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MAPPING YANGON'S EMERGING START-UP ECOSYSTEM



Mapping Yangon's Emerging Start-up Ecosystem



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DISCLAIMER:

The authors' views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

Pre face

This study is an important part of the United States Agency for International Development's efforts to promote SME development in Myanmar, particularly by creating the regulatory space and institutional capability for the entry of new businesses in the Myanmar market. The logical first step is to increase our understanding of the environment in which entrepreneurs and start-ups are operating in Myanmar, beginning with this study on start-ups in the commercial capital of Yangon. Following this study of the ecosystem, USAID, as well as other donors and policy makers that may be reading, may be better-placed to initiate well-targeted interventions that properly address the needs of start-ups and entrepreneurs in Myanmar in an evidence-based and open way.

The following study, Mapping Yangon's Emerging Entrepreneurship Ecosystem, aims to use a robust research framework to examine the environment for new, innovative start-ups in Myanmar, first with a focus on Yangon and in the future examining other cities across the country to compare ecosystems and constraints. The research and report production was led by Project Hub Yangon – Myanmar's first start-up incubator, host of Global Entrepreneurship Week in Myanmar, and specialists in start-up ecosystem development.

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Participants register at Yangon's first Women Entrepreneurs Conference in 2014, hosted by Norwegian NGO Partnership for Change.



Students at Yangon University of Economics take part in an entrepreneurship forum for Global Entrepreneurship Week 2014.

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Following desk research and interviews, the initial findings of the study were presented to an audience of peers in Yangon Myanmar's Global Entrepreneurship Week in November 2014, and a peer review of the initial draft of the report was conducted in December 2014. The researchers would like to thank the interviewees for sharing their time and expertise with us and the peer review group for their comments and feedback, including: Nick Freeman (ADB), Dominik Weidert (GIZ), Ryan Russell and Matt Wallace (Opportunities Now), Roza Gazizova (Silkroad Capital), Steve Parker (USAID Economic Reform and ASEAN Integration program) and Show Ei Ei Tun (USAID Economic Reform and ASEAN Integration program).

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Acronyms

| | | | |
|-------|---|--------|---|
| ACRA | Accounting and Corporate Regulatory Authority (Singapore) | MFI | Micro-Finance Institution |
| ADEPT | Advancing Development through Entrepreneurship Programs and Training | MINE | Myanmar Indigenous Network for Education |
| ADB | Asian Development Bank | MWEA | Myanmar Women Entrepreneurs Association |
| CEFE | Competency Based Economics through Formation of Enterprise | MYEA | Myanmar Young Entrepreneurs Association |
| CESR | Comprehensive Education Sector Review | MYEF | Malaysian Young Entrepreneur Fund |
| FESR | Framework for Economic and Social Reforms (Myanmar government) | OECD | Organization for Economic Cooperation and Development |
| GDP | Gross Domestic Product | PE | Private Equity |
| GEPS | Global Entrepreneurship Policy Survey | SME | Small and Medium Enterprises |
| GEW | Global Entrepreneurship Week | SMI | Sustainable Marketplace Initiative |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit (German development agency) | SMIDB | Small and Medium Industrial Development Bank |
| GoM | Government of Myanmar | TbT | Training of Trainers |
| IP | Intellectual Property | UNESCO | United Nations Educational, Scientific and Cultural Organization |
| IPO | Initial Public Offering | UNICEF | United Nations International Children's Emergency Fund |
| IRD | Internal Revenue Department (Myanmar government) | UMFCCI | Union of Myanmar Federation for Chambers of Commerce and Industry |
| NGO | Non-governmental organization | VC | Venture Capital |
| NNER | National Network for Education Reform | YUE | Yangon University of Economics |
| | | YSX | Yangon Stock Exchange |

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Executive Summary

In Myanmar – a primarily agricultural-based and newly-opened economy – the entrepreneurial system is changing quickly in response to the political and economic reforms that began in 2011. Following decades of isolation and stagnant growth, the private sector in Myanmar, and SMEs in particular, will become an important pillar in promoting economic growth, creating jobs, and providing value to Myanmar's 51 million citizens. In Yangon, Myanmar's commercial capital, reforms, foreign investment, and increased access to telecommunications have appeared to breathe new life into young, innovative entrepreneurs.

Entrepreneurs who create new start-up businesses, which further develop into SMEs, will have a large role to play in Myanmar's economic transition, but will also need significant support along the way.

To understand the constraints to start-up businesses in Yangon, this study maps the start-up ecosystem of Yangon focusing on innovative start-ups that are providing new products and services in the Yangon market. This relatively narrow scope not only aids the research process, but also provides an understanding of broad, high-level constraints to businesses that are likely felt by most entrepreneurs in Yangon, whether they are highly innovative ventures, micro enterprises or small family businesses.

For start-ups to flourish they need an environment that is conducive to entrepreneurship and innovation, as well as business in general. This environment is often referred to as the *Start Up Ecosystem*: the system of institutions, policies,

organizations, and actors that interact with entrepreneurs and young firms to either facilitate or restrict their growth. A well-connected and developed Start Up Ecosystem promotes the growth of new, innovative and scalable companies.

As start-ups grow, their needs change. A business in operation for one year will have different challenges and needs than one that has operated for one week.

To account for these different needs, two frameworks of analysis are applied where possible throughout the study:

- a) The first focuses on 6 domains of the start-up ecosystem: Finance, Human Capital, Culture, Support Systems, Markets, and Policy;
- b) The second differentiates start-ups through their growth stages: Discovery, Validation, Efficiency and Scale.

These two frameworks provide a means to understand what types of resources and support services are available to start-ups at different stages of their growth.

Through interviews with over 50 entrepreneurs, financing firms, and support organizations, we learn that most innovative and successful start-ups are applying catch-up innovation principles – applying business models that are tried and tested in other markets, but localized to Myanmar. Such entrepreneurs have often come (back) from abroad, are generally well educated, and come from families that can support them financially. Also, they prefer to target the high end of the market with higher-technology solutions, leaving a gap in services for low-income and rural areas.

By talking to such entrepreneurs and others about their start-up journey, the outlines of the Yangon Start-Up Ecosystem emerge: It is growing and changing, with more entrepreneurs starting businesses, and more support organizations helping them. But significant gaps and weaknesses persist. There are few avenues for financing, the regulatory environment is prohibitive, and finding and retaining talent is difficult. The system lacks a strong policy foundation and a coordinated network of support organizations to facilitate linkages and help entrepreneurs overcome persistent barriers. Individual ecosystem actors must focus on improving the quality and diversity of services. A closer look at each of the 6 start-up ecosystem domains revealed the following findings:

Finance

Entrepreneurs need access to affordable and diverse financing options. In Yangon, however, start-ups rely heavily on family funding, as banks and investors focus on funding larger businesses. This is highly restrictive for the startup ecosystem.

Foreign investment has increased significantly since 2012, but firms are wary to invest in start-ups, which are seen as risky options with high transaction costs, leaving investors searching for safer options at a greater scale. Furthermore, weak legal frameworks make writing investment contracts difficult.

As such, there are few financing options for early-stage start-ups, such as grants, competitions and loans, particularly at every stage. This limits entrepreneurship to those with financial backing from families with disposable incomes or repatriates with sufficient savings.

Human Capital

Without a ready and affordable workforce to draw on, growing a start-up team is more costly and less efficient. In Yangon, start-ups struggle to find people with the skills they need, which are not aligned with the skills taught in educational institutions in Yangon.

Start-ups are also dealing with high staff turnover as more opportunities are available through high-paying multinational companies. Potential employees in Yangon are not often motivated by the start-up culture, or see start-ups as a way to improve their skills and experience in the short-term before moving on. As such, managers of small-startups refrain from investing in training.

Human Capital also refers to the abilities of entrepreneurs to manage business and identify opportunities, both of which are often assessed, especially by investors, to be limited. New programs to develop entrepreneurial skills sets are beginning to fill the gap left by weak universities.

Culture

Entrepreneurs in Yangon are generally risk averse. Families are a strong force in shaping the attitudes of potential entrepreneurs, with most parents encouraging children to go into safer careers rather than starting their own business. A lack of social safety nets and other ways to mitigate entrepreneurial risks are not often available.

In business, and as for start-ups, mistrust and uncertainty are detrimental to the emerging entrepreneurial culture. At the discovery stage in particular, the start-up ecosystem is hindered by a non-collaborative culture where ideas are not shared openly.

Finally, There is a lack role models and mentors, and media coverage of entrepreneurship is often focused only on tech entrepreneurship.

Support Systems

Although support organizations (training programs, incubators and others) have grown substantially recently, start-ups still demand more diversified support offerings. A large component of the support ecosystem is devoted to tech start-ups. Associations, in particular, represent a strong institutional backbone in the ecosystem, but entrepreneurs want to see more regular, substantive and diverse activities coming from them.

Infrastructure represents a costly hurdle for new businesses, with high costs in rent and telecommunications increasing the prices and risk of starting up. Also, there is a distinct gap in the provision of affordable professional services for new businesses.

Markets

Despite acknowledging the huge market opportunities in Myanmar, new businesses and emerging entrepreneurs are finding it difficult to penetrate some domestic markets or industries. Many industries are protected or restricted by

regulation or monopolistic behavior of established businesses. Rural markets remain underserved and are costly to reach. Government is rarely a customer for start-ups due to opaque, complex, and restrictive public procurement processes.

Further, innovative entrepreneurs are struggling to attract domestic customers due to the lack of consumer education about their products.

Policy

There are many legal and regulatory hurdles for start-ups as a result of poorly considered policy.

Government regulations that affect start-ups are opaque, complex, costly, and frequently changing. Entrepreneurs want predictability in policy and its implementation, especially with regard to taxes, licensing, intellectual property and registration, but there remains a much uncertainty and confusion. Intellectual property law in particular is outdated and minimal.

The recently promulgated SME law shows willingness by the government to better support start-ups and SMEs, but it does not indicate streamlining or simplification of business registration or regulatory compliance. While potentially improving, institutions for regulating start-ups and small businesses are still weak and lack proactive initiatives. As a result, start-ups avoid dealing with government, and often register in Singapore instead.

Recommendations

Myanmar's transition presents many new opportunities for entrepreneurs. Moreover, with incubators, accelerators and other training programs being established by local and international organizations there are more resources available to entrepreneurs than ever before. Nonetheless, there is still much room for improvement to develop a well-connected, well-resourced and dynamic ecosystem that promotes entrepreneurship and supports the growth of new firms.

Without a strong policy framework supporting it, and proactive government and education institutions to develop entrepreneurial skills, Yangon's start-up ecosystem will continue to be disconnected and under-resourced.

Entrepreneurs demand more affordable and flexible ways to fund their new businesses, more diverse training programs and events, and less bureaucracy in registration processes. These needs must be met in some cases by removing red tape and reducing government interventions, and in other cases developing proactive programs targeting entrepreneurs.

A new culture of entrepreneurship – driven by Myanmar nationals returning from abroad and other young businesses operating in a more transparent and competitive environment – can be encouraged through mentorship programs, promotion of entrepreneurial success stories, and providing accessible and up-to-date information resources.

This snapshot of the Yangon start-up ecosystem will continue to shift, grow and change. Policy makers, universities, support organizations, donors and entrepreneurs can best support it by

focusing on: developing entrepreneurial skills; facilitating links between the 6 ecosystem domains; and reducing uncertainties and costs of doing business by sharing information and developing clear and simple policies.

These recommendations are made in more detail at the end of each chapter, and are summarized in the following table.

Finance



- Develop a new business or entrepreneurship grant scheme to bridge the seed-funding gap (from \$10,000 – \$100,000). Partners for such a scheme may include the SME Development Center, UMFC CI, MYEA or an international organization.
- Banking sector reform and capacity improvements are critical for providing a viable source of financing for new businesses, but the financial sector must further be liberalized to achieve this.
- Throughout the financial reform process, take into account the financing challenges of start-ups and involve entrepreneurs in the reform process.
- Provide accessible training programs for entrepreneurs to be investor ready, specifically highlighting the challenges investors are facing in Myanmar.
- Promote diversified types of lending, including through competitions and grants attached to training programs.

Human Capital



- Ensure that practical entrepreneurial skills and business acumen, including technical skill in innovative disciplines, are a part of the new curricula being developed as part of Myanmar's ongoing education sector reform.
- Develop flexible labor markets, to ensure new businesses can attract the skills they need, such as by reducing visa restrictions for re-patriots and foreign entrepreneurs.
- Develop an internship program that helps place talented university students in startups.
- Develop information programs to increase awareness and benefits about career opportunities with start-ups, and to rationalize perceptions of risk of entrepreneurial lifestyle choices.
- Improving the accessibility of information about trainings for entrepreneurs; develop a one-stop portal for training providers to post entrepreneurial training, workshop and program opportunities.

Culture



Support System



- New SME policies and entrepreneurship programs should be developed recognizing the special pressures placed on women entrepreneurs, and particularly in technical industries.
 - Bring in or support new programs that provide exposure to the challenges and triumphs of Myanmar entrepreneurs, such as through television shows and public events.
 - Develop regional exchange programs for key members of the entrepreneurship ecosystem, such as entrepreneurs, educators, and policy makers, to learn about and gain experience from other start-up ecosystems
-
- Continue to improve critical infrastructure, such as electricity generation and supply, as an important need of start-ups and small businesses.
 - Encourage greater provision of affordable legal, tax, and professional advisory services to start-ups by incentivizing private firms to make special offers to start-ups, or developing legal and tax templates for start-ups to access at the SME Centre.
 - The SME Centre should support entrepreneurs with up-to-date information on available support services, such as through an improved website, and practical information and training events.
 - Prioritize mentorship and training programs targeting entrepreneurs and new business owners. Appropriate partners for such programs may include local associations, international organizations or universities.
 - Encourage programs that provide support to non-tech entrepreneurs in Yangon to ensure entrepreneurs in the middle of the spectrum (between micro-enterprise and innovative enterprises) are supported.
 - Associations should develop partnerships with international entrepreneur training programs to contextualize and deliver their well-established and successful programs and methodologies in Myanmar.

Markets



- Ensure that there are anti-monopoly and competition laws in place to ensure a fair playing field for small businesses and startups.
- Ensure small businesses are a part of the advisory structures and feedback processes that shape industry and wider business regulation.
- Encourage entrepreneurs to approach currently under-served rural markets, through incentive programs, innovation competitions or tax incentives.

Policy



- Make the business registration processes clear, straightforward, transparent and affordable.
- Build on the new SME law by developing regulation sparingly and in line with start-ups and SME needs. Set priorities, targets, and commitments, and take measures to protect the policy formulation process from vested interests.
- Clearly define the role, objective and resources available to the *SME Centre*, or the new organization that will take over its roles.
- Increase the clarity and accountability of taxation, licensing and regulatory compliance for registered businesses.
- Develop pro-competition policy and transparent, accessible markets for public procurement.
- Open a one-stop information portal to provide entrepreneurs with quality and up-to-date information on registration, tax, licensing, and other regulatory requirements.
- Support development linkages between universities and entrepreneurs through incubation centers, training programs and R&D.

Chapter 1



Chapter 1

Introduction

Starting a business is challenging. In Myanmar, however, it may be more challenging than any other country¹. To facilitate new business growth, innovation and entrepreneurship, entrepreneurs must be surrounded by a connected and dynamic ecosystem that provides adequate resources and support. This start-up ecosystem, comprised of entrepreneurs, educators, institutions, firms, investors and others, is an essential starting point to understanding the challenges facing young businesses and start-ups in Myanmar.

In Myanmar, a primarily agricultural-based and emerging economy, the entrepreneurial system is changing quickly as the country has embarked on political, economic and social reforms over the past few years. In particular in Yangon, the

¹ The 2014 Doing Business Survey conducted by the World Bank ranked Myanmar last out of 189 countries in “ease of starting a business”.

Myanmar’s commercial capital, reforms, foreign investment, and increased access to telecommunications are breathing new life into innovative entrepreneurs. New support systems for entrepreneurs are emerging as well, as development agencies establish themselves and launch programs to build capacity of entrepreneurs and Small and Medium Enterprises (SMEs). New policies and regulations have encouraged foreign and international entrepreneurs to pivot towards the frontier market of Myanmar, but also have motivated Myanmar nationals living abroad to return to their homeland and start new businesses.

Entrepreneurs are the driving force behind start-ups and SMEs, which in turn are an important pillar of many economies as they supply innovative services and products, train staff, and create jobs. In Myanmar, 99.4 percent of businesses are SMEs.² Entrepreneurs will, therefore, have a large role to play in Myanmar’s transition to a more open, dynamic and inclusive economy.

The following study is a first step toward examining and mapping the existing entrepreneurial ecosystem of Yangon. It aims to increase understanding of the gaps and weaknesses in the ecosystem to highlight what can be done, by policy makers and others, to ensure the ecosystem is better enabling entrepreneurship.

² Organisation for Economic Cooperation and Development, Multi-dimensional Review of Myanmar: Volume 1 Initial Assessment (Paris: Organisation for Economic Cooperation and Development, 2013), 104.

Historical Context

In 2011, following decades of rule by military junta, a newly inaugurated quasi-civilian President U Thein Sein came to office. This began an exciting and challenging time in Myanmar's history, as the country embarked on a path of democratic, economic and social reforms.³

In the years to follow, the Government of Myanmar (GoM) set ambitious goals for reform in four priority areas: (1) Political reform; (2) Economic and social reform; (3) Administrative reform; and (4) Private sector reform.⁴ Further, the government indicated their commitment to facilitating the domestic private sector, placing emphasis on SME development, education, infrastructure development, tax structures, and financial systems, among other policy areas through policy frameworks such as the Nay Pyi Taw Accord, the Framework for Economic and Social Reform and the National Comprehensive Development Plan.⁵

Results of the reform process have included easing some business licensing procedures, encouraging foreign direct investment, relaxing censorship and freeing a number of

political prisoners. New laws were also passed encouraging private sector growth, including: a new Foreign Investment Law (2012) and a Citizens Investment Law (2013) that provided tax incentives for foreign and local investors; and a Foreign Exchange Management Law (2013) reduced restrictions on international transactions⁶.

These changes were welcomed by the international community with most countries choosing to reduce or lift trade sanctions on Myanmar, leading to an influx of foreign investors to explore opportunities in this “last frontier”.

The Opportunity for Entrepreneurs

Myanmar represents a virgin market for many new products, services and business models. The challenge *and* the opportunity for entrepreneurs in Myanmar is to commercialise these new products and business models in the local context – often referred to as “catch-up innovation” – and capture market share before others, and to remain competitive and nimble enough to survive in a changing, risky and increasingly competitive environment.

³ A brief timeline of milestones in Myanmar's recent history are presented in Box 1.1.

⁴ Sein, U Thein (2013), President U Thein Sein delivering speech at the meeting with Union ministers, region/state chief ministers, and deputy ministers, August 11, 2013, www.president-office.gov.mm/en/?q=briefing-room/speeches-and-remarks/2013/08/11/id-2536

⁵ For a comprehensive and detailed review of the political and economic changes and historical background of Myanmar, see OECD's Multi-dimensional Review of Myanmar: Volume 1 (2013).

⁶ Bissinger, J., and Maung Maung, L (2014), Subnational Governments and Business in Myanmar, The Asia Foundation, 5.

Box 1.1: A brief timeline of Myanmar

| | |
|-----------|--|
| 1826-1947 | Colonial period. |
| 1947 | Pinlong Treaty – a federal union blueprint – is signed. Gen. Aung San and ethnic leaders are assassinated. |
| 1948 | Independence. |
| 1958 | First (temporary) coup d'état by the military. |
| 1962 | “Burmese way of socialism”, including the nationalisation of all non-agricultural enterprises. |
| 1988 | Unrest, and internal coup. Myanmar is declared a market economy. Following unrest, university campuses closed. First Foreign Investment Law enacted. |
| 1989 | Burma renamed Myanmar. |
| 1990 | Following botched elections, sanctions imposed by international community. |
| 1997 | Myanmar joins ASEAN. |
| 2005 | Capital moved from Yangon to Nay Pyi Taw. |
| 2007 | “Saffron Revolution” – extended civil disorder. |
| 2008 | Cyclone Nargis devastates Southern Myanmar, killing up to 150,000. |
| 2010 | First elections in 20 years held. Opposition claims elections are fraudulent. Aung San Suu Kyi released from house arrest. |
| 2011 | General Than Shwe steps aside; President U Thein Sein sworn in, and parliament forms. |
| 2012 | Foreign Investment Law revised. First visit from US President Obama. |
| 2013 | Myanmar’s first Global Entrepreneurship Week. Citizen’s Investment Law revised. 60% of Myanmar’s foreign debt cleared. World Bank and ADB re-engage. Telecommunications licenses awarded to 2 foreign companies. |

| | |
|----------------|--|
| 2013 (Cont) | Myanmar’s first start-up incubator opened. 6.5% GDP growth. Surge in foreign tourism begins. |
| 2014 | Myanmar chairs ASEAN for the first time. Banking licenses awarded to 9 foreign banks, but permit limited transactions. 8% GDP growth. |
| Myanmar today: | 51 million people; 70% with little access to basic and essential services. Poverty rate at 37.5%, and GDP per person at \$1,105. Over 70% without access to electricity. |
| 2015 | General elections planned for November. Citizens Investment Law & Foreign Investment Law to be merged. |
| 2030 | McKinsey estimates potential for Annual GDP of over \$200 billion with 10 million additional non-agricultural jobs. Predict 19 million members of the consuming class. |

Relevant Sources:

World Bank Myanmar Overview, www.worldbank.org/en/country/myanmar/overview

McKinsey Global Institute (June 2013), “Myanmar’s Moment: Unique opportunities, major challenges”, available at: www.mckinsey.com/insights/asia-pacific/myanmars_moment.

Recent changes in the business environment have meant new opportunities: new markets and products are more open for entrepreneurs; political and economic reforms have led a significant increase in tourism; and a major infrastructure hurdle – telecommunications – is addressed.

Myanmar is also attractive to entrepreneurs because of its large population of young and employable people (with 60% of the total population aged 15-59 years)⁷ with expectations of a rapidly growing consuming class, its rich natural resources and its favourable position among large, rapidly growing neighbours. But even a surface-level investigation reveals major challenges facing entrepreneurs and start-ups:

- Basic and fundamental enabling services and infrastructure, such as electricity, water, transport and Internet are widely lacking throughout the country.
- A stagnant and out-dated education system has led to an absence of skilled and affordable human resources for start-ups to draw upon as they grow.
- The relationship between government and new businesses is complex, varied, and fragile.
- Entrepreneurs struggle to navigate new and often opaque policies and procedures and prefer to avoid interacting with government where possible.
- Support systems, in the form of associations, training programs and incubation services, are usually focused on supporting only technology start-ups.
- Entrepreneurs are unable to access affordable financing options.

⁷ UNFPA, Myanmar Country Profile, available at: http://countryoffice.unfpa.org/myanmar/2009/11/11/1545/country_profile.

Why look at start-ups now?

