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.

The Asia Foundation

DaNa Facility
Empowering Enterprise

UKaid
from the British people

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.

List of All Indicators Used in the MBEI, by Subindex

Key
Survey data
Observational or administrative data

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 (# of examination)
2. Inspections help business comply with regulations (% agree)
3. Firms spend less than 10% of their time on bureaucratic procedures (%)
4. Government officials process paperwork effectively (% agree)
5. Government officials are friendly (% agree)
6. Doesn't take many trips to get stamps and signatures (% agree)
7. Paperwork is simple (% agree)
8. Fees are listed publicly (% agree)
9. GAD staff are helpful (%)
10. One-stop-shop desks with personnel in attendance (#)
11. One-stop-shop exists in a township (%)

NEW INDICATORS

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

Subindex 4: Informal Charges

CORE INDICATORS

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

NEW INDICATORS

9. Need to make a gift or pay money to get a loan (% 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 (#)
4. Firm was damaged by an unexpected power outage or unstable power supply (% agree)
5. Number of power outages experienced last month (#)
6. Time between registering for and receiving electrical service (aggregate, days)
7. Urban roads are good or very good (%)
8. Telephones are good or very good (%)
9. Electricity is good or very good (%)
10. Internet is good or very good (%)
11. Water quality is good or very good (%)
12. Hospital/clinic quality is good or very good (%)
13. Mobile phones per capita (%)

NEW INDICATORS

14. Number of the last five outages that were announced in advance (#)
15. Rural roads are good or very good (%)
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 (%)
21. Individuals aged 15 and above who used the internet in the last seven days (%)
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 (%)

Subindex 6: Transparency

CORE INDICATORS

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

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 policy-makers 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-

ments, and calibrate the final index scores to the relative importance of each subindex vis à vis the business environment. Hard data is collected primarily through desk research and includes sources such as the Myanmar Living Conditions Survey 2017, national ministries, and local government offices.

● **Observational Data** – Additional data is also collected through semi-structured interviews and observations at relevant government offices. To collect this data, researchers visit local administrative offices and rank various features of these offices on a number of criteria, such as the public posting of vital information, the helpfulness of staff, and the availability of information upon request. The offices visited included township-level General Adminstration Department (GAD), Development Affairs Organisation (DAO), Department of Agriculture Land Management and Statistics (DALMS), and one-stop-shop offices.
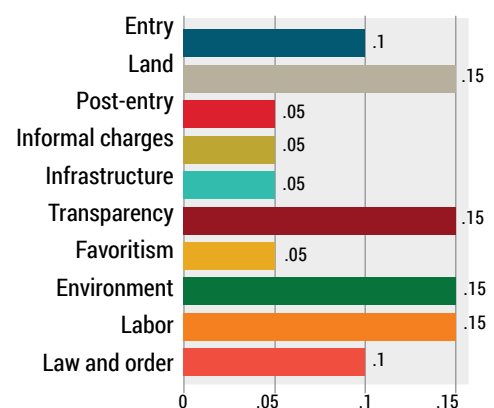
SURVEY DESIGN – In many ways, the MBEI business survey is the signature contribution of the MBEI. The first MBEI survey was completed in 2018 (contributing to the MBEI 2019 report) and the second in 2020. The key features of the MBEI business survey include the following:

● **Sampling Frame** – For the 2020 survey the Foundation constructed a sampling frame of about 103,000 firms using primarily the 2018 Statistical Business Register (SBR) of the Central Statistical Organization (CSO). The CSO data consisted of 228,000 observations which were reduced to cover selected townships only. Furthermore, to ensure that our sample had some experience interacting with government officials, the research team focused on firms with at least four employees.

● **Random Sampling Procedure** – Townships and businesses in the MBEI are randomly selected. The MBEI uses a two-stage sampling procedure, in which townships are randomly selected within each state or region, and then businesses are randomly selected within each township. Specifically, the MBEI uses Probability Proportional to Size (PPS) sampling, meaning that townships are more likely to be selected if they have more businesses. The sole exception to this is that each state and region capital is included in the MBEI with certainty. All sampling procedures have benefits and drawbacks. For example, the MBEI design does not guarantee a perfect geographic distribution of the townships selected for the survey, and it may omit large subpopulations of interest (e.g. ethnic minorities, persons affected by conflict). Nonetheless, it increases the likelihood of choosing the most economically relevant units and is nonetheless random, providing the most efficient and unbiased estimates of the population.

