



## UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**Project number:** SAP ID 120523  
**Project title:** **Fostering Pro-poor and inclusive MSME development in Myanmar**  
**Thematic area code:** PRP  
**Starting date:** March 2013  
**Duration:** 36 months  
**Project site:** Myanmar  
**Government Co-ordinating agency:** Central Department of SMEs Development- - Ministry of Industry,  
**Counterparts:** Central Department of SMEs Development-Ministry of Industry  
Ministry of Cooperatives  
Republic of the Union of Myanmar Chamber of Commerce and Industry (UMFCCI)  
**Executing agency:** UNIDO

**Project Inputs:**

<i>Total Project Budget</i>	<b>€ 3,472,867</b>
<i>Italian Contribution</i>	<b>€320,000 (inception and preparatory phase)</b> <b><u>€800,000 (first phase)</u></b> <b>€1.120,000</b>
<i>Donor inputs:</i>	<b>€ 2,352,867 (EU and others- under negotiation)</b>
<i>Support costs (13%):</i>	<b>€ 36,815 (inception and preparatory phase)</b> <b>€ 92,035 (first phase)</b> <b><u>€ 270,684</u> (EU and others)</b> <b>€399,533 (overall PSC)</b>

**Approved:**

	<b>Signature</b>	<b>Date</b>	<b>Name and Title</b>
<b>On behalf of:</b>			
<b>Min. of Industry</b>			

**On behalf of:**

**UNIDO:**

## **A. CONTEXT**

### **Country context:**

Myanmar is the largest country in the South-East Asian peninsula and has vibrant cultural diversity with over 60 ethnic groups resulting in a wide variety of local products and local knowledge. The population of Myanmar is estimated at 58.4 million according to the 2009 statistic; 70 percent of total population resides in rural areas and the remaining live in urban areas.

With a per capita income below \$500, Myanmar is at the relatively lower end of the average per capita income levels for low income economies. Myanmar has experienced faltered growth for most of the past decades; however, it remains rich in natural resources, with arable land, forestry, minerals (including gas and oil), fresh water and marine resources. The latest available poverty estimates are based on the Integrated Household Living Conditions Assessment (IHLCA) for 2004/05 published in 2007. Additional data on social deprivations is provided by the nation-wide Multi Indicator Cluster Survey of 2003 (MICS 2003) and the Fertility and Reproductive Health Survey of 2007 (FRHS 2007; UNFPA 2010). According to the IHLCA, the incidence of national poverty for Myanmar in 2005 stood at 32 percent, with rural poverty at 36 percent and urban poverty at 22 percent.

Myanmar also has one of the lowest per capita official development assistance (ODA) rates in South-East Asia. Current internal and international investment levels are also not sufficient to provide basic social services. As such, Myanmar is classified as a least-developed country (LDC) due to its isolated economy hampered by macroeconomic imbalances and structural deficiencies. Poor investment climate has slowed the inflow of foreign exchange and areas such as manufacturing struggle with inadequate infrastructure and unpredictable trade policy. The poor economic setting directly affects Myanmar's population.

Compared to many present ASEAN member countries, in previous decades Myanmar was at the forefront of development - economically, socially as well as politically. People from many neighbouring countries had to come to Myanmar to travel outside the region up till early 60s. The country fell into the hands of the military dictators though the Coup in 1962 and remained under the tight reign of the Revolutionary Council. Starting from 1964, land as well as large industrial enterprises were nationalized at different stages. The country officially became a Socialist State in 1974 but even after that, the agriculture sector was not collectivized as in Soviet-style socialist economies and small scale enterprises were allowed to operate without much control. According to the annual reports on Review of Financial, Economic and Social Conditions, the economic output of the private sector was larger than the state-owned sector throughout the socialist era.

After the second military coup in 1988, the State Law and Order Restoration Council came into power and its decision to switch the country's economy from the former socialist-oriented to market-oriented economy is the driving force that brought fundamental changes in the government's policy towards private enterprises. With the promulgation of Foreign Investment Law in late 1988, exports and imports were liberalized and later, through the promulgation of the State-Owned Economic Enterprises Law in 1989, monopoly by State owned enterprises was abolished except for 12 specific industries. Industrial development was further encouraged through the Private Industrial Enterprises Law promulgated in 1990 which includes a general classification for small, medium and large industrial enterprises.

Since then, private industry has grown progressively specifically in the sectors of agriculture, mining, construction and transportation as well as in service providing sectors such as banking, hotels and tourism. According to the data published by Myanmar Industrial Development Committee, Directorate of Industrial Supervision and Inspection, Ministry of Industry, the number of registered small industries has grown from a total of 30,201 in the year 2000 to

33,504 in 2007. Likewise, the number of registered medium industries has grown from 4,185 to 6,516 during the same period. The most up-to-date list compiled by the Union of Myanmar Federation of Chamber of Commerce and Industry on the number of registered small and medium enterprises stands at approximately 40,000 but is not exhaustive.

There is a total of 11,208 cooperative societies in Myanmar including 10,725 primary ones, 462 syndicates, 20 federations and one central cooperative society. After decades of armed conflict and relative isolation from and by the international community, Myanmar is significantly lagging behind its neighbours on most socio-economic indicators on poverty, health, and education, with a Human Development Index ranking of 129 out of 177.

Agriculture is one of the key sectors of Myanmar's economy. It provides employment to two thirds of the population, contributes 58% to the country's GDP and 48% of its exports. The sector, nevertheless, has shown mixed performance over the last two decades. The agricultural potential is under-realised as evidenced by relatively low yields, input use, irrigation coverage despite ample water resources and low cropping intensity in comparison with other South and South-East Asian countries. Malnutrition exists in various parts of the country despite the overall national food self-sufficiency. Agricultural growth is central to any rural development promotion effort. Broad-based and economically efficient rural growth can significantly help to reduce rural poverty by bringing about sustainable increase in productivity and reducing risks and vulnerability for the poorest population. Like most developing countries, Myanmar is mainly an exporter of agricultural and other primary products. Thus, **UNIDO sees an opportunity to strengthen these key industries by leveraging Myanmar's advantage to produce and export a wide range of high added value agricultural products such as grain, vegetables and fruits as well as marine products.** The export of manufactured food products depend very much upon quality standards, which in turn require modern processing technology, and appropriate management skills.

