

The
**Myanmar
Business
Environment
Index**
2019

*Measuring Economic
Governance for Private
Sector Development*

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Introduction

Why Economic Governance Matters in Myanmar

Myanmar faces major challenges to achieving inclusive economic growth throughout the country. In the past decade, the government of Myanmar has undertaken a number of important economic reforms to liberalize the economy and spark new economic growth. Fundamental changes in investment promotion, monetary policy, and other areas have helped lay the groundwork for new economic activity. The resulting economic growth, however, has failed to reach all corners of the country. In many states and regions, poverty rates remain high, and inadequate employment opportunities prevent widespread economic improvement. As Myanmar's Southeast Asian neighbors have demonstrated, addressing these problems requires government measures to ensure that local business environments improve and that a robust and dynamic private sector is able to flourish in all of Myanmar's states and regions.

Weak or confusing economic governance structures often inhibit the ability of Myanmar businesses to thrive and contribute to growth. Unclear business licensing procedures complicate business planning, inadequate infrastructure reduces the attractiveness of investing, and small and medium enterprises (SMEs) lack the capital to expand and integrate into regional supply chains. Furthermore, opaque and overlapping governance structures often make it difficult for local administrators to implement procedures consistently across states and regions. While some business regulatory functions reside with Union ministries, others fall to state/region- and township-level offices. As a result, local economic governance in Myanmar is at times inefficient and poorly understood by many of the stakeholders impacted by it.

The Myanmar Business Environment Index aims to identify constraints in Myanmar's business regulatory environment and provide a tool for identifying reform opportunities that spur growth. The MBEI is an Economic Governance Index (EGI), or a specialized instrument pioneered by The Asia Foundation to measure the performance of local authorities and to assess the local business environment through quantitative indicators. EGIs have been used in Indonesia, Sri Lanka, Bangladesh, Cambodia, Mongolia, and Vietnam, and the tool has become widely accepted by diverse governments to understand economic growth, attract investors, and engage in public-private dialogue. In Myanmar, The Asia Foundation carried out extensive desk research, expert interviews, and focus group discussions to adapt the EGI model to the specific Myanmar context and to find ways to best measure these constraints through survey and administrative data.

The objective of the MBEI is to help government, businesses, and stakeholders understand economic governance in Myanmar and foster reforms that address business challenges and support economic growth. By benchmarking constraints and opportunities in local economic governance across Myanmar's states and regions, the MBEI aims to help Union and subnational governments identify promising policy and administrative reforms and to equip local authorities to consider the social and environmental impacts of business activities in their economic planning. Ultimately, the MBEI is intended to help create a stronger business enabling environment that is conducive to sustainable and inclusive economic growth.

What Is Economic Governance?

Economic governance refers to measures taken by governments to support economic activity and transactions. It is generally understood to consist of nine key areas. With respect to each of these, governments have a key function to play through the creation of institutions, design of policies, and implementation of those policies.

1. **Property Rights:** Facilitating access to, and protecting the security of, property vital for business activity, including land, equipment, and intellectual assets.
2. **Contracting Institutions:** Providing institutions, such as courts and arbitration centers, that help enforce contracts and adjudicate disputes between business actors.
3. **Regulatory Institutions and Post-Entry Regulatory Procedures:** Monitoring and regulating commercial activity in compliance with the law.
4. **Corruption:** Preventing the use of public office for private gain.
5. **Transparency and Access to Information:** Providing access to public information relevant to business activity.
6. **Infrastructure Quality:** Ensuring adequate quality infrastructure for conducting commercial activity.
7. **Labor Quality and Recruitment:** Ensuring the availability of an adequate skilled labor workforce.
8. **Policy Bias:** Ensuring a fair competitive environment for all businesses.
9. **Environmental Health:** Preventing environmental degradation from hindering commercial activity.

1.3 MBEI Focus and Methodology

The Myanmar Business Environment Index measures economic governance as experienced by domestic firms in Myanmar's service and manufacturing sectors.

The MBEI does not purport to cover all business sectors in Myanmar, nor does it measure all aspects of Myanmar's business environment. The MBEI includes services (e.g., retail, banking, hospitality) and manufacturing (e.g., food or garment production); however, it does not cover the primary sector (agriculture, mining, forestry and fisheries).² Furthermore, it is focused on capturing the perspectives of domestic businesses rather than foreign enterprises operating in Myanmar. For example, the MBEI measure of land access does not include foreign-owned agribusinesses in Tanintharyi Region, nor does it include domestically owned mining operations in Kachin State. Rather, the MBEI is focused specifically on domestic firms in the service and manufacturing sectors, most of which are SMEs located in cities and towns throughout Myanmar.

