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Myanmar Highlights

November 2018

Mineral Development Bank to provide loans to gem and mineral SMEs

The Central Bank of Myanmar (“**CBM**”) has approved the establishment of the Mineral Development Bank (“**MDB**”) to provide banking services to small and medium size enterprises (“**SMEs**”) in the gems and mineral sector. Speaking at the opening ceremony U Ohn Win, Minister for Natural Resources and Environmental Conservation said “The MDB was established to provide loans for developing technologies in the extraction of gems and minerals and production of finished products”. U Yone Mu, chair of the MDB, said the bank will adhere to the capital requirements of the CBM as well as its interest rate policy. The MDB will also extend non-collateralized loans if the transactions are approved by the CBM. The main aim of the MDB is help SMEs in the gem, mineral and gold sectors to transition from the selling raw stones and minerals to developing value-added products for sale. In order to deal in foreign currency, the MDB will apply for a license from the CBM three months after the bank’s opening. To qualify for the license, the MDB must show US\$5 million in capital. If approved, the MDB will provide services to sellers at international gem expos. (Source: <https://www.mmtimes.com/news/mineral-development-bank-provide-loans-gems-mineral-smes.html>; 16 November 2018)

AGD Bank becomes first Myanmar bank to accept smart payment card transactions

Asia Green Development Bank Limited (“**AGD Bank**”) has become the first Myanmar bank to accept EMV-based Union Pay card transactions in its ATMs. According to AGD Bank the move is part of its strategy to go cashless and develop more secure infrastructure to facilitate digital payments. AGD Bank, is collaborating with UnionPay International, Diebold Nixdorf

and its local partners, ACE Data Systems, and Myanmar Golden Rock to implement the arrangement. EMV (Europay, MasterCard, and Visa) refers to a technical specification that facilitates interoperability between chip-based cards and point-of-sale devices or ATMs. EMV helps reduce counterfeiting and fraudulent transactions, and helps standardize all payment solutions on a singular specification recognised internationally. According to AGD Bank’s Managing Director, U Htoo Htet Tay Za, the development is “a significant leap forward in protecting our cardholders against fraud”. (Source: <https://www.mmtimes.com/news/local-bank-becomes-first-accept-smart-payment-card-transactions.html>; 12 November 2018)

Myanmar Centre for Responsible Business publishes briefing on biodiversity, human rights and business in Myanmar

The Myanmar Centre for Responsible Business (“**MCRB**”) has published a briefing paper headed ‘Biodiversity, Human Rights and Business in Myanmar’, which is intended to help businesses, civil society and the Myanmar Government understand how certain types of investments in Myanmar can negatively impact biodiversity, and thereby affect human rights. Ensuring that investment does not have a negative impact on biodiversity is essential for Myanmar to meet its obligations as a party to the Convention on Biodiversity (“**CBD**”) which the Myanmar Government ratified in 1994, and the commitments in Myanmar’s National Biodiversity Strategy and Action Plan (NBSAP) 2015-2020. The briefing paper sets out the procedures for addressing biodiversity and ecosystem services. It provides practical recommendations for companies to address biodiversity conservation in order to be -- at a minimum -- compliant with the Myanmar environmental regulation including the 2018 Biodiversity and Conservation of Protected Areas Law and the 2015 EIA Procedure. It offers

advice on how EIAs (“**Environmental Impact Assessments**”) can be utilized by companies to improve outcomes for biodiversity and related human rights. It also offers advice for companies that are willing to take extra steps. It signposts resources to help business, including sources of biodiversity data, a major weakness of EIAs in Myanmar. Launching the paper and associated sectoral supplements on oil and gas, mining, tourism and agriculture, Vicky Bowman, MCRB Director said: “Upfront screening to determine how a project could impact biodiversity is essential, so as to avoid, wherever possible, or reduce or mitigate negative impacts. It’s also a legal requirement in Myanmar, as well as a moral obligation. Getting this wrong leads to additional cost, project delays, and conflict with other stakeholders. (Source: <https://www.mmbiztoday.com/articles/investors-must-know-impact-their-projects-have-biodiversity-and-ecosystems-mcrb>; 13 November 2018)

