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## 1.1 MAERSK LINE INTRODUCES FIRST MYANMAR-CHINA ROUTE

**Maersk Line, the global container shipping company, launched its shipping service between Yangon, Shanghai and Ningbo on January 25 as the very first service between Myanmar and China.**

The new route IA5 – Intra Asia 5 – will serve once a week between Myanmar and China. Previously it took 18 days between Yangon and Shanghai. Now with the new route, it will only take 13 days.

"We are opening our agency in Myanmar because the country has possible potential in international trade. At the present, it is trading with Asian countries like China, Thai and Vietnam. We expect that the country will later expand its trade to European countries and the US," the Maersk Line's managing director for Myanmar and Laos told the press on February 4.

Maersk Line entered Myanmar in 1991 by joining with a Myanmar partner. Last year, it established its own agency in the country.

## 2.1 A 2015 FINISH PLANNED FOR FIRST PART OF YANGON AIRPORT EXPANSION

**The first part of the new Yangon International Airport terminal building will be completed this year, helping to alleviate strained capacity at the country's main international gateway, according to Sulaiman Zainul Abidin, chief operating officer of airport managers Pioneer Aerodrome Services.**

Yangon International processed over 4 million passengers last year against an official capacity of 2.7 million. It is due for an upgrade as arrival and departure numbers through the gateway continue to climb, making flying through Yangon an increasingly cramped experience.

"Most of the growth comes from international traffic coming in. It's consistent with a country opening up," said Mr Abidin. "The growth is to be expected but unfortunately the infrastructure is … not able to keep up with the growth"

The original tender from the Directorate of Civil Aviation had called for a terminal building that can service 6 million passengers, but that figure may be too low given current high growth rates – 26 percent in 2013 and 20pc in 2014. Mr Abidin said Pioneer Aerodrome is currently reviewing its plans so that 6 million is the minimum rather than the target capacity.

Work is already under way on phase one of the airport expansion. A building skeleton is rising next to the existing domestic terminal, and is set to be completed by the third or fourth quarter of this year.

Ultimately plans call for that new building to be connected with the existing international terminal. The current outdated domestic terminal in the middle will be demolished.

Mr Abidin said the firm is still considering how traffic flows will work through the new building, adding the current international terminal may or may not keep the same function in the future.

It is also difficult to build the new terminal building while keeping existing facilities operating.

“There are challenges in trying to expand, because the land is quite limited. And then the existing infrastructure surrounding the airport, including the roads, housing, military land, does not give us a lot of lee way to play around,” he said.

Still, expansion is a must as Yangon’s existing facilities were not designed for the increasing quantity of planes and passengers.

Current constraints at the airport include too little parking space for airplanes and not enough passenger queuing space and processing checkpoints. Mr Abidin said the new building will double the number of bridges connecting the terminal to airplanes from the current four to eight, meaning fewer passengers will be need to take buses out on the tarmac to embark on their plane. Experts are also looking at ways to improve processing times, partly by adding more counters and streamlining passenger flows.

Officials from domestic airlines say it is crucial that capacity gets expanded at Yangon International.

“More tourists will come after 2015, so we need a bigger airport,” said U Aung Kyi, commercial director of Yangon Airways.

The old terminal is out of date and simply not big enough to match increasing traveller flows, he said.

“We are encouraged and satisfied by plans to extend the airport,” he said. “If airports become larger, airlines can also provide more services to customers, so it has an impact both for travellers and airports.”

The new terminal project is run by Yangon Aerodromes, which in turn is led by Pioneer Aerodrome Services, part of the Asia World conglomerate. Pioneer is the investor, management company and building contractor for the new terminal building, as well as the manager of the existing airport.

It won a tender in August 2013 to build the project, competing against several regional firms in the process.

Mr Abidin said the completed building will have an updated feel, with Pioneer aiming to generate revenue by diversifying into non-aeronautical sources like shopping and food and beverage outlets at the airport.

The Myanmar government has also announced plans for an ambitious new airport further north in Bago Region. However, the Hanthawaddy airport is more of a long-term project, and Mr

Abidin said Yangon International can easily cope with expected growth in existing traffic until at least 2020.

