



**Small and Medium Enterprise Development Policy
(2015)**

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The Republic of the Union of Myanmar
Small and Medium Enterprise Development Policy
(2015)

Policy of Small and Medium Enterprise Development

Chapter (1)

Introduction

1. The Republic of the Union of Myanmar is making effort with high momentum for the transformation of political, social and economic sector in line with the current changing world and encouraging the development of the private sector. The strengths of Myanmar such as rich in natural and human resources, existing in important geographic location are the good opportunity for its economic development and international communities is recognizing as the best country for investment.

2. SMEs play a pivotal role for the development of country and therefore it is a priority that SMEs are rendered with support not only in the developing countries but also in developed countries. SMEs are, as a matter of fact, the backbone of the public sector, the main source of innovation, and furthermore they can create job opportunities, reduce poverty, enable entrepreneurship and have a tendency to respond to entrepreneurship and market demand. Thus, it is actually the driving force for the development of a country **as it can steer the development during the period of economic instability.**

3. The Republic of the Union of Myanmar is striving to step up from agro-based country to industrial country. Moreover, the policy for small and medium enterprise development is laid down in order to get sustainable growth of small and medium enterprises which support the social and economic development of the country, to participate in ASEAN Economic Community in line with the free trade agreement, to develop the country

alike the ASEAN countries, during the reform process from State led economy to private led economy.

Chapter (2)

Vision and Mission

Vision

4. The vision of the policy of small and medium enterprises development are as follow –

Creation of regionally innovative and competitive SMEs across all sectors that enhance income generation and contribute to the social-economic development Mission.

Mission

5. The mission of this policy is to stimulate the development of small and medium enterprises which has competitiveness and innovation. In order to achieve above mentioned statement, the followings shall be supported –

- (a) Human Resource
- (b) technology development and innovation
- (c) financial resource
- (d) infrastructure development
- (e) market access
- (f) appropriate taxation and procedures
- (g) conducive business environment

6. The followings are missions of the policy –
- (a) To reduce difficulties and constraints faced for business start-up
 - (b) To free flow of capital
 - (c) To enhance entrepreneurship through training and awareness
 - (d) To enhance information network and dissemination of information
 - (e) To have smooth business operation

Chapter (3)

Objectives

7. The followings are the policy objectives –
- (a) To step up to industrialized country by placing an emphasis on small and medium enterprises based on agriculture, to develop the performance and productivity of SMEs, and to become the backbone of the country's economy;
 - (b) To increase qualified human resources and employment opportunities;
 - (c) To encourage the producing of rural products as value added products:
 - (d) To increase considerable GDP ratio through the improvement of SMEs;

- (e) To promote production capacity of value-added export goods and import substitutes for obtaining market share for local products within whole country;
- (f) to participate in global economic cooperation with the transformation from outdated economic system to new knowledge based economic system;
- (g) To support SMEs from collapsing due to intense domestic competition either because of invitation for local and foreign investments or the free flow of goods and services under the ASEAN Free Trade Agreement;
- (h) To enhance knowledge sharing and business networks among local SMEs, between local large scale enterprises and SMEs and between local SMEs and foreign investments;
- (i) To carry out the accurate data collection of the number of SMEs across the country, the accurate amount of capital investment, the workforce, production level and profit as a priority;
- (j) To enable the emergence of more SMEs and the transformation from cottage industry to SMEs and from SMEs to large scale industries.

Chapter (4)

The Development and Small and Medium Enterprises

8. The following enterprises shall be operated according to the definition contained in SME Development Law –

- (a) Manufacturing businesses;
- (b) Labor-intensive businesses;
- (c) Wholesale businesses;
- (d) Retail businesses;
- (e) Service businesses;
- (f) Other businesses.