Each challenge presented on the left reflects a pillar of the environment that entrepreneurs are operating in: the start-up ecosystem. An understanding of these problems, their complexity, and how they relate to each other can provide deeper insights into what government, non-government organisations, and development agencies can do to promote a vibrant and supportive environment for new businesses in Myanmar, beginning with its commercial capital Yangon.

By mapping the existing and increasingly dynamic start-up ecosystem of Yangon, this report aims to benchmark the early stage of reforms and identify challenges, opportunities, and gaps to be addressed. Entrepreneurs and investors will also have a role to play in creating an open environment conducive to new businesses.

Finally, the study also aims to tell the stories of the new wave of entrepreneurs in Yangon that are starting less traditional businesses with hopes to capitalize on the expected growth of the economy over the next five years.

The following two chapters provide further details on the methodology and framework of the study and overall trends among start-ups in Yangon. Then it explores the six domains of Yangon's Start-Up Ecosystem – Finance, Human Capital, Culture, Supports, Markets and Policy – providing a mapping, assessments and recommendations on each.

Chapter 2



Chapter 2

Methodology & Framework



Image 2.1: The 6 Start-up Ecosystem Domains

Start-up ecosystems have been analyzed globally by the World Economic Forum, the OECD, Start-up Genome, Babson University, Global Entrepreneurship Monitor and many others. The 2013 Entrepreneurship Ecosystem Toolkit, developed by the Aspen Network for Development Entrepreneurs, breaks down nine different frameworks of ecosystem analysis.⁸ Most approaches include identifying domains in the ecosystem that affect entrepreneurs and assessing the overall system through the lens of each domain. Differences among the analytical frameworks lie in their level of analysis (national vs. local), sector focus and level of detail. A more detailed comparison of the nine frameworks and their domains can be found in Annex 1.

The Babson Entrepreneurship Ecosystem Domains

To look at the start-up ecosystem of Yangon in a structured and comprehensive way, this report has adopted the Babson Entrepreneurship Ecosystem Project's "Domains of Entrepreneurship Ecosystem."⁹ This choice was made based on the relevance of the domains and the simplicity of the approach. Further, the approach can be applied at both a national and sub-national level. Following the framework, this report is divided into six chapters, each addressing a domain of the ecosystem, which are described in Table 2.1.¹⁰

⁸ Aspen Network of Development Entrepreneurs (2013), Entrepreneurial Ecosystem Diagnostic Toolkit.

⁹ Iseberg, D. (2012), "Introducing the Babson Entrepreneurship Ecosystem Project", presentation available online.

¹⁰ A chart detailing the Babson Entrepreneurship Ecosystem elements can be found in Annex 2.

Framework 1:

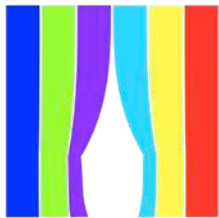
Domains of the Start-up Ecosystem

| | | | |
|---|--|---|--|
|  | <p>Financial services <i>Investigates what the different types of financing are, who the main financing organizations are, how these different organizations fit in at the different stages of a start-up life cycle, what type of financing start-ups are needed at each stage (angel, seed, etc.) and who the key actors are.</i></p> |  | <p>Human resources and talent <i>This section will cover the key education institutions that train and support human resources, and the key challenges regarding human capital.</i></p> |
|  | <p>Regulatory and legal landscape <i>Explores ways governments can support start-up ecosystems, and covers the existing key policies either supporting or constraining start-ups in Yangon.</i></p> |  | <p>Access to Markets <i>Surveys the different types of markets start-ups are targeting, including domestic and international markets; the distribution channels entrepreneurs use; and assessments of market opportunities for entrepreneurs.</i></p> |
|  | <p>Support organizations and infrastructure <i>Examines the types of infrastructure and types of support-system organizations available to entrepreneurs in Myanmar.</i></p> |  | <p>Culture <i>Reviews how the culture in Yangon relates to entrepreneurship. Does the culture promote risk-taking, creativity, and entrepreneurship? How do people view failure? Is the culture conducive to entrepreneurship?</i></p> |

Table 2.1: The 6 start-up ecosystem domains described

Framework 2: Start-up Growth Stages

This report also applies a second framework of analysis based on Start-up Genome's Mamer start-up life cycle.¹¹ Start-up Genome, a web-based ecosystem mapping tool, uses the following framework to assess ecosystems globally, providing a basis for comparing results from Myanmar with those throughout the world. It focuses more directly on the different needs entrepreneurs have based on where they are in the start-up journey. Since this study focuses on constraints to new businesses, the final 2 stages of Mamer life cycle are not included in the framework.



Stage 1: Discovery

Startups are focused on formulating a solution to a problem and determining where the customers would be interested in the solution. The events that occur during this stage may include the formation of the founding team, initial market assessment, foundation of a value proposition, creation of a minimal viable product, and onboarding of first mentors and advisors.



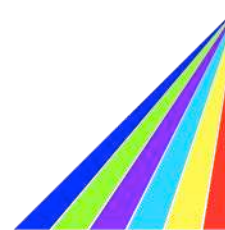
Stage 2: Validation

Startups look to get an early indication that people are interested in the product through initial consumer feedback and/or sales. The events at this stage include refinement of core product features, initial user growth, developing systems for gathering user data, seed funding, first key hires, first paying customers, and verifying product-market fit.



Stage 3: Efficiency

Startups refine their business model and improve the efficiency of their production and customer acquisition. Events include value proposition refining, use of experienced overhauling, and developing repeatable sales processes and/or scalable customer acquisition channels.



Stage 4: Scale

Startups step on the gas pedal and try to drive growth aggressively. Events at this stage can include large A-rounds of financing, massive customer acquisition, back-end scalability improvements, first executive hires, process implementation, and establishment of functional departments.

Table 2.2: The 4 startup growth stages

¹¹ Mamer, M., Hermann, B., Dogrultan, E., Berman, R. (2012), "Startup Genome Report", online.

Merging the two frameworks

As illustrated above, this study incorporates the two frameworks for analysis – the Babson Ecosystem Domains and the Mamer Stages of Start-Up Growth – in an attempt to better describe the journey of an entrepreneur starting up in Yangon.

Each section of the report examines one of the six pillars of Yangon's startup ecosystem, and the different ways it can support entrepreneurs at each stage of startup growth. Where possible, it also breaks down the effect of the ecosystem pillar on entrepreneurs at the four different startup growth stages.

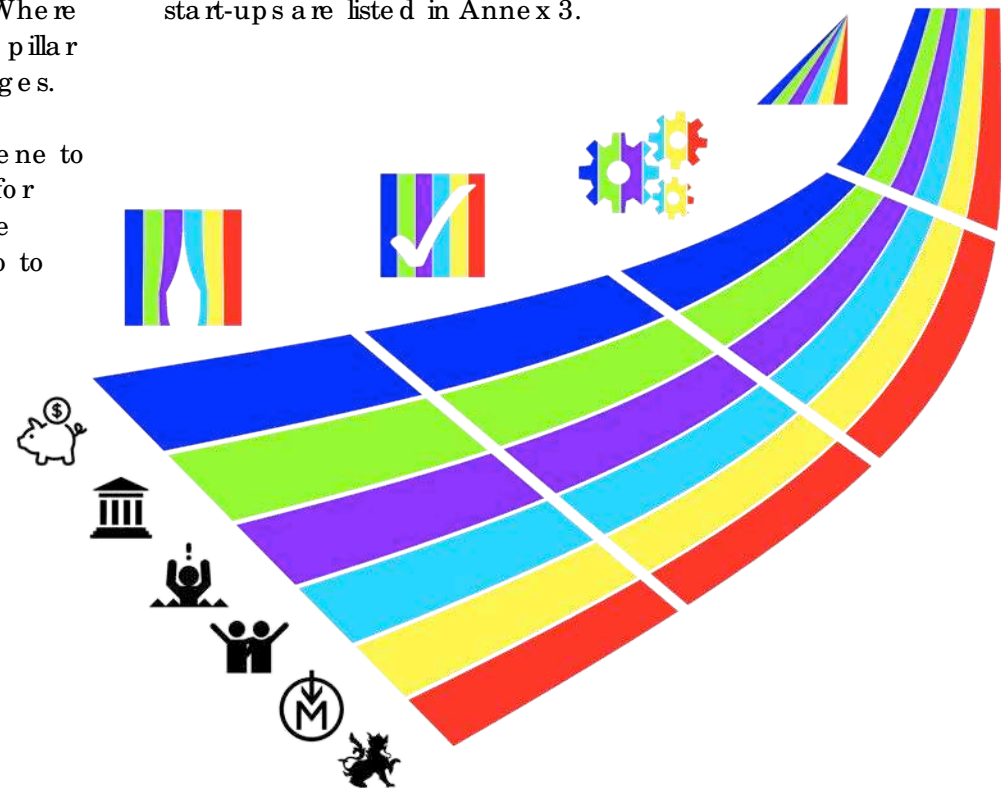
Our goal is to capture a snapshot of Yangon's startup scene to identify the gaps, the challenges, and the opportunities for entrepreneurs and aspiring entrepreneurs, and to provide recommendations for what different stakeholders can do to help make the ecosystem more conducive for start-ups.

Image 2.2 (right): Summary diagram of the two analytical frameworks

Methodology

Inputs for this study were collected by interviewing entrepreneurs in Yangon that represent different company stages (discovery, validation, efficiency and scale) and viable economic sectors (tech, F&B, retail, and others).

Semi-structured interviews were conducted with over 40 entrepreneurs, 8 investors, and 14 support organizations. A summary of the characteristics of the businesses interviewed can be found in Chapter 3 and profiles of selected start-ups are listed in Annex 3.



The Yangon start-up ecosystem was also examined through an online survey. The survey was conducted in both 2013 and 2014 through social media networks within the entrepreneurial community in Yangon. The survey was adapted from the Global Entrepreneurship Policy Survey, which was developed by the Kauffman Foundation.¹² Results from the survey are presented in Chapter 3. The survey was used as a preliminary tool to understand initial trends in the ecosystem, where data are still difficult to come by. The survey has clear limitations, given that it was conducted both online and in English, so it should only be used as a guide and not a formal assessment tool.

Scope

This study represents a first attempt at understanding the dynamics of the largest start-up ecosystem in Myanmar – that of Yangon. The scope of the study focused on innovative and scalable start-ups. Start-up founders included may be local entrepreneurs, foreigners, or “returning” Myanmar nationals seeking to bring a new product, service, or process to the local market. This community of entrepreneurs are those engaging with support organizations, so they are best able to provide insights into the services available to them for support and the challenges they continue to face alone.

Assessing the constraints and challenges of *every* new business and entrepreneur in Yangon would require much more extensive research. As such, the research sample does not include those operating in the informal economy, micro-businesses, established enterprises launching a new

venture, nor different types of new businesses operating with traditional methods in mature industries (such as, for example, opening a new apparel factory). These types of firms have different interactions with the ecosystem elements, and would be less a part of the core start-up ecosystem that this report seeks to describe.

By focusing on innovative start-ups in Yangon – ones that are bringing new solutions to the local market and actively seeking out engagement with a wider community of start-up enthusiasts – the report will not only begin to map the connected elements of the start-up ecosystem of Yangon, but will also provide a basis for comparison with other start-up sectors, clusters, and cities mapped in comparable studies.

Defining Start-Ups

Although there are many possible definitions of start-ups to draw from, our report defines start-ups as businesses that:

- (1) Has been in operation for less than 3 years,
- (2) Is still considered a SME per the Myanmar government definition,
- (3) Employs less than 50 staff, and
- (4) Follows new or innovative business models in the Myanmar context.

¹² See also: www.gew.co/content/gew-policy-survey

Chapter 3



Chapter 3

Introducing Yangon's Start-Ups

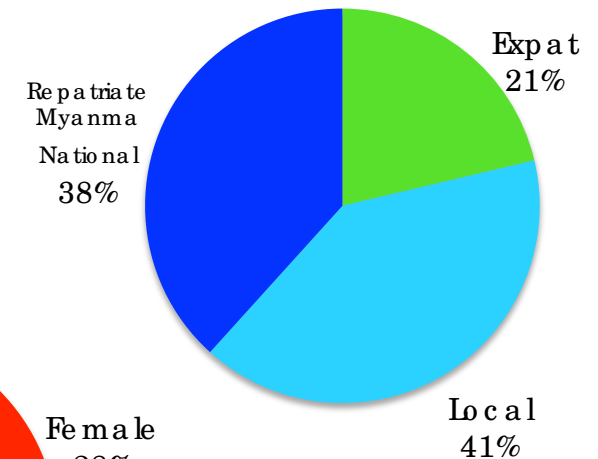
This section draws on data from entrepreneur interviews and the Global Entrepreneurship Survey to highlight the type of people that are starting businesses, policy areas they are concerned about, and overall trends in the types of businesses entrepreneurs in Yangon are starting.

Profiles of Yangon Start-ups

New business ideas are explored every day in response to changing market opportunities; and businesses are fluid, as they grow, pivot or fail. Hence, this research is simply a snapshot of Yangon's start-up ecosystem at a period of time (in late 2014). Characteristics of the 40 entrepreneurs interviewed for this study are summarized in the following graphs and brief profiles of the businesses may be found in Annex 3.

The researchers aimed to interview a wide array of entrepreneurs, including local entrepreneurs, foreign nationals and “repatriates” – Myanmar nationals who have studied and worked abroad and decided to return to Myanmar recently.

**Graph 3.1 (right):
Background of
entrepreneurs
interviewed**

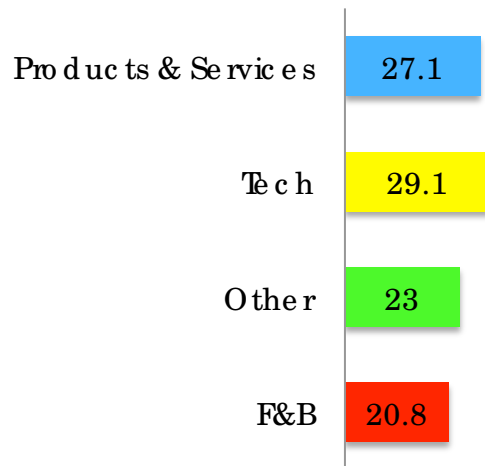


**Male
72%**



**Female
28%**

**Graph 3.2 (left):
Gender of entrepreneurs
interviewed**



Graph 3.3: Breakdown of start-ups interviewed by industry.

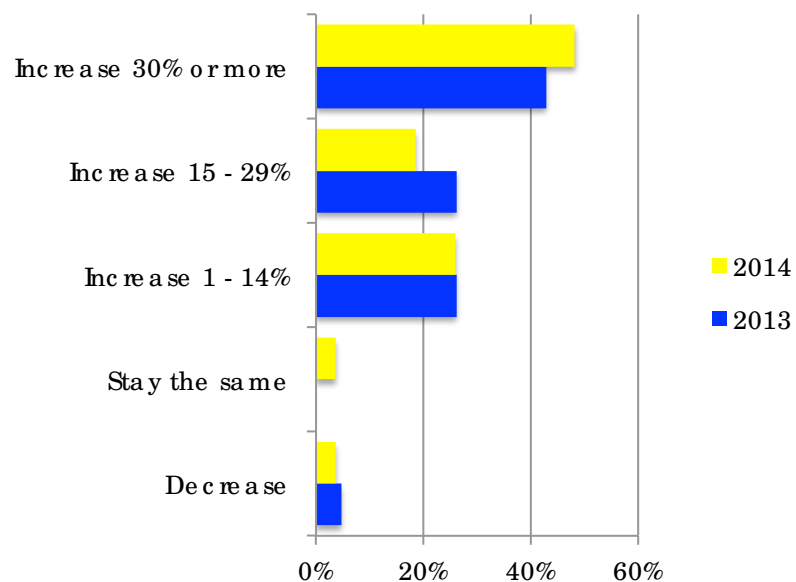
Entrepreneurs interviewed represented a range of industries, as shown in Graph 3.3. Start-ups were assigned an industry based on their primary business objectives, since many start-ups are operating in more than one industry (i.e. an online service for the tourism industry can fall under tech and tourism).¹³

¹³ For the purposes of presenting start-up profiles, industries were defined as follows: “Tech businesses” include start-ups that operate primarily in the online space and manage their own web or app-based product; companies that provide web, graphic or other design services were assigned to the “Service industry”; “F&B” refers to restaurants, bars or shops providing food products; and the “Other” category includes social businesses, retail, tourism and other miscellaneous categories. More detailed profiles of selected start-ups can be found in Annex 3.

What the Global Entrepreneurship Policy Surveys are telling us

Online, voluntary, English language surveys were conducted in 2013 and 2014 to assess the policy environment for entrepreneurs and potential entrepreneurs in Myanmar. Approximately 50 persons responded in each year, and respondents were not necessarily the same each year. Although this data to be conclusive or statistically significant, the information collected gives an indication of sentiments about the business environment for entrepreneurs. A full list of questions from the Global Entrepreneurship Policy (“GEP”) survey can be found in Annex 4.

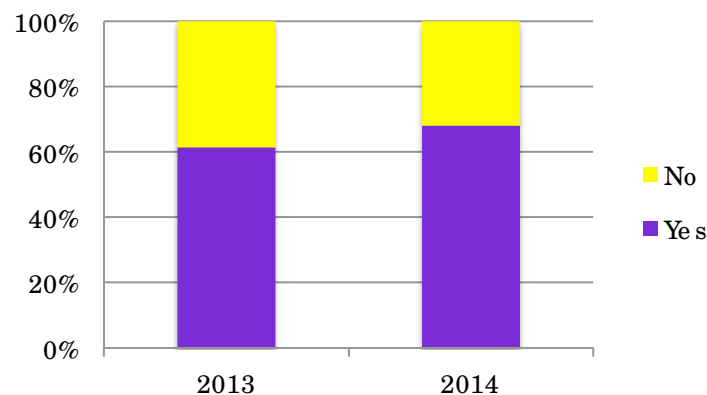
The results – summarized in the following pages – suggest that there is a growing regard for Myanmar entrepreneurship and a greater confidence in the security of intellectual property and fair competition. However, it also shows a decrease in the confidence of tax legislation, and in access to support mechanisms.



Graph 3.4: Survey responses to the question “How do you expect your business's revenue in 2016 to compare to its current revenue?”

When asked whether they are expecting greater revenue in 2016, Myanmar entrepreneurs are optimistic, and have become slightly more optimistic over the last year (Graph 3.4). In 2014, 48 percent of respondents indicated they expect revenues in 2016 to increase 30 percent or more, compared with 43 percent in 2013.

The number of people reporting an interest to start a business over the next year has also increased since last year, from 61 percent to 68 percent as shown in Graph 3.5.



Graph 3.5: Survey responses to the question “Do you plan to start a business in Myanmar in the next twelve months?”

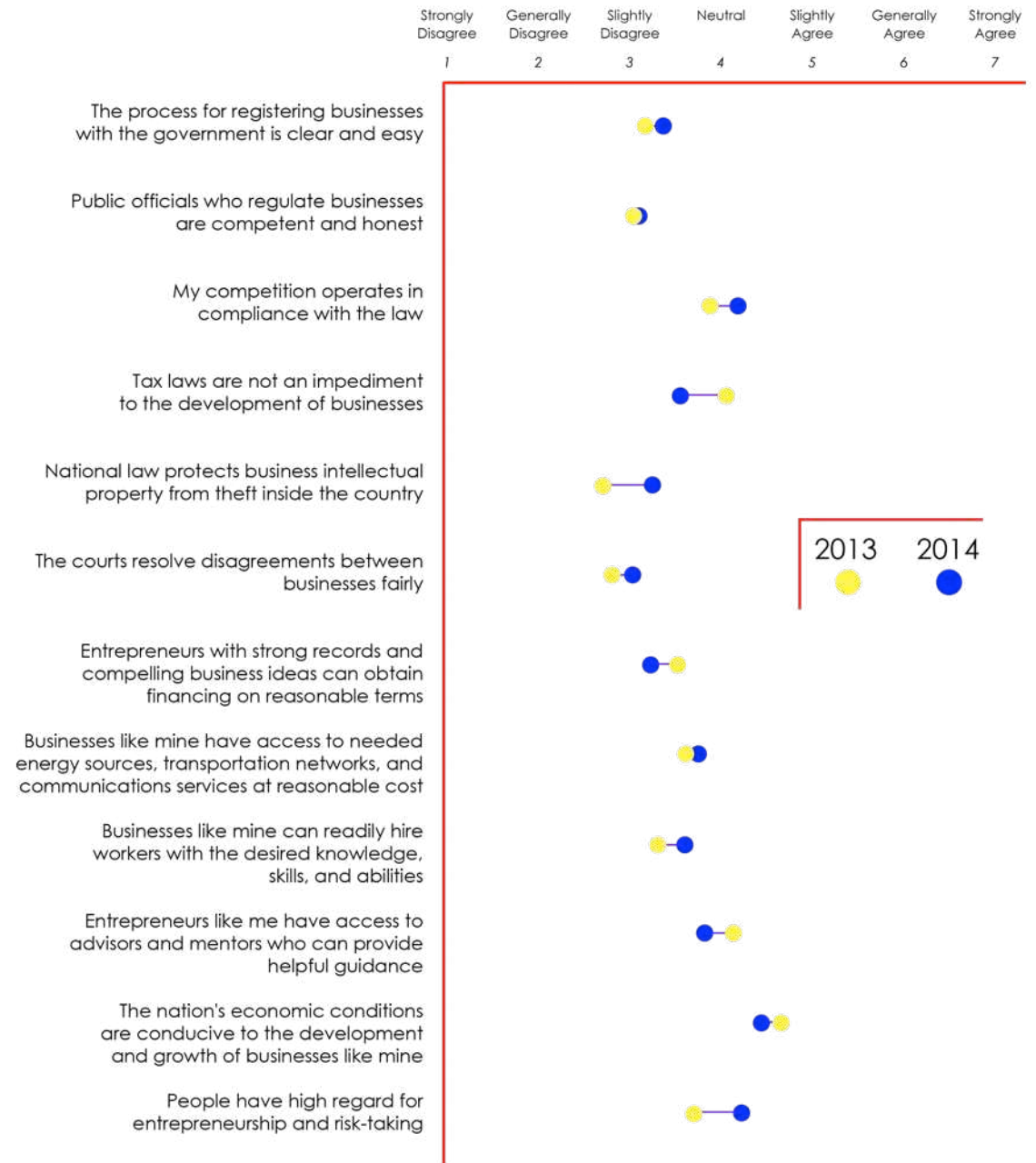
The high positive response rate, however, may also be due to the self-selection process of respondents. Channels used to disseminate the survey were primarily online communities that have already expressed an interest in entrepreneurship, and it is likely that those communities would have a higher interest in starting businesses.

Graph 3.6 shows a comparison of 2013 and 2014 responses relating to culture, policy and finance. In all of the questions respondents indicated less than 5 points, signifying there is still much room for improvement in all aspects of the policy environment, which was echoed through the one-on-one interviews with entrepreneurs.