## 2.2 POLO CLUB TO COMPETE AS TALLEST BUILDING

**Local conglomerate HSL Group has announced a large-scale project planned for East Race Course Road in Tarmwe township that could vie for the crown of Myanmar's tallest building.**

The first phase of the Polo Club Asia Residence is to be 34 stories, the same number of stories for Diamond Inya Palace, which is under construction. The country's tallest building by stories is currently Centrepoint Towers, at 25 storeys.

Polo Club Asia's second phase will be offices and a serviced apartment tower, and the third phase is a five-star hotel, said Polo Club Asia Residence sales manager Ma Wah Wah Hlaing.

HSL has decided to move forward under new branding Golden Glory Group for its real estate arm, according to its website. Both are chaired by businessperson U Khin Maung Aye, who founded Lat War Garment Factory.

The entire Polo Club project is to take six years to develop, with the two residential towers coming online first in June 2018. The two buildings will include 373 units and a shopping mall on the ground floor. The last part to be completed is the hotel.

The land was previously home to the National Library, which was opened in 2002 but then damaged during Cyclone Nargis in 2008 and moved to Yankin township. There is also a National Library branch in Nay Pyi Taw.

Ma Wah Wah Hlaing said the former library has been renovated, with the ground floor in use as a showroom and the rest used as office space or rented out to restaurants. She added it is likely to eventually be demolished to make way for the five-star hotel, though no final decision has yet been made.

The sales gallery for Polo Club Asia Residence opened in December 2014. Company officials claim to have already sold 90 units, ranging from US$300 to $500 a square foot, with units between 700 and 2600 square feet.

The land is owned by Myanmar Economic Corporation, meaning customers will be signing long-term leases for 70 years rather than purchasing property.

The project is being worked on by a number of international companies including China State Construction Engineering Corporation and as well as a list of several Singaporean companies.

## 2.3 URBANISATION RATES INCREASING BUT BEHIND REGIONAL COUNTRIES

**Myanmars' cities may be growing, but they have a relatively long way to go to catch up with urbanisation rates in some nearby countries, according to the World Bank.**

The country's urbanisation rates during the 2000 to 2010 period generally lagged its neighbours, likely due to the country's economic isolation, according to the World Bank's "East Asia's Changing Urban Landscape: Measuring a Decade of Spatial Growth" report released last week.

Despite being twice as large as Vietnam or Malaysia in size, its total urban area is less than one-third the size of Vietnam and one-fifth the size of Malaysia. The total amount of urban land in Myanmar increased during the 2000s from 760 square kilometres to 830 square kilometres by 2010, an increase of about 0.8 percent a year.

Yet while urban areas may not be growing in size very quickly, they are attracting lots more people.

Urban areas started 2000 with 4.7 million people, increasing by about 2.8pc a year to 6.2 million in 2010. Density of urban areas went from 6200 people per square kilometre in 2000 to 7500 per kilometre by 2010. This density is higher than average for the region, and the second-highest after Indonesia.

Between 2000 and 2010, the country's urban population increased, though there was not significant construction of new urban areas. However, even Myanmar's largest cities are smaller than some of the huge cities in the region.

Yangon and Mandalay, the country's first and second largest cities, do not meet the World Bank's criteria for large urban areas, as they did not have 5 million people by 2010. Instead the two cities are classified as medium-sized, with populations between 1 and 5 million by 2010.

Yangon is Myanmar's largest city, but spatially it barely grew at 0.5 percent a year from 2000 to 2010. Its population grew by a more rapid 2.6pc to end 2010 at 3.4 million people.

World Bank country manager Abdoulaye Seck said urbanisation is likely to continue in Myanmar, so it best be prepared.

"The rate of people moving to urban areas in East Asia was very high, so there needs to be strong management for the country," he said.

Overall, almost 200 million people in East Asia moved to urban areas in the decade to 2010, creating a massive challenge to the region's planners.

About 36pc of people in the region – which under the World Bank's definition includes Northeast and Southeast Asia – were living in urban areas as of 2010, up from 29pc ten years before.

This suggests the region will see decades more of further population shifts, the World Bank said in the report released January 26.

The report contains data gathered through satellite imagery and "geospatial" mapping which the bank said should help planners ensure that policies will benefit a larger number of those moving to cities, especially the poor.

The data shows that urban areas in East Asia expanded at an average rate of 2.4 percent per year during the decade, with urban land reaching 134,800 square kilometres (71,043 square miles) in 2010.

