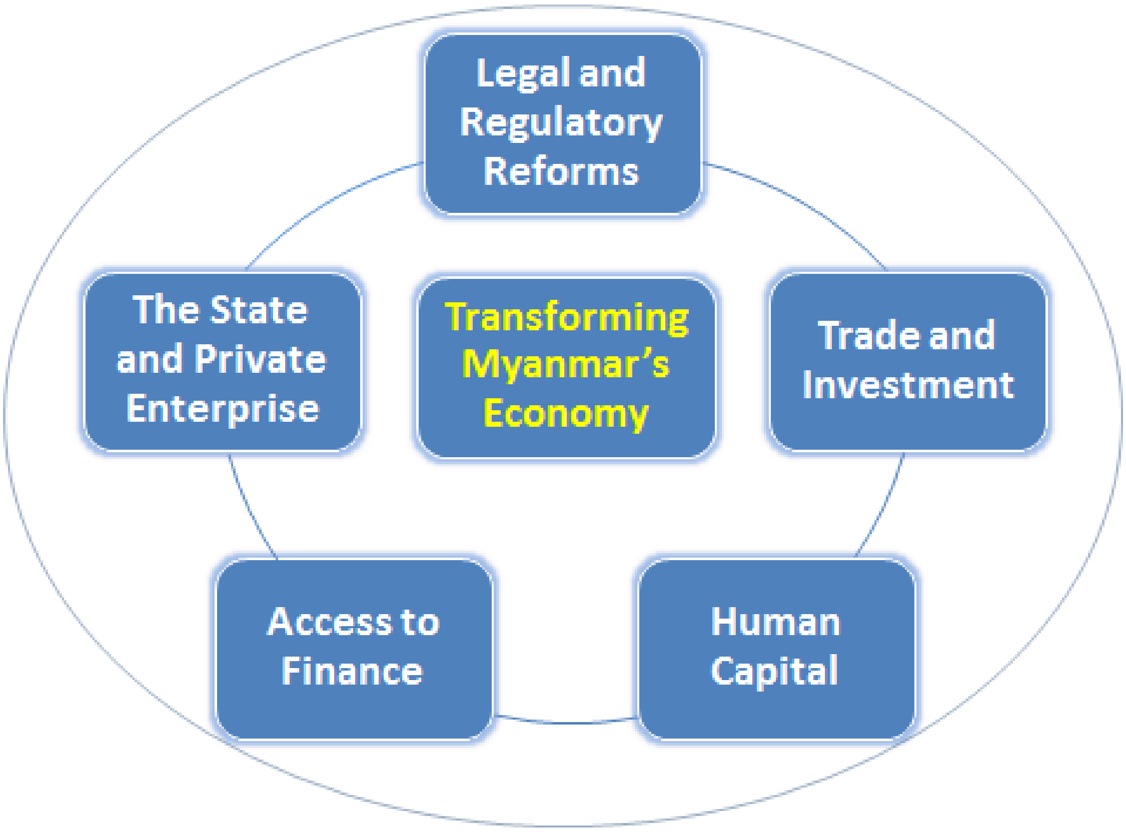
Myanmar

Indicative
Private Sector Development Framework and Action Plan



March 2016

With support from:

ADB

MekongBiz
Mekong Business Initiative

Australian Government

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Foreword and Acknowledgements

In mid-2015, the Government of Myanmar sought ADB assistance in reviewing and assessing past and current private sector development (PSD) initiatives and proposing a high-level, coordinated action plan for building a robust private sector. The government's request was to develop a roadmap for Myanmar's transition to a private-sector led economy.

Preparation of the indicative PSD Framework and Action Plan was closely guided by the Ministry of Commerce, the Myanmar Investment Commission, and the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry. It was carried out for the government by the Mekong Business Initiative (MBI), an ADB regional technical assistance project cofinanced by the Government of Australia. The MBI promotes private sector development, business formalization, and growth in value chains in Myanmar as well as Cambodia, the Lao People's Democratic Republic, and Viet Nam, while specifically improving opportunities for female entrepreneurs.

The PSD Framework development process engaged all key stakeholders—government, business leaders, and development partners—and all contributions were much appreciated. Key representatives of government and business provided invaluable guidance as members of the Core Advisory Group. From the government, members were: U Toe Aung Myint, U Aung Soe, U Aung Naing Oo, U Win Maw Tun, Daw Aye Aye Win, Daw Sandar Oo, and U Kyaw San. From the private sector, members were: U Win Aung, Daw Khine Khine Nwe, Dr. Thet Thet Khine, U Wai Phyo, Daw Hla Hla Yee, U Thura Ko Ko, U Phyo Phyu Noe, and U Moe Kyaw.

On the ADB/MBI side, David Brunell, Dominic Mellor, Winfried Wicklein, and Peter Brimble guided the overall process. Leaders for the five pillars of the PSD Framework and Action Plan were: (i) Melinda Tun on the legal and regulatory environment; (ii) Tom Moyes on access to finance; (iii) Quang Phan on trade and investment; (iv) Laure Darcy and Stanley Boots on restructuring the state's role in business enterprise and service delivery; and (v) Christopher Spohr on human capital development.

Others who provided valuable support during the PSD Framework preparation process were Tin Htun Win, Aung Tun, Nick Freeman, Gordon Peters, Pam Brunell, and Ann Bishop. Robert Gaarder capably facilitated the PSD feedback workshops held in February 2016. Valuable feedback on drafts of the report was received from numerous stakeholders, including Mia Urbano and other colleagues at the Australian Department of Foreign Affairs and Trade, Liz Patterson at the UK Department for International Development, and Niheer Dasandi of the Developmental Leadership Program at University College London.

1. Introduction and Context

1. Myanmar's current economic and social transitions are unprecedented in dimension, complexity and speed—calling for bold and progressive actions to make up for the lost decades of development and the legacies of isolation. The preparation of this indicative PSD Framework and Action Plan aimed to produce a coherent, high-level approach for pursuing Myanmar's PSD agenda that builds on core policies, visions, and principles; gives due consideration to Myanmar's unique context; and incorporates global best practice and lessons learned. It has also been designed to fill the gap between stakeholders' vision and current realities/practices, recognize the constraints faced by business, and serve as a transition roadmap for the incoming government. It is important to stress that government, private sector, and development partner representatives collaborated in developing the five pillar action plans presented in this report.

2. From June 2015 to March 2016, through extensive Myanmar stakeholder consultations and a technical advisory assessment, the project team produced three deliverables, culminating in the present report on the indicative PSD Framework and Action Plan (see Appendix 1).

- **PSD Policy Overview** (**Deliverable 1 –** September 2015): A "snapshot" of the government's policy directions and reforms relating to the development of an overall PSD framework based on five priority pillars:
  - Pillar One: Improving the Legal and Regulatory Environment
  - Pillar Two: Ensuring Access to Finance
  - Pillar Three: Promoting Trade and Investment
  - Pillar Four: Restructuring the State's Role in Business Enterprise and Service Delivery
  - Pillar Five: Building Myanmar's Human Capital Base

- **PSD Reform Assessment** (**Deliverable 2 –** November 2015): A comprehensive review of current PSD policy and initiatives for each of the five priority pillars that identifies gaps, inconsistencies, and key challenges. It also presents core PSD framework concepts, roles of government and the private sector, strategic principles, best practices which are fundamental to defining a PSD framework, and a proactive reform strategy.

- **PSD Framework and Action Plan** (**Deliverable 3**): A forward-looking indicative PSD policy framework, reform strategy, and institutional mechanisms for implementation. The preparation took place from February 11–24, 2016 through eight consultative workshops with key Myanmar stakeholders from government, business, and development partners. An initial workshop introduced the PSD Reform Assessment process, started a process of interactive consultations, and set key priorities for subsequent activities. Six pillar strategy workshops (including two for pillar 4) followed to validate the findings of the PSD Reform Assessment and develop indicative action plans for each pillar. A final wrap up workshop validated the outputs of the pillar strategy workshops and developed action plans for (i) institutional policy coordination mechanisms; and (ii) public/private sector collaboration.

3. The exchange of ideas between Myanmar's stakeholders and the ADB/MBI team members has provided essential building blocks for developing the proposed policies and priority reform actions. The collaboration and commitment of government and business leaders has been, and will continue to be, indispensable to PSD reform success.

4. As part of the research, the ADB/MBI team carefully reviewed the National League for Democracy (NLD) Election Manifesto and found clear alignment between NLD economic and social aspirations and the indicative PSD Framework and Action Plan.

5. Developing a coherent PSD Framework and Action Plan for Myanmar is critical to overcome the multiple challenges of unlocking private sector potential to create jobs and improve the incomes of men and women in Myanmar, and especially the poorest people.

2. Why Private Sector Development?

6. Private sector development (PSD) is a dynamic and multi-faceted process by which the government creates an enabling business environment that encourages citizens to start and expand businesses that contribute to market-led economic growth. Healthy PSD is characterized by robust enterprise and job creation; dynamic small and medium-sized enterprises (SMEs); entrepreneurship, risk-taking, innovation, and healthy competition; gender equality; growing trade and investment; human resource and industrial development; and expanding businesses which provide goods, services, and opportunities for all citizens.

7. The main purpose of PSD should be to stimulate economic growth and social development for all men and women. Effective PSD increases livelihood opportunities and enables people to follow their dreams and improve their lives. Collectively, economic growth and social development will reduce poverty and inequality and also enhance national productivity, competitiveness, and economic security.

8. A thriving private sector is the primary engine of national productivity and sustainable, inclusive and equitable economic growth. It is the principal generator of expanding investment and the tax revenues essential for a responsible and citizen-responsive government. Strategic partnerships between the public and private sectors are the only way to mobilize the large amounts of capital needed to fund and provide crucial public infrastructure and services.

9. Socially and culturally sensitive PSD is critical in this time of accelerating globalization and regional competition. An expanding, efficient, and fairly regulated private sector adhering to international standards is the foundation for both the economic strength and social well-being necessary to support national security and peace.

Myanmar's Key Development Challenges and the Role of the Private Sector

10. In sum, the underlying rational for private sector development in Myanmar is increasing jobs and opportunities for all men and women, especially for the poor and disadvantaged. In the following section, the main development challenges facing Myanmar are listed, along with how business can play a key role in addressing these.

Myanmar's Key Development Challenges	Private Sector Roles
Reducing poverty. Reduction of poverty is the single most important challenge that Myanmar faces, and this is exacerbated by difficulties in bringing public services to poor and vulnerable men and women. About 26% of the population lives below the poverty line.	Nine out of ten jobs in the developing world are in the private sector, and especially in small and medium enterprises. Dynamic private companies offer the most effective way to create wealth, productive jobs, and prosperity. This enables poor and disadvantaged populations, and especially women and ethnic groups, to work their way out of poverty and for the economy to experience inclusive growth. Additionally, the private sector can fill gaps in public service delivery to poor and vulnerable men and women. Lastly, many businesses contribute to society through corporate social responsibility (CSR).
Achieving peace. Myanmar needs to resolve ethnic and sectarian conflicts. These are linked inextricably to poverty, and maintaining peace and stability remain essential for economic growth and poverty reduction.	A growing private sector supports development in the peace making in States and Regions, creates jobs in urban, rural and ethnic areas, and provides infrastructure and social services. The recent growth of telecommunications services (see Pillar 4 below) is an example of this, and microfinance growth is expected to have a similar impact in the future.

Myanmar's Key Development Challenges	Private Sector Roles
Macroeconomic stability. The country needs to maintain macroeconomic and fiscal stability to grow in a sustainable fashion and have a cushion against unexpected economic shocks.	Overall, private sector growth strengthens the economy; increases trade and investment; increases tax revenues; supports improvement in core government functions such as education, health, and rural development; and diversifies the economy, allowing for more effective use of national assets.
Improving infrastructure access and connectivity. Myanmar faces serious difficulties as a result of inadequate infrastructure that hinders access to markets and social services, and constrains business growth.	There is great potential to enhance the role of the private sector in infrastructure development and service delivery through public–private partnerships and reforming state economic enterprises. For example, the private sector can invest in hydro power and transmission systems, water supply, and the road networks, ports, and airports that support connectivity with countries in the region and the wider world. Also, the private sector can provide technical innovations that improve public sector infrastructure performance.
Creating a labor force that meets labor market demands. The scarcity of workers with the soft and hard skills needed by industry results from an education system emphasizing exams and "diplomas" rather than skills. Most firms report that young people are inadequately prepared for employment. Disparities in education access and workforce entry exist across gender, urban/rural, and socioeconomic dimensions.	Private businesses can accelerate human resource development through training that builds the capacity of their staff. Additionally, the private sector can play a role in developing institutions to improve and upgrade workforce skills and training quality, especially for women, youth, and ethnic groups. In addition to increased private sector private sector investment in training and education, consultation with industry will be critical to realign publicly provided general-track education and TVET to meet labor force needs, enhance quality and relevance, and meet equity objectives.
Strengthening public sector governance. The PSD reform process requires strong measures to address issues of corruption, transparency, and public sector governance.	Businesses can play a leading role through increasing transparency in their operations and taking measures to improve corporate governance and avoid corruption themselves.
Fostering regional cooperation and integration. To participate in regional and global value chains, Myanmar can capitalize on its strategic geographic location and make significant investments in both hard and soft infrastructure to boost connectivity with neighbors.	A thriving business community can help drive integration of Myanmar into value chains and links with markets in the countries that border Myanmar, and together have a population of more than 2 billion people. Improving infrastructure links with neighboring countries will also develop income-earning opportunities for men and women living in border areas, who are among the poorest in Myanmar.
Building disaster resilience. Myanmar is vulnerable to a wide range of natural disasters. The country's coastal regions are particularly exposed to cyclones, tropical storms and tsunamis, and heavy rainfall causes floods across the country and landslides in mountainous areas.	The private sector played a major role in coming to peoples' aid after the disastrous floods and landslides of September 2015 and in repairing flood and landslide damage. The private sector could also collaborate with government, civil society, and development partners in drawing up plans and programs for gender-responsive disaster prevention and resilience, and in developing infrastructure to prevent and mitigate the impact of disasters.