MBEI scores cover ten facets of governance, which relate to key themes in economic governance. We chose the features of economic governance that were

most important to the Myanmar business context and then selected measures to track performance on these concepts across Myanmar's states and regions. We discuss these dimensions chronologically around the issues that business managers encounter as they move through the business life cycle from entry to land acquisition to decisions about expansion and growth.

The ten MBEI subindices are built upon 101 indicators relating to specific features of economic governance.

Table 1 below provides a more precise list of the individual, actionable policy indicators that comprise each of the subindices in the MBEI. Each of these indicators is described in more depth in Appendix B below, and the methodology of their selection and incorporation in the index is described in Appendix A. As we describe in more detail in Appendix A.1, the MBEI is composed of two types of indicators: 1) perceptions-based data that is drawn from a nationally representative survey of nearly 4,800 firms in all fourteen states/regions and Nay Pyi Taw and 2) hard data collected from administrative records or recorded from observations in the field.

What Is the Focus of the MBEI?

Economic governance refers to measures taken by governments to support economic activity and transactions. Broadly speaking, it is just one component of governance generally, comprising all the functions of government that provide a suitable business environment. It is generally understood to consist of ten key areas. With respect to each of these areas, governments have a key function to play.

Some findings of the MBEI may seem surprising or counterintuitive; it is therefore important to keep in mind the population and subject matter on which the MBEI focuses. The MBEI does not measure all aspects of the Myanmar business environment (e.g., access to finance), nor does it survey the experiences of all businesses in Myanmar (e.g., agribusinesses). Specifically, the MBEI covers the following:



Domestic firms: The MBEI is focused entirely on the experience of locally owned Myanmar firms.



Service and manufacturing sectors: The MBEI excludes the primary sector (agriculture, fisheries, mining and forestry). It includes measurements only of service and manufacturing firms, many of which operate in the food production subsector.



Nationally representative: The MBEI compiles data from all states and regions. As such, it reflects the experiences of firms in both urban and rural areas of Myanmar.



SMEs: The MBEI sampled firms of all sizes; the vast majority of businesses included, however, are small and medium enterprises.



Economic governance: The MBEI focuses specifically on measuring economic governance, or the elements of Myanmar's business environment that may be influenced through government policy and administration.

Myanmar's Emerging Economic Governance Framework

Myanmar's 2008 Constitution marked an important turning point toward greater state and region involvement in economic governance. Among the many notable features of the new constitution was the creation of fourteen states and regions and one Union Territory, Nay Pyi Taw, consisting of the nation's capital city and surrounding townships. Under the new constitution, each state and region has a parliament (Hluttaw) with legislative powers and an executive power, or government, led by a chief minister and cabinet of ministers. Schedule 1 of the Constitution outlines the respective roles and responsibilities of the Union government, while Schedule 2 defines the legislative and administrative roles and responsibilities of the state and region governments. As such, the 2008 Constitution marked an important step toward decentralization in Myanmar by creating new responsibilities as well as new institutions and actors at the subnational level.

In Myanmar, local economic governance is determined by both Union and state/region governments. On the one hand, the Union government has had an ongoing and influential role in local governance, despite changes resulting from the new constitution. Township departmental offices generally report to district offices, which in turn report to state and region departments, and these departments are part of Union ministries. On the other

hand, under the new constitution, these state/region departments are also associated with a relevant state/region government minister, as per their responsibilities under the constitution. The resulting governance structure is therefore one of dual accountability, in which both Union and state/region governments are relevant to departments operating at the township level.

In order to reflect the evolving nature of governance in Myanmar, the MBEI collects data about business experience at the township level and presents this data in aggregate form at the state and region level.

Economic policy in Myanmar is implemented through a cascade of subnational administrative offices. The MBEI aims to capture the impact of these administrative structures on Myanmar businesses at the township level. This is because the MBEI seeks to measure the degree to which economic policy is effectively administered at these lower levels and also because most businesses in Myanmar interact with government administration below the state/region level. At the same time, the MBEI also aggregates and presents data at the state/region level. It presents state/region profiles because of the important and growing role of state/region government in policymaking and administration in Myanmar.