Changes in the Ecosystem from 2013 to 2014

- ✓ Higher regard for entrepreneurship and risk taking
- ✓ Slightly better ability to readily hire workers with desired skills
- ✓ Improved access to energy sources, transport and communications
- ✓ Improved perception of national IP laws as protection against IP theft
- ✗ Lower perception of access to advisors and mentors
- ✗ More difficult to obtain financing
- ✗ Tax laws seen as a greater impediment to business development

Graph 3.6 (Right): Median responses in 2013 and 2014 to questions about the start-up environment.



Overarching assessments of Yangon start-ups

What kind of businesses are entrepreneurs starting? What kind of people are starting businesses? The following assessments address such overarching questions about the ecosystem in Yangon:

1. Most businesses are applying catch-up innovation principles

Most new businesses interviewed are applying business models and solutions that are already successful in other countries, such as Singapore or Thailand, and innovating by applying them to the Myanmar context – often termed as “catch-up innovation”. For example, many are importing products and franchises that have been successful elsewhere. Few entrepreneurs are developing entirely new, “frontier innovation” business models or solutions.

2. Entrepreneurs are generally well educated and come from families with disposable income

Most entrepreneurs starting innovative businesses with growth potential come from a higher socioeconomic class with ample safety nets, specifically family support, to be able to absorb the risk of failure. Most have also completed University, either in Myanmar or abroad.

3. Many entrepreneurs have recently come (back) to Myanmar to start tech start-ups

Many of the entrepreneurs driving high-growth businesses are repatriates who have studied or worked abroad, or foreign expatriates. Many Myanmar nationals are returning from Singapore and the US and are starting their first businesses in Yangon. Often these entrepreneurs are focused on technology or online companies, which allow them to start with little capital and to quickly introduce services or products already found in other markets. This community of entrepreneurs is explored in further detail in Chapter 6: Culture.

4. Many start-ups are targeting the high end of the market, leaving a gap in services for low-income and rural areas

The low-hanging fruit for entrepreneurs is the readily accessible higher-income consumer class of Yangon. This market provides a low-risk opportunity to test new products or services since it is relatively cheap to reach them and there is a larger portion of the population with disposable income. Few businesses interviewed are targeting rural markets due to the high-costs of accessing rural areas and generally high price sensitivity of rural consumers.

Chapter 4





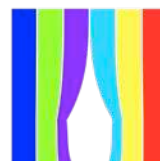
For start-ups in Yangon, there are gaps at all levels of financing (seed financing, early stage financing, and growth financing) and for all types of capital (debt financing, equity financing, and grants). Following a mapping of potential finance avenues, this Chapter concludes with assessments about the Finance domain of the start-up ecosystem.

Chapter 4

Finance

In this chapter, we look at the range of financial services available to entrepreneurs in Yangon, including equity, debt, grants and subsidies.

Entrepreneurs across all growth stages identified access to capital as a major constraint to starting and growing their businesses. The Myanmar GEP survey showed that 47 percent of people “generally disagree” that in Myanmar “Entrepreneurs with strong records and compelling business ideas can obtain financing on reasonable terms”.



Stage 1: Discovery

Bootstrapping, savings, family, grants and competitions



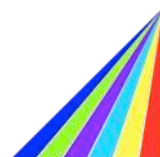
Stage 2: Validation

Angel investors, grants, family support, and microfinance



Stage 3: Efficiency

Private Equity, Venture Capital, and Impact Investing



Stage 4: Scale

IPO, M&A, Private Equity, Venture Capital, and Impact Investing

Image 4.1: Summary of the typical types of financing available for each growth stage in a well-developed start-up ecosystem.



Discovery Stage Financing Options

Entrepreneurs in the Discovery stage highlighted the lack of funding options as a major constraint to testing their idea and launching a new venture. 32 percent of the start-ups interviewed are currently seeking financing options, or indicated they are interested in exploring financing options. Most entrepreneurs lean on their family for start-up capital, although with the influx of foreign investment, engaging with foreign investors is becoming easier and more common.

The primary finance options for new businesses in Yangon are described below.

Personal or family funding

Out of the start-ups interviewed, 70 percent received start-up capital through personal or family funds.¹⁴ Examples of such funding included: piggy banking on a parent's registered company to reduce costs; taking out a loan from family members; or pooling savings among a group of founders. Family loans may have interest rates attached to them, and entrepreneurs explained that they would prefer not to borrow from family members if they did not have to. One entrepreneur interviewed, who had previously borrowed \$100,000 from family loans, attempted to get bank loans instead but has been unsuccessful. Relying on family funds also presents

¹⁴ Findings from the OECD-UNESCAP-UMFC Business Survey (2014) of 3,000 established SMEs in Myanmar similarly found that 71% of financial resources in a business comes from personal savings.

several constraints to start-ups, which are discussed in the Assessments section at the end of the chapter.

Crowdfunding

Crowdfunding represents a unique and relatively quick opportunity to secure funding for a new business or idea by raising money through non-accrued investors. Globally, thousands of entrepreneurs regularly pitch their ideas on online crowdfunding platforms such as *Indiegogo*, *Kickstarter* and *Start Some Good*.

There have been a few successful crowdfunding campaigns in Myanmar that raised money for new businesses, mostly for social enterprises. A new local platform for crowdfunding is also being built called “*Crowdfund Myanmar*”, but has not yet been launched.

However, Yangon's entrepreneurs face two substantial challenges with crowdfunding, reducing its viability for many start-ups in Yangon:

- (1) Internet speeds in Myanmar are not amenable to uploading videos, documents or viewing detailed websites; and
- (2) Entrepreneurs do not have access to online payment systems, such as *Paypal*, to receive funds.



Competitions

Business idea and business plan competitions are another way that some early-stage entrepreneurs have secured small amounts of funding (i.e. \$10,000 - \$50,000). In Yangon, a few notable business plan competitions exist. For example:

- Annual UMFC CI Business Plan Competition provides approximately \$5,000 to the winning team.
- P.S. Business School regularly runs a Social Enterprise Business Plan Competition popular among students.
- Myanmar's largest supermarket chain, CityMart, launched a competition for entrepreneurs developing local food products in 2014. The winning entrepreneur will receive \$10,000 in funding and their product will be sold in CityMart stores across the country.
- Some local entrepreneurs have also applied for regional competitions, such as the DBS Social Venture Competition and the Mekong Business Challenge.

Few start-ups interviewed were aware of business plan competitions available to them and none had applied to locally-hosted competitions. Others highlighted that such competitions are very resource- and time-intensive, and there's a high risk that they won't pay off, hence they do not view them as a viable source of financing.

Grants and Subsidies

There are no grants or subsidies from the Myanmar Government that target early-stage entrepreneurs. This is a gap in the ecosystem that, at least in the short-term, could be addressed by the international donor community and investors, and in the long-term should be addressed by the Government of Myanmar.

Microfinance

Although the majority of the entrepreneurs interviewed would not qualify for a micro-loan, and no entrepreneurs interviewed in this study had received a micro-loan, microfinance can now be included as a viable option for many small business owners in Yangon. Over 200 microfinance licenses have been issued to companies, cooperatives and NGOs in Myanmar over the past few years and recently the maximum loan size was increased from USD 2,000 to USD 5,000. Often, however, microfinance is insufficient to support enterprises with high growth and job-creation potential, as such start-ups in Yangon aiming to scale their businesses will require greater than \$5,000 in capital.¹⁵

¹⁵ Bahoney, J (2011), The Entrepreneurship Toolkit: Successful Approaches to Fostering Entrepreneurship. September 2011, USAID. <http://e gate.g.usaid.gov/bgi>



Box 4.1: Koe Koe Tech wins an *Echoing Green Fellowship*

Koe Koe Tech is one of a few Yangon start-ups that has secured funding through an international competition. A partnership between two cousins, one Burmese doctor, and one Burmese-American lawyer, *Koe Koe Tech* focuses on providing Health IT solutions to the domestic market. “We bootstrapped from the beginning. I used the savings I had after working at a law firm,” Co-Founder Mike Lwin said. In 2014 the cousins were awarded an *Echoing Green Fellowship*, a US-based program that provides social entrepreneurs with annual capital injections, mentorship and networks. When asked whether *Koe Koe Tech* had considered seeking investment to get started, Mike mentioned, “We were speaking with investors initially, but in the end, getting free money is always better! In the future, we’ll definitely need scale financing, but right now we don’t need the money.”

Validation Stage Financing Options

Almost every entrepreneur interviewed stated the need for a larger and more dynamic community of investors to support start-ups and new businesses. Currently, there are few private equity or venture capital firms, and even fewer angel investors, actively seeking investment opportunities in Yangon. (A list of the investment community active in Yangon can be found in Table 4.1.)

Angel and Seed Investors

In the Validation Stage, successful start-ups are often looking for a larger amount of capital than friends and family can typically provide (\$50,000+). This more substantial funding can sometimes be raised through similar sources as in the Discovery Stage (crowd funding, competitions, etc.), but at this stage entrepreneurs are also more attractive to Angel Investors – high-net worth individuals who are often also successful entrepreneurs and are willing to take on more risks in their investments.

High-net worth individuals in the region are keen to invest in Myanmar, but find it difficult to identify start-ups that can absorb the investment and that exhibit the drive and business acumen that Angels want to see. Locally, a few high net-worth Burmese entrepreneurs act as angel investors, but they are connected to entrepreneurs through their own networks and do not necessarily publicize that they are seeking to invest in start-ups.

Often entrepreneurs in Myanmar are connected through personal networks to angels and seed funders from the region – Singapore, Japan, or Hong Kong. For example, local start-up *Nex Labs* (a mobile development company) was connected to an angel interested in investing in Myanmar after coincidentally seeing a Facebook post by a local incubator.



In Yangon, there is no established network of Angel Investors. Local accelerator, *Ideabox*, started to bring together Angel Investors through the ir “Angel List”, *Yangon Angels*, but this community is still focused on “networking and investment in the high-tech space.”¹⁶ According to the Charter of the *Yangon Angels*, members must commit to investing between USD 10,000 and USD 100,000 over a period of 12 months.

Although some institutional investment firms have sought to invest in early-stage start-ups, most have found a limited pipeline of opportunities that satisfy their investment criteria. The reasons are further outlined below in Box 4.6. Anthem Asia, an independent investment and advisory firm focused on Myanmar, is one such firm that has been able to make early-stage investments in Yangon in hospitality, media and public relations by innovating on the traditional institutional investor business model.

Table 4.1 (Right): Indicative list of investment firms operating in Myanmar (not exhaustive).

| Firm | Type | Targets | Headquarters |
|--|----------------|--------------------------------------|------------------------|
| Uberis Capital | VC | Growth stage social enterprise s | UK |
| Bagan Capital | PE | SMEs | Yangon |
| Myanmar Investment Group | PE & VC | SMEs | Singapore |
| Anthem Asia | VC & Expansion | SMEs and start-ups | Yangon |
| Insitor Fund | VC | Start-ups and social enterprise s | Cambodia |
| Mandalay Capital | PE & VC | SMEs | Canada |
| PMM Partners | PE | SMEs | Hong Kong |
| Ronoc | PE | Mic rofinance institutions and SMEs | Ireland |
| Myanmar Investments | PE & VC | SMEs and start-ups | British Virgin Islands |
| YGA Capital | PE | Growth stage and established pre-IPO | Yangon |
| Vina Capital Myanmar | VC | Growth stage SMEs | Vietnam |
| Macan Capital/ Myanmar Strategic Investments | PE & VC | All stages | Singapore |
| Champagne Capital | PE | Early-stage start ups and SMEs | France |
| Lotus Impact | VC | Social Enterprise s | Vietnam |
| Kathrein Ventures | Angel | Early-stage | Thailand |

¹⁶ For more information, see www.ideabox.com.mm/yangon-angels.



Box 4.2: *Kiva* and *Uberis Capital* team up to fill in funding gaps

A major constraint to Myanmar entrepreneurs is the ‘missing middle’ in financing – i.e., lack of options in the range of \$20,000 to \$200,000. Seeing this challenge as an opportunity, UK-based venture fund *Uberis Capital* is working in partnership with *Kiva*, an international micro-lending non-profit, to develop a loan mechanism for Myanmar entrepreneurs that will target providing loans to entrepreneurs ranging from USD 30,000 to USD 50,000. *Uberis* calls this “transition capital”, providing both cash and advisory services to start-ups. The initiative aims to build up the number of investable businesses and increase deal flow available to investors. One challenge the partnership will face is how to legally operate this mechanism, which falls outside of microfinance, but may be too expensive to operate as a Myanmar investment fund. One option they are exploring is to base the fund out of Singapore and invite Myanmar entrepreneurs to register in Singapore to receive a loan for their Myanmar operations. The initiative expects to be launched in 2015.

Efficiency & Scale Stage Financing Options

Once start-ups reach the stages of efficiency and scale, they are often seeking more sophisticated financing options, including venture capital, private equity and bank loans. Both sources – equity investment and loans – present major challenges for entrepreneurs in Yangon.

Venture Capital & Private Equity

Venture capital and private equity firms are taking their time to identify promising entrepreneurs and SMEs. Active firms include PMM Partners, *Uberis Capital*, and *Vina Capital*. Such firms are looking for secure returns of over 10 percent per annum, and to minimize risk. Hence they tend to target established SMEs with validated products and high growth potential, rather than entrepreneurs and new businesses that are untested and perceived as more risky.

Box 4.3: Yangon tech businesses attract regional investors

Only 25 percent of the entrepreneurs interviewed had received investment of some kind. All except one investment was done through investors outside of Myanmar. Start-ups such as *Oway* (online travel booking), *Rebbiz* (online marketplace websites) and *Bindez* (Myanmar language online search engine) all received foreign investment from international investors. In the case of *Bindez*, the entrepreneurs were connected with an angel investor in Beijing who invested into a holding company into Singapore. *Rebbiz* was connected with an angel investor in Singapore and is currently seeking their second round of funding. *Oway*'s financing came from a venture capital firm in Japan and their second round came from firms in Cambodia and Singapore. While *Oway* and *Rebbiz* are in the validation / efficiency phase, *Bindez* is one of the first tech start-ups to receive angel investment in the discovery stage.



Bank Loans

Despite having over 20 local banks, Myanmar's banking sector is still underdeveloped.¹⁷ Strict regulations on bank loans and other financial transactions limit the ability of banks to offer attractive loan packages to start-ups and SMEs. Transactions remain largely cash-based, few credit lines are available, and coverage of services throughout the country (through branches and ATMs) remains the lowest in Southeast Asia.¹⁸ E-banking and mobile banking initiatives are just coming online as local banks begin to strategize how to capitalize on the fast-growing mobile networks following the opening of the telecom industry.

Out of the 40 entrepreneurs interviewed for this study, strikingly, none of them had received a bank loan or even considered applying for a bank loan. Bank loans in Myanmar are not feasible options for start-ups given their unfavorable terms and conditions: interest rates are high, collateral takes the form of land or property, and the repayment period is short. As a result, loans target established businesses that are more likely to be able to meet collateral requirements. A summary of the typical loan product of a Myanmar bank can be found in Box 4.4.

¹⁷ For a comprehensive review of Myanmar's banking sector, see Foerch, T., Thein, S. and Waldschmidt, S. (2013), "Myanmar Financial Sector: A Challenging Environment for Banks", GIZ, available at: <http://www.giz.de/en/downloads/giz2013-en-financial-sector-myanmar.pdf>

¹⁸ *Ibid.*

Box 4.4: Summary of the structure of a typical bank loan

Myanmar regulations limit the range of products that banks are permitted to offer, which includes setting the interest rate, loan period, collateral requirements and other aspects of bank loans to small businesses.

| | |
|-------------------------------|--|
| Loan period: | One year |
| Average loan interest: | 13% p.a. (flat) |
| Collateral: | Land and buildings, gold, machinery, and export crops* |
| Loan amount: | 30-60% of forced-sale value of the collateral for land and buildings; 80% for gold. |

*In practice, according to bank representatives, most banks only accept land and buildings as forms of collateral.

Source:

Foerch, T., Thein, S. and Waldschmidt, S. (2013), "Myanmar Financial Sector: A Challenging Environment for Banks", GIZ, available at: <http://www.giz.de/en/downloads/giz2013-en-financial-sector-myanmar.pdf>

Bissinger, J. and Maung Maung, L. (2014), "Subnational Governments and Business in Myanmar", the Asia Foundation, available online at www.asiafoundation.org.



Government Subsidies

For Yangon entrepreneurs, a bank loan subsidized by the GoM is available and targets small businesses, but is unlikely to fill the finance gap for early-stage start-ups. The program is run through the *Small and Medium Industrial Development Bank (SMIDB)* and applications are processed by the *SME Development Centre*. Loans are offered at a subsidized rate of 8.5 percent per year; however with bank service charges the rate often comes to 9.5 percent.¹⁹ Further, the loan amounts are limited to a maximum of approximately 100,000 USD, which often leads to customers needing follow-on loans at commercial rates. Like private bank loans, the government program also does not address the primary concerns of start-up entrepreneurs seeking financing: the lack of collateral in the form of land or buildings. Lessons can be learned from governments around the region that offer financing programs to start-ups and one such program in Malaysia is described in Box 4.5.

Initial Public Offering

Initial Public Offering (IPO) is the first sale of stock by a private company to the public. Currently, there is no stock exchange in Myanmar where companies can sell their shares. Plans for a *Yangon Stock Exchange (YSX)* have been underway for a few years, since the passing of the Securities Exchange Law in June 2013. The YSX, a joint-initiative by the *Myanmar Economic Bank*

and Japan's *Daiwa Securities Group*, plans to open in October 2015. Although it may eventually serve as a new growth mechanism for Myanmar's more established firms, it is unlikely to serve as source of financing for companies defined in this study as start-ups.

Box 4.5: Malaysia government steps in to support start-ups

One case of how a government can provide financial support to start-ups and SMEs is seen in the *Malaysian Young Entrepreneur Fund (MYEF)*. Managed by Malaysia's *SME Bank* with financing provided by the Malaysian government, MYEF offers loans to entrepreneurs aged 18 to 30 who either plan to start a business or a ready own one. Applicants may apply for up to RM100,000 (30,600 USD) in start-up capital or working expenditures. Loans have an interest rate of 5 percent per year and a 7-year loan term. The primary objective of the MYEF is to assist young entrepreneurs who were not qualified to borrow money from commercial banks or other government funding schemes. In 2013, the government allocated RM50 million (USD152 million at the time of writing) to the fund, which financed approximately 700 entrepreneurs.

¹⁹ Interview with SMIDB bank representative.



Assessments

There is much room for improving financial sector support for start-ups and entrepreneurs. Primary assessments of the financial pillar of Yangon's start-up ecosystem are listed below.

1. An entrepreneurial ecosystem dependent on personal and family funding is highly restricted

The lack of financing options outside of friends and family has several implications on the entrepreneurship ecosystem:

- a) Restricts start-up opportunities to those entrepreneurs with disposable personal or family income;
- b) A limited amount of capital can be borrowed through family, which prevents start-ups' scaling opportunities;
- c) Family support of the business idea is often required;
- d) Prioritizing safe bets, businesses are less likely to test more innovative ideas.

Until new financing opportunities are developed through bank loans, grants, competitions and angel investments, the growth of start-ups will continue to be limited.

2. Investment into local start-ups are limited by a lack of suitable investment opportunities, as well as weak legal frameworks

Investors highlighted several issues within the ecosystem that are preventing the growth of the investment community. "Capital is waiting to come in, but it's not ready to be absorbed", one investor commented. The constraints in the investment field can be grouped into 3 areas – the size of the investment, business acumen of entrepreneurs, and the legal framework. These are presented in more detail in Box 4.6 on the following page.

3. More financing options are needed for Discovery Stage entrepreneurs

The largest gap in financing is for early-stage entrepreneurs. In other ecosystems, such businesses are funded through competitions, government subsidies and small business loans. These options are not attractive and/or available to start-ups in Yangon. More diverse grants, competitions and small seed funding opportunities are needed in the ecosystem so that entrepreneurs are enabled to develop and test new products and services.



| Type of Financing | Summary of Main Challenges |
|------------------------|---|
| Bank Loans | Require collateral of land/property High interest rate (13 percent). |
| Private Equity | Investors are risk-averse, due to uncertainty in regulations and weak country legal framework. Often not focused on backing new businesses |
| Angel Investors | Few Angel Investors, and no established network in Yangon. |
| Family | Common option, but limits funding pool and business aspirations. |
| Crowdfunding | Entrepreneur needs access to a foreign bank account to process donations. Lack of high-speed internet. |
| Microfinance | Accessible for a small but growing portion of micro-entrepreneurs. |
| Grants | Few local grant options for new businesses. |
| Competitions | Time consuming and often narrow focus on a specific industry, such as tech. |

Table 4.2: Summary of the main finance options for entrepreneurs in Yangon.

Box 4.6: Investors interested, but still wary of doing business in Myanmar

Investors in Yangon are finding it difficult to find attractive investments because of the following issues:

1. Size of start-ups and size of investment

“The start-ups we see are very small and require only a small amount of funding”, stated one Yangon-based investor. Investors are typically looking for deals that are larger than what most Yangon start-ups are ready for. One firm indicated the ideal target is USD 250,000++ to overcome the transaction costs of vetting entrepreneurs in the country.

2. Business acumen of entrepreneurs

Investors assess the entrepreneur and their ability to lead and manage a business when undergoing due diligence for a deal. “Entrepreneurs in Yangon lack management capacity and staff lack training,” one investor stated. Investors hesitate because they are not confident in entrepreneurs’ business planning and management capacities.

3. Weak legal framework

“Investors don’t believe in Myanmar because there is no legal protection,” another investor commented. Others mentioned that Myanmar’s perceived “country risk” continues to be very high due to the weak judiciary system and legal framework to enforce contractual and property rights and to settle disputes.



Recommendations

For Government

- Develop a new business or entrepreneurship grant scheme to bridge the seed-funding gap (from \$10,000 to \$100,000). Partners for such a scheme may include SME Development Center, MYEA or an international organization.
- Banking sector reform and capacity improvements are critical for providing a viable source of financing for new businesses, but the financial sector must further be liberalized to achieve this.
- Throughout the financial reform process, take into account the financing challenges of start-ups and involve entrepreneurs in the reform process.

For Government or others

- Provide accessible training programs for entrepreneurs to be investor ready, specifically highlighting the challenges investors are facing in Myanmar.
- Promote diversified types of lending, including through competitions and grants attached to training programs.

Chapter 5





Chapter 5

Human Capital

Throughout each stage of the growth cycle of a start-up, access to a readily available and skilled workforce is needed. Entrepreneurs themselves also need to have the skills necessary to develop new ideas, design business models, and manage their fledgling business.

The Human Capital dimension of the start-up ecosystem should therefore primarily be facilitating the development of: (1) entrepreneurial talent; and (2) a skilled workforce. This section will examine the quality of higher education and the skill level of the workforce in Yangon to better understand how these human capital elements support start-ups.

The scaling of an early-stage company is enhanced by the quality and quantity of its workforce. Regions with a greater depth of potentially relevant employees create a more hospitable environment for the scaling of early-stage companies.