3. Private Sector Development Context and Findings

11. PSD in Myanmar must take into account the country's past, be firmly grounded in the present, and have a clear vision for the future. Myanmar is one of the poorest countries in Southeast Asia and the economy has suffered from decades of poor macroeconomic management, high public sector debt, low levels of foreign investment, and isolation from the international community. The development of business in this context was greatly hampered by:

- a legal and regulatory framework which was eroded by "extra-legal" executive orders and directives which made it very difficult for private businesses to establish themselves and grow;
- low levels of trade and investment as a result of uncompetitive industries, economic sanctions, and isolation;
- a financial sector weakened by poor macroeconomic management and lack of regulatory supervision;
- inadequate infrastructure services following years of neglect;
- deterioration of human capital from a lack of public investment in essential social services such as health, education, and training;
- segregation of the labor market with women earning less than men, and occupying low-skilled, low-income jobs in a narrow range of sectors, and primarily in micro, small and medium-sized enterprises (MSMEs); and
- inefficient state-owned enterprises which failed to provide necessary public services while crowding out the private sector and imposing a fiscal burden on government.

12. In recent years, Myanmar has faced the challenges of a complex and rapid transition—economically, politically, and socially—and must continue to rapidly shift from a centrally-managed to a market-led economy. This involves many structural changes and adjustments, including:

- labor moving from agriculture to the industry and service sectors, although with different patterns for men and women;
- economic diversification and moving away from reliance on resource extraction;
- reducing the concentration of legacy enterprises (state economic enterprises, military-linked enterprises, and oligarchic businesses) in a manner that promotes equity, a level playing field, competition, and transparency;
- addressing extensive infrastructure deficits, particularly in regional areas; and
- reintegrating with regional and global markets.

13. Given lost economic decades, costly historical legacies, and a rapidly changing political landscape, successful PSD policy requires a fundamental shift in mindset from that of government as a driver of and a direct participant in PSD, to government as a policy-maker and facilitator that supports a private sector response to market forces. Regarding government's relations with, and attitudes toward, the private sector, several high-priority themes emerged across the five Pillar assessments and consultations:

- A general pattern across government is excessive planning, control, and regulation, as well as uneven, unpredictable administration and enforcement;
- The policy aspirations of government leaders are often not effectively implemented by middle and lower levels of government, or in interactions between local government officials and the private sector;
- Private businesses complain about unclear and complex laws and regulations, and the high cost/time burden of complying with regulations. Government officials often lack trust in market processes, awareness of the consequences of over regulation, and understanding of the fundamental roles that government and the private sector should play; and

- Central economic agencies such as the Central Bank of Myanmar, Ministry of Finance, Ministry of Commerce, Ministry of Industry, and other key agencies need to provide more progressive policy/regulatory guidance and initiative.

14. Myanmar's social and economic aspirations call for a bold and demanding PSD vision and goals to make up for lost development decades and achieve parity with ASEAN neighbors by 2030. Understanding core PSD concepts and principles is fundamental to defining a PSD framework and a proactive reform strategy going forward.

15. Overall, the PSD reform agenda for any country requires extensive resources to manage and implement reforms. This will be particularly challenging in the current Myanmar environment, with limited financial and human capital, compressed time frames for implementation, fast rising international donor-supported PSD, and weak public sector capacity.

16. In particular, defining a PSD framework for Myanmar will require a complex set of elements (see Appendix 2 for more details):

- an inspiring PSD vision and clearly defined economic and social development goals and outcomes;
- understanding of the complementary roles that government and the private sector should play in PSD;
- application of global best practices, principles, and lessons learned;
- appreciation of Myanmar's country-specific assets and potential drivers of private sector growth, as well as the key challenges and constraints that need to be addressed;
- understanding of the multi-faceted nature of PSD, and of the important cross-cutting relationships that link key policy areas;
- effective institutional mechanisms and procedures for policy formulation, coordination, and implementation; and
- government officials with the political will, leadership, and shared mindset to engage in dialogue and collaborate with the private sector.

17. The government's National Strategic Plan for the Advancement of Women was approved in 2013 and a number of the 12 objectives of this plan are highly relevant to the PSD reform agenda including objective 6 on women and the economy: "to strengthen mechanisms for ensuring women's equal access to fair employment practices, credit, assets, and economic benefits." This includes the key indicators of quota systems for women in management; implementation of workplace policies that include provisions of non-harassment; equal pay for equal work, and improved hiring processes. One of the desired outcomes is increased public and private sector awareness of the importance of equal opportunities and equal compensation for men and women in the workforce.

18. An effective PSD framework and action strategy is far more than technical policy prescriptions alone. It is ultimately the product of an intensely human endeavor to be defined and owned by leadership within the government and the business community. Champions from both government and the business community need to collaborate on a PSD vision, and strategic priorities and choices, as well as jointly commit to developing enabling mechanisms and capacities.

19. The following sections of this report apply PSD concepts and principles from international experience and best practice to forge an indicative PSD Framework and Action Plan which fits Myanmar's unique context and engages the spirit, commitment, and energies of government and the private sector. It covers analysis and indicative action plans for the five priority pillars, as well as action plans for cross-cutting institutional policy coordination and public/private sector collaboration. The focus of the latter is on the high-level, cross-cutting PSD policies needed to support sustainable economic growth and dynamism across all sectors—rather than on specific sectors or specially targeted development themes.

4. Pillar One: Improving the Legal and Regulatory Environment

Overview and Context for Reform

20. The current legal and regulatory framework for business activity in Myanmar is complex and fragmented. Successive governments' different approaches to private sector development have resulted in a legal framework that is encumbered with multiple layers of laws, regulations, and procedures—some of which overlap each other, are outdated, or inconsistent. Since 2011, the Myanmar government has also passed many new business-related laws, and is preparing many others to facilitate the country's transition to a modern market-orientated economy. However, implementation and enforcement of laws and regulations has been limited, and the institutions necessary to support the legal framework either lack capacity, or have not been set up.

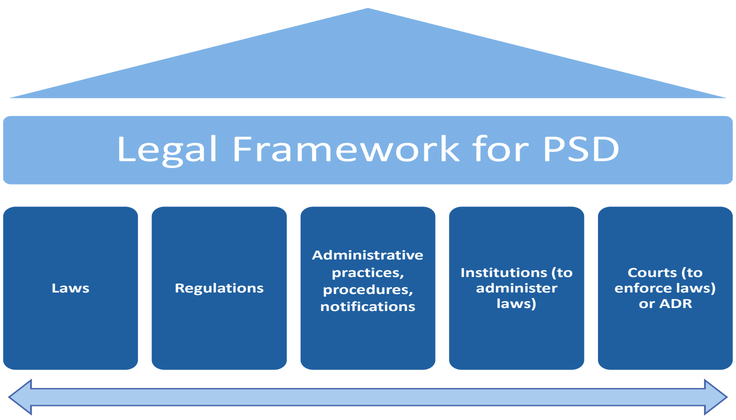
21. In this context, improving the legal and regulatory frameworks governing the private sector is imperative for economic growth, and requires a clear and consistent approach across the whole of government, as well as institutional support to strengthen ongoing legal and regulatory reforms, and ensure their effective enforcement.

Foundational Principles

22. International experience indicates that a legal and regulatory environment to support PSD should be based on the following best practice principles:

- Laws and regulations should be clear, stable, cohesive, and transparent, as well as clearly set out the rights and obligations of businesses and ensure accountable decision-making by regulatory agencies;
- Regulatory practices and procedures for business start-up and operation should be simple and streamlined, they should reduce the compliance burden, and remove barriers to the equal participation of women and small enterprises;
- Laws and regulations should be properly implemented and consistently enforced;
- Disputes must be decided in a neutral forum that is subject to the rule of law and free from political influence and executive discretion;
- Law reform should be based on clear policy objectives; utilize a clear, consistent legal process; be coordinated across the whole of government; and involve wide public consultation during the drafting of laws and regulations to make sure that they are not discriminatory and will not have unintended consequences.

23. As necessary conditions for an enabling business environment, laws and regulations must clearly set out the property and contractual rights of private sector actors, and institutions must be able to administer and enforce these laws fairly and transparently. Sound legal and regulatory frameworks that are based on the rule of law are crucial for a successful PSD strategy.



24. However, passing laws alone will not create a conducive legal and regulatory framework for business. The legal framework must be developed holistically, with all the elements required to provide a firm foundation—laws, regulations, administrative practices and procedures, institutions to implement them, and courts that fairly adjudicate the law.

Assessment of Reforms

25. Since 2012, the Government of Myanmar has undertaken a number of key law reforms with the aim of improving the business environment. Over a short period of time, important new laws and regulations have been passed in Myanmar (or they are being developed) and the regulatory landscape for businesses is rapidly changing. Key reforms to date have included the:

- *Myanmar Citizen Investment Law 2013* and *Foreign Investment Law 2012*, which provide a solid framework for the regulation of domestic and foreign investment, and are currently being consolidated into a new *Investment Law*, for submission to Parliament in 2016;
- *Securities Exchange Law 2013*, which established a securities exchange for Myanmar and provides a framework for capital market development and regulation of the securities industry;
- *Myanmar Special Economic Zone Law 2014*, which seeks to support export-orientated industries and related supply chain industries by providing incentives for investments in specially designated economic zones;
- *Competition Law 2015*, which provides a framework for regulating anti-competitive conduct, monopolistic behavior, and entrepreneurs' unfair market practices;
- *Financial Institutions Law 2016*, which provides a framework for regulating Myanmar's banking sector and financial system; and
- Preparation of a new *Myanmar Companies Law,* which will revise and update the current *Myanmar Companies Act 1914,* for likely submission to Parliament in 2016.

26. Most of the laws above that have been passed are at various stages of implementation, and the institutional frameworks to support them are still being developed. The most successful of the private sector legal reforms has been the investment law regime which has provided a clear, legal basis for investment in Myanmar, and a clear, transparent, and responsive process for investment approval by the Myanmar Investment Commission. However, other legal reforms have not progressed as far. Laws such as the *Securities Exchange Law 2013* and *Competition Law 2015* still require detailed regulations and procedures to implement them effectively. Institutions such as the Competition Commission and the Securities Exchange Commission still lack capacity to administer and enforce the laws. Enforcement and dispute resolution mechanisms for these key laws remain unclear and untested.

Remaining Reform Gaps and Challenges

27. Due to reforms since 2012, the legal environment for businesses in Myanmar has been in a constant state of change. Further legal reforms should be prioritized carefully in order to minimize uncertainty, complexity, and the compliance burden for small and medium-sized enterprises. The Government of Myanmar should now focus on passing core laws that could significantly improve the business environment in Myanmar. These include the new Investment Law, intellectual property laws, and the Companies Law, all of which are in advanced stages of preparation. These should be prioritized over other "framework laws" that have limited policy underpinnings and contain few substantive legal provisions to guide users.

28. A further key challenge would be to ensure that existing laws and regulations are implemented and enforced effectively. Private sector representatives have identified this as one of the main obstacles to improving the legal and regulatory framework in Myanmar. Weak implementation of existing laws must be identified and addressed. This would require substantial capacity building, including building legal expertise within government ministries.

Priority Issues Going Forward

29. **Laws should be developed in a clear, consistent, and coordinated manner:** The *quality* of laws, rather than the *quantity* of laws, should be a priority. More fundamentally, the current approach to preparing laws needs to be urgently re-considered. Currently, individual ministries prepare laws with limited policy development, coordination with other ministries, or consultation with the public. This has resulted in 'framework laws' which provide extensive discretion to executive bodies, have little relationship to existing practices and procedures, and are difficult to implement.

30. As such, a whole-of-government review and reform of the law-drafting process is required. This requires a clear process for preparing laws, and for government ministries developing clear policies and reform objectives before they draft any laws. There should also be mandatory coordination across all relevant government ministries, as well as compulsory consultation with the public, and especially men and women in the business sector. The regulatory and budgetary impacts should be considered too when preparing new laws.

31. **Regulatory and administrative practices must be aligned with laws and regulations:** Across many sectors, businesses continue to cite "red tape'' and the restrictive regulations of government agencies as key constraints to doing business. The administrative practices of government ministries are often inconsistent with existing or new laws and regulations, and ministries and agencies also lack understanding of modern business practices, and fail to consider the impact of laws and regulations on private sector activities.

32. **Proper implementation and uniform enforcement of laws and regulations is critical:** Although many new business-related laws have been passed in the last 4 years, significant parts of laws are not implemented, and enforcement mechanisms remain weak. Many government agencies also lack institutional memory when applying laws and regulations on a day-to-day basis.

33. In addition, the judicial sector lacks experience in interpreting commercial laws and deciding on commercial matters. Commercial disputes are rarely taken to court as disputing parties lack confidence that disputes will be decided fairly, without bias, and based on the rule of law. Thus, to ensure effective implementation of new laws, it is crucial to build capacity within the public service and the judiciary so that new laws can be effectively implemented and enforced.

34. In sum, the key priorities for improving the legal and regulatory framework for PSD in Myanmar are:

- Improving the law-making process across the whole of government, with emphasis on consultation and collaboration among government agencies;
- Establishing regulatory practices in line with principles of international best practice, including reducing the regulatory burden on SMEs and considering the regulatory impact of new laws and regulations; and
- Systematically implementing and enforcing laws and regulations, including through building the capacity of the executive and judicial arms of government.

