

# Small & Medium Enterprises Development Policies in Myanmar



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# Small & Medium Enterprises Development Policies in Myanmar

## Chapter 1 Overview of the SME Policies

### 1-(1) Definition of SME and Its basis

The official definition of SMEs in Myanmar since 1990 given in the following table tends to focus 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. No distinction in size is made for enterprises under the trade and service sectors or cottage and handicraft industries. According to the definition of SMEs defined by the Private Industrial Enterprise Law 1990, the definition of SMEs in Myanmar can be described as follow:

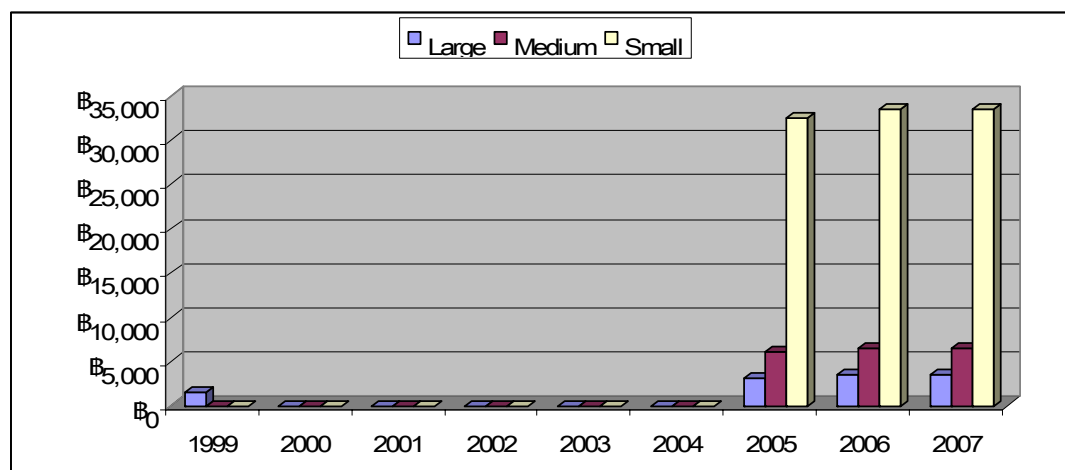
No.	Category	Small	Medium
1.	Power (HP) used	3 to 25	26 to 50
2.	No. of workers	10 to 50	51 to 100
3.	Capital outlay (Kyat million)	Up to 1	Over 1 to 5
4.	Production value per year (million)	Up to 2.5	Over 2.5 to 10

Source: Ministry of Industry (2), 2010.

Privately owned industrial establishments that were registered under the Private Industrial Enterprise Law total 43,503 in 2007 (Ministry of Industry 1). Based on the data of the Ministry of Industry (1), about 91.99 percent of the establishments in 2007 were small and medium industries which are normally called “SMIs” .

Size	1999	2000	2001	2002	2003	2004	2005	2006	2007
Large	1,593	1,843	2,047	2,304	2,536	3,135	3,194	3,438	3,483
	(4.4%)	(5.1%)	(5.4%)	(6.0%)	(6.4%)	(7.3%)	(7.63%)	(7.94%)	(8.01%)
Medium	4,033	4,185	4,291	4,342	5,052	6,215	6,149	6,430	6,516
	(11.2%)	(11.5%)	(11.4%)	(11.3%)	(12.8%)	(14.5%)	(14.68%)	(14.84%)	(14.98%)
Small	30,410	30,201	31,393	31,852	32,016	33,454	32,534	33,456	33,504
	(84.4%)	(83.4%)	(83.2%)	(82.7%)	(80.8%)	(78.2%)	(77.69%)	(77.22%)	(77.01%)
Total	36,036	36,229	37,731	38,498	39,604	42,804	41,877	43,324	43,503
	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)

Source: Ministry of Industry (1), 2009.



Source: Ministry of Industry (1), 2009.

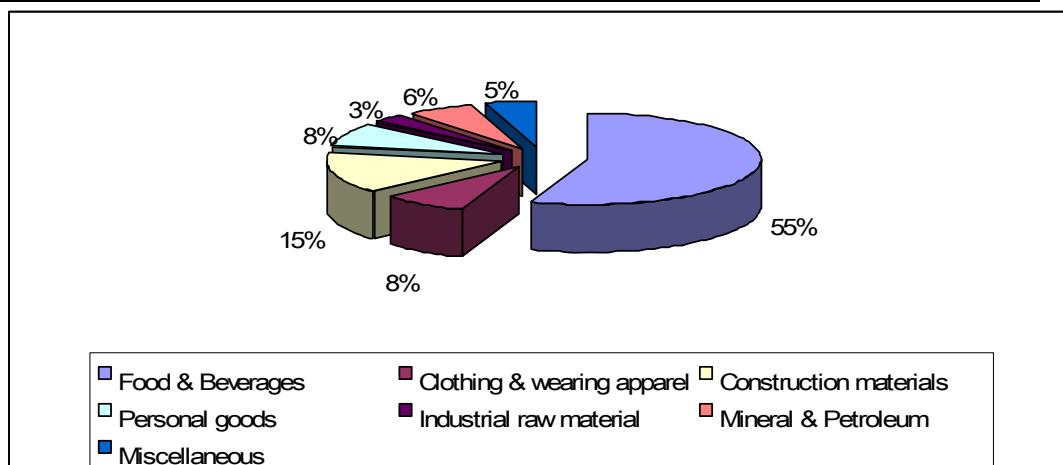
## 1-(2) Environment and Current Status of Small & Medium Enterprises

