

GRS ISSUES NOTE



# Strengthening SME Policy Development through Data Collection Enhancement in Myanmar

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**STRENGTHENING SME POLICY DEVELOPMENT THROUGH DATA COLLECTION  
ENHANCEMENT IN MYANMAR**

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## Acronyms and abbreviations

<b>AEC</b>	ASEAN Economic Community
<b>ANPME</b>	Agence nationale pour la promotion de la PME (Morocco)
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CLMV</b>	Cambodia, Laos, Myanmar, Viet Nam
<b>CSO</b>	Central Statistical Organization
<b>DICA</b>	Directorate of Investment and Company Administration
<b>DISI</b>	Directorate of Industrial Supervision and Inspection
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EIP</b>	Entrepreneurship Indicators Programme
<b>ERIA</b>	Economic Research Institute for ASEAN and East Asia
<b>ESCAP</b>	United Nations Economic and Social Commission for Asia
<b>ETF</b>	European Training Foundation
<b>FDI</b>	Foreign Direct Investment
<b>GAD</b>	General Administration Department, Ministry of Home Affairs
<b>JICA</b>	Japan International Cooperation Agency
<b>MIA</b>	Myanmar Industrial Association
<b>MMRD</b>	Myanmar Marketing Research and Development Ltd.
<b>NSOs</b>	National Statistical Offices
<b>PD</b>	Planning Department, Ministry of National Planning and Economic Development
<b>R&amp;D</b>	Research and Development
<b>RUMFCCI</b>	The Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry
<b>SBA</b>	EU Small Business Act
<b>SDC</b>	SME Development Center
<b>SEZ</b>	Special Economic Zone
<b>SLORC</b>	State Law and Order Restoration Council Myanmar
<b>SMEs</b>	Small and Medium sized Enterprises
<b>SMIDB</b>	Small and Medium Industrial Development Bank Myanmar
<b>UNIDO</b>	United Nations Industrial Development Organization

## 1. Introduction and key findings

Myanmar is emerging from over five decades of economic and political isolation. It is now striving for inclusive economic growth in order to realise its long-term development goals. The country enjoys an abundance of natural resources and assets, is situated strategically between major growth poles of China and India, is part of an economically dynamic ASEAN and has a large, youthful population (OECD, 2013, OECD, 2015c). As the country looks to ignite rapid, stable and sustained growth, opening its economy to international trade and investment flows and developing the private sector will be essential.

The Myanmar economy is dominated by small and informal businesses, with small and medium-sized enterprises (SMEs) playing a pivotal role in its national economic development and the promotion of inclusive growth. Estimates by the Economic Research Institute for ASEAN and East Asia (ERIA) and the OECD suggest that the SME sector contributes a large proportion of aggregate output in Southeast Asian countries – *i.e.*, between 23 and 58% of GDP. SMEs not only make up over 89% of all enterprises and employ between 52 and 97% of the labour force in the Southeast Asian region, but also contribute a large proportion of the export sector (ERIA, 2014).

As Myanmar's business environment undergoes deep and accelerated transformation, an enabling policy environment for SMEs is needed. Recent analyses identified key bottlenecks such as the lack of access to finance and infrastructure (UNESCAP, 2015) and the need to improve the business and investment climate through administrative reforms (World Bank, 2015c). In addition, comprehensive and consistent data for SMEs are not readily available in Myanmar. In order to strengthen and fully develop the SME sector, access to reliable statistics and survey information is essential to appreciate its size, characteristics, and needs. Good statistics are indispensable to track the impact of policy reforms and assess whether these policies achieve their expected goals.

Establishing datasets capable of accurately depicting the structural characteristics of a country's SME sector requires a well-integrated system of data collection. As part of its Southeast Asia Regional Programme, the OECD worked with the Myanmar Ministry of Industry on a joint project to strengthen the capacity of the country's SME data collection framework. The project aimed to support Myanmar in developing national SME policy reform priorities based on concrete evidence. The project was carried out in two stages. First, a survey was conducted to assess the practices and standards of SME data collection. Second, the survey results were discussed at a workshop on 30 June 2015 in Yangon jointly organised by the OECD and the Myanmar authorities, with the support of the Japan International Cooperation Agency (JICA) and the United Nations Industrial Development Organization (UNIDO).

The key outcomes and policy recommendations of the workshop are as follows:

- ***Strengths of available SME data in Myanmar:*** Myanmar has a wealth of sources of business data. SME data are collected mainly by the Directorate of Industrial Supervision and Inspection (DISI) in the Ministry of Industry, SME Development Center (SDC), city and township development committees, and the Central Statistical Organization (CSO). Data are collected from different sources, including administrative business registers, licence processes and various kinds of business surveys, which conducted regularly or on an *ad hoc* basis. In addition to these sources, various data on relevant aspects of SMEs are available. These include enterprise data by SME demography, financing, gender of the owner/manager and by sector of activity.
- ***Challenges to improve the SME data system in Myanmar:*** Fragmented SME data and the lack of its co-ordinated collection are the key challenges in Myanmar. While SME data come from multiple sources and cover a wide range of areas relating to SMEs, challenges remain in establishing a complete dataset for SMEs. These relate notably to the lack of a nationally harmonised definition of SMEs and fragmented collection of SME data, which prevents