China's Pearl River Delta, which includes Guangzhou, Shenzhen, Foshan and Dongguan, has overtaken Tokyo as the world's largest urban area both in size and population, it said.

As of 2010, the report stated that there were 42 million inhabitants in the Pearl River Delta, a population larger than that of Argentina, Canada or Malaysia.

World Bank urban development expert Abhas Jha said he hopes the report will push policy makers to a shift from a "car-centric" to a "people-centric" strategy in growing cities like Jakarta and Bangkok.

"Massive traffic congestions in urban cities calls for a new paradigm shift in urban planning to move from a car-centric to people-centric urban plan," he told reporters in a video conference from Singapore adding that a more efficient public transportation system could be one way to alleviate this problem.

The report however said that despite the population shift, data shows that only less than 1 percent of the total area studied is urbanised.

"Only 36 percent of the total population is urban – suggesting that the region's urban expansion has only just begun," it said.

## 3.1 LOCAL ENERGY PROJECTS WILL CONTINUE DESPITE OIL PRICE COLLAPSE, SAY EXPERTS

**International companies will not shy away wholesale from Myanmar exploration and production projects despite a collapse in global crude oil prices, according to experts.**

A panel discussion at the 5th Myanmar Oil and Gas Conference in Yangon on January 29 discussed the possibility that industry players may pull back on investment plans.

While Myanmar is not immune to what happens on the international market, it also occupies a strategic position for foreign companies. Many of the projects are still at the earliest stages and are years away, while more existing production in the country is natural gas rather than crude oil, which will be somewhat insulated from the collapse.

nevertheless, Myanmar will not be exempt from what happens around the world.

“The falling oil prices have global impact,” said Xavier Preel, Myanmr general manager of French firm Total E&P.

“Every oil company needs to choose the best country to invest in. For Total, we are not going to reduce the production level [of our Myanmar offshore] Yadana project.”

Total is one of the world’s largest oil and gas firms, and has been operating in Myanmar for over 20 years. Still, governments must appreciate that profit margins are being squeezed by tumbling prices, said Mr Preel.

“It is important that investors receive encouragement from the government to continue investing and exploring, even though there is no impact on our current production assets,” he said.

Internationally, crude oil prices had been relatively stable at over US$100 a barrel until the middle of 2014, when it fell to less than $50 within six months. As of January 30th, benchmark WTI traded at $44.53 and Brent at $49.13.

Around the world, oil companies have been reviewing their investment plans, with some suspending projects and cutting expenses, though so far there has been little impact in Myanmar.

“We will not go back,” said Tom Kelly, country manager of Berlanga International. The firm signed a production sharing contract for an offshore block in early December, and has revealed an investment plan calling for expenditures of $153 million over six years at the M-8 offshore block.

“We will continue with the commitment we agreed on with the government,” he said. “I don’t think the price will be lower for the long term. It will come up.”

“We are very happy to be here in Myanmar.”

While most petroleum companies are so far adamant they are not scaling back their local plans, service companies say they also face significant risk.

“Service companies are always the first ones to be hit by a change in oil prices. A price below $50 is such as surprise to the world, and here in Myanmar we are not isolated,” said Daw Hnin Phyu Phyu, managing director of Lion Energy. “The [foreign] companies will cut their costs, and perhaps we can provide services at a cheaper prices.”

Outside of the panel, The Myanmar Times asked an official from state-owned Myanmar Oil and Gas Enterprise about the effect of falling prices.

"The will be some effects from international oil price fluctuations. International companies may be slow to continue their projects or investments, but we encourage them to continue as planned," he said.

Already there have been tentative signs that some firms may slow down their plans.

Thai state-owned PTT Exploration and Production representatives have been quoted in international media saying they may slow investment in Myanmar's M-3 project as global prices continue falling.

Last week, PTT told The Myanmar Times in a statement, "PTTEP is not going to stop M-3 project but we may consider its investment plans to temporarily put a hold on new investment projects including M-3 if oil price is still volatile and continue to fall further."

The firm experienced minimal impact on existing operations in 2014 from falling prices as about 70 percent of its total sales are in gas, it added.

There are currently 17 onshore and four offshore oil and gas projects producing in Myanmar. The projects are owned by a number of companies, including heavy foreign involvement in the offshore projects.