Preliminary Pillar Action Plan: Improving the Legal and Regulatory Environment

	Short-term Actions (Years 1–2): Foundational Priorities	**Longer-term Actions (Years 3–5): Momentum/Growth**
Vision: *Legal and regulatory frameworks which provide a clear and stable foundation for business activity and are applied fairly and transparently*		
Strategic Outcome 1: Improved quality of laws and regulations relating to the private sector	• Restructure current law drafting procedures and establish a full-time government agency or commission to manage all legislative drafting, vetting, and coordination processes for the whole of government, under the responsibility of the President's Office or Union Attorney General's Office (UAGO) • Develop standard practices for preparation, consultation and communication of all draft laws and regulations (e.g. coordinate policy prior to drafting, publish all draft laws online, and conduct communication campaigns for new laws) • Build a specialized legislative drafting team within UAGO to work with policy makers in line ministries • Establish a law reform priority list, focusing on core laws with substantive provisions • Improve the quality of translation of key laws (including developing a dictionary for technical terms)	• Develop legal capacity and legal functions within Union Government ministries by placing lawyers across key ministries • Strengthen parliamentary law drafting skills (within Bills Committees) and coordinate with government legislative drafting teams • Develop legal capacity and legal functions within state and regional government ministries • Establish a law reform commission to analyze and advise on reforms to key areas of law related to land, employment, tax, and getting feedback on the amendments required to new laws
Strategic Outcome 2: Improved administrative practices and procedures to reduce the compliance burden and costs for SMEs (reduce red tape)	• Joint public and private sector mapping of licensing requirements (steps/process/documents) for key sectors, including: - investment approval (Union and state/region) - environmental compliance certification - import and export - hotels and tourism - mining • Develop reliable government website(s) that clearly describe licensing requirements (steps/process/documents) for key sectors • Provide practical training to all government implementation staff focusing on: - delegation and limitation of authority - legal and regulatory boundaries	• Develop an online registration system for key business licenses (currently only online company registration is planned): - tax registration - business licenses (tourism, import/export, hospitality) • Develop complementary outreach activities to promote the registration of businesses owned by women

	Short-term Actions (Years 1–2): Foundational Priorities	Longer-term Actions (Years 3–5): Momentum/Growth
Strategic Outcome 3: Improved implementation and enforcement of laws and better dispute resolution mechanisms	• Require detailed implementation plans for all new laws prior to submission to Parliament (specifying who is responsible for what, when, where, and how, plus specific timelines and training programs) • Draw up enforcement process maps for key sector laws (specifying who is responsible for each stage of the process) • Conduct diagnostic assessments of key ministries to identify all laws being used/not used and the status of these. Use findings to decide: - which laws to abolish or amend to strengthen implementation; and - which administrative practices to abolish or amend	• Develop alternative dispute resolution mechanisms such as arbitration and mediation centers (particularly for commercial disputes) • Establish a system for using ombudsmen (independent bodies) to investigate and resolve complaints/disputes about government agencies (for administrative issues, not legal matters) • Establish specialist courts for special areas of law (commercial, employment, and land law) and train judges for these specialist courts • Develop training programs for judges on new laws and the existing body of case law

5. Pillar Two: Ensuring Access to Finance

Overview and Context for Reform

35. Myanmar needs a strong financial sector capable of providing broad access to financial services for all men and women, which is essential for robust private sector growth. The challenges facing the country's policymakers and regulators, as well as the leaders of the financial industry, are enormous. As Myanmar transitions fully to the market economy, the financial sector faces a legacy of public mistrust built up over many years of mismanaging banking and finance.

36. For their part, policymakers and regulators at the Central Bank of Myanmar (CBM) and in the Financial Regulatory Department (FRD) of the Ministry of Finance (MOF) must learn new technical and management skills. They do not have the luxury of time to carefully prepare themselves: they must 'learn by doing'. The Myanmar financial sector must transform into a consumer-focused industry that serves the financial needs of all men and women in society, not just the interests of the wealthy and propertied.

International Best Practices

37. The key principles that drive financial sector development, in general, and greater financial access, in particular, include:

- Government's fundamental role is to ensure the safety and soundness of depositary institutions, promote transparency and good governance, and provide a supporting enabling environment for financial services;
- Financial sector regulators have a developmental role to promote equitable growth of the financial sector so that financial institutions (FIs) meet the diverse needs of all the people and businesses in the country;
- A strong, commercially viable microfinance industry is critical for enhancing access to finance in developing economies with small financial sectors. Microfinance is a form of banking—it should not be a subsidized, charitable activity. To be sustainable, microfinance institutions (MFIs) must be able to achieve commercial scale and earn commercial rates of return on invested capital. Microfinance provides one of the most accessible forms of banking for women, and women have proven to be more reliable regarding repayment;
- Competition among many strong FIs, including local and foreign banks, MFIs, and other kinds of financial entities such as insurance companies, ensures a broad offering of payment, deposit, credit, and other useful financial services;
- State-owned commercial banks (SOCBs) that offer cheap loans to chosen sectors such as agriculture, "crowd out" more efficient FIs, and therefore limit access to finance, and the development of the sector. SOCBs offer poor service, generally lose money, and are therefore an unnecessary drain on government resources.

Approach to Financial Access and Sector Reform

38. Since 2011, Myanmar's leaders and key policymakers have made a good start towards building a modern, more inclusive financial sector. Overall, the policy approach has been largely sensible, and a solid foundation for further financial sector growth has been built. Financial regulators, however, have not always acted consistently and the occasional bias shown towards powerful interest groups (such as local commercial bank owners) reveals the need for a change in mindset. Having laid a foundation, the new government needs to show strong and consistent leadership to deepen financial sector reforms. In addition, care must be taken not to fall back on old tendencies to restrict and control, or to favor the narrow concerns of bankers over the needs of the broader public who are poorly served—or not served at all—by financial institutions.

Key Achievements to Date

39. To date the Government of Myanmar has taken very important steps to modernize the financial sector and create the conditions for greater financial access. Key achievements (with the year enacted) include the:

- Central Bank of Myanmar Law (2013)
- Microfinance Business Law (2011)
- Anti-money Laundering Law (2014)
- Foreign Exchange Management Law (2012)
- Launch of the Financial Regulatory Department (within MOF) to supervise MFIs (2014)
- Licensing of nine foreign bank branches by CBM (2015)
- Development and approval of the Financial Inclusion Roadmap (2015)
- Passage of the Financial Institutions Law (2016)

40. CBM is also preparing to introduce regulations governing mobile financial services. Once released, these rules are likely to facilitate the rapid introduction of electronic money and mobile payment services—conveniences that could greatly expand financial access. Also, it should be noted that provisions of the recently passed Financial Institutions Law will only take effect after the supporting regulations are developed. Drafting and implementing these regulations may take considerable time.

Remaining Reform Gaps and Challenges

41. Myanmar's policymakers still face many challenges to ensuring greater access to finance, and there are some critical gaps to be addressed, including the following:

- Secured transactions reform is needed to facilitate lending of working capital to SMEs. Modern financial systems allow movable collateral (e.g., receivables, inventory, and equipment), to be used as collateral for loans. Typically, SMEs own more movable than immovable assets like property and buildings. Under current CBM regulations, only property can secure loans—making it practically impossible for SMEs and the less affluent, and especially women and ethnic groups, to borrow from banks.
- Women face many challenges regarding access to finance, including having less control over family assets than their male counterparts; limited control and ownership of land and other productive assets; and poor implementation of inheritance and family laws, all of which make capital accumulation difficult.
- Rural dwellers and farmers remain very poorly served by the formal financial system, which results in their reliance on the more costly informal market. The Myanmar Agricultural Development Bank, which is effectively owned by the Ministry of Agriculture and Irrigation, is inefficient, a consistent loss-maker, provides inadequate amounts of credit, and serves only a small number of farmers.
- Formal trade financing mechanisms should be more strongly encouraged to support the expansion of trade, and help improve Myanmar's reputation in international financial markets.
- A modern credit bureau is essential to help businesses and consumers establish a formal record of their credit worthiness. Credit bureaus help FIs to gain accurate information about potential borrowers' willingness and capacity to repay loans.
- Policymakers and regulators must overcome their lack of experience and technical expertise in managing a modern financial sector. They need to find new and innovative ways to tap into appropriate technical expertise, when needed.

Priority Issues Going Forward

42. Financial sector development is a complicated process and it is useful at this juncture to take a step back and envisage the kind of financial sector that Myanmar needs to ensure access to financial services for all of its men and women and their businesses, large and small, urban and rural. The objective of reform initiatives should be to create a financial sector in Myanmar that is characterized by the following:

- **Greatly improved transparency** about (i) the financial performance and condition of banks and MFIs, and (ii) the formation of policies and regulations related to all financial institutions.
- A strong **microfinance industry,** led by well-capitalized MFIs, that complements banks in offering payment, deposit, loan, and other financial products, and serves micro, small, and medium-sized enterprises in urban and rural areas, often in competition with banks.
- A robust set of competing **commercial banks**—both local and foreign-owned—that offers a wide variety of financial products to a broad spectrum of customers throughout the country, including SMEs.
- Inefficient **SOCBs are restructured, merged, and/or liquidated,** with any remaining state-controlled financial institutions competing on equal terms with private FIs.
- **The legal and regulatory environment enables FIs** to manage and price risk, secure creditor rights, leverage technology, and finance sustainable growth.

43. The action plan below highlights the initiatives that must be undertaken to create a financial sector that meets the needs of Myanmar's economy. Notably, financial access could be improved quickly by changing selected regulations. Additional legal changes are also likely needed but can be addressed over time. In addition, it is equally important for regulators to systematically enforce regulations, and particularly those related to the financial condition of banks.

Critical Success Factors

44. The following factors will be critical to improve access to finance in Myanmar:

- **Focus on Transparency and Standards –** There must be a commitment to the accuracy and completeness of publicly shared information about FIs' operations. Accurate information is the basis for public trust in the financial sector, a scarce commodity at present. Also, licensed FIs must be compelled to comply with applicable accounting standards as quickly as it is practical to do so. In addition, open dialogue among stakeholders about market regulation is needed to reduce influence-seeking and promote a healthy financial sector.
- **Improving Banking and Finance Skills –** The technical skill of banking and microfinance regulators, along with those of commercial bankers, MFI personnel, and other market participants needs to be upgraded by all available means.

  National Strategy and Leadership – It is essential for the new government to develop a coherent national strategy for financial sector development that prioritizes access to finance, and unifies the various initiatives such as the United Nations Capital Development Fund's "Financial Inclusion Roadmap", with strong and effective leadership from the highest levels.

Preliminary Pillar Action Plan: Ensuring Access to Finance

	Short-term Actions (Years 1–2): Foundational Priorities	Longer-term Actions (Years 3–5): Momentum/Growth
Vision: *To create a financial sector that meets the needs of Myanmar's people, including small businesses, rural dwellers, women, and ethnic groups*		
Strategic Outcome 1: There is greatly improved transparency about (i) the financial performance and condition of banks and MFIs, and (ii) the formation of policies and regulations related to all financial institutions	• Adopt a policy to promote transparency in the financial sector as a key theme, and raise the issue to the top of the agenda at the Central Bank of Myanmar (CBM) and Financial Regulatory Department (FRD) • Enforce existing regulations on financial reporting and consider additional transparency-related regulations for financial institutions (FIs) • Work with professional bodies (e.g., accountancy associations and universities) to rapidly expand the number of accredited accountants (i.e., CPAs) and auditors • Urge financial regulatory bodies to adopt public information policies and procedures that facilitate open and frequent consultation about legal, regulatory, and enforcement issues within the financial industry	• Industry associations to develop a "soft approach", i.e., annual awards recognizing greater transparency and quality of reporting • Secure strong support from industry and development partners for training of accountants and auditors through the educational system, as well as bank training programs
Strategic Outcome 2: A strong microfinance industry led by well-managed MFIs which compete to provide payment, deposit, loan, and other financial products, and serve both microenterprises and SMEs in urban and rural areas	• Make capacity building for the FRD (and other relevant agencies) a top priority of government to develop an effective regulatory regime as rapidly as possible. Leverage strong development partner support for this effort • Develop a comprehensive microfinance (MF) sector strategy, including a tiered microfinance institution (MFI) system to create a microfinance industry that serves various segments, is cognizant of the barriers for women and ethnic groups, and suits the strengths and objectives of different kinds of MFIs • Develop and implement innovative programs (boot camps, etc.) to bring the staff of the FRD up to speed on MFI operations and MFI client needs • Support FRD in raising public awareness of MF as a critical component of financial sector development • Change regulations that unnecessarily restrict the outreach of MFIs • Prepare a regional MFI benchmarking study to be used to formulate an FRD vision that promotes the MFI sector, and is based on best practice • Promote a competent, effective MF association that advocates on behalf of the industry, promotes industry professionalism, and includes both men and women • Convene a major conference in Quarter 2 of 2016 for all MF stakeholders that will discuss and agree a legal and regulatory reform agenda	• Continue to strengthen enforcement of the MF legal and regulatory framework • Consolidate around larger, financially strong MFIs, capable of expanding service outreach • Move to a tiered MF industry (i.e., larger and better capitalized MFIs are allowed to take deposits and offer a broader array of financial services, while smaller MFIs offer only lending services) • Implement inclusive financial literacy programs jointly with MFIs

	Short-term Actions (Years 1–2): Foundational Priorities	Longer-term Actions (Years 3–5): Momentum/Growth
Strategic Outcome 3: A robust set of commercial banks, including both local and foreign-owned banks, compete to offer a wide variety of financial products to a broad spectrum of customers	• Develop a comprehensive banking sector strategy. Assign clear responsibilities to the CBM to steer the development of the banking sector • Develop regulations for the Financial Institutions Law (FIL) and Foreign Exchange Management Law (FEML) to continue the process of managed liberalization of the banking sector • Systematically implement and enforce laws and regulations currently on the books • Strengthen governance and capacities of the CBM by allowing full human resources (HR) autonomy (hiring, firing, and promotion) and through systematic HR development (HR strategy, sensible use of experienced foreign employees/advisors, creation of a training institute, and boot camps) • Strengthen the capacities of commercial banks through university and vocational education programs for new employees, and internal bank training programs for current bankers • Develop clear policies, procedures, and guidelines for vetting bank board members and senior managers under the CBM's existing "fit and proper" mandate, including encouragement of the equitable appointment of men and women, and apply consistently	• All short-term actions identified will require commitment and resources through the medium and longer term so that the CBM becomes increasingly capable and effective, and banks operate safely and soundly in line with international standards as they expand outreach
Strategic Outcome 4: State-owned banks are restructured and/or liquidated, with remaining state FIs competing on equal terms with private FIs	• Require all state-owned commercial banks (SOCBs) to carry out a (i) full external financial audit, (ii) detailed operations assessment, and (iii) strategic growth plan • Develop a clear strategy to determine the future of all SOCBs based on principles of transparency and business viability • Develop and implement a government plan to restructure, combine, divest, or liquidate SOCBs, based on a rigorous cost/benefit analysis	• Consider development of an independent asset management body to manage state-owned assets, including the SOCBs to be restructured, divested, or liquidated
Strategic Outcome 5: The legal and regulatory environment enables financial institutions to manage and price risk, secure creditor rights and claims, and inclusively finance sustainable growth	• Further develop essential financial, legal, and regulatory infrastructure that supports enhanced access to finance, leveraging strong development partner support, including most importantly: - Market-based government bill and bond market - Payment system reform - Credit information bureau - Movable collateral registries - Interbank lending market • Ensure new legislation conforms to international standards addressing equity of access for women (Myanmar signed the UN Convention on the Elimination of All Forms of Discrimination Against Women in 1997.)	• These essential features of a modern financial system will require strong government leadership and consistent commitment through the medium and longer term

6. Pillar Three: Promoting Trade and Investment

Overview and Context for Reform

45. Since 2011, after nearly half a century of economic difficulties and isolation, Myanmar has made great strides in its efforts to rejoin the global economy. Trade increased from $18.2 billion in 2011 to $29.2 billion in 2015 and foreign direct investment (FDI) approvals grew from $2 billion to $8 billion over the same period. However, for the country to realize its economic development objectives, it will need to improve on, or build the institutions, infrastructure, capacity, and other key building blocks necessary for increased domestic and foreign investment, as well as international trade.