effective co-ordination between different agencies. DISI produces SME statistics relying on the definition of SMEs that was introduced in the 1990 Private Industrial Enterprise Law for industrial enterprises. However, this was designed in such a way to only cover industrial enterprises, *i.e.*, those producing finished goods from raw materials, using any form of power (e.g. fire, water, electricity, etc.) in any building. As a result, service and trade businesses are not captured by the official SME figures, despite the fact that the structure of the sector has undergone significant transformations during the past quarter of a century. Indeed, service and trade businesses are already registered elsewhere. For example, small hotels and tourism companies apply for operational licences at the Ministry of Hotel and Tourism. However, the data relating to these activities are not included in the official SME figures.

- ***Policy insight for Myanmar stemming from international good practices:*** To address the above challenges, Myanmar could draw on the range of good practices that are available internationally. Morocco's successful experience with the creation of Regional Investment Centres could help Myanmar improve its business set-up procedures. Moldova has successfully widened data coverage of SMEs by extending the existing licence system. Denmark's experience in establishing a statistical business register can also be particularly useful for Myanmar.
- ***At the policy level, these findings make a strong case for enhancing co-ordination within Myanmar's SME data collection framework.*** Establishing a single administrative and statistical business register in Myanmar would considerably facilitate the compilation of sound data on SMEs. To this end, the creation of a single statistical business register is a first priority to consider. Placed under the responsibility of the statistical office, it could collect information drawn from administrative data and other existing relevant sources. The statistical business register could be used as a sampling framework for business surveys covering SMEs and also for the regular production of statistics on businesses. The register would facilitate the classification of enterprises according to agreed standards. Moreover, it would guarantee the better co-ordination of specific surveys, with regards to the coverage provided. It could prevent duplication of information collected or, on the contrary, missing information. In addition, the establishment of a single reliable and regularly updated administrative company register would act as a major source of information for public and private bodies and it would significantly contribute to improving transparency of asset ownership and dissemination of business information.

Following a brief overview of the structural characteristics of the SME sector in Myanmar (Section 2), this report provides a discussion of SME data availability and enhancement. Section 3 and 4 describe the current environment of SME statistics in Myanmar and point out the key challenges in improving SME data. Some international practices for SME data collection are presented in Section 5, which draws useful insights from the experiences of Morocco, Moldova and Denmark. Section 6 concludes by discussing the role of international organisations in fostering consistency of SME data collection. International organisations can play an important role by co-ordinating statistical efforts at the national level and sharing good comparative practices.

## **2. The relevance of the SME sector for Myanmar's economy**

Since 2011 Myanmar has begun a process of profound political and economic transformations after nearly five decades of military rule. Significant steps have been taken to liberalise the economy and open trade and investment— an effort accompanied by the gradual withdrawal of economic sanctions. Driven by the expansion of foreign direct investment inflows and export flows, together with growing domestic demand, aggregate output growth averaged about 8% per year since 2011 (OECD, 2016). Strong growth is likely to continue over the short term, although concerns remain about the possible adverse effects of the current slow-down in China and the other ASEAN economies.



In the medium-term, Myanmar has the potential to replicate the growth pattern of the other ASEAN economies, with rapidly developing labour intensive and export sectors, such as textile, garment but also the assembly of consumer electronic goods. This will require a large inflow of foreign direct investment, taking advantage of its large and low cost work-force and building upon the on-going transfer of labour intensive operations out of China and the most developed ASEAN countries. A number of free zones and export processing zones are expected to enter into operations over the next five years. To support this economic expansion, the government of Myanmar will significantly invest in the upgrade of physical infrastructure including ports, energy and inland transport, which will be largely financed by China and Japan. The development of an export oriented manufacturing sector will contribute to rebalancing the current strong dependence upon exports of oil, gas and primary commodities. All in all, this will entail a significant transformation of the structure of employment and its competences, out of subsistence farming into higher value added activities. Urbanisation and productivity gains will strengthen. The SME sector can play a key role in supporting these developments.

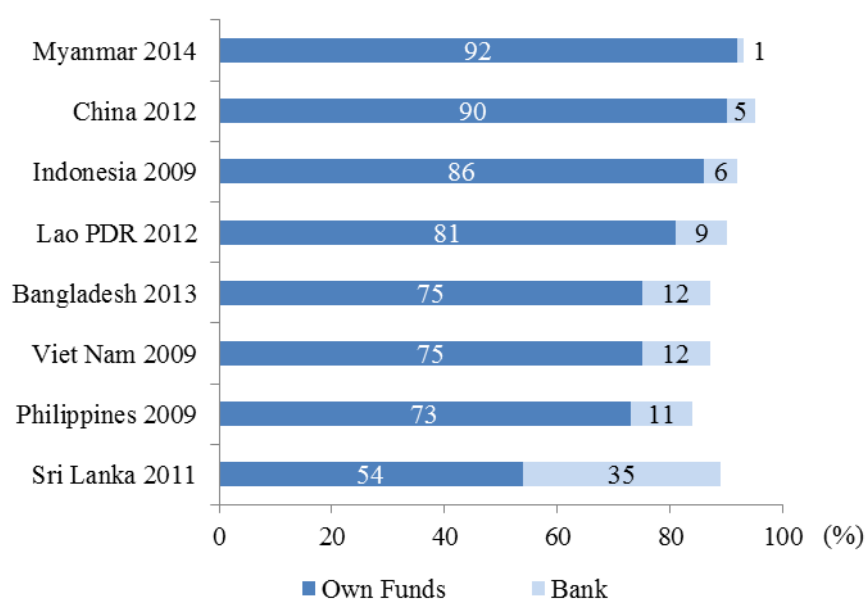
### ***The role played by the SME sector***

