BRIEF METHODOLOGY: Myanmar Business Environment Index 2020

The MBEI is a comprehensive diagnostic tool pioneered by The Asia Foundation to evaluate and improve Myanmar’s subnational business environment. The MBEI allows systematic comparison of states and regions on the basis of local governance practices, thereby enabling government, businesses and investors to better understand Myanmar’s local business environment. The MBEI is intended to serve as a tool to help governments target improvements in each state and region and promote sustainable and inclusive economic growth across Myanmar.

To generate the index, the Foundation surveys nearly 6,000 businesses across all 14 states and regions and Nay Pyi Taw Union Territory and gathers data on licensing, land access, government transparency, and more. This document outlines in brief the key methodological features of the MBEI. For a full discussion of the MBEI methodology, see the full MBEI reports available at: https://asiafoundation.org and https://opendevelopmentmyanmar.net/mbei/.

Which Businesses are the Focus of the MBEI?

Domestic Service and Manufacturing Firms — The MBEI focusses primarily on formal domestic firms in Myanmar’s service and manufacturing sectors, most of which are small or medium in size. The MBEI does not focus on informal businesses or Myanmar’s primary sectors (e.g. agriculture, fisheries, mining and forestry). Informal businesses and the primary sector indeed matter greatly in Myanmar, and the exclusion is made for practical reasons rather than on principle. Informal businesses have fewer interactions with government, and primary sectors face a fairly different regulatory environment that makes it difficult to draw nationwide comparisons. Large firms are included in the MBEI, however they are far outnumbered by smaller firms. As such, MBEI results should be interpreted with smaller service and manufacturing firms in mind.

- **Small firms:** The MBEI sampled firms of all sizes; the vast majority of businesses included, however, are small and medium enterprises.
- **Nationally representative:** The MBEI compiles data from all states and regions. As such, it reflects the experiences of firms in both urban and rural areas of Myanmar.
- **Service and manufacturing sectors:** The MBEI excludes the primary sector (agriculture, fisheries, mining and forestry). It includes measurements only of service and manufacturing firms, many of which operate in the food production subsector.
- **Domestic firms:** The MBEI is focused entirely on the experience of locally owned Myanmar firms.
What Does the MBEI Measure?

**LOCAL ECONOMIC GOVERNANCE FOR PRIVATE SECTOR DEVELOPMENT** – The MBEI focuses exclusively on measuring local economic governance for private sector development in Myanmar. This refers to measures taken by governments to build a good business environment and support economic activity and transactions. The MBEI does not measure all aspects of the Myanmar business environment (e.g. proximity to markets), rather it focuses on those which are under the control of state and regional governments in the short- and medium-term.

- **Entry Costs,**
- **Land Access and Security,**
- **Post-Entry Regulation,**
- **Informal Charges,**
- **Infrastructure,**
- **Transparency,**
- **Favoritism in Policy,**
- **Environmental Compliance,**
- **Labor Recruitment,**
- **and Law and Order.**

With respect to each subindex, governments have a key function to play through the creation of institutions, design of policies, and implementation of those policies.

**MBEI Indicators** – Each MBEI subindex is comprised of numerous quantitative indicators which measure specific features of local economic governance. Table 1 below provides a list of indicators within each MBEI subindex.

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**List of All Indicators Used in the MBEI, by Subindex**

**Subindex 1: Entry Costs**

**CORE INDICATORS**
1. Waiting over three months to be fully legal (%)
2. Number of documents to be fully legal (#)
3. Number of days for operating license at CDC or DAO (#)
4. Number of days for business registration certificate at DICA (#)
5. Had difficulty with any registration procedure (%)
6. Share of documents required to obtain a DAO business operating license (%)
7. Agreement that the DAO staff was helpful and knowledgeable (%)

**NEW INDICATORS**
8. Number of procedures needed to apply for a CDC or DAO operating license (#)
9. Number of procedures needed to apply for a DICA registration certificate (#)
10. Number of procedures needed to apply for a DISI registration certificate (#)
11. Research team visited the DAO more than once for license procedures (%)
12. DAO office is working at capacity (%)
13. DAO office has necessary physical resources (%)
14. OSS office is working at capacity (%)
15. OSS office has necessary physical resources (%)
16. OSS office staff are friendly and helpful (%)
17. DAO standard application form exists and is available (%)