### • Sector Distribution of SMEs in Myanmar

The following table shows how the total number of SMEs are broken down into small and medium enterprises; as well as across the sectors. Food and Beverages is the largest sector of the enterprises accounting for 65.36 percent in 2008. The small sector is the agricultural equipments manufacturing accounting for 0.16 percent.

### Sector Distribution of SMEs in Myanmar

No.	Sub-sector	Small	Medium	Total	Share (%)
1	Food & Beverages	22,451	3,818	26,269	65.36
2	Clothing & wearing apparel	1,436	369	1,805	4.49
3	Construction materials	2,302	512	2,814	7.00
4	Personal goods	431	351	782	1.95
5	Household goods	125	68	193	0.48
6	Printing	198	73	271	0.67
7	Industrial raw material	380	225	605	1.50
8	Mineral & Petroleum	1,267	330	1,597	3.97
9	Agricultural equipment	38	27	65	0.16
10	Machinery & equipment	179	74	253	0.63
11	Transport vehicles	65	26	91	0.23
12	Electrical goods	12	16	28	0.07
13	Miscellaneous	4,588	833	5,421	13.49
	<b>Total</b>	<b>33,472</b>	<b>6,722</b>	<b>40,194</b>	<b>100.00</b>



• **Registered Private Industrial Enterprises in the State and Division**

The number of small and medium enterprises registered in all states and division are shown in the following table are mentioned all together as in 2009 updated.

No.	State/Division	No. of Industrial Enterprises			
		Large	Medium	Small	Total
1	Kachin	20	88	880	988
2	Kayin	8	219	146	373
3	Kayah	41	19	503	563
4	Chin	-	1	539	540
5	Sagaing	230	741	3,739	4,710
6	Tanintharyi	119	77	697	893
7	Bago	187	07	3,973	4,767
8	Magway	82	224	1,923	2,229
9	Mandalay	772	1,876	5,120	7,768
10	Mon	124	226	1,999	2,349
11	Rakhine	69	61	2,017	2,147
12	Yangon	1,512	1,632	2,947	,091
13	Shan (South)	88	141	2,356	2,585
14	Shan (North)	49	203	1,003	1,255
15	Ayeyarwady	310	626	5,595	6,531
	<b>Total</b>	<b>3,611</b>	<b>6,741</b>	<b>33,437</b>	<b>43,789</b>

Source: Registered Private Industrial Enterprises in the State and Division as of 30.9.2009

• **Number of Industrial Zones in Myanmar**

There are 18 industrial zones located across the country. The following table shows the distribution of SMEs and large enterprises in the industrial zones. The highest number of SMEs are located in Yangon Division with a total of 3,895 enterprises the majority of which are established in East Yangon totaling 1,125 units. Among the industrial zones, Mandalay zone companies the highest number of SMEs while Myeik the lowest (7).

No.	Commodity Group		No. of Industrial Enterprises			
			Large	Medium	Small	Total
1	Mandalay Industrial Zone		287	189	633	1,109
2	Myin Chan Industrial Zone		37	170	123	330
3	Meiktila Industrial Zone		21	110	218	349
4	East Yangon Industrial Zone					
	a	No.1 South Dagon Industrial Zone	95	34	2	131
	b	No.2 South Dagon Industrial Zone	116	364	52	532
	c	No.3 South Dagon Industrial Zone	6	82	45	133
	d	Dagon Myo Thit (Seikan)	83	8		91
	e	Dagon Myo Thit (East) Zone	35	18	27	80
	f	North Okkalapa	27	20	18	65
	g	Shwepoukkan	32	82	8	122
	h	South Okkalapa	26	57	31	114
	i	Tharkayta	24	14	10	48
5	West Yangon Industrial Zone		148	274	612	1,034
6	South Yangon Industrial Zone		76	150	673	899
7	North Yangon Industrial Zone					
	a	Hlaing Thar Yar	344	41	3	388
	b	Shwe Pyi Thar	134	32	15	181
	c	Mingalardone	81	17	38	136
8	Myaung Mya Industrial Zone		40	33	291	364
9	Hin Tha Da Industrial Zone		13	41	389	443
10	Patheingyi Industrial Zone		28	86	241	355
11	Monywa Industrial Zone		87	226	582	895



