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## Myanmar Highlights

February 2018

### Central Bank of Myanmar announces interest rates will remain unchanged until 2020

The Central Bank of Myanmar (“**CBM**”) has announced it has no plans to revise its interest rates on bank deposits, borrowings and government treasury bonds. According to CBM Vice-Governor, U Soe Thein, the CBM will not amend interest rates before 2020. The CBM is focused on maintaining a stable rate of inflation and the rate the government borrows money to fund the fiscal deficit. At present the CBM’s Central Bank Rate is 10% per annum (“**pa**”). The Minimum Bank Deposit Rate is 8% pa, while the ‘Maximum Bank Lending Rate’ is 13% pa. The announcement comes after a session of Myanmar’s parliament the Pyidaungsu Hluttaw on 24 January, where MP Daw Thet Thet Khaing proposed reducing the deposit rate to 7% and lending rate to 11%, saying that lower rates would boost the slowing economy. Myanmar’s rate of inflation has stabilised at 4.47% down from 6.8% in the year ending 31 March 2017 and 10% in the year ending 31 March 2016. The CBM has also announced it will be working on strengthening Myanmar’s sovereign bond market. Once the government is able to fund larger portions of the budget deficit with funds raised from the bond market, pressure on the CBM to lend to the government can be reduced. Currently, the rate of interest on 3-year government treasury bonds is 9.5%, while the rate of interest on 1-year treasury bonds is 7.2%. (Source: <https://www.mmtimes.com/news/interest-rates-remain-unchanged-until-2020-central-bank.html>; 31 January 2018)

### Mandalay Myotha Industrial Park attracts US\$500 million in local and foreign investment

The Mandalay Myotha Industrial Park project in Myanmar’s central Mandalay region has attracted US\$500 million dollars of local and foreign investment. The project is being jointly

implemented by the Mandalay government and Mandalay Myotha Industrial Development Public Company (“**MMID**”). The project includes the construction of more than 100 plants on a 1000-plus-acre compound over the next three years. At present, construction has completed on five factories including an animal feed plant, a saw-mill and a concrete plant. The project has attracted investment from companies from Indonesia, Denmark, Thailand, China and Hong Kong. MMID is part of the Royal Hi Tech Group (“**RHGC**”). RHGC was originally established as a tea merchant in Shan State before subsequently expanding into cement manufacturing, wood processing, steel fabrication, construction, mining and infrastructure development. (Source: <http://www.mizzima.com/business-domestic/mandalay-myotha-industrial-park-attracts-usd-500-million-investment>; 31 January 2018)

### EU and Germany invest € 22.25 million in Myanmar aquaculture

The European Union and the German government has pledged Euro 22.25 (Kyats 36.70 billion) in financial support to the Myanmar Government over the next five years to assist with the sustainable development of aquaculture in Myanmar. The funding will support the Myanmar Sustainable Aquaculture Programme (“**MYSAP**”) to be implemented by The Department of Fisheries of the Ministry of Agriculture, Livestock and Irrigation. MYSAP aims to help improving nutrition standards and food security, and to create employment in Myanmar’s aquaculture sector. According to U Khin Maung Maw, Director General of the Department of Fisheries, 2008’s Cyclone Nargis and a general lack of preservation of Myanmar’s fishery resources has led to a decline in aquaculture production. As part of MYSAP the Department of Fisheries will coordinate the drafting of the National Aquaculture Development Plan setting out its policy objectives, and details of specific programmes

and implementation schedules. (Source: <http://www.mizzima.com/development-news/eu-and-germany-invest-2225-million-eur-aquaculture-myanmar>; 1 February 2018)

#### Japanese logistics company Yamato Holdings Co. enters joint venture with Myanmar's Aye International

Yamato Holdings Co. Ltd (**"Yamato"**) has entered into a joint venture agreement with Myanmar's Aye International Group Co. Ltd (**"Aye International"**) in relation to the establishment of a new Myanmar joint venture company with a view to capitalising on growing demand in Myanmar for logistics services. Yamato Global Logistics Myanmar Co., Ltd (**"Yamato Myanmar"**) was incorporated in December 2017 and is scheduled to commence operations in April 2018 and has a working share capital of US\$500,000. Yamato holds a majority 80% percent share in Yamato Myanmar with Aye International holding the minority share. Yamato Myanmar will provide shipping and cross-border logistic services as well as home relocation services. (Source: <https://www.japantimes.co.jp/news/2018/02/05/business/corporate-business/japans-yamato-holdings-co-enters-joint-venture-myanmar/#.WnkR-byWaUk>; 5 February 2018)

