



The emergence of a meso space - Country Case Myanmar

As is typical for a country such as Myanmar, which only started a transformation process in 2012 after decades of isolation, business opportunities are abundant. At the same time, entrepreneurial skills, business management experience, entrepreneurial spirit and support structures at the meso level are severely lacking. One can, however, observe that a meso level is emerging, stemming both from local initiatives and driven by the support of international development organisations. This makes Myanmar a good case for studying the emergence of the meso level.



A difficult environment for businesses

The current situation of the business environment in Myanmar is reflected in international indices and surveys. In the Global Competitiveness Index of the World Economic Forum, Myanmar ranked 134th out of 144 countries in 2014 (World Economic Forum, 2014), only slightly improving its rank to 131 in 2015 (World Economic Forum, 2015). The World Bank's *Doing Business* survey confirms that in Myanmar, among all countries covered by the survey, it is still very difficult to start a business (ranked 177th out of 189 in 2015).

Until recently, the meso space in Myanmar has been largely absent or at least significantly underdeveloped in all typical activity areas of meso organisations (see Article 2 '*What and why meso organisations?*'): technology, education, finance, infrastructure, trade facilitation, start-up promotion and business membership.

The financial sector has improved in recent years, but is still not fully developed and hence not able to properly fulfil its role as intermediary. In particular, the very rigid definition of collateral is hampering access to formal finance sources. The training and education sector does not meet regional or international standards. There is a serious mismatch between vocational training offers and the actual skills demand of the enterprise sector.

For many enterprises it is difficult to find the right level and types of skill of the work force, which, together with underinvestment in capital goods, has led to one of the lowest labour productivity levels in Asia. The regulatory and administrative business environment is highly uncertain and not conducive for enterprises, which is one of the reasons why capital investment is lacking.

Moreover, enterprises are battling with basic and economic infrastructure problems (power supply, water supply, wastewater drainage, transport) as well as poor ICT services. In general, the infrastructure is still in a poor condition, and only slow progress has been made so far. According to the Logistics Performance Index published by the World Bank, Myanmar was ranked 113th out of 160 in 2016 (up from a ranking of 145 in 2014). Land price inflation and legal access to land prevent enterprises from operating in their preferred locations.

Important meso institutions are not present or are in a nascent stage, such as private or public business support systems (BSS) providers. Professional business support systems are not available either, particularly outside the main urban centres, or enterprises are not





aware of them or of their quality. There are only a few professional business associations that could potentially offer services and lobbying power to their members. Most associations are top-down driven, steered more by the interests of government than its enterprise members. The SME Centre under the Ministry of Industry and its newly established branches at regional level are so far

under-capacitated and lack the experience to act as public business support services providers (BSSPs) or to coordinate the service provision of private BSSPs to enterprises. Start-up promotion, i.e. facilitating the initial step of an enterprise from a business idea to start-up operation, hardly exists and is so far only supported by private companies with the funds of international donors.

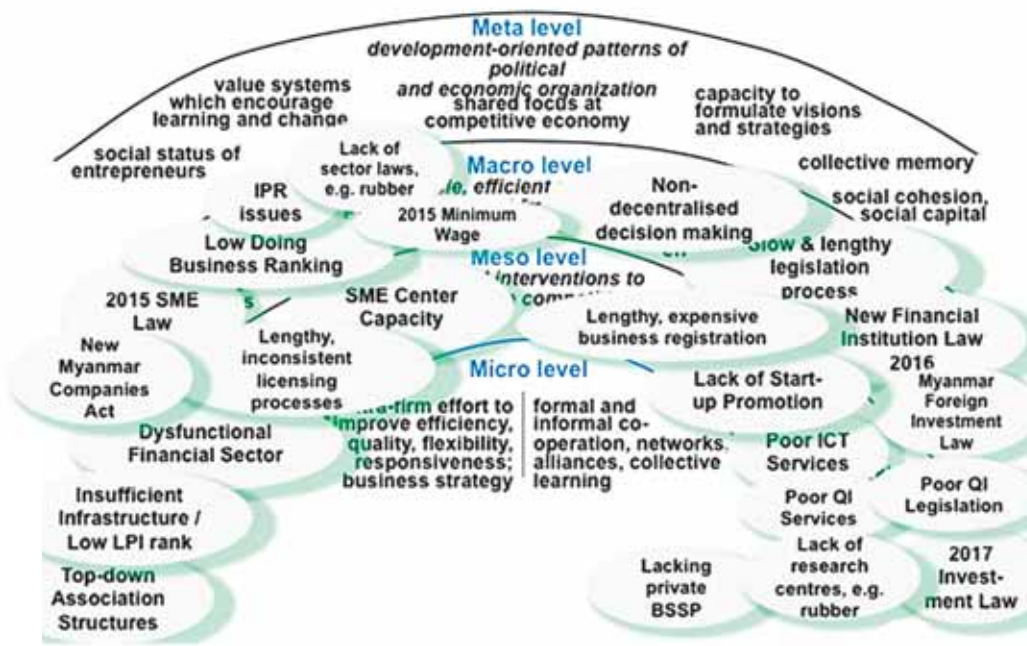


Figure 2: Meso and macro level issues in Myanmar (2017)



Figure 2 shows some of the issues that we picked up in our recent fieldwork in Myanmar. Two initiatives to improve the meso level are explained in more detail under the next two headings. The Myanmar case is also further expanded in Article 4 *'Assessment of meso organisations'* from an organisation development perspective.