While SMEs can play a key role in supporting the expansion of the economy and creating jobs, very little is known about the real economic impact and the diversification of the sector in Myanmar. OECD work done in the context of the *Multi-dimensional Country Review of Myanmar* (OECD, 2013) shows that there are about 127,000 formally registered enterprises in Myanmar, of which only 721 are classified as large. All the remaining enterprises (99.4% of the total) are SMEs. However, it has to be noted that the data refers only to the enterprises registered with the line ministries. These include the enterprises formally registered with the Ministry of Industry and operating in manufacturing, and located in the industrial zones (around 45,000 enterprises) and the enterprises registered with the Ministry of Tourism (some 1,600 licensed tour companies and 43,000 hotels/motels/guest houses) (Ministry of Hotels & Tourism, 2014). Other sources cite 750,000 as the overall number of enterprises operating in the country, most of which are micro-enterprises active in the informal sector and micro family-run enterprises (Nay Pyi Taw News, 2013). There is no comprehensive enterprise size analysis of employment in Myanmar. However, ERIA estimates that SMEs are responsible for between 52 and 97% of the total employment in the private sector in the ASEAN economy (ERIA, 2014).

### ***Key challenges to support the expansion of a sound business sector in Myanmar***

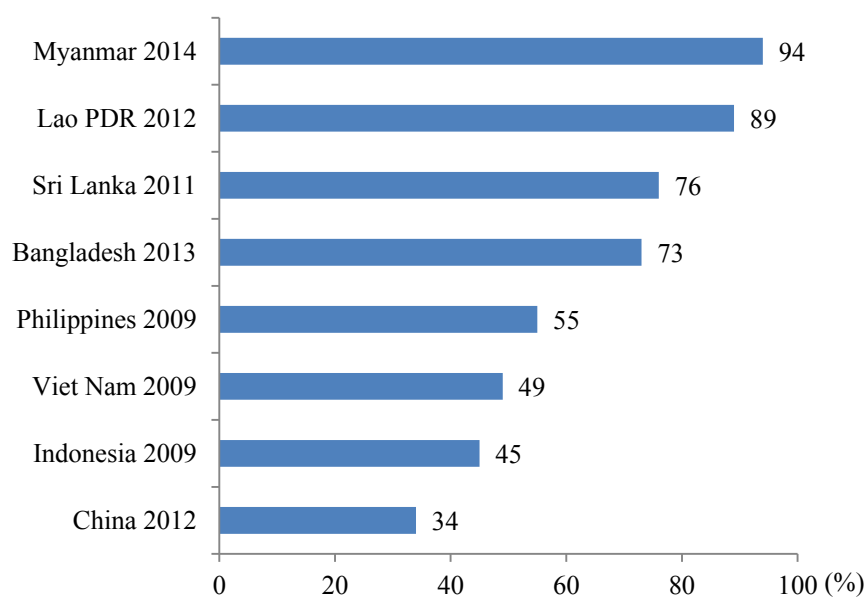
Myanmar is increasingly engaged in a process of legal and administrative reforms in order to improve the country's business and investment climate. Such reforms address the most serious structural impediments to the expansion of foreign investment, including poorly developed infrastructure, an unwieldy bureaucracy, non-transparent regulations, a shortage of skilled labour, technology development and innovation, market access, appropriate taxation and procedures, and an enabling business environment (Asian Development Bank, 2015). The company law is under amendment and business registration procedures have been improved, notably through a reduction of the company registration fees. In addition, the International Finance Corporation is working with the Ministry of National Planning and Economic Development on developing a new Investment Law, which could also benefit from recent work carried out at the OECD on investment policies (see, (OECD, 2014)). The government is also encouraging the expansion of foreign investment and supports the export sector by means of several special economic zones (SEZ), including Thilawa SEZ which started to operate in September 2015. Recent policy reforms are aimed at fostering co-ordination among government authorities. The Ministry of Industry, which is playing the principal role for SME development policy in the country, established the Central Department of Small and Medium Enterprises Development (SME Development Center) in 2012 to support SMEs and their integration to the ASEAN Economic Community.

**Figure 1. Source of Financing for Fixed Assets**



Source: World Bank (2014), *Myanmar Enterprise Survey 2014: Early Findings*, World Bank, Washington, D.C.

**Figure 2: Enterprises Reporting Power Outages**



Source: World Bank (2014), *Myanmar Enterprise Survey 2014: Early Findings*, World Bank, Washington, D.C.

