

MYANMAR

THE LANDSCAPE FOR IMPACT INVESTING IN SOUTH ASIA

Understanding the current status,
trends, opportunities, and challenges
in **BANGLADESH, INDIA, MYANMAR,**
NEPAL, PAKISTAN, and SRI LANKA



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ACKNOWLEDGMENTS

This project was funded with UK aid from the UK Government through the Department for International Development's Impact Programme. The Impact Programme aims to catalyse the market for impact investment in sub-Saharan Africa and South Asia. www.theimpactprogramme.org.uk

This report was made possible by the generous contributions of time and expert knowledge from many individuals and organizations. The GIIN Advisory Team provided invaluable insights, guidance, and support throughout the preparation of this report. In addition, we would like to thank all individuals that took part in the interviews and surveys in each of the six countries of study. Through these interviews and surveys, we obtained a wealth of experience, understanding, and data on impact investing activities in South Asia. We would also like to acknowledge the country experts who provided critical feedback on our preliminary findings. A full list of the interviewees, survey respondents, and country experts can be found in the Appendices.

GIIN Advisory Team

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Hannah Schiff, *Senior Associate, Research*

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LIST OF COMMON ACRONYMS

ADB Asian Development Bank	MDG Millennium Development Goal
AIF Alternative Investment Funds	MEB Myanmar Economic Bank
BoP Base of the Pyramid	MFI Microfinance Institution
BRICS Brazil, Russia, India, China, South Africa	MFTB Myanmar Foreign Trade Bank
CA Chartered Accountancy	MNC Multinational Corporation
CIIE Centre for Innovation, Incubation and Entrepreneurship	MICB Myanmar Investment and Commercial Bank
CGTMSE Credit Guarantee Fund Trust for Micro & Small Enterprises (India)	NABARD National Bank for Agriculture and Rural Development
CSR Corporate Social Responsibility	NASE National Association of Social Enterprises (India)
DFI Development Finance Institution	NEDA National Enterprise Development Authority (Sri Lanka)
DFID Department for International Development	OPIC Overseas Private Investment Corporation
FIL Foreign Investment Law	PE Private Equity
FDI Foreign Direct Investment	PM Prime Minister
GAAR General Anti-Avoidance Rules (India)	PPP Purchasing Power Parity
GIZ Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)	RBI Reserve Bank of India
HDI Human Development Index	SEBI Securities and Exchange Board of India
HNWI High Net-Worth Individual	SIB Social Impact Bond
HR Human Resources	SIDBI Small Industries Development Bank of India
ICT Information and Communication Technology	SME Small or Medium Enterprise
IFC International Finance Corporation	SMED Small and Medium Enterprise Development (Sri Lanka)
IFI International Financial Institution	SVF Social Venture Fund
IE Impact Enterprise	VC Venture Capital
IIC Impact Investors' Council (India)	WHO World Health Organization
IMF International Monetary Fund	
LP Limited Partner	
LTTE Liberation Tigers of Tamil Eelam	

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ABOUT THIS REPORT

The objective of this study is to develop an understanding of the status of the impact investing markets in six countries in South Asia—Bangladesh, India, Myanmar, Nepal, Pakistan, and Sri Lanka. The full report includes an introduction and a chapter for each country. This research is intended to serve as a critical input to future investments and engagement to build and grow these markets. The key themes explored include the current status and trends in terms of the types of active investors, capital deployment, opportunities for and challenges to investing, the demand for impact capital, challenges to accessing capital and opportunities for enterprise growth, and the vibrancy and scale of the supportive ecosystem for the industry.

Introduction

In recent years, impact investing has become prominent on the global stage as an approach to deploying capital with social/environmental goals as well as financial return objectives. Deployed in both developing and developed markets, impact investments are made across a range of sectors and asset classes.

South Asia is home to more than 1.6 billion people and has experienced dramatic economic growth over the last decade. However, this rapid growth, while changing some economies dramatically, has been uneven between and within countries; about a quarter of the region's population continues to live on less than USD 1.25 per day¹ and large population segments lack access to quality social services, finance, energy, and infrastructure as well as to affordable consumer products. The opportunity for impact through the deployment of capital into organizations and enterprises that increase incomes, create jobs, and provide access to essential services is significant, and the status of the impact investing industries in these countries is worthy of attention.

Who is an impact investor?

Impact investments are “investments made in companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.”²

The three key characteristics of an impact investor are as follows:

- Expectation of a financial return that can range from the return of capital to risk-adjusted market returns and that can be derived from investments in a range of asset classes.

¹ Weighted average calculated with the latest country data (2010–2012) from World Bank Development Indicators; Myanmar figures are not included in the weighted average.

² For more details, refer to the GIIN website, www.thegiin.org.

- Intent to generate a positive social and/or environmental impact through investments. For example, investors may seek to use investments to increase access to basic services or invest in solutions aimed at mitigating the negative effects of climate change.
- Commitment of the investor to measure the social/environmental performance of underlying investments.

This report focuses significantly on the impact investing landscape in each of the six countries covered. Various terms may be used to refer to the impact investing landscape, including “impact capital” and “impact funds,” depending on the context. For the sake of fluency, the modifier “impact” will be dropped when the context is clear.

While the central goal of this study is to map the current landscape of impact investing activity, there is also significant investment activity on the periphery of impact investing that will be interesting to learn about. In particular, we consider the following two types of investment activity:

- a. Investments in businesses at the businesses serving BoP populations by investors who have may not have explicit impact intention
- b. Investments where there is some intention to have social and/or environmental impact, but this impact is assumed to occur as a by-product and is not measured in any meaningful way

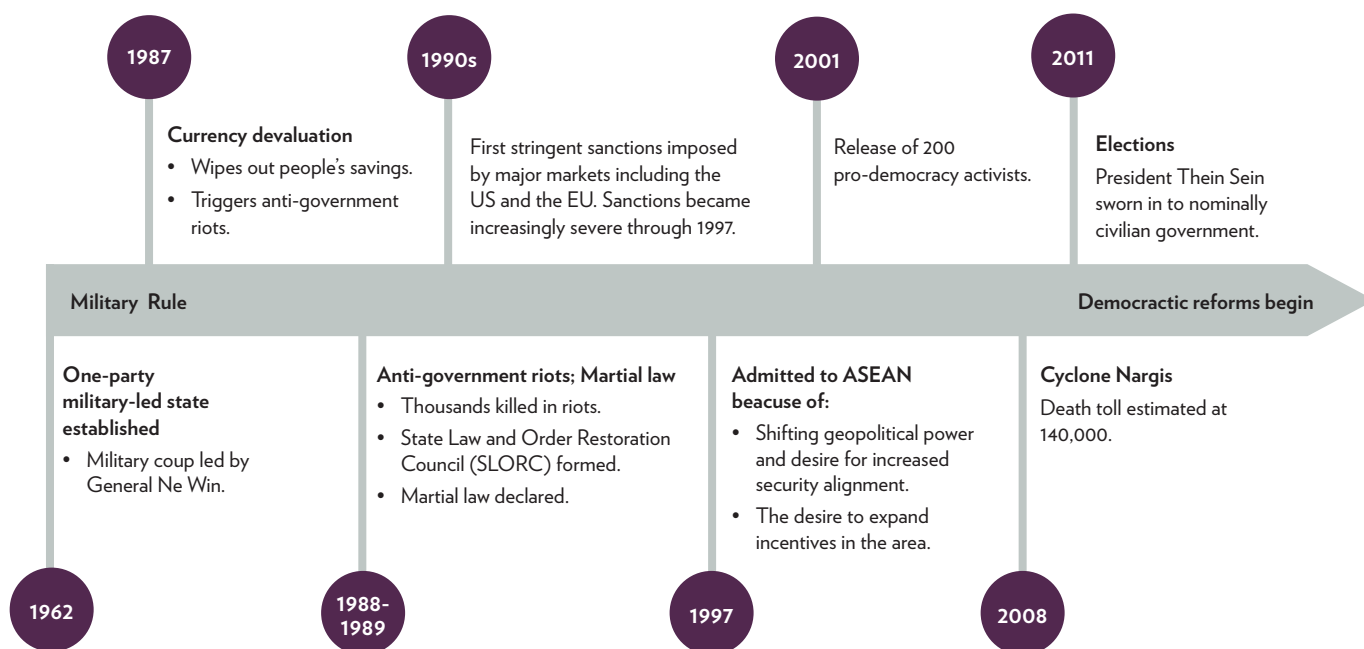
Such investment activity is also important for an analysis conducted to gain a better understanding of the broader opportunity landscape for impact investing going forward. When a section in the report focuses particularly on the investment activity in this peripheral region, we will explicitly refer to these as “impact-related” investments, thereby clearly differentiating them from “impact investing.” (Please note that we are using these labels purely for the ease of reference and do not intend the names to imply any subjective judgment on the nature of an investor’s investment activity or approach.)

COUNTRY CONTEXT

Overview

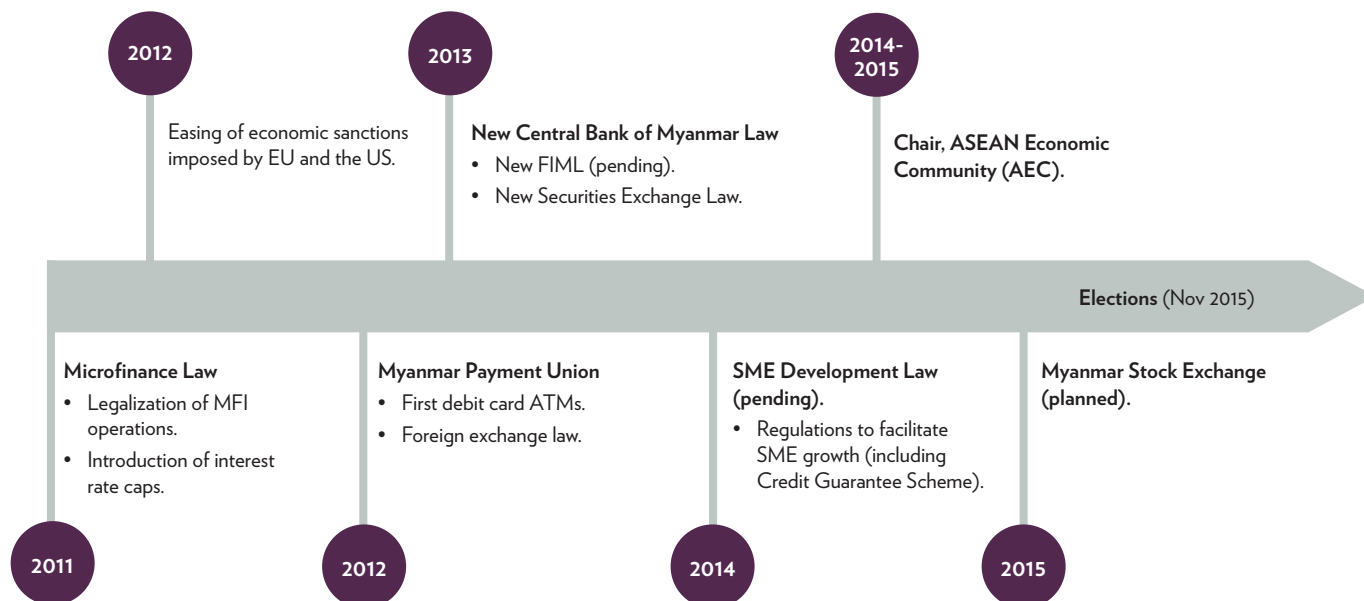
In the early 1960s, Myanmar was one of Asia’s leading economies, with a per capita income of approximately USD 670, more than three times that of Indonesia and twice that of Thailand. However, the military coup in 1962 that launched the “Burmese Way of Socialism” and nationalized all non-agricultural enterprises contributed to a dramatic shrinking of the economy. By 2010, according to International Monetary Fund (IMF) estimates, Myanmar had the lowest GDP per capita in purchasing power parity in Asia. Strict sanctions imposed by the United States, Canada, the European Union, and others after the imposition of martial law in 1988 were eased only in 2011, following democratic reforms and the election of President Thein Sein.

FIGURE 1: TIMELINE OF KEY EVENTS IN MYANMAR'S POLITICAL HISTORY



Sources: Dalberg research and analysis.

FIGURE 2: TIMELINE OF KEY LEGAL AND ECONOMIC REFORMS UNDERTAKEN IN MYANMAR SINCE 2011



Sources: GIZ Banking Sector analysis, Dalberg research and analysis. Notes: New bank law provides the new Central Bank autonomous power to implement monetary and exchange rate policies. New securities law includes the ability to establish a stock exchange, securities exchange companies, and counter markets.

