



Ministry of Industry

**Submission by the Ministry of Industry to the
New Zealand Aid Programme to support the
Competitiveness of Myanmar SMEs
in the International Market**

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Project Concept Note

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Summary

This project is proposed by the Ministry of Industry of the Republic of Union of Myanmar and is aimed at supporting SMEs to produce export - oriented products to compete in the international market. This is to be achieved by nine sub-projects all of which are capacity building [such as seminar, workshop, forum and training]. Collectively they will allow Myanmar SMEs to compete more effectively in the export market by (i) sharing knowledge of the importance role of SMEs in country's economy; and (ii) by changing the current perceptions by the international market by surveying and creating a level playing field .

The proposed support sought from the New Zealand Aid Programme for this project as outlined in this Concept Note can have a number of benefits. By expanding Myanmar SMEs' competitiveness in the international market, national income will increase as well as GDP growth rate and more employment created. It can facilitate participation in the forth coming ASEAN Economic Community (AEC) and ASEAN Free Trade Area (AFTA).

1. Why: Rationale for your project

1.1 Origin of the project

Discussions took place at in-country workshop for implementation of the IAI work plan II in the CLMV countries in Myanmar on March 2012 involving collaboration by ASEAN Secretariat and the New Zealand Aid Programme. The proposed arrangement is consistent with the goal of New Zealand's Aid Program in CLMV countries by supporting sustainable growth and development for a peaceful, just and prosperous society. This SMEs promotion program envisages achieving this objective through support to four priorities focus areas of ;

- (i) Sustainable development focus - targeting SMEs as the backbone of country's economy and upgrading Myanmar SMEs into larger industries;
- (ii) Human Resources development - targeting the fostering off skilled labors and technical personnel;
- (iii) Product Quality enhancement - focusing on producing the quality products to compete in the international market;
- (iv) Marketing strategies - collecting updated data on the SMEs in Myanmar and inviting FDIs to invest according to their enterprises preference.

To build the competitiveness of Myanmar's SMEs in the international market, it is proposed that both Government of Myanmar and the Government of New Zealand would first establish a 'framework' to identify the areas for co-operation. To facilitate this task, it is proposed that the Ministry of Industry[MoI] and the New Zealand Government's Ministry of Foreign Affairs and Trade [MFAT] initiate an *Export-Oriented Products Manufacturing Mission* with the purpose of

assessing the most relevant ways for the New Zealand Aid Programme to make an effective contribution to the development of Myanmar's SMEs sector.

The outcomes from a recently completed [refer Appendix B, the result diagram] and endorsed by SMEs Development Center, was the identification of program opportunities in the Myanmar's SMEs sector- encompassing nine (9) 'highly recommended for support' opportunities which offer the potential to deliver both good economic and social economic outcomes and make high value-adding use of New Zealand and local expertise where possible. All of the nine 'highly recommended for support' opportunities are the basis of this Concept Note.

1.2 Problem definition

SMEs can create the growth rate of country's economy as a vital role. However, and despite this, there are not too much awareness among people concerning SMEs priorities. More specifically, core problem is that 'lack of International Market Competitiveness of Myanmar's SMEs'. This core problem is in turn created and maintained by a confluence of low level of market-research, low product quality, difficulties financial access and high transaction costs compared to competitor countries internationally. The various factors producing these key causes and how they are linked is described in a problem tree diagram attached to this Concept Note [see Appendix A]. It is the view of Ministry of Industry that it is the information -related issues and specifically the lack of availability and capability of human resources which is the core driver for many of the above barriers to the rate of industrial development and SMEs promotion in Myanmar.