– World Economic Forum (10, 2014)

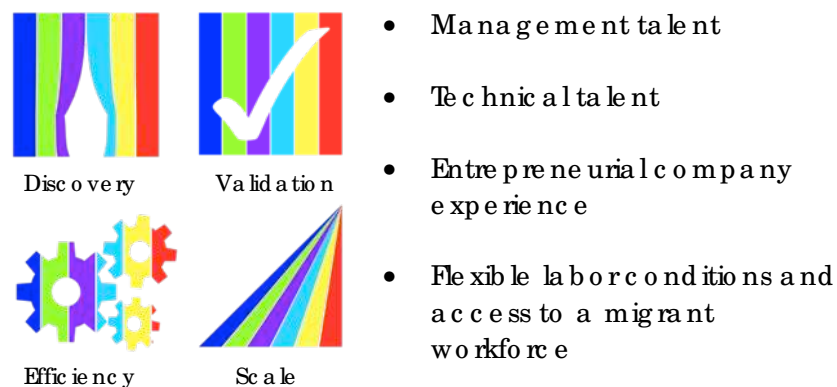


Image 5.1: Summary of typical human capital needs by start-ups across all 4 growth stages.



Availability of Human Capital in Yangon

Following decades of isolation and a stagnating higher education system, Myanmar now faces severe shortages of managerial, technical and entrepreneurial talent. The challenge that start-ups face in finding skilled workers has been exacerbated by the recent economic reforms in the country, which have led to dramatic influx of higher-paying employers, and hence a significant increase in the demand for skilled workers. Start-ups, SMEs and multi-national businesses alike have commented on the shortage of skilled workers in Yangon. For example, a UMFC CI, UNESCO and OECD 2014 survey of 3,000 SMEs in Myanmar found that 60 percent of businesses reported skill shortages as a major constraint to doing business.

When asked if “businesses like mine can readily hire workers with the desired knowledge, skills and attributes”, Myanmar respondents to the GEPS were either neutral or slightly disagreed.

Over the last 25 years, government investment in the education system has been exceedingly low, resulting in Myanmar lagging behind its neighbors in terms of workforce readiness. For example, public expenditure on education in Myanmar is far less than its neighbors, with the GoM spending less than 1 percent of GDP on education in 2011 where Cambodia, Thailand and Laos each spent between 3-4 per

cent.²⁰ Only 5 percent of workers in Myanmar have tertiary and higher education credentials and only 15 percent have finished secondary education, which is half the rate for the same in Vietnam and Thailand (30 percent).²¹

Recognizing the need to reform an underperforming education system, the GoM began the “Comprehensive Education Sector Review (CESR)” in 2012 with the task of “ensuring that Myanmar’s education system promotes a learning society capable of facing the challenges of the Knowledge Age”. Led by the Ministry of Education with support from a number of development partners, including UNICEF, the World Bank, ADB, the CESR process resulted in the promulgation of the Myanmar National Education Law of 2014. This law has received widespread criticism, mainly from the National Network for Education Reform (NNER), the Myanmar Indigenous Network for Education (MINE), and student and teacher unions, resulting in a year-long protest that ultimately resulted in student leaders being arrested.

In the long-run, education sector reform efforts, such as the CESR or its updates, will hopefully have a positive impact on the availability of human capital for start-ups and small businesses. However, short-term solutions to up-skill the workforce and develop entrepreneurial skills are lacking, and are much needed to address the current deficits in human capital.

²⁰ Mc Kinsey Global Institute, “Myanmar’s Moment: Unique Opportunities, a major challenge”, June 2013.

²¹ Ibid



Developing Entrepreneurial Skills in Yangon

To reduce the skills gap in the short term, the supply of training, including business institutes, vocational training and other programs, has grown significantly over the past 2 years in Yangon. Foreign companies, international universities and donors are launching programs to train Yangon's young professionals and graduates in a variety of areas, including business management and entrepreneurship. A few programs are described below, and a more comprehensive list can be found in Annex 6.

P.S. Business School (a private business school) offers a variety of business management courses, including a Master of Business Administration (MBA), diploma in human resource management, marketing management and business management. *PS Business School* also regularly organizes business idea competitions and is especially active in promoting social entrepreneurship.

Strategy First Institute (a private business school) was founded in 2010 by a Burmese entrepreneur who returned to Yangon after living and studying in the United Kingdom. *Strategy First* offers courses for a diploma from the Institute of Commercial management, UK.

The *ADEPT Program* is a -funded project that commenced in early-2014 to bring together 4 partners: *Indiana University*, *Business for Social Responsibility (BSR)*, *Lotus Impact*, and *He Witt Packard (HP)*. The partners are working on various

initiatives to support the entrepreneurship ecosystem, including (among others): building capacity of the *Yangon University of Economic's* MBA program by providing entrepreneurship and incubation training to faculty and students; and launching HP Life Training Centers in Yangon and other cities, where aspiring entrepreneurs can complete online training programs.



Image 5.2: The launch of the HP Life Centre at the Yangon Institute of Economics, February 2014

SPARK is an international NGO focused on providing technical assistance in skill development and SME development, as well as exploring opportunities to offer financial solutions to SMEs



through its own investment fund. In November 2014, *SPARK* organized a training course on entrepreneurship in education for academic staff from universities and vocational colleges in Yangon.

GIZ is working on several initiatives in the entrepreneurship field as part of their Private Sector Development program.²² One such initiative is their training-of-trainers (ToT) in the CEFÉ methodology, a highly interactive and experiential approach to training.²³ *GIZ* has already completed two rounds of ToT training in 2014 reaching over 20 trainers.

The *UNESCO-PepsiCo Centre of Excellence for Business Skills Development* is a partnership initiated in 2014 between the *Yangon Institute of Economics, PepsiCo* and *UNESCO*. It aims to strengthen the business and employment skills of Myanmar youth by providing short training programs. Subject areas covered in their programs include: “Navigating the world of work”, “working with others”, “getting the work done”, and “introduction to the world of business”, as well as a series of guest lectures and individual career counseling.

Other opportunities for skill development include hackathons and competitions, such as those organized by *Code for Change*. These events also provide an opportunity for young tech enthusiasts to hone their skills and learn new tools from their peers and experts. For more information on these, see Chapter 7.



Image 5.3: Entrepreneurship classes at the Yangon Institute of Economics as part of the ADEPT program, September 2014

²² *GIZ* stands for the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH.

²³ CEFÉ stands for Competency Based Economics through Formation of Enterprise and is an internationally recognized experiential learning program.



Assessments

Recruiting and retaining skilled staff is likely *the* greatest challenge to start-ups past the discovery stage, with nearly all entrepreneurs interviewed highlighting it as a pressing constraint in Yangon highlighted. In addition to finding skilled staff, start-ups also often lack the time and money to invest in training programs for their teams or choose not to due to high turnover, with many employees left to learn on the job. This is what start-ups are saying:

1. Start-ups are unable to find people with the skills they need

All entrepreneurs interviewed indicated that finding ‘good people’ with the right skills was a major constraint for starting and growing their business. Across skillsets – from a driver to a CFO – new businesses are unable to find suitable candidates to recruit. In particular, IT skills and financial management skills are in high demand and in low supply. Other entrepreneurs commented that finding staff with strong analytical skills and the ability to work independently is difficult, although those skills are essential for surviving in a start-up environment.

“Some people [employees] might give up because our work culture here is very different than traditional Myanmar companies. We are still ‘family style’ but we work hard and play hard.” – Founder of a Yangon tech start-up

2. Employees are not motivated by the ‘start-up culture’ and prefer to work for a large company

Start-ups need motivated employees that are willing to put in extra hours to get the business off the ground. They also need employees with communication, IT and sales skills to begin developing products and reaching out to customers. But many young professionals in Yangon are more tempted by permanent positions with multinational firms that are just entering the market, such as *Coca-Cola*, *Telenor*, *KPMG* and others. Parents are also putting pressure on their children, even as adults, to pursue these safer opportunities over opportunities working with start-ups, which is still viewed as high-risk. Start-ups find it difficult to attract the employees they want as they cannot match the salaries and benefits offered by multinationals. These social or cultural barriers add yet another challenging element to the recruiting process, which will be further explored in Chapter 7.

One interesting pool of talent for start-ups and the business community are the “repatriated” Myanmar citizens who have been living, studying and working abroad. This often means they are exposed to start-ups, better understand the lifestyle choice, and are more likely to accept it. However, many repatriates are not necessarily joining the Yangon workforce or the talent pool for start-ups to draw on. In fact, many are instead choosing to launch their own businesses.



3. There is a large discrepancy between skills supplied by the education system, and those demanded by start-ups

Start-up founders commented that recruiting is further complicated since degree and certification qualifications often do not equate to practical, applicable skills. Hence, entrepreneurs are recruiting based on personality, passion and motivation to work, instead of formal training and education. Many of the technical skills demanded by start-ups, particularly online start-ups, are not taught to a sufficient proficiency in the education system.

4. High staff turnover discourages start-up and SME teams from investing scarce resources in training

Many of the startup entrepreneurs interviewed had similar experiences where they had trained employees only to see them leave within a short period of time. Reputable start-ups are treated as a career anchor and stepping-stone to higher-paid positions in more established companies. This results in an underinvestment in training staff, and an overall undersupply of needed skills in Yangon startups.

“It’s difficult to recruit for any position. It doesn’t matter to me if you have a degree from a University. It doesn’t mean anything. I’m looking for people who are curious, willing to learn and a good team player”.

– Founder, Tech Company

Box 5.1 Start-ups develop innovative solutions to HR shortages

Human resource supply is one of the biggest challenges for not just startups but all businesses in Myanmar. There is a shortage of talent, capacity, and professionalism in the workforce. Start-ups, while constrained by resources, are developing innovative ways to make sure they have a talent pool to tap on, such as that of Ignite Solutions:

Ignite Solutions – a web development company - came up with a training program to deal with the widespread human resource problems in Myanmar. Although the company is still a start-up and has limited resources, the team spends weekends training new recruits. Ignite charges approximately \$30 per month for weekend courses about web development. At the end of the training program, students receive a certificate, and internship offers are given to the best students in the program. After a month or two of the free internship program, those who fit in well and work well for Ignite are offered full-time jobs.



Recommendations

Policy Recommendations

- Ensure that practical entrepreneurial skills and business acumen, including technical skill in innovative disciplines, are a part of the new curricula being developed as part of Myanmar's ongoing education sector reform.
- Develop flexible labor markets, to ensure new businesses can attract the skills they need, such as by reducing visa restrictions for re-patriots and foreign entrepreneurs.

Program Recommendations

- Develop an internship program that helps place talented university students in startups.
- Develop information programs to increase awareness and benefits about career opportunities with start-ups, and to rationalize perceptions of risk of entrepreneurial lifestyle choices.
- Improving the accessibility of information about trainings for entrepreneurs; develop a one-stop portal for training providers to post entrepreneurial training, workshop and program opportunities.

Countries need to invest in human capital to build and retain a workforce not only with the skills startups seek but also to help build businesses and innovate for the future.

– UP Global, 2014

Chapter 6





Chapter 6

Culture

“I think Burmese mentality is very entrepreneurial. Because of the limited environment, Burmese were forced to be entrepreneurial in the past in order to survive.”

– *F&B entrepreneur, Yangon*

This section examines different aspects of the cultural dimension of the ecosystem in Yangon and how it may support or hinder entrepreneurship.

The culture dimension of the start-up ecosystem is the underlying environment that either encourages or discourages entrepreneurs from starting and continuing with a new business. Throughout a start-up’s life, the culture surrounding the entrepreneur supports their approach to risk-taking,

creativity, and continual learning. The cultural aspect of the start-up ecosystem can sway an entrepreneur’s choice between starting a business or getting a job to work for someone else, or between solving a problem and waiting for others (such as the government) to solve it.

Defining culture in a multi-cultural country

Even at a macro-level, “Myanmar culture” is multi-faceted and encompasses many ethnic groups – the Bamar, Karen, Kachin, Chin, Rakhine, and many others. Each group has a history and a culture all its own, making it difficult to define an overarching “Myanmar” culture. Within and across these ethnic groups, there are also sub-cultures, such as a business culture. As such, to assess Myanmar culture or even Yangon culture is inherently complex and influenced by the lens of reviewer.

In this context, we break down the business culture of the city into five elements derived from the comments and stories provided by Yangon entrepreneurs: i) tolerance for risk and failure; ii) family pressures; iii) role models and success stories; iv) preference for self employment; and v) positive image of entrepreneurship and innovation.

Tolerance for Risk and Failure

Yangon’s entrepreneur culture is generally risk averse; failure is frowned upon and seldom viewed as a learning opportunity. This cultural aspect is similar to other countries in the region, such as Singapore and China, where the concept of “saving



face” – ore nsuring that yo ur so cial standing o r a utho rity is no t que stio ned o r we a ke ned – limits risk ta king and ge ne rates a c culture whe re fa ilure is fe are d.

The lac k of so cial sa fe ty ne ts in Mya nma r is a lso a fa cto r in the willing ne ss of pe o ple to ta ke risks. Witho ut we lfa re , so cial se curity, cre dit, o r o the r sa fe ty ne ts, the pe rce ived risk and co st of sta rting a ne w ve ntu re ca n o fte n be vie wed to o utwe igh its po te ntial be ne fits. As suc h, it is unde rsta nda ble that sta rt-ups a re co mmo nly fo unde d by tho se that e njo y se curity throu gh fa mily fina ncia l se curity.

Ro le Mo de ls and Suc ce ss Sto rie s

The sta rt-up jo urney is cha lle nging, lo nely and has a high ra te of fa ilure ; he nce it's impo rta nt fo r sta rt-ups to be e nco urage d throu gh ro le mo de ls, me nto rs and suc ce ss sto rie s. Ma ny e ntre pre ne urs inte rvie wed co mme nte d o n the diffi culty of finding suc h ro le mo de ls and pe e rs in Ya ngon.

The lac k of institutio na l me nto rs o r ro le mo de ls co uld be pa rty e xp la ine d by the busine ss e nvi ro nme nt that has existe d unde r the milita ry junta whe re co rnyism and co rru ptio n we re co mmo npla ce , and the o ppo rtunity fo r mo st e ntre pre ne urs to bre ak into the busine ss e lite was limite d. Suc h a n e nvi ro nme nt is no t co nduc ive to pro mo ting suc ce ss sto rie s and me nto rship.²⁴ Ya ngon's e ntre pre ne urs e xp re sse d gre at inte rest

in de ve lo ping a ne twork of e nge ged and suc ce ssful e ntre pre ne urs to pro vide me nto rship and guida nce to the ne xt ge ne ratio n.

Fa mily Pre ssure s

Fa mily units a re clo se -knit in Ya ngon, and pa re nts and e lde rs have a stro ng influe nce o ve r the you nge r ge ne ratio n. In so me ways, this cu ltura l a spe ct limits e ntre pre ne urship be ca use mo st pa re nts and fa milie s have no t be e n, until ve ry re ce ntly, suppo rti ve of sta rting ne w busine sse s. In ge ne ral, pa re nts wa nt to se e the ir c hild re n in sta ble jo bs. Tra diti o na l pra ctice is to e nco urage c hild re n to be do cto rs and e nge ne e rs, whic h a re the mo st re spe cte d and highly re ga rde d ca re e r o pti o ns.

Si nce the e co no mic re fo rm pro ce sse s be ga n in 2012, e ntre pre ne urship is be co ming mo re o f a via ble o pti o n with fa milie s se e ing ne w o ppo rtunitie s in busine ss. So me e ntre pre ne urs a re wo rking with the ir fa milie s to sta rt ne w busine sse s. Fo r e xa mple , o ne e ntre pre ne ur inte rvie wed co nvi nce d he r pa re nts, who o wn a ga rme nt fa cto ry, to le t he r e xp lo re la unchi ng a ne w fa shio n line that will be inc ubate d withi n he r fa mily busine ss, and ma y e ve ntua lly sp in o ff into a se pa ra te line .

²⁴ The Mya nma r Busine ss Surve y 2014 by UNESCAP, UMFC CI and OEC D fo und that co rru ptio n was o ne of the la rge st co nstra ints to busine sse s in Mya nma r.



Preference for Self-Employment

There are two dynamics at play in terms of preferences of career choice in Yangon. Talented potential entrepreneurs are torn between pursuing new business and market opportunities and the increasingly lucrative employment opportunities with multinational companies. In general, most people prefer to work for an established local company or a multinational, which means there are fewer entrepreneurs launching new ventures, and that there is a smaller talent pool for small companies and start-ups to draw on.

At the same time, there are those few entrepreneurs who made the leap into entrepreneurship because they saw an opportunity to make more money than they can in more established jobs. In general, salaries for staff in Yangon can be quite low – an entry-level professional position can start at 100 USD per month or lower and increase only at a predetermined rate – so that some see greater financial opportunity in starting their own business rather than climbing the corporate ladder.

Positive Image of Entrepreneurship and Innovation

Entrepreneurs and SMEs are viewed as problem-solvers and job-creators, which can be seen in media coverage and policy statements on entrepreneurship. For example, in 2014 a Myanmar entrepreneur won the regional Young Entrepreneurs ASEAN Business Award; and the FESR Policy Framework states the GoM's intention to support young entrepreneurs through

the SME Development Centre and other institutions.²⁵ However, many entrepreneurs interviewed – especially those that have experience in other start-up ecosystems, suggest that there is still not a culture of openness that is found in start-up ecosystems in developed countries. Entrepreneurs stated that they hesitate to share ideas, which in turn hinders collaboration and innovation, and refrain from sharing stories of their success so as to not attract attention.

Women and Entrepreneurship in Yangon

Although women have yet to secure equal representation in political positions in Myanmar, women are well-represented in the entrepreneur ecosystem. Women entrepreneurs interviewed did not feel they faced special challenges or particularly difficult circumstances in business as a result of their gender. Nonetheless, as seen in most countries, tech entrepreneurship in Yangon is majority male. Women also noted the following issues that their male counterparts may not be faced with:

Family pressures

Women are strongly encouraged to find a secure job, and eventually to find a husband and settle down as a housewife. Women entrepreneurs are often still responsible for home care

²⁵ Government of Myanmar (2013), Framework for Economic and Social Reforms, available in English at: www.themimu.info/site/s/themimu.info/files/documents/Ref%20Doc_FrameworkForEconomicAndSocialReform2012-15_Govt_2013%20.pdf



and taking care of the children, in addition to managing their businesses.

Difficulty growing their network

In Yangon, a single woman typically prefers not to be seen alone with a man, even in a business setting. This can be a deterrent for some women to attend networking events held after work hours or meeting with investors, who are often male, as they would need to bring a friend to avoid critique.

Difficulty entering some sectors

In some cases such as the tech and logistics sectors, women entrepreneurs mentioned difficulty breaking into these markets due to their gender. One entrepreneur mentioned that entering her industry as a woman was seen as odd, and she had a difficult time getting people to take her seriously when she was starting out.

Resources for women entrepreneurs

The Myanmar Women Entrepreneurs Association (MWEA) provides networking, training and support activities to women who are members. Most women interviewed were not members of the MWEA, as they were uncertain of the process to secure membership and the benefits associated with membership. New women's groups are also starting, such as the Women's Professional Network, which organizes monthly

networking and learning events for a diverse group of women professionals and entrepreneurs.

Box 6.1: Does Yangon's culture support entrepreneurship?

Below are a few quotes taken from interviews with Yangon's start-up entrepreneurs about the theme of culture and entrepreneurship:

"Burmese people have perseverance but they are not risk-takers."
- Retail Entrepreneur, Yangon

"People don't want to stand out, people don't want to judge and be critical, there is a lack of cut-throat winning attitude."
- Manager of a Yangon-based accelerator program

"We as society don't reward initiative taking. There used to be severe consequences for taking initiative."
- Yangon tech start-up founder

"Culture is changing...the younger generation has more opportunities, families are becoming more supportive of them."
- Yangon tech start-up founder

"The closed economy meant that everything was done through personal relationships...this is difficult to change."
- Social entrepreneur, Yangon



Box 6.2: Repatriates bring in a new culture of entrepreneurship

Repatriated Burmese entrepreneurs – Myanmar nationals who have spent time working and studying abroad and are now returning to their home country – represent a new dynamic in the entrepreneurship culture of Yangon. This group is dominated by young men (25-35 years old) who have been working in Singapore in the IT, engineering or similar industries. Many are taking the opportunity of returning to Yangon to start their own business, often with a tech focus. Others leverage their networks abroad to bring in international franchisees.

A few notable examples include:

- Two new franchisees in town, *Manhattan Fish Market* and *Pe ni Pe ni Chicken*, were established by young repatriates in their 20s.
 - *Koe Koe Tech* – a health-related app developer was founded by a Burmese-American lawyer and his local cousin.
 - *Revotech*, a creative digital agency doing mobile app development and web development was founded by Myo Myint Kyaw, who spent 10 years abroad in London and Singapore before returning to Yangon in 2012.
 - *Oway*, founded by Nay Aung, an ex-*Google* staff with experience working in Silicon Valley, provides online travel bookings for Myanmar.
- *Rebbiz* offers online classified websites for cars, housing and jobs. Their first site was launched when the 3 partners were still working part-time in Singapore. Now the team has a full-time presence in Yangon.
 - *ZweneX* offers software solutions to SMEs. It was started by Ko Thar Htet, who studied computer engineering in Singapore and stayed on for about a year working to get his first start-up off the ground.



Assessments

1. Family support is important for Myanmar entrepreneurs

In Yangon, families are a great influence on young entrepreneurs. It is important for many entrepreneurs to have both the financial and moral support of their family. Some entrepreneurs have reported that things are changing and parents are becoming more open to new ideas and are curious about entrepreneurship, but traditional expectations remain strong in particular for women entrepreneurs.

2. Lack of trust, cooperation and uncertainty are detrimental to the emerging entrepreneurial culture

One of the biggest cultural impediments to entrepreneurship is the lack of trust and cooperation among the community. As a product of history, in Yangon there is the culture of “mind your own business” and keeping information or ideas close. Start-up founders commented on their fear of having their ideas stolen and the mistrust of developing partnerships for their new businesses. There is also a sense of uncertainty, particularly stemming from a rapidly changing economic and regulatory environment, which prevents entrepreneurs from openly committing to and promoting their businesses to a general audience.

3. Media coverage and the entrepreneur image is often focused on tech entrepreneurs

Many news stories about starting new businesses in Yangon are either about multinational companies entering the market or about the latest mobile phone app designed for Myanmar. There is a need for businesses to be developed across every sector in Yangon and there is a gap in providing quality stories about businesses outside of the tech sector. It is also important for the community in Yangon to share stories of successful entrepreneurs and to connect those experienced entrepreneurs with the next generation of self-starters. Given the lack of role models, it is not surprising that most entrepreneurs interviewed mentioned their interest and need for mentorship.²⁶

²⁶ Mentorship is further discussed in Chapter 7, Support Systems.



Recommendations

For government

- New SME policies and entrepreneurship programs should be developed recognizing the special pressures placed on women entrepreneurs, and particularly in technical industries.