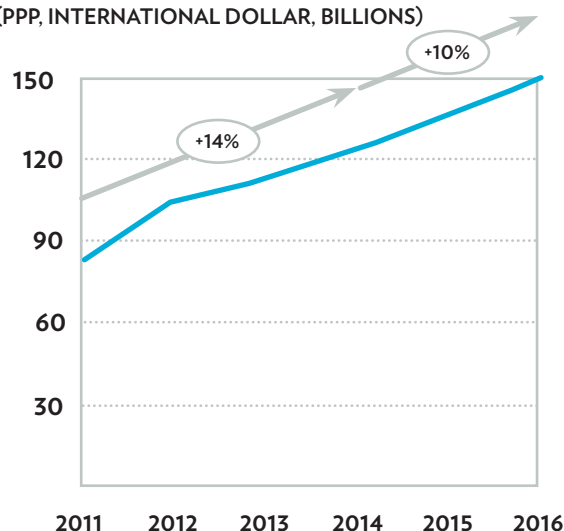
GDP growth and drivers of foreign direct investment (FDI)

Since 2012, Myanmar has experienced rapid GDP growth. From a purchasing power parity (PPP)-adjusted GDP of USD 82.6 billion in 2011, Myanmar's PPP-adjusted GDP grew to USD 95.4 billion in 2013.³ Moreover, Myanmar is forecasted to grow annually at a rate of 10% between 2014 and 2016, outperforming regional neighbors including India.⁴ It should be noted that since Myanmar has only recently opened its economy and begun democratic reforms, the task of sourcing high-quality macroeconomic data is more difficult than in other countries. However, the following sections rely on the most reputable sources available, such as the World Bank and IMF.

FIGURE 3: HISTORIC AND FORECASTED GDP IN MYANMAR; GROWTH FORECAST VERSUS REGIONAL PEERS

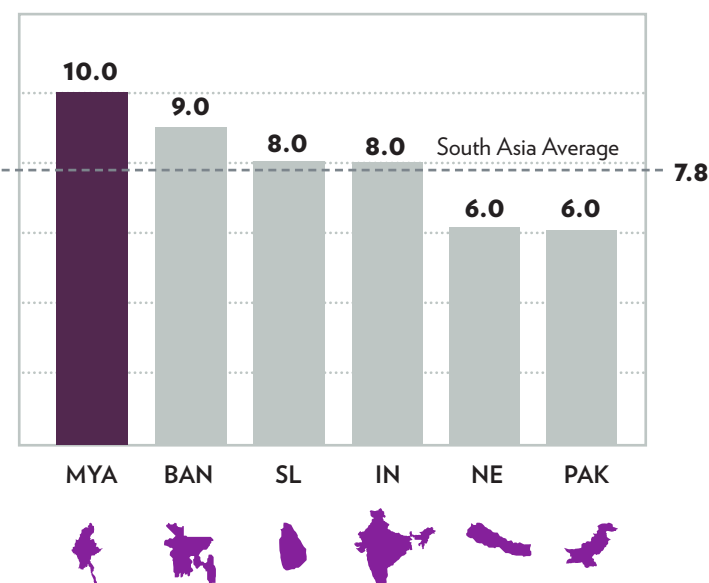
GDP OF MYANMAR

(PPP, INTERNATIONAL DOLLAR, BILLIONS)



FORECASTED GDP GROWTH RATE

(% P.A., 2014 TO 2016)



Sources: World Bank Development Indicators; International Monetary Fund database, Dalberg analysis

Recent GDP growth has been driven by a significant shift from agriculture

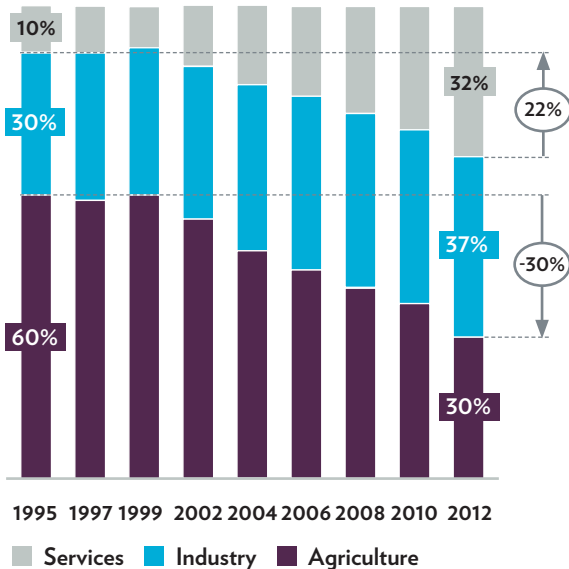
towards industry and services. Moreover, within the services sector, travel and tourism have significantly contributed to growth with a recorded 79% increase in their direct contribution to GDP between 2010 and 2013 (Figure 4).

³ International Monetary Fund (2014). *World Economic Outlook Database*, April 2014.

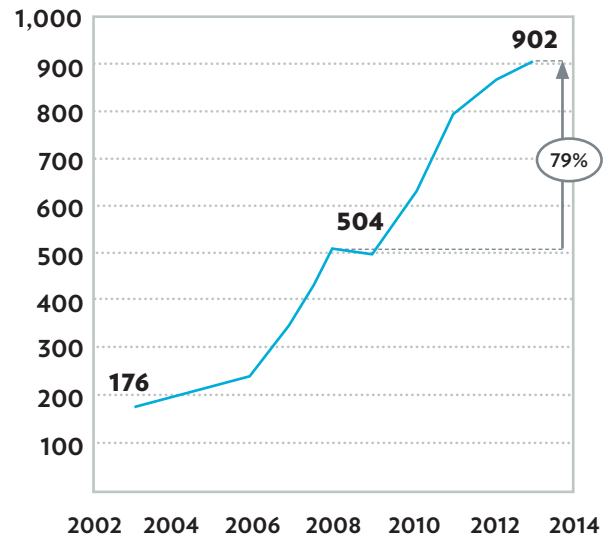
⁴ It is important to note that the data collection, monitoring, and forecasting capacity of the relatively new bureaucracy is still low. Therefore, it is challenging to make confident assessments of the real state of the economy.

FIGURE 4: MYANMAR'S GDP GROWTH: BY SECTOR AND IN TRAVEL AND TOURISM CONTRIBUTION TO GDP OVER TIME

GDP GROWTH RATE BY SECTOR (VALUE ADDED % OF GDP)



TRAVEL AND TOURISM DIRECT CONTRIBUTION TO GDP (USD MILLION, % REAL GDP GROWTH)

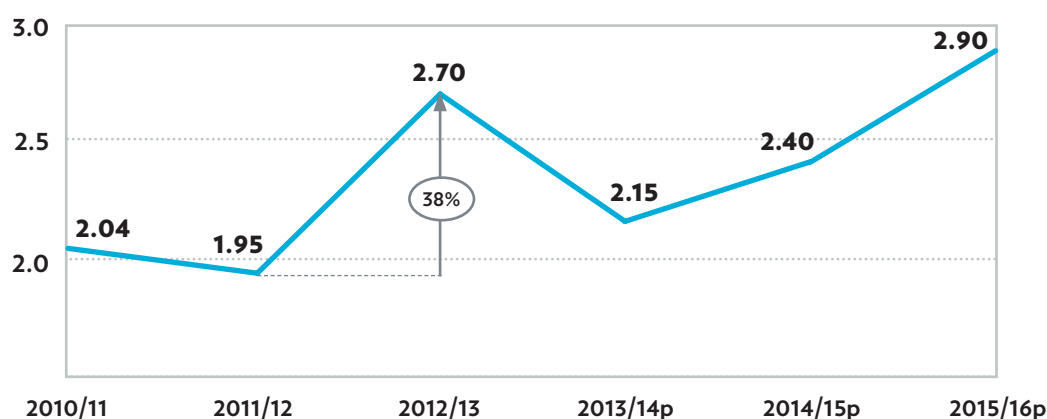


Sources: World Travel and Tourism Council (2013); ADB online data (2014)

In addition to strong GDP growth, the following three key elements are attracting commercial investors to Myanmar:

- **Natural resource endowments:** Myanmar has significant reserves of natural gas (currently a crucial source of export revenue), oil (with 2.1 billion barrels of known reserves and offshore wells largely unexplored), and precious stones such as ruby and jade (according to industry estimates, Myanmar accounts for more than 90% of the global trade of precious stones by value).
- **Large market and labor force:** With a total population of 60 million, a median age of 27 years, and a nearly 93% literacy rate, Myanmar is an attractive destination for investors from the perspective of both labor force and consumer market. The labor force makes sectors such as light manufacturing particularly promising. Meanwhile, rapid urbanization is expected to create a strong consumer market, particularly among the urban upper-middle class.
- **Geo-strategic location:** Bordering China, Thailand, India, Laos, and Bangladesh and with control of access to the Bay of Bengal, Myanmar has strong trade and business potential and strong influence in the region, which could further leverage regional networks and bi-lateral relationships.

FIGURE 5: FOREIGN DIRECT INVESTMENT IN MYANMAR, ACTUAL AND PROJECTED (USD BILLIONS)



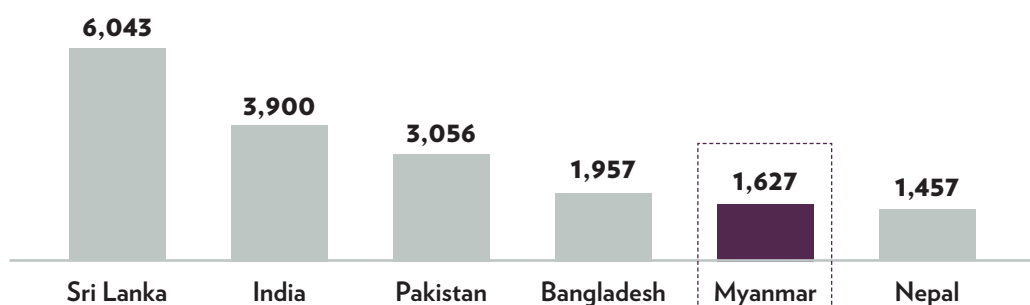
Sources: World Travel and Tourism Council (2013); ADB online data (2014)

As a result, there is strong investor interest in Myanmar, reflected in steady growth in FDI inflow since 2012, projected to reach over USD 2.9 billion by 2016.

Notably, while over 85% of FDI between 2005 and 2013 was in gas, oil, mining, and power,⁵ data for 2013 and 2014 show a different trend, with a strong movement out of the extractive sectors and into manufacturing and tourism. In addition, the telecom sector is expected to attract USD 1 billion in 2014.⁶

Despite recent FDI inflows and steady economic growth, Myanmar's per capita income is still among the lowest in the region. With such low GDP (PPP) per capita (see Figure 6), Myanmar's significantly large BoP population creates both a need and an opportunity for enterprise innovation in the development and delivery of basic products and services, as well as a need and an opportunity for investment to support this enterprise development.

FIGURE 6: COMPARATIVE GDP, PURCHASING POWER PARITY (PPP) PER CAPITA, 2012 (CURRENT INTERNATIONAL DOLLARS)



Source: IMF (2012)

⁵ "OECD investment policy reviews: Myanmar," OECD, 2014.

⁶ *International Business Times*, March 2014.

Key constraints in Myanmar

Myanmar is one of the more challenging countries in which to start and run a business. Because of its long period of military dictatorship and extended isolation, and despite momentum towards reform, Myanmar remains the most challenging country in the world in which to start a business, and the seventh most challenging in which to do business.⁷ Key constraints include the regulatory environment, weak infrastructure, and a hugely underdeveloped financial sector. As will be discussed later in this report, regulatory constraints include complex and opaque screening and investment approval mechanisms, foreign equity restrictions, and complicated separate laws governing foreign and domestic investment.⁸

The new government that took over in 2011 has been actively working with development agencies such as the Asian Development Bank (ADB), the International Finance Corporation (IFC), and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to ease these constraints; however, the environment remains challenging.

The government has been implementing legal, policy, and economic reforms to increase the attractiveness of Myanmar to investors. For example, the new Foreign Investment Law (FIL), introduced in 2012, repealed the 1988 FIL and provides a more open and secure legal environment for investment. While a positive step and signal, the report of the UN's Special Rapporteur⁹ in 2012 expressed concern that the government's haste to provide a new legislative framework may be at the expense of credible, suitable laws that are implementable given existing government capacity.¹⁰

In terms of infrastructure, Myanmar's electricity supply is limited and unreliable.

As of 2011, less than half of Myanmar's population has access to electricity. Of the total installed power generation capacity, only 50% is reliable because of the fact that weather-dependent hydropower plants account for 75% of total electricity generation. This weak power infrastructure makes it challenging to grow the industrial base and limits investor interest. In 2011, the energy consumption in Myanmar stood at 110 kilowatt hour (kWh) per person, which was the second lowest among the other countries of study (ranging from 106 kWh per person in Nepal to 685 kWh per person in India).

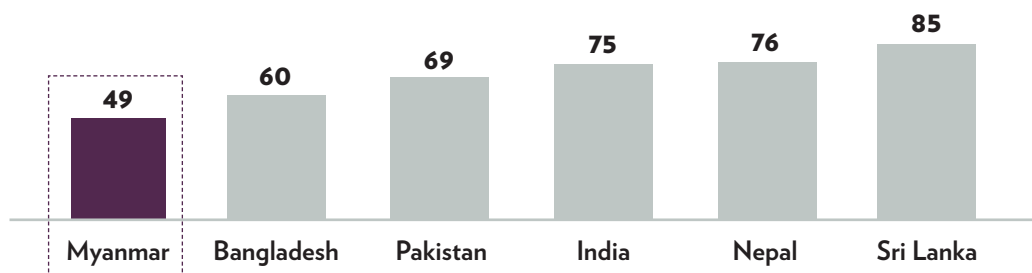
7 World Bank "Doing Business" rankings, 2014. These rankings include ease of getting electricity, registering property, obtaining construction permits, paying taxes, and enforcing contracts. The World Bank "starting a business" rankings include indicators such as length of time and number of procedures to complete for registration/start-up, as well as the associated costs of start-up procedures.