Table 1
List of All MBEI Indicators by Subindex

Key

Survey data
Observational or
administrative data

 **Subindex 1: Entry Costs**

- Firms waiting over 3 months to be legal (%)
- Number of total documents for firm to become fully legal
- Median days to get operating license (CDC)
- Median days to get operating license (DAO)
- Median days to get DICA registration certificate (DICA)
- Had difficulty with any administrative document (%)
- **DAO licensing efficiency (1-3 points)**
- **DAO required documents (0-6 points)**

 **Subindex 2: Land Access and Security**

- Owns land and has a title
- Length of title acquisition (days)
- No obstacles in acquiring land or expanding premises
- No or low risk of expropriation
- Received fair compensation in case of expropriation
- Firms have done land procedures AND have not encountered any difficulties
- Low perceived rental risk
- **DALMS licensing efficiency (Form 15, 1-3 points)**
- **DALMS required documents (Form 15, 0-5 points)**

 **Subindex 3: Post-Entry Regulation**

- Less than 10% of time spent understanding and complying with regulations
- Number of inspections for all agencies (count)
- Government officials are effective
- Firm does not take many trips to finish registration
- Paperwork is simple
- Fees are publicly listed (%)
- **Helpfulness of junior staff (GAD, 1-5 points)**
- **Helpfulness of senior staff (GAD, 1-5 points)**
- **Helpfulness of junior staff (DAO, 1-5 points)**
- **Helpfulness of senior staff (DAO, 1-5 points)**
- **Helpfulness of junior staff (DALMS, 1-5 points)**
- **Helpfulness of senior staff (DALMS, 1-5 points)**

 **Subindex 4: Informal Payments**

- Percentage of firms that believe they do NOT have to pay informal charges
- Share that pay UNDER 2% of revenue in bribes
- Share that usually know amount of bribe in advance
- High expected delivery of service if bribe is given
- Commission is NOT necessary to win procurement contract
- **Number of corruption cases per firm**

 **Subindex 5: Infrastructure**

- Roads are good or very good
- Telephones are good or very good
- Electrical power is good or very good
- Median hours lost of telephone, fax, and internet
- Median hours of lost power in last month
- Median number of days road blocked in a landslide
- Internet is good or very good
- **Population share with electricity**
- **Population share with TV**
- **Population share with a telephone**

 **Subindex 6: Transparency**

- Access to planning and legal documents: state/region budget; township budget; Union laws and regulations; implementing documents of Union ministry; legal documents at state/region level; new infrastructure plans; public investment plans; land use allocation plans and maps; planning for the development of local industries and sectors; forms for fulfilling regulatory procedures
- Low frequency of changes in laws and regulations at the Union level (%)
 - Low frequency of changes in the regulations at the local level
 - **GAD documents with information posted**
 - **DAO documents with examples provided**
 - **DAO documents with information posted**
 - **DALMS documents with Form 15 examples provided**
 - **DALMS documents with other examples provided**
 - **DALMS documents with information posted**
 - **Level of information posted in one-stop-shops (0-5 points)**

 **Subindex 7: Favoritism in Policy**

- No favoritism of local authorities toward businesses with strong connections
- Favoritism in land access
- Favoritism in access to loans
- Favoritism in granting mineral exploitation license
- Favoritism in administrative procedures
- Favoritism in state contracting
- Favoritism in access to information
- **Banks per 10,000 citizens**
- **Micro-finance institutions per 10,000 citizens**

 **Subindex 8: Environmental Compliance**

- Overall environmental quality good or very good
- Severity of pollution is acceptable or better
- In case of pollution, authorities take timely action
- Pollution does not have negative effect on a firm's business
- Guidance on environmental compliance
- State support for water saving
- State support for waste recycling
- **Percentage of the population with improved sanitation**
- **Percentage of the population with improved water sources**

 **Subindex 9: Labor Recruitment**

- Median share of business costs spent on labor training
- Labor recruitment easy: manual rank-and-file workers
- Labor recruitment easy: technicians
- Labor recruitment easy: accountants
- Labor recruitment easy: supervisors
- Labor recruitment easy: managers/finance manager
- **Share of population completing primary education**
- **Share of population completing middle school education**

 **Subindex 10: Law and Order**

- If official violates law, he will be punished (share agree)
- If staff violate law, they will be disciplined (share agree)
- Legal system will uphold property rights and contracts
- State courts judge economic cases by law
- State court resolves economic cases quickly
- Court judgements are enforced quickly
- Legal aid supports businesses
- Judgement by the court is fair
- Security situation is good
- Victim of a crime last year
- **Crimes per 10,000 citizens**