● **Sample Size** – The MBEI 2020 survey data consists of 5,605 firms from 89 townships across all of Myanmar's 14 states and regions and Nay Pyi Taw. The data was collected during November 2019 to February 2020, through a nationwide field operation that sought to locate more than 41,000 private Myanmar businesses identified in the SBR data. In addition to the SBR, 1,200 of the businesses were taken from the first MBEI survey. This permits an analysis of the changes between the 2018 and 2020 surveys.

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 MOLIP 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

Final Weight in MBEI

Subindex	Weight
Entry	.1
Land	.15
Post-entry	.05
Informal charges	.05
Infrastructure	.05
Transparency	.15
Favoritism	.05
Environment	.15
Labor	.15
Law and order	.1

Range Bars=95% CIs; Regressions control for firm age, population density (1000s), suface area (1000 lm), GDP per capita (ln, lag1), labor size at start (ln) , and sector fixed effects

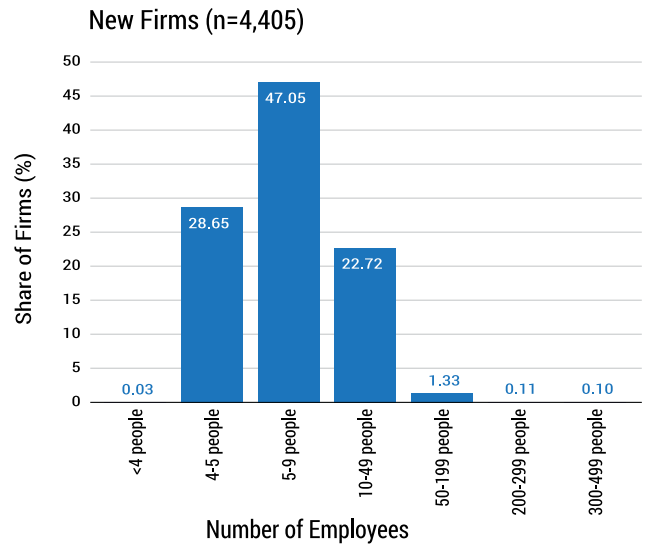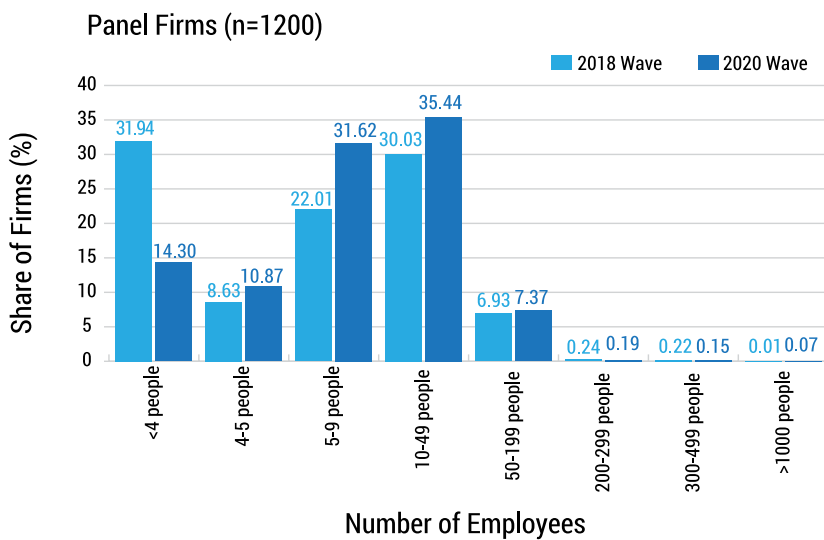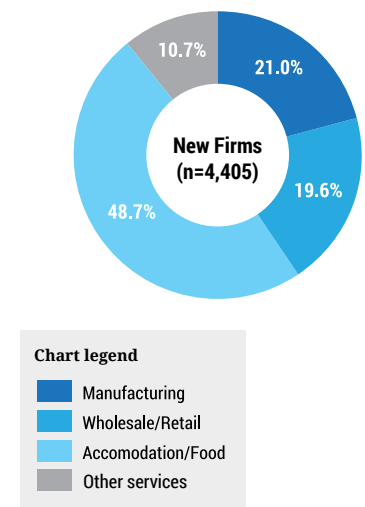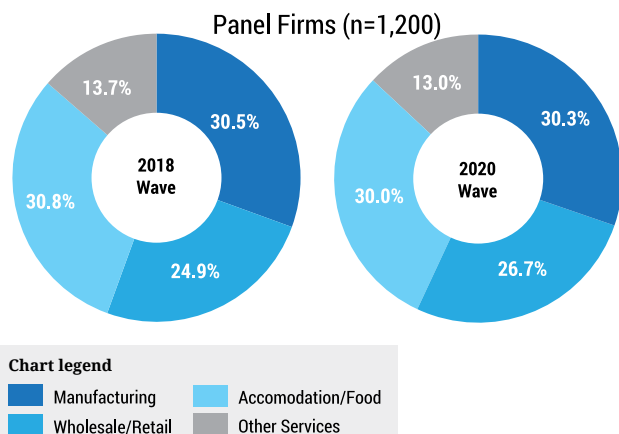## Formality of New MBEI Firms