The government of Myanmar realizes that due to the geographic location, demand potential, availability of raw materials, availability of cultivable land and water resources, human resources, **the food sector is seen as one of the most promising sectors not only for domestic industrial development but also for export growth.** The public sector has to play an important role in terms of setting clear development policies, establishing regulatory systems and taking public investments for agriculture development thereby, establishing favourable environment for the development of the agriculture and food sector. In order to achieve a sustainable and long-term viable food industry, there is a **need for strong private sector participation along the whole food supply and value chain with close collaboration and coordination of ministries, state departments and agencies concerned as well as private institutions.**

As Myanmar has abundant food resources both in agriculture and livestock, processing and value addition of these sources will play a crucial role in the national economy. The food processing enterprises are the largest in number in the agro-based industries followed by the textile industry. There are over 45,000 registered MSMEs operating nationwide and over 65% are food processing enterprises with an estimated increase in numbers of 5% annually. Most of the food processing industries in Myanmar are operated based on the traditional wisdom and there is a **need to upgrade the current and forthcoming industries to meet local and international requirements.** The current democratic government's efforts toward an effective and efficient Framework for Economic and Social Reforms (FESR) have been strongly demonstrated both at the domestic and international arena. The recent high level Myanmar Development Cooperation Forum (MDCF) where the framework for economic and social reforms was presented & discussed with high-level participation from various Ministries and international community. The current Government is committed to pursue a "people centered" development approach and have identified some quick wins which was openly shared to the international community for support. The country's priorities and plans for short, medium to long term include industrialization as one of the key, important areas that the current

democratic government is going to pursue. The country identified quick wins in the following areas that are relevant to UNIDO: Strengthening the **private sector development**, enhancing foreign domestic investments, trade facilitation, food security, agricultural growth for job creation, poverty reduction, improve access to credit (public and private) for SMEs, in particular for youth by promoting ad-hoc financial mechanisms through the SME Development Bank and build the capacity of the newly created Central Department of SMEs development (Ministry of Industry) and the Central Committee for SME development.

Thus, the relevance and added value of UNIDO in the country's fast changing environment and development can be demonstrated through this undertaking in close cooperation with the Government of Myanmar.

### **UNIDO experience in the country**

UNIDO's overall strategy in Myanmar since the country started to increase international engagement includes continued and intensified dialogue with the Government and private sector thorough analysis of the local context and development agenda leading to cohesive conceptualization of projects and programmes with focus on private sector development, within the UN's strategic framework in the country and in line with regional initiatives and forums.

**The formulation of this proposal builds on the past initiatives undertaken by UNIDO, which are as follows:**

- Preparatory Assistance: Market analysis, consultations and dialogues on the potential of micro and small business development in the handicrafts sector funded by the Japanese Overseas Development Organisation (JODC) under the framework of the Mekong-Japan Economic and Industrial Cooperation Working Group on West-East Corridor Development (WEC-WG). The findings of this analysis were validated at a workshop during which local counterparts and partners expressed their interest for further UNIDO activities in MSME development.
- A follow-up assessment of MSMEs in Myanmar was conducted in late 2010.
- Briefing session on UNIDO's work in general to various line Ministries in the capital Nay Pyi Taw, followed by an exploratory mission in July 2012 during which concrete proposals and recommendations were received.
- Exploratory mission conducted in July 2012 is response to the demand to upgrade and increase the supply and trade capacities of MSMEs in Myanmar including strengthening the institutional set-up to deal with Micro and SME (MSME) development, clustering and technology transfer.

#### **Definition of Micro and SMEs in Myanmar**

The Private Enterprise Law of 1990 classifies the industries into small, medium and large-scale industries. The criteria for definition of SMEs vary according to the country economic situation. The definition of Myanmar SMEs is either in terms of number of employees, or account of capital investment and horsepower usage. The smaller micro industries are included in the cottage industries law which concerns those industries employing less than 10 workers and using less than 3 H.P motor.

- (a) Private Industrial Enterprise Law, which classified the size of Small, Medium and Large Enterprises (1990)
- (b) Cottage Industries Promotion Law, which classified the size of Cottage Industries (1991)

*Source: Ministry of Industry*

<b>Definition of Criteria for MSMEs</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Power (HP) used	Less than 3 H.p	3 to 25	26 to 50
No of workers	Less than 10	10 to 50	51 to 100
Capital Outlay (Kyat million)		Up to 1	Over 1 to 5
Production Value per year (million)		Up to 2.5	Over 2.5 to 10

Source: Ministry of Industry

The definition is currently under revision in the legislative process to approve a new SME law (approval expected in August or September 2014).

### Sectoral distribution of SMEs in Myanmar

		Large	Small	Medium	Total	Share(%)
	Sub-sector					
1.	Food & Beverages	1778	22282	3683	25965	63.8
2.	Clothing & wearing apparel	247	1494	373	1867	4.83
3.	Construction materials	478	2388	560	2948	7.62
4.	Personal goods	253	495	273	768	1.99
5.	Household goods	105	122	97	219	0.57
6.	Printing & publishing	18	249	90	339	0.88
7.	Industrial raw material	110	668	256	924	2.39
8.	Mineral and petroleum	196	1141	389	1530	3.96
9.	Agricultural equipment	8	35	21	56	0.14
10.	Machinery & equipment	12	195	56	251	0.65
11.	Transport vehicles	91	70	17	87	0.22
12.	Electrical goods	36	16	12	28	0.07
13.	Miscellaneous	151	4694	576	5270	13.62
	<b>Total</b>	<b>3483</b>	<b>32534</b>	<b>6149</b>	<b>38683</b>	<b>100.00</b>

Source: Ministry of Industry (1), Directorate of Industrial Supervision and Inspection ■

### **Expected target beneficiaries**

The project will address a variety of stakeholders and beneficiaries (directly and indirectly):

- Government agencies with a mandate in MSME development (Ministry of Industry, Ministry of Cooperatives, Ministry of Commerce, Ministry of Agriculture and Irrigation, Ministry of Science and Technology, Ministry of Hotels and Tourism), and specifically the Cluster Development Group<sup>1</sup> and the **Central Department of SMEs Development, under the** Directorate of Industrial Supervision and Inspection at the Ministry of Industry;
- Local academic, research and policy-making institutions;
- Business development service (BDS) providers (including financial institutions)
- Private sector both national and international, in particular Italian and EU businesses)
- Chamber of Commerce, Industrial associations, Industrial zones, Cluster and community based/rural enterprises (lacquer ware, traditional textile, agro-food, wood work, construction work).
- Youth and women entrepreneurs
- SMEs financing institutions

### **Key Counterpart organizations**

The **Ministry of Industry** has a mandate to work on policy level issues concerning the industry and private sector in general. Within the Ministry of Industry, the **Central Department of SMEs Development** at the national level **was established in 2012 (around 40 staff)** by the government to support the development of SMEs. This new institution, currently under the Directorate for Industrial Inspection and Supervision, **will play a crucial role** in the implementation of the project given the project's objective of creating and enabling a dynamic economic environment through technical assistance support to modernize the policy and strategy framework engaging the new ministry with the aim to ensure a holistic and participatory approach at all levels.

Myanmar government has also formed in 2013 a “**Central Committee for SME development**” to for further development of small and medium- sized enterprises (SME), pivotal for national economy and promotion of social-economic status of the people, according to an announcement of the Presidential Office. The 27-member central committee for SME development is chaired by President U Thein Sein, also involving two Vice Presidents Dr. Sai Mauk Kham and U Nyan Tun and 20 ministers. The central committee is tasked to make laws, regulations and procedures for SME development, to ensure that the government and private banks effectively provide financial capital for SME development, to establish a network with local and foreign organizations to meet technical requirement, to encourage market development of SME from rural to urban areas, and to plan for nurturing human resources for SME development.