46. Leveraging external resources, including development assistance, partnerships, and technology are all part of the solution. Liberalizing trade and investment can provide (i) markets for Myanmar goods and services; (ii) foreign capital and technologies to enable Myanmar to exploit its comparative advantages; and (iii) incentives and international norms for developing transparent, predictable, rule-based governance that benefits all stakeholders.

International Best Practices

47. **Make it easier to trade and invest**: Export-led growth has been an effective strategy for most successful economies in Southeast Asia. A major component of this is removing barriers to trade and investment and building a competitive environment to enable private sector growth, job creation, innovation, and value addition.

48. **Integrate into value chains:** Production networks are organized in regional and global value chains. Successful economies build infrastructure, the employment skills of men and women, and follow international practices to enable their businesses to connect, produce, and gradually move up the value chains.

49. **Use international trade commitments to guide domestic reforms**: Trade agreements commit a country to a schedule for liberalization and reforms. They also require member countries to adhere to international standards and practices in building transparent, predictable, and rule-based governance. Successful economies take advantage of these standards and requirements to build a business environment that facilitates trade, investment, and private sector growth.

50. **Manage risk and ensure inclusion:** A precondition for developing trade and investment is political and economic stability. An important part of this is ensuring that vulnerable groups, especially women and ethnic groups, get a fair share of the benefits of trade and investment development.

Key Achievements to Date

51. **Making it easier to trade and invest:** Myanmar has taken effective measures to facilitate trade since 2011 which include (i) adopting a National Export Strategy (NES) and initial efforts to implement it, (ii) reducing the number of imports subject to licenses, (iii) ending the requirement to obtain a license for most exports, (iv) reforming sea and land customs law and regulations; and (v) participating in the ASEAN Customs Transit System and WTO Trade Facilitation Agreement.

52. Investment has become easier since the passage of the new Foreign Investment Law and Myanmar Citizen Investment Law. These changes have contributed to the strong growth of registered companies from 30,407 in 2010/2011 to 58,789 in 2014/2015 (cumulative), and important new sources of foreign direct investment (FDI), notably in telecommunications and banking.

53. **Integrating into value chains:** Myanmar has restored normal trading relations with most of its major export markets. Myanmar can also trade with European Union countries under the Generalized System of Preferences which allows 0% tariff on all imports from Myanmar, except arms and ammunition. As a result of this improved market access and domestic reforms, trade and investment have increased and diversified in sectors where Myanmar has a comparative advantage. As per the National Export Strategy, the government has been working with the private sector to develop value chains for key export products as well as nascent trade promotion capacity and networks.

54. **Using international trade commitments to guide domestic reforms**: Myanmar is a founding member of the World Trade Organization (WTO), a member of the Association of Southeast Asian Nations (ASEAN), of ASEAN's wider free trade agreements (ASEAN+), and the country has signed 10 investment treaties. As a result of these trade agreements, Myanmar has lowered tariffs according to ASEAN and ASEAN + commitments. With the exception of meeting the tariff reduction schedules in ASEAN and the ASEAN+ free trade agreements (FTAs), Myanmar's international trade commitments are largely "best effort endeavors."

Remaining Reform Gaps and Challenges

55. **Making it easier to trade and invest:** Over 50% of goods with associated HS codes[1] are subject to import licenses, which is well above international standards. The lack of transparency, consistency, and also predictability of customs and trade enforcement is a major issue for legitimate trade. It is one of the reasons for businesses to engage in informal trade, which creates unhealthy competition in the domestic market.

56. Customs and trade operations are burdensome, carried out manually, and hence slow. This is a result of weak inter-agency coordination and low capacity in the customs department. Logistics services are poor and costly. The complicated trade and customs procedures are also a burden to legitimate trade, and prevent companies from taking advantage of trade preferences. Trade regulations and enforcement in key areas such as sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), intellectual property rights (IPR), and trade remedies are either minimal or non-existent. Without these tools, Myanmar will find it hard to improve the quality of goods made in Myanmar, develop a healthy and competitive environment, and prevent harmful products from entering the country.

57. The current dual regimes for foreign and domestic investment are not conducive to investment. Restrictions to protect firms in one sector often disadvantage firms in other sectors. They also prevent local companies from attracting the foreign capital and technology they need to grow. For example, domestic companies cannot borrow from foreign banks, and foreign investors cannot buy into local firms without government approval and re-registration.

58. Reducing the time and cost for starting a company is a crucial step to promote private investment. The sooner a business can start, the sooner it will be able to create jobs and add value. International experience shows that reducing red tape plays a critical role in promoting business formalization, especially the formalization women's businesses. However, in Myanmar, the licensing regimes for investment need much improvement. The cost and time for starting a business in Myanmar is among the highest in the world (Myanmar ranked 160 out of 189 countries on the "Starting a Business" indicator of the World Bank Group's *Doing Business 2016* report). Company registration is only valid for 5 years and businesses in manufacturing, trading, and a number of other sectors will need to obtain permits before they can start their businesses. As a result of this strict licensing regime, Myanmar has the lowest new business density in East Asia and Pacific (2.1 new companies per 10,000 people of working age [15-64]). In most countries, except for a small number of sensitive sectors, small companies can start up automatically, and company registration is valid until the company stops conducting business.

[1] World Customs Organization codes that classify and define thousands of internationally traded goods.

59. Instead of developing a transparent and predictable regulatory framework to allow healthy competition, the current regulatory approach in Myanmar focuses heavily on licensing market entry, and imposing restrictions on service providers and foreign investment. Such restrictions and over-regulation results in regulatory discretion, undermines the competitiveness of Myanmar, and scarce government resources are spent granting approvals and enforcing restrictions. Ultimately, this results in higher risk and costs to investors and traders.

60. **Connecting and integrating into value chains:** US sanctions continue to significantly disadvantage Myanmar, and the government should make removing these a priority. Poor infrastructure such as roads and ports is another major challenge for economic integration, as is lack of financial support and human resources to promote trade and investment abroad. Effectively addressing these problems requires cooperation between the central and local governments, as well as the private sector.

61. Myanmar also needs both policy and programs that incentivize links between foreign and domestic businesses. The current regulatory regime and uneven enforcement discourages businesses in Myanmar from joining value chains and adding more value in the country. Current porous border enforcement discourages businesses from entering some high demand product chains such as those for sesame seeds and pulses because businesses cannot compete unless they participate in unregulated trade. Similarly, the garment sector is constrained by an import tax that favors in-country assembly of garment pieces over higher value-added operations. Joining, and moving up in value chains, will require upgrading the capacity of both the government and the private sector, and improving their ability to collaborate on promoting value chain integration. Making such improvements would increase the income of the labor force, and directly contribute to poverty reduction in Myanmar

62. **Using international trade commitments to guide domestic reforms**: WTO agreements promote key principles of transparent, rule-based governance such as regulatory independence, having rules and regulations that are transparent and "not more burdensome than necessary", and predictable and impartial enforcement of rules and regulations. However, Myanmar has not taken advantage of these principles in developing its regulatory framework. Without a clear schedule for liberalization guided by treaties, Myanmar's FDI liberalization has been ad hoc.

63. **Managing risk and ensuring inclusion:** The reform momentum of the 2015 election and inclusive liberalization needs to be sustained. While economic growth over the last 5 years was strong, inflation, depreciation of the kyat, and overheating of the property market are all economic risks. Having the capacity to take early action to sustain macroeconomic stability is a big challenge now that Myanmar has an increasingly open and integrated economy. For this and other reasons, data on the economy should be significantly improved so that policy makers and businesses can make better-informed decisions. Programs should also be developed to ensure that specific groups, such as rural people and women, have a fair share in the benefits of trade liberalization and development.

Priority Issues Going Forward

- Sustain and increase reforms and maintain stability during the transition from the previous government to the one elected in November 2015;
- Clarify and simplify business and customs rules, procedures, and regulatory practices, aligning these with international commitments and best practice, including publishing information on procedures and key costs;
- Reduce restrictions on foreign and domestic investment to incentivize business growth, linkages, domestic value added, and reduce regulatory discretion;
- Leverage information and communications technology to enhance transparency, coordination, and service delivery.

Preliminary Pillar Action Plan: Promoting Trade and Investment

	Short-term Actions (Years 1–2): Foundational Priorities	**Longer-term Actions (Years 3–5): Momentum/Growth**
Vision: *Create a robust environment for sustainable trade and investment to grow inclusively*		
Strategic Outcome 1: Rapid improvement in trade is facilitated	• Simplify trade and customs regulations and procedures to reduce regulatory discretion, and reduce cost/time for customs clearance in line with subregional, regional, and international commitments • Publish clear guidelines on trade and customs procedures/regulations on the ASEAN National Trade Repository, and develop a searchable database on the trade repository for duties/commercial taxes by HS code • Invest in e-government to enable all agencies involved in administering trade to share information and offer their services to businesses through a national 'single window' & E-customs, with inputs and support from the private sector and development partners • Remove restrictions to enable local and foreign banks to provide better trade finance services • Improve customs, trade, and logistical services by implementing relevant recommendations in the Diagnostic Trade Integration Study (DTIS) • Strengthen border and inland enforcement to decrease the 'grey market' trade (goods imported without paying proper duties)	• Develop the risk management and technical capacity of customs and related agency staff to ensure consistency and predictability in enforcement of customs and trade regulations • Establish a National Trade Facilitation Committee, including private sector participants, to oversee implementation of the WTO Trade Facilitation Agreement and Cross Border Trade Facilitation Agreement • Connect the customs and tax databases to reduce the administrative costs of businesses
Strategic Outcome 2: Empowered local firms join regional and international value chains	• Strengthen the Myanmar Trade Development Committee and its secretariat to support trade promotion and implementation of the National Export Strategy. Ensure private sector input • Make domestic trade data by national tariff line available to all and provide training to improve the use of trade data and trade information • Engage in FTA negotiations (e.g. RCEPT) and build capacity in trade negotiation • Rationalize the tax and tariff system to encourage more value addition in Myanmar • Under the National Export Strategy, strengthen key export value chains and build linkages with foreign companies/buyers • Equalize tax incentives for domestic and foreign businesses and strengthen enforcement • Build trade association capacity to market collectively, including associations with predominantly women members	• Strengthen the Trade Information Network and trade associations to support local firms in meeting the SPS and TBT requirements of importing countries • Develop Myanmar SPS and TBT rules and enforcement capacity • Complete an FTA negotiation

	Short-term Actions (Years 1–2): Foundational Priorities	**Longer-term Actions (Years 3–5): Momentum/Growth**
Vision: *Create a robust environment for sustainable trade and investment to grow inclusively*		
Strategic Outcome 3: Greater numbers of local businesses formalize and establish links with foreign firms	• Clarify and publish business licensing requirements and steps/procedures so firms can comply at lower cost and in less time • Eliminate the need for operating licenses in all but the few sensitive sectors • Create incentives to encourage foreign firms to transfer skills to their Myanmar partners • Eliminate structural barriers faced by women in setting up businesses • Make it easier for overseas Myanmar men and women to start or invest in local businesses • Strengthen corporate governance through higher standards for listed and joint-stock companies and allow international professional services firms to audit local firms • Level the playing field between local and foreign firms by allowing local firms to use foreign-owned banks	• Improve corporate governance and disclosure rules and enforce them • Improve enforcement of tax laws to encourage business formalization and decrease the size of the informal economy • Develop regulatory capacity at the state/region level to promote trade and investment
Strategic Outcome 4: Improved transparency, predictability, and quality of the business environment	• Publish and clarify regulatory processes and rules to enable businesses to comply, reduce regulatory discretion, and promote fair competition • Develop and launch a comprehensive regulatory reform program to improve the quality of Myanmar's business environment. Base this on analysis of regulatory costs, enforcement capacity, and international indicators • Collect and make available data, including sex and ethnicity, on the economy and sectors to evaluate sector development and administration, and formulate policy and business decisions • Rapidly improve infrastructure (such as ports, railroads, roads, bonded warehouses, and airports)	• Ensure transparent rules, systematic and predictable enforcement, and minimize regulatory discretion in trade and investment • Develop a government ICT system and database to improve sharing of information on trade and investment and coordination

7. Pillar Four: Restructuring the State's Role in Business Enterprise and Service Delivery

Overview and Context for Reform

64. The state's role in business and service delivery in Myanmar has been in transition since the late 1980s, when all infrastructure and major commercial activities in the country involved state investment. In most cases, services were delivered through traditional government structures, with ministries responsible for planning, regulation, and service delivery in their sector. In many cases, services were delivered through state economic enterprises (SEEs)—entities operating under the direction of sector ministries, with limited financial or management autonomy.[2] With economic sanctions, and consequently limited access to innovation, state-supplied services had no incentive to be efficient or competitive, and their quality and reach steadily declined.