For government or others

- Bring in or support new programs that provide exposure to the challenges and triumphs of Myanmar entrepreneurs, such as through television shows and public events.
- Develop regional exchange programs for key members of the entrepreneurship ecosystem, such as entrepreneurs, educators, and policymakers, to learn about and gain experience from other start-up ecosystems.

Chapter 7





Chapter 7

Support Systems

This chapter explores both the *hardware* and *software* available to entrepreneurs in Yangon to support the development and growth of their start-ups. Hardware refers to the supporting infrastructure, whereas software refers to the programs, networks, and other support services for an emerging business. The typical aspects of the Support System domain are presented in Table 7.1.

| Start-up Support Systems | |
|---------------------------|---------------------------|
| Hardware / Infrastructure | Software / Support |
| Telecommunications | Training |
| Electricity | Networks |
| Transport / Roads | Mentors |
| Water & Waste Management | Professional Services |
| Office space | Incubators / Accelerators |

Table 7.1: Dimensions of the start-up ecosystem Support System domain.

The Hardware

Entrepreneurs in Myanmar faced an array of constraints in terms of support infrastructure, the greatest being the speed and reliability of the Internet and the second being rental prices.

Electricity, transportation, and water/waste management also pose constraints for businesses in Yangon, but were not listed as priority constraints by entrepreneurs when asked. Electricity outages are often combatted with generators, which increase set up and running costs. Since most businesses interviewed focused on the Yangon market, transportation infrastructure was not listed as a major problem.



Telecommunications

Most entrepreneurs interviewed mentioned Internet speeds, the lack of reliable mobile connections, and electricity as their primary complaints about infrastructure, respectively.

The cost of telecommunications is high for entrepreneurs. Current prices for wireless Internet are upwards of \$100 per month, with speed and connectivity varying greatly depending on whether WIMAX, ADSL or fibre optic connections are chosen, and where in Yangon the office is located. Until recently, purchasing a SIM card alone would set business owners back \$200+. In late 2014, however, SIM card prices dropped dramatically, to less than \$5, as *Ooredoo* and *Tele nor* launched their mobile networks. The prices of mobile data plans have also been decreasing.

Real Estate

The cost of rent in Yangon has skyrocketed since 2012, and in some cases the price per square foot exceeds that of Singapore, New York and Bangkok.²⁷ Local rent payment practices are also a burden for new businesses. In 2012 the typical practice was to pay one year of rent up-front and in cash. Since then, many landlords have adjusted their policy to accept a 6-month payment up-front, which is more feasible for start-ups, but still restrictive for most entrepreneurs. Many business owners expressed concern about the volatile real estate market, fearing a hike in their rent price following renewal of their lease. Annex 5 provides more details on set-up costs for a typical start-up office in Yangon.

In many cities affordable office options – such as co-working spaces – provide flexible and collaborative spaces for start-up teams. At the time of writing, 4 such spaces dedicated to entrepreneurs were operational in Yangon, as shown in Image 7.1 below.



Above: Image 7.1: Timeline of co-working spaces set up in Yangon.

²⁷ See “Yangon More Expensive than NYC Sparking Boom: Real Estate” (June 2013) available at www.bloomberg.com and “Myanmar real estate prices skyrocketing” (July 2013) at www.ibitimes.com.



Support Systems: The Software

A range of support organizations exist in Yangon to provide services for start-ups, including incubators, mentorship programs and competitions.

Incubators

In the discovery stage, entrepreneurs require a range of support services, including affordable office space, mentorship, networks, targeted training, and connections to funding opportunities. Incubators often fill this gap by providing a suite of services at either a low cost to the entrepreneur, or in return for a small equity share of the future business. In Yangon, there is only one incubator that provides a full and integrated range of services to new businesses. Compare this with the region, where there are four in Phnom Penh, seven in Bangkok, and three programs just within the University of the Philippines.

Project Hub Yangon (PHY) ran Myanmar's first full-time incubation program for 5 start-ups in Yangon from June to November 2013. Its programs provide mentorship, workshops, office space and networking opportunities to small groups of new entrepreneurs. Throughout the program, start-ups work on launching their businesses, and on developing a robust business model to be ready for presentations to potential investors that they are introduced to at the end of the program. Two start-ups that graduated from PHY's incubation program in 2013 have gone on to receive early-stage financing from international investors. PHY has plans to expand

its programming to target early-stage entrepreneurs among a range of sectors, rather than focusing on tech sectors that are the focus of Yangon's other incubators.

Suletech is a collaboration between *Ooredoo* and *Phandeyar*, a new non-profit funded by *OmidyarNetwork* and the *Intemics Network*. The Suletech space opened in late 2014 and offers co-working, events, and other programs for tech entrepreneurs. It does not offer incubation programs.

DevLabs, a workspace and community for developers and entrepreneurs, provides affordable workspace and regular events for digital entrepreneurs. Few entrepreneurs interviewed had taken advantage of *DevLabs* services.

Over the next year, new players will likely enter the incubation space to address the demand for curated services for entrepreneurs in various industries (social sector, tech, tourism, etc.). *Myanmar Young Entrepreneurs Association* also indicated they will be launching an incubator in 2015.

Accelerators

In June 2013, *Ooredoo* Myanmar launched *Ideabox*, Myanmar's first accelerator for mobile tech businesses. No other accelerators exist at the moment in Myanmar. *Ideabox* focuses on accelerating start-ups that have already passed the Discovery phase, that are in the IT or mobile fields, and that require office space, access to funding, and can benefit from privileged access to *Ooredoo*'s infrastructure. *Ideabox* took in



their first round of start-ups in mid-2014. Out of 80 applicants, 3 start-up teams were selected to be in the program. Selected start-ups are offered \$20,000 in funding in return for 20 percent equity.²⁸

Box 7.1: Incubate, Invest, Accelerate: The Story of Bindez

Bindez has been through a start-up journey that is common around the world and incredibly uncommon in Yangon. *Bindez*, a locally led start-up that aims to ‘beat Google’ and develop a Burmese-language search engine, had been in the idea stage for a few years. In 2013, one of its Founders applied for a *Project Hub Fellowship*, a 6-month incubation program. After participating in the program, the team developed a prototype and was able to secure a first round of seed funding from an Angel Investor in China and registered their company in Singapore. In 2014, the company went on to win a spot in the *Ideabox Accelerator*, where they receive office space, workshops and funding in return for a percentage of equity. The next challenge will be to launch a user-friendly and attractive product that Burmese online users will see as their own home-grown *Google*. The company has potential to be a great success story to inspire young entrepreneurs in the future and many aspiring Myanmar entrepreneurs are waiting to hear what they do next.

²⁸ At the time of writing, it is uncertain as to whether *Ideabox* is continuing its operations.

Mentors

Entrepreneurs benefit greatly by drawing on mentors – senior business people and successful entrepreneurs – to help them overcome management challenges, broaden their networks, and to provide motivation and guidance. In Yangon, there are few organizations that are actively linking entrepreneurs to experienced mentors, although this is clearly a service valued highly by entrepreneurs. “I’m very interested in the mentoring process. As a young entrepreneur I have passion, but I need to learn more,” one restaurant founder stated in an interview.

Creating a practical and worthwhile mentorship program in Yangon is challenging. Most local business people do not have time to meet regularly with entrepreneurs; and few foreign mentors know the Myanmar market well. As one tech entrepreneur stated, “High-level, strategic mentors aren’t what we need right now. We want locally established business people as Mentors.”

Aside from mentors provided through incubators and accelerators like *Ideabox* and *Project Hub Yangon*, there is a huge unmet demand for mentorship. *Serge Pun Associates*, a leading conglomerate in Yangon, launched a mentorship program targeted at young entrepreneurs in November 2013, as part of *Global Entrepreneurship Week, Myanmar*, but the program struggles to recruit a diverse group of entrepreneurs (see Box 7.2).



Box 7.2: SPA Start! links young entrepreneurs with executives

SPA Start! was launched in 2013 to match executives to entrepreneurs and to provide young start-ups with advice on business planning, marketing, operations and other guidance. The program has selected seven Mentees and about fifteen executives are signed up to serve as Mentors.

SPA Start! aims to develop a robust mentor culture, which is difficult in Yangon where mentorship is a new concept. The program also needs to manage entrepreneur expectations, as *SPA Start!* only offers Mentorship and does not provide access to seed funding, which many entrepreneurs are interested in. Since the program is housed within a large corporation, this may also be a barrier to participants who may prefer a more neutral program. Like many support services in Yangon, *SPA Start!*'s representative commented, "It seems like the current mentees are people who have been recycling in various entrepreneurship programs." It remains a challenge to reach out to a wider community of aspiring entrepreneurs.

Associations and Networks

There are eleven active networking groups and associations targeting entrepreneurs in Yangon (see also Annex 6 for a full list of Associations). Such groups provide events, workshops and networking opportunities for start-ups.

Entrepreneurs interviewed commented that many events are ad-hoc and it is difficult to stay abreast with events and opportunities. They highlighted a need for a central information resource for start-ups. Entrepreneurs also want to see more open associations that bring together a variety of industries and entrepreneurs with diverse backgrounds and have regularly scheduled events.

Professional Services (Legal, Accounting, Tax)

Compared with other start-up ecosystems, there is a gap in the provision of affordable and suitable legal, accounting and tax services for entrepreneurs and start-ups. There are no firms in Yangon that are providing unique packages or prices for entrepreneurs. "We'd love to see organizations help advise on registration, provide mentorship, and to help navigate the regulatory and legal landscape and advise on government relations (visas and permits)," one entrepreneur stated.

One resource available to social entrepreneurs in Yangon is *TrustLaw*, a program run by the *Reute rs Foundation*. *TrustLaw* links social entrepreneurs and NGOs with pro-bono lawyers, including some based in Myanmar.



Entrepreneurship Training Programs

Entrepreneurship training programs have grown rapidly over the last two years. While these services may inspire and better equip the next generation of entrepreneurs, they typically do not fully meet the immediate and practical needs of entrepreneurs moving through the start-up cycle, for example in terms of providing relevant legal and tax advice, management tips, recruitment tips, funding opportunities, and platforms to network and meet investors. Rather, the training programs available are mostly focused on building the business acumen of students and young entrepreneurs. A few training programs, such as those implemented by *Opportunities Now* and *HP Life Centres*, are examples of long-term, entrepreneurial programs that aim to support the launch of new businesses. A list of available training programs can be found in Annex 6.

Competitions

Competitions for entrepreneurs include *Code for Change* hackathons, *PS Business School Social Enterprise Idea Competition*, and *UMFCI Business Plan Competition*. In general, competitions are targeted at bringing participants together into teams to develop new ideas, mobile apps or businesses. Competitions are a great way to encourage participants to solve problems and develop creative ideas, to build communities of entrepreneurs, and to expose young entrepreneurs to new tools and skills.

However, the ability of such competitions to support the launch of viable new businesses is limited. One critique of local competitions is that prizes are usually relatively small, approximately \$2,000 - \$5,000, compared to business competitions in the region. For example, the “Proof of Concept” competition in Vietnam is targeted at green and innovative businesses and offers funding in the order of \$48,000. These competitions are too short to enable viable businesses to be built, or to build the capacity of entrepreneurs over time. Providing a longer-term program allow entrepreneurs to refine their ideas and skills before competing. One example of a capacity building approach to business competitions is *Start Up Cup*, a global brand of business-building workshops ending in a competition that has been successful in other emerging markets (see Box 7.3).

Events

Regular events in Yangon that bring together the entrepreneurial community for networking and exchanges include *Mobile Monday* (a mobile developer meet-up), *Net Monday* (a broader internet meet-up), *Barcamp* (a popular annual technology industry meet-up), and events by *MYEA* and *My PC*. Since 2012, Myanmar has participated annually in *Global Entrepreneurship Week (GEW)*, an international week of events for entrepreneurs that takes place each November. In 2014, *GEW Myanmar* took place in 3 cities across the country, including Yangon, Mandalay and Taunggyi, but much more outreach needs to be done to reach new communities across the country.



Most entrepreneurs commented that they appreciate such networking opportunities, but they are also looking for more content-driven events that can provide them with business tips, tools and resources. Also, there is not a centralized source of information on events for entrepreneurs.

Box 7.3: Start Up Cup Philippines launched by Young Entrepreneurs Society

The *Young Entrepreneurs Society Philippines (YES)* is an organization of young entrepreneurs who are passionate about business and professional growth. *YES* was established to promote and develop aspiring and successful entrepreneurs.

YES has successfully launched several programs by securing partnerships with global programs, such as *Global Entrepreneurship Week*, *StartUp Cup*, *Creative Business Cup*, and others. By establishing partnerships with already successful entrepreneur development programs, *YES* is able to avoid spending resources on developing new content for training and competitions.

YES Philippines is part of the *YES International* network, which is the most active organization supporting entrepreneurs aged 50 and below in the Asia-Pacific Region. *YES* also has networks in Singapore, Malaysia, Vietnam, Indonesia and Thailand.

Assessments

1. Entrepreneurs are struggling with high operating costs and weak infrastructure

Entrepreneurs commented that setting up their businesses in Yangon has been more expensive than they anticipated, especially given the high prices for rent, telecommunications, and generators. Furthermore, internet and electricity connections frequently disconnect. While roads and water unreliability were also mentioned, most small start-ups interviewed considered access to quality internet and affordable rent as the factors that most likely to keep entrepreneurs from starting a business in the first place.

2. Entrepreneurs demand more services and a wider range of activities

There were two prevailing opinions from entrepreneurs about the support system around their businesses: some were active in the community, but unsatisfied or unaware of the events, trainings and other service offerings available in Yangon.

Entrepreneurs frequently highlighted an interest in mentorship, professional services, networking (for business development and investment expertise), and financing opportunities. Support organizations interviewed expressed a need for greater collaboration among each other and transparency in planning support services so as to avoid duplicating efforts.



3. The ecosystem lacks affordable professional advisory services

Currently, there are no advisory services that offer special packages for entrepreneurs or start-up businesses. Entrepreneurs are uncertain how to navigate the regulatory environment, registration process, tax issues, contracting and labor laws, and other issues, and they need affordable professional services that meet their specialized needs. *PWC*, *KMPG*, *Rajah Tann Legal* and other foreign firms have established offices in Yangon, but do not currently provide specialized or discounted services to start-ups. In other markets, some firms and associations provide standard legal templates for start-ups to draw on for free, or provide services in return for a percentage of equity in the business.

4. A large component of the support ecosystem is devoted to tech start-ups

The tech entrepreneurship ecosystem is the most developed of the start-up community, which is not surprising given the interest and investment in mobile platforms since the opening of the ICT market. As well, by their nature, launching a tech business can be lucrative without being capital intensive. Media coverage about entrepreneurship in Myanmar also tends to focus on tech entrepreneurship.²⁹ Several new support

organizations focused on tech businesses and innovation have launched recently, such as *DevSpace*, *Barcamp*, and *Sule Tech*.

Training, events, financing and other support services are missing for other types of businesses, such as fledgling retail, F&B or service companies.

5. Startups want to see more active and diverse associations

Entrepreneurs in Yangon expressed an interest in developing more active and diverse associations that provide information, workshops, advisory, and mentorship services for members in a structured and accessible way. Entrepreneurship Associations in Yangon will need to be well resourced and well governed to respond to the growing demands from the next generation of entrepreneurs in the city. With limited resources, associations may consider bringing in international entrepreneurship programs, such as *Start Up Cup* and other competitions, which could reduce the time and cost of content development.

²⁹ See: NPR “Can this man bring Silicon Valley to Yangon?” (2013), Tech Crunch “How one Entrepreneur is Building the Future in Myanmar” (2014), Tech in Asia “Burmese dev agency NEX turns to products” (2014).



Recommendations

For government

- Following on from the liberalization of the telecommunications market, continue to seek improvements to critical infrastructure, such as electricity generation and supply, as an important need of start-ups and small businesses.
- Encourage greater provision of affordable legal, tax, and professional advisory services to start-ups and entrepreneurs. This can be done by incentivizing private firms to establish special service offerings for start-ups, or by developing legal and tax templates for start-ups to access at the *SME Centre*. The *SME Centre* may also serve as a first-stop resource for entrepreneurs to learn about professional service firms serving start-ups.
- The *SME Centre* should aim to support both local and international entrepreneurs with up-to-date information on support services available in Yangon, such as through a much improved website, and through practical information and training events.

For government or others

- Prioritize mentorship and training programs targeting entrepreneurs and new business owners. Appropriate partners for such programs may include local associations, international organizations or universities.
- Encourage programs that provide support to non-tech entrepreneurs in Yangon to ensure entrepreneurs in the middle of the spectrum (between micro-enterprise and innovative enterprise) are supported.

For associations

- Associations should develop partnerships with international entrepreneur training programs to contextualize and deliver their well-established and successful programs and methodologies in Myanmar.

Chapter 8





Chapter 8

Markets

New companies, particularly those with new products, need to be located where there is pool of reachable customers that can support uptake of new market solutions. At all stages of the start-up life cycle, there is a need for a large and attractive market, one that can be reached through media or otherwise exhibits an open exchange of information, and which is open to new competition – i.e., not restricted by government regulations and monopolistic firm behavior. In growth stages, easy access to foreign markets is also needed. In this section, we look at what entrepreneurs are saying about the availability of these market needs in Yangon and the barriers to attaining these markets.

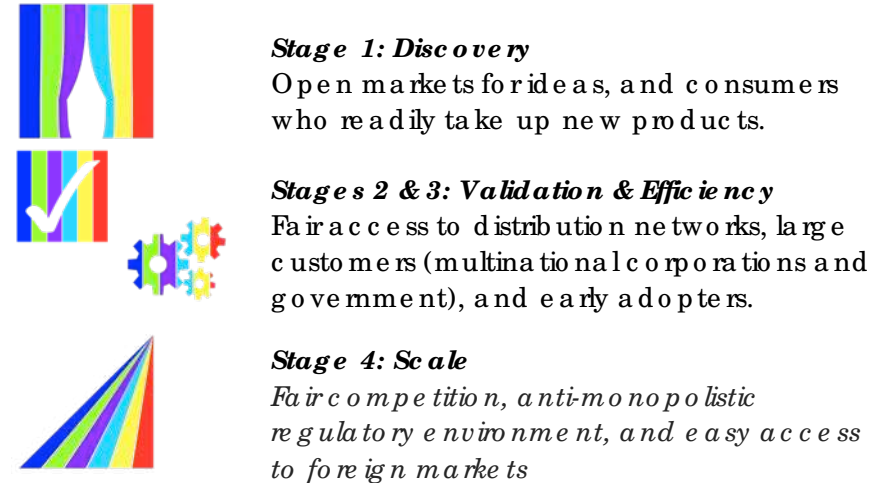


Image 8.1: Summary of market needs by start-up ecosystem stage.

Different dimensions of the Market domain of the ecosystem for a analysis are as follows:

- Early Adopters
- Distribution Networks
- Online marketplace
- Sizeable domestic and international markets
- Multinational corporations
- Government Tenders



Market Opportunities for Myanmar Start Ups

Myanmar is often lauded as the ‘last frontier’, which alludes to substantial market potential that has thus far been untapped. The lure of providing services and products to 53.7 million people and the advantages of being a first-mover in the market easily peaks interests; however, accessing this market still proves difficult due to weak infrastructure and distribution networks, a lack of consumer education, and a small ‘early adopter’ market. Further, the “consumer class” in Myanmar – those with enough income for discretionary spending – is just a fraction of the total population, estimated at 2.5 million or 4 percent of the total population.³⁰

Market Access for Myanmar Start-Ups: What’s here

Entrepreneurs interviewed often highlighted the considerable potential of the domestic market, but few are targeting markets outside of Yangon. Yangon serves as a testing ground for many new products and services, due to its relatively large consumer class and more stable infrastructure.

³⁰ *McKinsey Global Institute (June 2013), “Myanmar’s Moment: Unique opportunities, major challenges”, available at: www.mckinsey.com/insights/asia-pacific/myanmars_moment*

Box 8.1: The Myanmar Market in Numbers

As the ‘last frontier’, Myanmar represents considerable market potential in the long-term as the consumer class grows, but in the short-term small firms will be competing for a share of a smaller consumer class and will find it difficult and costly to access rural markets.

53.7 million people

87 percent of population living in rural areas

2.5 million people in the consumer class in 2013

19 million *potential* consumer class by 2030³¹

1.2 percent Internet penetration in 2013

13 percent mobile penetration in 2013, up from 7 percent in 2012 and 2 percent in 2011³²

³¹ *Ibid.*

³² World Bank Data (2014), Rural Population (percent of total population), available at: <http://data.worldbank.org/indicator/SP.RUR.TO.LZS>.



Rural Markets

Rural markets, which represent approximately 66 percent of the population, are still difficult for start-ups to provide services to.³³ Reaching these remote markets is costly, as transport and ICT infrastructure to rural areas is poor, and distribution networks are still underdeveloped and over-regulated. Without Internet and mobile penetration in rural areas, marketing efforts are focused on TV and newspaper ads, which can be expensive for start-ups and often ineffective. Consumer buying power in rural areas is still low and price sensitive, resulting in low margins and slower uptake of new products, especially given issues with distribution. As such, few start-ups are seeking to innovate new products and services for rural markets, despite large market gaps.

Early adopters

Early adopters – consumers who more readily take up and try new products or services – are vital to supporting new business growth. Most entrepreneurs interviewed suggested difficulty in informing the wider Yangon market about their new products and service offerings. Although start-ups in Yangon are increasingly attempting to reach these consumers by mobile and Internet applications, most marketing is still done through TV and print media, and local businesses are increasingly

realizing the value in marketing and advertising as competition increases. “In the past, local brands didn’t spend on marketing at all. But now, with international brands coming in, they are being forced to. They can’t sleep anymore,” said Ms. Aye Hnin Swe, Founder of one of Yangon’s leading ad agencies Mango Marketing, in an interview.³⁴

Multi-national companies, donors and the Government

The GoM and multinational companies are two other consumers that entrepreneurs can target. Multi-national companies have brought in high-quality goods and services to the market, making local firms work harder to win consumers. At the same time multi-nationals are huge consumer themselves of localized services, such as web-design, PR and distribution. Entrepreneurs are capitalizing on this by offering multi-national companies their expertise on how to successfully approach and operate in the Myanmar market. Over time the GoM can also become a target market for local start-ups if more efforts are made to open public procurement to greater market competition. Most new businesses are still not sure how to approach the government as a consumer and how to win government tenders. This is where training programs, such as those provided by international NGO *Building Markets*, can be effective (see Box 8.2).

³³ World Bank Data (2014), Rural Population (% of total population), available at: <http://data.worldbank.org/indicator/SP.RUR.TO.LS>.

³⁴ Interview with Aye Hnin Swe and Lynn Lynn Tin Htun (2014), “The dos and don’ts of marketing in Myanmar”, www.mumbrella.asia.