No.	Commodity Group	No. of Industrial Enterprises			
		Large	Medium	Small	Total
12	Kalay Industrial Zone	8	34	212	254
13	Pyay Industrial Zone	19	87	84	190
14	Yenang Chaung Industrial Zone	8	20	60	88
15	Pakokku Industrial Zone	38	113	122	273
16	Mawlamyine Industrial Zone	41	149	19	209
17	Taungyi (Ayetharyar) Industrial Zone	40	41	669	750
18	Myeik Industrial Zone	19	2	5	26
	<b>Total</b>	<b>1,913</b>	<b>2,494</b>	<b>5,182</b>	<b>9,589</b>

Source: Myanmar Industrial Development Committee Facts about 18 Industrial Zones as of 30.9.2009.

### **1-(3) Legislations for SMEs (Related laws)**

Myanmar introduced the market-oriented economic system in 1988 and subsequently the government has been encouraging the private sector to make investments in the trading, manufacturing and services sectors.

There is no specific SME Laws in Myanmar, all the Laws, Notifications, Regulations and Directives issued by the government can be considered as pertaining also to the development of SMEs. For instance, to consolidate and promote large, medium and small – scale private industries, the State Law and Order Restoration Council enacted the Private Industrial Enterprise Law in November, 1990. To promote inducement of domestic investment to bring about increase in commodity production and exports by the private sector, the State Law and Order Restoration Council enacted the Myanmar Citizens Investment Law in March 1994. The provisions of these new laws and regulations provided favorable and sound business environment to the newly established SMEs in their operations. Many private firms emerged and registered as import and export firms. Up to end of 1998, there were 10,927 registered exporters and importers, 2,107 business representation and 11,983 limited companies.

In general, laws apply to individuals, companies and joint ventures are;

- 1) Myanmar Private Industrial Enterprise Law (MPIE)
- 2) Myanmar Citizen Investment Law (MCIL)

- 3) The Union of Myanmar Foreign Investment Law (MFIL)
- 4) The income tax law, and
- 5) The commercial tax law

To improve the economy of the country, the government took measures to bring out the fullest participation of the private sector and seek investments from abroad to mutual benefit. At that time companies and individual entrepreneurs from abroad also make inquires to do businesses in Myanmar for mutual benefit. Therefore, in order to handle matters concerning foreign investment by means of legislation, the State Law and Order Restoration Council enacted the Foreign Investment Law in November 1988, laying down the following basic principles:

- a) Promotion and expansion of exports;
- b) Exploitation of natural resources which require heavy investment;
- c) Acquisition of high technology;
- d) Supporting and assisting production and services involving large capital;
- e) Opening up of more employment opportunities;
- f) Development of work which would save energy consumption;
- g) Regional development.

Foreign investment may be made in any of the following forms:-

- a) 100 % foreign capital investment made by a foreigner
- b) Joint – venture made between a foreigner and a citizen.

After that, the State Law and Order Restoration Council enacted the State – owned Economic Enterprises Law in March 1989 allowing state enterprises to be created and restricting certain business undertaking to them by specifying these provisions:-

The Government has the sole right to carry out the following economic activities through State - owned economic enterprises:

- a) Extraction of teak and sale of the same in the country and abroad;
- b) Cultivation and conservation of forest plantation with the exception of village- owned firewood plantations cultivated by the villagers for their personal use;

- c) Exploration, extraction and sale of petroleum and natural gas and production products of the same;
- d) Exploration and extraction of pearls, jade and precious stones and export of the same;
- e) Breeding and production of fish and prawns in fisheries which have been reserved for research by the Government;
- f) Postal and Telecommunications Services;
- g) Air Transport Service and Railway Transport Services;
- h) Banking Service and Insurance Services;
- i) Broadcasting Service and Television Service;
- j) Exploration and extraction of metals and export of the same;
- k) Electricity Generating Services other than those permitted by law to private and co-operative electricity generating services;
- l) Manufacture of products relating to security and defense which the Government has from time to time, prescribed by notification.

A year later the State Law and Order Restoration Council enacted the Central Bank of Myanmar Law in June 1990 and the Financial Institutions of Myanmar law in July 1990. The Monetary policy was thus streamlined and banking services were extended. Myanmar citizens were permitted to set up banks and foreign banks were permitted to open representative offices in Myanmar.