Despite these improvements, reforms have barely altered the regulatory constraints affecting private sector activity. As a result, the World Bank Doing Business indicators point to an urgent need to upgrade business legislation and improve law enforcement mechanisms. Other international rankings confirm the weaknesses of the country's business and investment climate. For instance, Myanmar ranks 131 out of 140 countries in the World Economic Forum 2015 Global Competitiveness Index (World Economic Forum, 2015), well behind Cambodia (120), the second worst performing ASEAN country. Although the country's financial market development and technological readiness are at the bottom of the ranking, market size stands out as a factor of attractiveness.

Restricted access to finance and infrastructure is also identified as a key constraint to SME development. Information on the structure and trends in the enterprise population has been collected recently by the United Nations Economic and Social Commission for Asia (ESCAP), jointly with the OECD Development Centre and the Union of Myanmar Federation of the Chambers of Commerce, and by the World Bank. Both surveys concur that the main obstacles faced by SMEs in Myanmar relate to access to finance, and access to infrastructure, mainly energy (Figures 1 and 2).

Information available on the structure, relative weight and dynamics of the SME sector is currently limited, reflecting the lack of reliable and well-integrated statistics. Awareness of good international practices in data collection is also limited. Both the World Bank's Enterprise Survey (World Bank, 2014) and the ESCAP Business Survey (UNESCAP, 2015) identify that a major challenge to implementing required reforms in Myanmar is the dearth of information on the business conditions on the ground. The creation of solid data and information systems will enable policy makers to monitor the progress achieved by the sector, identify outstanding gaps, and ensure that Myanmar meets international best practices and standards.

### **3. Overview of SME statistics in Myanmar**

This section aims to provide an overview of SME statistics in Myanmar focussing on the practices of SME data collection, their uses and dissemination practices.

#### ***Existing statistics***

SME statistics in Myanmar include:

1. Structural business statistics,
2. Statistics on demography of enterprises,
3. Statistics on innovation and R & D activities of enterprises,
4. Statistics on international activities of enterprises,
5. Statistics on financing of enterprises,
6. Statistics on enterprises by gender of the owner or manager, and
7. Statistics on enterprises by sector of activity.

Some additional statistics are available such as innovation and technical diffusion, research and development (R&D), and foreign trade development.

#### ***Data collection***

There are four main SME data collectors and producers in Myanmar, the Directorate of Industrial Supervision and Inspection (DISI) and SME Development Center (SDC) in the Ministry of Industry, Central Statistical Organization (CSO), and city and township development committees. Their respective roles in gathering data are:

- DISI is both a collector of data and a producer of statistics. The registration of industrial enterprises -- defined in Myanmar as enterprises that produce finished goods from raw materials, using any form of power in any building -- is required by DISI. In accordance with

the Industrial Enterprise Law in 1990, the application of an industrial enterprise registration shall be submitted to the respective state or divisional officer-in-charge in the directorate. On application for registration being made, the respective state or divisional officer-in-charge will conduct the necessary scrutiny and decide whether to grant or refuse to grant the registration. Therefore, DISI holds the bulk of administrative data on industrial enterprises. Despite the registration requirement of industrial enterprises by DISI, some of the enterprises in small towns, especially in remote areas from the capital, are not listed in DISI's registration records. This mainly reflects the insufficient law enforcement capacity of DISI which significantly limits the ability of industrial enterprises to register. Limited enforcement also reflects problems of co-ordination.

- SDC is responsible for providing services for SMEs in Myanmar and also collects data on SMEs in a wide range of areas. It collects SME statistics primarily through business surveys on elements including business structure, enterprise location and concentration, sector of activities and gender of owner or manager.
- CSO also collects SME data and produces related statistics. It collects the widest range of data from various sources in Myanmar, including ministries and other governmental agencies. It also draws upon the administrative data of SMEs from DISI, SDC, and city and township development committees to compile them for structural business statistics. Moreover, the statistical organisation also conducts sample surveys.
- City and township development committees in the states and regions in Myanmar are also sources of SME data collection. The Development Committees Law of 1993 gives permission to establish Township Development Committees to act on their own initiative and carry out the development works within towns. For Yangon and Mandalay, the State Law and Order Restoration Council (SLORC) established with different laws two special bodies, the Yangon City Development Committee under the supervision of SLORC Chairman and the Mandalay City Development Committee under the Prime Minister Office. This springs from the requirement that non-industrial enterprises must apply for a license at the offices of city and township development committees, especially in remote and rural areas. Thus the entry point for the data is often in local development committee offices.

### *Uses of SME statistics*

Numerous public and private institutions use SME data, such as the Planning Department in the Ministry of National Planning and Economic Development, and public and private research organisations.

- The Planning Department of the Ministry of National Planning and Economic Development requires SME data for their planning purposes. The Department uses DISI, SDC, and city and township development committee as data sources.
- Public and private research organisations produce diverse statistical outputs using all available sources, including DISI, CSO; in some case, they also produce and exploit their own survey data.