Box 8.2 *Building Markets in Myanmar*

In response to the lack of information on government and donor tenders and the need for new businesses to develop strong procurement and contracting practices, *Building Markets*, an international NGO with activities in Afghanistan, Liberia and other countries, launched *Sustainable Marketplace Initiative Myanmar (SMI Myanmar)* in late 2012.

SMI Myanmar provides a range of services aimed at reducing barriers to local procurement and developing linkages between local businesses and international and domestic opportunities.

As part of these services, *SMI Myanmar* operates an online tender directory, *Myanmar-opportunities.org*, which disseminates mostly government tenders, but also those locally relevant tenders from the development sector (such as the United Nations).

Since 2012, *Building Markets'* services have helped Myanmar businesses win 139 contracts worth over \$11 million. The initiative has also trained over 400 businesses in international contractual standards and procurement requirements.³⁵

³⁵ Source: buildingmarkets.org/our-impact/myanmar

Domestic & International Markets

Most entrepreneurs interviewed were focusing on the domestic market, which was seen as a logical first step where they would have competitive advantages before addressing export-oriented opportunities. Many entrepreneurs are also intrinsically motivated to provide quality products and services to Myanmar people who haven't previously had access to such market solutions. A few entrepreneurs mentioned an interest in engaging with international markets through export opportunities, but were wary of navigating the licensing process and any remaining sanctions, delays in logistics and shipping due to inefficient customs infrastructure and systems, communication issues when reaching out to partners, and competing with regional market leaders.

Online marketplace

The online marketplace, a relatively accessible marketplace in most countries, remains underdeveloped in Myanmar due to the lack of internet-enabled telecommunications systems, online payment systems, and other facilitating services such as banking and credit card systems. This is quickly changing, however, with the awarding of telecommunications licenses to *Telenor* and *Ooredoo*, and the growth of the internet networks and competition in the market. There are now entrepreneurs who are directly filling the space of online marketplaces, specifically for Myanmar, through business models that have been successful elsewhere.



Market Information

Finally, like other aspects of the ecosystem, information sources on market sizes, approaches and opportunities are scarce. Entrepreneurs expressed interest in having a central location or portal where they can access data on the Myanmar market and link up with reliable and affordable marketing, advertising and distribution agencies.

Box 8.3 Attracting consumers in Myanmar

Many small businesses in Yangon are reaching customers through traditional marketing mechanisms. Television ads dominate the advertising market in Myanmar, with journals, newspapers, magazines, and outdoor signs following in popularity, respectively. Digital advertising and marketing, which is more affordable for entrepreneurs, is just emerging in Myanmar due to low Internet and mobile penetration.

“Advertising, at this stage in our [country’s] development, should be kept simple,” recommended Ms. Lynn Lynn Tin Htun, Founder of *Mango Marketing* in Yangon in an interview. For example, abstract slogans, such as *Coca-Cola’s* Open Happiness campaign, did not take off in Myanmar. Instead, Coke pivoted and focused on taste and refreshment, said Ms. Tin Htun.

With the influx of international companies, competition has intensified, and local firms are beginning to realize the benefit

of a stronger marketing and PR strategy and to allocate a substantial budget for this.

Among the challenges for the marketing industry in Myanmar is the lack of data on media and publishing. Media monitoring is still in its nascent stages and relevant data is still hard to come by.

Entrepreneurs in Myanmar use multi-faceted marketing strategies, combining traditional and online marketing in the early stages of their business to understand what works best. Outside of newspaper ads, other traditional ads, such as outdoor billboards or TV ads, can be expensive for start-ups. New businesses are often seen posting large vinyl advertisements, which are inexpensive to print, along the streets and buildings to attract customers. Yangon start-ups are also prioritizing online marketing through social media and websites, setting them apart from established, older local firms that often do not have a website. In the future, as more of the population comes online, social marketing techniques will likely become even more rewarding for start-ups.³⁶

³⁶ Source: Interview with Aye Hnin Swe and Lynn Lynn Tin Htun (2014), “The dos and don’ts of marketing in Myanmar”, www.mumbrella.asia.



Assessments

1. Selling innovative new products is difficult because of a lack of consumer education

Start-ups with new products in Myanmar's market are finding it difficult to find a sizeable early adopter market in most product segments. The bulk of Myanmar consumers have not been exposed to many products that are regularly found overseas, and it remains a difficult and costly market to communicate and deliver to.

One example is *Rebbiz*, a local start-up operating online classified websites for cars, jobs and houses. Early on, *Rebbiz* struggled to explain how classified websites worked, stating "it was really hard to just get 5 cars listed." They had to educate both the buyers and the sellers about the value of the website and needed to offer their service for free at first in order to gain early traction. Eventually they reached out to Myanmar nationals abroad who knew about classified websites, and later got more people to adopt through their networks.

Most entrepreneurs interviewed mentioned that Myanmar people avoid risk, and this is related to how consumers behave. One entrepreneur mentioned that "there is a lot of mentality which stems from the weak education system... there is no power to make our own decisions."

Myanmar consumers are also less likely to buy intangible goods, such as online services or apps. As one founder said, "most people don't know what apps are and how to use apps yet." Also, customers are not ready for goods with less tangible value propositions, which was evident in luxury products such as art and designer fashion.

Setting prices for new products is also difficult for many start-ups in the validation and efficiency stages. The majority of Myanmar consumers are highly price sensitive, and don't yet value quality as much as in other markets. There is a gulf between the rich market segments with a high willingness to pay and the bulk of the Myanmar market with lower discretionary incomes. Although there is a temptation to make things affordable for the Myanmar market, many start-ups tend to tailor to the smaller wealthy segments while capacity to supply is low in the early days of the company.

2. Government is rarely a customer, but big corporates can fill this role

Only one entrepreneur interviewed mentioned government contracts as a feasible market, and given the opaque nature of government procurement in Myanmar, it is not likely that start-ups are able to benefit from public procurement as a market to help reach scale.

New large multinational companies entering the market, however, were mentioned as a viable anchor client for start-ups. When *Oway* was starting up, high-volume service



contracts with two newly arrived multinational companies, *Ooredoo* and *Coca Cola*, were important in gaining early revenues.³⁷ When *Blink Agency* began operating, they looked primarily to foreign multinationals as a market that understood their service – public relations and media – and who could sign on for long-term retainers, and were willing to pay a higher price.³⁸ One Yangon-based investor described the company demographic in Myanmar to be “like a dumbbell”, in that there are a lot of big companies and a lot of small companies and not that many in the middle, which highlights the importance of these larger companies as leading markets for small start-ups.

3. New businesses and emerging entrepreneurs are finding it difficult to penetrate some domestic markets or industries

Entrepreneurs need to be able to test out new products and new markets in a cost-effective way. Barriers to domestic markets remain an issue for new businesses. Entrepreneurs mentioned some industries are more difficult to tap into than others due to the number and strength of established and dominant firms. In some cases anti-competitive business practices – either through influencing regulation, or through industry oligopolistic behavior – were cited as preventing entrepreneurs from entering a market, or forcing them to reconsider their venture entirely.

A healthy start-up ecosystem should allow for competitive and relatively open industry access for local start-ups. Regulatory processes should be transparent and applied equally among firms. This sense of territorialism in industries and markets is detrimental to a dynamic, growth-oriented start-up ecosystem as it limits the competitive market opportunities for new entries.

Box 8.4: *Sprinkle s Myanmar* aims to adapt to the Myanmar market

Sprinkle s Myanmar is an example of a start-up business model tailored to Myanmar market circumstances, particularly in rural areas. A former salesman of high-end champagne, the CEO has identified a widespread market need, found a suitable imported product to satisfy the need, and has developed a mode of delivery that overcomes the challenges in reaching the rural market.

The product, nutritional supplements for malnourished children, requires distribution to rural areas, and educating an uneducated consumer about what it is, how it works, and why they should pay for it. *Sprinkle s*, therefore, uses existing networks of hospitals and schools to serve as points for distribution and promotion. The CEO regularly travels to schools to educate parents about child hood nutrition through workshops. In this way, *Sprinkle s* opens sales opportunities in a poorly informed, risk averse, and price sensitive market.

³⁷ Oway.com is a Myanmar-based online travel service.

³⁸ *Blink Agency* is a Yangon-based Public Relations start-up.



Recommendations

For government

- Ensure that there are anti-monopoly, and pro-competition laws in place to ensure a fair playing field for small businesses and start-ups.
- Ensure small businesses are a part of the advisory structures and feedback processes that shape industry and wider business regulation.

For government or others

- Encourage entrepreneurs to approach currently under-served rural markets, through incentive programs, innovation competitions or tax incentives.



Chapter 9





Chapter 9

Policy

This section will highlight what Yangon entrepreneurs are saying about the policy environment for their business, what organizations are involved in this environment, and benchmark cases in other ecosystems.

Governments always play key roles in the start-up journey and in the start-up ecosystem. Laws, institutions, and regulations can positively or negatively affect start-ups across all stages of the start-up life cycle, and can also affect other pillars of the start-up ecosystem. Foremost for start-ups, the legalization of

their business provides value by: enabling the sale or transfer of companies from founders to others; allowing shareholders to pool resources and join forces in a clearly understood structure; facilitating the provision of certain public and private services; protecting early employees under company-specific laws; and limiting the liability of company owners.³⁹ Regulatory authorities and institutions around the world seek to make starting a business easier by reducing the number of processes, making them simpler and faster, and reducing start-up capital requirements to facilitate the growth of new businesses, job creation and increased investment.

At all stages of the start-up life cycle, the key role of the government is to simplify business registration processes and to facilitate private sector growth through clear and efficient regulations. Following 10 years of conducting the *Doing Business Survey*, the World Bank's 2013 report summarized the effects basic policy reforms can have on a country's business environment (see Box 9.1).

189th

Myanmar's ranking in the ease of starting a business, according to the 2014 World Bank Doing Business Survey. Myanmar ranked last among countries surveyed.

³⁹ World Bank. 2013. *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group.



Box 9.1 Developing a policy environment that promotes economic growth

A simplified look at how policies and regulations can impact new business creation and economic growth are summarized in the table below. Most relevant to promote start-ups and entrepreneurship is simplifying the business registration process, which entrepreneurs in Myanmar are finding cumbersome, expensive and unclear.⁴⁰

| Policy objectives: | Leads to: |
|---|--|
| SMARTer business regulation ⁴¹ | Economic growth |
| Simpler business registration | Greater entrepreneurship and firm productivity |
| Reduced cost of registration | Improves formal employment opportunities |

The importance of policy in the start-up ecosystem

The policy environment is an important backbone to any start-up ecosystem. It not only has the potential to facilitate and promote entrepreneurship through regulatory policies, but also to strengthen other domains of the ecosystem, such as finance, human capital, and support systems.

In addition to setting clear and simplified regulations, governments can also help by considering start-up stakeholder's needs in policies that affect the wider business environment. For example, municipal or regional-level policymakers can consider the clustering and flow of start-ups and their common support systems when planning economic zones and zoning laws. Government can also play an important role in fostering linkages between an education system that values and fosters entrepreneurship with specific programs designed to develop entrepreneurial skills and research institutes that help the commercialization of new ideas.

Across the start-up life cycle, start-ups are looking for policies and laws that: support their market growth; protect their contracts, intellectual property, and rights to fair competition; and reduce the cost of arbitration and bankruptcy. More often than not, though, governments regulate with larger businesses in mind, and such regulations can be insurmountable for small or would-be start-ups. For governments that recognize the value of start-ups and their promotion, they often choose to simplify the process and reduce the cost of starting a business, and sometimes also offer financial incentives and subsidized support services for smaller firms and start-ups.

⁴⁰ World Bank. 2013. Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises. Washington, DC: World Bank Group.

⁴¹ For more details on SMART business regulations, see Box 9.5.



The policy and institutional environment for Start-Ups in Myanmar

The primary policies and institutions relating to start-ups in Myanmar are summarized in Annex 7.⁴² Start-ups fall under the category of SMEs and therefore are guided by the Private Industry Enterprise Law (2011), which defines SMEs as per the table below.

| Categories | Small | Medium |
|------------------------------------|-----------|------------|
| Power used (Horse power) | Over 5 HP | 25 – 50 HP |
| Number of workers | Over 10 | 50 – 100 |
| Capital investment (million kyats) | Up to 1 | 1 – 5 |
| Annual production (million kyats) | Up to 2.5 | 2.5 – 5 |

Table 9.1: Definitions of SMEs in the Private Industry Enterprise Law (2011).

In April 2015, the *Small and Medium Enterprise Law* was promulgated, which adds to the legislation concerning how the government interacts with SMEs. The new law also defines SMEs in a complex framework, as shown in Table 9.2 (right).

⁴² This report focuses on the areas of the start-up environment that entrepreneurs commented on as problematic; for a comprehensive review of business regulatory environment for SMEs see also Bissinger (2014) and World Bank (Doing Business Survey, 2014).

| | Small | Medium |
|--|-------|------------|
| 1. Manufacturing Industry | 1 | |
| Number of Employees | <50 | 51-300 |
| Capital investment (million kyats ⁴³) | <500 | 501 – 1000 |
| 2. Labor-intensive / Contract Manufacturing | | |
| Number of Employees | <300 | 301-600 |
| Capital investment (million kyats) | <500 | 501 – 1000 |
| 3. Wholesale business | | |
| Number of employees | <30 | 31 – 60 |
| Annual turnover (million kyats) | <100 | 101 – 300 |
| 4. Retail business | | |
| Number of employees | <30 | 31 – 60 |
| Annual turnover (million kyats) | <50 | 51 – 100 |
| 5. Service business | | |
| Number of employees | <30 | 31 – 100 |
| Annual turnover (million kyats) | <100 | 101 – 200 |
| 6. Other business | | |
| Number of employees | <30 | 31 – 60 |
| Annual turnover (million kyats) | <50 | 51 – 100 |

Table 9.2: Definitions of SMEs in the SME Law (2015)

⁴³ At the time of writing 1 USD was equivalent to 1024 kyats.



The 2015 SME law sets a wide scope of potential activities for five government bodies: a Central Committee, a Working Committee, an Evaluation and Reporting Body, an Agency (with Agency Branch Offices); and a Fund Management Body.

The Central Committee, headed by the Union President, provides oversight and leadership to the SME promotion activities of the other bodies, and particularly to link these activities with the government's wider economic development strategies, such as rural development, attracting foreign investment, and industrial modernization.

The Working Committee, headed by a Vice President, is tasked broadly to promote the interests of SMEs. This includes export promotion, capacity building, technology transfer, investment promotion, facilitating microfinance, and business advisory services.

The Evaluation and Reporting Body, chaired by a Central Committee appointee, is mandated to ensure that the outcomes of SME development activities are monitored and evaluated against the needs of SMEs in Myanmar and the aims set out by the Central Committee.

The Agency (and Agency Branch Offices), which is chaired by a Central Committee appointee at a Deputy Minister level, is the implementing body of SME policy. The law outlines specific tasks, such as legal awareness, training, coordination within government and with international organizations, facilitating business networks, dispute settlement, legal consulting, and data collection. The SME law also gives the Agency a role in

business registration, which potentially offers a new administrative avenue to business registration, and a "one-stop service" in Branch Offices brings this function to the regional level.

The Fund Management Body, chaired by a Central Committee appointee, is tasked to manage a fund that provides low-interest loans and SME support activities, but also coordinating investment opportunities for local and foreign investors into Myanmar SMEs, and negotiating credit guarantees for SME loans. Inputs into the fund come from the State's support funds, grants from local and international financial institutions, donations, and service fees. The Fund Management Body is overseen by the Working Committee in consultation, and is to consult with the Ministry of Finance and the Central Bank.

Other sections in the law outline the rights and responsibilities of entrepreneurs, and further detail of the Agency's role in information management, productivity improvements, export promotion, tax relief, support services, and business registration.



Assessments

1. The business registration process is complex and costly for startups

Myanmar ranked last among 189 countries in terms of the ease of starting a business, according to the World Bank's 2014 Doing Business Survey. This sentiment was echoed by entrepreneurs interviewed, who highlighted different registration options, costs and timelines for registering their businesses.

In Myanmar, business registration processes are complex. Local businesses may register with the municipal office, which can be quite quick, or they may need to register with the Department of Investment and Company Administration (DICA) in the Ministry of National Planning and Economic Development, which is more costly. Start-up founders are uncertain about the costs and benefits associated with each option. The Doing Business Survey identified eleven procedures for registering a business in Myanmar, more than triple that of Malaysia and Singapore, each with just three procedures.⁴⁴

Adding to the complexity, the cost of registration is high for start-ups relative to income per capita in Myanmar.

Entrepreneurs interviewed quoted different costs of local

company registration, ranging from \$300 to \$1500 for administrative fees and \$200 to \$5,000 for legal fees. Compared to elsewhere in the region, minimum paid capital in Myanmar is much higher than average and the cost of registration is higher.

2. Entrepreneurs want predictability in policy and its implementation, especially with regard to taxes, licensing and registration

Myanmar entrepreneurs' experience and engagement with government agencies and regulations is incredibly varied, adding uncertainty to an already uncertain and challenging start-up environment.

Beginning with the registration process, where entrepreneurs quoted different costs and processing times, to licensing regulations, import and export procedures and tax procedures, entrepreneurs described different experiences depending on their ability and willingness to tap on personal contacts and to pay fees or 'tea money'.

As with other aspects of the ecosystem, the lack of information readily available for entrepreneurs leads to uncertainty about proper procedures and what to expect from government. For example, although Myanmar tax codes are publicly available, the *Internal Revenue Department (IRD)* does not have a mechanism for updating businesses if codes change.⁴⁵

⁴⁴ World Bank. 2013. Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises. Washington, DC: World Bank Group.

⁴⁵ Bissinger, J., and Maung Maung, L. (2014), Subnational Governments and Business in Myanmar, The Asia Foundation, 5.



Central platforms providing updates, reminders and regulatory information to businesses are integral parts of start-up ecosystems (see Box 9.5).

3. The SME law does not simplify the regulatory environment for start-ups, but it does show greater willingness to support them

The SME law is an expansion of the government's regulation on SMEs, including start-ups. The SME law indicates the intent to make the new SME Agency a business registrar, but it doesn't suggest that it would be the only registration body, that existing registration bodies would be superseded, or that the registration process would be streamlined.⁴⁶ Rather, it hints at an additional reporting requirement of changing the business status after three years or if the business goes beyond the definitions of an SME. The definition of an SME has become more complex since the Private Industry Enterprise Law (2011). The addition of catch-all statements when defining the scope of the newly formed bodies further suggest an expansive view to regulating SMEs. The lack of detail on the purpose or activities of the "one-stop service system" or in tax holidays and support included in clauses 27 and 28, further suggests that the priority is getting companies registered and compliant with government policy.

The inclusion of "suitable representatives and economists, intellectuals, [and] experts from the business associations" potentially offers a no other opportunity for senior business leaders to express their vested interests in policymaking. The

law also includes a section on Business Associations, which hints at their importance but doesn't offer sufficient details on their role or how their interests will influence policymaking.

However, the draft law does indicate the government's intention to promote entrepreneurship, innovation, training and financing mechanisms, all of which could support start-ups, and states the need to establish "necessary legal and administrative framework for enabling SMEs to flourish by reducing barriers for businesses". The law recognizes the need to increase productivity and competitiveness of SMEs, particularly through improved technology and innovation.⁴⁷

Structurally, the 2015 SME law suggests that SME development is a high priority. The President's chairmanship of the Central Committee demonstrates high-level support, as does the Vice President's chairmanship of the Working Committee. The inclusion of regional Chief Ministers in the Working Committee shows intent of implementation in regional areas. Also, the formation of an Evaluation and Reporting body, along with references to reporting obligations of the other bodies throughout the law, indicates a willingness to make the newly formed bodies accountable.

⁴⁶ See clause 14:N, and clauses 29 to 31.

⁴⁷ Entrepreneurship is defined in the SME law by "innovation of marketable and more useful technology, products, manufacturing, and services".



4. Intellectual property law is outdated and in some cases non-existent

IP laws facilitate investment and innovation by protecting designs from competitors, generating revenue from IP sales, and helping to secure return on investment in R&D. Start-ups continue to develop new services and products in Yangon, but are increasingly concerned about the lack of IP rights.

Intellectual property law in Myanmar is still in its nascent stages: there is presently no law on patents and industrial designs, for example.⁴⁸ Further, copyrights from other countries are not recognized in Myanmar and foreign copyrights cannot be registered in the country. New IP laws, concerning trademarks, patents and copyrights, are currently being drafted by the *Ministry of Science and Technology*, with some support from the *Office of Attorney General*, and international experts.

5. Lacking institutions and an absence of pro-active initiatives

The *SME Centre*, launched in 2012 under *Ministry of Industry*, provides workshops, drafts legislation, and provides basic information to SMEs regarding bank loans and legal updates.

One expert interviewed questioned their impact or effectiveness, saying that they “need to really figure out what people need first before implementing policy to be more effective, have more impact, and to not waste resources”.

The *SME Centre* claims to offer advice and information about key processes, particularly around loans. Most entrepreneurs interviewed, however, had not interacted with the *SME Centre* and were unaware of their services. The *SME Centre*'s activities were also perceived as being only for industrial companies, and not for trading and services.

GIZ is supporting the *SME Centre* through advisory and consulting services to help develop its strategy and services. *GIZ* is supporting decentralization of services to 50 branches throughout the country, although additional funds are needed to support the full process. The *SME Centre* also indicated their interest in starting an incubation program in the medium term.

Aside from the limited resources provided by the *SME Centre*, there remains little or no government support or initiatives for start-ups, particularly at the discovery stage. The recent promulgation of the SME law may lead to changes in this assessment in the coming years.

⁴⁸ Myanmar is a signatory to the World Trade Organization's TRIPS agreement, but has not yet implemented all provisions relating to IPR. As a Least Developed Country, the deadline for Myanmar to implement the TRIPS Agreement has been shifted to 2021.



| | Myanmar | Cambodia | Laos | Malaysia | Singapore |
|---|-----------------------------|-------------------|------------------|------------------|-----------------|
| <i>Overall ranking of Ease of Starting a Business</i> | 189 th (last) | 184 th | 85 th | 16 th | 3 rd |
| <i>No. of procedures</i> | 11 | 11 | 6 | 3 | 3 |
| <i>No. of days⁴⁹</i> | 72 | 104 | 92 | 6 | 2.5 |
| <i>Cost (% of per capita income)</i> | 176.7% | 150.6% | 6.7% | 7.6% | 0.6% |
| <i>Minimum capital (%/ income per capita)</i> | 7016.0% | 27.5% | 0% | 0% | 0% |
| <i>Total tax rate (% of profit)</i> | 48.9% | 21.4% | 26.8% | 36.3% | 27.1% |

Table 9.3 (left): Summary of doing business regulations and tax rates among Southeast Asian neighbors.

(Source: World Bank (2014) Doing Business Survey.)

⁴⁹ Note: This does not include the amount of time spent gathering information, and no prior contact with officials.



Box 9.2: High tax rates increase the cost of starting up in Myanmar

Entrepreneurs indicated a desire to formalize their businesses, noting the long-term benefits of registration and tax compliance. However, many noted they are uncertain whether or not they are currently compliant, as they are unclear on what regulations pertain to them, or how to navigate the tax codes.