Growing meso 1: building up quality infrastructure

The quality infrastructure (QI) in Myanmar provides a typical example of a layer of meso institutions under development. QI refers to all aspects of metrology, standardisation, testing and quality management (MSTQ), including certification and accreditation. This includes both public and private meso institutions and the regulatory macro framework within which they operate. QI is vital for ensuring the quality of products and product processes and hence strongly influences the competitiveness of enterprises in markets. QI is an important prerequisite for health and environmental protection in domestic markets and a precondition for successful participation in global trade. After decades of isolation, Myanmar's QI hardly existed, but it has started to take shape in the last few years with the support of international development organisations such as PTB, GIZ, USAID and UNIDO.

Building up a QI system involves all levels of systemic competitiveness. On the micro level, the demand for QI services needs to be stimulated and their value recognised by enterprises. On the meso level, the various organisations in the area of MSTQ, including certification and accreditation, need to be developed, including organisational and capacity development. In Myanmar the Department of Research and Innovation (DRI) under the Ministry of Education is in charge of this. On the macro level, the whole set of legislation is missing or out-dated. Most importantly, this includes the law of metrology, the law of standardisation and accreditation and all their respective regulations. These legal documents – currently under revision – determine how QI meso policies, organisations and services are structured, what their task portfolio will be and which QI services could be outsourced to the private sector, i.e. the micro level. Apart from the lack of expertise in the field of QI, another major concern is uncertain and seriously constrained budget allocation by the government, which might hamper the activities and investments that QI institutions can actually carry out each year. Setting up and expanding QI meso institutions, most notably the National Institute of Metrology Myanmar (NIMM) according to the Strategic Metrology Plan, would require recruiting a significant

number of qualified staff to perform all planned activities. However, government agencies have difficulty in finding new, capable staff. The salaries of officials are considerably lower than the salaries offered in the private sector or in development organisations.

During the process of building up a QI system, which will last a few years, the QI service needs of enterprises and meso institutions themselves still need to be covered somehow. The services of QI institutions of neighbouring countries can temporarily fill the gap. For instance, the DRI has its laboratory equipment calibrated by the National Institute of Metrology in Thailand. Accreditation services for national laboratories are provided by the Singapore

Accreditation Council or through the concept of National Accreditation Focal Points, a collaborative approach to develop national accreditation services in an early stage of QI system development.

Growing meso 2: supporting the rubber sector

The Government of Myanmar has set rubber as one of five priority export products under its National Export Strategy (NES). Natural rubber is an important export product of Myanmar. The production of natural rubber has more than tripled over the past decade according to the rubber sector strategy under the NES. But the strategy paper also identifies a number of key supply-side constraints such as low productivity or low quality as well as key business environment constraints, such as lack of regulations or lack of international accreditation for rubber testing laboratories in Myanmar. It is partly the role of the meso level to work towards resolving these constraints. The rubber sector suffers from the general constraints in the meso level described at the beginning of this article, and it also lacks some specific, targeted support. For example, due to the lack of a rubber law, there is no dedicated rubber board in Myanmar to represent the interests of the rubber sector at government level. There is also no rubber research institute that could support rubber farmers, processors and producers to adopt appropriate cultivation techniques or introduce innovations in processing and production. The government-led Perennial Crops Research and Development Centre under the Ministry of Agriculture suffers





significant resource constraints and is not able to deliver the required services.

At the same time, there are a number of meso level services and organisations emerging around the rubber sector. Most notably, the Myanmar Rubber Planters and Producers Association has worked hard to establish a quality control laboratory for so-called Technically Specified Rubber, which, once internationally accredited, would allow Myanmar rubber producers and processors to sell rubber on a recognised quality level and charge respective prices. Currently Myanmar rubber suffers from a need to discount their prices relative to other countries because quality cannot be guaranteed.

With the help of international development organisations, the rubber sector is also importing meso level support from other countries. For example, the French centre Agricultural Research for Development is supplying research and development support to rubber planters and tappers to improve the productivity of existing plantations

and giving advice on the selection of varieties and cultivation techniques for new or re-established plantations.

Myanmar still has a long way to go to develop a strong and diverse meso level. But as the examples above show, initial efforts are under way. These will significantly contribute to Myanmar's growing competitiveness in various sectors.

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