions.

1. Institutional framework

- SME definition
- Intra-governmental coordination in policy formulation
- SME development strategy
- SME policy implementation agency or equivalent
- Facilitation for a transition from informal to formal (registered) sector

2. Access to support services

- Policy framework for supporting services
- Promotion of E-services

3. Cheaper, faster start-up, and better legislation and regulation for SMEs

- Cheaper and Faster Start up
- Better Legislation and regulation

4. Access to finance

- Legal and regulatory framework
- Sound and diversified financial markets

5. Technology and technology transfer

- Promote Technology Dissemination
- Foster Technology Cooperation to Develop R&D focused on Commercialization of Knowledge
- Promote Clusters and Business Networks
- Finance and Technology Development

6. International market expansion

- Export promotion programmes
- Providing advice and high value information of the international market
- Export capacity building programmes
- Financial facilities for SMEs to export.

7. Promotion of entrepreneurial education
 - Entrepreneurial promotion policy
 - Support of EL in basic education
 - Support of EL in higher education
 - Business-academe collaboration
 - Non-formal education on EL and management of SMEs
8. More effective representation of SMEs' interests.
 - Role and capacity of SME association
 - Participation in consultations on SME policies

SME Policy Index of Myanmar on above mentioned eight policy dimensions will allow a comparative independent evaluation of SME's progress against a set of policy dimensions which, in turn, will help to identify the way forward and to further strengthen SME's capacity to participate actively in the regional production network.

II. Macroeconomic and Business Environment for SMEs

a. Structure of Economy

Myanmar is gradually embracing wide-ranging reforms with the aim to foster the country's growth and development. Reform measures mainly underscore on improving monetary and fiscal management, facilitating trade and foreign direct investment (FDI) and removing structural impediments to growth by establishing physical and social infrastructure, building legal and institutional frameworks, and developing banking and financial sectors. Table - 3 presents an overview of Myanmar Economy.

Myanmar's economy is significantly prospering with strong export earnings from resource commodities and a pickup in FDI flows. Myanmar reported impressive GDP growth rates, averaging 10.2 percent during 1992–2010 and 12.2 percent during 2000–2010 while Asian Development Bank (ADB) estimates about 4.7 percent for the same period. Inflation has been brought down to a single digit and fiscal deficits are being kept at 4–6 percent of

gross domestic product (GDP). ADB forecasts that Myanmar's GDP is likely to grow by about 6.5 percent in 2013 (ADB 2012c). With hard-earned macroeconomic stability, Myanmar's growth performance may well exceed expectations in the foreseeable horizon. If Myanmar keep up its pace on reform measures, the country could grow at 7–8 percent every year for an extended period. At such growth rates, its GDP per capita would reach \$2,000–\$3,000 by 2030 – more than 3 times the current level – propelling Myanmar safely into the ranks of the middle- income countries.²

Table – 3: Macroeconomics Indicators of Myanmar

	Fiscal year ^a					
	2007	2008	2009	2010	2011	2012
GDP at PPP (\$ billion, current)	66.2	74.6	83.2	92.4	99.7	109.8
GDP per capita at PPP (\$, current)	1151	1278	1407	1546	1651	1801
GDP growth (% , in constant prices)	12.0	10.3	10.6	9.6	5.6	7.6
Growth rate						
Agriculture, livestock, fishery, and forestry	7.9	5.6	5.6	4.7	(0.7)	2.0
Industry	19.6	18.0	17.6	18.6	10.2	8.0
Services	13.2	11.6	12.1	9.5	8.6	12.6
Consumer price index (annual % change)	20.9	17.9	1.5	7.7	5.0	1.5
Liquidity (M2) (annual % change)	29.9	14.9	30.6	42.5	30.5	55.0
Overall fiscal surplus (deficit) (% of GDP)	(3.8)	(2.3)	(4.6)	(4.6)	(3.8)	(3.2)
Merchandise trade balance (% of GDP)	15.3	12.1	8.3	8.2	0.5	1.5
Current account balance (% of GDP)	6.8	4.8	3.1	4.2	(2.9)	(1.0)
External debt service (% of exports of goods and services)	4.6	5.1	4.3	3.1	3.9	n.a
External debt (% of GDP)	37.5	25.8	24.4	24.8	22.8	n.a

Note: ^a Fiscal year starts 1 April and ends 31 March.

Source: Key Indicators (2013) & various issues of Asian Development Bank

² Asian Development Bank (2012) *Myanmar in Transition: Opportunities and Challenges*, Manila: ADB

b. Monetary and Fiscal Policy

Fiscal and monetary policy reform is an important agenda for Myanmar to maintain macroeconomic stability, especially during economic transition. To gearing long-term growth of the economy, sound macroeconomic policies including low and predictable inflation rates, sustainable fiscal positions, and a market-based and flexible exchange rate are priority area in macroeconomic stability of Myanmar.

Previously, chronic fiscal deficits and high inflation due to monetization of the deficit had been serious concerns for Myanmar. Government operations are hampered by chronic budget deficits that stem from insufficient revenue. Mobilization of government revenues is low, mainly reflecting limited sources of budget revenues, the complicated tax structure and weak tax administration and generous tax incentives that are eroding the tax base. Government revenues are estimated at 10–15 percent of GDP in the last 5 years, of which tax revenues account for less than one-third. The rest comprises transfers from state enterprises and other non-tax revenues.

In 2009, the government issued and sold treasury bonds to domestic banks for the first time to finance a part of its deficit. The new central bank law provides the Central Bank of Myanmar with the autonomy to run monetary policy to anchor macroeconomic stability. For the time being, the government strengthens the treasury function in the Ministry of Finance and Revenue and shifts from monetization to bond financing for the fiscal deficit. Moreover, to strengthening macroeconomic stability, major reforms are under way including the unification of official exchange rates and adoption of a managed float, loosening of foreign currency restrictions, and monetary policy reforms highlighted by the new central bank law.

While external financing through foreign borrowing and FDI is essential, fostering domestic sources of funding is very important to maintain stability and sustainability of the economy. The government endeavors to increase its revenues and develop domestic financial sector and markets in order to mobilize domestic resources. Thus, Myanmar is strengthening its tax system by improving tax policies and simplifying tax structures and administration to generate adequate revenue and to ensure future economic growth. Recently, the government has bolstered its tax collection, particularly on commodities, services, and custom duties. It can benefit from broadening tax bases by eliminating tax incentives and concessions.

Myanmar's financial sector is very small and kept under tight control. Private credit is less than 25 percent of GDP in Myanmar. Financial liberalization is gradually taking place as some restrictions have been eased in recent months. The CBM has lowered the interest charged on loans by a cumulative 4 percentage points to 13 percent since September 2011. It also allowed private banks to set interest rates (within a limited range) on savings accounts.

The promotion of financial access for small- and medium-sized enterprises is also a high priority. The government has introduced a series of measures to improve access to credit and financial intermediation. The government has allowed private banks to expand their branch networks and has increased the list of collateral to lessen impediments to access to credit. In addition, the government has reduced the interest rate on loan for SMEs from 13 percent to 8.5 percent in January 2013. At the same time, Myanmar Industrial Development Bank (MIDB) was transformed into Small and Medium Industrial Development Bank (SMIDB) as part of its efforts to boost the development of SME sector. Moreover, in the 2012-13 fiscal year, the government has approved Kyat 5 billion (US\$5.95 million) for issuing loans to SMEs at the interest rate of 8.5 percent.

c. Trade and Investment Regime of Myanmar

In Myanmar, since the introduction of market-oriented economic system, it has introduced a series of structural reforms including encouraging private sector participation, liberalizing trade in goods and services, promoting investment made by both domestic and foreign investors.

Trade Regime

Concerning the Foreign Trade Policy, Myanmar believes in trade liberalization and also endeavors to be free and fair trade in the world. Foreign trade policy of Myanmar is an independent one in line with the independent and active foreign policy of the country. Concerning the Foreign Relations of Myanmar, Myanmar is a member of the World Trade Organization (WTO), the Association of South East Asian Nations (ASEAN), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and Greater Mekong Sub region (GMS) in the region. Since 1989, government liberalizes trade policy and

promotes both exports and imports. Government opened up border trade channels with its neighbors and consequently border trade occupies a significant share of total trade of the country.

The main law governing the trade sector of Myanmar is control of export and import act 2012 which is administered by the Ministry of Commerce. According to 1947 Myanmar Export/Import Temporary Act, Ministry of Commerce is allowed to issue orders, notifications, and directives pertaining to all export and import matters. The exporters and importers need to register at Directorate of Trade and all of exports and imports are subject to export/import license issued by the licensing authorities. Oversea trade is to be licensed at Directorate of Trade and overland trade is to be authorized by the Department of Border Trade which is also under the Ministry of Commerce.

Regarding export and import policy, export policy of Myanmar is “to extend and explore the foreign market by utilizing natural and human resources effectively and to promote the export of traditional and value-added products”. The basic principle of import policy is “to import the goods given priority as the capital goods which are major requirement of the state, raw materials, goods which support to public health, goods that support to export promotion activities and goods that encourage the production of import substitution, and other important goods”.

Table-4 presents the value of trade and balance of trade from fiscal year 2001-2002 to 2011-12. As shown in the table, total trade volume increased from US\$ 5071.3 in million in fiscal year 2001-2002 to US\$ 18150.8 in millions in fiscal year 2011-2012 representing an increase of nearly four times. Although Myanmar faced with trade deficit in foreign trade transactions in fiscal year 2001- 2002, there has been trade surplus since fiscal year 2002-2003 because of the increase in total export volume due to new export items, in general and a surge in natural-gas export, in particular. Thus, it can be seen that Myanmar foreign trade performance is increasing year by year because of open market economy and trade liberalization.

Table – 4: Volume of Foreign Trade and Balance of Trade (2001-2002 to 2011-2012)

(USD Million)

Sr. No.	Fiscal Year	Export	Import	Total Volume	Surplus(+)/Deficit(-)
1	2001-2002	2439.3	2632.0	5071.3	-192.7
2	2002-2003	3062.3	2299.6	5361.9	+762.7
3	2003-2004	2356.8	2240	4596.8	+116.8
4	2004-2005	2927.8	1973.3	4901.1	+954.5
5	2005-2006	3558.0	1984.4	5542.4	+1573.6
6	2006-2007	5232.7	2936.7	8169.4	+2296
7	2007-2008	6401.7	3353.4	9755.1	+3048.3
8	2008-2009	6779.1	4543.3	11322.4	+2235.8
9	2009-2010	7586.9	4181.4	11768.3	+3405.5
10	2010-2011	8864.0	6414.5	15278.5	+2449.5
11	2011-2012	9097.0	9053.8	18150.8	+43.2

Source: Ministry of Commerce (2013)

Concerning the major export items, top ten trade items in year 2011-2012 is shown Table-5. As shown in the table, the first top export item is natural gas with 27.8 percent of total export value and the second top export item is jade with 24.24 percent of total export value. Major import items are petroleum products, machinery and spare parts, iron and steel construction materials, palm oil, vehicles and spare parts, pharmaceuticals, ships and boats, cement and fertilizers. Among them, petroleum products which is the first top import item accounted for 16.16 percent of total import value in year 2011-2012.

Myanmar Foreign Trade is mainly with Asian countries. Over 90 percents of total export and import go to Asian countries mainly due to the sanction imposed by Western countries. Among the Asian countries, over 60 percents of total export and import go to neighboring countries: China, Thailand and India.

Table – 5: Top Ten Trade Items in Year 2011-2012

Sr. No.	Export	Value (USD Million)	% of Total	Import	Value (USD Million)	% of Total
1	Natural Gas	2,522.50	27.80	Petroleum Products	1,463.0	16.16
2	Jade	2,204.90	24.24	Machinery & Spare Parts	873.7	9.65
3	Black Gram Bean	458.60	5.03	Iron, Steel, & Construction Materials	430.4	4.75
4	Garment	381.10	4.12	Plastic Raw Materials	202.1	2.23
5	Fish	306.00	3.36	Palm Oil	198.8	2.20
6	Rubber	302.00	3.32	Vehicles & Spare Parts	197.1	2.18
7	Teak log	292.30	3.21	Pharmaceuticals	188.3	2.08
8	Green Mung Bean	291.30	3.20	Ships and Boats	180.4	1.00
9	Hardwood log	282.00	3.10	Cement	167.8	1.85
10	Rice	194.40	2.13	Fertilizers	162.6	1.80

Source: Ministry of Commerce (2013)

Concerning the trading partners of Myanmar, Table–6 presents the major exporters and importers of Myanmar in Year 2011-2012. As shown in Table–6, Myanmar foreign trade partners are mainly of Asia countries such as China, Thailand, India, Singapore and Japan. Among them, about with 68% total export goes to neighboring countries and 43% of total import comes from these countries. Therefore, neighboring countries play an important role in Myanmar as trading partners. Since the beginning of 2012 the trade restrictions have become less restrictive as the European Union and the United States have started to slowly dismantle the sanctions.³ Hence, it can be expected the United States and EU countries may become leading trade partners of Myanmar in near future.