8 OECD's 2013 FDI regulatory restrictiveness index seeks to gauge the restrictiveness of a country's FDI rules and market access restrictions—a critical determinant of a country's attractiveness to foreign investors.

9 The UN Special Rapporteur reported in 2012 that "there remains no clear and comprehensive strategy for legislative reform, resulting in a somewhat ad hoc and uncoordinated process." OECD, 2014.

10 "OECD investment policy reviews: Myanmar," OECD, 2014.

FIGURE 7: COMPARATIVE ACCESS TO ELECTRICITY (2011, % OF POPULATION)



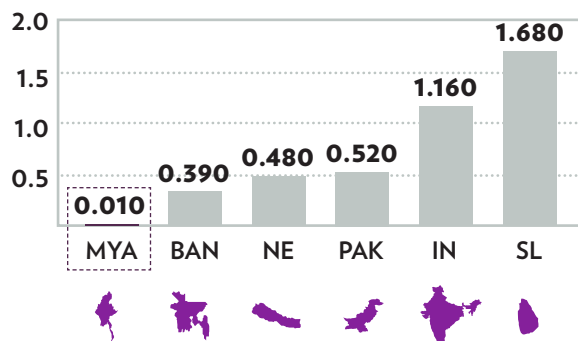
Sources: World Development Indicators, The World Bank

Other key infrastructure, such as information and communication technology (ICT) and telecommunications, is also currently limited (Figure 8), but is expected to vastly improve in the next few years. Telecommunication giants Telenor and Ooredoo won licenses in 2013 to launch a communications network in Myanmar, with the goal to grow mobile penetration to 80% by 2016.

FIGURE 8: COMPARATIVE INFRASTRUCTURE PROVISION IN ICT AND TRANSPORT

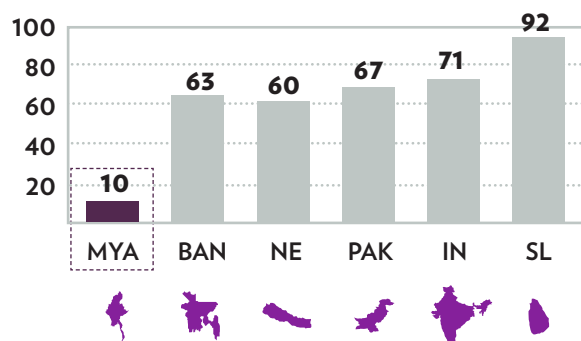
FIXED BROADBAND AND INTERNET SUBSCRIBERS

(PER 100 PEOPLE, 2012)



MOBILE CELLULAR SUBSCRIPTIONS

(PER 100 PEOPLE, 2012)



Source: World Development Indicators, The World Bank

In addition to weak infrastructure, economic isolation has severely constrained the development of the formal finance sector. Only 4% of Myanmar’s adult population has an account at a formal financial institution (Figure 9). Individuals have relied on informal practices (e.g., cash safes, gold savings, personal networks, and money lenders), and Burmese migrants have largely used hundi operators¹¹ to undertake transfers into Myanmar. As a result,

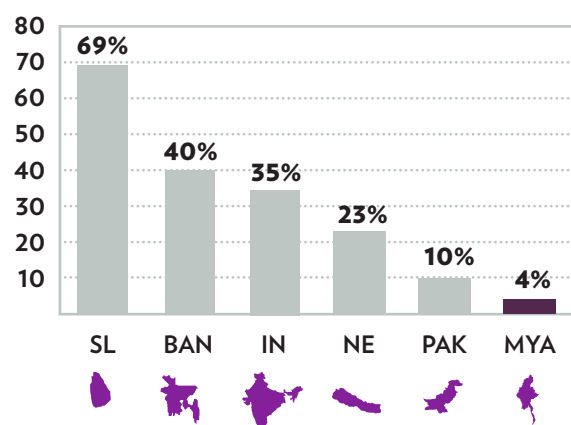
- Formal savings are low, which hinders the stability of investments made from domestic banks.
- Financial literacy and trust are low. Thus, entrepreneurs have low capacity to work with investors’ requirements and processes, and are wary of investment.

Moreover, Myanmar has a very small and nascent banking infrastructure.

Myanmar’s banking industry is dominated by four state-run and 22 domestic private banks. Foreign banks are currently not allowed to fully operate in Myanmar; their banking presence is relegated to in-country local representation. According to recent 2014 regulations, a select number of foreign bank branches will be able to provide loans to foreign corporations in Myanmar; however, this is currently under development and is likely to be tightly regulated.¹²

FIGURE 9: ACCESS TO FINANCIAL SERVICES AND BANKING INFRASTRUCTURE IN MYANMAR

PERCENTAGE OF ADULT POPULATION (AGE 15 AND ABOVE) WITH ACCOUNTS AT A FORMAL FINANCIAL INSTITUTION (2011 DATA; 2014 FOR MYANMAR)



REGISTERED/FORMAL FINANCIAL SERVICES (MYANMAR, 2014)

TYPE	# OF BANKS	OVERVIEW
Government banks	4	Includes MEB, MICB, MFTB, and Myanmar Agriculture Development Bank (MADB), which provides MFI loans to farmers
Private banks	22	10 are fully private and nine are quasi-state or “semi-private” banks
Representative offices of foreign banks	19	Foreign banks are not allowed to operate in Myanmar; however, foreign banks have established local representation offices in-country

Sources: Global Findex; World Bank; UN MAP Project (May 2014, Myanmar Data); PwC Myanmar Business Guide, 2014. Note: Myanmar Economic Bank (MEB); Myanmar Foreign Trade Bank (MFTB); Myanmar Investment and Commercial Bank (MICB)

¹¹ The hundi is an informal cash transfer system consisting of a combination of agents and middlemen along a word-of-mouth chain from a sender abroad to a recipient in Myanmar.

¹² Ferrie, J., “Burma to grant foreign banks licenses by end of September,” Reuters, May 2014.

Nevertheless, as demonstrated by GDP growth and FDI inflows, the difficult investment climate has not been a deterrent to all investors. Despite significant regulatory and infrastructural constraints, and a limited formal financial services system, investors are actively scoping investment and deploying capital into Myanmar.

INVESTING IN MYANMAR: THE SUPPLY SIDE

The broad impact capital market in Myanmar

Despite the nascent economy and restrictive regulations, there is strong investor interest in Myanmar; some investors have actually deployed capital, and most are still raising funds or developing pipelines. To date, approximately USD 12 million has been deployed by impact investors in Myanmar, of which USD 8 million has been deployed by DFIs. A further USD 44 million has been deployed by impact-related investors. DFIs (development finance institutions) and IFIs (international finance institutions) as the “first movers”¹³ play a significant role, having deployed over USD 40 million in both direct and indirect investments into microfinance and real estate.¹⁴ However, we will only be taking a deeper look at direct investments made by DFIs in this report to avoid potential double-counting of impact capital. In contrast, angel investors and funds have deployed around USD 9 million to smaller ticket-size investments towards seed, venture-stage, and mature enterprises in a variety of sectors, including energy, information and communication technology (ICT), financial inclusion, and rural infrastructure. Further, fund managers and DFIs have raised or committed more than USD 119 million for future deployment. Moreover, fund managers are targeting to raise a minimum of an additional USD 180 million for deployment in Myanmar in the next two to five years.

While there is significant excitement on the part of investors to enter Myanmar, they are hesitant to invest prior to the establishment of more favorable investor regulations. Many investors are adopting a “wait-and-see” approach to investing until after the November 2015 elections for greater clarity on their political and regulatory impact. However, despite political uncertainty and current regulatory constraints, investors are encouraged by the continued movement of new regulatory reforms passed in the past year.¹⁵

¹³ A majority of DFIs and IFIs restarted their activities and investments around 2012, when the US and European sanctions had been relaxed and/or lifted.

¹⁴ For the purpose of this analysis, a large DFI investment into an infrastructure fund, which has deployed the entire portfolio amount, is classified as a direct investment from the fund manager.

¹⁵ GIIN/Myanmar expert panel discussion, July 2014.

Active investors deploying impact capital in Myanmar

There is a range of investor types active and interested in deploying capital into Myanmar, including funds, development finance institutions (DFIs), angel and institutional investors, foundations, and high net-worth individuals (HNWIs).

While investment activity in Myanmar is currently in its very early stages, we have seen deployments by close to ten investors (of which four are impact investors), albeit in small amounts. However, there are strong efforts underway towards raising additional capital and building pipelines for deployment. The low levels of current fund activity are due in part to the sparse landscape of investment-ready enterprises—and the intensive support required to help enterprises become investment ready—and in part to the early stage of the broader market (Figure 10).

Currently, diversified financial institutions (including banks) have fairly low levels of activity with respect to making impact or impact-related investments.

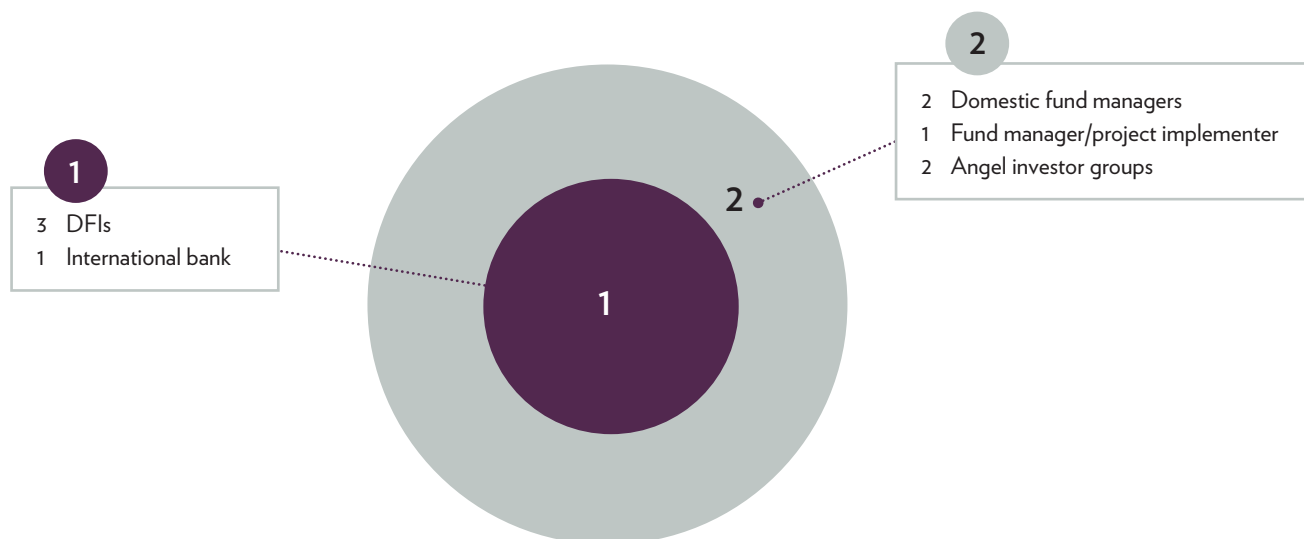
However, we are starting to see international banks exploring opportunities to invest in financial inclusion, particularly by investing in microfinance institutions (MFIs). In addition, a few state-run banks (such as the Myanmar Agricultural Development Bank and the Small and Medium Industrial Development Bank) have increasingly started lending to small and medium enterprises (SMEs) with specialized loan products. However, private commercial banks have not developed tailored products for SMEs as the regulations set by the Central Bank around terms like collateral requirements and repayment periods make the segment highly risky and not financially attractive. Regulations also inhibit entry by foreign banks as they cannot yet be licensed for banking operations in Myanmar. Still, select banks such as Standard Chartered and Yoma Bank (which has a focus on sustainability) are scoping the market and exploring opportunities to increase SME lending in key impact sectors in the future.

Foundations and HNWIs are also active in Myanmar, but they largely engage through the provision of grants rather than instruments for which there is a return expectation. Established foundations such as the Skoll Foundation, the Mulago Foundation, and the Schwab Foundation for Social Entrepreneurship have already provided grant-based funding to social enterprises in Myanmar and, by doing so, are attempting to send a signal to other investors about the potential viability of the impact investing market in Myanmar. In addition to the international foundations mentioned above, there is increased activity from domestic foundations, corporate foundations, and the corporate social responsibility (CSR) divisions of large businesses (such as City Mart, Myanmar's leading supermarket chain). In fact, CSR activity and donations to social impact sectors and enterprises are likely to increase as multi-national corporations (MNCs) start to enter Myanmar and seek to build strong brands.¹⁶ Some companies may invest on a capital-recovery-only basis and/or more broadly support the SME ecosystem through training grants or other means.

¹⁶ Examples of MNCs undertaking CSR activity across sectors include Coca-Cola providing a USD 3 million grant to the Pact Global Microfinance Fund to create women-based community banks that fund start-ups, Hewlett Packard's support/training to SMEs, Procter & Gamble's focus on clean water projects, and Ooredoo's plan to provide targeted training in information technology and human resources.

As in other markets, HNWI are a significant source of informal, donated start-up capital for many enterprises in Myanmar, typically accessed through personal networks (and difficult to access without these networks). Another nascent source of seed funding for impact enterprises is angel investors. There is a small but emerging angel investment landscape, with at least two angel foreign investment networks (based in Asia) deploying small ticket-sized equity investments to seed and venture-stage impact enterprises.