#### Ministry of Natural Resources and Environmental Conservation issues first Environmental Compliance Certificate

The Ministry of Natural Resources and Environmental Conservation (**"MONREC"**) has issued its first Environmental Compliance Certificates (**"ECC"**). Pursuant to the Law on Environmental Conservation 2012 and its implementing Environmental Conservation Rules 2014 and Environmental Impact Assessment Procedures (2015) (collectively the **"LEC"**) companies implementing projects which have the potential to have a significant impact on the environment are required to obtain an ECC. MONREC issues an ECC following its review of an Initial Environmental Examination Report, an Environmental and Impact Assessment Report or an Environmental Management Plan (collectively **"EIAs"**), as applicable, which it deems to be in compliance with the requirements of the LEC. Historically Myanmar did not issue ECC's. This has had an adverse effect on investment as investors have been unable to demonstrate to lenders that a project was in compliance with Myanmar's (or international) environmental laws and regulations. The ECC is effectively an environmental and social licence to operate and sets out the measures project developers are required to take to mitigate and monitor the adverse impacts of their activities in accordance with the principle of sustainable and socially

responsible development. Thousands of EIA's have been submitted to the ECC but have not yet been made available online despite this being a requirement under the LEC. On receiving an ECC, an ECC holder is permitted to commence the implementation of its project in accordance with the conditions attached to the ECC and set out in the approved EIA, within the time frame set out by the ministry. An ECC is valid for a period of five years from the date of issuance, and may be renewed in increments of five years, subject to revisions. The ECC holder must begin substantial implementation of the approved project within the first two years after the ECC issuance. The ECC holder is required to notify the Environmental Conservation Department (**"ECD"**) (a department of MONREC) of the project commencement date and the activities being undertaken not later than 30 days after such commencement. If substantial project commencement has not taken place within two years from the date ECC is issued, the ECC holder is required to carry out and submit a new EIA, unless it can provide the ECC with valid reasons for the delay. (Source: <https://www.mmmtimes.com/news/ministry-issues-first-ecc-online-database-urged.html>; 5 February 2018)

#### ADB partners with Yoma Bank to support SMEs in Myanmar

The Asian Development Bank's (**"ADB"**) and Yoma Bank Limited (**"Yoma Bank"**) have entered into today an agreement to provide guarantees of at least US\$10 million annually to support small and medium-sized enterprises (**"SMEs"**) in Myanmar. The funding will be provided through the ADB's Trade Finance Program (**"TFP"**). To date, the TFP has supported commodities transactions for SMEs in Myanmar, such as fertilizers and oil. Yoma Bank is one of Myanmar's largest private banks with over 3,000 employees and more than 74 branches nationwide. Founded in 1993, Yoma Bank is committed to supporting SME development in Myanmar. TFP, which has the ADB's 'AAA' credit rating, provides guarantees and loans to over 200 partner banks to support trade, enabling more companies throughout Asia to engage in import and export activities. TFP complements its financial support with a regular series of workshops and seminars to increase knowledge and expertise in trade finance products and operations, risk management, and fraud prevention. Since 2009, ADB's TFP has supported more than 12,000 small and medium-sized businesses across developing Asia —through over 16,600 transactions valued at over US\$30 billion total — in sectors ranging from commodities and capital goods, to medical supplies and consumer goods. In 2017, TFP

supported approximately US\$4.5 billion in trade through 3,505 transactions. (Source: <https://www.adb.org/news/adb-partners-yoma-bank-support-smes-myanmar>; 26 January 2018)

## Myanma Economic Bank launches loan programme for SMEs

Myanma Economic Bank (“**MEB**”) has launched a new loan programme for Myanmar SMEs (“**SME Programme**”). Under the SME Programme MEB will provide finance to SME’s engaged in Myanmar’s export sector having a direct effect on Myanmar’s economic development. MEB will provide loans of up to Kyats 300 million loans (US\$2.2 million) to SMEs at an annual interest rate of 9% over terms of three to five years. 50% of loan funding must be invested in fixed assets (including but not limited to land, buildings, vehicles, plant and equipment) with 50% to be utilized as working capital. The MEB will additionally provide up to a Kyats 20 million (US\$1.5 million) financing to obtain credit guarantee insurance. SMEs can apply for loans of up to Kyats 100 million (US\$7.5 million) at any of MEB’s regional offices. MEB head office approval is required for loans in excess Kyats 100 million. (Source: <https://www.mmbiztoday.com/articles/myanma-economic-bank-provide-sme-loans-under-its-special-program>; 6 February 2018)

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**Hong Kong Office:**

Dominion Centre  
12th Floor  
43-59 Queen's Road East  
Hong Kong  
**Tel:** + (852) 2905 7888  
**Fax:** + (852) 2854 9596

**Myanmar Office:**

Charltons Legal Consulting Ltd  
161, 50th Street  
Yangon, Myanmar  
**email:** [myanmar@charltonslaw.com](mailto:myanmar@charltonslaw.com)

[www.charltonslaw.com](http://www.charltonslaw.com)