Malaysian state-owned firm Petronas also claimed no plans at the moment to reduce production at its Yetagun project, one of Myanmar's large offshore gas production fields.

"We have a long-term contract with our customers and gas will be supplied as usual," it said in a statement.

Myanmar is currently producing 8000 barrels per day of crude and 55 million cubic feet of natural gas from onshore projects, and 7000 barrels of condensate and 2 billion cubic feet of natural gas from offshore projects, according to information from the Ministry of Energy.

The important offshore production sharing agreements, between international companies, their local partners, and Myanmar Oil and Gas Enterprise, have been delayed for several months. The agreements will provide the rules under which exploration and production can take place.

A total of 14 onshore and four offshore PSCs were signed last year, but there are still 16 more offshore PSCs to go.

## 3.2 $1 BILLION LOCAL INVESTMENT IN PIPELINE

**Myanmar has invested US$1.204 billion in the China-Myanmar Crude Oil Project in keeping with its 49 percent stake in the project, according to officials.**

The total project has cost $2.4532 billion to switch on, with the other half of the funding coming from state-owned China Petroleum Corporation, which owns 50.9pc. Myanmar state-owned Myanmar Oil and Gas Enterprise owns the rest.

“The major constructions of the crude oil pipeline were completed in early 2015,” said U Nyan Tun, vice president and chair of the National Energy Management Committee.

He was speaking during a launch at Yangon’s Inya Lake Hotel on January 28 officially closed to Myanmar private-sector media. However, The Myanmar Times was able to secure a recording of the presentations.

The January 28 ceremony marked the soft opening of the pipeline itself as well as the crude oil unloading terminal on Made island in Rakhine State. Made island is one terminus on the controversial pipeline, which then works through Myanmar before ending at another terminus in southern China’s Yunnan province.

The aim of the pipeline is to make it easier to ship oil to China from the Middle East and Africa, as currently it must be shipped by oil tanker through the Straits of Malacca past Singapore, Malaysia and Indonesia.

U Nyan Tun said the project provided $13.26 million for corporate social responsibility programs, as well as contributing employment opportunities and building the country’s economy.

A 300,000-ton crude oil tanker docked at Made deep seaport last week to fuel a test-run of the pipeline. It is designed to transmit 22 million tonnes of crude annually.

There will be five processing stations on the 771-kilometre (479 -mile) long pipeline, according to a press statement from the South East Asia Crude Oil Pipeline Company (SEAOP), which is the company created by China National Petroleum Corporation and Myanmar Oil and Gas Enterprise to manage the pipeline.

Made Island is a vast project site including oil storage, a dockyard and seaport that can be used to offload crude for transport through the pipeline to Yunnan in China, according to a press release.

SEAOP touted Made Island seaport as Myanmar’s first international oil unloading terminal, being 480 metres in length and able to dock vessels with 300,000 tonnes of capacity. There are also 12 oil storage tanks with capacity of 22 million gallons (83 million litres) each.

“This project will promote our country’s economy and development in the area the pipeline crosses,” said U Nyan Tun.

twin natural gas pipeline entered full operation last year with investment from a consortium of Chinese, Myanmar, Indian and Korean firms. So far it has pumped a total of 3.92 billion cubic metres of natural gas to China and 147 million cubic metres for domestic supply.

So far it has been running under capacity. It is declared to be capable of transmitting 12 billion cubic metres of natural gas a year, with plans originally calling for an initial capacity of 5.2 billion cub metres in the first phase of its operations. Myanmar was to receive 2.5 billion cubic metres for domestic use.

Myanmar stands to generate annual revenue from both the natural gas and crude oil pipelines, though so far it has been unclear by how much.

The deal between China National Petroleum Corporation and the Myanmar government on the crude oil pipeline was first inked in 2008. Full-scale construction began in 2011, and full operation is expected to start in mid-2015.

Pipeline ceremony closed to local media

Chinese and Myanmar state media was invited to the pipeline launch in Yangon, but Myanmar private media was kept out.

Officials have speculated it was a high-level decision made by senior government officials following controversy over other Chinese-funded projects in Myanmar.

Myanmar and Chinese authorities did not invite local media to the events which were held in Yangon on January 28 and Made Island on January 30.

The Myanmar Times was able to acquire a recording of the presentations from the Yangon event, which was held at the Inya Lake Hotel.