**Subindex 2: Land Access and Security**

**CORE INDICATORS**
1. Firm owns land and has title (%)
2. Length of time to obtain land documentation (days)
3. Firm believes it has at least moderate risk of expropriation (%)
4. Firm believes it has at least moderate risk of changes in rental contract (%)
5. Firm believes it is likely to receive fair compensation in case of expropriation (%)
6. Firm has done land procedures and encountered no difficulties (%)

**NEW INDICATORS**
7. Firm had a land dispute in the past two years (%)
8. Firm has a Land Grant or Form 7 (%)
9. Firm owner owns land in another person’s name (%)
10. Firm has faced obstacles in acquiring or expanding business premises (%)
11. Number of documents required to obtain a GAD Land Grant (#)
12. DALMS staff is helpful (%)
13. GAD standard application form exists and is available (%)
14. DALMS standard application form exists and is available (%)
15. GAD office has necessary physical resources (%)
16. DALMS office has necessary physical resources (%)
17. GAD office is working at capacity (%)
18. DALMS office is working at capacity (%)
19. Total number of documents required for DALMS Form 105 (land map) (#)
**Subindex 3: Post-Entry Regulation**

**CORE INDICATORS**
1. Number of inspection visits for businesses (number of examination)
2. Inspections help business comply with regulations (percentage agree)
3. Firms spend less than 10% of their time on bureaucratic procedures (percentage agree)
4. Government officials process paperwork effectively (percentage agree)
5. Government officials are friendly (percentage agree)
6. Doesn’t take many trips to get stamps and signatures (percentage agree)
7. Fees are listed publicly (percentage agree)
8. GAD staff are helpful (percentage agree)
9. One-stop-shop desks with personnel in attendance (number)
10. One-stop-shop exists in a township (percentage agree)

**NEW INDICATORS**
12. Regulatory fees are made easily ascertainable by government disclosures (percentage agree)
13. Time taken to examine and inspect the business (minutes)
14. Government agencies are technologically competent (percentage agree)
15. Number of inspections disrupts business operations (percentage agree)
16. Number of documents required to renew DAO business operating license (number)
17. Number of documents required to renew GAD Land Grant (number)
18. DAO staff are helpful (percentage agree)

**Subindex 4: Informal Charges**

**CORE INDICATORS**
1. Firms have to make gifts in the form of money (percentage disagree)
2. Firms paying less than 2% of sales revenue in bribes (percentage agree)
3. I usually know the amount of the bribe in advance (percentage agree)
4. Gifts in the form of money increase the speed of service delivery (percentage agree)
5. Making a gift in the form of money is essential to win a procurement bid (percentage agree)
6. Made a gift or extra payment during an inspection (percentage agree)
7. Inspections create opportunities for regulators to make money through gifts (percentage agree)
8. Complaints per 10,000 citizens (number, 2019)

**NEW INDICATORS**
9. Need to make a gift or pay money to get a loan (percentage agree)

**Subindex 5: Infrastructure**

**CORE INDICATORS**
1. Hours out of service of telephone and other telecommunication services last month (hours)
2. Hours of power outage last month (hours)
3. Number of days in a year that roads are blocked by flooding, mud, or poor road conditions (number)
4. Firm was damaged by an unexpected power outage or unstable power supply (percentage agree)
5. Number of power outages experienced last month (number)
6. Time between registering for and receiving electrical service (aggregate, days)
7. Urban roads are good or very good (percentage agree)
8. Telephones are good or very good (percentage agree)
9. Electricity is good or very good (percentage agree)
10. Internet is good or very good (percentage agree)
11. Water quality is good or very good (percentage agree)
12. Hospital/clinic quality is good or very good (percentage agree)
13. Mobile phones per capita (percentage agree)

**NEW INDICATORS**
14. Number of the last five outages that were announced in advance (number)
15. Rural roads are good or very good (percentage agree)
16. Time between registering for and receiving electrical service (private home meter, days)
17. Time between registering for and receiving electrical service (public home meter, days)
18. Time between registering for and receiving electrical service (private business meter, days)
19. Time between registering for and receiving electrical service (public business meter, days)
20. Households with access to water during dry season (percentage)
21. Individuals aged 15 and above who used the internet in the last seven days (percentage)
22. Railroad density (km/km2)
23. Road density, weighted by road type (km/km2)
24. Share of households with a public or community electrical grid (percentage agree)