The SME Working Committee, under the Central Committee for SME development, has formed 9 working groups including a Cluster Development Group (CDG) tasked to implement cluster development initiatives and policies formulation. The project will continue the close collaboration with the CDG to foster SME development.

The **Ministry of Cooperatives** through its **Small Scale Industries Department** aims to improve the socio-economic life of rural and urban population at the grass root level. Likewise,

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<sup>1</sup> UNIDO project staff in Myanmar is member of the committee.

its mandated to fully support and strengthen the cooperatives' businesses and contribute to the overall development of the country. The Small Scale Industries Department has a history of co-operating with UNIDO as the key government counterpart for the initial preparatory assistance conducted in 2009-2010 and continues to work closely with UNIDO.

In line with the current Government's efforts to encourage local and foreign investments, it will be of extreme importance to work closely with the private sector in the planning and actual project implementation. The **Union of Myanmar Federation of Chambers of Commerce (UMFCCI)** has also worked closely with UNIDO in a number of initiatives in the past and has expressed strong interest in partnering with UNIDO in the project implementation. UMFCCI brings together a variety of business associations whose involvement would be of benefit to the project. UNIDO Regional Office in Thailand has been in close contact with the **Myanmar Industries Association** and UMFCCI through constant dialogues for the development of the preparatory assistance project.

The newly established structures, namely the Central Department of SMEs Development of the Ministry of Industry (around 40 staff) and the Central Committee for SME development, have just been established, therefore, the project will ensure that its implementation would be an opportunity for building their capacity as well as those of the partner private sector institutions.

### **Country-level coherence:**

The United Nations Country Team has identified four strategic priorities for the period 2012-2015. The current project is aligned with Strategic Priority 2, which aims to "Encourage Pro-poor and inclusive growth (both rural and urban), including agricultural development and enhancement of employment opportunities." The engagement with local and rural-based community groups and micro entrepreneurs for entrepreneurial skills development programmes aims to encourage pro-poor and inclusive growth to enhance employment opportunities with a focus on agricultural sub-sectors.

The recent developments in Myanmar would require a review of the UN system's working groups wherein UNIDO will take part and participate actively and substantially. UNIDO's interventions in the country on Poverty Reduction, Trade Capacity Building, Agri business development areas will require in house coordination and constant exchange of information. In addition, harmonization and synergies with other international organizations specifically with the bilateral international organizations (JICA, GIZ, etc) as well as multilateral organizations including UN organizations, World Bank, ADB, multi-donor trust fund programmes will be promoted. Exchange of information through the organization of knowledge sharing forums will be conducted during the implementation phase. This will also promote aid coordination among the development partners in the area of private sector and MSME development. Effective coordination at the country level is an important undertaking highlighted by the Government in its Framework for economic and social reforms which was endorsed by the international community in Myanmar.

The project will contribute towards the realisation of MDG1 (Eradicate Extreme Poverty and Hunger), through direct technical assistance to cottage industries and the communities that support them, and MDG8 (Develop a Global Partnership for Development).

In view of the pro-poor and inclusive dimension of the project, special emphasis would be placed on most vulnerable part of the population, therefore, a **special focus on women and youth** will be given in prioritizing the assistance provided as part of the local capacity building.

## **B. REASONS FOR UNIDO ASSISTANCE**

In promoting market-oriented economy in a country like Myanmar, enterprises of small and medium size with manufacturing capacity will play a vital role. Private sector accounts for the

majority (70%) of the country's gross domestic product (GDP) in Myanmar and since the sector itself is comprised of micro-small and medium sized enterprises, the growth and development of MSMEs will definitely play a critical role in the country's future economic development. According to Union of Myanmar Federation of Chamber of Commerce and Industry, there are almost 40,000 registered MSMEs in Myanmar and in terms of sector distribution, food and beverage enterprises topped the list with 63.07%, enterprises producing construction materials followed with 7.62% and the labour intensive clothing and textile enterprises stood at third place with 4.83%. It will be very misleading to conclude that the demand for food exceeds by far all other needs in Myanmar as there is no research or assessment undertaken on this issue. It is, however, understandable that the industries that produce construction materials followed second as the country is in the midst of massive infrastructure development.

In gathering key information and additional insights on the status of MSME development in Myanmar, UNIDO has engaged in activities defining preparatory assistance in Myanmar throughout 2009-2010. In 2009 and 2010 UNIDO conducted a pilot SME sector assessment focussed on the potential for micro- and small business development in the handicrafts sector in central and southern Myanmar. This pilot assessment and consultations conducted in 2012, Briefing session about UNIDO's work in general to various line Ministries at the capital Naypyitaw in April 2012, followed by an exploratory mission in July 2012 further solidified UNIDO's proposed areas of interventions that served as basis for this project proposal. It provided a lot of information on the overall status of MSME development in Myanmar and identified a strong need for international assistance. Important issues identified through UNIDO's desk research and MSME assessment includes:

- A draft SME law is under parliament scrutiny. After the approval, government agencies will need support for the formulation of rules and regulations ;
- Limited sources of investment in MSMEs sector;
- Need to upgrade the products to meet international standards;
- Difficulties in marketing, distribution ,market access, information and IT;
- Inadequate level of management skills and technologies;
- Low level of productivity;
- Inadequate access to financing;
- Increasing global and regional competitors;
- Limited infrastructure and business environment;
- Lack of environmental awareness and knowledge;
- Limited awareness of business ethics;
- Weak networking activities among MSMEs;
- Need for more interaction and coordination between government agencies and private sector aiming to establish successful Public – Private Partnerships (PPPs);
- Need to give more awareness to the private sector action plans and time lines of ASEAN FTA ;
- MSMEs need to adopt a development mindset and look ahead, plan carefully, build up their capacity and capability and venture forward actively to achieve the ultimate goals.

In line with the current framework for economic and social reforms (FESR) of the Government, based on the results of UNIDO's initial assessments/ ground work various consultations and dialogues, in particular with **the Ministry of Industry, the Ministry of Cooperatives for Rural Development, and the Ministry of Tourism**, specific requests for support **have been expressed in the following areas for UNIDO interventions:**

- (a) Facilitating a conducive environment enabling private sector development through policy, framework review and formulation;



- (b) Strengthening inter-agency collaboration on MSME development including formulation of MSME development plan and strategies;
- (c) Promoting the development of an inclusive approach (Cluster/Industrial Districts, Value Chain approach/ Sustainable Supply Chain Development);
- (d) Supporting pilot cluster development initiatives – led by principles of social and environmental sustainability - in selected sectors (lacquer ware, textile and agro-processing);
- (e) Linking manufacturing sector to service sectors, including the tourism sector (inputs for upgrading hospitality industry and food);
- (f) Improve access to credit (public and private) for SMEs, in particular for youth by promoting ad-hoc financial mechanisms through the SME Development Bank;
- (g) Build the capacity of the Central Department of SMEs development and the Department of Industrial Inspection and Supervision (Ministry of Industry), the Central Committee for SME development, and the Cluster Development Group;
- (h) Assist the creation and development of [youth-led] start-ups to boost productive work for youth and women by developing their skills, technical capacities, and access to adequate financial means.