The State of Economic Governance in Myanmar



Entry Costs

Businesses in Myanmar have three main ways to formalize their operations, and the period of time required to formalize a business varies depending upon the formalization procedure. All in all, 60% of Myanmar businesses claim that they have all the required documentation to be fully legal within three months of starting their registration or licensing procedures, and only 9.3% of firms complain of difficulties in obtaining the necessary documentation. In Myanmar, long waiting periods to acquire an operating license are less about the application processing than the large number of supporting documents needed to begin the process. However, variation in time costs across states/regions is tremendous. In Sagaing Region, the location with the lowest entry costs overall, only 23% of firms wait over three months to be fully legal, less than three documents were required on average by township DAOs, and the median firm received its operating license 21 days after application. By contrast, in Tanintharyi Region, 69% of firms wait over three months to be fully legal, and in Mandalay Region, firms wait nearly 48 days to receive their operating licenses.



Land Access and Security

For SMEs outside of areas directly affected by conflict, MBEI data suggests that concerns about land are perhaps less dire than for farmers or for companies that are larger or operate in other sectors. Seventy-eight percent of businesses in the MBEI survey operate on land or property that is owned by the owner of the enterprises. Fifty-six percent of businesses operate on family land, while 28% operate on land purchased from another party. Only 22% of businesses operate on land that is leased from government (5.2%) or from another private party (16.7%). Of those who operate on land that they own, 69% have a formal land title for the primary piece of land that their business operates on. Seventy percent of firms report that they encountered no difficulties in fulfilling procedures for land formalization. Furthermore, 95% of firms who had obtained their title report they felt little fear that their land would be expropriated by government through eminent domain or by private actors through conflicting land claims.



Post-Entry Regulation

Post-entry regulation consists of regulatory inspections to monitor labor safety or environmental compliance, interactions with administrative offices to pay taxes, renew licenses, or permits, and more. According to our econometric analysis to develop the MBEI weights, reducing post-entry regulations is an important reform for increasing business satisfaction, performance, and expansion possibilities. Because of its

strong correlation with these factors, post-entry regulations account for 10% of the weighted MBEI. Compared to neighboring countries, post-entry regulation in Myanmar is not overly burdensome, but inspections are frequent and fees are unclear. Overall, the findings with respect to post-entry regulation in Myanmar are mixed. Firms in Myanmar spend much less time dealing with post-entry regulations than operations in Vietnam (94% vs. 68%) and they find paperwork to be much simpler than for Vietnamese firms (70% vs. 52%). They also report very similar evaluations of the effectiveness of bureaucrats (77% vs. 72%) and the requirements for agency visits (59% vs. 52%).



Informal Payments

MBEI findings generally confirm the World Bank's assessment that for many businesses informal payments are infrequent and that they are also small. Seventy-four percent of firms report that informal payments are not common for firms like them, and 79% spend less than 2% of their annual revenue on informal payments. By way of comparison, 60% of firms in Vietnam say informal payments are common, and only 50% pay less than 2% of revenue in informal payments. Despite the low level of informal payments this research demonstrates, variation does exist between localities. In Chin State, where informal payments are the most severe according to the subindex rankings, only 66% report that informal payments are not common for firms like their own. By contrast in Tanintharyi Region, which ranks as the locality with the lowest incidence of informal payments at the township level, 87.4% of firms report that it is not common.



Infrastructure

Quality of infrastructure is a concern for many businesses in Myanmar. In particular, firms express dissatisfaction with road quality and electrical power (only 49% of firms say these features are good or very good). Firms are more positive about the telephone (66% report good or very good) and Internet (54% report good or very good). However, even these infrastructure features have problems. The median firm reported experiencing 20 hours of lost telephone and Internet coverage, and 20 hours of lost electric power in the past month. These types of outages can cost firms tremendous amounts of money in lost and spoiled products. According to businesses, power and transportation infrastructure varies greatly across Myanmar. Nay Pyi Taw, the national capital, for instance, recorded only 16 hours of lost power in the month preceding the survey and only 10 days of road closures owing to flooding in the past year. Compare that to Ayeyarwady Region, where firms experienced 67 hours of power outage and 67 days of unpassable roads, respectively.



Transparency

Government transparency is critically important for businesses to operate and grow. Transparency matters because firms need to know how to comply with government regulations and how to maximize their earnings potential in line with government investment and budget plans. The national level MBEI indicators show that Myanmar still has a long way to go to improve transparency. In general, businesses have very limited access to important planning and legal documents provided by the government. Only 3.6% of firms report having access to the state or region budget, and only 4.3% of firms report having access to new investment plans. Among the documents surveyed, the easiest to access were forms for fulfilling regulatory processes, yet only 26.9% of firms had access to these forms. The implication is that most businesses that engage in long-term planning are doing so without a fair amount of relevant information.