Chapter (5)

Obstacles of SMEs to be solved -

9. The obstacles faced for the development of SMEs are as follows –

- (a) Difficulties in access to finance;
- (b) Difficulties in transfer of technology;
- (c) Weakness in access to domestic and foreign markets;
- (d) Low technology and skills
- (e) Difficulties in access to information in timely manner;
- (f) Deficiencies in corporate governance;
- (g) Requirement of business development services;
- (h) Lack of appropriate taxation and incentives;
- (i) Lack of level playing field;
- (j) Incomplete infrastructures
- (k) Weakness in emergence of conducive business environment

Chapter (6)

Special Emphasis for Emergence of Conducive Business Environment

10. The followings which are obstacles for small and medium enterprises development shall be emphasized –

- (a) Upcoming challenges after implementation of ASEAN economic community;
- (b) Potential fraudulent trading practices in competing for market share;
- (c) Potential fraudulent practices of business owners with self-interest who will take advantage on policy and opportunities indented for technicians who are willing to set up SME that cannot afford for the investment;
- (d) Initial capital investment to be allocated in advance for technical and financial support;
- (e) Weakness in waste water treatment and disposal;
- (f) Utilization of appropriate means and technology to dispose solid, liquid and gas waste for having minimum environmental impact;
- (g) Controlling the release of toxic gas including greenhouse gas, vapor and particles;
- (h) Obtaining prior permission or initial environmental assessment or environmental impact analysis;

- (i) Conducting impact assessment on socio-economic environment, health and devastation natural disaster.

Chapter (7)

Policies

11. In order to promote domestic SMEs and to reduce poverty, the responsible ministry shall carry out the followings –

- (a) Encouraging supporting enterprises that can create linkage to the domestic and foreign markets;
- (b) Carrying out the transfer of technology and knowledge and investment promotion in cooperation with local and international organizations;
- (c) Encouraging human resource development and employment opportunities;
- (d) Encouraging the promotion of information and research activities and to make the smooth processes by eliminating obstacles;
- (e) Undertaking the development of entrepreneurial businesses;
- (f) Undertaking the development of business development services;
- (g) Enabling the participation of entrepreneurs and SMEs in regional business activities;

- (h) Enabling the economic development pattern that crates the sustainability and the capacity of SMEs;
- (i) Focusing the shift from import substitution to export oriented system

Development of Basic Infrastructures

12. The government shall, for the development of physical infrastructures and for increasing facilitation of effective support for information and communication, carry out the following means in cooperation with the local authorities, private sector and development partners –

- (a) Cooperation with the developers for the infrastructure development;
- (b) Implementing by means of private-public partnership;
- (c) Implementing by means of joint venture system;

Enabling Conducive Business Environment

13. The following shall be carried out to enable conducive business environment for SMEs development –

- (a) Assisting and supporting the banks and money lender enterprises to get capital investment;
- (b) Arranging workshops, seminars, management and production related trainings, vocational trainings and technical trainings with the support of local and international organizations;
- (c) Arraigning for the development of research institutions, incubation centers, intellectual property certification centres and facilitating increased cooperation;

Business Development Services

14. Business Development Services shall be enhanced for the development of SMEs –

- (a) Facilitating for ease operation of business development services such as the matters of legal, management, technical, certification for quality standard and the availability of certificates in order to develop SMEs by the government;
- (b) Facilitating for the establishment of business development services such as consultation department for technology and management, information dissemination on marketing and trade, by the concerned government departments;

Business Training

15. The followings shall be carried out to improve the capacity of business enterprises and organizations for SMEs development –

- (a) Making arrangements to upgrade business organizations which provide SMEs related trainings;
- (b) Conducting skilled trainings for production technology, technology on quality control in collaboration with public and private organizations;
- (c) Allowing for independent collaboration among universities, research institutes and SMEs in the area of research and technology for the improvement of product quality and utilization of new technology;

- (d) Giving trainings on finance, management, marketing, market penetration and market expansion;
- (e) Organizing trainings on modern technology with the support of the government or local or international non-government organizations.

