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Myanmar Highlights

August 2018

Myanma Awba Group opens new agrochemical production facility in Yangon

On 19 August 2018, the Myanma Awba Group (“**Myanma Awba**”), Myanmar’s largest manufacturer and distributor of agricultural technology, commenced operations at its new agrochemical production facility in Yangon. The US\$35 million Hmawbi Agricultural Input Complex (“**HAIC**”) covers an area of 126 acres. Myanma Awba has contributed US\$25 million to finance the HAIC, while the remaining funds have been provided by the International Finance Corporation (“**IFC**”). The agriculture sector contributes almost a third of Myanmar’s GDP and provides employment for more than 70% of its workforce. Despite being essential to Myanmar’s agricultural sector, the vast majority of agrochemicals such as fertilisers and pesticides, are imported from overseas. The Myanmar Government encourages the use of quality agrochemicals only. Purchasing imported chemicals represent a significant cost to local farmers. Through the HAIC, farmers will be able to source agrochemicals locally. HAIC intends to manufacture and sell more than 200 proprietary agrochemical. The Ministry of Agriculture, Livestock and Irrigation, estimates that a local production plant could reduce farmers’ costs of production by up to 20% and increase competition. HAIC predicts it could supply approximately half of Myanmar’s agrochemicals by 2021. HAIC aims to manufacture between 3.3 million -10.3 million liters of insecticides, fungicides and herbicides in concentrate form within the next four years and 1.7 million-5 million kilograms of powder-form agriproducts. It will utilise solar power and greenhouse technology to limit its own production costs and power consumption needs. Myanma Awba was established in 1995 and now serves 3.5 million farming families. It also provides microfinance

and logistics services. (Source: <https://www.mmtimes.com/news/myanma-awba-opens-new-agrochemical-production-complex-yangon.html>; 23 August 2018)

Myanmar Government considering an increase in electricity prices

The Myanmar Government is discussing proposals to raise electricity prices to partially offset widening losses arising from its subsidizing the sector. According to U Soe Myint, deputy permanent secretary of the Ministry of Electricity and Energy (“**MOEE**”) the Government will need to increase prices as electricity costs and consumption have risen at a higher rate than expected. According to an April 2018 Government survey, electricity consumption is expected to rise by 19% per annum for the next 12 years. According to previous estimates the rate of consumption was expected to rise at a rate of 15% per annum until 2030. Consequently, Government subsidies of electricity tariffs are expected to rise, resulting in higher losses. No timeframe has been provided as to when price increases may be implemented. According to MOEE, the Government will continue to provide subsidies to lower income earners. Middle-income earners, which account for approximately 30% of the population will have subsidies reduced. According to the Ministry of Planning and Finance, annual losses incurred by the Myanmar Electrical Power Enterprise in the year ending 31 March 2018 rose by nearly 45% to K608 billion (or approximately US\$400 million) from Kyats 420 billion (or approximately US\$277 million) in the year ending 31 March 2017. The proposed price increase will be the first increase during the term of the current Government. (Source: <https://www.mmtimes.com/news/govt-stillmulling-hike-electricity-tariffs-explores-solaroptions.html>; 13 August 2018)

Ministry of Commerce to remove gold from restricted exports list

Myanmar's Ministry of Commerce ("MOC") has confirmed it is continuing to progress its plan to permit the export of locally produced gold. In 2017, the MOC announced it intended to remove gold from its restricted exports list and establish a service centre in Yangon licenced to trade in gold, however, to date, no new legislation has been implemented. The export of gold from Myanmar would earn foreign currency revenues and help stabilise the Kyat-US\$ exchange rate. It will also deter illegal trading, which remains a problem in border areas. The Myanmar Gold Entrepreneurs Association, which is in support of legalizing gold exports, remains in discussions with the MOC in respect to the development and regulation of gold trading platforms. (Source: <https://www.mmtimes.com/news/myanmar-develops-gold-trading-avenues.html>; 14 August 2018)

Weststar Aviation Service unable to commence operations despite winning tender to provide helicopter services to offshore oilfields

Weststar Aviation Service Limited ("Weststar"), which won a tender in respect to the provision of helicopter services to offshore oilfields in Myanmar in April 2017, is facing losses as it has yet to receive the approval of the Ministry of Electricity and Energy ("MOEE") to commence operations. In 2017, international oil companies Total Plc and Petronas and PTTEP invited bids in respect to the provision of helicopter services. While service providers were permitted to submit tender applications, the successful bidder was further required to obtain the approval ("Letter of Award") from the relevant ministry i.e. MOEE. In September 2017, the Myanmar Oil and Gas Enterprise ("MOGE") recognised Weststar as the winner of the tender. Malaysia-based Weststar was successful after committing to offer helicopter services at an affordable price of US\$22,900 per month, the Weststar had tried unsuccessfully to obtain its Letter of Award. However, According to U Win Khine, Minister of the MOEE, Weststar had yet to comply with 54 technological requirements, which were part of the terms and conditions of the tender. According to Weststar, technical inspections have already been carried out by Total. In addition, a review by the Department of Civil Aviation also confirmed that Weststar's services met with international standards. Weststar plans to train Myanmar engineers and pilots. They also plans to donate one helicopter to the Government. (Source: <https://www.mmtimes.com/news/weststar-unable-start-operations-despite-winning-tender-process.html>; 17 August 2018)