FIGURE 10: DIRECT IMPACT AND IMPACT-RELATED INVESTORS ACTIVE IN MYANMAR (DEPLOYED CAPITAL)¹⁷



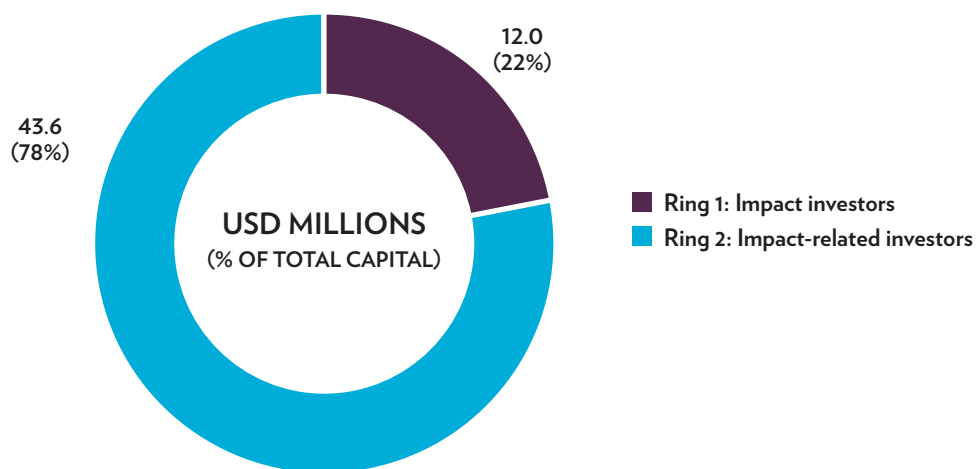
Sources: Stakeholder interviews; Investor websites; Dalberg analysis

The following analysis should be viewed as reflective of the early stage of the impact investing market in Myanmar but not necessarily as indicative of trends going forward. As only a few impact investors are currently active in the market, capital deployment and analysis of key variables to follow reflect the activities of only four current impact investors and five future impact investors.

Overall, only a small portion of capital has been deployed to date. Approximately USD 12 million has been currently deployed by impact investors, and a total of approximately USD 43.6 million by impact-related investors (Figure 11), who have a less explicit impact intention but still consider impact as an element or outcome of their investment.

¹⁷ See “Defining key terms and concepts” in the introduction chapter of this report for an explanation of the framework used for categorizing investors using a two-ring framework, where the inner ring—Ring 1—represents the impact investing activity and the outer ring—Ring 2—represents the activity related to impact investing but lacking either an explicit impact intention or measurement.

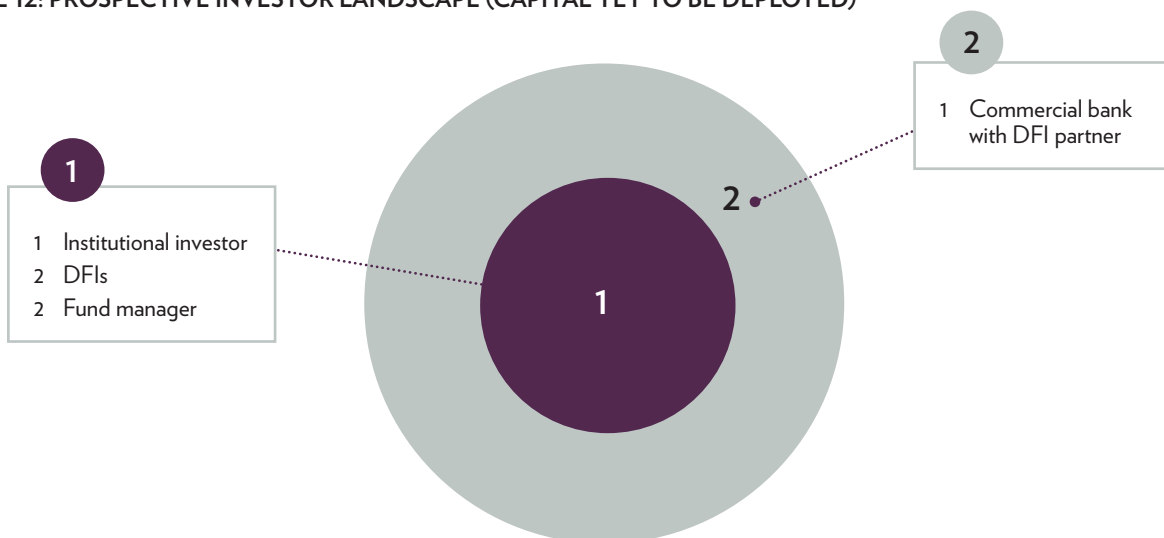
FIGURE 11: TOTAL CURRENT CAPITAL DEPLOYED BY RING



Source: Stakeholder interviews; Investor websites; Dalberg analysis

Two DFIs, two fund managers, one institutional investor, and one commercial bank with DFI backing have all committed to deploy capital in Myanmar. Given the limited amount of risk capital in Myanmar overall, at least three commercial private equity (PE) funds are also being raised by domestic fund managers. Figure 12 maps the stakeholders who have committed capital for deployment in Myanmar in the future.

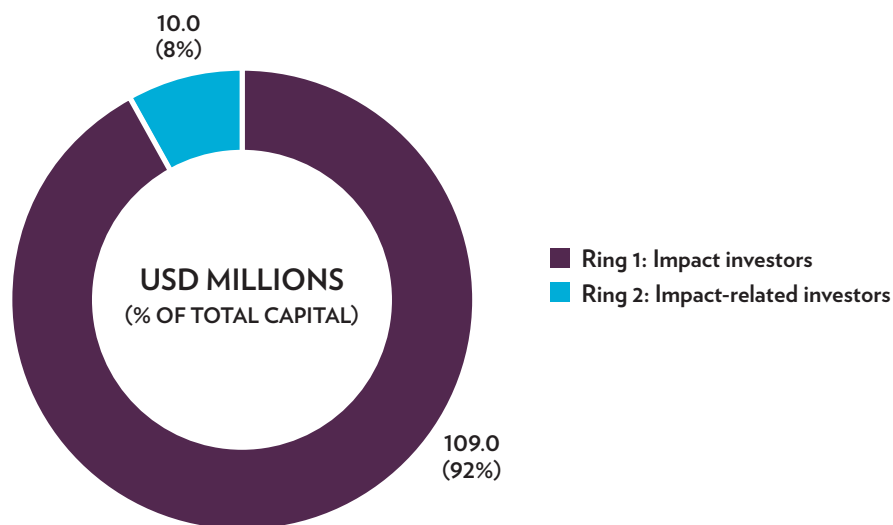
FIGURE 12: PROSPECTIVE INVESTOR LANDSCAPE (CAPITAL YET TO BE DEPLOYED)



Sources: Stakeholder interviews; Investor websites; Dalberg analysis

Approximately USD 109 million has been committed or raised by impact investors for direct investment into enterprises in the future (Figure 13). In addition, several investors are actively raising funds and are expected to commit a minimum of an additional USD 180 million in the next two to five years. This is, in part, due to investors awaiting upcoming regulatory changes and elections (November 2015) and due to some investors being wary of engaging while current ethnic conflict in some parts of the country is still active. This category of committed and raised capital includes disbursements that are still pending but likely to be deployed, and capital earmarked to be deployed into Myanmar in the next one to two years.

FIGURE 13: FUTURE COMMITTED CAPITAL BY RING



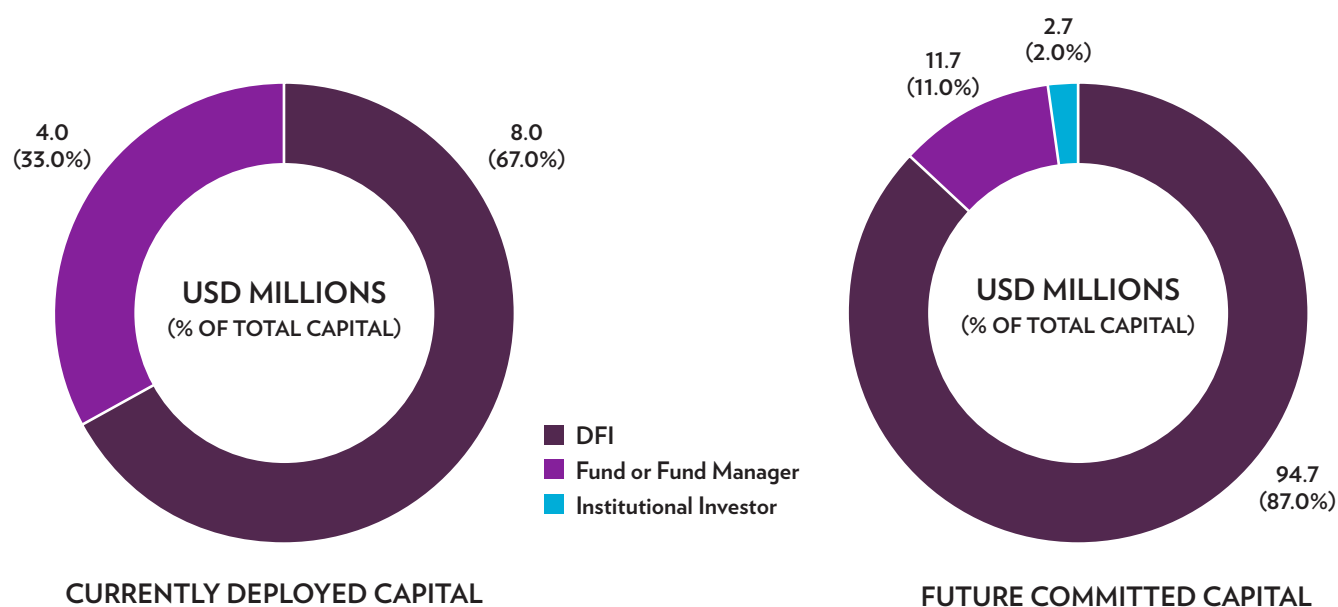
Source: Stakeholder interviews; Investor websites; Dalberg analysis

These direct investments, including USD 109 million by impact investors, include DFI investments allocated to financial services and real-estate development; other investors include institutional investors and PE funds targeting high-growth SMEs and large-scale MFIs. Unlike the trend observed with current capital deployed, the majority (92%) of future committed and raised capital is being invested by impact investors.

INVESTOR MIX

For both currently deployed and future committed impact capital, DFIs represent the significant share of investment and therefore, tend to drive the trends in the market. As Figure 14 illustrates, DFI investments represent approximately 67% of currently deployed impact capital and 87% of future committed impact capital. In addition to the crucial roles as a direct source of capital for enterprises and as anchor investors in funds, DFIs play two important roles: (i) As “first movers,” they send a critical market signal to other investors, which should help to catalyze additional investments (although it is too early to see these effects); and (ii) as international investors with government links, they engage on policy issues and provide extensive policy support.

FIGURE 14: IMPACT CAPITAL BY INVESTOR TYPE



Source: Stakeholder interviews; Investor websites; Dalberg analysis

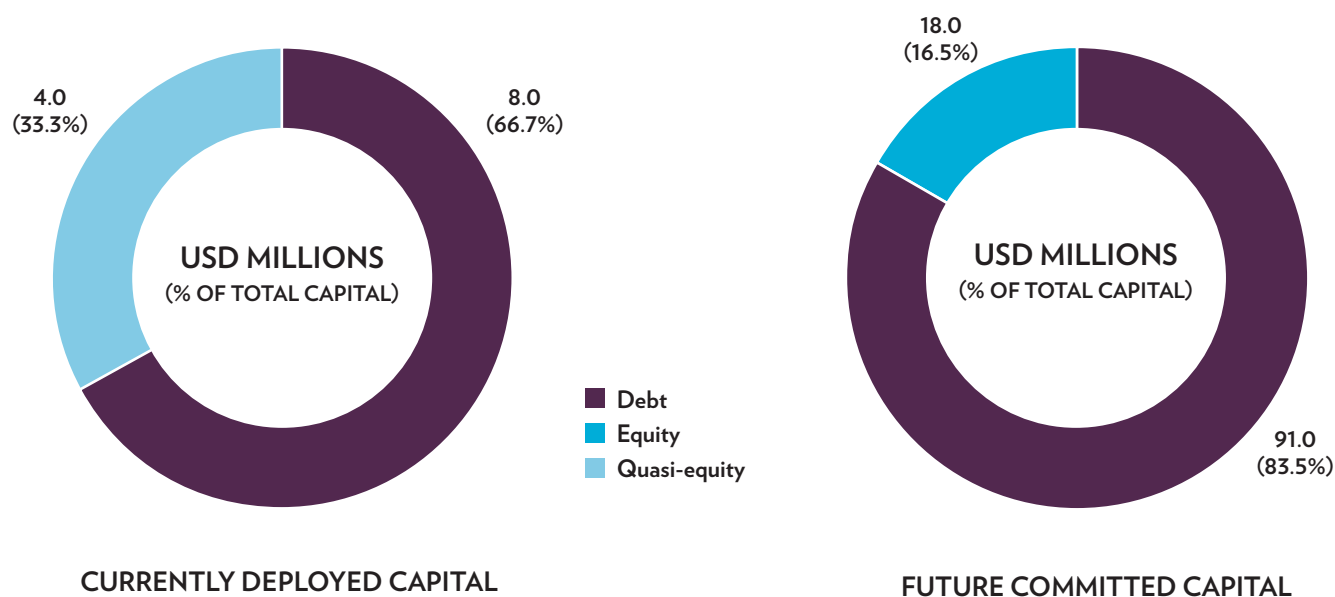
Key trends of impact investing in Myanmar

The following section examines trends among impact investors, who have collectively deployed USD 12 million and committed approximately USD 109 million for future deployment. The activities of impact-related investors (Ring 2) will be discussed in the section “Beyond the impact investing market.”