³ ESCAP (2012) *Myanmar: Opening Up to its Trade and Foreign Direct Investment Potential*, Trade and Investment Division, Staff Working Paper 01/12 - <http://www.unescap.org/tid/publication/swp112.pdf>

Table – 6: Major Exporters and Importer of Myanmar in Year 2011-2012

Country	Export Value (USD Million)	Share of Total Export	Import Value (USD Million)	Share of Total Import
Thailand	3824	42%	691	8%
China	2214	24%	2787	31%
India	1046	12%	325	4%
Singapore	543	6%	2516	28%
Japan	320	4%	502	6%

Source: Ministry of Commerce (2013)

The government has recognized, in the context of the market-oriented economic system, the private sector as a prime-mover of the market mechanism and pays great attention for its development. All-out efforts are being made to encourage the active participation of private sectors in foreign trade and giving full support in every angle. By these reasons, the following measures on trade liberalization were initiated-

- (a) To be in line with the changing economic system, the private individuals or enterprises are allowed to carry out the export import business which was previously monopolized by the state.
- (b) Border Trade was regularized in order to develop and strengthen the bilateral trade relations with the five neighboring countries. Department of Border Trade was established and its 11 branch offices providing one - stop service for border trade matters in collaboration with various departments concerned.
- (c) Export and Import procedures were realigned.
- (d) Lowered the technical barriers to trade and simplified export/ import procedures geared towards trade facilitation and promotion.
- (e) Incentives are being given to exporters by allowing 100 % retention of export earnings for importation of goods.
- (f) Trade notifications are being issued by specifying necessary rules in conformity to the changing internal and external business environment.

- (g) The role of Chambers of Commerce and Industry had reactivated and reorganized the Union of Myanmar Federation of Chambers of Commerce and Industry - UMFCCI for the promotion of trade and industry of the private sector.

Regarding the payment for export, buyers can remit the Telegraph Transfer (TT) in advance payment and establish the Letter of Credit (L/C) system. With respect to payment in import, the L/C payment is allowed.

Investment Regime

Myanmar transformed to market oriented economic system in 1988. To become a more liberalized economy, the government allowed foreign direct investment and encouraged the private sector involvement and development in the economy. Foreign Investment Law (FIL) was promulgated by government in November, 1988 to attract the foreign investment in Myanmar and its procedures were prescribed in December 1988. The Myanmar Investment Commission (MIC), which is the initial approving authority for investment proposals, was formed to oversee and administer the Foreign Investment Law.

Foreign direct investment policy of Myanmar is “a component of the overall restructuring and development policy of the Government”. The main components of the policy are as follows:

- Opening of the economy for foreign trade and investment
- Adoption of market oriented system for the allocation of resource and
- Encouragement of private investment and entrepreneurial activity.

In line with market oriented economy, Myanmar conducted many reforms for overall economic development of the country. Among these reforms, government gave priority to attract foreign investment and adopted the following acts and laws for investors to do business in Myanmar:

- (a) Myanmar Company Act (1914)
- (b) Special Company Act (1950)
- (c) Myanmar Companies Regulations (1957)

- (d) Myanmar Companies Rules
- (e) The partnership Act (1932)
- (f) Myanmar Foreign Investment Law (1988)
- (g) Myanmar Citizen's Investment Law (1994) and
- (h) The Myanmar Special Economic Zone Law (2011).

New Foreign Investment Law was enacted on 2nd November 2012, replacing the previous FIL (1988), to encourage foreign investment in Myanmar with the objectives of exploitation of the abundant resources of the country with a view to catering to the needs of the nation in the first instance and exporting whatever surplus available; job creation for the people in line with the progress and expansion of work; developing human resources; developing infrastructure such as banking and financial institutions, highways and roads, national electricity and energy works; developing high-tech industries, including modern data collection technology and further develop communication networks; develop an international standard railway, maritime and airway transport throughout the entire country; to encourage the citizens to be able to compete with foreigners and to develop investment work in line with international standards. Unlike the preceding FIL (enacted in 1988), the new FIL defines “investment” as, “various kinds of property supervised by the investor within the State’s territory in accord with the Law (FIL), and is to include;

- (a) The right to be mortgaged and right to mortgage in accord with the FIL in relation to moveable and immovable property;
- (b) Shares, stock and debentures of the Company;
- (c) Financial rights or activities under a contract determined as a value related to finance;
- (d) Intellectual property rights in accord with existing laws; and
- (e) Functional rights granted by the relevant law or contract, including the right of exploration and extraction of mineral resources.

In order to provide more specific guidance to foreign investors, the new FIL explicitly lists 11 prohibited activities. These activities include:

- (a) Business which can affect the traditional culture and customs of the national races within the State;
- (b) Business which can affect public health;
- (c) Business which can affect the environment and eco-system;
- (d) Importation of hazardous or poisonous wastes into the State;
- (e) Business which produce or use hazardous chemicals under international agreements;
- (f) Production or manufacturing work or services which are activities reserved for citizens;
- (g) The importation of technologies, medicines or utensils/paraphernalia without relevant permits, or not designated for use;
- (h) Agricultural investment and plantation and cultivation for long and short terms which can be performed by citizens;
- (i) Livestock breeding which can be performed by citizens;
- (j) Marine fishing which can be performed by citizens; and
- (k) Foreign investment activities within 10 miles from boundary/borders between neighboring nations of Myanmar, except in State economic zones approved by the Myanmar Government.

The MIC has the authority to grant permission to foreign investors to engage in activities under the prohibited/restricted list, if doing so would be in the best interest of the Nation. The MIC requires approval from the Union Parliament through the Union Government for any project which poses a significant impact on the security of the State and people, the economy, environment or socio-economic well-being.

Under the FIL, total investments were increased from US\$ 13,848.86 million at the end of Sept 2006 to 31068.182 million as the end of September 2012. As presented in Table-6, the combined total FDI inflow into the power and oil and gas sector represented about 44 per cent of the total investment at the end of September 2012 and power sector accounted about 41 percent of total investment; Therefore, oil and gas sector represented the largest amount of foreign investment.

Table – 7: Foreign Investment by Sector

(USD Million)

Sr. No.	Sector	Approved Amount (End of Sept 2006)	Approved Amount (End of Sept 2012)
1	Power	6,030.00	13037.498
2	Oil and Gas	2,668.00	13474.728
3	Mining	5,34.89	2289.162
4	Manufacturing	1,610.41	633.447
5	Hotel and Tourism	1,034.56	814.475
6	Real Estate	1,056.45	275
7	Livestock & Fisheries	312.36	324.358
8	Transport & Communication	313.27	313.906
9	Industrial Estate	193.11	179.113
10	Agriculture	34.35	154.07
11	Other Services	23.69	8.067
Total		13,848.86	31068.182

Source: Myanmar Investment Commission

d. Labor Market Regulations

The population of Myanmar is estimated 60 million. According to 2011 statistics, the working age (15-59 years) population of Myanmar is about 37.44 million and the working population is 30.13 million. Concerning the recruitment procedures, a private enterprise wanting to employ five or more workers should apply on the prescribed form to the Township Labor Office which will prepare a list of candidates meeting the personnel specifications. The workers will be selected by the employer from the list. To assist foreign employers comply with Myanmar's labor law, the Department of Labor can examine employment contracts and work rules and advise accordingly. Employers can also recruit through employment agencies or directly through advertisements.

In Myanmar, labor administration is the responsibility of the Ministry of Labor. The aims of the Ministry of Labor are to maintain industrial peace; provide free employment

services and skills training; conduct research on labor matters; ensure workers enjoy rights under labor laws; promote occupational safety, health, and social security; and participate in international labor affairs. The Ministry consists of (1) Department of Labor, (2) Social Security Board, (3) Central Inland Freight Handling committee, (4) Factories and General Labor Laws Department, and (5) Central Trade Disputes Committee.

Department of Labor performs the major functions which include conducting negotiations and conciliations in cases of dispute between employers and employees; providing employment services through its 78 township offices; providing overseas employment services; researching and reviewing labor laws; and maintaining manpower statistics.

Factories and General Labor Laws Department researches, monitors, and enforces safety and health standards in factories. Its inspectors are authorized to fine employers who breach minimum safety and health standards, and who commit other transgressions such as not complying with trade disputes awards, or not remitting social security contributions. Apart from enforcement, the department also disseminates industrial safety information and provides consultancy services.

Concerning the settlement of trade disputes, the Ministry of Labor has set up effective machinery for the settlement. Any disputes between employees and employers are brought to the attention of the Township Workers Supervisory Committee for possible conciliation. If conciliation fails, the matter will be referred to the Township Trade Disputes Committee (TDC) for arbitration. If the award made by the TDC is not accepted by one of the parties, the party can appeal to the Trade Disputes Appeal Committee. And then, if one of the parties does not accept the decision of the Trade Disputes Appeal Committee, the party can take a final decision of arbitration from the Central Trade Disputes Committee.

Regarding Labor Laws in Myanmar, existing labor laws consist of Workmen's Compensation Act (1923), Payment of Wages Act (1936), Employment Statistics Act, (1948), Minimum Wages Act, (1949), Employment and Training Act (1950), Factories Act (1951), Leave and Holidays Act (1951), Oilfields Labor and Welfare Act (1951), Shops and Establishments Act (1951), Employment Restriction Act (1959), Labor Organization Law (2011), and two recent laws, Labor Dispute Settlement Law (2012), and Social Security Act (2012) (enacted but not yet in force).

These laws are acted for labor relations problems and deal with such subjects as work hours, holidays, leaves of absence, woman and child labor, wages and overtime, severance pay, workmen's compensation, social welfare, work rules and other matters. There is a minimum wage only in certain fields (i.e. agricultural workers). A social security act established a fund with contributions by employers, employees and the government. These Labor laws were formerly announced as rules under the 1964 Law Defining the Fundamental Rights and Responsibilities of the People's Workers.

In December 2011, a Law revoking the 1964 Law was passed. The Labor Organization Law was promulgated in October, 2011 and the law came into effect in March, 2012 by announcing the Notification of the office of the President of Myanmar. Moreover, the Settlement of Labor Dispute Law has also promulgated in March, 2012 for safeguarding the right of workers or having good relationship between employer and workers and making peaceful workplace or obtaining the rights fairly, rightfully and quickly by settling the dispute of employer and worker justly. According to settlement of labor dispute law, a party, employer or worker may complain in an individual dispute- to the Conciliation Body and if not satisfied, may apply to the competent court in person or by the legal representative. If the collective dispute does not reach settlement, the Conciliation Body shall refer to the relevant Arbitration Body and inform the persons relating the dispute.

The Ministry of Labor has published Myanmar Labor Law booklet, which summarizes above labor laws. All companies need to comply with these laws and use them as a model employment contract when appointing Myanmar citizen employees.

Employment and Skill Development Law is promulgated in March 2013. According to this law, an employer shall conclude an employment contract within 30 days after appointing a worker for a specific job. However, the point is not relevant to permanent employment for a government department or government organization. The Union Government shall form the central body for employment and skill development. This body shall formulate polices for creating employment opportunities, work to reduce unemployment, upgrade worker's discipline and capacity, develop worker's skill and form the employment development organization.

At present, the first law on safety and health in workplaces is being drafted by the Ministry of Labor and will be promulgated in 2013. The law aims to prevent air and water pollution and improve safety at worksites, including fire prevention, ensuring construction workers use protective equipment, ensuring the safety of worksite operators and taking precautions for natural disasters.

Since Myanmar has been a member of the International Labor Organization (ILO) Myanmar tripartite delegation which consists of the representatives of Government, Employers and workers attends the ILO conference held in Geneva annually.

The Myanmar Special Economic Zone Law (2011), Dawei Special Economic Zone Law (2011) and the Bill of the New Foreign Investment Law impose special rules applicable to foreign employees, work permits, and minimum percentages of employees which must be citizens.

III. Towards an Efficient SME Policy in Myanmar

a. Institutional framework

Regulatory and institutional framework is critically important for development of SMEs in any country. Recently, lack of common SME definition, weak coordination among agencies responsible for SME policy formulation and implementation, yet to formulate SME development strategy, and weak facilitation in formalization of SMEs are still be stumbling block for the development of SMEs in Myanmar.

SME Definition

In Myanmar, the official definitions of SMEs defined in the Revised Industry Law 1990 and Private Industrial Enterprise Law 2011 focuses on the industrial sector only. Four measures or criteria for classification, namely number of employees, capital investment, production volume and electrical usages are applied to distinguish different sizes of Myanmar private firms (Table-8). The smaller micro industries is defined as the industries which employ less than 10 workers and using less than 5 H.P motor under the Cottage Industries Law.