With regard to the SMEs sector, the Ministry of Industry reported that 70 % of Myanmar population lives in rural area and agro-based products contribute to 63 % of the total product. Myanmar mainly exports primary agricultural products. Although agricultural products were exported, many crops and fruits were destroyed in their regions because the grower cannot access export markets due to lack of good agricultural practices, technologies, standards and market intelligence. Specifically, SMEs are weak in technology, financing, modernized machinery and equipment for their business. Therefore, they cannot stand among the competitive import products and have difficulty to keep existing customers in various areas. Hence, the Ministry of Industry indicated that new technology transfer is urgently required for increasing the productivity rate and adding value to fruit, crops and flowers throughout the country and achieving higher income from export value added products (edible oil, soap, cosmetics, coffee, tea, rubber products, furniture, textile and garments). Furthermore, the Ministry of Industry requested UNIDO assistance in facilitating market access of small suppliers (SMEs and farms) to new profitable opportunities and business matching with partners from MSME groups.

The proposal for sustainable MSME development takes all of these recommendations, rationale for technical assistance into account. UNIDO's initial assessment of MSME development in Myanmar for the mapping out of the private sector as a whole and the identification of most viable entry points for UNIDO's technical cooperation are important. Thus, **the project conceptualization has followed a needs-based approach conducted in close consultation with government counterparts, partners and stakeholders in Myanmar** including the United Nations Country Team (UNCT) and private sector organizations.

### **The pro-poor, sustainability and inclusive dimension**

Youth and women can be agents of positive change, contributing to the socio-economic development of their societies if they get the chance to learn and make productive use of their skills and talents. However, too often this is not the case. Too often young people and women are unemployed or underemployed.

UNIDO's mandate to promote an inclusive and sustainable industrial development puts employment as one of the main objectives of the organizations programs and activities. The development of a sound private sector provides the foundation for economic growth, structural change and innovation, creation of jobs and livelihoods.

Pro-poor and inclusive value chain development is a vital challenge in development cooperation. The pressures of globalization and liberalization are creating exclusive supply chains between preferred business partners, with dramatic effects on rural economies in developing countries as the less developed business are marginalized and cannot enter nor compete with the more formal and integrated producers. A targeted effort is needed to include smallholder producers and poorer households in integrated supply chains. Furthermore, given the important share of poor people involved in agriculture and related services improved agri-business performance will increase the income of a significant proportion of poor people, and may also translate into an increase of the purchasing power of poor consumers. Among the four –transmission mechanisms between agricultural growth and poverty reduction highlighted by a 2004 DFID paper, it is worth noting agriculture's contribution to the generation of economic opportunity in also in the non-farm sector. Grouping micro and small producers and service providers (clustering and networking) enable them, not only to reach reasonable economies of scale, but also increase their chances to enter into local or even global value chains. Therefore, the Pro-poor and inclusive dimension is also addressed through cluster development. As indicated in the publication: "Cluster development for Pro-poor and inclusive growth: the UNIDO approach", consist in the recognition that thriving clusters can generate employment, income and opportunities for the local community and become drivers of broad-based local economic development. The experience of UNIDO shows that the Pro-poor and inclusive growth potential of cluster development can be unlocked when assistance is provided along two self-reinforcing lines oriented, respectively, at: (a) Generating economic opportunities for the poor; and (b) Tackling other (non-economic) dimensions of poverty. With respect to the first (a), the challenge for a cluster development initiative is to gear collective efficiency gains towards the poor, so that they can increase the productivity of their assets and deploy them to respond to emerging demands and market opportunities. Regarding (b), it is acknowledged that poverty cannot be equated only to the lack of material assets. Taking the view of Amartya Sen<sup>11</sup> (1999) it recognizes that poverty is a multidimensional concept encompassing economic deprivation but also lack of political, socio-cultural, human and protective capabilities. The poor may be unable to take advantage of economic opportunities, if additional constraints are not removed.

Likewise, this project would represent the first concrete action to address poverty alleviation through governance and support the expansion of productive activities targeting less-developed areas. It will enable to start a process that is expected to lead to the development of a full large-scale project.

### C. THE PROJECT

**The current project has been funded by the Italian Development Cooperation in its preparatory and inception phase; based on the findings and the renewed interest of the Government of Italy in assisting the development interventions in Myanmar, particularly towards the creation of job opportunities for youth and women, the current project has received a positive feedback both from the Government of Myanmar and the GoI. Negotiations with EU are ongoing to ensure further funding to expand the project scope and impact within the new programming cycle in the country**

#### C1. Project Objective

**MSMEs in Myanmar are competitive on the national, regional and international markets and provide better employment and livelihood opportunities for local communities.**

#### C2. The UNIDO approach

The project objective will be achieved through **clustering and upgrading MSMEs in Myanmar and establishing business linkages with European service and technology providers, facilitating access to new markets and empowering key stakeholders to contribute to**

**Myanmar's overall sustainable development.** In its **initial phase**, the project will operate mainly at governance and policy levels while establishing the basis of actual transfer of know-how (good practices and technology), access to new markets and finance. Interventions and support to the different stakeholders and beneficiaries will include enhancing their capacity for sustainable business development and providing a better understanding of their business environment. This project will partner directly with various public and private stakeholders and beneficiaries such as MSMEs and service providers (both public and private) aiming at encouraging sustainable economic development in the country. Identification of linkages between Myanmar and Italian public/private institutions (cluster-to-cluster and business-to-business) will be conducted to create the basis for industrial and institutional cooperation.

The guiding principle of UNIDO's approach towards small and medium-scale enterprises is that they play a key role in economic growth and equitable development in developing countries. Their contribution to employment generation, poverty reduction and wider distribution of wealth and opportunities represents a major window of opportunity for most developing countries. However, the potential role of SMEs is often not realized because of a set of problems commonly related to size. Private sector is the driving force of industrial development in virtually all countries. Broad agreements exist on their crucial role in economic and industrial development and in particular in achieving the Millennium Development Goals. In this context, a critically important role is played by micro, small and medium enterprises, which, on average, make up over 90% of enterprises in the world and account for 50-60% of employment in particular in developing countries, whose major challenge is to combine the SMEs' employment potential with increasing productivity. This means shifting from low-volume, price-driven to higher-value, knowledge-based performance. To prosper, **the private sector needs an environment that facilitates growth, including easy access to business-related information, technical support services, funding and access to national and international markets.**

Individual SMEs experience difficulties in achieving economies of scale in the purchase of such inputs as equipment, raw materials, finance and consulting services and are often unable to take advantage of market opportunities that require large production quantities, homogenous standards and regular supply. Small size is also a constraint on internalization of functions such as training, market intelligence, logistics and technology innovation, while preventing the achievement of a specialized and effective internal division of labour. To preserve their narrow profit margins, small-scale entrepreneurs in developing countries are often unable to introduce innovative improvements to products and processes and this limits the scope of firms to take advantage of new market opportunities. On a closer observation, however, it is clear that many of these obstacles are the result of SMEs' isolation rather than their size. Therefore, closer cooperation among SMEs as well as between SMEs and the institutions in their surrounding environment holds the key to overcome them.