INSTRUMENT

The majority of currently deployed impact capital and future committed impact capital is in the form of debt. This is largely due to the type of investor deploying capital—since the majority of current and future capital is from DFIs, as stated above, the preference for debt is more visible. However, regulations in Myanmar prohibit debt-lending by most foreign investors (as they require a local banking license or must be registered as financial institutions). Therefore, they are restricted to equity or other instruments. It is actually fairly challenging for Burmese enterprises to take on debt from foreign investors, as these enterprises require special permission and a waiver from both the Central Bank of Myanmar and the Myanmar Investment Commission (MIC) to be able to accept foreign debt. Given this, one would expect to see a greater amount of equity funding as a greater number of impact investors engage in Myanmar in the future.

FIGURE 15: IMPACT CAPITAL BY INSTRUMENT



Sources: Stakeholder interviews; Investor websites; Dalberg analysis. Note: Equity calculation in future capital includes quasi-equity instruments, as exact breakdown between pure equity and quasi-equity is unknown.

Impact investors deploying equity have returns expectations that vary between 10% and 20%. While impact investors have return expectations ranging from 10% to 20%, conventional investors generally seek 20%–30% returns. In terms of tenure, or time horizon, investors are targeting five- to seven-year tenures but recognize that seven to ten years is more feasible given the maturity of the enterprise market. Lastly, a majority of equity investors seek a minority stake in the enterprise and often provide technical assistance/management support alongside capital (e.g., by seconding staff directly to the enterprise).

GROWTH STAGE AND DEAL SIZE

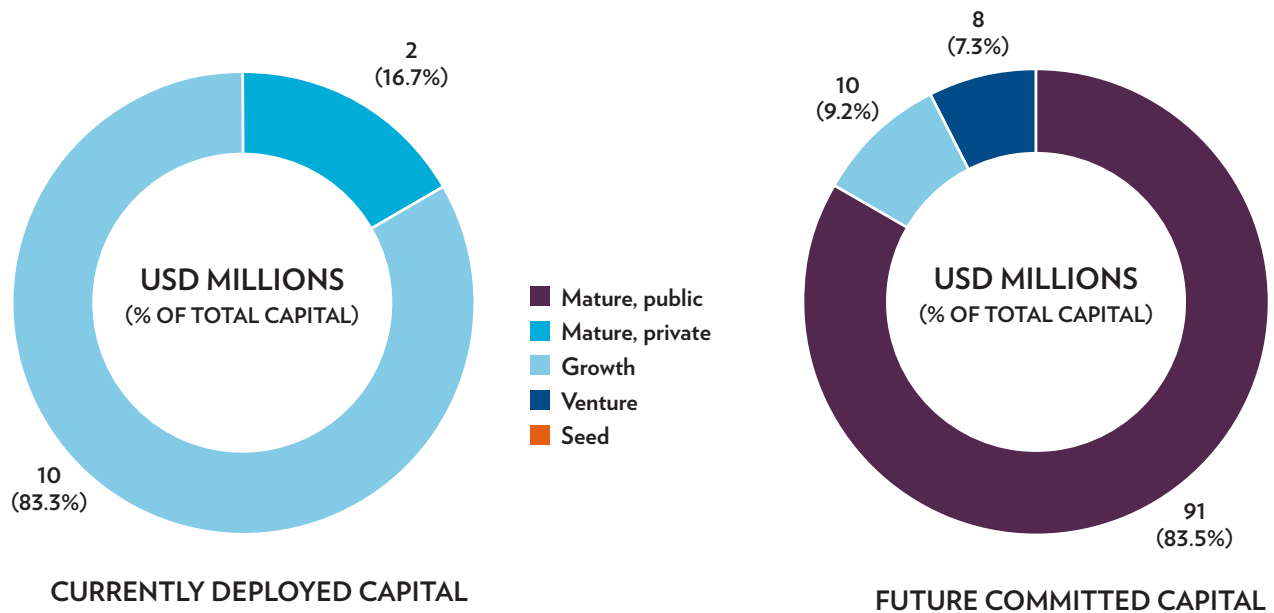
The majority of current investments are in growth-stage enterprises, while close to 84% of future committed capital is planned to be invested in mature companies (Figure 16). A primary driver of investments flowing into mature companies, particularly for future committed capital, is the continued preference of DFIs to invest in private, large-scale real-estate projects. Other features of mature companies that make them attractive include

- ability to absorb a larger amount of capital;
- ability to meet investor operational requirements—i.e., have established financial histories as well as operational and management experience as compared to the lack of financial records, business knowledge, and management experience that characterizes many start-ups/SMEs; and
- being easier to identify when entering the market.

However, investors are conscious that many of the large local enterprises have links to the previous regime and are wary of investing in organizations with these ties, reporting a preference for internationally backed large-scale enterprises instead.¹⁸

¹⁸ Under the previous regime, enterprises were often seized by the military, or when successful, would have “cronies” inserted on their boards.

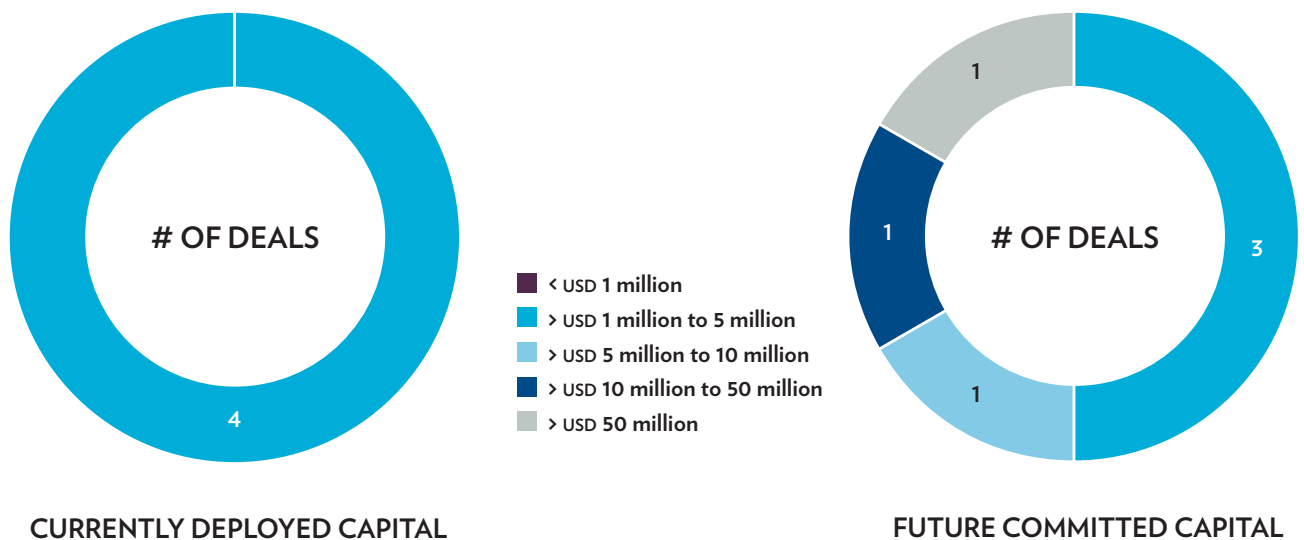
FIGURE 16: IMPACT CAPITAL BY GROWTH STAGE OF INVESTMENTS



Source: Stakeholder interviews; Investor websites; Dalberg analysis

Few current and expected future impact investment deals in Myanmar range from USD 2 million to USD 80 million. With so few deals known, it is not possible to comment on average deal sizes or investor preference vis-à-vis deal sizes. For future committed capital, we see a few larger deal sizes as DFIs plan to deploy larger ticket-size investments into growth- and mature-stage enterprises.

FIGURE 17: IMPACT CAPITAL BY DEAL SIZE



Sources: Stakeholder interviews; Investor websites; Dalberg analysis. Note: One co-investment deal was evenly split across three investors due to lack of further information; this does not skew the results.

SECTOR

While all the impact capital currently deployed has been invested in the financial services sector, a majority of future committed capital has been directed towards non-impact enterprises in the tourism sector. As seen in other countries, impact investments in the financial services sector seem to be an entry point for investors to engage. Opportunities for investment are seen in MFIs and banks that can on-lend to SMEs. The following factors drive interest in the microfinance and financial services sectors:

- **Investor familiarity with MFIs/banks.** Their model is well understood, and they are easy to both identify and access. In addition, there are simply a large number of MFIs in Myanmar (see the “Needs and opportunities: The demand side” section for more details).
- **High demand for microcredit due to low access to finance.** The market is far from being saturated—signaling high growth potential in the sector. The formal banking sector has limited outreach (recent research suggests only 4% of the population is formally banked), and informal providers of credit are risky and expensive (10%–20% monthly as credit, or around 200%–300% at an effective annual compounded rate of interest).¹⁹ Demand for microcredit is estimated at USD 1 billion by industry experts,²⁰ with demand for microfinance in Myanmar outstripping supply by a factor of four.²¹
- **Favorable regulations for MFI investments as compared to those for other sectors.** The new Microfinance Law (passed in 2011) allows local and foreign investors to establish fully privately owned MFIs,²² which has allowed ACLEDA Bank (a well-known leading global provider) to open in Myanmar, and may encourage other big international MFIs to follow suit.²³ The ability to invest in banks that can on-lend to SMEs will depend on implementation of the new SME Law (2014).

Future investments are driven by DFIs’ aim to stimulate the economy through the development of tourism infrastructure and the dearth of investible enterprises in other sectors. USD 91 million has been committed by investors to tourism infrastructure in the next two to five years.

19 “Baseline survey results,” LIFT, 2012. Accessible at - <http://lift-fund.org/lift-in-action/content/liftbaseline-survey-results-2012>

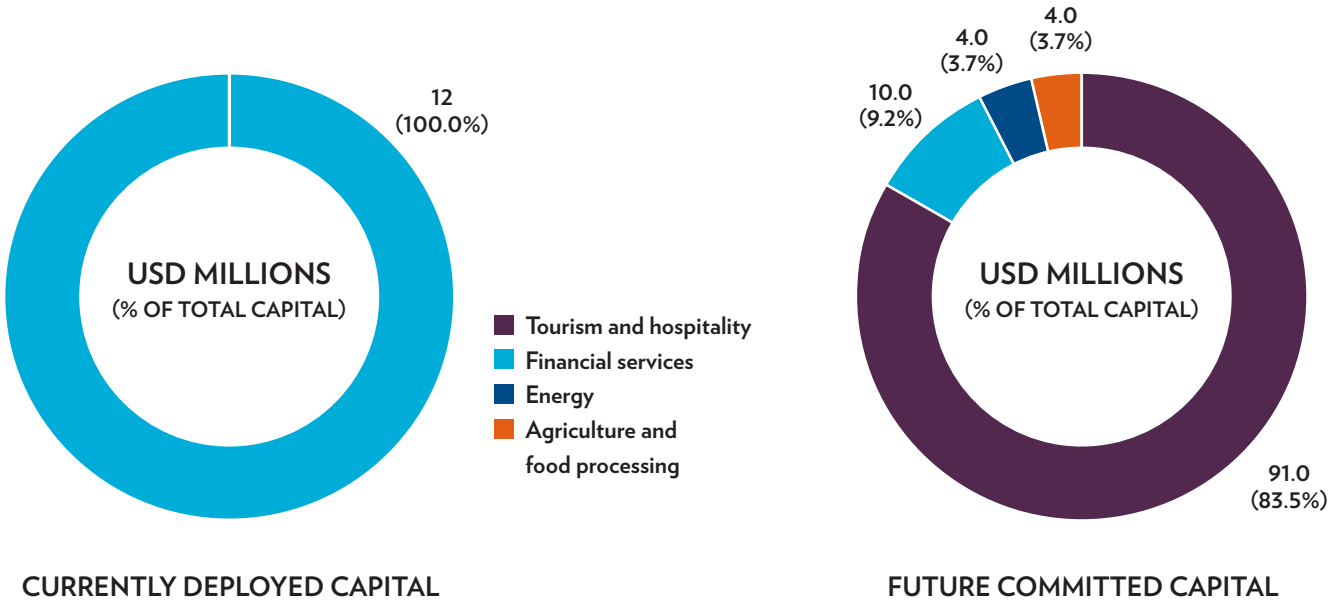
20 “UNDP formative strategic review of microfinance investments in Myanmar: Issues and recommendations for the future,” United Nations Capital Development Fund, (2012).

21 Duflos, E., Luchtenburg, P., Ren, L., and Yan Chen, L., “Microfinance in Myanmar sector assessment,” IFC Advisory Services in East Asia and the Pacific, CGAP, 2013.