Table – 8: Official Definition of SMIs

Categories	Small	Medium	Large
Power used (Horsepower)	Over 5 to 25	Over 25 to 50	Over 50
Number of workers	11 to 50	51 to 100	Over 100
Capital investment (Kyat' million)	Up to 1	Over 1 to 5	Over 5
Annual production (Kyat' million)	Up to 2.5	Over 2.5 to 5	Over 5

Source: Ministry of Industry (2012)

Although, the definition of SMI is uniformly applied in government programs and policies throughout the countries, nowadays, it has been widely criticized due to containing many self contradictory dimensions and no distinction in size for enterprises under the manufacturing and service sectors. In addition, the amount of money in term of sales and capital investment stated in the definition is no longer relevant in today. As a result, the new definition of SMEs is proposed under SME Law and now in the process to be approved by the Parliament.⁴

Table – 9: Proposed Definition of SMEs

Sr. No.	Description	Small	Medium
1	Employees (a) Manufacturing Industry (Mining Sector, Construction Sector, Quarry Sector) (b) Labor-intensive or CMP sector (c) Servicing Industry	< 50 < 300 < 30	51 - 300 301 - 600 31 - 200
2	Capital investment (Kyat' million) (a) Manufacturing Industry (Mining Sector, Construction Sector, Quarry Sector) (b) Labor-intensive or CMP sector	< 500 < 500	500 - 1000 501 - 1000
3	Previous Year Annual Turnover (Kyat' million) (a) Servicing Industry	< 50	51 - 100

Source: SME Development Center (May, 2013)

⁴ http://www.smedevelopmentcenter.gov.mm/?q=en/def_sme

Coordination in Policy Formulation

In April 2012, SMEs Development Center (SDC) was established under the Ministry of Industry⁵. SDC is mainly responsible for SME policy formulation by coordinating with relating organization, agencies, and departments. Accordingly, SME Policy has been drafted by coordination with government and private sector organizations. After having the recommendation and endorsement of Attorney Office, drafted SME Policy was submitted to President Office in September 2012. Based on the submission of SME Policy Draft, the President Office suggested to enact the SME Law first since SMEs cannot be properly encouraged and promoted without SME Law. Recently, SME Development Law has also been drafted and in the process to be approved.

The government strongly encourages the development of SMES in order to promote their competitiveness in ASEAN Economic Community (AEC) by 2015 and ultimately, to contribute the economic development of the country. In January 2013, the government set up Central Committee for Development of Small and Medium Enterprises with 27 members including Ministers of relating ministry chaired by the President. At the same time, Working Committee for Development of Small and Medium Enterprises is also formed with 15 members chaired by Vice-President (2) (Appendix – 1).

The Committees are tasked to formulate and promulgate laws, regulations and procedures for SME development, ensure that the government and private banks effectively provide financial capital for SME development, establish a network with local and foreign organizations to meet technical requirement, encourage market development of SME from rural to urban areas, make SME supporting industries for local and foreign investment to promote healthy development of market chains and to plan for nurturing human resources for SME development.

SME Development Strategy

Recently, there is in process to formulate concrete SME development strategy by SDC with the cooperation of various ministries under the guidance of the Working Committee for SME Development. The committee is laid down the policy, encompassing the following main pillars to create the supporting environment for SME development:

- (a) To support and nurture the development of important resources, namely:-

⁵ http://www.smedevelopmentcenter.gov.mm/?q=en/org_chart

- (1) Human resource development;
 - (2) Technology development and innovation encouragement;
 - (3) Provision of financial support.
- (b) To implement facilitating measures, namely:-
- (1) To develop basic infrastructure;
 - (2) To assist in market development modernization of enterprises;
 - (3) To provide favorable taxation system and good working practices (i.e. efficient and simplified procedures.)

SME Policy Implementation Agency

According to discussion with relevant stakeholders, although SDC is mainly responsible for coordinating in implementation of SME policies recently, the following institutions are also coordinating in SME related matters.

Table – 10: Responsible Institutions for SME Policies Implementation

No.	Institution	Role
1.	Ministry of Industry	Leading Agency
2.	Ministries concerned (13 ministries in Working Committee of SME Development)	Member
3.	Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (RUMFCCI)	Member
4.	Myanmar Industrial Association (MIA)	Member
5.	Myanmar Engineering Society (MES)	Member
6.	SME Development Centre (SDC)	Coordinator

Source: Survey Data (March, 2013)

Facilitation for Formalization of SMEs

Regarding facilitation for transformation of informal sector, Directorate of Industrial Supervision and Inspection (DISI) is mainly responsible for transformation of SMEs from informal to formal sector. In fact, DISI is, legitimately, a responsible agency for formalization of SMEs even though it is only available for registration of SMEs in industry sector. SMEs in

service sector have to register at respective city council and municipal council. Moreover, SMEs Development Committee under RUMFCCI assists for the transformation by collecting the information of informal SMEs, sharing information and assisting for registration procedures and linking with trade associations. The score of Institutional Framework of Myanmar SMEs is summarized in Table-11.

Table – 11: The Score of Institutional Framework

No.	Policy Sub-dimension / Indicator	Level
1.1	SME definition	3.0
1.2	Intra-governmental coordination in policy formulation	3.5
1.3	SME development strategy	2.0
1.4	SME policy implementation agency or equivalent	2.0
1.5	Facilitation for a transition from informal to formal (registered) sector	4.0

Source: Survey Data (March, 2013)

b. Access to Support Services

Until recently, SDC, SMEs Development Committee under RUMFCCI, and Myanmar Engineering Society (MES) take the responsibility for SME supporting services with the guideline of Central Committee and Working Committee for SMEs Development.

Policy Framework for Supporting Services

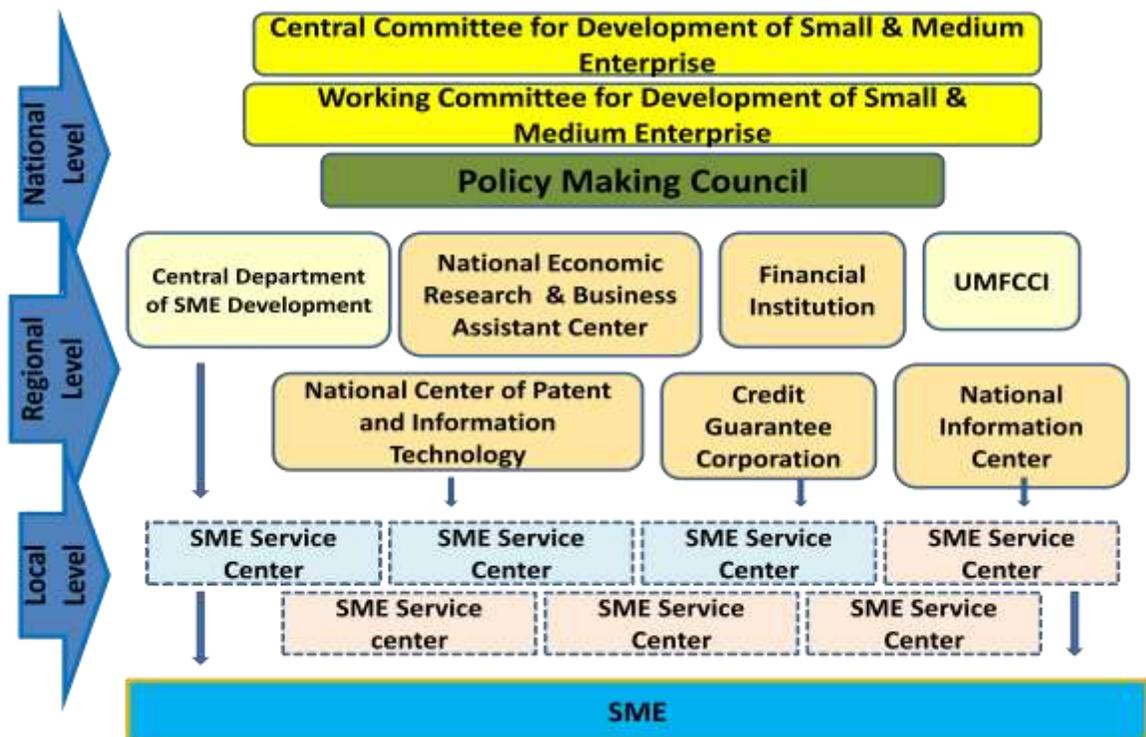
The proposed model of SME supporting services can be seen as three levels: National, Regional, and Local (Figure-1). At the national level, Central Committee and Working Committee for Development of SMEs take in charge and provide guideline for SME supporting services. Policy Making Council is aimed to set up with Ministers, Deputy Ministers, experts and stakeholders from private sector. It is mainly responsible for

- (a) Establishment of SME promotion plan;
- (b) Establishment and clarification of concrete responsibilities and budgets for related executive board;
- (c) Propose SME promotion policies and plans to the Cabinet;

- (d) Submit SME current status report to the cabinet and make public the results at least once a year
- (e) Guide the implementation of related agencies

At the regional level, SDC, National Economic Research & Business Assistant Center, Financial Institution, RUMFCCI, National Center of Patent and Information Technology, Credit Guarantee Corporation, and National Information Center are mainly responsible for SME supporting services. At the local level, SME Service Centers is comprised of representatives of regional authority, officers of related Ministries including Industry, Agriculture, Cooperative, Education, Health, and Energy, experts and related stakeholders.

Figure – 1: The Hierarchy of SME Supporting Services



Source: SME Development Centre (2012)

SDC is responsible to issue the credit guarantee to SMIDB Bank for SMEs loans based on analysis of business situation and prospect for growth. Moreover, SDC provide the following services to SMEs.

- ❖ Preparing SMEs database and surveying the related sectors

- ❖ Arranging technical and business management training by cooperation with partners
- ❖ Supporting for establishment of new Industrial Zone
- ❖ Organizing meeting and workshop for exchanging view and sharing information with respective organizations
- ❖ Providing information, consultancy service and technology transfer
- ❖ Supporting in formulation of policy and regulation based on real situations faced by SMEs

There is no one-stop shop business development centres for SMEs in Myanmar. Recently, one-stop service centre for investment has been established in April 2013 in Yangon with the aim to facilitate both foreign and domestic investors to go through all the required administrative and legal steps at one location. Officials from all relevant ministries and departments will be at the centre to support the investors.⁶ Department and sections located at the centre are from the Ministry of National Planning and Economic Development, Ministry of Commerce, Ministry of Inland Revenue, the Central Bank of Myanmar, Customs Department, Department of Immigration and National Registration, Ministry of Labour, Employment and Social Security, Ministry of Industry, Directorate of Investment and Company Administration, and the Myanmar Investment Commission. However, it seems to be limited services provided for SMEs.

Promotion of E-services

E-commerce is still unable to widely applicable in domestic business transactions other than procurement purpose of some private firms. E-commerce law is also under consideration for facilitating trade and investment. The e-government is also in early phase of implementation. Some applications such as e-departure form for immigration, visa application, and export/import license application services can be accessed online.

Ministry of Industry provided an online portal for SMEs. Recently, new on-line portal for SMEs is developing in process and expected to activate within two months. Recently the portal of Ministry of Industry has been replaced with the portal of Central Department of Small and Medium Enterprises Development <<http://www.smedevelopmentcenter.gov.mm/>>. New portal is developed to provide the information for registration, financing, training

⁶ <http://www.mmtimes.com/index.php/business/6479-dica-opens-one-stop-shop.html>

courses, custom procedures, market access, industrial zones, and ASEAN SMEs such as Directory of top 1000 SMEs in ASEAN Countries, ASEAN SME Festivals, Trade Fairs and Expo. New portal is planned to link with related organizations and agencies such as Directorate of Industrial Supervision and Inspection, Directorate of Investment and Company Administration, Directorate of Trade, SMIDB, RUMFCCI, and MIA. However, however, it seems to be occasionally updated and recently, limited usage by SME community. The score of Access to Support Services is summarized in Table-12.

Table – 12: The Score of Access to Support Services

No	Policy Sub-dimension / Indicator	Level
2.1	Policy framework for supporting services	2.8
2.1.1	Government action plan on development of SME support services	3.00
2.1.2	One-stop shop business development centres	2.50
2.2	Promotion of E-services	2.7
2.2.1	Promotion of E-commerce	2.00
2.2.2	Provision of E-government services	4.00
2.2.3	On-line portal for SMEs	2.00

Source: Survey Data (March, 2013)

c. Cheaper, Faster Start-Up, and Better Legislation and Regulation for SMEs

In this section, the measures for cheaper and faster start up are firstly discussed including issuing of business establishment registration certificate (start from the lodging of the complete documents), completion of the overall registration process and entry in operations, and on-line access, one-stop-shop. In additions, better legislation and regulation for SMEs is presented by review and amendment of legislations and regulations and use of Regulatory Impact Analysis (RIA).