**Networking offers an important route for individual SMEs to address their problems as well as to improve their competitive position.** By coordinating their activities, enterprises can collectively achieve economies of scale beyond the reach of individual small-scale firms and obtain bulk-purchase inputs, achieve optimal scale in the use of machinery and pool production capacities to meet large-scale orders. Inter-enterprise cooperation also enables SMEs to specialize in their core businesses and give way to an external division of labour thus improving their efficiency in production. Joint work also encourages enterprises to learn from each other, exchange ideas and experience to improve product quality and take over more profitable market segments. The project shall introduce the UNIDO networking and clustering approach in assisting MSMEs and at the same time address the gaps of assistance required to strengthen internal operations and improve the operating environment of the sector.

The project objective is expected to be achieved through the development of enterprise clusters and business linkages, strengthening of partnerships with buyers and other supply chain actors, supplier upgrading, facilitating access to finance and institutional capacity building. By

combining a focus on pro-poor, sustainable and inclusive supply chain development and governance with the upgrading of existing local businesses possibilities for local sourcing and further development of emerging MSMEs will be pursued. Across all these activities, the project will promote social and environmental sustainability and raise awareness about the importance of sustainable local development amongst entrepreneurs linked to these sectors as well as local support institutions, government and other stakeholders of relevance.

UNIDO has also benefitted by a strong partnership with Italian SMEs, technical and academic institutions and several projects have been promoted and funded by the Italian cooperation, with emphasis on SMEs upgrading, clustering and partnerships between Italian and developing countries' industries and on transfer of technology for industry and the environment.

**Job creation through productive activities for youth and women.** UNIDO has developed and implemented successful programs in assisting developing and middle income countries in establishing MSMEs and entrepreneurship development programs to boost employment and investment for MSMEs, youth and women entrepreneurs.

The overarching goal is to create decent and durable employment through productive activities. With the public sector's limited capacity to absorb the unemployed, the promotion of private sector can be a solution to employment generation. Jobs are created primarily by the private sector - globally 9 out of every 10 jobs are created by the private sector. However, in many countries, the population faces obstacles in starting or expanding productive activities. The development of micro, small and medium enterprises (MSMEs) is a proven and effective mechanism to facilitate economic development and it is within this vital sector that entrepreneurship requires significant support, guidance and investment.

UNIDO Investment and Technology Unit (ITU) has developed training modules for Investment Promotion, Technology, and Entrepreneurial Finance. Applied modules include combining financial and non-financial support for young entrepreneurs, trainings on enterprise creation and growth, coaching and mentoring of young entrepreneurs, skills development and vocational training, promotion of access to finance and investment, the development of value chains for inclusive markets and skills matching to meet the requirements of the private sector.

UNIDO has successfully engaged in the creation of youth employment opportunities through entrepreneurship and MSME growth and achieved the following results:

- Entrepreneurial culture strengthened and youth entrepreneurship promoted as a viable solution to employment creation
- Access to finance for MSMEs and start-ups facilitated through linkages with local financial institutions or the setting-up of dedicated funds to fill market gaps
- Public and private business service providers better equipped to serve entrepreneurs, in particular youth
- Youth-led enterprises are created and survive the start-up phase

The project will likewise build on the success and experience of UNIDO in the MSME cluster development project in Vietnam financed by the Italian cooperation. This project aimed at supporting the Vietnamese MSMEs (95% of industries in Vietnam and 35% of GDP) to improve their capacity to compete and create value, improving the country living standards and promoting competitiveness, innovation and integration in global value chains through cluster development and partnerships with international businesses. The project concretely focused on: (1) upgrading the capacity and competitiveness of a group of MSMEs in 3 pilot clusters; (2) upgrading the capacity of associations and MSME support institutions in these clusters; (3) promote partnerships among Italian/European and Vietnamese MSMEs and institutions; (4) help entrepreneurs developing or expanding their business through financial and non-financial assistance in the tourism sector.

As a result of the project in Vietnam, around 70 SMEs in three clusters/sectors were upgraded in design, product development, quality and production processes; local capacity of consultants and industry association has been upgraded as well within TA actions. One relevant support institution for the garment / textile sector was upgraded, in order to provide consultancy and technology transfer to all enterprises in the sector. Nationwide cluster development policies have been submitted to the government. Promotion of international business partnerships is ongoing.

UNIDO, with funding provided by the Italian Government, has developed the Iraq Credit Facility, a financial tool of 1 MLN USD embedded within the “Enterprise Development and Investment Promotion Project for the SME sector in Iraq” that was created to establish an appropriate financial scheme to support MSMEs creation and development in three Iraqi Governorates (Erbil, Baghdad and Thi-Qar). The facility has currently supported the creation and expansion of 96 small enterprises in Iraq and the fund has been revolved twice.

Another important example is the collaboration with the Government of Tunisia with whom UNIDO has been engaged for the past 6 years in the development and implementation of Youth Employment programmes to assist in addressing the plague of youth unemployment, particularly in lagging regions. UNIDO programmes in Tunisia have focused on building the capacity of local support structures while, in partnership with international banking institutes, private sector and international development entities, it developed financial mechanisms to promote the creation and development of youth-led enterprises.

### **C.3 RBM Code and Thematic Area Code**

*EC12 Business, Investment and Technology Services*

*EC13 Agribusiness and Rural Entrepreneurship Development*

*EC14 Women & Youth Entrepreneurship*

*EC22 Competitive productive capacities for international trade*

### **C4. Expected outcomes**

**Outcome 1. A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, etc.**

**Outcome 2. By 2016, selected young entrepreneurs will have created, developed or expanded their businesses through partnership, cooperation and cluster development .**

### **C5. Outputs and activities**

**The below outlined outcomes, outputs and activities are related only to the Italian-funded component (€800,000) – Phase 1.**

#### **Outcome 1**

**A conducive environment for MSME development is created through formulation and implementation of MSME and cluster development plans, policies, strategies, etc.**

***OUTPUT 1.1: An MSME development plan is designed and implemented through inclusive interventions, aligned and integrated into other policy instruments and legislation (cluster policy, Industrial zones laws....)***

**Activity 1.1.1**

Provide advisory services to build local capacity to the Central Committee for SME Development, the Central Department for SME Development and the Cluster Development Group supporting a participatory process for formulation of an MSME development plan including the promotion of clusters and integration into national, and where applicable, international supply chains and markets

**Activity 1.1.2**

GAP and supply-chain analysis to identify opportunities for collaboration between European/Italian MSMEs and their associations and academic/research institutions for MSME development with focus on the supply chains identified by the Ministry of Industry;

**Activity 1.1.3**

Define and implement capacity building interventions/plan (transfer of know-how and partnerships) to support the growth of micro and community rural-based enterprises and industrial SMEs as well clusters.