**Subindex 6: Transparency**

**CORE INDICATORS**
1. Accessibility of state or region's budget (percentage)
2. Accessibility of Union laws (percentage)
3. Accessibility of implementing documents and regulations of Union ministries (percentage)
4. Accessibility of state/region laws and regulations (percentage)
5. Accessibility of new infrastructure plans (percentage)
6. Accessibility of public investment plans such as hydropower projects, airports, and highways (percentage)
7. Accessibility of land-use allocation plans and maps (percentage)
8. Accessibility of planning documents for the development of state/region industries and sectors (percentage)
9. Accessibility of forms for completing regulatory procedures (percentage)
10. Predictability of changes in laws and regulations at the Union level (percentage)
11. Predictability of changes in regulations at the S/R level (percentage)
12. Predictability of implementation rules at the S/R level (percentage)
13. Share of GAD documents with information publicly posted (percentage)
14. Share of DAO documents with information publicly posted (percentage)

**NEW INDICATORS**
15. Share of DAO documents with examples provided
16. Share of DALMS documents with examples provided
17. Share of DALMS documents with information publicly posted
18. Ease of acquiring information on DAO schedule of fees (score of 1–3)
19. Transparency survey score for government websites (possible range: 0 to 15)
Subindex 7: Favoritism in Policy

**CORE INDICATORS**
1. No Favoritism by local authorities towards businesses with strong connections (%)
2. Favoritism in land access (%)
3. Favoritism in loan access (%)
4. Favoritism in mineral exploitation licenses (%)
5. Favoritism in simpler administrative procedures (%)
6. Favoritism in state agency contracts (%)
7. Favoritism in information access (%)

**NEW INDICATORS**
8. Other privileges and favoritism (%)

Subindex 8: Environmental Compliance

**CORE INDICATORS**
1. Pollution has a slight or no negative effect on the firm’s business prospects (%)
2. Overall environmental quality is good (%)
3. Local authorities take timely action to deal with pollution (%)
4. State support for saving water (%)
5. State support for waste recycling (%)
6. Purpose of government inspections is to protect society and the environment (% agree)
7. Households with improved toilet sanitation (%)

**NEW INDICATORS**
8. State support for reducing air pollution (%)
9. State support for reducing water pollution (%)
10. State support for saving electricity (%)
11. Number of garbage trucks per 10,000 people (#)
12. Road transport carbon intensity of the economy

Subindex 9: Labor Recruitment

**CORE INDICATORS**
1. Ease of recruiting rank-and-file manual workers (%)
2. Ease of recruiting technicians (%)
3. Ease of recruiting accountants (%)
4. Ease of recruiting supervisors (%)
5. Ease of recruiting managers (%)
6. Primary school enrollment rate (%)
7. Middle school enrollment rate (%)

**NEW INDICATORS**
8. Firm needs to train new employees (%)
9. Quality of local labor meets the firm’s needs (%)
10. Number of days after hiring before employee can do the job (#)
11. High school enrollment rate (%)
12. Labor exchange office placements per 10,000 people (#)

Subindex 10: Law and Order

**CORE INDICATORS**
1. If an official breaks the law, I can appeal to a higher level for resolution (%)
2. When violations of the law are discovered, officials will discipline the offending staff (%)
3. Legal system will uphold property rights and contracts (% agree)
4. Business disputes are heard by courts at all levels in the state or region (% agree)
5. Court hears/resolves economic cases quickly in the state or region (% agree)
6. Court enforces economic cases quickly in the state or region (% agree)
7. State or region legal aid agencies support businesses when disputes arise (% agree)
8. Judgements by the court are fair (% agree)
9. The security situation is good (% agree)
10. Victim of crime last year (%)
11. Reported to the local police (%)
12. Total number of selected crimes per 10,000 citizens per year (#, 2018)

**NEW INDICATORS**
13. Number of judges per 10,000 citizens (#, 2018)
14. Number of riots and protests per 10,000 citizens (#, 2014-2017)
15. Number of armed clashes per 10,000 citizens per year (#, 2018)

How does the MBEI Measure Economic Governance?