Cheaper and Faster Start-Up

Concerning the issuing of enterprise registration certificate, large enterprises may register at Directorate of Investment and Companies under the Ministry of National Planning and Economic Development. All private individuals and entities operating as the small and

medium enterprises which produce finished goods from raw materials using any form of power in any building may register at Directorate of Industrial Supervision and Inspection under Ministry of Industry. According to interview with deputy director of Directorate of Industrial Supervision and Inspection, the study found that at present, the enterprise can obtain the registration certificate within 9 days due to the liberalization of registration process in Ministry of Industry. According to official information from Directorate of Industrial Supervision and Inspection, to obtain the registration certificate, registration process involves six administrative steps:

- ❖ Applying registration form by the enterprise to Directorate of Industrial Supervision and Inspection of respective State and Division
- ❖ Conducting the field inspection by Directorate of Industrial Supervision and Inspection in respective State and Division
- ❖ Giving reports to Managing Director (Head Office) with findings and remarks by respective State and Division of Directorate of Industrial Inspection and Supervision Department within 2 days
- ❖ Identifying the type of enterprises by Managing Director (Head) based on initial capital, production value, horse-power utilization, and number of employees employed accordance with application form and findings and remarks of respective State and Division Directorate of Supervision and Inspection
- ❖ Depositing the registration fees by enterprises to bank and
- ❖ Issuing the registration certificate by Directorate of Supervision and Inspection when the enterprise may submit the bank document.

Before applying registration, the enterprise needs to obtain the approval or permission or license or certificate from City Development Committee, General Administrative Department, Ministry of Energy, Ministry of Labor, and Respective Ministry and tax clearance document and clearance from investigation of Ministry of Home Affairs. Concerning the overall registration process to complete, the study observed that it may take minimum 10 days to maximum 2 weeks to complete the overall registration process including compulsory licenses for standard business activities.

According to statistics of Directorate of Industrial Supervision and Inspection, the study found that over 43,000 SMEs have already registered at Ministry of Industry. But many SMEs have not registered yet and they are operating informally. Therefore, Ministry of Industry encourages these enterprises to register and to operate formally. Concerning the registration fees, according to the official data from Directorate of Industrial Supervision and Inspection under the Ministry of Industry, small and medium enterprises have to pay U \$15 and US\$30, respectively as the registration fees. In addition, the study observed that the overall cost of registration is nearly 12% of per capita GNI.

With respect to capital requirement for SMEs, in new proposed definition of SMEs, there is no limit of minimum capital requirement for small enterprises. Although, on-line access and one-stop-shop for registration and start-ups for SMEs have not established yet in Myanmar, at present, government encourages establishing one stop- shop for registration and start-ups.

Concerning the start-up firm support, there is absent in financial support for start-up firms in Myanmar. RUMFCCI, one of the related and supported agencies for the SMEs development, also a nongovernment organization, has played a critical role in start-up firm support because it is organizing many domestic and international activities to encourage firms such as arrangement in seminars, training, business matching and trade shows and give advice and market information to the new firms.

Besides RUMFCCI, SDC also provides advice, market information and consulting to start-up firms. Moreover, it provides assistance to SMEs to participate in SMEs Festivals and Expo. Recently, the government has approved Kyat 5 billion (US\$5.95 million) for financing of SMEs in 2012-2013 fiscal year. At present, SMEs Development Bank provides collateral loan with 8.5% interest rate to potential firms.

Better Legislation and Regulation

Concerning the review and amendment of legislations and regulations, according to interview with one of the directors of SMEs Development Center, the study found that Ministry of Industry held the meetings to draw the SMEs Law with related ministries, departments, and representatives of private sectors, non-government organizations and professionals of SMEs. Therefore, SMEs Law and its related policy have been already drawn by cooperation with

government sector, private sector, non-government organizations and professionals of SMEs. Draft of SMEs policy was submitted to President Office in September 2012. At present, there is no specific SMEs law and policy but these law and policy are drafted.

Regarding the systematic regulatory impact analysis (RIA), although there is absent the RIA in Myanmar according to the meeting of SMEs Development Committee which was held at President Office on January 21, 2013, the study found that government puts the effort to develop RIA. Scores of Cheaper and Faster Start-Up and Better Legislation and Regulations for SMEs in Myanmar are shown in Table-13.

Table – 13: The Score of Cheaper and Faster Start-Up and Better Legislation and Regulation for SMEs

No	Policy Sub-dimension / Indicator	Level
1	Cheaper and Faster Start up	3.2
1.1	Issuing of business establishment registration certificate (start from the lodging of the complete documents)	4.7
1.1.1	Number of days for obtaining business registration certificate	5.0
1.1.2	Number of administrative steps for obtaining the business registration certificate	3.0
1.1.3	Official cost of obtaining the business registration certificate	6.0
1.2	Completion of the overall registration process and entry in operations	3.5
1.2.1	Number of days for completing the overall registration process, including compulsory licenses for standard business activities	4.0
1.2.2	Number of steps for completing the overall registration process, including compulsory licenses for standard business activities	1.0
1.2.3	Costs connected with registration (% of GNI per capita)	3.0
1.2.4	Minimum capital requirements (% of GNI per capita)	6.0
1.3	On-line access, one-stop-shop for registration, and start-ups	1.3
1.3.1	On-line registration	1.0
1.3.2	Progression to one-stop-shop (OSS)	2.0
1.3.3	Financial supports for start-ups (soft loans, vouchers, grants etc)	1.0
2	Better Legislation and regulation	1.5
2.1	Review and amendment of legislations and regulations	1.5
2.2	Use of Regulatory Impact Analysis (RIA)	1.5

Source: Survey Data (March, 2013)

d. Access to Finance

Regarding access to finance, the primary concerns of ERIA research are legal and institutional framework that support to financing (technically called lending infrastructure), type and amount of collateral requirements, the rights of creditors, diversification of financial markets and alternative options for getting finance like microfinance, leasing and factoring, availability of risk capital (venture capital) and finally access to financial markets. According to survey result, the findings in this area are generally not very satisfactory as shown the score in Table-14.

Table – 14: The Score of Access to Finance

No	Policy Sub-dimension / Indicator	Level
4.1	Legal and regulatory framework	2.7
4.1.1	Cadastre (including land use right)	4.0
4.1.2	Collateral and provisioning requirements	1.0
4.1.3	Creditor rights	3.0
4.2	Sound and diversified financial markets	1.6
4.2.1	Credit guarantee schemes	2.0
4.2.2	Credit bureau/ registries (not limited to SME)	1.0
4.2.3	Microfinance Facilities (including Credit Unions)	4.0
4.2.4	Leasing	1.0
4.2.5	Factoring	1.0
4.2.6	Availability of Risk Capital (e.g. venture capital, private equity funds, business angels)	1.0
4.2.7	Access to stock market	1.0

Source: Survey Data (March, 2013)

Land Registration (Cadastre)

For land registration and documentation (cadastre), all the land areas and ownership of them particularly residential areas are well documented in Myanmar. At present, government has taken measures to encourage farmers to register ownerships of their farmland to be able to use them as collaterals at the banks to get loans with relatively cheaper interest rate than those available from informal money lenders. For land ownership in cities and towns, Department

of Housing and Development takes the responsibility to develop land area for residential and industrial uses and to grant the land use rights for them. The department issues permits to use land, makes land lease contracts with 30 or 60 years tenure and registers transfer of land ownership among people (basically all lands are owned by the state in Myanmar even though the persons who getting land use permit or land lease can sell or use them as collateral at banks). For established residential areas, city development committee handles the ownership and transfer of land in the city.

The major problem for lands to be used as collaterals is the name of ownership in the permit or lease contract registered at Department of Housing and Development and the real owner who holds that estates are frequently diverged due to the intention of tax avoidance. The department provides registration services on change of landownership only when the new owner paid property tax to the authority which is about 37 percent of land value. As land is very high cost item in Myanmar and thus associated property tax is also high. Therefore, it is common for people who buy the land keep the ownership does not changed formally. When these people use these lands for business, they are not formally eligible for getting bank loans according to bank current procedures even though they actually own the land. It is estimated that 80 to 90 percent of people who buy land do not change land ownership formally. If ownership title change from old to new owner, he/she needs to apply in land registration office to formally change the title where there application is accepted only when the new owner pays tax in tax authority. Therefore, the new owner buys the land make the contract but the formal ownership title is still the name of old owner. In order to avoid cheating of old owner, the common practice the new owner obtains official special power or general power to be able to act as an agent of old owner to sell or construct building in the land. No need to pay tax in the application to get these powers and the life of power is now extended to 3 years. So within the three year, even the new owners can sell or build or extend building on the land without paying tax to authority.⁷ These people are automatically ineligible for getting bank loans.

The person who wants to apply transfer of land ownership or any of cadastre services has to personally go to the Department of Housing together with the person who agree to

⁷ Personal Interview with an official from department of housing and a real estate dealer during June 2013

transfer this right. It takes some costs and time and a considerably bothersome process. It may be one of the reasons of people for why people do not want to register for transfer of landownership at the government. There is no on-line service available so far for these purposes.

Those who have been registered land ownership at the government department can apply for bank loans either from government owned or private banks. The requirements for loan applications are (1) land lease contract from government with the title of the owner (2) business license and photos of business operation (3) the certificate that certify the owner is actually running business which is issued by local authority or supervising committee of industrial zone if the land is located in the industrial zone (4) fire insurance certificate (5) there must be a building on the land that has to be built with brick and cement (at least wood) (6) the land use certificate from city development committee (Form- 104). Inevitably, it takes considerable time and cost to fulfill these requirements.

Once application has been made, the appraiser of concerned bank makes survey to the site personally for the purposes of observing ground situation and valuation on that property. If the borrower is regarded as qualified, loan has been approved by board of director of the bank starting from one year tenure that can be extended up to three years with annual basis. The loan amount is ranged from 35 to 50 percent on the forced sales value of the collateralized property depending on the case⁸. It should also be mentioned that loans can be available only for manufacturing firms and not for services firms. Up to now, the movable property cannot be collateralized.

Creditor Rights

Concerning creditor rights, it is common in Myanmar that if the borrower defaults to pay principal or interest on the loan, the bank officer brings the case to the court. The lawsuit is based on civil law for the reason of contravening the contract between the bank and the borrower. There are no other separate regulations for secured transaction and any reorganization plan or bankruptcy proceedings in Myanmar. The court interprets on the case and if it is found that the borrow default his/her part of contract, approves the bank right to

⁸ Personal interviews with private bankers made in Myanmar Banking Institute during February 2013. It may also refer to "Aung Kyaw (2008) Financing SMEs in Myanmar P.33" available at [www. ide.go.jp/ English/ Publish/ Download/Dp/pdf/148/pdf](http://www.ide.go.jp/English/Publish/Download/Dp/pdf/148/pdf).

seize the collateralized property. After that the liquidation officer of the bank tenders that property. After deducting the amount receivable to the bank for its principal and loan amount including legal costs from sales revenues, the remaining amount, if anything left, has been refunded to the borrower. The time taken to finish legal procedure may range from 3 to 6 months depending on the workload and efficiency of concerned court. Legal cost is formally required less than 100 USD. But including attorney fees, transportation and other expenses it may incur up to 2000 USD per case from start to the end.

Credit Guarantee Scheme

There is no credit guarantee scheme either in government or private sector in Myanmar so far although it is now involved as one of the activities to be prioritized in the SME development policy framework that is being drafted. Attempts are made to develop credit guarantee scheme with the lead of Ministry of Industry. Currently, SME Development Centre (SDC) has conducted credit screening scheme that screens the eligibility of local SME for loan with the discounted interest rate (i.e. 8.5 percent per annum). This loan is particularly targeted to promote local SMEs. The loans are being made by the Small and Medium Industrial Development Bank (SMIDB) which was transformed from Myanmar Industrial Development Bank (MIDB) in 2012. Normal loan interest rate by the banks is 12 percent per annum in Myanmar. But, local SMEs with the recommendation of SDC can be available with discounted rate of 8.5 percent per annum from SMIDB. Up to February 11, 2013, 385 SMEs have inquired for loan out of which 47 are recommended to SMIDB and the loans have been already given to 10 with discounted interest rate. Totally 1.7 billion kyat are lending to SMEs during that period. Only SME in the manufacturing sector (so called SMI) are being given the loans so far⁹.

As interest rate for bank deposit is 8 percent in Myanmar, there is no possibility to provide discounted rate below current level i.e. 8.5 percent (0.5 percent is for the cost of bank transaction) at present without subsidized by the government. There is no specialized bureau for preparing and distribution credit information either in government or private up to now. Although the banks maintain their own databases on the borrowers from their bank, there is no consolidated one.