A SEAOP official told The Myanmar Times before the event that media invitations would be carried out by the Ministry of Energy. So far the ministry has not officially explained why the ceremony was held in secret, with only a few, mostly government officials allowed to attend.

"It is likely because of recent protests on Chinese projects in the country," said one official from the Ministry of Energy, who requested anonymity. "Maybe the Union minister or others in cabinet are trying to keep it silent."

## 4.1 BRAKE ON CAR SALES COMES WITH SURPRISE PARKING POLICY

**Car importers are complaining about delays with paperwork following Yangon Region changes to vehicle import policies.**

Purchasers of imported cars must now obtain a recommendation letter from their local township administration officer proving they have adequate space to park a car.

The policy was put in place in December 2014 to attempt to limit the number of vehicles on the road, though industry insiders say in some cases it has become an unnecessary bottleneck for sales.

Officials say that some townships have taken very different positions on issuing these letters than others.

Downtown's Kyauktada township has lots of residents but has not yet issued a single recommendation for parking letter, according to township administrative officer U Myo Naing.

"There are nine quarters at play in the township, but we have not issued any letter claiming there is a parking space available," he said.

An effect of the requirement for a letter is to push importers to switch their system of imports.

One method that has become increasingly popular is the vehicle entrusting program, where a person can turn in a clunker to the government and receive a permit to import another vehicle.

This entrusting program has so far been exempt from the requirement for township proof of a parking space.

Aung Gabar sales supervisor Ma Zar Zar said customers have not been able to make purchases if they must get parking proof.

"Perhaps 10 customers are on the waiting list, but they have not been able to buy – though they have said they will return with recommendation letters," he said.

Mercedes Myanmar head of sales U Aung Thet Lwin said he also has many customers who have had difficulty securing the letters from township authorities.

"Some are waiting for recommendation letters. They have already chosen the car they want from the showroom and paid in advance, but they can't take the car," he said.

After waiting three weeks, some customers have been able to receive the recommendation letters and some are still waiting.

"I don't think people are sure yet about the procedure for issuing the letters, and the township administration offices seem to differ from one township to the next," he said.

"Some have begun issuing recommendation letters after a wait of about three weeks, but others haven't given them out."

Car imports have increased drastically to Myanmar following revamps to import policies after the transition to civilian government.

However, commuting times have increased for many residents, and there has been growing popular support for attempts to slow down the congestion.

## 4.2 FARMERS COUNTING ON INVENTORY CREDIT

**Prices in staple crops traditionally vary significantly through the year. Rice, for instance, generally bottoms out in price after the main harvest in November and December, then gradually climbs through the year.**

Farmers would like to sell their produce at the highest prices possible, but face a number of barriers keeping them from storing the crops until the price is right. Many are forced to sell earlier than they would like as they need to raise capital immediately after harvest in order to pay for debts used to finance the crop.

Some non-government organisations are looking to alleviate this problem through inventory credit systems. It will allow farmers to take out a loan from an organisation such as LIFT Myanmar for up to four months with the crops as collateral. The aim, officials say, is to use the fresh capital to pay off the short-term debt while still allowing the farmer to hang on to rice to sell at the optimal time of the year.

Currently LIFT and the Group of Research and Exchange of Technology (GRET) are using the system in a few villages in Ayeyarwady Region, some of which are still recovering from Cyclone Nargis. Farmers say it also allows paddy to be centrally located, allowing bulk sales to traders and millers from a stronger negotiating position, generating higher prices.

LIFT, GRET and the consortium Welthungerhilfe have been supporting this program as part of a nearly US$4 million initative covering 150 villages in Bogale and Mawlamyinegyun townships in Ayeyarwady Region, though some industry experts say it would be tough to this kind of program as a for-profit company rather than a non-government organisation.

Still, farmers say it is making a local difference in their profit margins.

“We were never fully satisfied with past rice prices, as we had to sell paddy immediately after harvest, which is the period of lowest prices,” said U Han Aye, who owns 22 acres of farmland in Kyee Chaung village, Mawlamyinegyun township, Ayeyarwady Region.

“This new system works well, and over the past two years has helped with certain profit.”

The program started in Kyee Chaung village at the end of 2012. GRET field agent Daw Khin Thet Nwe said farmers with too much debt are not allowed to join the current system.