1.3 Key stakeholders and results of the consultations/discussions held.

As identified in data maintained by SMEs Registration Department [under the MoI], Myanmar's SMEs are challenged in a number of ways but particularly by a low level of co-ordination between key stakeholders. These key stakeholders are seen as including other public line agencies, training institutions, universities, Central and regional governments and state-owned enterprises (SOEs). Discussions with all stakeholders to date have shown a consistent appreciation of the challenges facing Myanmar's SMEs and the importance of an international market competitiveness as a target. All parties also recognized the needs to improve the SMEs sector and agreed on a human resource development direction for the industry and to take responsibility for their respective distinctive contributions.

In terms of the feedbacks from the key partners in this Concept Note, discussions with other agencies are too early to discuss the areas of possible support. Given though their various roles in the development of human resources for SMEs promotion, it would be very much in their interests to strongly participate. The participation of the about (75) staff responsible for industrial development and SMEs promotion - and their contributions to survey report on the international marketing needs of the SMEs and final recommendations - suggests the project proposed in this Concept Note is very much in line with wider thinking of the Republic of the Union of Myanmar.

1.4 Alignment with partner development plans / priorities

As the principal partner, MoI has made a commitment to the large scale expansion of the SMEs sector. Other partners also see support for SMEs promotion as a priority. Specifically, MoI is progressing a capacity building program under a Germany initiative and collaborating with Myanmar EGRESS capacity building center. Further, six (6) Industrial Training Center (ITCs) under MoI have been conducting numerous kinds of training courses especially for the industrial sector.

2. What: This Project's Purpose and Description

2.1 The Project's purpose and expected results

This Concept Note proposes a project to promote international market competitiveness of Myanmar's SMEs by encouraging SMEs to produce export-oriented products.

It proposes a range of Sub-activities for inputs to collectively progress this. Specifically:

- Sub - Project 1.1: **Study report on export trade volume of the SMEs by products** – Currently no such study report exists within the Ministry of Commerce or MoI with most stakeholders working in isolation. This necessitates an industry-wide undertaking if it is to be productive. This will require the engagement of all stakeholders - coordinated by MoI in Myanmar's SMEs promotion to collaborate in identifying both short and medium terms approaches. The study report on export trade volume of the SMEs products is the first of three sub-activities needed with the second being the provision of internal assistance from Ministry of Commerce.

- Sub - Project 1.2: **Survey report on the international marketing needs of the SMEs** – To organize a joint survey between Myanmar SMEs Development Center and CLV SMEs Development Institution/Association to study international and local market conditions and highlight the main target products according to market demands. Thereafter to utilize the survey result to continuously build and support market information and product design for use by manufacturers of the SMEs in CLMV under New Zealand Aid.
- Sub - Project 1.3: **Ten workshops completed on developing a successful topic in export marketing plan** – Needed is international assistance[specifically utilizing New Zealand expertise, consultancy from ASEAN countries, key stakeholders and officials from SOEs] to conduct at least ten workshops on export marketing planning.
- Sub - Project 2.1: **Public awareness rising re role of SMEs** – The sub-project envisages putting in place appropriate mechanisms and new initiatives around public awareness and knowledge sharing via technology transfer, business knowledge and financing schemes utilizing of the New Zealand Aid Programme across the CLMV region as a whole leading to competitiveness in international/global market.
- Sub - Project 2.2: **SMEs data base and archiving system-** Proposed is a collaborative institution between New Zealand’s SMEs expertise and Myanmar SMEs Development Center under the MoI. This will provide vital information as a reference for investors in assessing resource and commercial risks. Several commercially

software packages have already developed in New Zealand, which could form the core of this requirement.