⁹ SME Centre (2013)

Microfinance

Microfinance bill has passed in November 2011. It allows the institutions to formally register and participate in Myanmar's under developed microfinance industry. A number of microfinance providers are actively operating currently including INGOs and NGOs¹⁰. They provide small loans to the poor people who mainly rely on informal money lenders for their daily livelihood and are mainly located in rural areas and poor parts of the cities. The target groups of these micro finance institutions normally comprise hawkers, trishaw or taxi drivers, small retailers and women entrepreneurs. Most of the microfinance institutions can manage default rate on their loans below 5 percent. Given that the poor people represent 26 percent of the country's population, the availability of microfinance facilities to them is still insignificant. The loan format is commonly based on mutual guaranteed system within group of five persons. Since the main principle of microfinance is targeted to informal sector, the availability of such loans from SMEs is limited.

Leasing and Factoring

There are no leasing and factoring arrangements in the country, so there is no specialized leasing or factoring company at present. About last five years, one or two private banks were granted license to open a leasing department by the Central Bank, but these licenses were latter withdrawn by the Central Bank¹¹.

Venture and Risk Capital

There is also not legal provision for operating venture capital as well as other forms of risk capital so that they cannot be existed in operation. Such forms of capital arrangements cannot be available and even hardly to be heard by the owners of SMEs.

Access on Financial Markets

There are no financial markets including stock market in Myanmar up to now. Therefore, the SMEs in Myanmar cannot get finance from the stock market. Although measures are being taken in collaboration with some foreign institutions to open Myanmar Stock Market in 2015, financing from this source may not be available up to a certain amount of time in the future.

¹⁰ Myanmar's Micro finance industry report (2010), pp.10-12, The Foundation for Development Cooperation, BWTP Network and ACTED, available at www.fdc.org.au

¹¹ Interview with an official from Central Bank of Myanmar during January 2013

e. Technology and Technology Transfer

Like financing, technology development has become a critical activity for promoting SMEs in the country. In this particular aspect, ERIA research concerns the innovation policy, information and other support services that encourage innovated activities, standard certifications, level of investment in R&D and linkages among institutions that conducting R&D activities, the establishment of business and technological incubators, presence of intellectual property rights that protecting creative ideas and innovations, formation of business clusters and industrial parks and finally financial incentives and grants for innovation activities. Again, according to data collected from interview, discussion and personal observation, performances in this area are not very encouraging. The score of Technology and Technology Transfer is presented in Table-15.

Table – 15: The Score of Technology and Technology Transfer

No	Policy Sub-dimension / Indicator	Level
5.1	Promote Technology Dissemination	2.7
5.1.1	Strategic approach to innovation policy for SMEs	1.0
5.1.2	Information on innovation support services	2.0
5.1.3	Standards certification	5.0
5.2	Foster Technology Cooperation to Develop R&D focused on Commercialization of Knowledge	3.3
5.2.1	Incubators	4.0
5.2.2	Technology support in Universities, R&D Labs and Incubators with SMEs Linkages	3.0
5.2.3	Intellectual Property Rights (IPRs) System	3.0
5.3	Promote Clusters and Business Networks	2.5
5.3.1	Broadband infrastructure to support smooth connection and coordination of knowledge flows in cluster	2.0
5.3.2	Sciences / industrial parks, competitive clusters and facilities (agglomeration)	3.0
5.4	Finance and Technology Development	1.0
5.4.1	Financial Incentives	1.0
5.4.2	Public R&D grants	1.0

Source: Survey Data (March, 2013)

Innovation Policy

There is no strategic innovation policy in Myanmar and also not yet ready to prepare up to now. However, some ideas and activities that are aimed at to promote innovative activities are sporadically found. One of these examples is SDC annually requests the Chamber of Commerce and Industry to nominate the most innovative firms among its members during the year. After getting these nominees, they are awarded for their innovated activities. In fact, these prizes are awarded by an international agency through SDC. There is neither coordinated approach nor annual budget allotted for innovation activities and programs in the country. Local SMEs are not explicitly mentioned about this program and there is also no mechanism to measure impact of the program.

Information on Innovation

There is no plan for providing information on innovation supporting services either from the part of government or other private service providers. However, SDC is now designing an information portal for providing SMEs related information to all stakeholders and when it is completed, some information on innovation supporting services can probably be provided.

There are some agencies that specialized to certify products for their standards in the country. Most of them focus to certify health and safety standards mainly for agricultural and marine products that are exported to the countries like Japan and some European Union members. They have dedicated equipments and follow strict procedures in providing their services in order to get confident of their customers. The companies like SGS Myanmar Ltd offers ISO Quality management system in Myanmar and quality assurance services in agriculture, food, non-food, oil & gas and minerals. In ISO certification service, the company provides awareness and internal auditing, document guidance training, pre-assessment and certification audit. In accreditation, the company provides supervision of loading, weight determination, quality and quantify inspection and in land services. It provides services in different kinds of agriculture exports from Myanmar in the form of pre-shipment sampling and issue certificates¹². Other companies provide that kind of services are Global Group, Nippon Kaiji Kyokai (ClassNK) Myanmar, Moody International Myanmar¹³. The firms that

¹² www.sgsmyanmar.com

¹³ www.isomyanmar.com, www.stardards.org/certification_bodies/country/category/Myanmar

want to certify their products can simply approach to these firms and pay for them. There are also some specialized service and training agencies that help local firms to get internationally recognized quality standards like ISO certificates.

Technological and Business Incubators

Regarding business and technological incubators, 20 technological incubators have been already established under the Ministry of Science and Technology but business incubators have not been established so far. These technological incubators can provide technology development, product improvement and development, quality testing and other services. But the availability of their services from SMEs in the private sector is still quite limited. There is no virtual incubator in Myanmar at present.

Linkages among Research Institutions

There are no coordinated and coherent policy frameworks to support technology developments in universities, R&D centers, laboratories and incubators. These organizations are standing for their own purposes and conducting research and development activities in their concerned areas. Mutual collaboration and sharing knowledge are rarely found among them. There is no government plan can be seen to coordinate their activities up to near future.

These universities and research centers are operating under different ministries that may render difficulty for coordination among them to be happened. There are no other grants or incentives to provide innovation support services to these organizations and there are also no monitoring mechanisms for this purpose.

Intellectual Property Right (IPR)

Myanmar has legislations on protecting intellectual property right (IPR) although enforcement in this area is still weakening at present¹⁴. Patent office is also existence to protect violations of intellectual rights although everything cannot be covered. There is no specialized support centre for protecting IPR. One can hire attorney for this purpose by paying fee. The services can be available from attorney are awareness, information, application, licensing and legal

¹⁴ Tin Ko Win (2006), Legal Status of Intellectual Rights in Myanmar, WIPO/ESCAP Colloquium on Intellectual Property United Nation Conference Centre, Bangkok)

protection. But the available that legal service is limited only in major cities like Yangon and Mandalay.

Clusters and Networks

Regarding to promoting clusters and business networks, a broadband infrastructure is available in special economic zones and most of the major areas of the country. Government plan is now underway to available broadband networks in all remaining areas¹⁵. The speed of broadband network is slow at present but from the positive side, it is rarely breakdown.

There are two industrial parks specially dedicated for information and communication technology that are located in Yangon and Pyin Oo Lwin¹⁶. The occupancy rate in these facilities is said to be moderately high. However, there is no linkage between the firms in these parks and universities and other R&D institutions located at outside of these facilities.

There are also no other linkages among universities and research centers. Also there is no incentive scheme to attract SMEs to locate into these facilities and there is no reason to do so because these facilities are always high demand from outside. Any of these facilities are not being well-known internationally.

Financing and Technology Development

For financing and technology development to support activities for technology development, there are no direct government grants or incentives for these activities. But it is safe to say that supports from foreign funding agencies particularly training on these activities can be available sporadically. These funds mainly come from international donor agencies. However, there is no connection between these sources of funding and local innovative companies. There is no independent project evaluation scheme for the funding purpose as well as evaluating and monitoring process to assess the impact funding under those schemes.

There are no public grants to support innovative and R&D activities in commercial orientation of SMEs up to now. There is also no explicit plan to facilitate that kind of activities in the current policy framework.

¹⁵ Wireless broadband master plan for Myanmar (2012) ITU, Available at www.itu.int/ITU-D/tech/broadband/WBB_MasterPlan_Myanmar.pdf

¹⁶ ICT development in Myanmar, Swe Thu Han, Tokyo Institute of Technology, Available at www.ocw.titech.ac.jp/index.php?module=General...0...pdf

f. **International Market Expansion**

In this section, international market expansion is measured by five indicators which consist of export promotion programmes, providing advice and high value information of the international market, export capacity building programmes, financial facilities for SMEs export, and reducing costs of custom clearance for export. The scores of International Market Expansion are presented in Table-16.

Table - 16: Scores of International Market Expansion

No.	Policy Sub-dimension / Indicator	Level
6.1	Export promotion programmes	3.0
6.2	Providing advice and high value information of the international market	3.0
6.3	Export capacity building programmes	3.0
6.4	Financial facilities for SMEs to export	2.0
6.5	Reducing costs of custom clearance for exports (per container)	5.5

Source: Survey Data (March, 2013)

Export Promotion Programmes

Concerning the export promotion programmes, SME related and supported agencies and organizations such as RUMFCCI, SDC and Ministry of Commerce conduct the export promotion programmes and the training programmes by their own arrangements. Although, at present, export promotion programmes for SMEs have not been developed by SDC yet, recently SDC plans to operate such programmes. Recently, SDC collaborated with New Zealand Foreign Affairs and Trade Aid Programme and Mekong Institute conducted the two-day national workshop on ‘SME Cluster Development and Export Consortia Formation’ in Yangon, Myanmar. This workshop can provide the knowledge and skills to develop SME clusters and using export consortia, and promote the entry into export markets.

Moreover, Ministry of Commerce organizes trade exhibitions to participate by SMEs at domestic and overseas for export promotion. In additions, the study observed that Smart Myanmar Project was launched at Republic of the Union of Myanmar Federation of Chamber of Commerce Industry (RUMFCCI) Office in March 2013. This project is a step of forwards for Myanmar SMEs to boot their international competitiveness and designed to improve

performance, and production technologies of SMEs, helping them to penetrate into the foreign markets.

Providing Advice and High Value Information

With respect to providing advice and high value information of the international market, SDC which is established in April, 2012 provides information on SMEs Festivals and Expositions which will be held in ASEAN member countries to SMEs to participate. At present, SDC has already developed websites to provide information. One of the supporting and related organizations of SME development, Ministry of Commerce also provides such information relating international markets for enterprises. Moreover, RUMFCCI, one of the non-government organizations which is affiliated by nearly 36 associations such as Myanmar Agro-based Food Processors and Exporters Associations, Agriculture and Fishery Associations, and Myanmar Agro-based Food Processors and Exporter Association established the SMEs Promotion Committee with its members and provided specific information such as related legal requirements and procedures, relevant standards and specifications, international best practices, product features, and prices, buyers, and distributors for enterprises. In additions, RUMFCCI organize and participate in local and foreign trade fairs and exhibits such as Myanmar International Textile and Garment Industry Trade Exhibition, China Industry Expo-Myanmar, Yangon Life Style Furniture Fairs, Myanmar Malaysia Machinery Fair in 2012, disseminates the trade and market information and provides supervision and coordinating rice marketing for domestic and international markets.

According to the official data from Directorate of Industrial Supervision and Inspection, over 96 percents of enterprises are small and medium enterprises. Therefore, generally, it can be seen that these organizations provides information for businesses which mainly include SMEs.

Concerning the one stop shop, there has not yet one stop shop which provides those information and monitoring and evaluation process of those services are absent in Myanmar. But Ministry of Industry has a plan to establish one stop shop and service to be effective and efficient in operations.

With respect to Export Capacity Building Programmes, majority of the export capacity building programmes come from foreign donors and government and local NGOs such as RUMFCCI. At present, Deutsche Gesellschaft für International Zusammenarbeit (GIZ) conducts researches on ‘Production of Value Added Products in Mon State and Shan State for Export Orientation’ in collaboration with SDC. Moreover, GIZ conducts ‘Sustainable Marketplace Initiative Project’ which contributes to local entrepreneurs.

SDC also conducted ‘the GIZ workshop on Mode and Roles of SME promotion’ in November 26, 2012, funded by GIZ. Moreover, with cooperation and coordination of Friedrich Naumann Foundation (FNN) and SDC, ‘Policies in Support of Small and Medium-Sized Enterprises workshop was held at the SDC on 3rd and 4th December 2012. Building Market also provided two days training on ‘General Procurement’ to local private businesses in December 2012. List the Workshops and Trainings Conducted by SDC in 2012 is presented in Appendix 2.

Moreover, workshops on SME Development in Myanmar were held in 2012 as the nation-wide to explore the potentials and opportunities of SMEs and the difficulties faced by SMEs in Myanmar. Schedule of workshops for the SME development conducted by SDC in year 2012 is present in Appendix 3.