DFID to invest US\$2 million to help Myanmar develop a SME financing platform

The UK’s Department for International Development (“**DFID**”) intends to invest almost US\$2 million to assist Myanmar develop a platform to finance small and medium-sized businesses (“**SMEs**”), reducing the inequality in financing options between SMEs and larger companies. The ‘DaNa Facility’, a DFID-funded programme, will invest over US\$1.9 million in the “Shwe Lan” project which aims to initially provide access to working capital for 300 micro, small and medium-sized enterprises (“**MSMEs**”) across Myanmar which employ persons from disadvantaged backgrounds and women, with at least 30% of those businesses, (approximately 90 companies) being female-owned. The project will be managed by Swiss-based Seedstars and Myanmar firm Thura Swiss. Myanmar’s banks will typically only lend when real estate is offered as collateral and MSMEs are virtually excluded from the credit market. This lack of access to finance suffocates the growth of SMEs/MSMEs which support a large part of the population, including the poor, women and other marginalised groups. Shwe Lan will offer supply chain financing to MSMEs in two stages. In the first phase, it will provide businesses with access to finance by introducing a “merchant financing” product, targeting MSMEs that act as distributors of larger companies operating across the country. In the second phase, it will provide an “invoice discounting” product which will allow MSMEs use confirmed orders as collateral for loans. Apart from facilitating the growth of SMEs / MSMEs to grow and create jobs, the project will advance the reform of the financial sector. Merchant financing and invoicing factoring will allow those businesses to access credit for the first time. Myanmar’s financial institutions will be monitoring the scheme before entering the market or invest

further capital to scale up the availability of their funding sources. (Source: <https://www.mmtimes.com/news/dfids-lending-scheme-targets-small-businesses-myanmar.html>; 14 November 2018)

Moattama Gas Transportation and Telenor Myanmar named as leading foreign contributors to tax revenue

Myanmar’s Internal Revenue Department has named Moattama Gas Transportation Co. Limited (“**Moattama**”) and Telenor Myanmar Limited (“**Telenor**”) as the leading foreign contributors to the country’s tax revenue in the year ending 31 March 2018 and as the leading foreign contributors to income tax and commercial tax respectively. The top ten income tax payers from overseas are Moattama, which paid in excess of Kyats100 billion (or approximately US\$63 million), Telenor which paid in excess of Kyats 80 billion (or approximately US\$50.2 million), the Taninthayi Pipeline Company LLC which paid in excess of Kyats 50 billion (or approximately US\$31.5 million), Myanmar Brewery Limited which just less than Kyats 40 billion (or approximately US\$25.1 million), KDDI Summit Global Myanmar Co. Limited, PTTEP International Ltd and Yangon Aerodrome Co. Limited which paid under Kyats 30 billion (or approximately US\$18.8 million), Total E & P Myanmar Co. Limited which just less than Kyats10 billion (or approximately US\$6.2 million), Unocal Myanmar Offshore Co. Limited which paid just less than Kyats 8 billion (or approximately US\$5.2 million) and Myanmar CP Livestock Co. Limited which paid just under Kyats 6 billion (or approximately US\$3.7 million). Two of the top ten companies are from the natural gas transportation sector, three from the oil and natural gas production sector, two from the telecommunication sector, two from the production sector and one company from the services sector. The top ten commercial tax payers from overseas companies are Telenor which paid in excess of Kyats 50 billion (or approximately US\$31.5 million), Ooredoo Myanmar Limited, Myanmar Brewery Ltd, Shwe Li (1) Hydropower Co. Limited and Virginia Tobacco Co. Limited which paid under Kyats 50 billion (or approximately US\$31.5 million), Myanmar Distillery Co. Ltd, Huawei Technologies (Yangon) Co. Limited, DKSH Myanmar Limited, Lluvia Limited and Coca Cola Pinya Beverages Myanmar Limited which paid less than Kyats10 billion (or approximately US\$6.2 million). There are two companies from telecommunication sector, six companies from production sector, one company from services sector and one company from trading sector included in the top ten commercial tax payers list. (Source: <https://elevenmyanmar.com/news/moattama-gas-transportation-and-telenor-myanmar-top-foreign-tax-payers-list>; 16 November 2018)

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