Due to these efforts, the establishment of new SMEs increased dramatically since year 1989. At present, Myanmar has become a full member of the Association of South – East Asian Nations and this has opened up greater possibilities for more extensive business links with other member countries. In addition, there may also be greater investments coming into Myanmar with its very favorable conditions. With the growth of business activities within the region involving Myanmar, the forces of the market-oriented economy will come to play a stronger role in the domestic economy. In as much as Myanmar business people can come abreast of the situation and work well together with those in the more developed member countries of ASEAN to their mutual benefit, the market-oriented economy in Myanmar will

further develop well and bring greater benefits to the business sector and the people in general of the Union of Myanmar.

Eventhough there is no specific SME Law as mentioned earlier. All SMEs and the large enterprises are subject to the same laws. One of the reasons may be that Myanmar is at the early stage (transition) of becoming a fully market-oriented economy.

#### **1-(4) Planning and Implementation of SME Policy**

Myanmar's overall restructuring and development policy is based on three main components, namely, adoption of the market economy for allocation of resources, encouragement of private investment and entrepreneurial activities and opening of the economy for foreign trade and investment. Other notable reforms involved leasing out factories to private entrepreneurs, entering into joint ventures with local and foreign investors.

It can be said that there is no definite and proper SMEs policy or law in Myanmar. The formation of Committee for Industrial Development headed by the Prime Minister, the formation of Myanmar Industrial Development Committee (MIDC), the formation of Working Committee (MIDWC) and its accompanying objectives may be referred to as the policy guidelines for development of SMEs.

ASEAN Integration and striking by the wave of global economy encourage Myanmar to emphasize in the Industrial Development. Therefore, with the view to develop industries simultaneously with the agriculture sector, Industrial Development Committee was newly structured by the permission of new Government of the Union of Myanmar on 20<sup>th</sup> April 2011. The Industrial Development Committee (IDC) was chaired by the Union Minister of the Ministry of Industry.

Industrial Development Committee is going to give the policy guidelines for SME development and issued the task force of the IDC.

- After selecting and defining the state –owned sector and private-owned sector, development program of State –owned sector is submitted to the Union Government and implement the projects by the permission, and also encourage the development private sector.
- To provide, adjust, instruct and safeguard necessary energy, raw material, technical know- how, capital for fully production as per machine capacities of SME.

- To push, uplift and look after SME and make the instruction to produce more value added products utilizing the basic raw material in the country.
- To build the modern industrialized nation by establishing community peace, tranquility, uplifting social progress, economic development and promoting green industries.

**12 Sub –Committee under the IDC**

- (a) Industrial development supporting Sub-Committee
- (b) Automotive –Motorcycles Production Development Sub-Committee
- (c) Agricultural Machinery & Equipment Manufacturing Development Sub-Committee
- (d) Food, Pharmaceutical, Textile ,Chemical and Consumer products Development Sub-Committee
- (e) Housing and Construction Industry Development Sub-Committee
- (f) Electrical & Electronic Industries Development Sub-Committee
- (g) Iron and Steel Industry Development Sub-Committee
- (h) Rubber & Rubber Equipment Industries Development Sub –Committee
- (i) Small & Medium Enterprise Development Sub-Committee
- (j) Human Resources Promotion Sub –Committee
- (k) Environmental Protection and Renewable Energy Development Sub-Committee
- (l) Industrial Zones Development Supporting Sub-Committee

**1–(5) Financial Support for Small & Medium Enterprise Policy**

Due to the limitation of government budget, Myanmar government provides only non- financial assistance to business enterprises such as training to SMIs.

The majority of government and private financial institution loans to SME are provided by Myanmar Economic Bank (MEB), Myanmar Investment & Commercial Bank (MICB) and Myanmar Industrial Development Bank (MIDB) since 2004. And also, the state owned Myanmar Agricultural Development Bank has been providing loans to farmers throughout the country.

As, it is required to change bank interest rate in order to contribute to development of national economy, Central Bank of Myanmar changed bank interest rates as 1<sup>st</sup> September, 2011The maximum interest rate on loans was reduced from

previously 17 percent to 15 percent at present, SME who willing to do more business can take out loan with the interest rate.

UNDP and Ministry of Cooperative offers policy base retail to micro enterprises such as Sustainable microfinance to improve the livelihoods of the poor program since 2008. Cooperative private bank and Ministry of Cooperative assist financial support to the micro enterprise .And also, stated owned, Myanmar Agricultural Development Bank provide the small loan to the rural farmers, fishery sector and rubber plantation.

#### **1-(6) Breakdown of Responsibilities for Central and Regional Governments**

Centralization for policies and responsibilities continues to dominate.

### **Chapter 2 SMEs Development Policies**

#### **2-(1) SMEs Development Policy & SME Promotion Programs**

In Myanmar, SMEs are considered as an important element in the national economics. 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 development will contribute to employment creation, resource utilization, income generation and promotion of investment both from micro- and macro-economic points of view. 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.

So, Myanmar government pays special attention in developing SMEs and nurturing existing SMEs to become larger industries. The government has promulgated necessary laws, regulations and directives for the development of SMEs in Myanmar. After adoption of market oriented economic system, the government has promulgated necessary laws and regulations to create conducive business environment for SMEs.