Export Capacity Building

Regarding training for export capacity building, RUMFCCI arranges trade show, business matching, seminars and trainings for not only existing businesses but also new ventures. Training centre of RUMFCCI provides export/import procedures courses and SMEs courses. In additions, Ministry of Commerce provides technical training on exporting and importing field, and training course on Entrepreneurs and SMEs Management. Besides technical training, Ministry of Commerce provides advice and organizing of trade exhibition to participate by SMEs at domestic and international markets. But, there is a weak in training courses relating local, regional and international marketing and access to markets at these training centers. Since the role of SMEs development is very important for achieving sustainable economic development in Myanmar, SMEs Development Center under the Ministry of Industry is cooperating closely with Friedrich Naumann Foundation (FNF) to encourage the creation of a market economy which allows SMEs to flourish, create

employment and reduce poverty. Furthermore, since 2012, these two organizations have conducted a number of workshops, seminars and a series of organizational development consultations to build a high degree of trust and cooperation. In these workshops, the role of government in supporting SMEs such as reducing barriers for entrance to market, decreasing bureaucratic procedures and developing an appropriate regulatory framework for SMEs was discussed for fair competition policies in support of SMEs.

Financial Facilities

For the financial facilities for SMEs to export, government is absent in these financial facilities but loans are provided especially, for import substitution, and the export oriented innovative products in nation-wide. At present, government provides collateral loan to potential enterprises with 8.5 percent interest rate.

Reducing Costs of Custom Clearance for Exports

Concerning the reducing costs for custom clearance, nowadays, government reduces the procedures and steps on custom clearance to be effective and efficient. Therefore, the custom clearance takes only 2 or 3 days for exporting per forty feet container with US\$ 100 as estimated custom clearance costs.

g. Promotion of Entrepreneurial Education

While human resources development plays a critical role in development of SMEs, Myanmar is still facing several challenges in this regard. Weak linkage between education and industry sector, mismatch in demand and supply of labor market, improvement in skill and know-how of trainers and instructors in technical and vocational schools are main issues that to be tackled for human resources development, in general, and entrepreneurial promotion, in particular, in Myanmar.

Entrepreneurial Promotion Policy

Although entrepreneurial learning (EL) is not exactly specified in national education policy, the government articulates EL policy in drafted SME policy, industrial policy and national economic development plan. Ministry of Science and Technology (MOST) is mainly

responsible for Technical and Vocational Education in the Public sector. It establishes (6) Centre of Excellence (COE), and (35) Government Technical Colleges (GTC).

Support of EL in Basic Education

Although EL teaching materials and curriculum are yet to offer in basic education, (36) Technical High Schools (THS) under MOST and (6) Industrial Training Centers under MOI are established to provide technical and vocational education for those who dropped-out from junior high school.¹⁷

Support of EL in Higher Education

In Myanmar, three universities: Yangon Institute of Economics, Monywa Institute of Economics, and Meiktila Institute of Economics offer subjects on entrepreneurship and small business management in its undergraduate and post-graduate courses. Despite national EL networks of universities has yet to establish in Myanmar, all Institutes of Economics regularly review the courses including subjects on entrepreneurship at joint meeting of Board of Studies of these Institutes. These universities adapted their curriculum with the syllabus agreed under ASEAN University Network (AUN) for bachelor and master degree in Business Administration courses even though they cannot offer yet a degree in entrepreneurship.

Business-Academe Collaboration

All Institutes of Economics has the internship program that is compulsory for business-major students. The universities also regularly conduct seminars and workshops relating to SMEs in collaboration with private sector. In addition, private sectors including trade associations and private schools regularly held business plan competitions with the collaboration of Institutes of Economics. They also provide customized training courses and offer awards and scholars for business major students in the universities.

Moreover, Myanmar-India Entrepreneurship Development Centre (MIEDC) has been established since 2008 at Yangon Institute of Economics with the collaboration of Entrepreneurship Development Institute (EDI) of India under Initiative for ASEAN Integration (IAI) program. MIEDC offers several short-courses to public relating to

¹⁷ http://www.smedevelopmentcenter.gov.mm/?q=en/hrd_eng

entrepreneurship including Entrepreneurship Development Course, New Enterprise Creation Course, and etc.

There are 20 registered technological incubators under MOST in Myanmar.¹⁸ However, all of them may be classified as technological incubators and they are not actually business incubators. Now, there is a plan to upgrade two incubators from Yangon and Mandalay as business incubators with the collaboration of SDC and MOST with the support of German Development Cooperation (GIZ).

Furthermore, Yangon Institute of Economics plans to establish a Business Skills Incubation Centre at its campus in June 2013, with the collaboration of PepsiCo Company and United Nations Educational Scientific and Cultural Organization (UNESCO). The incubation centre is established with the aims to create employment opportunities for the young people, to improve their skill and knowledge, and to nurture skill workforce for private and public sectors.

Non-formal Education on EL and Management of SMEs

Regarding non-formal Education, Ministry of Industry operates six Industrial Training Centers around the country. Ministry of Labor also established the training schools with the aim for the promotion of vocational training and skill development. Moreover, RUMFCCI and MES offer several courses supporting for entrepreneurial learning and SME management although these programs can be offered at the limited location especially in main cities.¹⁹ The score of Promotion of Entrepreneurial Education is summarized in Table-17.

Table – 17: The Score of Promotion of Entrepreneurial Education

No	Policy Sub-dimension / Indicator	Level
7.1	Entrepreneurial promotion policy	1.5
7.2	Support of EL in basic education	2.0
7.3	Support of EL in higher education	3.0
7.4	Business-academe collaboration	4.5
7.5	Non-formal education on EL and management of SMEs	3.0

Source: Survey Data (March, 2013)

¹⁸ http://www.smedevelopmentcenter.gov.mm/?q=en/incubation_center_eng

¹⁹ http://www.umfcci.com.mm/index.php?__2MnJjaWc=__1dHJhaW5pbmc & http://www.umfcci.com.mm/index.php?__2MnJjaWc=__1ZG9tJTVGYWN0

h. More Effective Representation of SME' Interests

In this section, more effective representation of SMEs Interests is explored by two indicators: Role and Capacity of SME Association and Participation in Consultations on SME Policies. The scores of More Effective Representation of SMEs' Interests are summarized in Table-18.

Table - 18: Scores of More Effective Representation of SMEs' Interests

No	Policy Sub-dimension / Indicator	Level
1	Role and capacity of SME association	3.8
1.1	SME association	4.5
1.2	Technical capacity	4.0
1.3	Research capacity	3.0
2	Participation in Consultations on SME Policies	4.5
2.1	Mechanism of the consultations	4.5
2.2	Frequency of the consultations	5.0
2.3	Formal influence of the consultations	4.0

Source: Survey Data (March, 2013)

Role and Capacity of SME Association

Concerning the SMEs association in Myanmar, although SMEs association especially assigned on SME development has not been established yet, Ministry of Industry established the SMEs Development Center (SDC) in April, 2012 to support, give guidance and monitor the performance. The Centre is organized by three main departments which consist of Department of Industrial Development and Technology, Department of International Relation and Market Expansion and Department of Investment Promotion and Exploitation of Resources.

Moreover, there are many agencies and organizations related and supported to SMEs development of Myanmar which include SMEs Development Sub-Committee under the Myanmar Industrial Development Committee, Directorate of Industrial Supervision and Inspection under the Ministry of Industry, Ministry of Cooperative, Myanmar Small and Medium Enterprise Committee under Myanmar Engineering Society, Ministry of Science and

Technology, Myanmar Industries Association and SMEs Promotion Committee under the RUMFCCI. These agencies and organizations are responsible for the development of private industrial firms including SME. Nowadays, besides the related agencies, organization and center, Myanmar government is putting emphasis on SMEs development and has recently formed a central committee for further development of the SMEs, and promotion of social-economic status of people. The 27- member Central Committee for SME Development is chaired by President with two vice presidents. The committee also has 20 ministers as members. The central committee will be mainly functioning to formulate and promulgate laws, regulations and procedures for SME development, ensure that the government and private banks effectively provide financial capital for SME development, establish a network with local and foreign organizations to meet technical requirement, encourage market development of SME from rural to urban areas, make SME supporting industries for local and foreign investment to promote healthy development of market chains and to plan for nurturing human resources for SME development. Along with the setting up of the central committee for SME development, a 15- member work committee was also set up.

As Myanmar is also a member of ASEAN Myanmar participates and cooperates with other ASEAN members for the development of SMEs. ASEAN has organized ASEAN Agencies Working Group (ASAWG) and meetings and conferences are hold in each member countries. Officials from SDC participate in ASAWG's activities and tasks and SDC has been cooperation with ASEAN SMEs.

With respect to Technical Capacity of SDC, at present, SDC provides the various kinds supports for SMEs development such as taking the responsibility to database management, gathering, and dissemination of SMEs contact information and providing training and seminars. In additions, Ministry of Commerce, and RUMFCCI also provide the training, workshops, and seminars to entrepreneurs, its members and enterprises. Myanmar Agro-based Food Processors and Exporter Association (MAFPAE) which is an affiliated organization of the RUMFCCI provides laboratory testing services and food quality management system training services with the assistance of Japanese Government to purchase modern laboratory equipment, to learn analysis methods by allowing laboratory staff to undertake training in Japan and with the financial support of MAFPEA members.

Additionally, the RUMFCCI also provides issuing certificates of origin, conducts business matching and trade and investment promotion programmes. Moreover, one of the related and supported organizations, Ministry of Cooperative provides technical know-how, entrepreneurship and skill training, survey and development analysis training on technical assistance. Although the services provided by RUMFCCI, Ministry of Commerce and other related and supporting organizations are not directly mention or under the heading of SMEs development, due to more than 96 percent of enterprises are SMEs in Myanmar and nearly 90 percent of the working population are employed by SMEs, it can be seen that these services can support the SMEs development of Myanmar. In additions, not only RUMFCCI and SDC but also related and supported agencies and professionals of SMEs gave advices to government to review SME law and SME-related policies.

Regarding the research capacity, although SDC does not have own Research Department, Ministry of Science and Technology, Ministry of Industry and RUMFCCI have research departments. These organizations provide advice, supports and assistance to SMEs. Myanmar also develops regional innovation and Research and Development Programmes as the long term plan for SMEs Development. The Myanmar Science and Technological Research Department (MSTRD) under the Ministry of Science and Technology conduct researches for various industries and provide technical service such as sample analysis and issuing of certificate, and standard testing. In addition, there are 10 research and development departments that support various industries in MSTRD. In additions, there are 6 R&D departments under Ministry of Industry and they provide design, related advice, and testing and issue certificates for welder workers.

According to interview with an official of SDC, the study found that at present, SDC intends to conduct research on value chain process in Shan State in cooperation with German Development Cooperation (GIZ). Although RUMFCCI and Ministry of Industry collects researches from various sources and undertakes simple and qualitative research, a few numbers of researches has been done on SME development in Myanmar.

Participation in Consultations on SME Policies

In Myanmar, SMEs are vital for the development of national economy because they can contribute to job creation, resources utilization and generate earnings. Therefore, nowadays,

Myanmar pays special attention for development of SMEs and nurturing existing SMEs to become large enterprises. To create conducive business environment, related Ministry, Departments, and representatives from private sectors, local experts, and RUMFCCI have already drawn draft of SMEs laws and policy.

In January 2013, Central Committee and Working Committee for SME Development are established and then, meetings from these committees are held for SMEs development. At present, SME law and policy are still drafted. Representatives from SME committees, SDC, Ministry of Industry, and Ministry of Commerce conduct regular consultations meetings and discuss for the SMEs development. However, they can just develop meeting minutes and circulate them to respective organizations.

Concerning the frequency of the consultation, quarterly basic meetings are conducted and talk and discuss the SMEs related issues such as challenges of SMEs, advantages disadvantages of SMEs, development programmes for SMEs and major factors for SMEs development. Concerning the participation in consultations on consultations on SMEs policies, not only SDC, RUMFCCI but also private sectors and professionals can be able to give formal comments and suggestions on draft of SME law and related policies. SDC coordinates with related agencies, departments, and ministries to develop SMEs law, policy and SMEs development.