New Firms (n=4,405)

Category	Value
CDC Business License	24.95
DAO Operating License	69.48
DICA Registration Certificate	5.42
DISI Registration Certificate	16.19
SME Card	12.18
2+ Entry Documents	4.90
Fully Informal	19.01

Share of Firms (%)
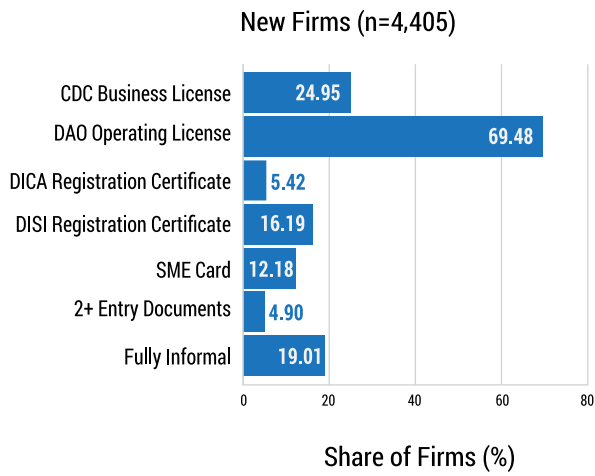
Employment Size of New MBEI Firms

New Firms (n=4,405)

Number of Employees	Share of Firms (%)
<4 people	0.03
4-5 people	28.65
5-9 people	47.05
10-49 people	22.72
50-199 people	1.33
200-299 people	0.11
300-499 people	0.10

Employment Size of Panel Respondents in 2018 and 2020

Panel Firms (n=1200)

Number of Employees	2018 Wave	2020 Wave
<4 people	31.94	14.30
4-5 people	8.63	10.87
5-9 people	22.01	31.62
10-49 people	30.03	35.44
50-199 people	6.93	7.37
200-299 people	0.24	0.19
300-499 people	0.22	0.15
>1000 people	0.01	0.07

New MBEI Firms, by Broad Sector

New Firms (n=4,405)

- Manufacturing 21.0%
- Wholesale/Retail 19.6%
- Accomodation/Food 48.7%
- Other services 10.7%

Chart legend
- Manufacturing
- Wholesale/Retail
- Accomodation/Food
- Other services

Panel Respondents in 2018 and 2020, by Broad Sector

Panel Firms (n=1,200)

2018 Wave
- Manufacturing 30.5%
- Wholesale/Retail 24.9%
- Accomodation/Food 30.8%
- Other Services 13.7%

2020 Wave
- Manufacturing 30.3%
- Wholesale/Retail 26.7%
- Accomodation/Food 30.0%
- Other Services 13.0%

Chart legend
- Manufacturing
- Wholesale/Retail
- Accomodation/Food
- Other Services

The Asia Foundation

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.