## **2-(2) Tax system and Tax Rate for SMEs**

Tax system in Myanmar comprises of fifteen different taxes and duties under 4 headings:-

- a) Taxes on domestic production and public consumption;
- b) Taxes on income and ownership
- c) Customs duties and
- d) Tax on the utilization of state owned properties.

## Income Tax on Companies

Type of Taxpayer on Income	Tax Rate
Companies incorporated in Myanmar under Myanmar Companies Act	30%
Enterprises operating under Myanmar Foreign Investment Law	30%
Foreign organizations engaged under special permission in State sponsored projects, enterprise or any undertaking	30 %
Non resident foreign organization such as a branch of a foreign company	Greater of 35% or 5 % to 40%
Capital gains	10 %
Resident Companies	40%

The proposed changes are expected to include measure for preferential treatment of SMEs. According to Commercial tax law of 1990, another product except the following products were received tax exemption for export product (based on FOB).

Rice and product of rice	-	10 kyat 1 metric ton
Variety of Beans, pulse, corn and sesame	-	5%
Vegetable and roots	-	5%
Bamboo	-	10%
Fresh water and salt water product	-	5%
Animals and animal's products	-	5%

According to definite the capital from Myanmar Investment Commission, exemption from income tax for 3 consecutive years beginning with the year in which the operation commences and a further tax exemption or relief for considered beneficial for the state.

- Exemption of relief from income tax on profit which is reinvested within one year.
- Relief from income tax up to 50% on the profit from exports.
- Right to deduct the research and the development expenditure.
- Exemption or relief from customs duty and other taxes on:
  - (a) Imported machinery and equipment for use during the construction period.
  - (b) Imported raw materials for the first 3 years commercial production following the completion of construction.



At the 11<sup>th</sup> August ,2011 the Notification No.142/2011 dated 11-8-2011 issued by the Ministry of finance and Revenues ,if there is export revenue earned with kyat in border area, trade tax are composed 5% of total sales instead of 8% of total sales. That in addition, the notification no.32/2011 of the government of the Republic of the Union of Myanmar has confirmed exemption of trading tax on export revenues from sale of rice, beans and pulse, corn, sesame, rubber, fresh water and salt water products, animals and animal products (except sesame, rubber, fresh water and salt water products, animals and animal products (except prohibited goods) according to Articles 8(d) of trade law.

### Income Tax on Individuals

Activities	Percent of Total Receipts	
	US\$	Kyats
Trading (purchase & sale of goods)	8	5
Transport	8	8
Entertainment	15-30	15-30
Hotel, Restaurants, lodgings	10	10
Sale of food and drinks	10	10
Tourism Business	5	5
Cleaning & Oiling of motor vehicles	10	10
Insurance business except life insurance business	5	5
Beautifying and physical exercise business, hair dressing etc Printing	5	5

<b>Withholding Tax</b>	<b>Resident (N/F) (%)</b>	<b>Non- Resident (%)</b>
• Interest	0	15
• Royalties for the use of licenses, trademarks, patent rights, etc	15	20
• Payment for work done under contracts for State	3	3.2
• Payment for work done by foreign contractors	2.5	3

Note (1) Above deductions shall be set off against tax due on final assessment.

(2) Dividends, branch profit and share of profit of an association of persons which has been taxed are exempt, and therefore requiring no withholding tax.

**2-(3) Provision of Information, Human Resources Training, Environment, Consulting, Advice, etc.**

**Development Plan for ASEAN SRA Strategy**

**Occupational competency standard Committees by sector under the NSSA are-**

- Metal and Engineering Industry Occupational Competency Standard Committee.
- Construction Occupational Competency Standard Committee
- Working Industry Occupational Competency Standard Committee
- Wood working Industry Occupational Competency Standard Committee
- Agricultural Occupational Competency Standard Committee
- Livestock and Fishery Occupational Competency Standard Committee
- Transport Industry Occupational Competency Standard Committee
- Mining Industry Occupational Competency Standard Committee
- Information Technology Occupational Competency Standard Committee
- Health Services Occupational Competency Standard Committee
- Social Welfare Services Occupational Competency Standard Committee
- Manufacturing Industry Occupational Competency Standard Committee

- Commercial & Business Services Occupational Competency Standard Committee
- Hotel and Tourism Occupational Competency Standard Committee
- Oil & gas Occupational Competency Standard Committee

As mentioned earlier Ministry of Labor provides support to training projects allowing them to be delivered free of charge. Apart from these, the Ministry of Education supports human resource development to local business through training of the SME workforce in technical and vocational schools that are under the supervision of the Ministry.