***OUTPUT 1.2: Selected clusters are strengthened***

**Activity 1.2.1**

Mapping and selection of priority clusters in line with Government priorities and taking into account the youth and women employment dimension

**Activity 1.2.2**

Training of trainers of clusters development agents (CDA) on UNIDO methodologies and establishments of M&E system

**Activity 1.2.3**

Assist CDAs (coaching) in providing technical assistance and training to actors in the selected clusters

**Activities 1.2.4**

Support the cluster initiative to increase productivity, market access and sustainability, with a focus on the impact on selected target groups (i.e. youth, women)

**Outcome 2**

**By 2016, selected [young] entrepreneurs will have created, developed or expanded through partnership, cooperation, cluster development, and investment promotion**

***OUTPUT 2.1***

***Public and private support structures, have received assistance in ameliorating their service delivery capacity to youth and women enterprise creation and development through UNIDO methodologies***

**Activity 2.1.1**

Assess the capacity of serving providers in serving the needs of youth and women entrepreneurs

**Activity 2.1.2**

Develop the capacity of service providers, both public and private with UNIDO approaches and methodology (Investment Promotion and Technology, Entrepreneurial Finance and COMFAR on line, Sustainable enterprise creation and development, , Greening your business)

**Activity 2.1.3**

Study tour for selected members of the assisted service providers to receive further training and certification.

***OUTPUT 2.2***

***Selected entrepreneurs have received adequate technical assistance and skills training to***

<b><i>create and grow enterprises within selected value chains and clusters/cooperatives</i></b>
Activity 2.2.1 Identification of potential and existing youth and women entrepreneurs
Activity 2.2.2 Identification of new business opportunities in the selected value chains and clusters/cooperatives to improve efficiency and sustainability of the value chains, clusters and cooperatives
Activity 2.2.3 Provide training and capacity building (enterprise creation and development) with emphasis on cooperatives in collaboration with Italian Universities and research institutions
Activity 2.2.4 Assist young and women entrepreneurs to access adequate financial support through business plan formulation (COMFAR online)
Activity 2.2.5 Assist young and women entrepreneurs in pre and post-creation phase, particularly for those who become service providers in the selected clusters

<b><i>OUTPUT 2.3</i></b> <b><i>Partnership between European/Italian and local enterprises and institutions identified and established through an international event on industrial collaboration, partnerships and investment</i></b>
Activity 2.3.1 Mapping/identification of potential partners to develop local clusters and value chains and profiling of project (youth and women-led) to be presented to international investors
Activity 2.3.2 Identification of potential investors, venture capitals, companies in Europe/Italy interested in invest in Myanmar
Activity 2.3.3 Promotion of events in Myanmar and Italy/Europe and mobilization of public and private participants' awareness
Activity 2.3.4 Conduct of the main event in Myanmar
Activity 2.3.5 Development of a guide on management of MSMEs (for youth and women), cooperative and cluster development for inclusive industrial development in Myanmar
Activity 2.3.6 Follow-up on negotiations and agreement between selected/assisted companies in Myanmar and the Italian/European companies

<b><i>OUTPUT 2.4</i></b> <b><i>Selected financial entities have received adequate technical assistance and advisory services to create ad-hoc funding schemes that serve youth MSME's</i></b>
Activity 2.4.1 Mapping of existing financial schemes that serve MSMEs to identify loopholes in serving the project beneficiaries (youth and women-led business)
Activity 2.4.2 Develop the ToR and a feasibility study for the setting up of a dedicated fund for youth-led MSMEs
Activity 2.4.3 Identify source of funding for the setting up of a dedicated fund for youth enterprise creation

and development (i.a. percentage of the Myanmar debit swap with Italy)
Activity 2.4.4 Assist the selected financial entities by building their capacity on “financing youth and women”
Activity 2.4.5 Develop company profile for youth-led enterprises to be presented to European/Italian potential investors/partners
Activity 2.4.6 Link assisted entrepreneurs with identified potential supply chains, venture capitals, national and international investors, particularly those from Italy

## C6. Expected impact

The project is expected to increase the percentage of employment of youth and women in selected value chains, clusters and cooperatives **up to 10%**, with an increase up to **5% of turnover** for assisted companies, of which **10** will be youth/women-led **start-ups** and **20** existing enterprises that will be assisted in their **growth/expansion** programmes.

The project will select and support at least **2 cluster** initiatives.

At least 1 existing cluster will increase its productivity (**up to 5%**), access to markets (increase **sales up to 5%**), and sustainability (compliance with national and international standards).

At least **100 trainers** from 10 selected support structures will receive training on UNIDO methodologies and approaches, of which **25 coaches** will be traveling to Italy for study tour.

At least **30 officials** will be trained on cluster policies.

At least **250 young** people will receive training on UNIDO approaches and methodologies by assisted support structures.

**1** partnership **event** will be organized in Myanmar, with the participation of at least **20 EU/Italian institutions or enterprises**, at least **5 partnership** opportunities will be identified.

The project will produce at least **2** Terms of Reference (**ToR**) for dedicated youth/women funding schemes.

## C7. Risks and assumptions

No.	Development Risks	Mitigation of risks	Level
<b>Outcome 1</b> A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, et al.			
1	The ability and level of commitment of national counterparts, stakeholders to reach consensus in implementing an integrated, systematic approach to MSME development	Participatory, consultative processes to be strongly promoted, involving key decision makers to support the consensus building process	Medium
2	Political situation in the country (a country in transition, fast changing environment)	Flexibility in the implementation of the project activities	Medium
3	The absorptive capacity of the local	Analysis of the counterparts,	Medium



	counterparts given the huge technical assistance flowing into the country	stakeholders and provide interventions	
4	Cluster members disagree on collective actions	Cluster development agents show benefits fo clustering and support to market access	high
<b>Outcome 2</b> By 2016, selected young entrepreneurs in the tourism sector will have created, developed or expanded their businesses through financial and non-financial assistance.			
6	There is general lack of entrepreneurship culture, thus affecting the number of qualitative project idea that can be fostered through the project	UNIDO to provide assistance in promoting entrepreneurship and an entrepreneurship culture UNIDO to assist youth-led businesses in the pre- and post-creation phase	Medium-low
7	The Government of Myanmar do not continue to invest in SMEs development	Initial results can be used to present the positive effects on the economy of investment in the development of SMEs for the creation productive and decent jobs	Low
8	The financial sector is risk adverse and do not invest in youth and women led start-ups	UNIDO to deploy non-financial assistance to youth and women aspiring entrepreneurs to mitigate the risks and prove the trustworthiness of youth/women entrepreneurs	Medium-low

## D. INPUTS

### D1. Counterpart inputs

The key counterpart of the project, namely the **Ministry of Industry**, will provide office space for the Project Management Unit (PMU) as part of the Government's in kind contribution. The PMU will consist of a national Project Coordinator (NPC) twinned with an International MSME expert with a support staff to provide administrative and logistical support to the PMU. They are to be recruited through competitive process by UNIDO. It is responsible for overall execution, coordination and facilitation of the project and to establish communication channels between the stakeholders.

