

SUMMARY

# Enhancing the Role of Business: A Roadmap for Economic Transformation



A worker at an automobile factory in the Mandalay Industrial Zone. Photo credit: Eric Sales/ADB.

*A policy action plan for Myanmar provides a step-by-step guide on how to stimulate private sector development.*

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## Overview

A robust private sector is an essential ingredient for sustainable and inclusive growth.

In 2011, after decades of isolation, Myanmar began a series of reforms to help the country shift onto a new market-led growth path.

In mid-2015 the Government of Myanmar sought ADB assistance to draw up an action plan for developing the country's private sector.

ADB, using the resources of the Mekong Business Initiative and working with government, private sector and other partner stakeholders, prepared the Private Sector Development (PSD) Framework and Action Plan, which was released in 2016.

The plan details specific measures to be taken to help the private sector flourish. The measures reflect the unique local context and also incorporate regional and global best practices.

The plan serves as a transition document to guide the newly-elected government with ongoing business sector reforms.

The government will shortly announce a high-level PSD Committee, building on the findings of the PSD Framework and Action Plan.

It provides a useful model for other countries seeking to make similar efforts at private sector reform.

## Key Findings

Transforming Myanmar's economy requires addressing legacy challenges like complex and opaque regulations which impose time and cost compliance burdens on private sector businesses; weak financial sector management and regulatory supervision of business, low levels of trade and investment, inefficient state-owned enterprises (SOEs) and underdeveloped human capital resources.

The action plan identifies five key "pillars" or areas for policy action:

- Improving the legal and regulatory environment.
- Strengthening access to finance for all, including small businesses, women and ethnic minorities.
- Promoting trade and investment.
- Restructuring the state's role in business enterprises.
- Strengthening the country's human capital base.

It lays out detailed measures to be taken for each in both the short (1-2 years) and longer (3-5 years) terms.

To improve the legal and regulatory environment:

- Create a full time agency to manage the drafting of laws, and establish a law reform commission to advise on reforms.
- Create dispute resolution mechanisms and specialist courts for handling legal complaints and disputes.

To improve access to finance, particularly for small businesses and disadvantaged groups:

- Increase financial sector transparency and rules on financial reporting.
- Strengthen and build up the microfinance sector, addressing barriers to the involvement of women and ethnic groups.

## To promote trade and investment:

- Simplify and improve trade and customs procedures and invest in information and communication technology systems for trade transactions.
- Rationalize tax and tariff systems and improve key trade infrastructure.

## To reform the state's role in business and service delivery:

- Develop policies and reform plans for the corporatization of state-owned enterprises.
- Launch a public-private partnership (PPP) pilot program and lay the groundwork for the drafting of a PPP legal framework.

## To strengthen the human capital base:

- Refine and finalize the National Education Strategic Plan.
- Develop and finalize core reforms for the education sector including for the technical and vocational education subsector.

## Key Statistics

26%	Percentage of the population living below the national poverty line
\$29.2 billion	The value of annual trade in 2015 versus \$18.2 billion in 2011
58,789	Number of registered companies in fiscal year (FY) 2014/15 vs 30,407 in FY 2010/11
37.5%	of the population had access to a mobile phone in 2015 versus just 2.3% in 2011
160th	out of 189 countries ranked for ease of starting a business in the World Bank's <i>Doing Business 2016</i> report

## Conclusion

There is no "one size fits all" model for private sector development because countries differ in terms of their development, challenges, priorities, history and natural endowments.

However looking at the experiences of countries both in Asia, and globally, over the past 40 years many "best practice" lessons have been learned and applied to this development plan:

- Have a long term vision and goal for private sector development;
- Create the conditions necessary to increase and expand the "supply side" of competitive enterprises;
- Ensure gains are made at both the micro (enterprise) and macro (employment, trade, investment, GDP) levels;
- Expand markets by reducing government participation in the economy;

- Promote inclusiveness in the sector by allowing foreign investor involvement;
- Improve the regulatory environment and ensure the provision of basic infrastructure;
- Provide mechanisms that encourage entrepreneurship
- Ensure high-level government leadership in policy formulation
- Foster robust public/private sector linkages.

## Resources

Want to find out more about Myanmar's ongoing economic and social transformation?

Directorate of Investment and Company Administration. 2016. *Myanmar Indicative Private Sector Development Framework and Action Plan.*

A. Naing Oo and W. Wicklein. ADB OpEd. *Transforming Myanmar's Corporate Landscape.*

ADB video. 2016. *Helping Myanmar's Youth into Quality Jobs through Vocational Training.*

ADB photo essay. 2015. *A New Chapter in Myanmar.*

C. Park. 2014 *Unlocking Myanmar's Potential.* ADB

ADB. 2014. *Myanmar: Unlocking the Potential Country Diagnostic Study.*

ADB. 2013. *Evaluation Lessons on Transition: Possible Implications for Myanmar.* Independent Evaluation Working Paper.



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Peter was deputy country director in Myanmar, overseeing programming, private sector development, and Greater Mekong Subregion issues in ADB's Myanmar Resident Mission. He led the team preparing the Private Sector Development Framework and Action Plan for the Government of Myanmar and oversees the activities of the Mekong Business Initiative.



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Tin Htun Win has been working as Myanmar Country Manager for Mekong Business Initiative (MBI) since 2015. He has worked in the humanitarian, development, public health and private sectors for over 20 years. His experience covers managing and coordinating programs with the UN, NGOs, international organizations, donor agencies and commercial institutions. He has been working on issues related to Myanmar's private sector development since 2013.

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