65. Since 1988, various policies have called for government to gradually transition from directly providing services and refocus on economic governance (e.g. planning and regulation). The *State-Owned Economic Enterprises Law (No. 9/89)*, passed in 1989, reserved 12 sectors for SEEs, but also authorized them to partner with the private sector. The law reflects the very cautious approach of lawmakers in reducing the market dominance of SEEs. However, it broadly recognized that the low productivity of SEEs dampens economic growth and crowds out opportunities for private investment. If Myanmar is to accelerate modernization of its infrastructure and unleash its economic potential, the government must give the private sector every opportunity to invest, innovate, and compete.

66. As Myanmar is still emerging from decades of economic isolation, market institutions and the government's capacity to regulate them is relatively new. Compounding this challenge is the importance of SEEs in the state budget. In fiscal year 2011/2012, SEE revenues were 8.6% of gross domestic product (GDP), compared to Union revenues of 4.4%, and the overall balance for the SEE sector in that year was 1.5% of GDP, while the Union recorded a net deficit of 7.5% of GDP.[3] In 2013, it was estimated that SEEs contributed more than 55% of state revenues and comprised 40% of exports. While the privatization and restructuring of SEEs should have a positive impact on productivity/value for money for the government, in the short term, SEE revenues to government could decline.

67. Despite these challenges, Myanmar has been undergoing an ambitious divestment program. By early 2003, 180 out of some 600 SEEs under 18 ministries had been privatized. While most of these transactions have been leases of assets such as factories, farms, saw mills, and land, and have not substantially reduced the economic space occupied by SEEs, more ambitious reforms are now underway to restructure some of the larger SEEs in the portfolio. To be successful, these efforts must address the core constraints to reform: vested interests who want SEE business dealings to remain opaque; ministry officials who want to remain actively involved in SEE management and governance following corporatization; limited regulatory capacity; surplus staff; legacy assets; and large pension liabilities.

Foundational Principles

68. Myanmar faces many of the same challenges as other economies emerging from central planning and isolation. While the transitions of Eastern and Central Europe, Viet Nam, and other socialist economies are instructive, Myanmar can also benefit from the experience of developed, market-based economies and their approach to state-owned enterprise (SOE)

[2] While SEEs are commonly referred to as businesses, in reality very few have the features of commercial enterprises, including a legal identity, balance sheet, management autonomy, and strict budget constraints.
[3] A report by the World Bank tracks the fiscal contribution of 43 SEEs (World Bank. 2012. Report No. 75897-MM *Myanmar Public Financial Management Performance Report*. Yangon).

restructuring, privatization, and public-private partnerships (PPPs). Collectively, this international experience yields the following lessons:

- **Sector planning must underpin state-owned enterprise (SOE) reform.** In countries where SOEs dominate infrastructure service provision, the government's goals for sector development, and its strategy for achieving these, provide the basis for SOE reform. Sector plans provide a roadmap for both public and private investment, and the respective roles of public and private entities.[4]

- **Corporatization of SOEs is an important, but insufficient step, toward improved efficiency in service provision**. Corporatization is simply the process of giving an SOE a legal identity, balance sheet, and management structure, and incorporating it under the prevailing company law. Not only can this be a complex process, it will likely provide few benefits unless the SOE is also 'commercialized'. Commercialization means allowing SOEs to operate like commercial companies, with professional boards, hard budget constraints, professional human resource management, compensation for public service obligations,[5] transparency, accountability, and exposure to competition.

- **Corporatization and commercialization can only succeed if based on sound business planning.** To succeed commercially, new corporate entities must only have the assets, personnel and liabilities that are required to run the business. The corporatization process must therefore be preceded by detailed business planning.

- **Successful SOEs are governed by experienced directors, fully independent from any sector policy or regulatory functions.** There is an inherent conflict of interest when elected officials or sector ministry staff sit on an SOE board. Responsibilities to the electorate (in the case of elected officials) or to their minister (in the case of sector ministry employees) compromise their ability to act in the best commercial interest of the SOE. The sole focus of a director should be to help the SOE achieve commercial success, and in so doing, protect the state's investment in the SOE. Directors are legally liable to follow the procedures and corporate governance rules set out in the SOE's governance documents[6] and the company law under which it was corporatized.

- **Creating competitive markets for service provision results in better outcomes for the state and for consumers.** This process can be achieved through the phasing out of selected SOE monopolies, the establishment of regulatory capacity, and transparent, competitive tendering processes for all privatizations and infrastructure service procurement.

- **Few SOE portfolios provide consistent commercial returns over the long term.** There is a fundamental flaw in the SOE model: as long as a corporation is majority-owned by the state, it will always be vulnerable to political interference, causing it to make non-commercial decisions, and these result in a loss of value in public investment.

- **Public-private partnerships (PPPs) must be an integral part of any SOE reform program.** The basis for a successful public-private partnership (PPP) program is a government commitment to procure infrastructure services through PPP modalities whenever these can provide more value for money than fully public (SOE), or fully private, service provision. When SOEs dominate infrastructure services, PPPs are an important

[4] In Myanmar, sector development strategies are not only clarifying roadmaps for SEE reforms but also restructuring the government's oversight and planning function. In the transport sector, for example, the roles and responsibilities of the four ministries involved in the sector (Construction, Rail Transportation, Border Affairs, and Transport) are being redefined to support the National Transport Development Plan, and facilitate more private investment.

[5] Community service obligations are services that the government directs SOEs to provide to users at less than their cost of provision.

[6] Corporate charter and board rules.

modality with which government can attract private investment and expertise. A PPP can also be created through a direct contract between a private investor and a public entity, without the involvement of an SOE.

- **Successful PPP programs are supported by an interlinked legal, institutional, and policy framework.** This framework should be based on international standards; fair and efficient risk allocation between the government and the private partner; a transparent process for preparing and tendering projects; and, a strong coordinating public institution responsible for defining common standards, advising on needed policies, and providing a 'single window' to make negotiating with the government as easy as possible for the private sector.

Assessment of Reforms

69. Myanmar's approach to restructuring its state economic enterprises, and related service delivery, has sound policy underpinnings—in particular in the Framework for Economic and Social Reforms (FESR) which calls for a wholesale transformation of the SEE sector and the establishment of regulatory frameworks to facilitate the privatization of public utilities. This is an ambitious agenda for any government, but is particularly challenging in a formerly-isolated economy dominated by state-run and/or affiliated businesses.

70. Over the past 5 years, the government's approach to planning and implementing reform has had three broad work streams: (i) the sale of assets; (ii) the corporatization of selected SEEs; and, (iii) the establishment of PPPs. The government's 43 largest SEEs are distributed among 15 ministries, each of which has its own approach, guidelines, and methodology for managing the reforms.[7]

71. In many cases, the guidance provided to sector officials charged with implementing reforms is minimal, leaving them uncertain about how to deal with excess staff, high debt burdens, and the basic mechanics of corporatization. Few ministries have anchored their SEE reforms in sector development strategies, and this missing link, coupled with the variety of guidelines and methodologies, has resulted in uneven outcomes.

72. In FY2012–2013, the Ministry of Finance introduced a new financial system. This requires SEEs to achieve financial autonomy, without reliance on cash transfers or subsidized credit from the government. Given the complexity of this reform, SEEs are being transitioned progressively. There appears to be a shared view in the government that SEEs with the potential to be profitable should be corporatized, while loss-making SEEs should be privatized.

73. The privatization or liquidation of SEEs/government assets that cannot be operated profitably by the government is a sensible policy option which should cut costs from the central budget. Those SEEs which are (or have the potential to be) profitable should also be assessed as potential privatization and/or PPP candidates.

74. The choice to corporatize rather than privatize the profitable SEEs appears to be rooted in a commonly-held view among sector ministries that they must remain in control of service delivery, and that this is best done by owning, governing, and operating corporatized SEEs. There has been no divestment of a controlling interest in any of the large SEEs to date. While this does not preclude divestment in the future, it is important that future divestment decisions be driven by overall sector development strategies, and not excluded outright. It is important to note that divestment does not mean loss of government control over delivery of essential services.

[7] The Privatization Commission, established to drive divestment efforts, does not appear to have had much influence.

75. The implementation of PPPs has also been driven by the sector ministries, the most active of which have been the Ministries of Transport and Electric Power. Despite the lack of a common approach to PPPs, some notable successes have been achieved, and the government can now build on these successes to establish a coherent and coordinated PPP program. PPPs should be seen not only as a form of SEE privatization, but also as a mechanism for contracting services directly with the private sector, without the involvement of an SEE.

Key Achievements to Date

76. Myanmar has made important progress towards restructuring the government's role in businesses and service delivery, and can now build on this success. Notable achievements include:

77. **Liberalization of the telecommunications sector**. This reform was initiated by a policy and sector development strategy, and reflected in the Telecommunications Law of 2013 which paved the way for the restructuring of the Ministry of Communications and Information Technology. The law established a regulatory framework and allowed competition and private investment in the sector.

78. As a result of the competitive tender for two new mobile telephone licenses, access to mobile telecommunications has increased dramatically, as has the contribution of the telecommunications sector to GDP. In 2011, only 2.3% of the population had a mobile phone; by 2015 that number had increased to 35.7%. In 2012, the telecommunications sector contributed 2.7% of GDP; just 1 year later, the contribution increased to 4.8%. The impact of low-cost mobile telecommunications on facilitating private sector development and trade is well documented in all economies. To help it to compete in this new, liberalized market, the former state-owned monopoly, Myanmar Posts and Telecommunications, has formed a joint venture with a Japanese company, KDDI-SUMITOMO.

79. The approach taken in the telecoms sector (a policy statement, sector development strategy, preparation of a new legal framework, restructuring of the sector ministry to separate regulatory from operating functions, and a competitive tender) reflects international best practice.

80. **Liberalization of the transport sector.** This reform began recently but has already produced some successes such as the corporatization of Myanmar National Airlines and the Myanmar Port Authority, the concession for the new port of Thilawa,[8] and the 30-year concession agreement for the $100 million upgrade and operation of the Mandalay International Airport.[9] These sector reforms have been guided by a clear policy and a National Transport Development Plan that calls for simplification of sector oversight, clear separation of the regulatory and operating functions of the sector ministries, increased private sector participation in service provision, compensation for public service obligations, and a desire to enhance the potential for revenue generation.

Road PPPs: Success or Failure? Myanmar has one of the largest networks of private-sector managed roads in Southeast Asia. Approximately 6,000 km of toll roads have been built/rehabilitated or are under management contracts to 29 private companies. Larger concessions now run for 30 years. While the experience has been largely positive in terms of expanding the state's ability to build and manage the road network, few of the roads have been subject to demand assessments or tendered on a competitive basis. Given the very low toll rates set by the government at $0.01-0.02 per km, only an estimated 15% of roads are commercially viable. The rest operate at a loss and this will need to be addressed. The selected concessionaires are reportedly closely linked to the government, which may explain the non-commercial investments. So while the government has successfully expanded the road network with private capital, it has not yet developed the experience needed to prepare and competitively tender robust, demand-driven road concessions.

[8] This has been developed and is operated by Hutchison Port Holdings.
[9] This has been developed and is operated by MC-Jalux Airport Services Company Limited.

81. A sector working group is facilitating coordination among the sector ministries, and common corporatization guidelines have been developed, reflecting international best practice. These guidelines call for rigorous business planning as a first step to corporatization, ensuring that each new SEE is established with only the employees and assets it needs to be commercially successful.[10] Myanmar National Airlines now competes in an open market, and the Myanmar Port Authority operates as a 'landlord' port, having privatized its stevedoring operations. Other SEEs corporatized in the transport sector without a robust business plan have been less successful, including the Inland Water Transport and Road Transport companies.

82. **Liberalization of the energy sector**. Since 2005, the private sector has invested an estimated $19 billion in power generation and distribution in Myanmar. Sector reforms have been based on an underlying policy of liberalization, reflected in the 2014 Electricity Law which separated the regulatory and operating functions of the Ministry of Electric Power and invited greater private sector participation. This was followed by several independent power producers (IPPs), one of which (Myingyan), was competitively tendered using international standard documents and procedures. The emerging PPP program in the sector is now serving as a model for planning, preparing, and competitively tendering PPP contracts. In parallel with the new IPPs, the Yangon Electricity Supply Board is being corporatized so that it can effectively offtake[11] and distribute the power generated by its private partners. Following international best practice, the corporatization process is being preceded by robust business planning.

83. **Preparation of a modern commercial law**. The draft *Companies Law*, prepared in 2014–2015, offers a modern framework for regulating the corporate sector, including state-owned enterprises. When enacted, it will facilitate the registration, operation, and closure of enterprises, and establish practical guidelines for investment, disclosure, and corporate governance. The corporatization and registration of SEEs under this new law will reinforce their commercial and corporate governance mandates and facilitate privatization and PPP transactions. International experience has demonstrated that the most successful SOEs are almost always subject to the same commercial legal framework as private companies (i.e., company law). Enactment of a modern company law will substantially facilitate SEE corporatization, providing a common framework so that SEE-specific laws for each corporatization are no longer necessary.

Addressing the Remaining Gaps and Challenges

84. Myanmar's reform achievements to date are impressive, but lack overall coherence, largely due to the many stakeholders involved and the absence of an overarching strategy linking policy with implementation. An overriding priority will therefore be to create coherence in the reform program, based on clear policies for the role of the government in the economy, the principles and purposes of SEE corporatization and privatization, and PPPs. Building upon this, sector strategies, guidelines, and institutions can be developed to guide and facilitate SEE reforms and the use of PPPs.

[10] The corporatization of Myanmar National Airlines involved the transfer of only the employees and assets deemed necessary by the business plan, and only limited pension liabilities.
[11] An offtake agreement is one between a producer of a resource and a buyer who agrees to purchase/sell portions of the producer's future production.