Table 1 shows the users of SME statistics in Myanmar. For example, the Planning Department of the Ministry of National Planning and Economic Development uses statistics on demography of enterprises and those on international activities of enterprises. Myanmar Marketing Research and Development Ltd. is using all types of statistics. MMRD was founded in 1992 by U Moe Kyaw and soon established itself as the leading market research company in Myanmar. The enterprise advertises that MMRD is a prominent partner of many businesses and social ventures in Myanmar. Their mission is to actively promote investments that are socially responsible and have a positive impact on communities.

**Table 1. Types of SME Statistics and their Users**

Types of Statistics	Users*
Structural business statistics	MMRD, CSO, GAD, PD
Statistics on demography of enterprises	MMRD, GAD, PD
Statistics on innovation and R & D activities of enterprises	MMRD
Statistics on international activities of enterprises	MMRD, GAD, PD
Statistics on financing of enterprises	MMRD, CSO, GAD,
Statistics on enterprises by gender of the owner or manager	MMRD, CSO, GAD, MIA
Statistics on enterprises by sector of activity	MMRD, CSO, GAD,

Source: OECD Survey Data (March, 2015)

\* MMRD: Myanmar Marketing Research and Development Ltd.

CSO: Central Statistical Organization, Ministry of National Planning and Economic Development

GAD: General Administration Department, Ministry of Home Affairs

PD: Planning Department, Ministry of National Planning and Economic Development

MIA: Myanmar Industrial Association

#### ***Dissemination of available SME statistics***

Typically SME statistics are disseminated through statistical publications and policy reports by SME statistics producers. Statistical publications and the website of the Central Department of Small and Medium Enterprises Development are the main channels for the dissemination of SME statistics. Furthermore, some SME information is available online. The Central Department of Small and Medium Enterprises Development operates a web-based portal, which provides information on SME laws, policies, financing, technologies, and training courses. The website also features information on SME-related events in Myanmar and ASEAN, such as, for example, SME festival, trade fairs, and expos. There are also plans to create an integrated information network between SME organisations and agencies, such as DISI, the Directorate of Investment and Company Administration (DICA), the Directorate of Trade in the Ministry of Industry, the SMIDB, the Federation of Chambers of Commerce and Industry (RUMFCCI), and the Myanmar Industrial Association (MIA). However, the evidence available suggests that these websites are updated only occasionally, which limits the impact of this dissemination platform. For example, the frequency of SME data dissemination is significantly lower than that of macroeconomic indicators.

#### **4. Challenges to improving SME data**

While on-going reforms create an enabling environment for SMEs, the fact that different definitions are used by several ministries still hinders the design of policies targeting SMEs as well as lack of co-ordination to collect statistics among the data collectors. Ministries, such as Industry, Cooperatives, and National Planning and Economic Development, have varying SME definitions based on different laws. Currently, there is no integrated approach to collecting SME statistics.

The official definition of an SME in Myanmar dates back to the revised Private Industrial Enterprises Law of 1990. A small enterprise is defined as a business that: i) employs more than 10 and less than 50 workers, ii) uses more than three and less than 25 horsepower of energy, iii)

invests up to 1 million kyat as a capital, iv) has a production turnover of up to 2.5 million kyat annually and v) produces finished goods from raw materials in any building in Myanmar. (Table 2)

**Table 2. Former Definition of SMEs in Myanmar**  
(Revised Private Industrial Enterprise Law of 1990)

Categories	Small	Medium	Large
Power used (horsepower)	3-25	25-50	Over 50
Number of workers	10-50	50-100	Over 100
Capital investment (million kyat)	Up to 1	1-5	Over 5
Annual production (million kyat)	Up to 2.5	2.5-5	Over 5

Source: Central Department of SME Development

While the above definition was uniformly applied in governmental programmes and policies throughout the country, it was strongly criticised because of its limited coverage and application. For example, it did not take into account other types of enterprises which have gained increasing economic importance in recent years due to economic development and sector diversification in Myanmar. The latter typically include businesses in the service and trade sectors.

**Box 1. The definition of SMEs**

No agreed definition of SMEs exists internationally. An SME is often defined as an enterprise with less than a certain number of employees. For example, the upper limit of 250 employees is widely used as a cut-off as that is the limit applied in EU countries. However, there are many exceptions to this definition, for example in the United States, which sets a cut-off of 500 employees as its limit in defining a business as an SME. In addition to the number of employees, another frequently used criterion for SME definition is financial assets. Some countries simultaneously use employee numbers and financial criteria. (OECD, 2005)

SME data are typically collected by the National Statistical Offices drawing from the statistical business registers or business surveys that are available, such as on innovation activities, ICT usage, access to finance, and outsourcing activities. The advantage of having a single purpose statistical business register, maintained by a statistical office, is twofold: it ensures the access to harmonised company figures, while at the same time providing for a high level of co-ordination between decentralised units responsible for data collection. As a result, it can prevent unintentional duplication or unnecessary shortage of coverage. (OECD, 2002)

There were also concerns relating to the lack of a nationally harmonised definition of an SME. The Law Amending the Promotion of Cottage Industries Law in 2011 defines a “Small-scale Industry”. The definition includes cottage industries which have no more than 9 workers and use from 0.25 to 5 horsepower, and cottage handicraft industries which have more than three workers and which produce or process goods by family members or/and hired workers. A person who runs a cottage industry shall apply for a registration with the Cottage Industries Department of the Ministry of Cooperative. Furthermore, the Directorate of Investment and Company Administration in the Ministry of National Planning and Economic Development is currently amending the Myanmar Companies Act to an internationally recognized standard. The amended Myanmar Companies Law defines “small company” as an enterprise which is neither a public company nor subsidiary of a public company, and satisfies the following conditions: (a) it and its subsidiaries

have no more than 30 employees; and (b) it and its subsidiaries had annual revenue in the prior financial year of less than 5 million kyats in total.