Favoritism in Policy

Favoritism distorts markets, hurts productive firms to the benefit of less productive firms, and ultimately hurts Myanmar's economy. Our analysis reveals significant variation in how businesses experience favoritism, depending on the source of bias. Sixty-four percent of respondents claim that the government has shown favoritism in land access for businesses with strong connections, and 44.6% of firms believe that there is also favoritism in access to loans. But only 19.8% claim that there is favoritism in access to information, and only 25.2% of firms claim that there is favoritism in administrative procedures. There is great variation in bias across states and regions in Myanmar as well. In Shan State, the median state/region, 60.1% of firms claim that there is favoritism in land access. By contrast, only 27.1% of firms claim to experience favoritism in Tanintharyi Region and as many as 83.9% make this claim in Kachin State.



Environmental Compliance

Environmental compliance is among the most important subindices in the MBEI. Its weight of 20% indicates an extremely high correlation between performance on this index and satisfaction with local officials and business expansion plans. This indicator's importance likely has to do with the large share of businesses in service sectors that are injured by pollution. For example, restaurants, hotels, and other tourism businesses

struggle in polluted settings. According to MBEI data, 42% of firms currently believe that overall environmental quality in their locality is good, and 84% believe pollution is at least acceptable. Nonetheless, businesses do raise some concerns. Only 41% of businesses believe authorities respond expeditiously to pollution crises, and only 33% feel that they receive appropriate guidance on environmental compliance.



Labor Recruitment

Competitive labor policies are an integral part of the functioning of an economy. Ease of recruitment of workers and low costs of labor free up firms to engage in other profit-generating activities. A well-educated labor force further improves firm productivity. However, ease of recruitment appears to be a substantial challenge for businesses throughout Myanmar. Across all the jobs we analyzed—be it manual rank-and-file workers, technicians, accountants, supervisors and managers—more than half of the firms surveyed find it difficult to recruit for these positions. The easiest position to recruit was accountants, at 42.1%. Finding good workers is also expensive. The median firm spends 5.4% of its operating costs on labor recruitment.



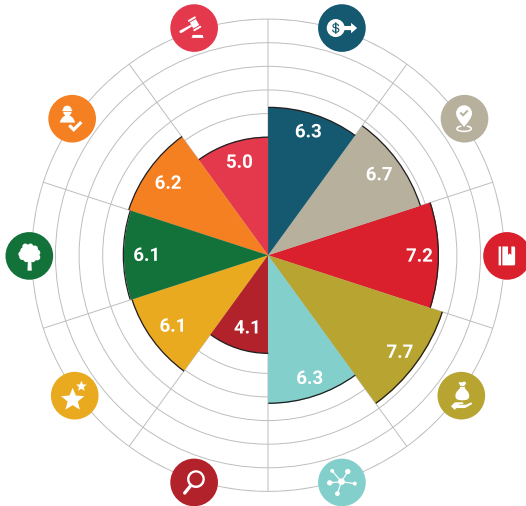
Law and Order

Businesses operate best in a context where laws and regulations allow the enforcement of contracts and the protection of basic property rights. For example, reliable contract enforcement facilitates transactions beyond a business' network of family and friends. This subindex's weight of 20% indicates an extremely high correlation between performance on this index and satisfaction with local officials and business expansion plans. The firm-level indicators for law and order show mixed results, conditional on the indicator we examine. For example, 84.3% of firms believe that the courts judge economic cases by law, and 75.5% of firms claim that they benefit from legal aid (i.e., paralegals and assistance with navigating dispute resolution procedures in their states and regions). However, in ten out of the 15 locations, at least 10% of the respondents said they were victims of a crime in the past year. This risk produces uncertainty that can potentially curtail long-term business planning.

Economic Governance in the States and Regions

State and Region Diagnostics

National Diagnostic



The MBEI is designed to help the Myanmar government identify opportunities to promote private business growth by improving local economic governance. In particular, the MBEI can provide an improved understanding of local economic governance within individual states and regions. Although most businesses interact with government at the township level, decision making with respect to legal, administrative, and policy changes generally rests at higher levels of government. While much of this remains centralized with Myanmar’s Union government, recent efforts toward decentralization increasingly provide an opening for state and region governments to play an important role in improving the local business environment. The MBEI supports this effort by providing a wealth of information that state and region governments may draw upon to improve administration or propose policy reform.