22 “Op Cit.,” CGAP, 2013.

23 Although revisions are expected, the MFI law still has issues that need to be ironed out; for example, some law directives do not follow global best practices such as a capped interest rate spread and low minimum capital requirements.

FIGURE 18: IMPACT CAPITAL BY SECTOR



Sources: Stakeholder interviews; Investor websites; Dalberg analysis. Note: For future committed capital, an assumption has been made that one investor will invest equal share of committed capital in energy and agriculture.

Impact measurement

With respect to measuring impact, investors who have deployed, or who plan to deploy capital, either use established measurement systems such as the Global Alliance for Banking on Values (GABV) scorecard or customize their metrics (typically using IRIS²⁴). As in most markets, there are standardized, customized, and anecdotal forms of impact assessment. DFIs and banks tend to use established impact measurement systems or customize their metrics. Currently, the most common forms of assessment are standardized assessments due to the use of these by DFIs. However, when funds and fund managers start to enter the market, we will most likely see a change in the types of assessments used, including an increase in the use of customized and anecdotal impact assessments.

FIGURE 19: IMPACT MEASUREMENT SYSTEMS BEING EMPLOYED BY INVESTORS

	Metric-based Impact Measurement	Anecdotal Impact Assessment
Rationale for approach	<ul style="list-style-type: none"> To assess effectiveness and improve operations To report performance in ways that reinforce public trust To present impact in a way that is understandable to stakeholders To understand progress towards mission of social and/or environmental impact 	<ul style="list-style-type: none"> Difficult for studies to quantitatively demonstrate the impact of microfinance. Do so by anecdote or have investee report its impact. Quantitative impact studies face two fundamental challenges: (a) their ability to capture and analyze all the benefits of microfinance, and (b) the duration of the study itself (researchers usually examine impact over 14-18 months; however, during this period, impact does not necessarily manifest itself).
Key indicators measured	<ul style="list-style-type: none"> Based on financial, economic, environmental, and social performance, and private sector development impact IRIS indicators with proprietary metrics that reflect impact requirement or fund Global Alliance for Banking on Values scorecard metrics Customized metrics in quarterly report dependent on sector of enterprise and impact it seeks to have 	<ul style="list-style-type: none"> Dependent on investee's report/uses individual stories or anecdotal evidence
Rationale for indicator selection	<ul style="list-style-type: none"> Use DOTS as it is recognized as a leading system for development-results measurement among IFIs/DFIs and allows for real-time tracking Use IRIS because of clarity of data and user-friendly interface, and because it provides independent, third-party set of metrics Customization of metrics needed given variation in the type of impact/sectors that the investees are involved in 	N/A

Sources: Stakeholder interviews; company websites

²⁴ IRIS (formerly known as Impact Reporting and Investment Standards) is a set of standardized metrics for impact measurement managed by the Global Impact Investment Network (iris.thegiin.org).

Beyond the impact investing market

Capital invested by impact-related investors in Myanmar totals approximately USD 43.6 million. A majority of this capital has been deployed by one infrastructure-focused fund manager (who received initial investment from a DFI) who is investing in mature companies. Other smaller investments have been in energy, microfinance, and ICT. The initial presence of angel investor groups and conventional investors making impact-related investments, along with the evidence of future commitments for capital in Myanmar, suggests the growth of the broader impact investing landscape in the future.

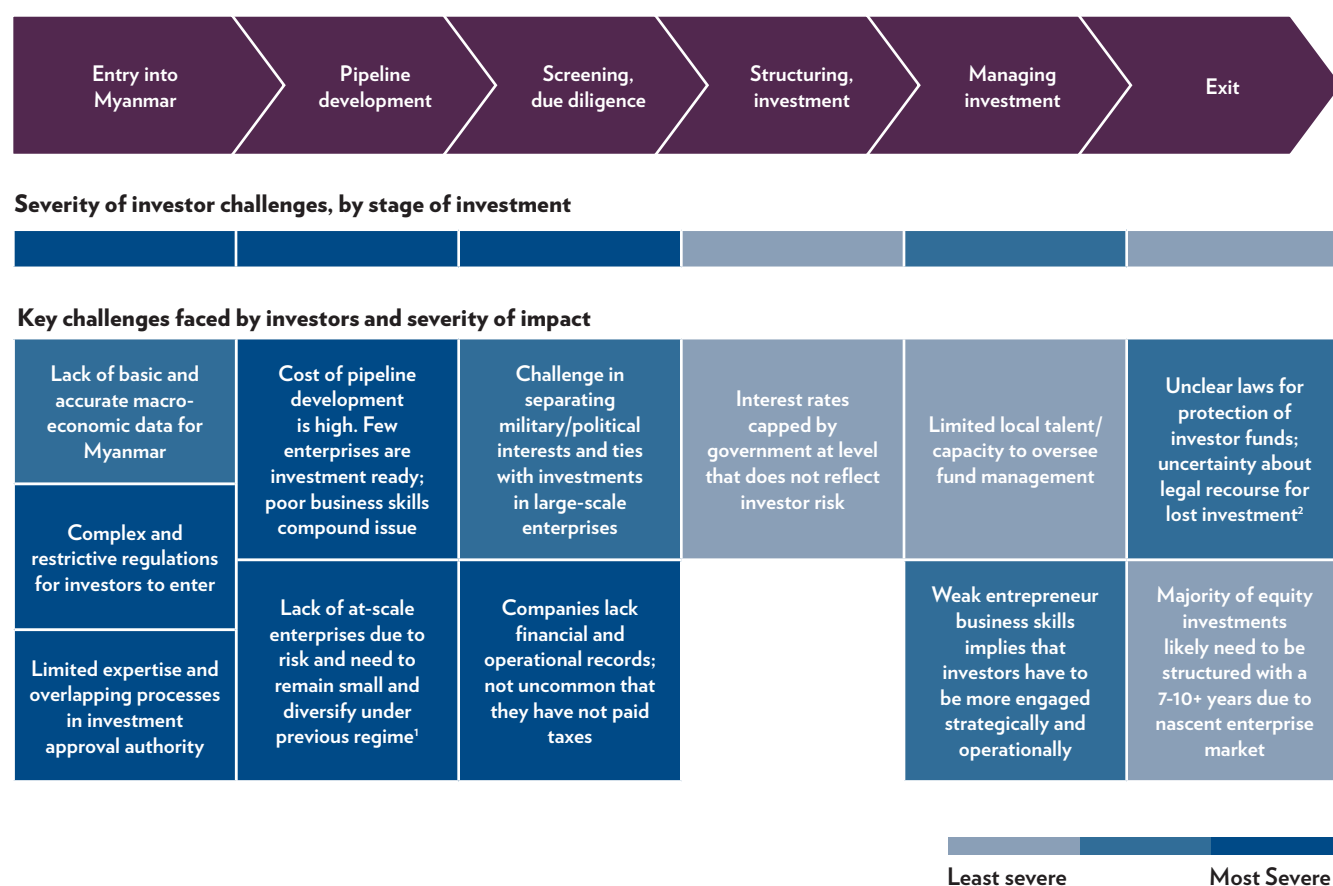
Challenges facing impact investors in Myanmar

In Myanmar, investors face challenges across the investment lifecycle. The most severe constraints are regulations pertaining to market entry, and low levels of enterprise investment readiness, which constrain pipeline development (Figure 20). As they look to enter the market, investors face restrictive investment policies and struggle to navigate complex investment approval processes. In particular, it is difficult to set up a new organization or office through official channels. For example, high fees (the company registration fee is USD 1,500) and complex procedures (extensive background checks and letters from the township and the local police station are required) restrict company registration.

The Organization for Economic Cooperation and Development (OECD) ranks Myanmar as having the second most restrictive FDI regulations in the world.²⁵ In particular, Myanmar ranks particularly poorly in two out of the four criteria considered in this ranking. Myanmar's foreign equity restrictions and its screening and approval processes for entering investors were rated as the most severe restrictions faced by foreign investors. Moreover, Myanmar is the only ASEAN (Association of Southeast Asian) country to have two laws for investment: one for local firms, and the other for foreign investors.

²⁵ The OECD FDI Regulatory Restrictiveness Index (FDI Index) gauges restrictiveness of a country's FDI and market access rules. The index examines four types of restrictions: approval or screening mechanisms for investment, foreign equity limitations, restrictions on the employment of foreigners as key personnel, and operational restrictions (e.g., capital repatriation and land ownership).

FIGURE 20: SEVERITY OF CHALLENGES FACED ACROSS THE INVESTMENT LIFECYCLE



Sources: Stakeholder interviews; Dalberg analysis; ¹Previous regime could seize businesses without notice, so to remain “below the radar” entrepreneurs tried to remain small scale and did not focus efforts too much on one business but rather saw diversification as an insurance policy or a hedging tactic. ²Companies doing business in Myanmar are not allowed to conduct arbitration for business disputes in foreign tribunals despite the dearth of dispute resolution mechanisms in country (e.g., commercial arbitration, mediation, and conciliation).

As highlighted in the FDI index, one of the most pressing challenges to entry is the level of complexity of the current regulatory framework in Myanmar, with over half a dozen laws regulating the entry of investors—many of them dating back to colonial times—depending on the sector and location of the investment.

The laws include an extensive list of sectors in which foreign investment is prohibited or restricted, with banking, fisheries, retail, and food as the most restrictive sectors for foreign investment.²⁶

Furthermore, despite initiatives to streamline investment procedures, the current system for investment remains complex, with investors needing to make a number of contacts with different ministries and local authorities. This further exacerbates the fact that the regulatory procedure provides significant discretion to

²⁶ OECD, 2014, and FDI Index online, 2013.

different government entities, minimizing transparency and equity in the process. In addition to the confusing approval processes, regulators have limited expertise and knowledge of financial instruments and investments, making the whole process slower and more cumbersome.²⁷

In terms of pipeline development, the most significant challenge is that there are few investment-ready enterprises. Poor business, financial, and operational knowledge and skills among enterprises compounds this issue, particularly for conducting due diligence and screening of the organization (see the “*Needs and opportunities: The demand side*” section for more details). In addition, due to the constant takeover and nationalization of large-scale enterprises during Myanmar’s recent military regime, entrepreneurs today are still in the habit of diversifying businesses rather than specializing in and growing a specific business to a large scale.

Finally, at the end of the investment cycle, weak investor protection laws remain a challenge. While the enactment of the FIL (2012) was a step forward to opening up the market to investors, it still leaves questions unanswered, particularly those related to investor protection in the management of investments and exits. Although under the new FIL, the level of protection granted to investors has been enhanced, mechanisms for enforcing contracts and property rights and for settling disputes remain weak.

²⁷ Myanmar impact investor interview, July 2014.

NEEDS AND OPPORTUNITIES: THE DEMAND SIDE

Overview of the impact enterprise ecosystem in Myanmar

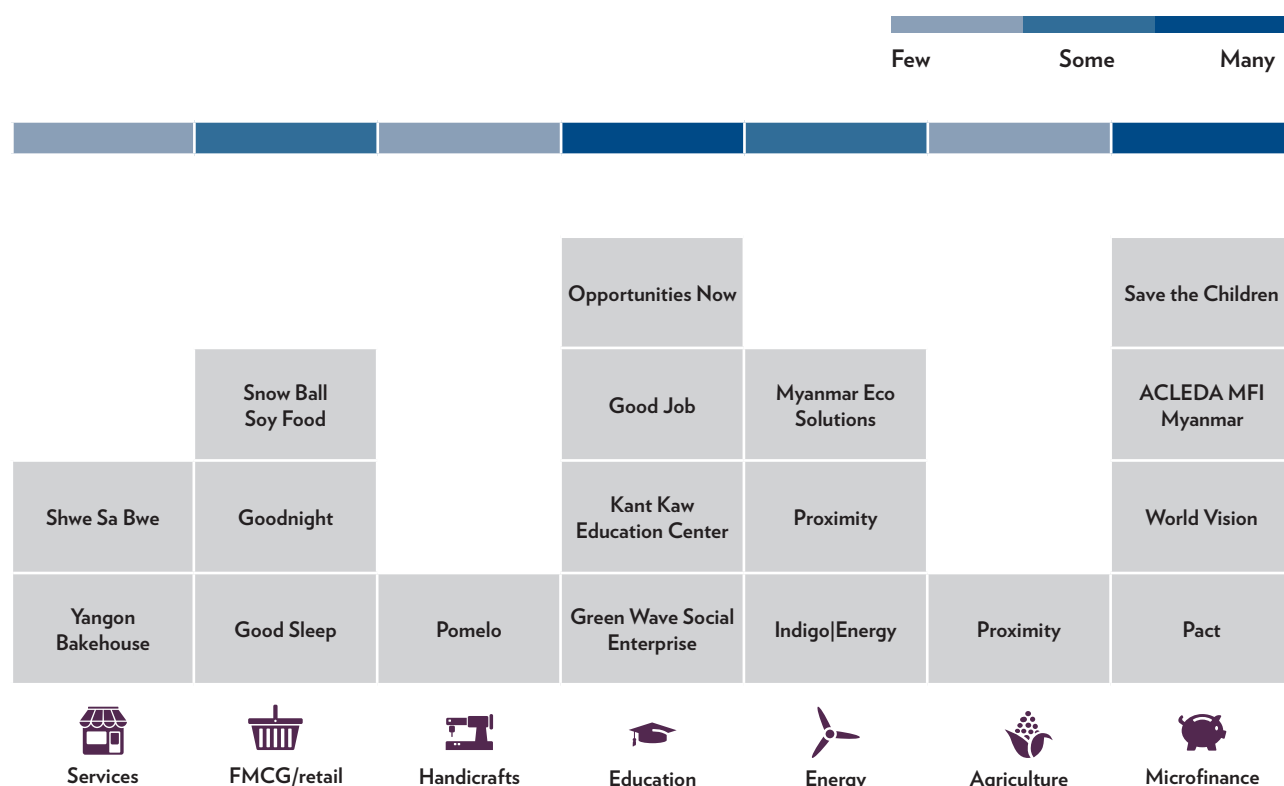
When examining the flow of impact capital, we see very little directed to impact enterprises.²⁸ However, there is increasing investment interest in enterprises in the financial inclusion sector (almost 40% of current capital has been deployed into financial inclusion, and potentially 24% of future committed capital will flow to this sector) and fast-growing SME sectors such as tourism. Although a majority of impact enterprises interviewed in Myanmar had not taken or solicited capital from impact investors, two angel networks have invested around USD 630,000 into two different seed-stage impact enterprises.