Triggered by changes in the SME landscape, a new definition of SMEs was introduced by SDC in 2015 within the Small and Medium Enterprise Law (the Pyidaungsu Hluttaw Law No. 23, 2015). The law broadens the definition of SMEs to encompass enterprises in a broad range of industrial and service sectors, from labour intensive manufacturing, such as textiles, apparel, leather, furniture and toys, to wholesale and retail sectors. For example, it is now possible to classify as a small enterprise a company which is active in wholesale and hires up to 30 employees with a turnover up to 100 million kyats. (Table 3) All persons or businesses operating a small or a medium-sized enterprise, with 100 percent of private capital investment, have to register under the law. Upon registration, the law secures rights for entrepreneurs to submit grievances, to access business knowledge through governmental and non-governmental institutions, to attend local and foreign training courses, workshops, etc., to apply for financial assistances and loans, and to participate in local and foreign business networks. The new law, which is more in line with international practices and standards -- insofar as it defines SMEs in accordance with the number of employees, capital and turn-over -- was approved by the Parliament in March 2015 and is currently being enforced.

**Table 3. Revised Definition of SMEs in Myanmar**  
(Pyidaungsu Hluttaw Law No. 23, 2015)

	Sector	Number of Employees	Capital (Kyats in Million)	Turn-over (Kyats in Million)
Small	Manufacturing sector	Up to 50	Up to 500	
	Labour intensive manufacturing sector	Up to 300	Up to 500	
	Wholesale Business	Up to 30		Up to 100
	Retail Business	Up to 30		Up to 50
	Servicing Business	Up to 30		Up to 100
	Except from above Business	Up to 30		Up to 50
Medium	Manufacturing sector	51-300	500-1000	
	Labour intensive manufacturing sector	301-600	500-1000	
	Wholesale Business	31-60		100-300
	Retail Business	31-60		50-100
	Servicing Business	31-100		100-200
	Except from above Business	31-60		50-100

Source: Central Department of SME Development

While the new law marks a significant step in the right direction, one key issue outstanding -- which could undermine its expected outcomes, if left unaddressed -- stems from the unclear distribution of responsibilities among governmental agencies and a lack of enforcement mechanisms for SME registration.

Indeed, only the enterprises operating in mining and quarrying, manufacturing, electricity, gas, steam and air conditioning supply are required to register with the DISI. Non-industrial enterprises, in contrast, must apply for their licences with city and township development committees, which only cover a limited number of sectors as below:

1. agriculture, forestry and fishing,
2. mining and quarrying,
3. manufacturing,
4. construction,
5. wholesale and retail trade, repair of motor vehicles and motorcycles,
6. transportation and storage,
7. information and communication,
8. other service activities, and
9. activities of households as employers, undifferentiated goods and services producing activities of households for own use.

All businesses in other sectors must apply for a licence and be registered with the special registers under the responsibility of ministries specifically related to their sectors. This complex division of the registration process means that neither DISI nor the city and township development committees can rely on a complete sectorial coverage for their data collection. Thus, no integrated approach to collecting SME statistics currently exists in Myanmar.

An additional constraint is geographical scope: despite recent improvements in its data collection practices, the SDC only conducts censuses in the major cities in the states and regions of Myanmar. SMEs in countryside cities and towns are not surveyed and thus are not reflected in datasets. The lack of capacity of DISI and SDC to gather data for enterprises in remote areas is partly offset by the fact that information is collected by the states and regions when non-industrial enterprises register for a business licence. It should be taken into account, however, that these licencing requirements are not mandatory, which implies that the city and township development committees do not in fact have a full set of SME data. Lacking enforcement mechanisms and weak procedural co-ordination also impede the collection of comprehensive SME data in the city and township development committees.

CSO is mainly responsible for compiling data of all the sectors and categories in the country, and also conduct surveys to collect SME data upon needs. However, a comprehensive database of SME statistics is not available even in CSO because of weak procedural co-ordination.

Even if a company successfully registered with a related ministry to its sector, numerous challenges still exist in ensuring that all companies are registered throughout their lifecycle of operation. For example, even when DISI successfully reaches out to the industrial enterprises so that the companies actually feel encouraged to register, they seldom declare their dissolution or termination of activities. In this context, one practical option to encourage SME register at DISI is by making the access of these firms to the loans provided by the Small and Medium Industrial Development Bank (SMIDB) contingent upon registration. SME owners who have immovable properties to set as collateral and regional or state government-issued recommendations can apply for a loan. The SMIDB was incorporated as a public limited company under the auspices of the Ministry of Industry. The bank's main objective is to provide financial support to SMEs. Since the bank is under the Ministry of Industry, it identifies business population from the Ministry data.