Overall, entrepreneurs stated that tax rates were too high, policies are changing too quickly, and tax procedures are not clear. For example, one business interviewed claimed they were taxed 25% on total annual revenue causing them to make a loss, when a similar business was taxed 20% on net profit. Most entrepreneurs need to hire accountants or other professionals to take care of their taxes, increasing their annual costs of doing business.

Although there is a tax holiday for certain types of new businesses in Myanmar, it does not provide a substantial subsidy for Yangon start-ups. SMEs are exempt from tax for the first three years following incorporation or until their annual income exceeds 5,000 USD (K5 million). Hence, in practice the tax holiday is targeted at micro-enterprises that may have an annual income of less than 5,000 USD. Entrepreneurs interviewed indicated an interest in more substantial tax breaks for start-ups.

Myanmar's comparatively high tax rates relative to its neighbors in the region put entrepreneurs at a nother disadvantage. One entrepreneur mentioned that his Myanmar-based business was put at a tax disadvantage compared to his Thailand-based competitor and market leader. Where the Myanmar taxation regime required him to pay tax on both the online transactions as well as on income, Thai-based companies do not need to pay double taxes.

Other reports, such as Bissinger 2014, have found that business taxes can be negotiated, discounted, or otherwise adjusted through personal connections within the IRD or bribery.

Source:

Baker & McKenzie (2014), "Key Changes in Myanmar Income Tax, Commercial Tax, and Stamp Duty", available at www.bakercchange.com.

Bissinger, J., and Maung Maung, L. (2014), Subnational Governments and Business in Myanmar, The Asia Foundation, 5.



6. Whenever possible, start-ups avoid dealing with government, and often register in Singapore instead

Due to the difficulties and uncertainties faced in Myanmar for start-ups, most prefer to avoid government as much as possible. For example, one investment firm interviewed claimed to look only at business opportunities with no government involvement. Most foreign and local start-ups interviewed that have sought foreign investment tend to register in Singapore when they are able.

Of the start-ups that had received foreign investment, all but one had registered in Singapore to make the process easier for their investor. As a business receiving funding from angel investors and venture capitalists at a seed and scale stage, a Singaporean legal entity can facilitate a fast and safe contract with investors. Further, investors and entrepreneurs commented on the preference to work out of Singapore where possible as the legal, IPR and other corporate structures are clear, trustworthy, and supportive.

7. Public procurement policy represents a missed opportunity for start-ups and government alike

As outlined in the “Markets” section, start-ups rarely see the government as a potential customer. Governments are often some of the largest consumers in a market; removing this opportunity reduces Myanmar’s market potential for start-ups significantly, in both the early-stages and when scaling up.

Entrepreneurs are wary of the tender process for government contracts due to a lack of information, high participation costs, and uncertainty as to whether bribes or other corrupt practices would be expected when fulfilling the tender or the contract. Hence, until procurement processes and outcomes become more transparent and accessible, it is unlikely that start-ups will see the GoM as a major customer.



Box 9.3: Best practice in Southeast Asia – ACRA Singapore

The *Accounting and Corporate Regulatory Authority (ACRA)* is the national regulator of business entities and public accountants in Singapore. In 2013, *ACRA* registered 60,201 new business entities and closed 40,019, leading to a listing of 447,661 business entities as of August 2014.

The Singapore Government promotes start-ups by drastically reducing the business registration costs and time through *ACRA*. A legal entity can be formed by Singaporeans within a day and with as little as 315 SGD. *ACRA* also provides a comprehensive website with How-To guides, FAQs, and online services, including a section specifically for “start-ups”. The services reduce uncertainty and time spent on regulatory compliance for start-ups.

Box 9.4: Developing SMART Business Regulations

Governments can promote start-ups and entrepreneurship through a variety of policy interventions, including but not limited to: improving access to financing, developing entrepreneurship and management capabilities, and simplifying the business environment.⁵⁰ Policies for start-ups should be simple, transparent and enforceable, and SMART. The *World Bank* promotes SMART business regulations as a means of promoting business growth. SMART regulations are:

Streamlined: Regulations that accomplish the desired outcome in the most efficient way

Meaningful: Regulations that have a measurable positive impact in facilitating interactions in the marketplace.

Adaptable: Regulations that adapt to changes in the environment.

Relevant: Regulations that are proportionate to the problem they are designed to solve.

Transparent: Regulations that are clear and accessible to anyone who needs to use them.

⁵⁰ World Bank. 2013. *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group.



Recommendations

For Government

- Make the business registration processes clear, straightforward, transparent and affordable.
- Build on the new SME law by developing regulation sparingly and in line with start-ups and SME needs. Set priorities, targets, and commitments, and take measures to protect the policy formulation process from vested interests.
- Clearly define the role, objective and resources available to the *SME Centre*, or the new organization that will take over its roles.
- Increase the clarity and accountability of taxation, licensing and regulatory compliance for registered businesses.
- Develop pro-competition policy and transparent, accessible markets for public procurement.

For government or others

- Open a one-stop information portal to provide entrepreneurs with quality and up-to-date information on registration, tax, licensing, and other regulatory requirements.
- Support development linkages between universities and entrepreneurs through incubation centers, training programs and R&D.

“The economies that rank highest on the ease of doing business are not those where there is no regulation—but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector.”



Chapter 10



Chapter 10

Conclusion

The political, economic and social transition of Myanmar presents unique opportunities for entrepreneurs to start businesses to introduce new products and services to the Myanmar market. Developing a robust and well-connected start-up ecosystem surrounding entrepreneurs will foster new business growth and the benefits they bring, such as sustainable livelihoods and home-grown, market-based businesses solutions.

By drawing on the experiences of local and foreign entrepreneurs starting innovative businesses in Yangon, this report maps the start-up ecosystem in Yangon, looking at six interacting domains, summarized below:

Finance

Entrepreneurs need access to affordable and diverse financing options. In Yangon, however, start-ups rely heavily on family funding, as banks and investors focus on funding larger and more established businesses.

Although foreign investment has increased significantly since 2012, firms are wary to invest in start-ups, which are seen as risky and expensive options. There are few financing options for early-stage start-ups, such as grants, competitions and loans, which generally limits entrepreneurship to individuals with wealthier families and high disposable incomes.

Human Capital

In general, start-ups struggle to find people with the skills they need; moreover, they are dealing with high turnover of staff as more opportunities are available through multinational companies. Without a ready and affordable workforce to draw on, starting a business is more costly and less efficient.

Human Capital also refers to the abilities of entrepreneurs to manage business and identify opportunities, both of which are often assessed by potential investors. In Yangon, new programs to develop entrepreneurial skills sets are establishing to fill the gap left by universities, but more training opportunities are needed that are oriented towards developing practical entrepreneurial acumen.

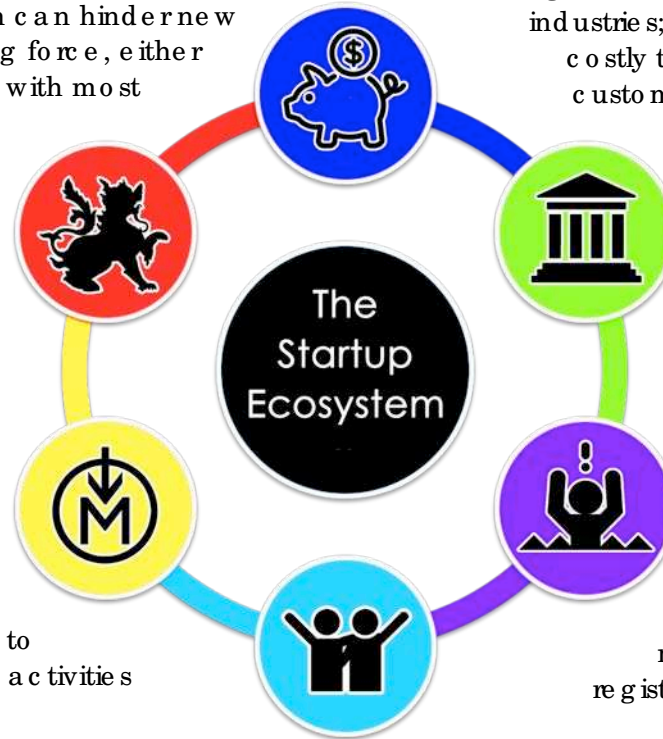
Culture

Entrepreneurs in Yangon are risk averse and lack role models and mentors to promote entrepreneurship as a lifestyle. In business, and as for start-ups, there is a culture of secrecy where ideas are not shared openly, which can hinder new business ideas. Families are also a strong force, either supporting or restricting entrepreneurship, with most parents encouraging children to go into careers rather than starting their own business.

Support Systems

Although support organizations (training programs, incubators and others) have grown substantially of late, start-ups still demand more diversified support offerings. There is a distinct gap in the provision of affordable professional services for new businesses. Associations represent a strong institutional backbone in the ecosystem, but entrepreneurs want to see more regular, substantive and diverse activities coming from them.

Infrastructure represents a costly hurdle for new businesses, with high costs in rent and telecommunications increasing the prices and risk of starting up.



Despite acknowledging the substantial market opportunities in Myanmar, new businesses and emerging entrepreneurs are finding it difficult to penetrate some domestic markets or industries; rural markets remain underserved and are costly to reach; and government is rarely a viable customer. Further, entrepreneurs are struggling to attract domestic customers, due to the lack of consumer education about their products.

Policy

There are many legal and regulatory hurdles for start-ups, ranging from costly and time-consuming company registration processes to uncertainty about tax and IP laws. Entrepreneurs want predictability in policy and its implementation, especially with regard to taxes, licensing and registration. Much more can be done to make information on registration, licensing, taxes and other resources available to entrepreneurs in Yangon.

The new SME Law demonstrates intent to support start-ups and SMEs, but has not yet resulted in greater clarity and simplification for SMEs to register and comply with regulation.

Concluding Assessments

1. Despite an increase in start-ups and support organizations, significant gaps and weaknesses still exist in the start-up ecosystem

The start-up ecosystem in Yangon provides entrepreneurs with various training, networking and market opportunities to support the setup and growth of new businesses. Start-ups continue to struggle to find mentors, financing and to navigate new regulations and policies, which are areas of the ecosystem that can be strengthened through: programs (providing mentorship), clear policies (with simple rules and regulations for new businesses), institutions (offering information and services to start-ups), and a wider array of services (such as professional advisory services).

More financing options must be made available to start-ups through bank loans, grants, competitions and angel investment. Entrepreneurs and the workforce should be better prepared to manage businesses through a strong education system focused on developing problem-solving, analytical skills and creativity. A strong policy framework has yet to be developed to underpin the ecosystem, but should include a clear definition of SMEs and policy objectives for supporting early-stage enterprises and promoting entrepreneurship.

2. Ecosystem actors must focus on improving quality and increasing cross-functional linkages

Apart from the quantity of institutions and options available to entrepreneurs, a healthy ecosystem should also aim to develop the quality of, and links between, these services. Universities should be linked to research institutions, incubators, government institutions, and competitions. Banks and investors should be communicating with government officers on financial policies affecting entrepreneurs, with entrepreneurs themselves, and with support organizations.

At the moment, given the lack of information about the Yangon ecosystem and the rapid changes that have taken place over the past few years, connecting resources, entrepreneurs, educators and policymakers has been especially difficult. However, new SME policies and institutions should focus on linking together educators, finance institutions, entrepreneurs, policymakers and support organizations to increase collaboration and communication to strengthen the ecosystem.

3. Finance, policy, and human capital remain weak links in Yangon's start-up ecosystem

Finance, policy and human capital are three essential pillars that are exceptionally weak in Yangon's start-up ecosystem. Start-ups, especially early-stage entrepreneurs, do not have viable and affordable funding options; start-ups are burdened by complex, opaque and costly regulations (despite the recent promulgation of the SME Law); and, entrepreneurs find it difficult to recruit and retain skilled staff for their start-ups.

The recommendations provided in this report are overarching policies and programs for the government, support organizations, and financial institutions to consider when serving entrepreneurs and start-ups. This report aimed to identify a broad picture of the Start-Up Ecosystem of Yangon, but further research should be done to go into each domain in further depth and to address a wider audience of entrepreneurs, including those operating in the informal economy, micro-entrepreneurs, manufacturing enterprises and other family businesses. Finally, comparative studies can be done to map the start-up ecosystems of other cities in Myanmar to develop an understanding of nation-wide obstacles and opportunities for entrepreneurs.

Annex 1: A comparison of frameworks of analysis of start-up ecosystems



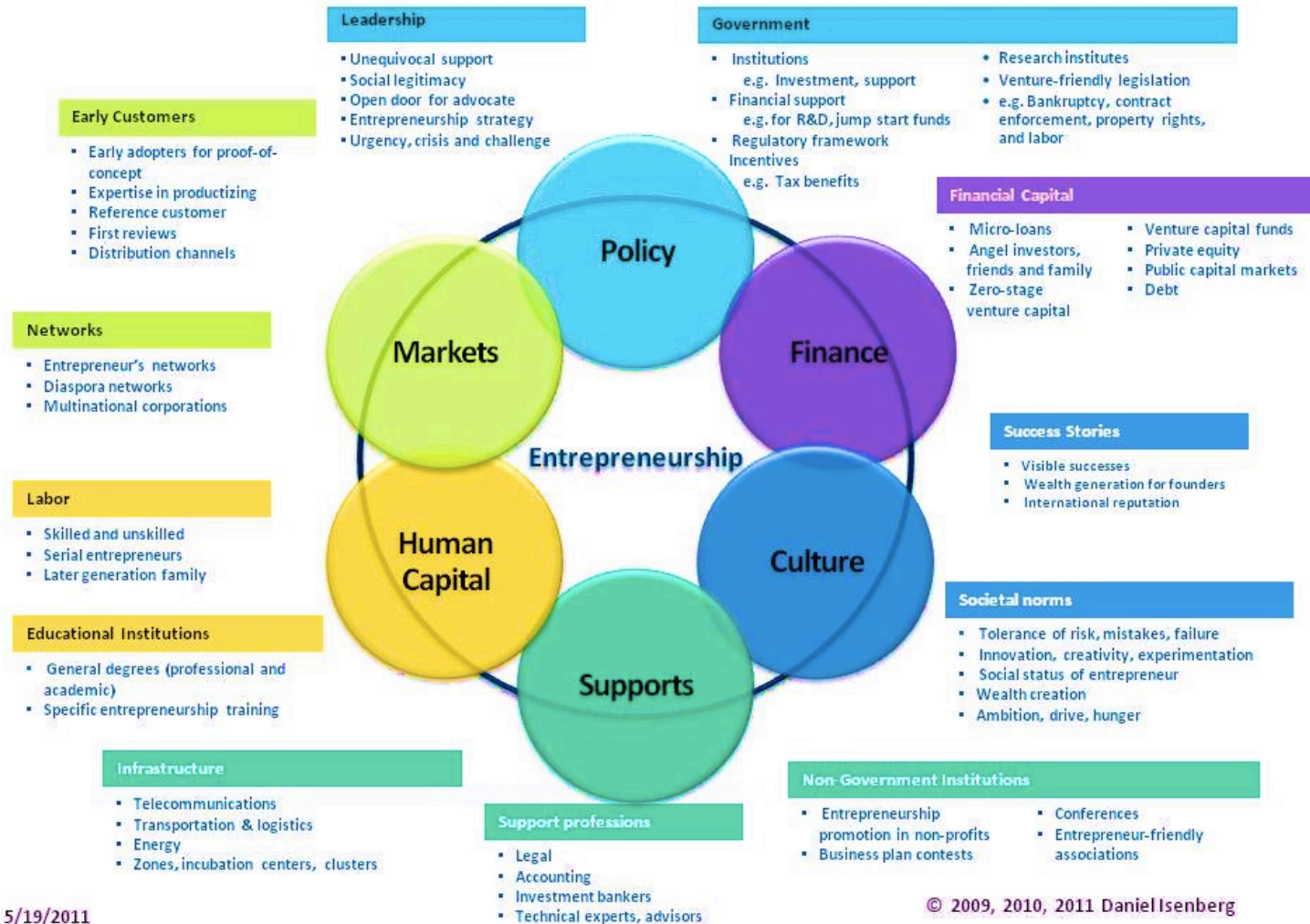
| Domain | Babson Entrepreneurship Ecosystem Project | Council on Competitiveness | George Mason University | Innovation Raforest Blueprint | Kolta i Company, 6+6 | GSM Association | OECD | World Bank | World Economic Forum |
|----------------------------------|---|----------------------------|-------------------------|-------------------------------|----------------------|-----------------|------|------------|----------------------|
| Policy | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Finance | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ |
| Infrastructure | ✓ | ✓ | | | | ✓ | ✓ | ✓ | ✓ |
| Markets | ✓ | | ✓ | | | ✓ | ✓ | | |
| Human Capital | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| Support / Services / Connections | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ |
| Culture | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| R&D Innovation | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | | |
| Quality of Life | | ✓ | | | | | | | |
| Macroeconomic Conditions | | | | | | | ✓ | | |

Table A: A brief summary of the various domains and the extent to which they are used in each ecosystem framework. Adapted from the Aspen Network of Development Entrepreneurs' "Entrepreneurial Ecosystem Toolkit", 2013.

Annex 2 – Elements of the Babson Entrepreneurship Ecosystem



Domains of the Entrepreneurship Ecosystem



Annex 3 – Profiles of Yangon Start Ups



The following pages provide basic profiles of 35 selected Yangon start-ups. Financial information is often considered highly confidential among Myanmar entrepreneurs and has not been included. Some profiles included in the following are of start-ups that were not interviewed. The profiles are organized by industry: technology, services, F&B, retail and other. Tech Start-Ups include businesses that are developed primarily online or via mobile apps. They must provide their own online services, products or apps. Companies offering only web design or development services are included under Services.

Tech Start-Ups



| | |
|--------------------------|--|
| Launched | 2013 |
| Description | Bindez is creating a Burmese native language search engine to tap into information that is coming online in the next few years. |
| Industry keywords | Tech, online, search engine |
| Background | At the time of writing, the team consisted of seven people, working out of one of the Founders' houses. Bindez also recently secured seed funding from an angel investor and are lining up for the next round of seed funding to continue their research and development work. |
| Founder(s) | Local entrepreneurs (male) |
| Website | www.bindez.com |

| | |
|--------------------------|---|
| Name | Doe Myanmar |
| Launched | 2012 - 2013 |
| Description | Doe Myanmar is a Burmese social network whose aim is to build an online Burmese community. It is targeting the people in rural areas who will come online soon, a market of around 40 million people. |
| Industry keywords | Social network, app |
| Background | Doe Myanmar differentiates itself from Facebook by having a point system for activity, while having an online store where points can be used. |
| Founder(s) | Repatriate Burmese (male) |
| Website | www.doemyanmar.com |



| | |
|--------------------------|---|
| Launched | February 2013 |
| Description | Creative web & mobile app software house, providing affordable services to small and medium businesses. Also develops its own app products. |
| Industry keywords | Web, app, development |
| Background | Ignite's first product was mmJunction, which is similar to Eventbrite. It has since moved onto creating a bus ticketing system app as well as doing outsourced projects and services. |
| Founder(s) | Repatriate Burmese (female) |
| Website | www.ignitemyanmar.com |

MYANMA DEALS

| | |
|--------------------------|--|
| Name | Myanma Deals |
| Launched | 2014 |
| Description | Daily deals and discounts mobile app and website. |
| Industry keywords | Online, coupons |
| Background | Myanma Deals is one of the five companies chosen to be part of the Ideabox incubation program. |
| Founder(s) | Repatriate (male) |
| Website | www.myanmadeals.com |



| | |
|--------------------------|--|
| Launched | April 2014 |
| Description | MyLann is a local restaurant discovery website and app to help the Yangon's residents discover more about the restaurant scene in the city. |
| Industry keywords | Restaurant directory, app |
| Background | MyLann is a partnership between 3 young entrepreneurs with experience abroad. The site aims to become the leading local restaurant discovery guide, the Yelp of Myanmar. |
| Founder(s) | Repatriate Burmese (male: 2, female: 1) |
| Website | www.mylann.com |



| | |
|--------------------------|--|
| Launched | April 2013 |
| Description | A results-driven mobile development agency startup, with clients from all over the Asia Pacific region. |
| Industry keywords | Web, app, mobile, development, services |
| Background | Nex has a strong team of 11 and a profitable business model. Founder plans to expand into tech product business in 2015. |
| Founder(s) | Burmese college student in Singapore, male |
| Website | www.nexlabs.co |



| | |
|--------------------------|---|
| Launched | 2012 |
| Description | O way is the fastest growing travel agency in Myanmar. It has four business units, 1) internet platform, 2) corporate service management, 3) traditional operations, and 4) writing software solutions for hotels and airlines. |
| Industry keywords | Tech, online, tourism, travel |
| Background | Founded in 2012 after the Founder returned from working and studying in the US. Now the company is profit generating and has grown to a team of around 40 employees. |
| Founder | Repatriated Burmese (Male) |
| Website | www.oway.com.mm |

PINLON TALENT

| | |
|--------------------------|---|
| Launched | 2011 |
| Description | Web development agency specialized in providing market-oriented and web-based IT solutions including corporate website design and development, content management system (CMS), and others. Aside from the service business, Pinlon Talent is also improving Shwe Property, its real estate web portal product. |
| Industry keywords | Web, app, product development |
| Background | The founder launched Shwe Property alone in 2011 while he was still working in Singapore. He relocated back to Yangon in 2014. |
| Founder(s) | Repatriate Burmese (male) |
| Website | www.pinlontalent.com |



| | |
|--------------------------|--|
| Launched | 2012 |
| Description | Pixel Directs is a multimedia marketing service agency that does marketing, social media management, advertising, web design, graphic design, and video production. Aside from its services, it is also working on a product, Discover Myanmar, which will be launched by the end of 2014. |
| Industry keywords | Social media, marketing, web, app, development |
| Background | Founders spent time in the US before returning to Myanmar to launch their business. Aim to put Myanmar back on the map through tourism |
| Founder(s) | 2 repatriated Burmese, male |
| Website | www.pixeldirects.com |

| | |
|--------------------------|---|
| Launched | 2012-2013; team based in Yangon since 2013 |
| Description | Rebbiz builds innovative web portals and online marketplaces that make people's lives easier. It currently has online classified auction sites for cars (MyanmarCarsDB), jobs (MyanmarJobsDB), and real estate (MyanmarHouseDB). |
| Industry keywords | Tech, online, retail, classifieds |
| Background | Three friends who studied and worked in Singapore before deciding to come back to work full time on their company in 2013. They are passionate and talented young adults in their 20s who identify themselves as geeks and entrepreneurs. |
| Founder(s) | 3 Repatriated Burmese, male |
| Website | www.rebbiz.com |



| | |
|--------------------------|---|
| Launched | 2012 |
| Description | Revo Tech is a creative digital agency providing web development, mobile app development, and social media management. |
| Industry keywords | web, app, and product development |
| Background | Originally started as a service business, providing web and app development as well as social media management. Recently has developed a product of their own, which is to be launched in the next few months. The product is called "Phe w", which is a tablet app that will teach children to learn how to write Burmese. |
| Founder(s) | Repatriated Burmese, male |
| Website | www.revotech.co |



| | |
|--------------------------|--|
| Name | Smart Deals Myanmar |
| Launched | 2014 |
| Description | Providing coupons for discounts at restaurants, spas and other shops. |
| Industry keywords | Online, coupons |
| Background | Launched in late 2014, Smart Deals sources discounts for its community that can download coupons online. |
| Founder(s) | Local entrepreneur (female) |
| Website | Facebook.com/SmartDealsMyanmar |



| | |
|--------------------------|---|
| Launched | 2013 |
| Description | Zilpa Tech is a digital technology firm offering creative services, online ticketing, innovative advertising platforms and other digital solutions. |
| Industry keywords | Online, web, app, product development |
| Background | Initially launched as digital ad agency and in-taxi advertising venture. It started work on its online ticketing platform in 2014 and are hoping to launch their first product shortly. |
| Founder(s) | Local entrepreneur, male |
| Website | www.zilpatech.asia |