Besides the presence of large or expanding international MFIs, the formal impact enterprise space in Myanmar is extremely small and active only across a few sectors. These MFIs include established large international MFIs (e.g., Pact, World Vision, Proximity MFI, and GRET), that helped pioneer microfinance models and sustained the models through sanctions. As a result, these MFIs have had a much longer period of operation than emerging impact enterprises. More recently established impact enterprises are emerging in the education/vocational training space and in rural areas (Figure 21).

According to some impact investors, there are more at-scale impact enterprises started by local entrepreneurs in rural Myanmar (e.g., in the agriculture sector) than there are in urban areas. However, a combination of the facts that investors tend to focus on urban centers and that these rural enterprises do not self-define as impact enterprises (or are not necessarily aware of the concept), makes the identification of rural impact enterprises more challenging. The implication of these two trends is that investors will likely need to reach outside of urban centers to seek these emerging rural impact enterprises in order to increase their pipeline development and, ultimately, impact. Moreover, this unusual concentration of impact enterprises in rural areas means investors need to seek enterprises directly through hands-on pipeline development (e.g., field visits with local contacts).

²⁸ *Impact enterprises for the purposes of this report are defined as those that have articulated a core objective to generate positive social or environmental impact (i.e., as a part of their operating model rather than an ancillary activity as with CSR programs) and seek to grow to financial viability and sustainability.*

FIGURE 21: RELATIVE NUMBER OF IMPACT ENTERPRISES BY SECTOR, WITH EXAMPLES



Sources: Stakeholder interviews; Organization websites; Dalberg analysis; British Council (2013) Social Enterprise Landscape in Myanmar

Despite high official literacy rates, a large population of working-age adults (the median age in Myanmar is 27 years) lacks skills training and education; skill development is therefore essential for Myanmar's growth. The education and vocational training sector includes impact enterprises that work in targeted skill building, or education across different fields—from basic preparation for higher education and college (Kant Kaw Education) to industrial garment training (Good Job) to rural development (Green Wave Social Enterprise) to entrepreneurship (Opportunities Now).

FIGURE 22: FIVE LEGAL FORMS OF INCORPORATION FOR ORGANIZATIONS IN MYANMAR

Legal Form	Characteristics	Challenges in incorporation	Difficulty of incorporation	Examples
Foundations	<ul style="list-style-type: none"> Normally financially supported by private sector company Typically funded from donations from a single source and/or small donations 	<ul style="list-style-type: none"> Activities/direction may be driven by founder interests rather than being needs-based 		Shwe Minn Tha Foundation
Cooperatives	<ul style="list-style-type: none"> Owned/controlled by its member Legal status makes it easier to introduce revenue generation activities History of government support 	<ul style="list-style-type: none"> Closer control by the government, decreased independence 		Good Sleep
Associations	<ul style="list-style-type: none"> Focus on religious or specific social issues Legal form adopted by many local NGOs due to faster/easier registration process 	<ul style="list-style-type: none"> Difficult to generate revenues due to law limiting their ability to issue invoices for services 		Byamaso Social Services
NGOs	<ul style="list-style-type: none"> Despite challenges, local NGOs are becoming more active players in addressing community issues Face suspicion by government as vehicles for opposition movements 	<ul style="list-style-type: none"> Registration process is long, unpredictable, and costly Regulations pose restrictions on operations (e.g. use of bank accounts, inability to generate revenue) 		Proximity
Private Companies	<ul style="list-style-type: none"> Relatively easier to register as private company (rather than an NGO) Newer impact enterprises starting to register as private companies Able to receive donations, in-kind donations, and grants 	<ul style="list-style-type: none"> Concept of for-profit impact enterprises still new to Myanmar 		Yangon Bakehouse Pomelo

Sources: Stakeholder interviews; British Council (2013) Social Enterprise Landscape in Myanmar

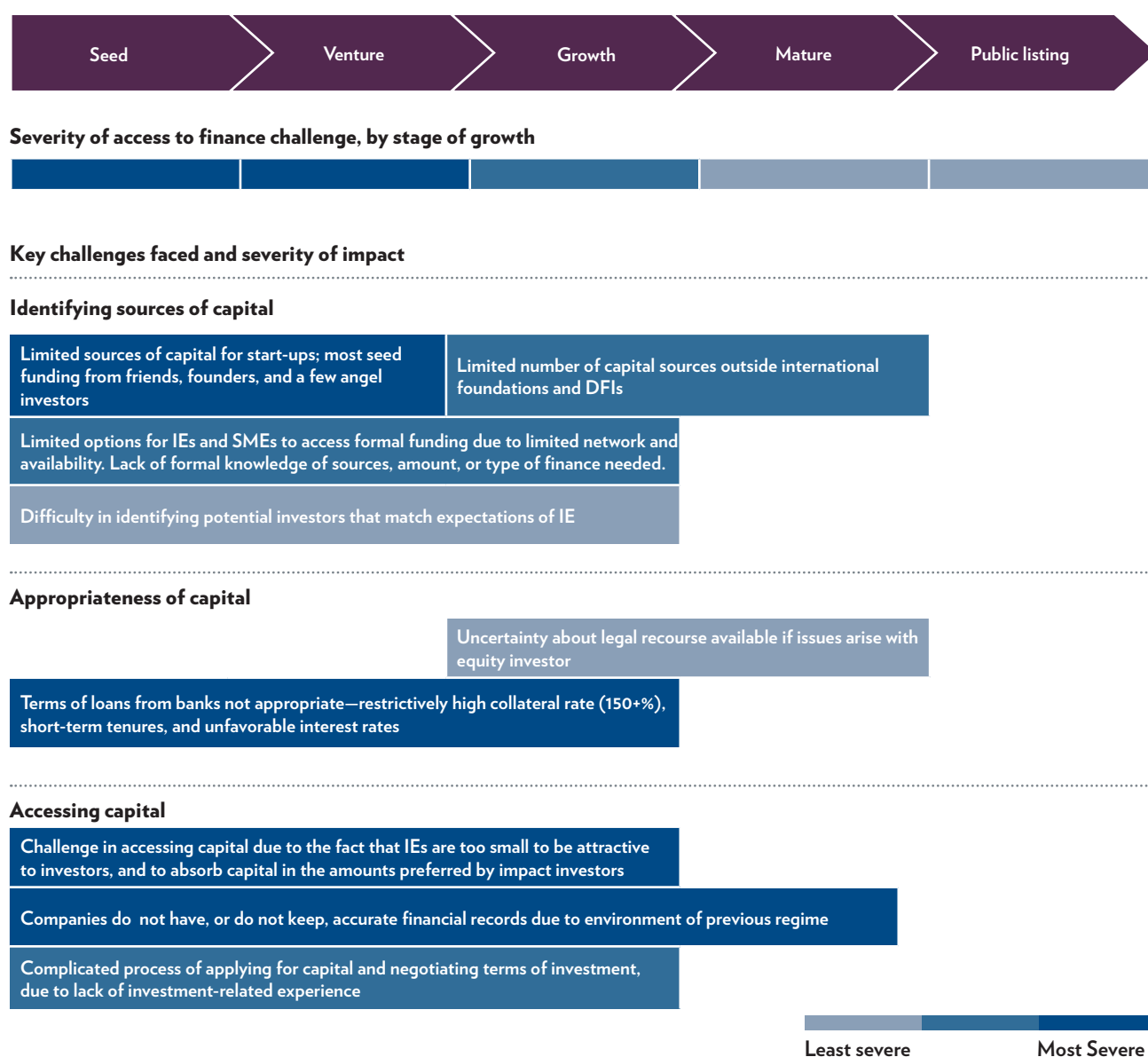
○ Least severe
● Most severe

While the impact enterprise model is still a relatively new concept in Myanmar, government perceptions and registration processes may inadvertently create momentum towards it. Organizations seeking to generate social impact will likely register as private companies and adopt an enterprise approach rather than forming as NGOs; entrepreneurs may shy away from NGO structures, which have typically faced suspicion by government (due to perceptions that they serve as vehicles for opposition movements) and as such face costly and lengthy registration processes and monitoring of activities (Figure 22).²⁹ This may lead entrepreneurs to either adopt enterprise structures or remain informal and unregistered.

29 Social enterprise landscape in Myanmar," British Council, 2013.

The legal form adopted by organizations also has implications for revenue generation and financial sustainability. NGOs and associations are limited by law in their ability to generate revenue from their activities. Cooperatives are allowed to establish a revenue stream due to their historical ties with government, but they have less independence and are more closely controlled by the government, making a new venture or revenue stream slower and more cumbersome to establish. Foundations typically do not seek to become revenue-generating entities; rather, they depend on grants and donations, and are largely supported by donations from private sector companies. Therefore, we see newer impact enterprises becoming established as private companies (e.g., Pomelo and Yangon Bakehouse) as the registration process is relatively easy, revenue generation is allowed, and enterprises are still allowed to receive donations, grants, or in-kind donations.

FIGURE 23: SEVERITY OF ACCESS TO FINANCE CHALLENGES BY ENTERPRISE GROWTH STAGE



Sources: Stakeholder interviews; Dalberg analysis

Although access to finance ranked as the sixth biggest challenge in a survey of 1,100 SMEs, as in other markets, these challenges vary with growth stage and size of the enterprise; access to finance is more constrained for smaller, early-stage companies. One ecosystem player who supports SME development attributes this lower ranking to low entrepreneur awareness of its own finance needs. Further, due to Myanmar's historical instability, SMEs are not in the habit of long-term planning and usually tend to not have growth plans. However, of the 1,100 enterprises surveyed, around 60% responded that they would like to access a formal loan, while only 14% have actually been able to do so.³⁰

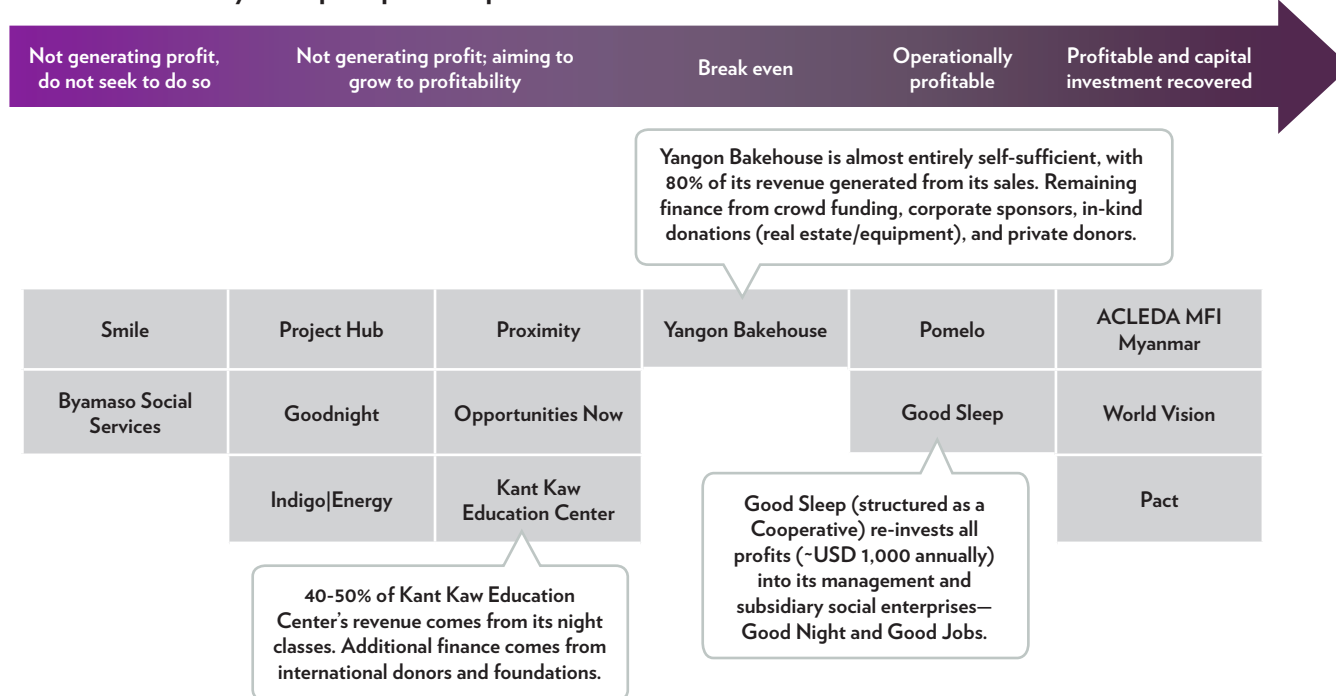
As illustrated in Figure 23, access to finance constraints are driven not only by availability of capital, but also by factors such as the lack of networks to identify capital, knowledge of appropriateness of finance to suit the needs of the enterprise, and the process of accessing capital. In terms of availability of capital, there are few formal options available to entrepreneurs: only the Small and Medium Industrial Development Bank has a specifically tailored SME product. By and large, commercial debt products are inappropriate for the needs and capacities of small enterprises: They require 150–300% of the loan value in immovable capital as collateral; have short tenure terms of less than one year rather than providing longer-term capital with grace periods appropriate to the business model; and have high interest rates (13%) fixed by the Central Bank.