## **5. Examples of good international practices**

International good practice shows that establishing a sound database on SMEs is a prerequisite for effectively monitoring and analysing trends underway within firms, as well as in designing relevant policies to support them. Accurately identifying the SME population requires that countries have a single purpose business register with full sectoral and size coverage and that this information is kept up to date. In addition, enterprises should be followed over time to measure survival rates and to document patterns of entry and exit across industries. However, there is no “one-size-fits-all” approach to the establishment of well-functioning administrative and statistical business registers. Much depends upon the specific characteristics of each country.

In reforming its policy frameworks for SME statistics collection, Myanmar can draw upon some examples of international good practices that may be especially relevant to its specific context. Morocco can serve as an example for Myanmar to enhance enterprise access to the business set-up procedures. Moldova can be used as a successful example to widen SME data coverage by extending the existing licence system. Denmark can be referred as a case on how to reinforce administrative registers for a statistical business register by extending a personal identification numbering system. Case studies of approaches undertaken in Morocco, Moldova and Denmark are included below as they may provide useful insights for Myanmar.

### ***Morocco: Establishing a single administrative business register***

The main public institution for SME promotion in Morocco is the *Agence nationale pour la promotion de la PME* (ANPME), created by the Act no. 53-00 on 23 July 2002. The main mission of the ANPME is to co-ordinate, steer and implement the national programme of competitiveness and modernisation and to provide support to SMEs. As a complement to the ANPME, Regional Investment Centres – which operate under the aegis of the Ministry of the Interior – were created in 2002 to help entrepreneurs liaise with public administrations at the local level.

Morocco created the Regional Investment Centres in all 16 regions to reduce administrative complexities in setting up businesses and to improve enterprise access to the procedures. These centres also function as the single business register in Morocco. As a business register, the Regional Investment Centres centralise many important administrative procedures for creating a new business, e.g. deposit of bylaws, registration at the Tribunal of Commerce, company register, tax number obtainment, legal announcements (one in a legal journal and the other in the Official Bulletin), declaration of fiscal existence, and social security affiliation.

In practice, the Regional Investment Centres have greatly facilitated the procedures surrounding business registration in Morocco. The applicant of the register only needs to download a single registration form from the Internet and file this form, once completed, with its local Regional Investment Centre. The business register covers all industries. Morocco’s experience with the creation of Regional Investment Centres – and their successful track-record since 2002 – may be relevant for Myanmar as good practice in the establishment of a single administrative business register.

### ***Moldova: Collecting data on individual entrepreneurs***

Following the transition towards a market economy the number of SMEs, particularly those managed by individual entrepreneurs greatly expanded. However, the large majority of those enterprises operated informally and they were not covered by official statistics. In order to bring those individual enterprises under a formal legal and fiscal framework and systematically collect data, Moldova introduced a simple but well-designed business licensing system to cover individual entrepreneurs. The licensing system acts as a combined simplified tax and registration system for individual entrepreneurs with no employees. The system is user-friendly because entrepreneurs do not need to go to full registration process with government agencies to use it. All that is required is to buy

from the tax authorities, for a modest lump sum, a time-limited patent giving the right to exercise a business activity and to provide personal data.

The license system is now widely used by entrepreneurs in a variety of sectors, including retail trade and consumer services. The system is relatively for new business starters because it does not require financial or statistical statements, or accounting records. Meanwhile, the system does not allow users to hire people for the businesses licensed by the system. A fixed monthly charge has to be paid by the users of the system instead of taxes which are normally needed to pay.

Since the extended license system covers a wide range of sectors, it incentivises entrepreneurs to buy the license due to convenience of the simplified tax payment. As a consequence, it can cover many new micro businesses and is useful as a complement to the business register. The license system is not the single business register in Moldova. However, the system sufficiently complements the existing business registration system and makes better SME statistics feasible in the country. Moldova's approach to ensure wider coverage of SMEs might be a good starting point in helping extend an existing statistical coverage in Myanmar.

### ***Denmark: Developing a comprehensive statistical business register***

Starting from the situation where there were only business data in the non-agricultural sector, Statistics Denmark gradually influenced the development of other administrative registers and established a statistical business register with the complete sector coverage. Statistics Denmark is the central authority on Danish statistics. It is a state institution under the Ministry of Social Affairs and the Interior with the mission to provide impartial statistics on society as a basis for democracy and the economy.

In Denmark, there were seven censuses which only covered the non-agricultural industries from 1896 to 1958. Based on the business census in 1958, the first statistical business register was established in 1959. At the beginning it was a very simple statistical business register including only a list of enterprises with activities in industry, building and construction. However, Statistics Denmark gradually increased its influence for the development of different administrative registers through co-operation with other public institutions. By degrees, four electronic administrative registers were established by the end of 1960s, i.e. Wage Earner and Employer Register in 1965, Value Added Tax Register in 1967, Central Person Register in 1968, and Income Tax Register in 1969. Using these four registers, Statistics Denmark has been able to establish an extended statistical register. One of the most important conditions to create a link of these four registers was a personal identification (id) number system in the Central Person Register in 1968. Every person in Denmark received an id number which was used in governmental procedures. Subsequently, new register-based statistics were developed based on the id system. The system was at a later point extended to cover all legal forms of businesses.