Technology Development and Innovation

16. The followings may be carried out for the development of technology and innovation of the SMEs –

- (a) Developing and transferring appropriate technology required for SMEs;
- (b) Providing technical advice related to production and training to use modern machines and equipment;
- (c) Enhancing the collaboration with SMEs in order to have the availability of services related to quality and standard by SMEs and to have the production capacity by using new technology in line with market demand;
- (d) Undertaking technology exchange and cooperation between public and private organizations;
- (e) Promoting human resource development and innovation by giving awards;
- (f) Facilitating supports to be able to utilize new technology gained from research activities in commercial production;

Information

17. The following means may be carried out for the availability of information concerned with SME development easily and smoothly –

- (a) Facilitating information related to the market, technology and investment through network system and providing awareness;
- (b) Facilitating to disseminate the information with wide coverage;
- (c) Supporting to obtain facts and figures easily related to international market informations, local and foreign transport information and product standardization, international financial situation at the information centres, SMEs agency and its branch offices;

Human Resources

18. Those who work in SMEs ranging from unskilled labor to management level are playing in crucial role for those businesses to be sustainable and prosper. The followings shall be carried out to promote human resources and innovation for the development of SMEs –

- (a) Providing research and development funds by the government to university, college, training centers and research departments;
- (b) Providing facilities for cooperation in research;

- (c) Encouraging increased performance of entrepreneurs through awareness, skilled trainings and special rights;
- (d) Supporting with intellectual property rights;
- (e) Enabling to open domestic or international private technical schools, technological institutes and have a system for students who graduate from these institutions eligible to study at university level and the availability of skilled workers required by SMEs;
- (f) Enhancing the establishment of vocational training schools for the human resource development including the trainings on standardization and trade;
- (g) To cooperate with international organizations for training on standardization and trading and to coordinate with these organizations in order for the above mentioned internationally recognized courses to be available locally.

Supporting for Market

19. The following supports and programmes may be undertaken for market promotion of SMEs –

- (a) Undertaking to enhance the competitiveness in the market;
- (b) Encouraging export-oriented businesses;
- (c) Educating SME owners to understand the international practices and procedures;
- (d) Facilitating in market penetration and obtaining market share;

- (e) Issuing smooth taxation and trade procedures
- (f) Relaxing or abolishing export import licensing system except restricted goods according to national and international laws;
- (g) Developing technology that will promote the capacity of product quality and services;
- (h) Arranging to enable the standards that can link global supply chain and facilitating for ease trade;
- (i) Undertaking market research in cooperation with international organizations and development partners and disseminating the results;

Financial Resources

20. The financial requirements SMEs may be carried out as follow –

- (a) Enable the loan with low interest rate required by SMEs;
- (b) Encouraging the establishment of business that is regarding to venture capital
- (c) Providing recommendation to the banks which give out the loan with loan stipulation system;
- (d) Identifying insurance related facts with the establishment of Insurance Corporation and facilitating necessary insurance services;
- (e) Providing awareness training of loan accessing and evaluating the financial management;
- (f) Evaluating and educating the use of loan correctly;

Appropriate Taxation and Procedures

21. Tax relief and exemption may be placed in line with the following legal procedures for the development of SMEs and increasing their competitiveness –

- (a) Giving tax relief for the business enterprises that trying to produce new product, producing new product through research, producing finished product with by-products and wastes; modifying the factor for the effective and efficient use of energy;
- (b) Giving long term relief and exemption for SMEs which include in the priority list which establish in the least economic development areas;
- (c) Granting tax relief and exemption for SMEs which establish in developed economic area in line with the expression contained in SME Development Law;
- (d) Granting profit tax exemption on SMEs with appropriate recover duration which that suffered enormous losses due to natural disasters ;
- (e) Prescribing simple taxation procedures and providing trainings on taxation and dissemination of information;

Legal and Regulatory Framework

22. It may be facilitated in order to apply easy and simple procedures and systems for the operation of SMEs which are related to government departments and for convenient –

- (a) Simplifying the procedures and practices;
- (b) Facilitating businesses by providing One Stop Service Centre (OSSC) in regional level;
- (c) Facilitating for the availability of necessary information through online service and information centers;
- (d) Providing mobile services for the convenience of the enterprises;
- (e) Supporting innovative SMEs by laying down patent rights, intellectual property rights, laying down laws and regulations for the registration of trademark;

Institution and Cluster Development

23. The following shall be undertaken to become having strength of supporting institutions and clusters for SME development –

- (a) Establishing national level, regional or state level and local level institutions that are delegated with clear regulatory framework and authority;
- (b) Cooperating with existing government and private institutions;