SERVICES



blink

| | |
|--------------------------|---|
| Launched | mid-2013 |
| Description | The Blink Agency is a Public Relations and Digital Media agency whose goal is to help clients control the dialogue. The Blink Agency is a PR firm more focused in the digital domain. |
| Industry keywords | Public relations, social media, events |
| Background | The Blink team has grown to 8 people after it has secured investment from Anthem Asia at the start of 2014. The Blink Agency is focused on digital space in PR because they know the technology community in Myanmar. |
| Founder(s) | 2 Local entrepreneurs with some experience in abroad in the US and Singapore (male) |
| Website | www.theblinkagency.com |



| | |
|--------------------------|--|
| Name | The Bridge |
| Launched | March 2014 |
| Description | A creative media agency to fill the need for high quality media helping with communications and campaign design. |
| Industry keywords | Media, communications, design |
| Background | The vision is to fill the space for high quality creative media and bridging Burmese culture with great creative design. Within five years, The Bridge hopes to become a major creative agency in Myanmar. |
| Founder(s) | Local entrepreneur (female) and expat (male) |
| Website | None found |



| | |
|--------------------------|---|
| Description | Multi-disciplinary creative design agency specializing in digital media. |
| Industry keywords | Web, app, digital solutions |
| Background | A Japanese-Myanmar joint venture based in Yangon that delivers websites, mobile apps & digital solutions for tablets. |
| Founder(s) | Repatriate (male) |
| Website | www.dreamleap9.com |



| | |
|--------------------------|--|
| Launched | 2013 |
| Description | FIP offers technology solutions for the Myanmar market, with a focus on innovation and execution. Collaborating with global technology leaders, FIP provide the right market leading solutions for the Myanmar market. |
| Industry keywords | IT solutions, mobile banking |
| Background | Current projects include mobile banking solutions and SAP solutions. |
| Founder(s) | Repatriate (male) |
| Website | http://frontiertechnologypartners.com/ |

Lychee Ventures

| | |
|--------------------------|---|
| Launched | 2012 |
| Description | Lychee Ventures follow two business models, while always keeping a strong focus on execution and team building: 1) A venture investment platform which focuses on setting up promising start-ups in Myanmar (ie: Myanmore and Waeyaung) and 2) consultancy service that functions as a market entry platform. |
| Industry keywords | Tourism, retail, online, web |
| Background | First venture was Myanmore, a local discovery guide, started in 2012. Lychee Ventures' second start up is an online marketplace, Waeyaung (Buy Sell). The team is now more than 10 staff. |
| Founder(s) | Expatriate (male) |
| Website | www.lycheeventures.com |



| | |
|--------------------------|---|
| Launched | March 2012 |
| Description | Creative media agency whose mission is to enhance the growth of their clients through world-class web development and design for market-defining solutions that create value and competitive advantage. Its clientele are both local and international. |
| Industry keywords | Web, design, services |
| Background | Initially mSpiral had a high volume-low cost approach but refined its business model to high quality-high cost approach. |
| Founder(s) | Local Burmese (male), Expatriate (male) |
| Website | www.mspirall.com |



| | |
|--------------------------|---|
| Name | Myanmar Office Mart |
| Launched | 2014 |
| Description | Office supply delivery service for local and international businesses. |
| Industry keywords | Delivery, office supplies, services |
| Background | Myanmar Office Mart launched in mid-2014 through a 6-month incubation program in Yangon. It aims to provide affordable and quality office supply delivery service to its customers. |
| Founder(s) | Local entrepreneur (female) |
| Website | Facebook.com/MyanmarOfficeMart |



| | |
|--------------------------|--|
| Name | Pixillion Creative |
| Launched | Early 2011 |
| Description | Graphic design studio specializing in graphic communication design for local and international clients. It provides web, mobile app, identity, and print design in under seven days. |
| Industry keywords | Graphic design, web design, app development |
| Background | Originally started Lotcos Inc in May 2011, which provided web development, web design, and graphic design services. Then in October 2013, rebranded Pixillion Creative. |
| Founder(s) | Local entrepreneur (male) |
| Website | www.pixillion.co |



| | |
|--------------------------|---|
| Name | The Analytics Company (TAC) |
| Launched | 2012 |
| Description | Leading provider and distributor of world-class IT products & solutions in Myanmar. |
| Industry keywords | Data analytics, retail |
| Background | With limited and low quality data in Myanmar, TAC looked to expand into other businesses, which is when it went into becoming a retailer of Apple products in 2012, before officially becoming an authorized reseller for Apple in August 2013. Currently, the retail business has grown larger than the software enterprise business. |
| Founder(s) | Repatriate Burmese entrepreneur (male) |
| Website | www.tacmm.com |



| | |
|--------------------------|--|
| Launched | Oct 2013 |
| Description | Yangon Door2Door is a food delivery service partnering up with restaurants around town to deliver food to customers' doors with bicycles. |
| Industry keywords | Delivery, online, F&B |
| Background | Launched by a Yangon-based expat who developed the idea in late 2012 and launched website in late 2013. Looks to expand to delivery of other items besides food in the future. |
| Founder(s) | Expat, male |
| Website | www.yangond2d.com |



| | |
|--------------------------|---|
| Launched | December 2012 |
| Description | Zwenex is an IT company that provides software solutions to consumers as well as domestic SME firms. The company also provides web and app development and also does outsourced work. |
| Industry keywords | IT, web, app, development |
| Background | Currently a team of 4, led by founder with experience working with start-ups in Singapore. |
| Founder(s) | Burmese educated in Singapore, male |
| Website | www.zwenex.com |

Social Businesses



| | |
|--------------------------|--|
| Launched | 2014 |
| Description | Social business providing cooking classes to tourists, which funds its community-building, food-truck initiative. |
| Industry keywords | Social enterprise, food |
| Background | Harmon Eat aims to promote peace-building and communication through food. It subsidizes its work by providing cooking classes in Yangon to tourists. |
| Founder(s) | Expatriate (female and male) |
| Website | www.harmoneat.com |



| | |
|--------------------------|---|
| Launched | 2012 |
| Description | Aims to improve the reliability of electricity in Myanmar and bring it to the three quarters of the country who do not have it through solar power and micro-grids. |
| Industry keywords | Rural electricity, social enterprise, micro grids |
| Background | Indigo Energy first focused on wind projects and cycled through a variety of different power related opportunities before settling on focusing to provide electricity and lighting for the rural sector. There is now a team of four. |
| Founder(s) | Expatriate (male) |
| Website | www.indigoenergy.net |

| | |
|--------------------------|--|
| Launched | 2014 |
| Description | Koeko Tech aims to revolutionize Myanmar's data-deprived health sector by creating a national data network involving all local health institutions, as well as train local people from diverse backgrounds. |
| Industry keywords | Social enterprise, health, app |
| Background | Koeko has installed software at several major health institutions in Myanmar, with plans to scale regionally and then nationally. Koeko's long-term aim is to develop a nationwide health information exchange where health information, properly anonymized and secured, will be shared among Myanmar health institutions to inform evidence-based health policy to improve and save lives. |
| Founder(s) | Local entrepreneur (male), repatriate (male) |
| Website | http://koekotech.com/ |

Food & Beverages



| | |
|--------------------------|--|
| Launched | May 2014 |
| Description | An all-natural yogurt wholesaler supplying to hotels and restaurants in Myanmar. |
| Industry keywords | Delivery, tourism, dairy |
| Background | Responding to a gap in the yogurt market in Yangon, Annie's provides premium high quality yogurt, differentiating their product to be "organic", "all-natural", and greek. |
| Founder(s) | Expatriate who grew up in Myanmar (male) |
| Website | Facebook.com/anniesmyanmar |

| | |
|--------------------------|---|
| Launched | 2012 |
| Description | A gastro bar providing cocktails and fusion food; targets high-end customers in Yangon. |
| Industry keywords | Bar, restaurant, nightlife |
| Background | To expand into a chain around Yangon |
| Founder(s) | Local entrepreneurs with some experience abroad (male) |
| Website | www.escapegastrobar.com |



| | |
|--------------------------|---|
| Name | Rangoon Tea House |
| Launched | 2014 |
| Description | Up market, Burmese-style tea shop. |
| Industry keywords | Restaurant, local |
| Background | After returning from abroad, the Founder was exploring start-up opportunities in the food industry. After partnering with two other entrepreneurs, launched Rangoon Tea House in late 2014. |
| Founder(s) | Repatriate (male) |
| Website | Facebook.com/Rangoonteahouse |



| | |
|--------------------------|---|
| Launched | April 2014 |
| Description | Sprouts is the first salad bar in Myanmar providing a healthy food option for lunch and dinner. |
| Industry keywords | Restaurant, take away, downtown |
| Background | Sprouts targets providing a healthy food option for lunch for the expat community in the downtown area. Due to a growing customer base and higher demand, Sprouts has also started to provide a delivery service. |
| Founder(s) | Expats (male) |
| Website | www.sproutsmyanmar.com |

Re tail



| | |
|---------------------------|---|
| La unche d | 2014 |
| De sc ript ion | Everyday ready to wear fashion for the modern Myanmar woman. |
| Indus try keywords | Retail, fashion, women |
| Back ground | CiCi's founder completed a 6-month incubation program at Project Hub, where she worked on the concept for the fashion line. CiCi aims to launch a flagship store in 2015. |
| Founde r(s) | Local entrepreneur with US university education (female) |
| We bsite | Facebook.com/CiCiMyanmar |

PUN + PROJECTS

| | |
|---------------------------|---|
| La unche d | 2013 |
| De sc ript ion | Pun + Projects is a firm focused on creating luxury retail concepts in Yangon, Myanmar. |
| Indus try keywords | Luxury, retail, gallery, restaurant |
| Back ground | It's current project include TS1 art space and is working on launching a Myanmar seafood gastro bar soon. |
| Founde r(s) | Ivan Pun is the son of Serge Pun, a well known entrepreneur active in Myanmar for over 20 years. |
| We bsite | www.punprojects.com |



CHIN | FABRICS | CLOTHING | FASHION

| | |
|--------------------------|--|
| Launched | mid-2014 |
| Description | Retail sales of Chin fabrics and value-added fabric products. Rosy sells through Facebook, pop-up shops and out her house. |
| Industry keywords | Retail |
| Background | Rosy completed a 6-month incubation program at Project Hub in 2014. She aims to sell high-quality Chin fabrics to international and local markets. |
| Founder(s) | Local entrepreneur (female) |
| Website | www.facebook.com/RosyChinFabrics |

Annex 4 – Global Entrepreneurship Policy Survey Questions

Please tell us about yourself and your entrepreneurial efforts.

Gender:

- Male
- Female

Age: _____

Country: _____

Family's Annual Income (in USD, estimate range i.e. \$40,000-\$50,000): _____

Have you spent time studying or working abroad?

- Yes
- No

If you answered "Yes":

Where? _____

Have you been involved with startups abroad?

- Yes
- No

Do you currently operate a business?

- Yes
- No

If you answered "Yes":

What is industry of the business? [please select one]

- Agriculture
- Public Utilities
- Construction
- Mining
- Manufacturing
- Retail Trade
- Wholesale Trade
- Information
- Finance and Insurance
- Real Estate
- Professional and Technical Services
- Education
- Health Care
- Arts
- Tourism
- Other

In what year did you start your business? _____

How many workers does your business currently employ (other than yourself)?

[please select one]

- 0
- 1-4
- 5-10
- 11-19
- 20-49
- 50-99
- 100-249

- 250-499
- 500 and above

How do you expect your business's revenue in 2016 to compare to its current revenue?

- Decrease
- Same
- Increase 1-14 percent
- Increase 15-29 percent
- Increase 30 percent or more

Did you own another business before you started your current business?

- Yes
- No

Are you aware of how to register a company in Myanmar?

- Yes
- No

Is your company registered in Myanmar?

- Yes
- No

Do you plan to start a business in the next twelve months?

- Yes
- No

If you answered "Yes", What is industry of the business? [select one]

- Agriculture
- Public Utilities
- Construction

- Mining
- Manufacturing
- Retail Trade
- Wholesale Trade
- Information
- Finance and Insurance
- Real Estate
- Professional and Technical Services
- Education
- Health Care
- Arts
- Tourism
- Other

How many workers do you hope to have three years after startup?

- 0
- 1-4
- 5-10
- 11-19
- 20-49
- 50-99
- 100-249
- 250-499
- 500 and above

Are you aware of how to register a company in Myanmar?

- Yes
- No

Now we would like you to tell us about your experience as an entrepreneur. Please indicate the extent to which you agree or disagree with each statement below.

| Strongly Disagree | Generally Disagree | Slightly Disagree | Neutral | Slightly Agree | Generally Agree | Strongly Agree |
|-------------------|--------------------|-------------------|---------|----------------|-----------------|----------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Regulation

- 1) The process for registering businesses with the government is clear and easy.
1 2 3 4 5 6 7
- 2) Public officials who regulate businesses are competent and honest.
1 2 3 4 5 6 7
- 3) My competition operates in compliance with the law.
1 2 3 4 5 6 7
- 4) Tax laws are not an impediment to the development of businesses.
1 2 3 4 5 6 7
- 5) National law protects business intellectual property from theft inside the country.
1 2 3 4 5 6 7
- 6) The courts resolve disagreements between businesses fairly.
1 2 3 4 5 6 7

Access to Resources

- 7) Entrepreneurs with strong records and compelling business ideas can obtain financing on reasonable terms.
1 2 3 4 5 6 7
- 8) Businesses like mine have access to needed energy sources, transportation networks, and communications services at reasonable cost.
1 2 3 4 5 6 7

9) Businesses like mine can readily hire workers with the desired knowledge, skills, and abilities.

1 2 3 4 5 6 7

10) Entrepreneurs like me have access to advisors and mentors who can provide helpful guidance.

1 2 3 4 5 6 7

The Environment for Entrepreneurship

11) The nation's economic conditions are conducive to the development and growth of businesses like mine.

1 2 3 4 5 6 7

12) People have high regard for entrepreneurship and risk-taking.

1 2 3 4 5 6 7

13) My parents are supportive of my entrepreneurial venture.

1 2 3 4 5 6 7

Annex 5 – Typical office set-up costs in Yangon



| Item | Description | Estimated Cost |
|-----------------------------|--|---|
| Rent | \$1+ per square foot; 500 sq. feet space; one year lease paid up front | \$6000 |
| Fibre Internet Installation | Depends on location | \$500 - \$700 |
| Phone line installation | | \$50 |
| Air Con Installation | For 2 pieces | \$600+ |
| Total Set Up Costs | | \$7150++ (Not including furniture and renovations) |
| | | |
| Electricity Bill | Monthly | \$50 - \$80 |
| Services Bills | Building service charges | \$30 |
| Fibre internet monthly bill | | \$200 |
| Monthly Payments | | \$280+ |

Annex 6 – Mapping the Entrepreneurship Support System of Yangon

The following tables A through G list schools, training programs, incubators, co-working spaces, associations and other initiatives providing support to entrepreneurs in Yangon.

It aims to be as comprehensive as possible, but given the rapidly changing environment some newer programs may be not be included.

The table does not include finance institutions, which are listed in Table 4.2.

| a) Schools | |
|---|--|
| Business Capacity Building Institute | Run by Yangon University of Economics MBA Alumni, BCB offers a variety of professional development and management programs. |
| Lithan University College (Techpreneur Program) | Lithan University plans to launch its first Tech Entrepreneurship course in April 2015. |
| Robinson Business School | Private institute offering business management classes in downtown Yangon. |
| Strategy First | Founded by a Burmese entrepreneur who returned to Yangon after living and studying in the U.K. Strategy First offers courses for a diploma from the Institute of Commercial Management, UK. |
| Yangon University of Economics (MBA) | Myanmar's top ranking local MBA program provides full-time and part-time business management degrees. The University began working with Indiana University in 2014 to develop the entrepreneurial capacity of faculty and students through the ADEPT Program. |
| PS Business School | Offers a variety of business management courses, including an MBA, diploma in Human Resource management, marketing management and business management. PS Business School also regularly organizes business plan competitions and is especially active in promoting social entrepreneurship. |

| b) Training Programs | |
|---|--|
| Building Markets | Building Markets provides regular workshops and trainings for SMEs about tendering processes and procurement. |
| Entrepreneurship Development Network Asia (EDNA) | Launched a Myanmar-focused program in 2014 called Grassroots Entrepreneurship Education and Pro-Poor Enterprise Development. |
| Entrepreneurs du Monde | Provides technical support to microfinance institutes, conducts performance assessments of social businesses and holds seminars on social entrepreneurship and microfinance. |
| GIZ CEFET Training | GIZ sponsors CEFET Training of Trainers, which is an experiential entrepreneurship training program. ToTs have been conducted in Taunggyi and Yangon. |
| HP Life E-Learning Centres | Funded by USAID's ADEPT Program, HP Life E-Learning Centres are being established in Yangon and other rural areas. One centre in Yangon was launched in 2014 and provides online business and entrepreneurship courses. |
| Myanmar Entrepreneurs Development Association | Managed by entrepreneurs with CEFET certifications, offers courses on starting a business, finance, marketing, and general business skills. |
| Opportunities Now | Provides intensive training courses to disadvantaged youth to start their own businesses. Microloans are provided following the course. |
| Spark | International NGO focusing on providing technical assistance in the areas of skill development and enterprise (SME) development, as well as exploring opportunities to offer financial solutions to SMEs through its own investment fund. |
| UNESCO-PepsiCo Centre of Excellence for Business Skills | Launched in 2014, the Centre is a partnership between the Ministry of Education's Yangon University of Economics, PepsiCo, UNESCO. It aims to strengthen the business and employment skills of Myanmar youth through short-term training programs. |

c) Incubators & Accelerators

| | |
|--------------------|---|
| Ideabox | Funded by Ooredoo, Ideabox provides a 3-month accelerator program for mobile app start-ups. |
| Project Hub Yangon | A social business offering 6-month incubation programs, business idea competitions and other workshops. |

d) Workshops, Events, Networking

| | |
|----------------|---|
| Phandeyar | Launched in late 2014, offers workshops, networking and events for technology enthusiasts and civil society groups. |
| Mobile Monday | Backed by Ooredoo, offers weekly seminars for the tech start-up community in Yangon. |
| Net Monday | Backed by Telenor, offers regular seminars and networking for the tech start-up community. |
| BarCamp Yangon | Annual tech-focused 'conference' entering its 6 th year in 2015. |

e) Co-working spaces / Affordable office spaces

| | |
|--------------|--|
| Project Hub | Targeted at entrepreneurs, freelancers and consultants. Located in Dagon Township, Yangon. |
| Sule Tech | Targeted at the tech and civil society community. Located in Kyauktada Township, Yangon. |
| Office Cubed | Targeted at entrepreneurs and seasonal workers. Located in Thingangyun Township, Yangon. |
| DevLabs | Targeting web developers. Located in Dagon Township. |

f) Entrepreneurship Associations

| | |
|--------|--|
| MEDA | Myanmar Entrepreneurship Development Association |
| MYEA | Myanmar Young Entrepreneurs Association |
| MWEA | Myanmar Women Entrepreneurs Association |
| UMFCCI | Union of Myanmar Federation of Chambers of Commerce and Industry |
| MCF | Myanmar Computer Federation |

g) Other Networking Groups

| | |
|--------------------------------|--|
| Women's Professional Network | Provides monthly networking opportunities for local and foreign women professionals and entrepreneurs. |
| International Friendship Group | Monthly networking opportunities for women. |
| My Professional Club | Regular networking activities for young professionals. |

g) Mentorship Programs

| | |
|------------|--|
| SPA Start! | Launched in 2013. Mentorship program linking young Myanmar entrepreneurs with SPA Mentors. |
|------------|--|

Annex 7 – Mapping of policies in Yangon Start Up Ecosystem

The below list of policies and institutions gives an overview of the policy environment for Myanmar start-ups. It is not an exhaustive list.

| Policies & Laws | Description |
|--|--|
| Draft SME Law and Private Industrial Enterprise Law (updated 2011) | Currently, small and medium enterprises are defined according to the Private Industrial Enterprise Law (2011). A new law to address more specifically the needs of SMEs and to facilitate growth of SMEs was drafted in 2013 and is still under consideration. |
| Myanmar Citizens Investment Law (updated 2013); | Provides various incentives, including tax incentives, to domestic investors similarly to the Foreign Direct Investment Law. |
| Foreign Investment Law (2012) | Provides foreign investors tax incentives and defines framework for foreign investment, including lists of restricted sectors. |
| Myanmar Companies Act (1914) | Dictates the requirements for establishing public and private companies. |
| Tax Codes | Including commercial, income taxes, land, building and other taxes. |

| Institutions | Description |
|-----------------------------------|--|
| SME Development Central Committee | Chaired by President U Thein Sein and composed of government and business representatives, the committee is charged with coordinating among Ministries engaging with SMEs (Industry, Commerce, Finance, National Planning and others). |
| Ministry of Industry | Oversees the SME Centre and responsible for business licensing inspections and industrial inspections (wiring, transformers, etc.). |
| SME Development Centre (2012) | Under the Ministry of Industry, the SME Centre aims to support the development of SMEs into large-scale enterprises. The new SME Law (forthcoming) is said to detail further the role |
| Directorate of Investment and | DICA is housed under the Ministry of National Planning and Economic Development. It |

| | |
|-----------------------------|---|
| Company Administration | registers all businesses that invest under the Foreign Investment Law and the Myanmar Citizens Investment Law. |
| Ministry of Labor | Conducts labor-related inspections, notably of enterprises in industrial zones. |
| Internal Revenue Department | The IRD, housed under the Ministry of Finance, collects income and commercial taxes from businesses, as well as various other taxes and duties. |

Sources:

Bissinger, J., and Maung Maung, L. (2014), Subnational Governments and Business in Myanmar, The Asia Foundation, 5.

SME Development Center (2014), <http://www.sme-development-center.gov.mm/>



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