## **6. The role of international co-operation in fostering consistency**

The promotion of entrepreneurship and support to SMEs are part of growth policy frameworks all over the world. The rationale rests on the role of entrepreneurship and business dynamics as drivers of economic growth and job creation. Furthermore, the creation of new innovative businesses is associated with productivity improvements, through the replacement of dying or inefficient businesses, the use of new skills and the introduction of innovative products, services and processes.

While the role of entrepreneurship in economic development has entered the mainstream of the policy debate for some decades, the production of sound international evidence on entrepreneurship, its determinants and impact, is a continuous process. It requires the collaboration of all relevant actors at the international and national level, to ensure that there is progressively convergence toward harmonised practices as concerns the definition of variables and collection and treatment of data.

International co-operation can play an important role in fostering these developments. For example, it was in response to the need of internationally comparable official statistics that the OECD built a database on Structural and Demographic Business Statistics that contains key variables broken down by size class of enterprises. Statistics for the harmonised database are produced directly by national statistical offices (NSOs), according to agreed definitions and methodology and their direct involvement in the production of harmonised statistics is clearly indispensable.

By developing concepts and methodologies for the collection of harmonised statistics and indicators, and establishing a database of comparable official statistics on SMEs and entrepreneurship, the OECD has made an important contribution to filling the information gap in this domain. The role of the OECD, in particular through its ongoing Entrepreneurship Indicators Programme (EIP), conducted jointly with Eurostat, is to co-ordinate statistical efforts at the national level and to facilitate the emergence and adoption of best practice concerning data development.

As a comparative tool designed to assess and compare the scope and quality of SME policies and institutions, primarily in developing and emerging economies, the SME Policy Index has a role in fostering consistency by assessing SME policy frameworks in emerging economies and monitoring progress in policy implementation over time. The results are widely used for benchmarking against regional and worldwide good practices, setting policy objectives, and monitoring progress in the implementation of policy reforms.

The ASEAN SME Policy Index resulted from co-operation between the OECD and the ERIA, with the full support of and mandate from the ASEAN SME Working Group. The ASEAN SME Policy Index 2014 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 ASEAN member countries, measures convergence towards the policy guidelines of the ASEAN Strategic Plan for SME Development (2010-15) and priorities for the next plan (2016-2025), and recommends priority reforms.

## **7. Conclusions and possible further support by the OECD to Myanmar**

A sound, informative statistical system is essential to provide policy makers with the right signals to identify gaps, to assess how the performance of the SME sector in Myanmar compares internationally and to draw the right policy conclusions about how to address them. Despite remarkable progress achieved recently to improve the data collection system for SME statistics in Myanmar, considerable scope for further improvements remains going forward and for lining up the country's statistics with international practices and standards.

The evidence gathered in this report suggests that fragmentation stands out as a key impediment to the achievement of a sound system for SME data collection. Indeed, there exists a wide range of SME statistics in Myanmar, which are not standardised across the country. The uniform definition introduced recently by means of the Small and Medium Enterprises Development Law (Pyidaungsu Hluttaw Law No. 23, 2015) is a step in the right direction. However, outstanding challenges continue to stem from the unclear distribution of responsibilities among government agencies and a lack of enforcement mechanisms for SME registration. If left unaddressed, it will be difficult to implement the provisions of the new law and carefully monitor outcomes.

Preliminary information available suggests that data on SMEs continues to be gathered by institutions that use different methodologies and definitions. In this context, data harmonisation across the country could be considerably helped by the development of a central business register, through merging and extending the responsibilities of already existing institutions, such as DISI or SDC, or extending the register, license or patent system. The register could hold a unique identification number across these bodies.

International good practice shows that establishing a single purpose business register, with full sectoral and size coverage and a sound database on SMEs, is an important prerequisite to effectively implement and monitor trends underway within firms, as well as in designing relevant policies to support them. However, there is no “one-size-fits-all” approach to the establishment of well-functioning administrative and statistical business registers. Myanmar can therefore draw from the examples of good practices that are internationally available. The report has presented the approaches being followed by Morocco, Moldova and Denmark, whose experiences provide useful examples to policy makers in Myanmar.

The OECD has made an important contribution through the EIP by developing policy-relevant and internationally-comparable indicators, based on an analytical model and measurement infrastructure that allow gathering comparable data for official statistics on SMEs and entrepreneurship. The ASEAN SME Policy Index supports Myanmar in setting targets for SME policy development and helps to identify strategic priorities for improving business environment. As a further step in co-operation, OECD could support Myanmar in its effort to move towards a one-stop shop for business registration. Availability of a well-designed business registration system plays an essential role in securing access to relevant information about the SME sector. It strengthens the capacity of policy makers to track developments in the sector and to adjust their SME policies accordingly.

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