- (c) Encouraging for linking and cooperation with local and international non-government organizations;
- (d) Cooperating each other between business associations for growth and development of the SMEs and for increasing their level of economic status;
- (e) Supporting of Union Government and State/Region Governments for the establishment of cluster based industrial zones;
- (f) Enabling to link between local SME clusters and local and international large scale enterprises;
- (g) Encouraging Chamber of Commerce and business associations to organize trainings for the establishment of clusters and their participation as advisors in cluster development;

Development of Rural Economy and Production

24. The following supports shall be provided for the development of rural enterprises and for the establishment and sustainability of aforementioned enterprises and manufacturing enterprises –

- (a) Supporting technology and finance to produce value-added products;
- (b) Enhancing the development of the production capacity of agricultural sector and agro-based industries in rural area;
- (c) Encouraging to practice "One-village, one-product" system;

- (d) Encourage for the development of cottage industry;
- (e) Assist in development of education, health, social, availability of electricity, energy and transportation in rural areas.

Chapter (8)

The Role of SMEs Agency

25. The ministry supervising the sustainable development of SMEs will need to establish SME agency quickly and shall carry out the following functions and duties –

- (a) Registration of SMEs;
- (b) Provision of financial assistance;
- (c) Market analysis and information collection and support;
- (d) Human resource development;
- (e) Submission of the quarterly and annual progress report of SMEs development activities from working committee to central committee;
- (f) Analysis and reduction of weaknesses and gaps faced by SMEs according to their nature;
- (g) Facilitation in providing non-financial services to SMEs to attain increased financial assistance by coordinating with concerned ministry, organizations, companies and banks;

- (h) Collection of statistical data related with SMEs, checking it step by step and, according to the definition, provision of assistance for development;
- (i) Connecting with international financial institutions and development agencies, business associations, local and international non-government organizations;
- (j) Close collaboration and negotiation with financial institutions and obtaining advice to implement the development activities for SMEs;

26. Registration shall be carried out in line with the following systems –

- (a) Easy, quick and effective registration system;
- (b) Mobile registration system reaching existing SMEs in their respective areas;
- (c) One-stop registration system where relevant department representatives gather in one place and register all different SMEs;
- (d) Online registration;
- (e) Exemption of licensing for enterprises except those that are required to do so according to the existing law;

27. The following activities shall be carried out for financial assistance in cooperation with concerned departments –

- (a) Microfinance;
- (b) Credit guarantee scheme;
- (c) Hire-purchase;
- (d) Two-step loan;

- (e) Trade credit;
- (f) Invitation of entrepreneurs and investors

28. Market analysis, research and information collection shall be carried out by coordinating with relevant organizations to support policy formulation, market expansion and development of online trade system.

29. Concerned ministries shall coordinate according to its sector in implementing SME development activities in line with SMEs development law and policies.

Chapter (9)

Private Sector and Associations

Private Sector

30. Private sector shall carry out the following activities –
- (a) In SMEs sector, people with similar businesses, manufacturing the same products are to coordinate, share knowledge and experience and attempt to produce value-added products together;
 - (b) Creation of linkages between enterprises;
 - (c) Participation and involvement for entrepreneurship;
 - (d) Promotion of collaboration with research and development departments for continuous development;
 - (e) Participation in public and private joint activities;

Private Business Associations

31. To develop SMEs, the established business related private organizations from all industries and sectors shall carry out the following activities –

- (a) Business related private organizations to facilitate willingly to provide related support such as technology, trade, market penetration, production process, research and innovation, entrepreneurship and such;
- (b) To give advice on behalf of businesses owners in formation of law, framework and policies for Myanmar economic sector;
- (c) To provide necessary advice and assistance in upgrading the infrastructure;
- (d) To coordinate and negotiate with the government to improve the land ownership and its related laws;
- (e) To share management subjects and technology through seminars, workshops, trainings and expo;
- (f) To publish the market situation and information in a timely manner and assist in expansion of market both locally and internationally;
- (g) To coordinate and assist in obtaining financial capital which is the main requirement for SMEs;
- (h) To coordinate and facilitate in standardization of products and services of SMEs;

- (i) To assist in required technology transfer to local SMEs by organizing business match making events;
- (j) To encourage and assist for the emergence of responsible social activities;
- (k) To link and facilitate to source technology, financial loans and human resource development from international organizations for manufacturing of high quality products