Preliminary Pillar Action Plan: SOE Reform

	Short-term Actions (Years 1–2): Foundational Priorities	Longer-term Actions (Years 3–5): Momentum/Growth
Vision: *Inclusive economic growth driven by private sector investment and supported by competitive state-owned enterprises*		
Strategic Outcome 1: Coherence in the SOE reform program has been created	• Conduct a comprehensive review and assessment of existing SOEs • Develop SOE policy outlining the role of the state in the economy, governance arrangements, and commercial principles • Identify priority sectors for SOE reform (e.g., energy, transport) • Develop guidelines for managing equitable SOE employee redundancies and pension liabilities for all men and women • Prepare legal and regulatory reforms to facilitate private sector participation in target sectors	• Prepare and enact an SOE law based on SOE policy • Prepare sector development plans, identifying corporatization, privatization, & PPP opportunities • Continue legal and regulatory reforms to facilitate private sector participation in target sectors
Strategic Outcome 2: SOEs operate on commercial principles, with independence, transparency, and accountability	• Enact Company Law and register existing corporatized SOEs (e.g. MNA, MPT, MPA, and YESC) • Prepare SOE business planning and corporatization guidelines • Prepare business plans for the target group of SOEs to be corporatized • Develop guidelines for SOE director selection and appointment • Develop corporate planning and reporting guidelines for SOEs	• Establish an SOE ministry/monitoring agency to oversee state investment in SOEs • Corporatize a target group of SOEs under the Company Law and the SOE Law • Increase representation of women in leadership in SOEs • Place all corporatized SOEs under the SOE Law

Preliminary Pillar Action Plan: Public-Private Partnerships

	Short-term Actions (Years 1–2): Foundational Priorities	Longer-term Actions (Years 3–5): Momentum/Growth
Vision: *To create the conditions for a robust PPP program in Myanmar that gives the government a modality (in addition to traditional public procurement and state-owned enterprises) for procuring needed infrastructure services and achieving value for money*		
Strategic Outcome 1: PPPs promoted through a communications strategy and PPP capacity is built	• Identify and train a lead agency/body to develop and roll out a PPP communications plan and a PPP foundations training course • Launch a PPP foundations course for government implementing agencies and the private sector • Implement the communications plan	• Institutionalize and upgrade PPP foundations training coursework into formal courses offered by a PPP Center • Create a more detailed training program to build greater capacity in PPP staff in implementing agencies

	Short-term Actions (Years 1–2): Foundational Priorities	Longer-term Actions (Years 3–5): Momentum/Growth
Strategic Outcome 2: The private sector provides infrastructure services through a clear and transparent competitive procurement process	• Develop a roadmap of 'quick wins' for PPP pilot projects • Provide a PPP list on upcoming projects for public information • Hold a clear and transparent competitive process to involve the private sector in providing infrastructure services through PPPs	• Formalize the lessons learned from initial participation of the private sector in PPPs • Establish key institutions, including a PPP center and PPP policy board • Develop a consistent government policy on Viability Gap Funding (VGF) and Official Development Assistance (ODA) balance
Strategic Outcome 3: One or more PPP pilot programs are initiated to build initial skillsets, and lessons guide legal and institutional reforms	• Launch a PPP pilot program across one or more sectors using international best practice and standardized procedures and forms	• Identify lessons from the first phase of pilot projects and initiate legal and institutional reforms
Strategic Outcome 4: One or more key institutions is developed to concentrate PPP skillsets and provide technical assistance to PPP cells in implementing agencies	• Develop one or more key institutions to concentrate PPP skillsets and provide technical assistance to implementing agencies • Lobby for, and test, PPP cell functionality with PPP pilot projects that lead to establishing both PPP cells in implementing agencies	• Formalize the establishment of needed institutions, particularly PPP cells in implementing agencies, and a PPP center of excellence
Strategic Outcome 5: A program of legal reform builds PPP principles and procedures into the current legal system	• Lead agency (Strategic Outcome 4) to develop a PPP policy to coordinate between inter-governmental implementing agencies and local government • Conduct a legal assessment of PPP readiness and identify areas for legal and institutional reform	• Consult with stakeholders, including Parliament • Draft a new law that is consistent with the existing situation and policy

8. Pillar Five: Building Myanmar's Human Capital Base

Overview and Context for Reform

85. Global experience shows that human capital is vital to the emergence of a vibrant and competitive private sector and a modern economy. In Myanmar, human capital will be particularly critical to support the following key economic transitions:

- from an inward to an outward focus, with increasing engagement in global markets;
- from an economic model focused on natural resource exploitation to one focused on the manufacturing and service sectors; and
- within each sector, climbing the technological ladder to shift production from a low-skill, cheap labor model to higher value-added goods and services.

86. Building Myanmar's human capital will require a sound policy framework to ensure that general education and various forms of technical and vocational education and training (TVET) work in unison to meet expanding needs for both 'soft' skills (e.g., critical thinking, creativity, problem-solving, and communication) and 'hard' skills (e.g., welding and computer skills). To date, efforts aimed at strengthening Myanmar's human capital base have faced key challenges, including:

- government and private sector under-investment in education and training;
- supply-driven and academic orientation in both general education and TVET, focusing on exams and diplomas, not on industry needs for 'hard' and 'soft' skills: e.g., secondary education accounts for the largest share (roughly half) of new entrants into formal non-agricultural wage labor, but focuses on rote-learning in preparation for university; and,
- Lack of access to TVET, which largely serves as a parallel diploma track rather than providing skills to large numbers of youth and workers.

87. As a result of such challenges, the 2014 Myanmar Business Survey identified human capital as a leading constraint to business. Analysis supported by the Asian Development Bank (ADB) under Myanmar's Comprehensive Education Sector Review (CESR) identified an "inverted skill pyramid" (a shortage of workers with foundational skills) as a critical obstacle to economic modernization. ADB analysis of data from the 2014 World Bank Enterprise Survey shows that four-fifths of micro, small, and medium-sized enterprises in the manufacturing and service sectors feel that the education system does not adequately equip youth with basic 'soft' and 'hard' skills, but only 8% train their own permanent employees. This partly reflects the view that new labor force entrants are "un-trainable" due to their weak learning foundations. Skill shortages among men and women appear to be most acute in the service sector and in large firms, and pose a key deterrent to foreign direct investment (FDI) in modern industries.

88. Fortunately, the Government of Myanmar has begun to take concerted action to address such challenges and develop the country's human capital.

International Best Practices and Interrelationships with Other Pillars

89. Development of sound and contextually appropriate policies in Myanmar can build on three foundational principles from international experience:

- **Human capital development should be made a core component of national economic and industrial development strategies** (and social development strategies, as well);
- **Education systems—particularly secondary and higher education, and TVET—should be reengineered** to focus on producing workplace skills, not degrees and diplomas. Policies and strategies should prioritize quality and labor market relevance to ensure that general-track secondary and higher education, as well as TVET are cohesively and strategically aligned to meet employers' evolving needs for a broad array of 'soft' and 'hard' skills.

Government must engage with industry to identify current and emerging skill needs and ensure that education systems produce those skills for males and females; and

- **Legislation and policies should consolidate TVET into a multidimensional but cohesive subsector.** Many countries lack a clear vision for a cohesive TVET subsector, and TVET has become fractured (e.g., 'formal' versus 'non-formal', school-based versus employer-provided TVET, etc.), resulting in duplication, gaps, and failure to build an effective national system. Solid legislation, policy, and planning are vital to provide a unified and comprehensive foundation for a multi-dimensional but cohesive TVET system (including public and private TVET institutions, employer-provided training, etc.). All the pieces of TVET must fit together in order to meet industry demands and equip youth and workers, with 'hard' and 'soft' skills to improve their employment prospects, including equipping women to enter traditionally male-dominated skill areas.

90. Human capital issues are interlinked with challenges under other PSD Framework pillars: e.g., skill gaps compound gaps in trade and investment promotion to limit FDI in modern sectors, and domestic firms' weak access to finance limits investment in on-the-job-training. The PSD Framework must thus address challenges across all five pillars to turn a vicious cycle into a virtuous one. For example, improving soft skills (e.g., problem-solving, communication, and financial literacy) is a prerequisite for modern service sector expansion, improved employment opportunities for men and women, and a wave of new entrepreneurial creativity. Likewise, new PSD legislation may promote private investment in TVET (e.g., private TVET schools and on-the-job-training) and higher education.

Assessment of Reforms

91. As part of new people-centered development policies initiated in 2011, Myanmar has stepped up efforts to bolster the education sector (including TVET). Specific interventions have included:

- **Education financing and planning:** The current government tripled the education budget in its first 2 years in office, with continued increases thereafter. In late 2012, the government launched the CESR to better pinpoint challenges and support drafting of an evidence-based National Education Strategic Plan (NESP) as a unified roadmap for greater government and development partner investment over fiscal years FY2016–FY2020;
- **Legislative framework:** The *National Education Law* provides overarching legislation for the education sector and an umbrella for forthcoming subsector-level legislation, including the *Basic Education Law*, *TVET Law*, *Higher Education Law*, and *Private Education Law*. Progress has also been in complementary areas such as labor legislation and policies (e.g., the new minimum wage policy);
- **General education reforms:** Reforms to expand access include the roll-out of a new stipend program, and replacement of school fees with school block grants. The Ministry of Education (MOE) also plans to introduce a new kindergarten year in 2016. Building on CESR analysis, the MOE approved a new Basic Education Curriculum Framework (BECF) to guide development of detailed new curricula for primary and secondary education; and
- **TVET reforms:** The *Employment and Skills Development* (ESD) *Law* was approved in 2013, and a draft *TVET Law* has been submitted to Parliament. Supporting the transition to a competency-based TVET system, the government is pilot testing competency-based modular short courses as a new TVET model, and the National Skill Standard Authority (NSSA) and other entities have made progress in developing skill standards.

Remaining Reform Gaps and Challenges

- **Education financing and planning**: From FY2011 to FY2015, public expenditure on education rose from roughly 0.8% to 2.0% of GDP, but this remains roughly one-third of levels in Thailand and Viet Nam. Further progress under the forthcoming NESP could be undercut by the government transition, institutional capacity gaps, and lack of clear

articulation across strategies: e.g., the MOE has started to develop a parallel National Comprehensive Human Resource Development Plan (NCHRDP), creating risk of duplication;
- **Legislative framework:** Following approval of the overarching *National Education Law*, progress toward a coherent set of subsector laws and regulations has been mixed;
- **General education reforms:** Reforms have arguably under-emphasized quality and relevance. Key policy decisions and large investment will be vital to operationalize the BECF, including its emphasis on the '21st century' skills that men and women need in modern Myanmar;
- **TVET reforms:** There is a risk that new legislation will reinforce rather than resolve previous challenges. For example, the *National Education Law* frames TVET in terms of academic credentials (potentially obstructing progress toward reorienting TVET to industry skill needs). Meanwhile, the *ESD Law* was approved before the *TVET Law* and only covers portions of TVET, while the draft *TVET Law* divides TVET into 'formal' and 'informal' parts, risking further fragmenting TVET, rather than consolidating it.

Priority Issues Going Forward

92. Myanmar has started transforming the education system in order to build a stronger human capital base, but this will require sustained and strategically sequenced efforts. The following issues are particularly urgent and critical in carrying progress forward:

- **Education financing and planning:** In addition to budget increases, it will be critical that: i) the NESP is finalized and fully owned by the government as the core plan for developing human capital; ii) the NESP gives a realistic, prioritized, and sequenced roadmap for investments; and iii) institutional capacities and systems are bolstered to ensure the NESP is effectively implemented. Focusing the NCHRDP on the human resources in central and local agencies to implement the NESP would support these aims and avoid duplication;
- **Legislative framework:** New education sector laws and regulations should be i) closely coordinated and cohesive; ii) sequenced, allowing more challenging reforms to be phased-in after strengthened institutional capacities are in place; and iii) complemented by legislative reforms in broader areas such as employment and industrial relations;
- **General education reforms:** New policies need to more clearly conceptualize and emphasize schooling-to-employment linkages for young men and women in rural and urban areas. Reorienting secondary education—which accounts for half of new entrants to non-agricultural wage employment—to focus on developing soft skills, should be a particular priority. Building on the BECF, careful decisions are needed on the timeline and strategy for implementing curriculum reforms. Finally, extensive public communication regarding such reforms will be critical.
- **TVET reforms:** Global experience suggests that dividing TVET into 'formal' and 'non-formal' parts may solidify fragmentation. It is critical that the final *TVET Law* and related legislation provide a cohesive framework spanning all types of TVET (including employer-provided skills development), which may require considering revisions to the 2013 *ESD Law*. More broadly, it will be critical to strengthen mechanisms to support coordination across all relevant government agencies and the private sector.

93. Reforms in all of these areas will need to emphasize equity across gender, urban-rural, ethnic groups, and other socioeconomic dimensions. Further dialogue among government agencies, industry, and civil society stakeholders, as well as development partners on the issues above and their broader implications will be critical to arrive at sound policy decisions and provide a firmer basis for future improvements.