Subindices

- Entry Costs
- Land Access and Security
- Post-Registration Regulation
- Informal Payments
- Infrastructure
- Transparency
- Favoritism in Policy
- Environmental Compliance
- Labor Recruitment
- Law and Order

The starburst chart allows each state or region to visualize its score on all ten MBEI subindices simultaneously. Each of the ten axes in the starburst chart represents one MBEI subindex. Within each subindex a state/ region receives an MBEI score of 0 to 10, which is denoted by the length of the ray on that axis. The further the ray extends outward from the center the stronger the state/region’s score on that subindex, and a ray which extends the full distance indicates a score of 10. For each subindex, a black line indicates the median score of all states/regions on that aspect of economic governance. Interpreting a state or region’s starburst chart involves observing the length of each of the ten rays and its position relative to the median for that subindex. A ray that extends beyond the median is above average (greater than half of all other states and regions) on that particular subindex, and one that is below the median is below average. The starburst chart below, provided as an example, depicts the median score of all states/regions and serves as a national diagnostic for economic governance in Myanmar as a whole. Subindex scores for all states/regions are provided in Figure 2.

Comparisons of States and Regions

Myanmar's states and regions exhibit relatively little overall variation in economic governance compared to other countries where subnational EGIs have been conducted. Little variation means that business experience with governance is generally more homogenous and consistent than in Vietnam and Cambodia, for instance. In other words, most of Myanmar's states and regions provide adequate but mediocre economic governance, and there are few obvious superstars or laggards. Overall mediocrity may be due to the country's long history of centralized, Union-level control over policy and administration. Most of the variation in governance is within states and regions rather than across them. It is partly for this reason that this report emphasizes individual state and regional diagnostics over a direct ranking of Myanmar's states and regions. Nonetheless, a comparison of economic governance across Myanmar's states and regions does yield some interesting insights.

With respect to overall quality of economic governance, Myanmar's states and regions fall into four tiers.

Although variation between states and regions is relatively muted in Myanmar, these tiers reflect distinct levels of performance as evidenced in the MBEI data. The colors in Figure 1 identify four tiers of governance, according to the rating of states and regions on the overall index. The four tiers are comprised of states and regions rated above 63, between 61 and 63, between 57 and 59, and below 57. We have selected these cut-off points because they are the locations where the tiers are relatively robust to changes in methodology. Altering the weights slightly or removing indicators changes rankings within categories but does not lead to states and regions jumping from one basket to another. This point is demonstrated in Figure 1 by the range bars depicting 95% confidence intervals around the average scores for each locality. These confidence intervals include the variance caused by sampling error and index construction procedures. Although the interpretation of confidence intervals is complicated, they can best be thought of as the range of MBEI scores that are possible for each state/region if we were to re-run the entire indexing methodology over again. For instance, in repeated iterations, Kayah State's score might be anywhere between 63.1 and 65.3, with the most likely score centered around 64.2.

Although variation between Myanmar's states and regions is relatively minor, some overall trends are observable. The two locations that measure strongest in overall economic governance are Tanintharyi Region

and Kayah State, both of which border Thailand to the east. Tanintharyi Region stands out for easy access and security of land titles for SMEs, relatively low levels of informal payments at the township level, limited perception of bias toward connected companies, and high confidence of respondents in local legal institutions and law enforcement. By contrast, Kayah State ranked highly in business satisfaction with township-level road and communication infrastructure, and low influence of pollution on the agricultural, service, and food processing sectors in the state. Rakhine State and Chin State unsurprisingly have the lowest overall rankings in the index, which may result from ongoing conflicts and other challenges which command the attention of policy-makers or distract from the more mundane business-level decisions.

Figure 1
Overall State and Region Scores, by Tier.