**DATA SOURCES** – The MBEI includes data from three main sources:

- **Survey Data** – The MBEI incorporates “soft” data, or business-perceptions, collected through a nationwide survey of businesses. The survey questionnaire is designed with inputs from discussions with businesses and policymakers and covers all of the MBEI subindices. Most questions focus on business’ experiences interacting with township officials.

- **Administrative Data** – Hard data, or published and other non-survey data, is used to supplement and balance MBEI survey data. This data is used to correct for anchoring bias, control for the impact of structural endow-
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INDEX CONSTRUCTION AND WEIGHTING – After data collection is complete, the resulting data is used to construct subindices and calculate final index scores. Index construction includes rescaling indicators and combining them together in thematic groups, or subindices. Before final scoring, the MBEI is calibrated using a process through which each MBEI subindex is given one of three distinct weights. The purpose of calibration is to weight each subindex, or each feature of the business environment, proportional to its contribution to private sector development. The MBEI also uses quantitative methods for weighting in order to “trust the data” and reduce bias.

Updates to the 2020 MBEI – The 2019 and 2020 MBEI studies share the same core methodology but differ slightly in some details. Namely, the 2019 MBEI, based on a survey conducted in 2018, sampled from 2016 MO-LIP business register, and included slightly different indicators. The 2020 MBEI updates these elements and also samples 1,200 firms from the 2019 MBEI study. This “panel” of firms is used to measure change in business perspective over time.
Formality of New MBEI Firms

<table>
<thead>
<tr>
<th>License Type</th>
<th>Share of Firms (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDC Business License</td>
<td>24.95</td>
</tr>
<tr>
<td>DAO Operating License</td>
<td>4.5</td>
</tr>
<tr>
<td>DICA Registration Certificate</td>
<td>16.19</td>
</tr>
<tr>
<td>DISI Registration Certificate</td>
<td>12.18</td>
</tr>
<tr>
<td>SME Card</td>
<td>4.9</td>
</tr>
<tr>
<td>2+ Entry Documents</td>
<td>19.01</td>
</tr>
<tr>
<td>Fully Informal</td>
<td>69.48</td>
</tr>
</tbody>
</table>

Employment Size of New MBEI Firms

<table>
<thead>
<tr>
<th>Employment Size</th>
<th>Share of Firms (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;4 people</td>
<td>0.03</td>
</tr>
<tr>
<td>4-5 people</td>
<td>28.88</td>
</tr>
<tr>
<td>6-9 people</td>
<td>47.08</td>
</tr>
<tr>
<td>10-19 people</td>
<td>22.72</td>
</tr>
<tr>
<td>20-99 people</td>
<td>1.33</td>
</tr>
<tr>
<td>≥100 people</td>
<td>0.11</td>
</tr>
<tr>
<td>≥1000 people</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Employment Size of Panel Respondents in 2018 and 2020

<table>
<thead>
<tr>
<th>Employment Size</th>
<th>Share of Firms (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;4 people</td>
<td>21.94</td>
</tr>
<tr>
<td>4-5 people</td>
<td>14.39</td>
</tr>
<tr>
<td>6-9 people</td>
<td>31.52</td>
</tr>
<tr>
<td>10-19 people</td>
<td>35.44</td>
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<tr>
<td>20-99 people</td>
<td>0.24</td>
</tr>
<tr>
<td>100-499 people</td>
<td>0.19</td>
</tr>
<tr>
<td>≥500 people</td>
<td>0.15</td>
</tr>
<tr>
<td>≥1000 people</td>
<td>0.02</td>
</tr>
</tbody>
</table>

New MBEI Firms, by Broad Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share of Firms (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>10.7%</td>
</tr>
<tr>
<td>Wholesale/Retail</td>
<td>27.0%</td>
</tr>
<tr>
<td>Accommodation/Food</td>
<td>48.7%</td>
</tr>
<tr>
<td>Other Services</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

Panel Respondents in 2018 and 2020, by Broad Sector

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

To request copies of the report, please contact myanmar.general@asiafoundation.org. We also welcome your feedback on the report.