Chapter (10)

Determination of Procedures for SMEs Development

32. The following activities will be required to implement the procedures according to each sector –

- (a) Establishing SME development agency and agency branches;
- (b) One stop service department to coordinate with regional authorities, branch offices of associations to deliver service to SMEs spontaneously;
- (c) Issuing license to different SMEs in one place;
- (d) Coordination with concerned authorities, departments to improve basic infrastructure for SMEs;
- (e) Encouraging in collective action on production of cluster;
- (f) Upgrading vocational and science schools and invite international industrial science and vocational schools for investment to develop human resources and to get more skilled labor;

- (g) Recording, maintaining and dissemination of SMEs information with online system;
- (h) Publishing the list of export/import which need permission from Custom Department and to establish an online tax payment system;
- (i) Enhancing the port clearance and custom duty matters by promoting the establishment of custom service compayies;

Chapter (11)

The prioritized business enterprises

33. The following businesses shall be given priority with short-term, long-term plan to successfully achieve the aim of the policy –

- (a) Value added products industries
- (b) Industries which promotes job creation
- (c) Business support industries
- (d) Industries which promote innovation
- (e) Import substitutes and export promotion industries

34. The prioritized industries in the short-term are as follow –

- (a) Food, fishery and marine products;
- (b) Fruits, flowers which are upgraded to international standard;
- (c) Labor intensive industries;
- (d) Value-added products manufacturing industry;

- (e) Farming, agricultural equipment and related products manufacturing industries;
- (f) Hotel and tourism industries;
- (g) Distribution and transportation industries;
- (h) Gems and jewellery production industries;
- (i) Construction, construction related products manufacturing industries;
- (j) Industrial, electrical and electronics related industries;
- (k) Art, handicrafts and Myanmar cultural based service industries;
- (l) Printing and publishing;
- (m) Renewable energy production (hydro power energy, tidal energy, wind energy and solar energy);
- (n) Information and technology related industries;

35. The prioritized industries in the long-term are as follow –

- (a) Value-added food production industries;
- (b) Renewable energy production industries (hydro power energy, geothermal energy, solar energy)
- (c) Farming vehicle, machinery and equipment production businesses;
- (d) Agriculture used fertilizer production business;
- (e) Machinery and spare parts production;
- (f) Electrical and electronics production businesses;
- (g) Motor vehicle parts production businesses;
- (h) Industrial raw materials production businesses;

- (i) Minerals and petroleum production;
- (j) Pharmaceutical production;
- (k) Consumer goods and household goods production;
- (l) Information and technology

Chapter (12)

Policy Analysis and Evaluation

36. The following policy analysis and evaluation activities which can support the development of SMEs shall be carried out –

- (a) Undertaking policy analysis and evaluation with the responsibility of evaluation and reporting body;
- (b) Undertaking necessary analysis and amending existing situations of SMEs, their requirements, difficulties and socio-economic impact, and further proposing;
- (c) Proposing of comparative analysis on regional and international policies which relevant to the local SMEs;
- (d) Informing concerned departments including SMEs agency and coordinating with them in order to implement the approved policy related results;
- (e) Collaborating with international organizations and development partners for the improvement of technical knowhow on policy matters in order to undertake policy analysis and evaluation;

Chapter (13)

Conclusion

37. Every sector requires to have integrated improvement for the development of SMEs. This policy is laid down aiming for the SME development which is main foundation for the economic development of the country, for stepping up to become an industrialized country, the competitiveness of SMEs and equal development with ASEAN member states and for having proper adaptation and striving for the right direction. However, this policy shall also be amended as necessary according to the different economic environments which result from the changes of a certain era.

38. It is required to have a management cycle of planning, implementation, evaluation and continuation in line with the rules laid down in this policy, and the action plans shall be carried out as public- private-academic partnership scheme by collaboration, negotiation and finding solutions with Union Government, SMEs owners, professionals and experts.

39. This policy shall be used as a development strategy of SMEs for implementing short-term, long-term plans, to formulate SME Development Strategy Framework, to be regarded as the road map of SMEs and the protection for the national SMEs owners, and to follow through and to serve for own and country's advantage.