As a result, enterprises lacking access to capital in appropriate forms have had to self-finance through their informal networks, donations, and grants or try to sustain themselves through their revenues. However, this trend may change as the scale and exposure of impact enterprises increases.

³⁰ "Survey results of 1,100 Building Market-affiliated SMEs in Myanmar," *Building Markets*, 2014.

FIGURE 24: SOURCES OF FINANCE AND FINANCIAL SUSTAINABILITY FOR A SAMPLE OF IMPACT ENTERPRISES IN MYANMAR

Financial sustainability of sample impact enterprises



Sources: Stakeholder interviews; British Council (2013); Dalberg analysis

Other constraints to enterprise growth

According to a survey of 1,100 SMEs,³¹ the top three challenges to SME growth in Myanmar are infrastructure, business skills, and government policies. Access to finance ranked sixth out of 14 options. Weak infrastructure (see Country context: Challenges to investment) is a major challenge for enterprises that require strong ICT infrastructure, transport for goods, robust supply chains, and access to consistent and reliable power.

The second most significant constraint to enterprise growth is business capability. The most significant barrier to the growth of enterprises, and to their investment-readiness, is their lack of operational and financial management skills. Skill gaps include the following:

- Low levels of understanding of financial instruments needed to fund/grow their enterprise
- Lack of familiarity with business plans or growth plans
- Weak operational and human resources management systems
- Limited service providers supporting business development services

³¹ According to the 2011 Revised Private Industrial Enterprise Law, SMEs are defined as having annual revenues up to USD 2,600, with 10 to 50 employees, while medium-sized enterprises are classified as having annual revenues between USD 2,600–USD 5,000, with 50 to 100 employees.

FIGURE 25: ENTERPRISE RANKING OF CONSTRAINTS TO GROWTH; SURVEY OF ~1,100 SMES IN MYANMAR, 2014

BUSINESS ENVIRONMENT CONSTRAINT	PERCENTAGE OF RESPONSES RATED AS TOP TWO CONSTRAINTS
Infrastructure	21%
Lack of business skills	13%
Exchange rate	13%
Government policies	13%
Competition	11%
Access to finance	7%
Political instability	5%
Lack of information	4%
Lack of equipment	4%
Taxes	3%
Lack of customer base	2%
Corruption	1%
Language	1%
Insurance	1%

Sources: Building Markets, Overview of the SME Sector in Myanmar (Emmanuel Maillard, 2014). Note: Respondents to survey were not evenly distributed across sectors or functions, and this bias may affect the extent to which some challenges are perceived and represented. Respondents as follows: 36% Wholesalers, 29% Service providers, 22% Manufacturers, 10% Traders, and 2% Retailers.

In addition to skill gaps, another constraint is the general mindset of business managers. To respond to the risks faced under the previous military regime, in which all non-agricultural medium to large enterprises were nationalized, entrepreneurs are accustomed to diversifying their businesses into numerous micro-enterprises, rather than focusing on one enterprise and growing it to maturity. In addition, enterprises undertake little to no financial record-keeping either due to a lack of financial skills, or as a deliberate strategy that has lingered from the days of the previous military regime, which used financial records to the detriment of the enterprise.

Enabling impact investing: The ecosystem

As previously discussed, Myanmar's investment climate—including its macro-economic governance, infrastructure, political stability, and regulatory framework—is a significant constraint to investment. More specifically, the two most important constraints to investment into Myanmar are its lack of infrastructure and complex regulatory environment. In response to regulatory and infrastructure challenges, DFIs, bilaterals, and the Myanmar government are prioritizing work in regulatory reform and infrastructure improvement (Figure 26). Ongoing efforts are being undertaken by the Myanmar government, particularly through the Directorate of Investment and Company Administration (DICA), with DFI partners (IFC, ADB, World Bank, etc.) to identify and implement regulatory reforms and streamline legislative processes. Moreover, the ADB, alongside the Myanmar government, has been working to help develop basic infrastructure, particularly that of the roads and power.

FIGURE 26: ROLES AND ACTIVITIES OF SAMPLE PLAYERS IMPROVING INFRASTRUCTURE AND INVESTMENT REGULATIONS

	Role/Mandate in Myanmar	Sample Activities in Myanmar
International Finance Corporation	<ul style="list-style-type: none"> Began work in Myanmar in 2012 Key functions include undertaking of infrastructure, legal and regulatory assessment of the country's investment climate to help focus future activities; undertaking a business environment perception survey of SMEs 	<ul style="list-style-type: none"> Tackling regulatory issues through Investment Climate Reform including business registration, process of investment approvals, taxation regime Working to improve and promote public-private partnership initiatives and establish a business forum
UK Department for International Development	<ul style="list-style-type: none"> Key functions include providing good governance and public financial management; promoting responsible investment; improving transparency; strengthening the work of parliament; supporting the process of ethnic reconciliation 	<ul style="list-style-type: none"> The Peace Support Fund will fund projects in Myanmar that provide tangible support to the peace process and support cross-sector dialogue, such as negotiations preparation and training.
Asian Development Bank	<ul style="list-style-type: none"> Resumed operations in 2013 Key functions include initial lending and investment grant operations focused primarily on access, connectivity, and infrastructure development, specifically in energy and urban planning 	<ul style="list-style-type: none"> Provided loans for updating the national electricity grid, ensuring infrastructure bidding process is transparent/updated to international standards Working with the World Bank on an investment climate assessment of Myanmar
Directorate of Investment and Company Administration	<ul style="list-style-type: none"> Established in 1993, DICA is under the Ministry of National Planning & Economic Development Key functions include appraisal of projects proposed for investment, registration, and administration of investments, monitoring of permitted enterprises 	<ul style="list-style-type: none"> Taking steps to rationalize legislative framework, manage and streamline regulations and procedures for business

Sources: Stakeholder interviews; Investor websites; Dalberg analysis. 'UK Government call for proposals, The South East Asia Prosperity Fund: <https://www.gov.uk/government/publications/south-east-asia-prosperity-fund-2014-2015>

Beyond the macro investment climate, support services to investors and enterprises are crucial elements to enable an impact investment ecosystem. For investors, there is little support available to navigate the complex and changing regulatory processes (Figure 27). Access to reliable financial information on enterprises and macroeconomic data on Myanmar is very difficult, if not impossible, for investors to obtain or generate. Enterprises require support in key areas including access to networks of investors or platforms with investor information, as well as training in key business management functions.

FIGURE 27: CONSTRAINTS TO INVESTOR AND ENTERPRISE SUPPORT IN MYANMAR



Sources: Stakeholder interviews; Dalberg analysis

Lack of adequate training, advisory services, and platforms for networking and aggregation remain significant constraints to the growth of the impact investing industry. For investors, as discussed, identification of investment-ready enterprises is a key constraint to deployment of capital, and the cost of developing these enterprises is often prohibitive. Without a supportive ecosystem working to build these enterprise models, the industry will remain far below its potential size and impact.

FIGURE 28: EMERGING PLAYERS IN THE ENTERPRISE SUPPORT LANDSCAPE IN MYANMAR

Incubators/Accelerators



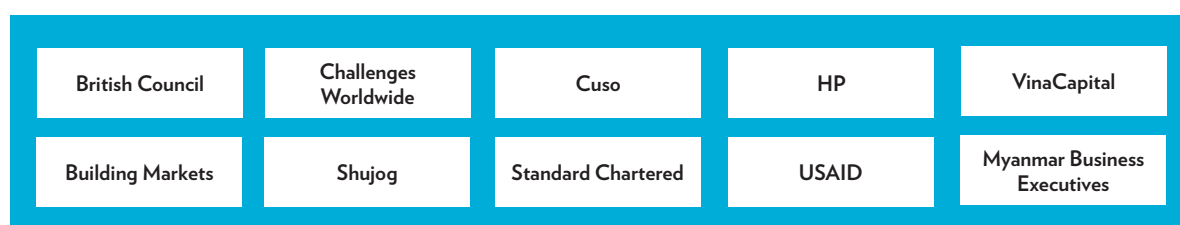
Advisory Services



Credit Rating Services



TA Providers






Sources: Stakeholder interviews; Investor websites; Dalberg analysis

An ecosystem of support for targeting skill gaps and training impact enterprises in business skills, including operational and financial management, is beginning to emerge.

In recent times, there has been an advent of both distinct organizations (such as Sustainable Business Myanmar and Building Markets) targeting support to impact enterprises and joint ventures emerging to address training and skillset gaps and needs. Examples of such joint ventures include the British Council working with Standard Chartered Bank to provide free business development training to select enterprises, and Hewlett Packard working alongside Vina Capital and USAID to provide both funds and in-kind resources for SME training. This ecosystem is aiming to support and address the most significant gaps that impact enterprises face and are an indication of the growing demand for these types of services.

As these support services are still slowly being developed on the enterprise side, there is a reasonable ecosystem emerging to provide advisory services to investors, including logistical support, market analytics, deal sourcing, structuring, and due diligence. Figure 29 describes some of the services being offered to help investors overcome key challenges to investment in Myanmar.

FIGURE 29: INVESTOR SUPPORT SERVICES IN MYANMAR

Key gaps identified by investors to investment	Severity of gap	Example of organizations offering advisory services	Services being offered
Challenges in launching a new office/entity in Myanmar		<ul style="list-style-type: none"> • Fine 9 	<ul style="list-style-type: none"> • Administrative start-up support: Assists investors to establish a legal entity in Myanmar, assists with approvals, permits, and office space.
Lack of reliable market data for investment decision-making		<ul style="list-style-type: none"> • Andaman Capital Partners • MiTA • Ronoc • ThuraSwiss • Mandalay Capital 	<ul style="list-style-type: none"> • Consultancy: Numerous enterprises provide business development analysis for their clients as well as sector-specific market research, and the analysis of the risks/returns of investments.
Lack of deal-sourcing information		<ul style="list-style-type: none"> • Andaman Capital Partners • Mandalay Capital • M Invest 	<ul style="list-style-type: none"> • Deal sourcing: These investment advisory firms seek direct investment opportunities for investors (as well as advise local companies on raising capital). They help source, structure, and close deals and investment projects.

Sources: Stakeholder interviews; Investor websites; Dalberg analysis

AREAS FOR FUTURE RESEARCH

As the impact investing market in Myanmar is nascent, follow-up research will be important to monitor the nature and direction of market growth. As we are already seeing a large amount of committed capital by impact investors, tracking the deployment as well as the progress of deals already made would be valuable. Secondly, given a clear interest among DFIs in the tourism sector, we would propose an exploration of these investments in greater depth, in terms of their viability and potential for impact. Lastly, there are several conventional investors from other parts of South Asia exploring possibilities of investment in Myanmar. It would be worthwhile to follow-up with these investors to explore whether there are any possibilities for making impact-related investments.

ANNEXES

Annex 1—Interview Participants

FUND OR FUND MANAGERS

- 1 Anonymous Private Equity Investor
- Bradley Kopsick, *Insitor Capital*
- Catherine A. Smith, *Anthem Asia*
- Oliver Belfitt-Bash, *RONOC*

DFIS/IFIS

- Thatha Hla, *ADB*
- Thomas Foerch, *GIZ*
- Vikram Kumar, *IFC*
- Daniel Kostzer, *UNDP*

ECOSYSTEM PLAYERS

- Mi Mi Myo Win and Tristan Ace, *British Council*
- Emmanuel Maillard, *Building Markets*
- Thuta Aung, *Hamsa Hub*

ENTERPRISES

- Hannes Manndorff, *Accion*
- Cathy Win, *Good Sleep*
- Cathy Win, *Good Night*,
- Cathy Win, *Good Job*
- Allen Himes, *Indigo Energy*
- Zin Mar O and Sam Kang, *Kant Kaw Education Center*
- Steve Dowall, *Livelihoods and Food Security Trust Fund*
- Richard Harrison, *PACT Myanmar*
- M.T. Winn, *Shwe Minn Tha*
- Myo Win, *Smile Education and Development Foundation*
- Wunna Aung, *Sprinkles*
- Cavelle Dove, *Yangon Bakehouse*

Annex 2—Survey Respondents

ECOSYSTEM PLAYERS

- Thuta Aung, *Hamsa Hub*

ENTERPRISES

- Thuta Aung, *Hamsa Hub*
- Cavelle Dove, *Yangon Bakehouse*