The lead counterparts, **Ministry of Industry** and **Ministry of Cooperatives** will be responsible for providing necessary lead and coordination to ensure timely delivery of project inputs and their conversion into project outputs and outcomes. As counterpart, the Ministry will ensure the timeliness and effectiveness of inputs made from their end, accounting and reporting of funds provided and data collection for monitoring and implementation progress. To support the smooth coordination between counterparts, stakeholders and UNIDO, designated Focal Points (FP) from each participating Ministries is important.

## D2. UNIDO inputs

The project will transfer information, knowledge, management, technical and entrepreneurial skills and other related competencies to both private and public sectors.

### International Experts

International expertise will be required both in Myanmar and in Vienna to ensure the project correct implementation and the knowledge transfer to national counterparts.

### National Staff

Recruitment of the local national staff is foreseen to support the operations, coordination of the project activities specifically that UNIDO doesn't have a base in Myanmar.

### Trainings

Trainings will be in the form of technical workshops, exchanges/ study tours, learning by doing methodology, training of pool of experts, as facilitated by national/international technical experts. This will address institutional, local capacity building and policy support as described in the UNIDO approach and outline of activities, outputs.

### Equipment and Supplies

For training activities, capacity building of project counterparts, requirements for tools and equipment are foreseen.

### Planning, Management and Organization of the Project

The project will be managed by BIT/CBL and by BIT/ITU, with substantive inputs and support from the Regional Field Office – Thailand, which covers Myanmar. The project identification and formulation were initiated by the field and were finalized jointly with HQs relevant branch. Close coordination within UNIDO at the field is foreseen with the aim of **setting the basis for a solid presence of UNIDO in the country**. The mapping of MSMEs will be done jointly by BIT/CBL using the expertise and tools of the below mentioned UNIDO relevant branches. Based on the findings, an **MSME development plan will be designed and the comments of all relevant branches will be integrated** in the plan, which would then serve as the **backbone for other initiatives** with the aim to **build a solid country programme and ad-hoc team of local expertise**. BIT/ITU will manage the component on youth employment and entrepreneurship, leveraging of its expertise developed in the past years in this field.

The project will also look into **gender mainstreaming** as the country provides a huge potential for women entrepreneurship.

## E. UNIDO BUDGET

The budget proposed consists of three different components: the first is the Italian initial contribution for the preparatory and inception phase that is equal to €350,000; the second one is the expected Italian contribution to the project (**€800,000**); to conclude, the remaining component is under negotiation with the EU Delegation and other donors in Myanmar (€ 2,352,328).

### Budget divided per output (phase 1)

		BL-11:00		BL-15:00	BL-16:00	BL-17:00		BL-21:00	BL-30:00	BL-35:00	BL-45:00	BL-51:00	TOTAL
		Int'l experts/ consultants	IE W/ m	project staff TRAVEL	UNIDO staff TRAVEL	Local Experts/ consultants	LE W/ m	Sub- contracts	Training	Study Tour/ Int.l Meeting	Equipment	Miscellaneous	
OUTCOME 1		A conducive environment for MSME development is created through formulation and implementation of MSME and cluster development plans, policies, strategies											245,500
Output 1.1		An MSME development plan is designed and implemented through inclusive interventions, aligned and integrated into other policy instruments and legislation											
	Total Output 1.1	114,000	12	7,500	6,000	16,800	12	6,000	2,500	-	-	1,000	153,800
Output 1.2	Selected clusters are strengthened												
	Total Output 1.2	28,500	3	7,500	-	25,200	18	10,000	17,500	-	-	3,000	91,700
OUTCOME 2		By 2016, selected [young and women] entrepreneurs will have created, developed or expanded through partnership, cooperation, cluster development, and investment											462,465
Output 2.1		At least 10 CCI clusters are assisted through specific technical assistance programs to serve as pilot models											
	Total Output 2.1	66,500	7	2,500	12,000	5,600	4	5,000	30,000	71,760	5,000	5,000	203,360
Output 2.2		Selected entrepreneurs have received adequate technical assistance and skills training to create and grow enterprises within selected value chains and clusters/cooperatives											
	Total Output 2.2	19,000	2	7,500	6,000	14,000	10	15,000	35,000	-	-	2,000	98,500
Output 2.3		Partnership between European/Italian and local enterprises and institutions identified and established through an international event on industrial collaboration, partnerships and investment											
	Total Output 2.3	9,500	1	5,000	6,000	8,400	6	5,000	25,000	60,000	-	2,000	120,900
Output 2.4		Selected financial entities have received adequate technical assistance and advisory services to create ad-hoc funding schemes that serve youth MSME's											
	Total Output 3.1	9,500	1	-	10,000	7,000	5	5,000	-	-	5,000	3,205	39,705
TOTAL		247,000	26	30,000	40,000	77,000	55	46,000	110,000	131,760	10,000	16,205	707,965
Indirect Cost		13%											92,035
TOTAL INCLUDING INDIRECT & DIRECT													800,000

### Indicative budget for the overall project proposal (EU-Italy funding):

Budget lines	Items	Total EC Funds	Preparatory and inception phase (Italian Fund)	First phase (Italian Funds)	Overall Total
11--50	International Consultant	140,000	90,000	247,000	477,000
15--00	Project travel	27,100	20,000	30,000	77,100
16-00	UNIDO staff travel	125,400	25,000	40,000	190,400
17-50	National expert	458,200	43,000	77,000	578,200
21--00	Subcontracts	264,000	10,000	46,000	322,000
30--00	in service training, event and study tour	443,475	55,000	241,760	739,760
45--00	Equipment	364,500	10,000	10,000	384,500
51--00	Miscellaneous	259,508	30,185	16,205	305,850
Subtotal		2,082,183	283,185	707,965	3,072,850
PSC (13%)		270,684	36,815	92,035	399,533
<b>Total</b>		<b>2,352,867</b>	<b>320,000</b>	<b>800,000</b>	<b>3,472,867</b>

## F. MONITORING AND EVALUATION

Monitoring and evaluation of activities will be undertaken to measure the appropriateness of the institutional capacity building, approach and structure and to enable the trainers, mentors and managers to receive feedback on their performance as well as review the expected multiplying effects to the direct beneficiaries.