- Sub - Project 2.3: **International Standardization Initiative Programs of the SMEs and SOEs products-** It is proposed that priority measures be given to immediate attention to improve the quality perception and standardization of the SMEs products in Myanmar. This could be achieved by creating an International Standardization Initiative under New Zealand Aid Program. This will require co-operation with international standardization organizations to practice standardization process that enable Myanmar SMEs to compete in the global market.
- Sub - Project 2.4: **Annual Forum/Seminar for Policy Review and Knowledge Sharing by Local and Foreign Expertise-**The knowledge creation process is seen as the basic pillar to create new business ideas, which in turn will come from work experience, studies, discussion from the Forum and Seminars to be organized by New Zealand Aid Program. This will lead to the creation of cohesive policy, regulatory measures and sound framework conditions for the SMEs. the
- Sub - Project 2.5: **Develop Industrial Sector Cluster Training Materials-** This sub-project is targeted to strengthen the competitiveness of the SMEs by creating industrial clusters. The concrete cooperation strategies between New Zealand Industry associations and MoI are seen as needed for the sustainable development of SMEs Industrial clusters in Myanmar.
- Sub - Project 2.6: **Consultancy to carry out research in two (2) topical areas per year-** The greater co-operation between CLMV

countries to carry out research on at least two topical areas annually which will provide the comparison statement of the SMEs in the CLMV countries. Consultancy assistance will be sought from New Zealand expertise and officials from SOEs of the CLMV countries to participate in doing research.

Project Goal

To develop an increased level of international market competitiveness of Myanmar SMEs by encouraging SMEs to produce export-oriented quality products.

Desired Outcomes

- ❖ Higher contribution of SMEs production to National GDP in the long term.
- ❖ An increased rate of National income to provide economic prosperity in medium term.
- ❖ Greater access to financial resources (Donors and Loan Scheme from New Zealand and ASEAN countries) in medium term.
- ❖ Increased export sales contracts in short term.
- ❖ Increased SME promotion & growth rate of industrial development in short term.

Outputs

Subject to changes which emerge during the detailed design phase, on the basis that this Concept Note is well received by the New Zealand Aid Programme, the outputs from the above desired outcomes are proposed as:

Output 1.1: Study report on export trade volume of the SMEs products

This kind of study report to be printed annually and posted within its own webpage data updated regularly. The report will point out the needs of SMEs and which sector has the potentials to generate Foreign Direct Investment (FDIs). This database will be utilized by the Ministry of Commerce, the Ministry of Industry and the SMEs Development Center. It is envisaged there would also be beneficiaries for foreign investors, donors and all the said government agencies.

Output 1.2: Regional [CLMV] Survey report on the international marketing needs of SMEs-

This survey report will show the international marketing needs of SMEs in CLMV countries. It will connect the SMEs of the CLMV to the international/global market networks. The report will consistently target the regional development of CLMV.

Output 1.3: Ten workshops completed on developing a successful topic in export marketing plan-

Ten workshops will enable to a greater level of co-operation and linkages between Myanmar, New Zealand and ASEAN countries in a positive way. It would be beneficial to key stakeholders in CLMV.

Output 2.1: Public awareness raise re role of SMEs in the economy -

This will achieve broaden knowledge of how SMEs are critical to the National economy and will also expand innovative ideas for SMEs promotion. It will benefit range of all second being partners from foreign companies or entities who will receive creative thinking of the public.

Output 2.2: SMEs data base and archiving system-

This can have the updated data and it will benefit investors as a 'ruler' / benchmark to measure how SMEs are improving [or not] and can decide which sector is still needing to extended support urgently.

Output 2.3: International Standardization Initiative Programs of the SMEs and SOEs products recognized -

In regards to this output,

international/global market will recognize the quality products and international standard certified products of the SMEs in CLMV.

Output 2.4: Annual Forum/Seminar for Policy Review and Knowledge Sharing by Local and Foreign Expertise - An idea alone cannot achieved commercial success and the proposed output of an annual forum and seminar will provide coverage of and exposure to different publicity campaigns among SMEs in CLMV.

Output 2.5: Industrial Sector Cluster Training Materials - It will take into account high growth industrial clusters and will provide benefit in the lessen of transaction costs of SMEs products.

Output 2.6: Research study report on two (2) topics areas per year - It can have specific innovation in each research paper and will enhance the quality improvement, product design creativity and co-operative concert among CLMV countries.