Kyat stabilises following intervention of Central Bank of Myanmar

The Kyat has recovered against the US dollar following the intervention of the Central Bank of Myanmar ("CBM"). The Kyat, which has struggled due to weak exports, and high local dollar demand, has depreciated against the US dollar by approximately 10% since May 2018. On July 27, in support of the depreciating Kyat, the CBM started selling US\$100,000 per day to private banks. However, these sales failed to curb the Kyats' slide, forcing the CBM to significantly increase its daily dollar sales on successive days in mid-August by US\$1.6 million and US\$4 million respectively, bringing total sales to nearly US\$7 million. As a result of the CBM's intervention the Kyat regained its value against the dollar, reversing from a high of Kyat 1,570 to US\$1 on 27 July to Kyats 1,498 to US\$1 on 16 August. Intervention of this nature can be an effective tool in implementing fiscal policy. However such support will not protect the value of Kyat over the longer term. Moving forward, the stability of the Kyat s will be largely dependent on the growth in domestic production and exports, as well as import substitution (Source: Myanmar Times <https://www.mmtimes.com/news/kyatstabilises-after-cbm-pumps-us4-million-economy.html>)

Internal Revenue Department invites expressions of interest in respect to the implementation of a mobile tax payment system

Myanmar's Internal Revenue Department ("IRD") has invited qualified service providers including the banks and mobile money service operators to submit Expressions of Interest ("EOI") in respect to the Development of an integrated Tax Administration System ("ITAS"). ITAS will serve as a platform for administrative matters such as registration and payment processing of tax and will be implemented with the help of the World Bank. The initiative is part of a broader Government policy encouraging taxpayers to utilise mobile banking to pay their monthly commercial and special goods taxes as well as quarterly income taxes. By making it more convenient for taxpayers to make payments, the Government hopes to increase tax revenues at a time when public spending is expected to rise in the year beginning 1 April 2019. The IRD is now negotiating with the Central Bank of Myanmar on whether it should charge taxpayers a transaction fee for the use of mobile banking or a percentage service charge proportional to the amount of taxes paid. In 2017, the IRD launched an online payment platform in collaboration with the Myanmar Payment Union ("MPU"). Via the MPU's system, users are charged Kyats 1,000 (or approximately US\$0.65 each time

they pay their taxes online. It is anticipated ITAS will be developed and operational by the end of 2019 or beginning of 2020. To modernise its public finance management system, Myanmar has received a US\$30 million loan from the World Bank and a US\$25 million grant from the UK and Australian governments. (Source: <https://www.mmtimes.com/news/ird-launch-integrated-tax-administration-system.html>; 23 August 2018)

DICA releases additional guidelines for investment in education

The Directorate of Investment and Company Administration (“**DICA**”) has released a list of additional guidelines in respect to investment in the Myanmar education sector (“**DICA Education Guidelines**”). The DICA Education Guidelines consists of 17 provisions and gives effect to Notification (7/2018) issued by the Myanmar Investment Commission (“**MIC**”) and which permitted 100% foreign investments in private basic schools, technical, vocational and training schools, higher education schools, subject-based schools and schools designated by the Government. The DICA Education Guidelines further streamlines the investment process in the sector. It provides additional detail on the form of permitted investments, the educational institutions in which investment is allowed, and the certifications these schools should provide to students. The DICA Education Guidelines also set out requirements in respect to the necessary qualifications and experience required by teachers and instructors, rules prohibiting drug and alcohol use, and the setting up a code of conduct for teachers and students. (Source: <https://www.mmtimes.com/news/dica-releases-additional-guidelines-education-investments.html>; 14 August 2018)

Myanmar’s Public Affairs Management Committee submit draft Gambling Bill to Pyithu Hluttaw

On 21 August 2018, the Public Affairs Management Committee submitted a draft Gambling Bill (“**Gambling Bill**”) to Myanmar’s parliament, the Pyithu Hluttaw. The Gambling Bill amends Myanmar’s the 1986 Gambling Act, and proposes that ‘foreigner-only’ casinos be permitted to operate in Myanmar. Casinos are expected to attract tourists and lead to an increase in Government tax revenues, and foreign currency at a time when a shortage of US dollars is driving down the value of the kyat. At present gambling is prohibited in Myanmar. According to U Kyaw Soe Lin, secretary of the PAMC’s Bill Committee, the casinos are likely to be located in border areas to attract more foreigners from neighbouring Thailand and China. The casinos will be ‘foreigner-only’ and the prohibition

on gambling by Myanmar citizens is expected to remain in force. Casinos will not be permitted in locations of cultural and historical importance such as Bagan. The Myanmar Government expects to earn revenue from casino licenses, as well as taxes on winnings and casino profits, which will help it offset part of the budget deficit, expected to hit Kyats 4.9 trillion (or approximately US\$3.2 billion) in the year ending 31 March 2019. (Source: <https://www.mmtimes.com/news/bill-enabling-casinos-operate-submitted.html>; 22 August 2018)

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