Preliminary Pillar Action Plan: Building Myanmar's Human Capital Base

<table>
<tr><td colspan="3">Vision: To support efforts to strengthen Myanmar's human capital (including 'soft' and 'hard' skills), promote emergence of an inclusive, vibrant private sector and economy, and achieve growth, poverty reduction, and broader socioeconomic goals for all</td></tr>
<tr><td>Priorities</td><td>Short-term Actions (Years 1–2): Foundational Priorities</td><td>Longer-term Actions (Years 3–5): Momentum/Growth</td></tr>
<tr><td>Overall Priorities:</td><td>Solidify consensus on strategic priorities, build capacities and coordination mechanisms, and put in place foundational building blocks</td><td>Complete system-building, consolidate gains from initial reforms, and start scale-up of investments in priority areas</td></tr>
<tr><td>Priority Issue 1: Education financing and planning</td><td><u>Key actions</u> to finalize and launch sector policies and planning that are viable, cohesive, and responsive to evolving industry demands:
The incoming government's review to refine and finalize the draft National Education Strategic Plan (NESP), stressing careful prioritization, sequencing and implementation capacity dimensions, and using new data (e.g., Census, Labor Force Survey)
Communicate key reforms, and develop/launch new mechanisms to engage stakeholders (e.g., government, industry, labor unions)
Ensure adequate budget and additional resourcing, and launch initial programs under the finalized NESP/national plan</td><td><u>Key actions</u> to ensure NESP is fully implemented, backed up by increased financial resources, with priorities identified for next 5-year plan period:
Increased budgeting and development partner support (harmonized under the final NESP), and promotion of private investment in appropriate areas/modalities (e.g., public/private partnerships)
Implementation of the key early-stage priority programs identified in the final NESP/national plan
Deepen stakeholder coordination mechanisms and engage stakeholders in assessment and forward planning</td></tr>
<tr><td>Priority Issue 2: Legislative framework</td><td><u>Key actions</u> to ensure the legislative framework is rationalized and core legislation adopted/realigned, providing a basis for cohesive and effective policy and planning:
Engage relevant stakeholders to develop consensus on the structure of the future legislative framework and how to get there, considering Myanmar's context & international experience, and including broader education-related legislation
Map out needed linkages across existing & proposed legislation to ensure a consistent and coherent legal framework
Further develop, revise, and finalize core laws (education, labor, etc.) based on this framework</td><td><u>Key actions</u> to ensure a strong, inclusive, pragmatic, and implementable legislative framework is fully in place, with detailed regulations developed and effectively operationalized:
Engage relevant stakeholders to flesh out supportive legislation and regulations to effectively operationalize core laws
Bolster capacities of agencies tasked with implementation
Continuously assess the efficacy of legislation, including implementation dimensions and appropriateness for Myanmar's changing context, especially for the most vulnerable or under-represented groups</td></tr>
</table>

<table>
<tr><th>Priorities</th><th>Short Term (Years 1–2):
Foundational Priorities/Actions</th><th>Medium Term (Years 3–5):
Momentum/Growth</th></tr>
<tr><td>Priority Issue 3: General education reforms</td><td><u>Key actions</u> to ensure general education reform strategies are finalized and foundational reform elements are launched, emphasizing reforms to improve quality and relevance:
Further dialogue to reach consensus on key policy issues and finalize the strategy/timeline for reforms of basic education, including reforms of curriculum contents, pedagogy, and assessment
For higher education, engage stakeholders to further assess and identify viable, phased strategies for reforms, including consolidation and/or autonomy of institutions within Myanmar
Develop learning pathways linking general education and TVET
Formulate detailed planning/sequencing, ensure resourcing, build institutional capacities, and launch initial reform elements</td><td><u>Key actions</u> to ensure reforms build on foundations and broaden them, gaining momentum and consolidating initial gains, (continued focus on system-building and quality/relevance):
Review progress under initial-stage reforms, and refine planning for the continued reform agenda
Further broaden and deepen capacities to effectively implement reforms (including at the subnational level), and further develop a pool of national experts with specialist knowledge to support continued reform (may include budgetary funds and international cooperation for study abroad)
Continually assess the efficacy of reforms, to feed back into enhancements, and support further scale-up of investments to meet the widening reform agenda</td></tr>
<tr><td>Priority Issue 4: TVET reforms</td><td><u>Key actions</u> to finalize and launch reform strategies for system-building of a multidimensional, cohesive, and industry-driven TVET subsector:
Take stock of CESR findings, seek further advice, and engage stakeholders to reach consensus on steps to transform TVET (e.g., government-industry coordination mechanisms; TVET Council)
Formulate detailed planning/sequencing, ensure resourcing, and build institutional capacities to support phased system-building, maximizing the contribution of initial investments (e.g. competency-based modular short courses, etc.) to longer-term system building
Dialogue with the private sector to start scaling-up public and private investments to expand access for males and females to TVET of high quality/relevance in all areas.</td><td><u>Key actions</u> to ensure TVET reforms build on foundations and broaden them, gaining momentum and consolidating initial gains (continued focus on system-building and quality/relevance):
Review progress under initial-stage reforms, and refine planning for the continued reform agenda
Continued emphasis on building national-level systems and institutional capacities, alongside increased focus on mechanisms to meet local skill needs
Continually assess efficacy of reforms to feedback into enhancements, and support further scale-up of investments to meet the widening reform agenda</td></tr>
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9. Cross-Cutting Themes and Action Plans

94. In addition to pillar-specific findings presented in previous sections of this paper, the PSD assessment and validation process revealed the following significant cross-cutting issues:

- **Remarkable progress has been made despite very difficult circumstances**, including a daunting development agenda and expanding regional competition. Wide-ranging challenges and rising expectations combine to elevate the urgency of fundamental PSD reform that promotes private sector growth and dynamism;

- **Well-intended government PSD reform initiatives are constrained** by inherited modes of central planning and sector/agency/ministry 'silos'— which all contribute to poor coordination and disjointed and burdensome implementation;

- **Multiple drivers of change are stretching government capacity to the limit.** Rapid political transition, pressing national aspirations, commitment to regional integration, and rapidly expanding international aid and investment, have all spurred an upsurge in government lawmaking and program development;

- **Ad-hoc, uncoordinated** lawmaking, policy and program development, and unclear lines of authority and communication are compounded by the lack of an overarching PSD policy framework as well as cross-cutting and sector-wide strategies;

- **A major contradiction exists** between the government's ambitious PSD vision and goals, and the outdated public sector philosophy, overstretched government staff, and ineffective institutional mechanisms**.** Continuing with past approaches will not close the gap between the government's aspirations and the challenges facing both government and the private sector;

- **Enhancing government's human resources capacity is crucial for public sector effectiveness in supporting vibrant PSD.** Although dedicated and capable, in a country undergoing so many rapid transitions, civil servants at all levels need new skills, training opportunities, and other human resources support to work effectively on the PSD agenda. At the same time, the PSD agenda should facilitate inclusion, and increase the participation of women, young people and different ethnic groups in public sector activities;

- **Effective PSD reform requires high quality, 21st century ICT support.** Government agencies and their staff working nation-wide on PSD need information and communications technology (ICT) for gathering key PSD data and information, analyzing it, and sharing the results, as well as communicating across agencies and with the private sector. To improve transparency, reduce corruption, and save businesses' time and money, regulatory information and approval process steps should be available online;

- **Many government leaders recognize that successful PSD policy reform requires a new mindset**. This new mindset requires government officials to change from directly participating in private enterprise, to setting policy and facilitating the private sector to respond to market forces;

- **Severe deficits of basic enabling infrastructure.** After years of neglect, there is a fundamental lack of essential infrastructure including power, transport, water and sanitation, telecommunications, and logistics;

- **Public-private dialogue, collaboration and a spirit of partnership.** While efforts have been made to establish mechanisms to support public-private dialogue, such as the Myanmar Business Forum, much more remains to be done to support dialogue and coordination within and between business, including representation of young entrepreneurs and women in business, government, and development partners. Recently, development partners began a series of informal meetings to coordinate and share information on PSD issues, and this could play a key role in supporting public-private dialogue.

Regional Example – In Malaysia, PSD Breakthroughs are Driven by Exceptional Public/Private Sector Collaboration

95. In only a few years, Malaysia has achieved dramatic economic progress by mobilizing the top leadership of government and business to apply global best practices and set bold targets which could only be reached by working together. Achievements and lessons learned include:

- Dramatic reductions in the time/steps to create a business;
- A large reduction in the time taken to issue construction permits, which was an area where Malaysia had a particularly poor record;
- Migration of most government licensing and bidding to online systems; and
- Creation of a new, streamlined commercial court system, with a time-bound approach to commercial dispute resolution.

96. Government and private sector stakeholders in Malaysia have identified critical success factors:

- **Jointly designed government/business partnership,** implemented at the highest possible levels of government and the private sector (the Prime Minister's Office and enterprise chairs, CEOs, and heads of business associations);
- **Urgent challenges, opportunities, and motivating incentives from regional/global** competition, including competition with neighboring countries (Singapore);
- **Ambitious goals for improving the business enabling and venture development environment;**
- **Ongoing public/private sector dialogue** and monthly high-level working group meetings that brought together the top leadership (delegation to lower levels was not permitted);
- **Dedicated "Delivery Units"** for implementing reforms and semi-annual reviews of progress with the Prime Minister**;**
- **Benchmarking and tracking PSD reform progress against key performance indicators** (KPIs). The Malaysian public-private task force explained that in the beginning of the reform process, the use of international indicators such as the World Bank's *Doing Business* report and the World Economic Forum's Global Competitiveness Index: (i) allowed their actions to be results-driven, (ii) spurred competition with regional peers such as Singapore, and (iii) was not vulnerable to domestic political manipulation as it was a transparent international index. Over time, however, Malaysian leaders identified critical policy bottlenecks and obstacles not covered by international rankings, and developed their own list of strategic targets for reform;
- **Independent "think tank" policy analysis** and inputs to policy makers based on global best practices and monitoring actual experience in Malaysia;
- **International partnership,** support, and collaboration through participation in regional and global organizations such as ASEAN, and the World Trade Organization.

PSD Policy Coordination Mechanisms and Public/Private Sector Collaboration

97. High-level policy coordination across government agencies (including legislative) and public/private sector collaboration are indispensable elements of successful PSD. They are essential in defining a PSD agenda, achieving cohesive PSD policy formulation, and translating objectives into practical actions and desired outcomes. Effective coordination and collaboration builds mutual trust, credibility, and confidence among all key stakeholders, and enables faster progress and growth of the private sector. In order to support action on each of the priority pillars, the Core Advisory Group for the PSD Framework and Action Plan developed the following preliminary priority actions for coordination mechanisms and public/private dialogue.

Strategic Objectives	Foundational PSD Goals	Priority Actions
Vision: *A strategic PSD vision, goal-oriented agenda, and effective institutional mechanisms for coordinating PSD policymaking and implementation across all concerned agencies of government, which: (i) engages the private sector as an equal, collaborating partner; and (ii) drives measurable, high-performance PSD outcomes*		
Strategic Objective 1: *A government-wide PSD vision, policy agenda, and supporting mindset is developed which leverages the complementary roles of the public and private sector*	1. Commitment of top leaders to the PSD vision, policy agenda, and priorities, and providing supporting resources, including, capacity building 2. A PSD "Balanced Scorecard"[12] approach for setting PSD goals, developing priorities, defining economic and social indicators, and measuring progress	1. Designate a core PSD leadership and advisory group in government to focus on PSD vision/strategy, in consultation with private sector leaders, and with development partner support 2. Conduct a global survey of the most effective government PSD policy initiatives and approaches that actively engage the private sector 3. Arrange leadership seminars to aid understanding of critical success factors, and their applicability in Myanmar
Strategic Objective 2: *Effective, efficient, integrated cross-government institutional mechanisms for guiding and coordinating PSD policy formulation, implementation, administration, and monitoring are in place*	1. A high-level, cross-government (including Parliament) PSD policy agenda and coordination mechanism 2. A cross-government PSD policy implementation mechanism, with gender focal points, that replaces the current government agency delivery units 3. Shift from an outmoded information gathering and recordkeeping system to a system that supports evidence-based policy development 4. A professional public relations and communications unit embedded within the PSD coordination mechanism	1. Establish a high-level, well-resourced PSD Council/Board responsible for PSD agenda setting and cross-government oversight that includes representation of women in business, with credible private sector consultation mechanisms 2. Establish a cross-government PSD operations leadership team to coordinate and implement PSD policy initiatives 3. Create a task force with credible private sector participation, including businesswomen, to facilitate PSD policy coordination/collaboration, to compile relevant data, and measure PSD targets and outcomes 4. Develop a public relations and communications capacity, as well as a strategy for the task force that utilizes leading-edge "narrative-based" communication analysis/strategy and evidence-based policy approaches

[12] The "Balanced Scorecard" is a strategic planning and management system that can align government and business activities to the PSD vision and strategy, improve internal and external communications, and monitor performance against strategic goals.

Strategic Objectives	Foundational PSD Goals	Priority Actions
Strategic Objective 3: *A dynamic ongoing public/private sector collaboration process is established that empowers national PSD and competitiveness in support of Myanmar's economic and social development aspirations*	1. A jointly-developed and managed public/private sector policy consultation process, including businesswomen's representatives, that meets regularly and is mutually beneficial 2. An ongoing, equal dialogue between public and private sector leaders on implementing successful PSD 3. Strategically focused development partner support and capacity building for joint government and private sector PSD coordination/collaboration initiatives and mechanisms	1. Conduct a global survey as well as study tours of effective public/private sector collaboration programs 2. Facilitate key government and private sector stakeholders in jointly developing a regular and credible dialogue and collaboration process 3. Develop an action plan for the establishment/support of a high-level independent PSD policy 'think tank', linked with best practice international 'think tanks' and universities 4. Invite coordinated development partner collaboration to support public/private dialogue, capacity building, and technical support mechanisms

Appendix 1: Project Processes and Deliverables

Private Sector Development Framework and Action Plan for Myanmar

PSD Policy Overview

- Presents an overview of PSD initiatives in Myanmar under five key pillars: (i) legal and regulatory environment; (ii) access to finance; (iii) trade and investment; (iv) restructuring the state's role in business enterprise and service delivery; and (v) human capital
- Formulates a coherent overview of PSD policy developed to date, drawing on planning documents and policies articulated in core PSD-related laws and regulations, and non-legislative initiatives/practices/programs
- Summarizes Myanmar's core PSD policies and principles developed and implemented to date
- Reflects close consultation with core development partners

PSD Reform Assessment

- Assesses the business enabling environment under the five key pillars
- Summarizes relevant legislation (existing and being drafted)
- Reviews non-legislative reforms completed, underway, and proposed
- Identifies gaps/inconsistencies/limitations in Myanmar's PSD policies in comparision with relevant international best practices
- Draws on examples of regional PSD reforms and lessons learned that may be applicable for Myanmar
- Validated through extensive consultations with government, business, and development partners

PSD Framework and Action Plan

- Suggests reforms over the near term (1-2 years), and longer term (3-5 years) which are based on the PSD Policy Overview and Reform Assessment
- Presents a PSD framework to guide policy makers in building a PSD reform agenda that is effective and operational (see Appendix 2)
- Identifies options for institutional mechanisms to manage/coordinate PSD reforms and an institutional mechanism for implementing the Pillar Action Plans
- Presents Action Plan items and institutional mechanisms for reforms which were confirmed through intensive and interactive sessions with the government, private sector, and development partners

Appendix 2: Private Sector Development Concepts

Understanding core private sector development (PSD) concepts and principals is fundamental to defining a PSD framework and a proactive reform strategy going forward.