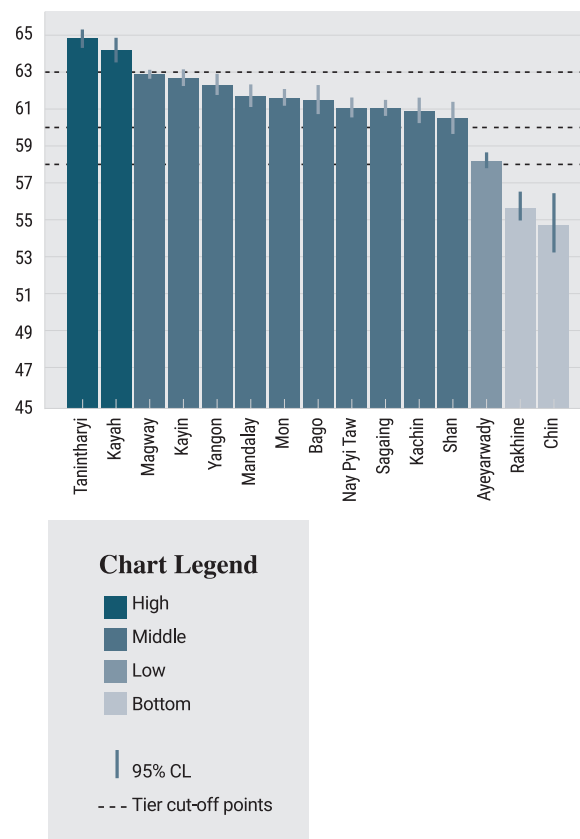
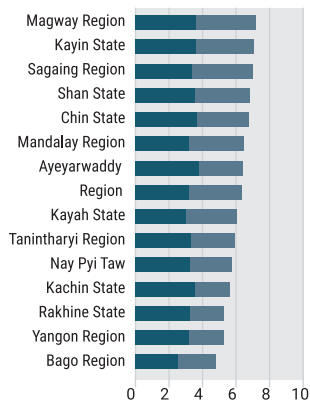
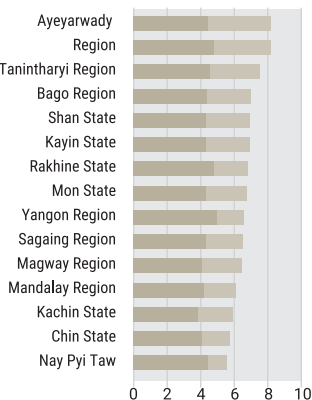