Besides government support, non-government private organizations are active in giving support to the SMEs. In Myanmar, the Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI) and its affiliates such as Myanmar Industries Association (MIA) and Myanmar Engineering Society (MES), Myanmar Computer Federation (MCA) are providing support to the SMEs in the form of training and seminars, advisory services and liaison with foreign organizations for studies abroad etc.

#### **2-(4) Support for Obtaining Management Resources for Existing Small & Medium Enterprises**

The majority of SMEs in Myanmar that are supported by government agencies concentrate on small and medium industries (SMIs) or those in the industrial sector. Most of the support activities will give priority to SMIs in Industrial Zones (IZs). To promote the technical and quality standards of private entrepreneurs located at various IZs, the Ministry of Industry (2) is transferring necessary technical know – how in the field of ferrous foundry technology, machining, head treatment free of charge. Those producers who can produce quality products with competitive price will be eligible to supply component parts for agricultural machinery, automobiles, machine tools electrical products to the respective manufacturing organization of the Ministry of Industry (2). As a consequence some private industrialists from industrial zones had been enjoying subcontractor’s status of State Economic Enterprises.

In addition, to improve the National Economy and Productivity, Ministry of Industry (2) had arranged consignment production with Private Entrepreneurs i.e. the Ministry supplies the raw materials and takes back finished products after paying necessary production fees. These arrangements have been found very successful in several types of production.

#### **2-(5) New Business/Venture Support**

Only private sector has played a critical role to support new business venture. The UMFCCI is organizing many domestic and international activities to encourage business venture. For instance, UMFCCI arranges seminars, training, business matching and trade show for the new businesses.

#### **2-(6) Promotion of Fair Dealing and Maintenance of Markets for SMEs**

No available data for this topic.

#### **2-(7) Regional SME Policies**

No such policies have been identified.

#### **2-(8) Supporting the Internationalization of SMEs**

Although there is neither agency nor organization specifically assigned on SMEs development, the following organizations are responsible for supporting the development of private industrial firms including SMEs in Myanmar:

##### **a) Small scale Industries Development Sub Committee (Myanmar Industrial Development Committee)**

The MIDC is concerned with the development of private industries in the industrial zones. The SMEs Sub Committee had been formed to attend to matters relating to the promotion of small and medium enterprises.

**b) Directorate of Industrial Supervision and Inspection (Ministry of Industry I)**

The main activities of Directorate of Industrial Supervision and Inspection are to promote, encourage and foster the development of private industrial enterprises by identifying and responding to their needs and business requirements; to inspect industrial enterprises in accordance with the Industrial Enterprises Law; to register and supervise the steam boilers in accordance with the Boilers Law; and to inspect and supervise electric power generation, transmission and distribution system in private, co-operative and public sectors in accordance with the Electricity Law.

**c) Directorate of Trade Myanmar Agricultural Produce Trading (Ministry of Commerce)**

The objectives and services of directorate of Trade Myanmar Agricultural Produce Trading are to promote, encourage and foster the development of private enterprises by identifying and responding to their needs and business requirements by providing services such as: trade related technical training, advise and organizing of trade exhibitions to participate by SMEs at home and abroad.

**d) Ministry of Science and Technology**

The Myanmar Science and Technological Research Department ( MSTRD ) offers other government departments, private enterprises, individuals and NGOs technical services such as sample analysis and issuance of certification, fine mechanics (maintenance, repair and fabrication of laboratory instruments), standard testing, technical information resource, maintenance and repair of processing equipment. In addition, MSTRD has 10 Research and Development Departments that support various industries.

**e) Directorate of Myanmar Industrial Planning (Ministry of Industry 2)**

The majority of SMEs in Myanmar that are supported by government agencies concentrate on SMIs in the industrial Zones. To promote the technical and quality standards of private entrepreneurs located at various Industrial zones ,the Ministry of Industry No(2) is transferring necessary technical know- how in various training courses to the workers free of charge. There are five Industrial Training School in the upper Myanmar in order to supply more skilled workers to meet the needs of industrial development .Among them, Industrial Training Center ( Sinde ) is a center of Excellence (COE) certified by AOTS. Courses objective of Industrial Training School are-

- To transfer new technologies of advanced machinery field such as CAD, CAM and CNC machining
- To acquire substantial skill related to machinery field in SMEs

- To acquire advanced skill in Electricity & Electronic and computer field
- To acquire skill and knowledge required for effective performance
- To meet skill and competency in their workplace

In addition, Research and Development Centre under the Ministry of Industry has 6 Research and development Departments that provide design, related advice, testing and should issue certificates for welder workers on January, 2012.