IV. Ways Forward: Specific Recommendations towards an Effective SME Policy in Myanmar

SMEs have been and will continue to be pivotal for national economic development and promotion of social-economic status of the people in Myanmar. At present, the business environment in Myanmar is changing and each change occurring even faster than the proceeding one. SMEs in Myanmar are facing the several challenges and would continue to face in the period of political and economic transition in the following years. In fact, SMEs in Myanmar consists of various and different types of enterprises. Accordingly, their challenges

are varied and complex depending both on the sectors they are in and their level of development.

a. Institutional Framework

The government is putting emphasis on development of SMEs and has recently formed central and working committees for further development of the SMEs. However, the institutional framework in Myanmar is in infancy stage and need to create more conducive environment for development of SMEs. Moreover, SMEs Development Center (SDC) established in April 2012 under the Ministry of Industry is mainly responsible for SME policy formulation in coordination with stakeholder institutions. In addition, several institutions and agencies take part in implementation of SMEs related matters. Regarding transformation of informal SMEs to formal sector, Directorate of Industrial Supervision and Inspection is mainly responsible for registration of SMEs whereas RUMFCCI assists for this transformation process by collecting the information of informal SMEs, assisting for registration procedures, sharing information and linking with trade associations. Although, the institution framework seems to be moderately established, the following measures are recommended for creating conducive environment for Myanmar SMEs.

1. To formulate and adopt a clear framework or mechanism to review the current status of SME related policies, and to set up, implement, evaluate, and monitor the concrete SME policy;
2. To set up concrete SME development strategy and to incorporate the cooperation and coordination among stakeholder organizations and agencies in strategy formulation;
3. To enforce established SDC with staffs, adequate budget, and a system of consultation and coordination with the related agencies for effective policy formulation;
4. To institute single implementation entity with systematic structure and specifically defined responsibility, clear reporting system, and a recognized advocacy and policy advice role, and to be well-funded and wide reaching entity;
5. To establish a sound system for transformation from informal to formal sector through inter-ministerial and stakeholder consultation with effective monitoring systems.

b. Access to Support Services

The government set up Central Committee and Work Committee for Development of SMEs in January this year. It also established SMEs Development Centre (SDC) which is mainly responsible for coordinating and supporting services for SMEs. Although one-stop service centre was established in Yangon during this April, it seems to be limited support services for SMEs since it apparently aims to provide all the required administrative and legal steps at one place for foreign and domestic investors. Moreover, E-commerce Law has yet to set up in Myanmar. E-commerce is also limited usage in domestic business transactions although some E-government applications such as applying export/import license, issuing e-departure form, and visa application are available. Although Ministry of Industry provides an online portal for SMEs, it seems to be limited usage by SME community. Recently, new on-line portal for SMEs is developing in process which will replace the existing portal and expected to activate within two months. In fact, the support services for SMEs are very limited and need to further develop them to equip SMEs with capabilities needed for improving productivity and their growth. Therefore, the following measures are needed to consider for SME development in Myanmar.

1. To formulate concrete action plan, to identify responsible institutions for supporting services for SMEs, and to establish monitoring systems in order to measure the impact of the plan;
2. To set up Business Development Centres providing integrated and comprehensive supports including training, counseling and advice, technology development and transfer, information, business linkage and networking, and access to finance particularly for SMEs;
3. To establish technical and legal infrastructure for E-commerce and E-government services that is widely available for all business transactions;
4. To create the network between most public institutions to collect and disseminate the integrated view of data for all business transactions including company registration, tax administration, social security administration and labor issues;
5. To establish online portal for SMEs which provide the linkages of SME related

organizations and agencies with the capability of to collecting and disseminating information including business registration, financing, training courses, custom procedures, market access, industrial zones, and ASEAN SMEs and related business events and to be interactive and user-friendly in order to facilitate the operation of SMEs.

c. Cheaper, Faster Start-up, and Better Legislation and Regulation for SMEs

Enterprises wanting to obtain a business registration certificate in Myanmar can expect to wait up to 10 days to 2 weeks. Before applying the registration certificate, enterprises need to get approval/permit or license from City Development Committee, General Administrative Department, Ministry of Energy, Ministry of Labor, and tax clearance document from Internal Revenue and Tax department and clearance from investigation of Ministry of Home Affairs. Directorate of Inspection and Supervision Department under Ministry of Industry has the responsibility for the registration of SMEs. Although the ministry does not develop the on line registration, the ministry has a plan to develop on line registration.

Concerning the financial services support for start-up enterprises, financial support services have not been provided by SMEs related agencies including RUMFCCI and SDC. Although there is no financial support for start-up firms in Myanmar, SDC and RUMFCCI provide advice, market information and consulting to start-up firms. Moreover, SDC provides assistance to SMEs to participate in SMEs Festivals and Expo. Recently, the government has approved Kyat 5 billion (US\$5.95 million) for financing of SMEs in 2012-13 fiscal year. At present, SMEs Development Bank provides collateral loan with 8.5% interest rate to potential firms. Hence, not only public organization but also private organization needs to provide financial services support to start-up firms for development of SMEs.

Regarding the review and amendment of legislations and regulations, SMEs policy was drawn by cooperation with government sector, private sector and Non-government Organizations. Additionally, Ministry of Industry held the meetings to draw the SMEs law with related ministries, department, and representatives of private sectors and professionals of SMEs. Draft of SMEs law was submitted to President Office in September 2012. At present, although SMEs law and related policy are drafted, all enterprises need to comply with laws

and regulations enacted by government. Regarding the Regulator Impact Analysis (RIA), the government does not have a systematic RIA. Regarding cheaper, start-up, and Better Legislation and Regulation for SMEs, the following measures based on results of interviews, structured questionnaires and focus group discussion are recommended:

1. To develop the action plan to implement one-stop shop to provide rapid and responsive customer service, to provide faster process for starting a business, to increase in the number of formally registered enterprises and to provide all investment-related services such as approvals, permits and licenses necessary to start and operate a business;
2. To establish action plan for the implementation of SMEs on line registration service and encourage to upgrade ICT activity to be efficient in operations;
3. To adopt appropriate necessary rule and regulation on number of steps for completing the overall registration process for promotion and development of SMEs ;
4. To put more emphasis on SMEs support programmes concentrated on nurturing start-ups and meeting the needs of majority of SMEs which are lack of financial resources, technological and management competencies;
5. To use systematic RIA to improve understanding of the real-world impacts of government action, including both the benefits and the costs of action, to improve transparency and consultation and to improve government accountability.

d. Access to Finance

As presented and discussed above, there are many urgent requirements to be done to promote Myanmar SMEs to face open competitions come through with the measures of AEC. At present situation, funds of local SMEs are dry up and technology development is nothing due to lack of encouragement and support in R&D activities. These situations seriously prohibit the level of investment in SMEs thereby hampering growth and competitiveness of SMEs. Broadening and deepening financial sources available to SMEs is inevitable task to open up opportunity for Myanmar SMEs to survive in coming few years.

Financing is an absolute requirement for SMEs development since without adequate finance no investment can be made. At present, internal financing for capital investment and trade credit for working capital are commonly used among SMEs in Myanmar. Majority of SMEs cannot easily access even conventional form of bank loan. To get more sophisticated sources of financing like venture capital and financial market are a long way to go for Myanmar SMEs. Therefore, the immediate task to be done in this area should be started from making conventional bank loans to be easily accessible to most of SMEs. Improving lending infrastructure is the first thing to be done for this purpose. The specific recommendations for ease of access to finance to SMEs are:

1. To ease the loan application process to the banks with regards to the title of land ownership. As discussed before, most of the land ownerships are not formally titled in order to avoid tax in Myanmar. Therefore, the provision of loan only available to the borrower who titled the land should be removed if the borrower can prove he/she actually owns the land;
2. To encourage cadastre process, the link between tax collection and land ownership registration should be cancelled;
3. To encourage the banks to assess their own credit risk on individual borrowers instead of fixed tie between value of collateral and loan amount (i.e. recently, the loan amount is allowed from 35 to 50 percent on the value of collateral);
4. To set up credit information bureau or database that share credit information to all lending institutions;
5. To establish centralized collateral registration office;
6. To allow and encourage other types of assets like gold, commodity and vehicles to be used as collaterals;
7. To set up credit guarantee and insurance system with mainly used of funds supported by government (Government should reserve a credit guarantee fund loans make to for SMEs). It should be considered the possibility to use a two tier guarantee system in which loans make to SMEs are guaranteed by private insurance firms and they are again guaranteed by the government to share the risk as in the case of Japan;
8. To establish a government fund to make loan to SME with low interest rate i.e. 2 or 3 percent. This fund should be separated apart from normal banking loan (where normal

- rate is 12 percent) and make available these loans to innovative SMEs or SMEs that have a good potential to be internationally competitive;
9. To provide separate regulations for secured transactions and bankruptcy proceedings that allow improvement creditor rights at the same time protect the borrower from immature liquidation;
 10. To simplify and enhance legal procedure for unsecured loans;
 11. To establish provisions those encourage diversified sources of financing like factoring and leasing;
 12. To encourage development of export financing and venture capital firms;
 13. To establish stock market or alternative investment market and make necessary arrangements for SMEs to be available from these sources of fund.

The recommendations listed above may be exhaustive but they have to be done in order to ease finance available to SMEs for helping their survival and growth as well as improved competitiveness. These should be implemented on ranking order basis (i.e. number one measure should be implemented first) from shorter term to longer term step by step basis. The actions should be done as soon as possible and a central body for financing purpose should be formed in order to guide and coordinate and direct these implementation efforts in a coherent and systematic manner.

e. Technology and Technology Transfer

SMEs, needless to say, cannot be competitive with outdated technology and aging machineries. It is also true that modern technology comes only from investment in R&D and well planned innovative policy. Since both of them are lacking in Myanmar for longer term, SMEs can only operate at a subsistence level and mostly they are being struggled from extinction.

Like financing aspect, there are many urgent tasks to be done in this area. There is so far clear innovative policy cannot be found in Myanmar. The only exception is innovative SMEs are annually chosen and awarded through SME Development Centre. There is no clear plan to encourage R&D for SMEs development. Particularly, innovative policy, R&D and supports toward innovative ideas are not found in the SME policy that is currently being

drafted. Therefore, the first recommendation is to insert innovative and R&D policy in the development agenda. Technology development requires considerable time to happen. The benefit on R&D cannot be expected to reap in a short time because foresighted investment, systematic training and risk taking behavior as well as a lot of patience are required for any types of R&D. It will be too optimistic if one expects the performance of local firms in this area can improve within a short period of time. Therefore, the second recommendation is attention should be paid more on technology transfer that can be acquired through FDI and home return workers who have been working in advanced countries for a long period of time. Therefore, the opportunity of technology transfer and spilled over from the linkages with foreign multinationals should not be overlooked. The specific recommendations on in this area are as follows.

1. To adopt a clear policy to promote innovative SMEs;
2. To encourage linkages of Foreign Multination and local SMEs;
3. To develop Information Centre and Technology Development Centers;
4. To establish and encourage linkages among Universities, R&D centre and technology incubators;
5. To strengthen collaboration between these R&D institutions and SMEs. Particularly actions should be taken to increase SMEs access to the services of these centers;
6. To encourage innovation in the form of grants, R&D funds, award, tax concession and special privileges to those SMEs that show their enthusiastic and ability in R&D;
7. To enforce on intellectual property rights;
8. To form R&D database, specialized centers and linkages among resource persons and researchers in accordance with their specialism;
9. To increase Broadband network coverage and speed to cover universities, R&D centers, incubators, industrial parks, special economic zones and industrial zones;
10. To establish and encourage local and international standardization and classification;
11. To encourage industrial clustering and agglomeration among firms in the same or related sectors;
12. To increase investment in R&D, vocational and training centers, technology centers as well as pooling of technicians, academicians and experience workers within the linkages of specialized technology centers;

13. To encourage SMEs to upgrade their technology bases and utilize available technology resources by increasing awareness and using various incentives.

f. International Market Expansion

Ministry of Commerce and RUMFCCI conduct not only the export promotion programmes but also the export capacity building programmes to improve export performance. In additions, SDC also conducts the export promotion programmes in collaboration with foreign donors. These export promotion programmes are lack of coordination among SMEs related agencies and are conducted by their own arrangements. Concerning the providing advice, and high value information of international market, RUMFCCI and Ministry of Commerce provide information to SMEs, and provide training courses on Entrepreneurs and SMEs Management, export/import procedure courses, and so on. Moreover, RUMFCCI organizes and supports trade fair, workshop and seminars. Since international market expansion of Myanmar SMEs seems to be moderately expanded, the following institutional level and business level measures based on results of interviews with stakeholders, structured questionnaires and focus group discussion are recommended to expand international market:

1. To develop institutional capabilities that support the international market expansion and disseminate information on ethical business practices to SMEs for their development;
2. To put more efforts to match foreign firms and local suppliers to improve the performance of SMEs by SDC;
3. To establish coordination agency to conduct integrated and comprehensive export promotion programmes and export capacity building programmes to support the international market expansion;
4. To establish SMEs Manufacturing Support Agency for promoting R&D Activities in direct partnership with SMEs, engaging SMEs in Collaborative Research and Development Consortia, helping SME manufacturers to understand the importance of the role of international standard and encouraging SMEs manufacturers to aware international standard and norms, and disseminating the best practices conducted by market leader;

5. To encourage SMEs manufacturers to produce quality product and service effectively and efficiently and to improve product design to reduce costs because in today's competitive environment, quality and cost are important dimensions to achieve competitive advantage;
6. To develop R&D and training facilities to support SMEs for domestic and international market expansion in cooperation and linkage among government, private, and non-government sectors to enhance the competitiveness and to strengthen R&D activities of SMEs;
7. To upgrade and develop quality certification laboratories for standardization of products and process and to provide appropriate technological information for manufacturing firms to expand markets;
8. To conduct marketing research on export markets to identify the customer needs and requirement and to explore the market potentials of foreign markets;
9. To create awareness and improvement in supply chain management activities and to take advantage of ICT to improve quality, to reduce costs and to be competitive.

g. Promotion of Entrepreneurial Education

In Myanmar, promotion of entrepreneurial education has yet to specifically mention in national education policy even though the government recognizes the importance of entrepreneurial education which are articulated in drafted SME policy, industrial policy and national economic development plan.