Developing a PSD framework for Myanmar requires:

- An inspiring PSD vision, and well-defined economic development goals and desired outcomes;
- Understanding of the complementary roles of government and the private sector;
- Due consideration of global best practices, principles, and lessons learned;
- Appreciation of Myanmar's country-specific assets and potential drivers of private sector growth, as well as key challenges and constraints that need to be addressed;
- Understanding of the multi-faceted nature of PSD and the significant cross-cutting relationships across different policy focus areas;
- Effective institutional mechanisms and processes for policy formulation, coordination, and implementation; and
- The political will, leadership and shared mindset of government officials to engage in dialogue and collaborate with the private sector.

Definition and Purpose of Private Sector Development

Private sector development is a dynamic and multi-faceted process by which the government creates an enabling business environment that encourages and fosters market-driven private sector economic growth. Healthy PSD is characterized by robust enterprise creation, entrepreneurship and risk-taking, competition and innovation, effective service delivery, and productive businesses that provide equal opportunities for all men and women.

The overarching purpose of PSD is to stimulate economic and social development and performance of a country. Effective PSD expands citizens' livelihood opportunities and enables them to take control of their economic futures, while at the same time strengthening the national economy and competitiveness.

The focus of this paper has been on the high-level, cross-cutting foundational PSD policies that support economic growth and dynamism across all sectors—not on specific sectors or specially targeted development themes.

An effective PSD policy framework incorporates the critical roles of both the government and private sector. Understanding and embracing these complementary roles and their underlying philosophies shapes the 'mindset' at the heart of successful PSD policy. As partners, both government and businesses must share the common goal of increasing private sector leadership in economic enterprise and value creation, while at the same time reducing government's direct role and participation in commerce (see figure below).

Essential Elements of a PSD Framework

There is no 'one size fits all' PSD model because countries differ in terms of their development stages, challenges, priorities, history, and natural endowments. However, the last 40 years of experience in Asia, as well as globally, has yielded many PSD best practices and lessons learned.

Roles of the Government and Private Sector in PSD

GOVERNMENT	*Foundational Pillar Strategies*	PRIVATE SECTOR
Responsible for the overall economic and social policy framework; business enabling environment; legal/regulatory governance; balanced incentives for investment and trade; consumer and competition policy; macroeconomic and fiscal stability; public goods/infrastructure/services that are not financially viable in the private sector		*Primary creator and driver of economic growth, private ownership, creating enterprises, innovation, production of goods/services, market growth, competition, efficient allocation of resources, private initiative/investment, and risk-taking for economic/social return thus creating jobs, income and wealth*
Establish and fairly administer laws governing commercial activity to encourage entrepreneurship, risk-taking, competition, and transparency	***Legal and Regulatory***	Operate dynamically on an ethical basis within the boundaries of the law
Maintain a sound financial system and promote access to finance – the essential foundation for economic activity and security	***Access to Finance***	Allocate funds, make investments/loans and assume risk in response to market demand
Assist domestic businesses to enter and compete in international markets and promote foreign investment to drive local growth	***Trade and Investment***	Generate economic opportunity, growth and uplift -- within regional and global markets
Efficiently deliver public services and infrastructure to support business, as well as social, development	***Public Services (SOEs and PPPs)***	Invest private capital on the provision of necessary public goods and infrastructure
Set sound legislation/policy frameworks and provide or finance education (incl. TVET) that equips youth and workers to participate in economic growth	***Human Capital***	Create productive jobs, provide education/training, and advocate better policy-making on industry skill needs

Key elements and dimensions for a PSD framework include:

An Overarching PSD Vision and Goal:

- Long-term vision, goal, and driving PSD philosophy;

Desired Economic Goals and Outcomes:

- **Create the conditions necessary to increase and expand the 'supply side' of competitive sustainable enterprises**, including: large, medium, and small; domestic and foreign; formal, informal, and farm enterprises; existing and potential entrepreneurs; women as well as men; and the promotion of business innovation and 'incubators' that nurture enterprise development.

- **Achieve gains in outcomes at both the micro- and macro-economic levels:**
  (a) micro-economy level – gains in enterprise numbers, formalization, size, and range; depth of sectors; value chain integration; as well as trade; and
  (b) macro-economy level – gains in employment, trade, foreign direct investment, productivity, and gross domestic product (GDP); as well as reductions in poverty and inequality.

Cross-cutting PSD Economic Development and Growth Objectives:

- **Expanding markets by reducing government participation in the economy**: Open up private sector market opportunities through: reducing the public sector's role in economic activities, enterprises, and the provision of goods/services; privatizing state economic enterprises and developing public-private partnerships (PPPs); deregulating sectors and reducing private sector 'negative' lists (sectors from which private businesses are excluded); and reducing and preventing monopolistic market practices.

- **Developing a more inclusive private sector:** Allow foreign investors and enterprises; improve the investment climate and good governance; reform the financial sector; provide incentives for capital formation (adding equipment, buildings and other intermediate goods); maintain macroeconomic stability; and engage in regional/global trade regimes and reduce trade barriers.

- **Improving the environment for private businesses:** Create a more robust private sector enabling and investment climate through regulatory and administrative reforms that level the playing field for all enterprises. Regulatory reforms should aim to reduce and prevent unfair competition while also ensuring consistent and predictable 'rules of the game'. Administrative reforms should aim to decrease the procedural and compliance burdens faced by private enterprise, particularly small- and medium-size enterprises (SMEs).

- **Ensuring the provision of basic infrastructure:** Improve conditions for operating private businesses by supporting the development or improvement of essential infrastructure (power, transport, water and sanitation, telecommunications, logistics, etc.)—including education/training to develop human capital.

- **Accelerating development of enterprises and entrepreneurship:** Provide intermediary channels and institutions to improve access to finance, knowledge, innovative technology, and networking; strengthen business associations by building their capacity; promote and incentivize entrepreneurship, including the development of SME incubators and value chains; and enhance the quality and scope of business management service providers.

Institutional Processes and Mechanisms for Policy Formulation, Coordination, Implementation, and Monitoring

- **High-level government leadership in PSD policy formulation**: Leadership from highest levels is crucial for guiding PSD policy development, agenda setting, cross-ministry/agency coordination, and building on consultation with the private sector and relevant development partner stakeholders.

- **Institutional mechanisms and processes***:* Creating institutional processes, mechanisms and capacity-building resources to carry out the PSD agenda (cross-ministry and all levels of government), including monitoring and evaluation.

- **Public/private dialogue**: Fostering robust, ongoing, public/private sector dialogue and related capacity development.

Global Best Practices, First Principles, and Lessons Learned

- Application of experiences from Asia and globally to underpin the development of a comprehensive PSD framework.

Taken together, these PSD framework concepts and key elements can:

- Incorporate both Myanmar's unique context and global/regional best practices.

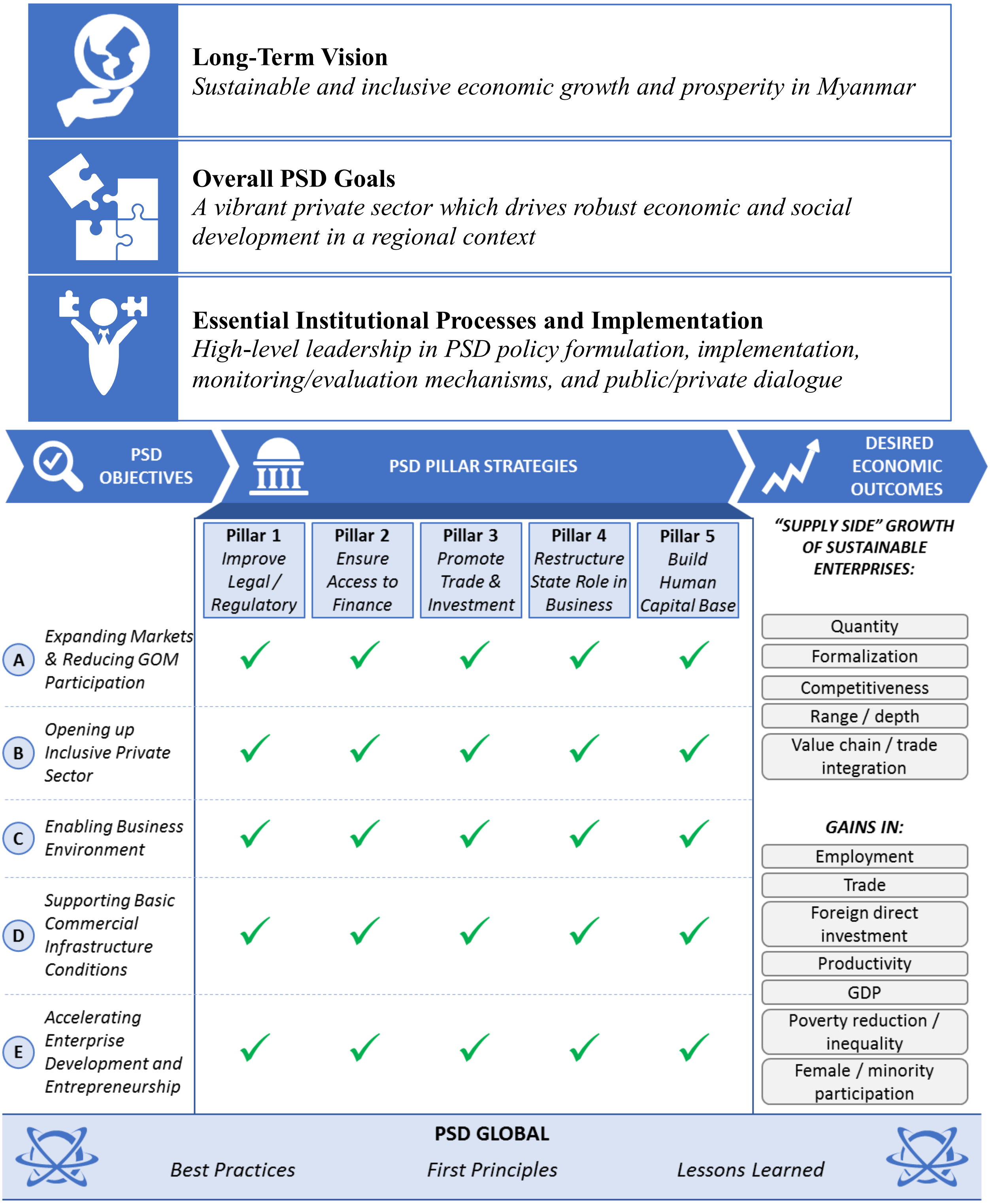
- Provide an integrated, holistic structure, process, and foundation for the indicative PSD Framework and Action Plan.

- Create an overall structure for remedying the disconnect between the government's high-level PSD vision/goals, and the outdated public sector philosophy, overstretched public sector institutions, and ineffective public/private sector collaboration, synergies, and partnerships.

- Guide the evaluation and mapping of Myanmar's PSD reform progress, shortfalls and challenges in relation to the expressed PSD aspirations and goals.

The following diagram provides the organizing principles, structure, and processes through which Myanmar's leaders can develop and implement a powerful PSD framework and strategy. Intensive collaboration between public and private sector stakeholders is required, as well to translate this into a robust and fully "owned" Myanmar PSD framework. It shows how the five foundational pillar strategies are interrelated components of a broader PSD framework for Myanmar. The checkmarks in the diagram represent cross-cutting policies and actions which will be developed within each pillar when planning actions (Deliverable 3).

An Indicative Myanmar PSD Framework – Key Elements and Dimensions



Appendix 3: Abbreviations

ADB	Asian Development Bank
ADR	alternative dispute resolution
ASEAN	Association of South East Asian Nations
BECF	Basic Education Curriculum Framework
BTA	bilateral trade agreement
CBM	Central Bank of Myanmar
CESR	Comprehensive Education Sector Review
DICA	Directorate of Investment and Company Administration
ESD	Educational Skills Development
EU	European Union
FESR	Framework for Economic and Social Reforms
FDI	foreign direct investment
FIs	financial institutions
FRD	Financial Regulatory Department (of the MOF)
GDP	gross domestic product
ICT	information and communications technology
IPP	independent power producer
MADB	Myanmar Agricultural Development Bank
MBF	Myanmar Business Forum
MBI	Mekong Business Initiative
MF	microfinance
MFI	microfinance institution
MIC	Myanmar Investment Commission
MOC	Ministry of Commerce
MOE	Ministry of Education
MOF	Ministry of Finance
MOLESS	Ministry of Labour, Employment and Social Security
MSE	Myanmar Securities Exchange
NCDP	National Comprehensive Development Plan
NEL	National Education Law
NESP	National Education Strategic Plan
NCHRDP	National Comprehensive Human Resource Development Plan
NSSA	National Skill Standard Authority
OECD	Organisation for Economic Cooperation and Development
PPP	public/private partnership
PSD	private sector development
RCEP	Regional Comprehensive Economic Partnership
SECM	Securities and Exchange Commission of Myanmar
SEEs	state economic enterprises
SFI	state-owned financial institution
SME	small and medium-size enterprise
SOCBs	state-owned commercial banks
SOE	state-owned enterprise
SPS	sanitary and phytosanitary measures
TVET	technical and vocational education and training
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UMFCCI	Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry
UNCDF	United Nations Capital Development Fund
WTO	World Trade Organization