Amongst of the 14 Occupational Competency standard committee under the NSSA, Metal and Engineering Industry Occupational Competency Standard Committee was chaired by Director General of Directorate of Heavy Industrial Planning under The Ministry of Industry. This committee is going to get the responsibility in preparing various competency units of the following industrial trades-

- (1) Machinery Fitter
- (2) Lathe Machine Operator
- (3) Boring Machine Operator
- (4) Milling Machine Operator
- (5) Welder Operator
- (6) Foundry Worker
- (7) Foundry Pattern Maker
- (8) Motor Vehicle Mechanic
- (9) Vehicle Sheet metal Worker
- (10) Mechanical Draughtsman
- (11) Excavator Operator
- (12) Motorcycle/Small Engine Machine
- (13) Plumber and Pipe fitter
- (14) Scaffolder SF 1 and SF 2.

**f) Cottage Industries Department (Ministry of Cooperatives)**

It renders technical services to industrial cooperative societies to promote private cottage industries according to the Cottage Industries Promotion Law. Services like technical training, extension (visits), advisory (technical, financial and management), and product exhibitions (through the Myanmar Arts and Handicrafts Center) are provided too. Under the Cottage Industries Promotion Law (October 10, 1991), Cottage Industries Department (CID), Ministry of Cooperatives, provides the following knowledge and expertise consultancy services:

- 1) Technical know-how
- 2) Entrepreneurship and skill training
- 3) Survey and Development Analysis
- 4) Training on various trade/technical assistance

- Myanmar Lacquerware College (Bagan)

- Saunder's Weaving School (Amarapura)
  - 8 High Level Weaving Schools and 5 Basic level Weaving Schools in States and Divisions
- 5) Technical Services and Technology Transfer to Private Industries and Producers Cooperative Societies to promote private cottage industries according to the Cottage Industries Promotion Law.
- Training at the wood shop and metal shop
  - Quality check and chemical analysis techniques for food and beverage processing / production
  - Welding and metal works
  - Product exhibitions at the Myanmar Arts and Handicrafts Centre (MAHC), Central Cooperative Training Centre, Yangon.

**g) UMFCCI (Union of Myanmar Federation of Chambers of Commerce & Industry)**

The main activities of UMFCCI are : participating in government – formed working committees, consultation and dialogue with businessmen in the private sector; issuing commercial documents and certificates of origin for export goods; publishing newsletters, magazines, business directories and business information; organizing HRD activities such as seminars, workshops, meetings, representing business interest and views to the government; organizing and participating in local and foreign trade fairs and exhibits; dissemination of trade and market information; providing arbitration services to settle business disputes; supervising and coordinating rice marketing ( local and export ). It provides the Business community with these services. It supervises and is closely linked with 16 state and division chambers as well as 9 border trade chambers. It acts as coordinating organization for most of Myanmar's business associations such as Myanmar Agriculture & Fisheries Association, Myanmar Computer Industry Association, etc. In order to promote the SMEs activities, UMFCCI provides entrepreneurship and business capacity building training (Human Resource Development) for cottage (micro) industries business and SMEs; consultancy services on business operations and business and market information. Under the

umbrella of UMFCCI, the following affiliated organizations are also taking part in the support of SMEs development :

- Myanmar Industries Association
- Myanmar Women Entrepreneurs Association
- Myanmar Computer Industry Association
- Myanmar Construction Entrepreneurs Association
- Myanmar Engineers Society
- Myanmar Forest Products & Timber Merchants Association
- Myanmar Garment Manufactures Association
- Myanmar Pulses, and Beans & Sesame Seed Merchants Association
- Myanmar Pharmaceutical & Medical Association
- Etc ....

**h) Myanmar Industries Association (Union of Myanmar Federation of Chamber of Commerce & Industry)**

**i) Small and Medium Enterprise Committee (Myanmar Engineering Society)**

Myanmar Engineering Society ( MES ) organizes these activities: Human Resource Development program for Young Engineers (YE ); Research and Development on Environmental Pollution Control; Seminars and meetings with SMEs owner from Industrial Zones. Technical sub-committees such as Electrical, Metal, Food, Chemical, Energy, Environmental, and etc. are formed under the Industrial Development Committee of SMEs to transfer technical know-how to SMEs and to Publish Tech Digest Journal.

**2-(9) Employment/Work Policies for SMEs**

No specific

**2-(10) SMEs Organization and Networks**

As 2 – (3)

**2-(11) Development policies for Small scale SMEs**

No specific policy for SMEs now, but in the long run there is a committee that will develop a policy for SMEs



## **2-(12) Safety Net**

No

## **2-(13) Others**

The following international agencies, organizations are providing technical and financial assistance to SMEs especially for HRD programs.

1. UN-ESCAP and UNIDO of UN agencies
2. JODC, JETRO, JICA, AOTS, SMECA of Japan
3. ZDH and Hanns Seidel Foundation of Germany
4. ACCCIM and FMM of Malaysia
5. MYANMAR ASEAN SME working Committee
6. GMS Business Forum
7. Entrepreneurship Development Institute of India
8. Myanmar - Japan Center for HRD
9. Myanmar – Singapore Center, Ministry of Foreign Affairs, Singapore
10. Department of Trade Promotion, Royal Thai Government
11. Korea Trade Organization (KOTRA).