2.2 Funding implications

This Concept Note proposes that the New Zealand Aid Programme fully fund this Project although other donors are investing in the organizations where the various sub-activities under this Project are planned and are therefore complementary. The funding is proposed [as illustrated in Table.1 below].

Table1. Sub-Project funding and related funding sources.

Sub-Project	Sub-Project Funding	Complementary
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	Level[NZ \$ M]			Funding in relevant organization
	NZ	Others	Total	
Survey report on the international marketing needs of the SMEs	0.25	0	0.25	
Ten workshops completed on developing a successful topic in export marketing plan	0.15	0	0.15	
SMEs data base and archiving system	0.25	0	0.25	
International Standardization Initiative Programs of the SMEs and SOEs products	0.5	0	0.5	
Annual Forum/Seminar for Policy Review and Knowledge Sharing by Local and Foreign Expertise-	0.05	0	0.05	
Consultancy to carry out research in two (2) topics areas per year	0.25	0	0.25	
Total	1.45	0	1.45	

Total funding for the project is forecast to be **NZ \$ 1.45 million** over a five years period with the bulk NZ\$ 0.75 million of the funds being expended during year 1. This includes an international standardization initiative programme of SMEs and

SOEs products cost of approximately NZ\$ 0.5 million for year 1. The project will require extensive in-country consultations and co-ordination among all stakeholders and New Zealand - based technical advisers.

3. How: Project Implementation

3.1 Governance / co-ordination arrangements

While being always sensitive to processes ownership by the respective Republic of the Union of Myanmar and New Zealand partners, Ministry of Industry will be the led for this project. Other key governance / co-ordination matters are proposed as followed;

- Ministry of Industry will have overall responsibility as the ‘executing’ agency for implementing the project; the SMEs Development Center will be the most responsible department for the Project implementation on a day-to-day basis.
- There are no other major Projects or Programs currently active in the SMEs sector and this Project would be very much a pioneer Project in Myanmar. Currently, MoI is undertaking to draw up appropriate SMI policy and broader Industrial Policies It will have numerous dialogues and group discussions with German and Indonesia partners and local expertise as well;
- Our Project might link to sectoral priorities of a resource-based industrialization strategy aimed at increasing in agriculture, fisheries, Jade and mining which are seen as having comparative advantages for Myanmar. In this context, the SMEs promotion and industrial development proposed by this project will initiate a shift to more skills & knowledge-based industrialization and toward capital-

intensive industries¹ which may themselves contribute to build up further industrial capabilities and will represent an incentive for industrial networks; and -

- To support the promotion of SMEs in Myanmar some organizations such as Industrial Development Committee, SMEs Development Center, Republic of Myanmar Federation of Chamber of Commerce and Industry, Myanmar Industrial Association and Myanmar Engineering Society are collaborating among each other. These are seen as important stakeholders to this project.

3.2 Cross-cutting issues

This Concept Note comes at a time of international interest in building a modernized industrial country based on agriculture. In this respect the activities in this Concept Note are entirely consistent with and supportive of improvements to environmental management, the country's economic prosperity, employment generation, lessening the gap between rural and urban level, health knowledge and higher education in the whole country.




¹ Such as machinery industry, agricultural industry, automobile industry, electrical and electronic industry.

There is the potential therefore to consider the possible impact of faster SMEs promotion and industrial development project commissioning on environmental issues - in particular green house gas emission, energy conservation, green

growth and green economy and human rights issues during the designed process work; Wherever possible, MoI strongly believes that the design work should examine these.

From the MoI's point of view, if this project can accomplish its short and medium terms outcomes the SMEs and industrial sector will be able to be more competitive with international competitors and so significantly expand in its international market share.

Attachments:

-  Attachment A - Problem tree for the Project
-  Attachment B - Results diagram
-  Attachment C - Outcome & Boundary partner matrix