The overall project management, monitoring and evaluation will be carried out by UNIDO in partnership with the Ministry of Industry. The Ministry of Industry has a mandate to work on policy-level issues concerning the industry and the private sector in general. Monitoring tools will be introduced and mechanisms will be put in place. Local capacities will likewise be built in steering, monitoring and reviewing relevant processes to promote the ownership by the national counterpart and sustainability of the project.

The implementation activities will be supported by the Project Management Unit (PMU), which will be established in the initial phase of the project. Specifically, the progress of the project will be jointly monitored with counterparts, stakeholders through quarterly project progress meetings and reports.

**The Project Steering Committee** will be formed consisting of key stakeholders from the key line counterpart ministries, private sector and UNIDO. This Committee will convene on a bi-annual basis to monitor project implementation against a set of measurable, tangible, time-specific, and achievable indicators as indicated in the logical framework. The Project Steering Committee will be chaired by the Ministry of Industry, with other members to be identified as well as UNIDO. This committee will act as the institutional mechanism to provide overall advisory, guiding and monitoring functions of the project through its regular committee

meetings. The monitoring process will be carried out by UNIDO experts in collaboration with selected Ministries (i.e. Ministry of Industry, Ministry of Tourism).

The following tools and sources for close monitoring of results will be considered:

- Bi-annual project progress reports and other means of evaluation which will be prepared in line with reporting requirements, with inputs from counterparts;
- Mission reports by experts, specifying areas of training, technical support, highlights of training including lessons learned, way forward, etc.;
- Documentation of experiences, results, etc.;
- Final project report to be submitted to the donor within three months following the project completion.

### **Sustainability of the Project**

The results of the Preparatory phase of this project will serve as a basis for the development and the implementation of a large scale, broader programme envisioned, being multi-donor programme in the area of livelihood, MSME development including promotion of business linkages and clusters.

The project sustainability will be ensured through multifaceted efforts within the design, implementation and monitoring and evaluation stages. Interactive capacity building processes will be applied. Strengthening capacities of local partners in MSME development will provide a holistic and sustainable base for establishing socially responsible and accountable business promotion and stimulating inward investments.

### **G. PRIOR OBLIGATIONS AND PREREQUISITES**

Prior to the start of project implementation, it is necessary that the required inputs, funding to implement all the relevant activities by the parties involved are secured.

### **H. LEGAL CONTEXT**

The Government of the Republic of the Union of Myanmar agrees to apply to the present project, *mutatis mutandis*, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed and entered into force on 17 September 1987.

# Annex 1. LOGFRAME (PHASE 1)

	<i>Intervention logic</i>	<i>Indicators</i>	<i>Sources of verification</i>	<i>Assumptions</i>
<b>Development Objective</b>	<b>MSMEs in Myanmar are competitive on the national, regional and international markets and provide better employment and livelihood opportunities for local communities</b>	N. of new MSMEs surviving the start-up phase  Increase of employment for women and youth	Central Agency of SMEs development statistics  Ministry of Employment  Small scale industries-statistics  Project Reports	Private sector development including small scale/rural based industries is a priority of the current framework for economic and social reforms of Myanmar  MSME development is crucial for a country in transition like Myanmar  Myanmar's challenges including regional economic integration needs to be addressed  Political situation hamper the implementation of the project  Government of Myanmar do not increase investment and support in MSMEs
<b>Outcome 1</b>	<b>A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, et al.</b>	MSMEs development plan validated by the Central Committee for SMEs Development	Minutes of the meetings of the Central Committee for SME Development and the Cluster Development Group  Reports of the Central Department of SMEs Development of the Ministry of Industry	Government is committed towards effective and efficient framework for economic and social reforms that include creating an enabling environment for private sector development  Absorptive capacity of counterparts, partners is taken into consideration in the implementation of the project
<b>Output 1.1</b>	An MSME development plan is designed and implemented through inclusive interventions to establish, upgrade and cluster MSMEs to integrate them into	No. of consultations, workshops held Available MSME Plan and strategy	Workshop /trainings report	Participatory and consultative processes are encouraged  Private and public cooperation is clearly

	<i>Intervention logic</i>	<i>Indicators</i>	<i>Sources of verification</i>	<i>Assumptions</i>
	local, regional and global supply chains			demonstrated
Output 1.2	<b><i>Selected clusters are strengthened</i></b>	Joint actions by members of selected clusters Impact on sales, productivity and sustainability	Cluster development agents reports Efficiency indicators (sales, market access, cost-reduction...)	Participatory and consultative processes are encouraged and joint/collective actions realized
<b>Outcome 2</b>	<b>By 2016, selected [young] entrepreneurs will have created, developed or expanded through partnership, cooperation, cluster development, and investment promotion</b>	N. of new jobs created in enterprises that received assistance Increase in turn over in assisted existing enterprises N. of assisted entrepreneurs having created their start up	Chamber of Commerce  Company survey (UNIDO)  Ministry of Employment annual stats	Political situation remains stable  Financial system remains stable and favour SMEs creation and development  International investors/companies are interested in invest in Myanmar
Output 2.1	Public and private support structures, have received assistance in ameliorating their service delivery capacity to youth and women enterprise creation and development through UNIDO methodologies	N. of Trainers received training on UNIDO methodologies  N. of trainings provided to business support structures  N. of support structures supported	Training reports  UNIDO expenditure reports	Availability of trainers  Willingness with institutions to improve their services  Retention capacity of the institutions
Output 2.2	Selected entrepreneurs have received adequate technical assistance and skills training to create and grow enterprises within selected value chains and clusters and develop cooperatives	N. of enterprises supported for growth and expansion  N. of youth-led start-ups assisted  Young entrepreneurs trained  Training provided to youth	Coaches reports  Companies reports  Random sample interviews  Training reports	Youth and women are interested to start their own businesses in the selected value chains  Financial means are available for youth and women

	<i><b>Intervention logic</b></i>	<i><b>Indicators</b></i>	<i><b>Sources of verification</b></i>	<i><b>Assumptions</b></i>
			Participants lists	
Output 2.3	Partnership between European/Italian and local enterprises and institutions identified and established through an international event on industrial collaboration, partnerships and investment	<p>European/Italian and Myanmar SMEs. Clusters and institutions participating</p> <p>N. of trade and investment partnerships opportunities identified</p> <p>A partnership for development event organized and facilitated</p>	<p>Workshop reports</p> <p>UMFCCI data/statistics</p> <p>Central Agency of SMEs Development report</p> <p>Report of workshops on partnerships for development</p>	<p>Local producers and clusters identified and selected have marketable products and opportunities for partnership</p> <p>European/Italian producers/buyers, clusters and institutions participating</p>
Output 2.4	Selected financial entities have received adequate technical assistance and advisory services to create/develop ad-hoc funding schemes that serve youth MSME's	ToR for ad-hoc funding schemes created	<p>Financial institution report</p> <p>Term of Reference</p>	Financial institutions are not interested to develop a dedicated funding facility for young and/or women entrepreneurship development