## **Chapter 3 Challenges of and Suggestions on Promotion of SMEs in Myanmar**

The business environment in Myanmar is changing and each change occurring even faster than the proceeding one. SMEs in Myanmar would have to face the following challenges in the period of political and economic transition in the following years. Based on the interviews as well as the reviewed secondary data, these new trends have to be continuously taken into account such as:

- a) increasingly demanding of products and services;
- b) customer expecting flawless products and services;

- c) enterprises will increasingly face a global competition;
- d) emergence of new technologies and its impact on the integrated supply chain in production system among ASEAN countries
- e) increasing costs which impact on export competitiveness

It was recognized that SMEs and SMIs sectors in Myanmar consisted of various different types of enterprises. Thus their challenges are equally varied and complex depending both on the sectors they are in and their level of development. However the followings are some of the common challenges highlighted:

**Finance:**

- Limited access to financing and financial facilities
- Governments tight money policy, capital intensity and high interest rates

**Human Resource:**

- Lack of skilled labors
- Inadequate level of technologies and managerial skill

**R &D – Technology:**

- Lack or inadequacy of R& D
- Insufficient preparation to take advantage of ICT and E-commerce opportunities
- Weak in appropriate technological information for manufacturing, quality certification laboratories for standardization of products and process

**Management:**

- Insufficient entrepreneurs, venture spirit and weak in adopting modern management principles
- Inadequate capacity of SMEs for subcontracting to large enterprises

**Marketing:**

- Weak in local, regional and international marketing and access to markets.
- Difficulties in finding distribution channel in overseas market

### **Others**

- Lack of qualified human resources programs and skill upgrading for manufacturing and services
- Weak in infrastructure and utilities (electrical power energy, transport etc.)
- Lack of environmental awareness and knowledge

In order to overcome challenges, issues and constraints faced by SMEs and to improve their performances, there is a need for the Government and business community to create a sound service policy, conducive business environment and supportive regulation framework for the SMEs. Strategies and programs are also required to be implemented to help SMEs develop the specific capabilities needed for sustaining productivity and economic growth. The following facts are the suggestions from Myanmar Industries Association (MIA) and other project papers in Myanmar:

#### **Government Initiatives:**

- To draw long term and short term SMEs/SMIs master plans and SMEs development blueprint with strong participation of private sector.
- To adopt a basis law on SMEs which provide comprehensive and clear guidelines needed to review the existing definition of SMEs.
- To review existing tax structure to remove disincentive and discriminating provisions against SME (motivation to pay tax).
- To adopt appropriate standard law and procedure.
- To adopt appropriate necessary rule, regulation, directive for the promotion and development of SMEs. (eg- expenses and time consuming regulatory requirement such as licensing and registration).
- To provide equal level playing field.
- To encourage SME to strengthen R& D.
- To improve infrastructure through development of economic corridor, inter corridors linkages (transportation, logistic, storage and shipping).

- Setting up Special Economic Zone (SEZs) and Export Processing Zone (EPZs).
- Setting up technology and business incubators as an institution mechanism to upgrade technology, market development innovation and entrepreneurship.
- Setting up SME development corporation or center to act as the lead agency of Government for SME promotion with strong private sector participation.
- Establishment of Export-Import Bank (EXIM Bank) and SME development Bank .
- Developing financing and venture capital facilities for manufacture (Funds for new investment, technology acquisition fund, credit guarantee facilities, etc.)
- Cooperation and linkage among the government, private sector, educational and technological institutions to develop R& D.

### **Private Sector Initiative**

To enhance SMEs competitiveness, the private sector could play these roles:

- To build and develop confidence and entrepreneurial spirit, adopting best practices and benchmarking.
- To introduce and develop cluster concept and building competitiveness through cluster process.
- To create awareness and improvement of supply chain linkage promotion service industry and ICT (e-commerce, e-business) to support business development.
- Establishment of productivity institutions to assist SMEs in developing necessary skills, improving quality and reducing costs to accelerate growth.
- To develop One Village One Product concept (OVOP) program, develop brand for Myanmar products.
- To promote a financial system within the economy that foster cross-border investment and improve enterprises financials situation

enabling them to participate more intensively in intentional markets.

By adopting and implementing the best practice for new business innovation, the government will benefit regional economic development, new jobs, 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 among business friendly government, private business community, Myanmar economy can have a better tomorrow.

In addition, SMEs in Myanmar need to adopt a developmental mindset. They must look ahead, plan carefully, build up their capacity and capability and venture forward actively.

Finally a linked up performance of political, industrial and academic sectors is also important to implement the laid down system.

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