



Fostering Pro-poor and inclusive MSME development in Myanmar

Context

Myanmar has one of the lowest per capita official development assistance (ODA) rates in South-East Asia. Current internal and international resources allocation is also not sufficient to provide basic social services. As such, Myanmar is classified as a least-developed country (LDC) due to its isolated economy hampered by macroeconomic imbalances and structural deficiencies. Poor investment climate has slowed the inflow of foreign direct investments and areas such as manufacturing struggle with inadequate infrastructure and unpredictable trade policy. The poor economic setting directly affects Myanmar's population. However, Myanmar is undergoing important and significant transformation at political, economic and social levels, with the aim of promoting a more inclusive, transparent and sustainable industrial development.

Recently, with international sanctions being relaxed and/or lifted, Myanmar is re-engaging with the global economy and in particular is aiming at re-joining production and distribution regional chains in East Asia. President U Thein Sein recently stated that "[...] the country needs higher competitiveness of SMEs through enhancing capacity and productivity, for SMEs are the core of the national economic growth [...]".

SMEs account for approximately 95% of the overall economy according to 2013 projections. The Government is committed to pursue a "people centered" development approach; and has identified some short, medium to long term priorities and plans, setting industrialization as one of the key elements of its inclusive and sustainable industrial development strategy, along with youth and women employment. With reference to this, the following areas are particularly relevant to UNIDO: strengthening the private sector development including youth and women led-enterprises, enhancing foreign domestic investments, trade facilitation, food security, agricultural growth for job creation and poverty reduction.

The Myanmar Government has identified specific areas of intervention for the promotion of SMEs creation and development; UNIDO expertise and TA programmes can be aligned with the country's priorities and the strategic action plan for industrial development:

- Reduce administrative controls, improve access to credit (particularly for youth and women); build enterprise capacity at all levels;
- SMEs incubation projects and research linkages;
- Build the capacity of the Central Department of SMEs development (Ministry of Industry) and the Central Committee for SME development;
- Cluster formation between the existing industrial zones across the country and regional technological schools and colleges;
- Support FDI in SME sector, with incentives for higher use of local contents, transfer of skills, knowledge and technology.



Strategy

The project objective will be achieved through clustering and upgrading MSMEs in Myanmar and establishing business linkages with European service and technology providers, facilitating access to new markets and empowering key stakeholders to contribute to Myanmar's overall sustainable development. A particular emphasis will be given to assist youth and women to set-up sustainable enterprises.

To prosper, the private sector needs an environment that facilitates growth, including easy access to business-related information, technical support services (particularly for youth and women), funding and access to national and international markets.

Networking offers an important route for individual SMEs to address their problems as well as to improve their competitive position. By coordinating their activities, enterprises can collectively achieve economies of scale beyond the reach of individual small-scale firms and obtain bulk-purchase inputs, achieve optimal scale in the use of machinery and pool production capacities to meet large-scale orders. Inter-enterprise cooperation also enables SMEs to specialize in their core businesses and give way to an external division of labour thus improving their efficiency in production. Joint work also encourages enterprises to learn from each other, exchange ideas and experience to improve product quality and take over more profitable market segments. The project shall introduce the UNIDO networking and clustering approach and the enterprise creation and development toolkit in assisting MSMEs and at the same time address the gaps of assistance required to strengthen internal operations and improve the operating environment of the sector.

UNIDO has developed and implemented successful programs in assisting developing and middle income countries in establishing MSMEs and entrepreneurship development programs to boost employment and investment for MSMEs, youth and women entrepreneurs.

The overarching goal is to create decent and durable employment through productive activities. With the public sector's limited capacity to absorb the unemployed, the promotion of private sector can be a solution to employment generation. Jobs are created primarily by the private sector - globally 9 out of every 10 jobs are created by the private sector. However, in many countries, the population faces obstacles in starting or expanding productive activities. The development of micro, small and medium enterprises (MSMEs) is a proven and effective mechanism to facilitate economic development and it is within this vital sector that entrepreneurship requires significant support, guidance and investment

UNIDO Investment and Technology Unit (ITU) has developed training modules for Investment Promotion, Technology, and Entrepreneurial Finance. Applied modules include combining financial and non-financial support for young entrepreneurs, trainings on enterprise creation and growth, coaching and mentoring of young entrepreneurs, skills development and vocational training, promotion of access to finance and investment, the development of value chains for inclusive markets and skills matching to meet the requirements of the private sector.



UNIDO has also benefitted by a strong partnership with Italian SMEs, technical and academic institutions and several projects have been promoted and funded by the Italian cooperation, with emphasis on SMEs upgrading, clustering and partnerships between Italian and developing countries' industries and on transfer of technology for industry and the environment.

Current Results

- **Cluster development and youth and women employment awareness** further strengthened among policy makers, entrepreneurs, private sector institutions and MSME support service providers.
- **6 additional training** sessions delivered and **159 public officers trained. 148 MSME representatives participated** in training and discussions on cluster and MSME development (for youth and women), including 3 industrial zone management committees.
- **Draft industrial policy and SME Law Rules and Regulations improved** with UNIDO contribution.
- **Assessment and capacity building plan developed** for entrepreneurship development service providers, with a particular focus on providers that serve youth and women)
- **Partnership agreements** with youth and women entrepreneurs associations for surveys and technical assistance
- **Assessment of the financial sector for MSMEs development funds**, in particular for youth and women enterprise development
- **Trust and competitiveness improved in selected clusters** through workshops and collective actions (joint purchasing of bamboo in the lacquerware cluster of Bagan resulted in 50% reduction of the price and better quality).
- **New product designs** available for lacquer ware producers. Lacquer ware exhibition at Expo 2015. Potential institutional arrangements with Comune di Torino, Istituto Europeo di Design, Accademia delle Belle Arti di Torino and Confederazione Nazionale dell'Artigianato e della Piccola e Media Impresa (CNA).
- **Action plan** for cluster development validated by stakeholders in Meikthila and Woundwin.
- **27 Italian entrepreneurs** based in Singapore aware of Myanmar investment potential. 1 Italian company (Italcementi) who participated in a past UNIDO country presentation established a joint venture with a local company and won a bid to buy and run a state owned cement factory in Myanmar.

At a Glance

Goal:	Private sector development through cluster development and youth and women entrepreneurship development
Thematic area:	Poverty reduction, youth and women employment
Donor:	Government of Italy
Partners:	Government of Myanmar, Central Department of SMEs Development – Ministry of Industry
Budget:	800,000€