Vocational training courses are offered at Technical High School under MOST for those who dropped-out from junior high school. However, there are no specific curriculum and teaching materials to promote entrepreneurship in primary and secondary education. At higher education, entrepreneurship and small business subjects are offered business and commerce major students at undergraduate and post-graduate courses of three Institutes of Economics. These universities adopt the ASEAN Common Curriculum under AUN and regularly reviews and updates the courses at the joint meeting of board of studies.

All institutes of Economics have the internship programs for business major students. Trade associations and private schools regularly conduct business plan competitions with the

collaboration of Institutes of Economics, provide customized training courses, and offer scholarships for business major students in the universities. Private training schools also offer a number of courses supporting entrepreneurial education and SME management. However, these programs can be accessed only at the major cities. Ministry of Industry and Ministry of Labor also establish training schools to provide non-formal entrepreneurial education to those who has no chance to access EL in formal channel. However the services seem to be limited and the following issues are needed to tackle for promoting entrepreneurial education,

1. To formulate a framework and more specific strategy for the promotion of Entrepreneurial Learning in various government plans;
2. To promote entrepreneurial education with adequate resources and monitoring and evaluation system;
3. To specifically identify entrepreneurial leaning at each level of the education and training system as a priority area with reference to curriculum, training on trainers programmes and school governance;
4. To facilitate entrepreneurial leaning in primary and secondary schools by equipping teachers with knowledge and skills for teaching entrepreneurship and teaching material;
5. To promote EL by offering the degree in entrepreneurship at least in three Institutes of Economics;
6. To deepen networking universities in ASEAN for the adoption of Common Curriculum implemented under ASEAN University Network (AUN);
7. To increase the quantity and quality of partnerships between academe and SME sector for promotion of EL;
8. To establish business incubators and science parks to upgrade and facilitate the capability of entrepreneurs and small firms;
9. To establish a system of accreditation of training program providers;
10. To provide information on training programmes and online services for registration and accessing training toolkits and subsidize them to be affordable for everyone who need to access EL.

h. More Effective Representation of SMEs Interests

SMEs promotion committee of RUMFCCI, Myanmar Industrial Development Committee (MIDC), Directorate of Industrial Supervision and Inspection, Myanmar Industries Association under the RUMFCCI and Small and Medium Enterprises Committee of the Myanmar Engineering Society are related and supported SMEs agencies. These agencies have a strong advocacy to represent SMEs in formulation of SMEs law and related policy. Among the SMEs related and supported agencies, RUMFCCI has technical capacity such as database management, information gathering and dissemination to SMEs and other organization, conduct business matching with foreign business firms and local firms, training and seminars conducted by RUMFCCI training school. Moreover, RUMFCCI provides processing certificates of origin and investment promotion. The main responsibility of SDC includes linking regional and international SMEs through business matching and providing requirement through setting up database on SMEs. Ministry of Industry, Ministry of Science and Technology and RUMFCCI have own research departments. Very limited research has been done on SME development although SMEs play a vital role in Myanmar economy. Since Myanmar is a member of ASEAN as well as a member of sub regional organizations such as Greater Mekong Sub region (GMS) and Bay of Bengal Initiative of Multi Sectoral Technical and Economic Cooperation (BIMSTEC), Myanmar participate and cooperate with the meetings and activities conducted by these organizations. Nowadays, business people are also increasingly attend to trade fairs, exhibitions, seminars, forum, workshops, and participate in facilitating promotion of trade, technology transfer and conduct market study by their own arrangements or arrangements of RUMFCCI. The following measures should be considered to be more effective representation of SMEs interest:

1. To establish the Research and Development Centre in SDC;
2. To conduct research relating the SMEs to provide business and market information, to expand and enhance the value-added products;
3. To develop the modernized laboratory in SDC to ensure the product quality of SMEs products;
4. To seek support from regional and international organizations, such as ASEAN, ADB, and World Bank, to help for the development and implementation of the policy and

strategy;

5. To put more efforts to match business meetings with local and foreign business organizations for the development of SMEs.

V. Conclusion

SMEs are major contributors to country's economy and serve as the backbone for the economic growth of the country especially for newly emerging countries like Myanmar. SMEs play a significant role in the country's economic, social and political development through employment creation, resource utilization, income generation, and promotion of investment from local and abroad. However, recently, SMEs in Myanmar are facing several challenges to achieve economic of scale and competitiveness to penetrate regional and international market under liberalization measures on trade and investment. These challenges can be summarized as weak institutional and legal environment, limited sources of finance and technology, weak managerial skills, and inadequate infrastructures.

To overcome such challenges, the following measures have to be urgently put into action for the development of SMEs in Myanmar.

- ❖ To adopt a sound SMEs development policy and to ratify the SME law that could provide comprehensive and clear guidelines;
- ❖ To implement the measures for easy access to finance including such credit facilities as credit guarantee scheme, credit rating, and credit risk database for SMEs;
- ❖ To upgrade technical and managerial capabilities of SMEs through technical cooperation and transfer;
- ❖ To build up the capacity of entrepreneurs and their managerial skill by implementing and encouraging entrepreneur education programmes;

- ❖ To promote innovativeness of SMEs to enhance productivity and efficiency through the programmes with public – private partnership;
- ❖ To support SMEs for adopting best business practices and benchmarking;
- ❖ To establish one-stop service centre for SMEs.;
- ❖ To create awareness and linkage in international supply chain;
- ❖ To improve regional competitiveness of SMEs through quality standards such as TQC, TQM, GMP, GAP etc. ;
- ❖ To develop ICT infrastructure for promoting e-commerce and e-business functions;
- ❖ To create a linkage between political, industrial and academic sectors in setting up and implementing SME related policies.

By adopting and implementing above mentioned measures, SMEs can be expected to contribute the economic, social and political development of Myanmar through better employment opportunity, high tax revenue, and overall improvement in national technological capabilities. On the other hand, business community will have better investment choice, access to innovation, entrepreneur business and acquisition of new technology. With close cooperation and coordination between business friendly government and private business community, Myanmar economy can be expected to have a better tomorrow.

Appendix – 1

Republic of the Union of Myanmar President Office Notification No. 11/2013

Republic of the Union of Myanmar

President Office

Notification No. 11/2013

12th Waning of Nadaw, 1374 ME

(9 January, 2013)

Formation of Central Committee and Work Committee for Development of Small and Medium Enterprises

(1) Central Committee for Development of Small and Medium Enterprises

(a) President	Chairman
(b) Vice-President (1)	Vice-Chairman
(c) Vice-President (2)	Vice-Chairman
(d) Union Minister for Border Affairs	Member
(e) Union Minister for Information	Member
(f) Union Minister for Cooperatives	Member
(g) Union Minister for Agriculture and Irrigation	Member
(h) Union Minister for Livestock and Fisheries	Member
(i) Union Minister for Communications and Information Technology	Member
(j) Union Minister for Environmental Conservation and Forestry	Member
(k) Union Minister for Electric Power	Member
(l) Union Minister for Energy	Member
(m) Union Minister for Industry	Member
(n) Union Minister for Commerce	Member
(o) Union Minister for Education	Member
(p) Union Minister for Health	Member
(q) Union Minister for Mines	Member
(r) Union Minister for Finance and Revenue	Member
(s) Union Minister for National Planning and Economic Development	Member
(t) Union Minister for Science and Technology	Member
(u) Union Minister for Hotels and Tourism	Member

(v)	Attorney-General of the Union	Attorney-General of the Union Office	Member
(w)	Auditor-General of the Union	Auditor-General of the Union Office	Member
(x)	Region/State Chief Ministers		Member
(y)	President of the Republic of the Union of Myanmar	Federation of Chambers of Commerce and Industry	Member
(z)	Union Minister at the President Office	(3)	Secretary
(aa)	Union Minister at the President Office	(5)	Joint-Secretary

(2) The duties and responsibilities of Central Committee for Development of Small and Medium Enterprises are as follows:-

- (a) To formulate and promulgate laws, regulations and procedures for SMEs development;
- (b) To encourage under Section 36 of the constitution development of small and medium enterprises which take the major portion in such economic forces as State-owned and local organizations, cooperative associations, joint ventures, and private businesses;
- (c) To ensure that government and private banks effectively provide financial capital required for SMEs development;
- (d) To establish a network with respective local and foreign organizations to meet technical requirements;
- (e) To encourage development of the markets of small and medium enterprises from rural to urban areas;
- (f) To make small and medium enterprises as supporting industries for local and foreign investments to help healthy development of market chain;
- (g) To plan for nurturing human resources required for SMEs development;
- (h) To set up committees and subcommittees and assign duties as necessary.

(3) Work Committee for Development of Small and Medium Enterprises

(a)	Vice-President	(2)	Chairman
(b)	Union Minister at the President Office	(5)	Member
(c)	Union Minister for Commerce		Member
(d)	Union Minister for Finance and Revenue		Member
(e)	Union Minister for Science and Technology		Member
(f)	Union Minister for Hotels and Tourism		Member
(g)	Deputy Minister for Agriculture and Irrigation		Member

(h)	Deputy Minister for Communications and Information Technology	Member
(i)	Deputy Minister for Electric Power	Member
(j)	Deputy Minister for Energy	Member
(k)	Deputy Minister for Education	Member
(l)	Deputy Minister for Health	Member
(m)	Vice-President, Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry	Member
(n)	Union Minister Ministry of Industry	Secretary
(o)	Deputy Minister Ministry of National Planning and Economic Development	Joint-Secretary

(4) The duties and responsibilities of SMEs Development Work Committee are as follows:

- (a) To draft laws, regulations and procedures for SMEs development and submit them to the central committee for their enactment
- (b) To collect, analyze and report data and information for encouraging small and medium enterprises;
- (c) To remove obstacles in works for small and medium enterprises development;
- (d) To place emphasis on market development to ensure wide market chain;
- (e) To nurture sufficient number of skilled workers and create job opportunities;
- (f) To make contact and coordinate with local and foreign organizations to be able to receive financial and technical assistance;
- (g) To ensure development of micro credit business through Small and Medium Enterprises Bank;
- (h) To set up subcommittees and groups for respective sectors of small and medium enterprises as necessary.

Sd/Thein Sein

President

Republic of the Union of Myanmar

Appendix – 2

Workshops and Trainings Conducted by SME Development Centre in 2012

Sr. No.	Name of the Workshop/Trainings	Venue	Collaborated Organization	Duration
1	Promotion Myanmar's SMEs	Nay Pyi Taw	FNF& Myanmar Egress Capacity Development Centre	2 days
2	SMEs Development and Export Consortia	SDC	Mekong Institute	2 days
3	Capacity Building on SMEs Development and Investment Promotion Policy in Myanmar	SDC	United Nation ESCAP	2 days
4	Strategic Planning Programme	SDC	FNF	2 days
5	Capacity Strengthening for Private Sector Development	SDC	GIZ	1 day
6	Modes and Roles of SMEs Promotion	SDC	GIZ	1 day

Source: SMEs Development Centre

Appendix – 3

List of Location of Workshop on SMEs Development in Myanmar in 2012

Sr. No.	Region/State	City	Date
1	Kayin	Hpa-an	8.9.2012
2	Ayeyarwaddy	Patheingyi	10.9.2012
3	Sagaing	Monywa	11.9.2012
4	Magway	Magway	17.9.2012
5	Kachin	Myitkyina	19.9.2012
6	Rakhine	Sittwe	21.9.2012
7	Mandalay	Mandalay Industrial Zone	26.9.2012
8	Shan	Taunggyi	28.9.2012
9	Kayar	Loikaw	3.10.2012
10	Yangon	Yangon	5.10.2012
11	Taninthari	Dawei	5.10.2012
12	Mon	Mawlamyine	6.10.2012
13	Bago	Bago	11.9.2012
14	Chin	Hakha	12.9.2012
15	Nay Pyi Taw	Nay Pyi Taw	23 ~ 24.10.2012

Source: SMEs Development Centre