FIGURE 2
State and Region Placement in Every Subindex

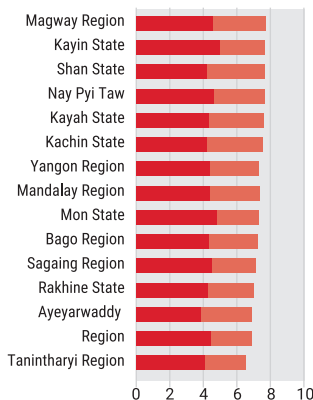
Entry Costs



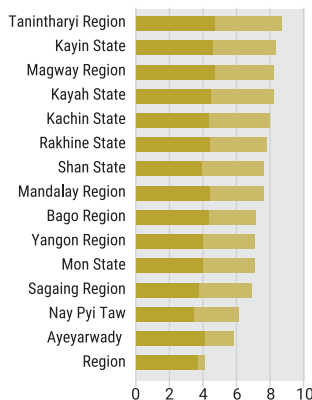
Land Access and Security



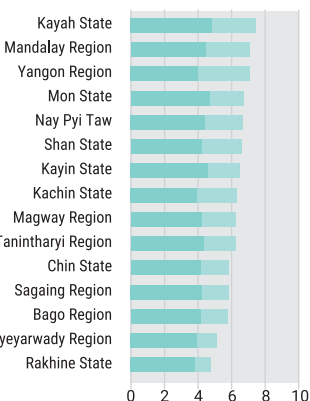
Post-Entry Regulation



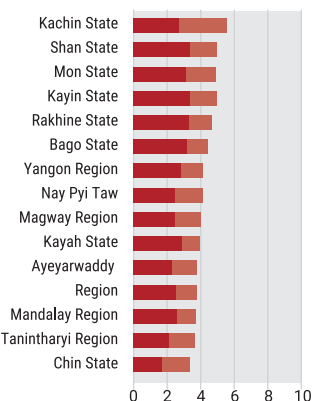
Informal Payments



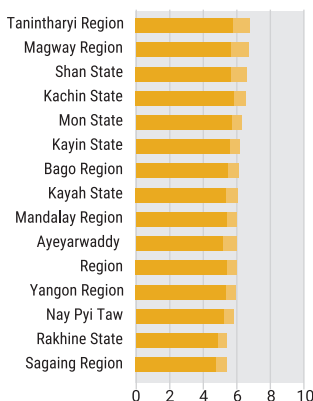
Infrastructure



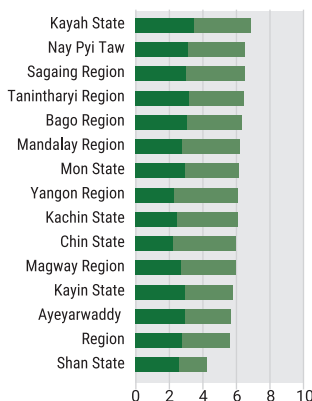
Transparency



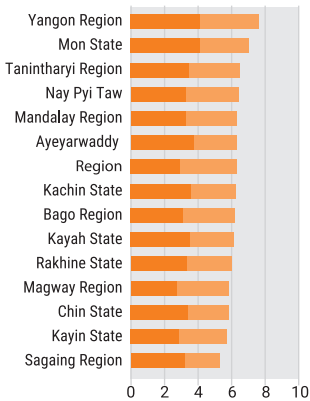
Favoritism



Environmental Compliance



Labor Recruitment



Law and Order

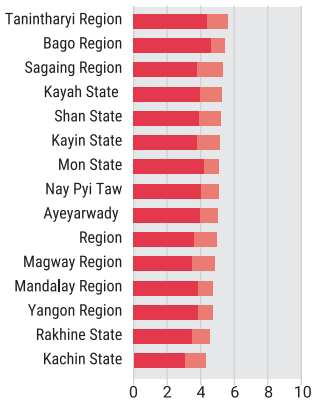


Chart legend

- Hard data
- Survey data

Policy Considerations

The MBEI is designed as a starting point for identifying policy reforms to improve economic governance. In a broad-based survey that covers as much ground as the MBEI project, it is hard to provide pinpoint policy recommendations. Nothing can be improved without first being able to measure the underlying concept that needs reform. In this report, we have provided the measurement, but the next stage of research will require matching reform approaches to the problems that we have highlighted. Each of the 101 indicators used in the MBEI could be improved by multiple, different policy interventions. Future research is necessary to study Myanmar's high-performing states and regions, identify best practices using the 2019 MBEI as a baseline, evaluate governance interventions, and provide precise reform advice.

Several highlights from the MBEI point to key policy considerations that should be prioritized when thinking about future economic governance reforms. Efforts made to address these concerns would be the first steps at improving economic governance throughout the country. According to our research, these goals would be the least difficult to achieve (for example, reducing informal payments and favoritism are more challenging tasks) and perhaps offer large payoffs in terms of increased business optimism and activity. For more township-specific advice, please see the full report, where we provide tailored diagnostics for every state and region.

- **Improved access to information is vital for businesses.** National and local governments can put documents critical documents for business planning—such as local budgets and infrastructure maps—online or post them publicly in government offices.
- **Green policies matter for the economy.** As Myanmar expands and new industries enter and grow, clear zoning policies will be necessary to protect service and agricultural businesses from the more polluting manufacturing and natural-resource-exploiting industries.
- **Public dialogue is critical to sustainable growth.** Studies have shown that consultation with the business community is critical in creating smarter regulations that protect the public interest but are acceptable to the business community.
- **Poor quality local labor force and difficult recruitment is costly to businesses.** Providing vocational training and matchmaking to help source qualified workers—either through state intervention or private sector actors—may help solve critical employment problems.
- **Investments in education pay off.** Local governments should consult with businesses about the skill set that is needed for their specific business sectors. Curriculums for vocational training can be generated at the state/region- and township-levels that respond to these needs.
- **Infrastructure improvements can reduce waste and other costs.** Infrastructure creation is an expensive and long-term project, yet continued or increased expenditures by state and region governments on infrastructure will be money well spent for businesses in Myanmar.
- **Promoting improved processes can increase formalization.** Making sure that businesses are formalized is necessary for implementing regulations that protect public welfare. Additional efforts can be made to expedite operating license provision, such as streamlining renewals.
- **Streamlining, coordination and transparency can reduce the time costs of inspections.** Coordination between local regulatory bodies that visit firms and better communication to businesses of their regulatory obligations can reduce the cost of necessary inspections.
- **Reducing time costs of land title formalization can promote business expansion.** Reducing the waiting period for land titling, which is lengthy by international standards, could allow businesses to more quickly expand, generate jobs, create revenue, and contribute to economic growth.



The Asia Foundation

The Asia Foundation is a nonprofit international development organization committed to improving lives across a dynamic and developing Asia. Informed by six decades of experience and deep local expertise, our work across the region addresses five overarching goals—strengthen governance, empower women, expand economic opportunity, increase environmental resilience, and promote regional cooperation.

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