GRET takes the paddy from farmers at harvest and provides 65 percent of its value as loans immediately, with a 2.5pc interest rate and storage fee.

U Win Oo, a farmer with 8 acres of land, said the crops can be stored for three months after the November-December harvest and four months after the summer crop.

Although we can't retrieve our paddy individually, the group of farmers can discuss the issue with each other. If there's common agreement, the paddy can be sold at the time we like."

The program may work in some villages, though experts say it may not be replicable across Myanmar.

Freedom Farmers League president U Thein Aung said the organisation instituting such a system must consider the time value of capital, interest rates and storage prices, adding it may be difficult for a non-NGO to implement.

"If such a system was controlled by a private company, the time to sell the crop would be up to them rather than the farmers," he said. "The interest rate also needs to be low, because if interest rates are above 10 percent [a year] it creates difficulty for farmers across the whole country."

Other private companies have publically discussed similar ways to use crops as collateral. Yoma Bank and Indian firm SLCM signed an a memorandum of understanding for warehouse financing two weeks ago, while Myanma Apex Bank and the Myanmar Rice Federation have also declared an intention to start warehouse financing.

## 4.3 TAX STICKERS A RESTAURANT HEADACHE

**Buying food at a local restaurant is supposed to be subject to a 5 percent commercial tax, though it is still being unevenly applied.**

Late last year the Internal Revenue Department began a program requiring restaurants to purchase rolls of stamps, which are then affixed to restaurant receipts to prove to customers they are paying tax.

Customers say not all restaurants are following the policy, with many trying to sneak around the rules by, for instance, not affixing stamps.

The individual stamps run from K50 to K10,000 each. So for instance a meal costing K1000 is required to affix a K50 label – though whether the restaurant does is another matter.

Some customers say they feel cheated when a restaurant includes a "tax" on the receipt, but give no stamps, and therefore no guarantee the taxes are actually being paid.

Internal Revenue Department Yangon Region deputy director U Myo Min Zaw said the department has received complaints that some restaurants are not following the rules.

"Consumers should inform us when they find a restaurant not following official policy," he said.

Restaurants in Yangon Region under the auspices of Yangon City Development Committee are the first to be forced to pay the stamps, though eventually consumers in other states and regions will also be required to pay the tax at restaurants.

U Myo Min Zaw said so far there has not been a problem of insufficient labels, adding there are government teams investigating each restaurant for transgressors.

To date it is an education period, with restaurants able to receive two warnings before being charged a penalty on a third transgression.

Restaurant industry officials say enforcement of the tax and the stamps used to prove tax payment has been uneven.

Myanmar Restaurant Association deputy chair U Nay Lin said that while most restaurants are good corporate citizens, some are not collecting the tax.

"I hear some customers thinking we are cheating them without contributing to the government. This is not the level we are on. Most of us do not do this," he said.

It is unfair the enforcement seems to be focused on restaurants, when there are many tea shops getting away without paying – some of whom generate more revenue than larger restaurants.

Restaurants are also facing high costs for electricity, water and land rentals, as well as income taxes, that many tea shops do not face, he said.

"We worry about these things now that we have to compete with international fast-food chains coming here," he said.

Some restaurants have also tried to avoid raising prices by directly including the cost of the tax in the old menu price, he added.

A manager of Y2T Restaurant in Kyauktada township said its customers are not being charged with a separate tax, though they reduced the cost of each meal by K50 to K100, with that amount then being added back in tax and sent to the Internal Revenue Department.

"The tax rate is only K1000 for a cost of K20,000," she said. "There are not many customers who spend K20,000 in our restaurants. Most of them use a smaller amount."

While there are restaurants not following the new rules on using stamps to prove tax payments, the Internal Revenue Department is receiving more revenue with this process.

It generated about K2.5 billion from restaurants out of a total K3 trillion last year, which included a range of taxes, said U Min Htut, an official from the Internal Revenue Department.

It cut the applicable restaurant commercial tax from 10pc to 5pc in 2012.

The department has targeted increasing tax revenues to K4 trillion in 2014-15 financial year, though about K1.9 trillion had been collected from April to October, U Min Htut said previously. The department will also charge a penalty of 10pc of tax value if someone fails to register or report starting a business in order to avoid or delay taxes.

## 4.4 NORWAY TO TAKE STAKE IN MFI

**The Norwegian Investment Fund for Developing Countries (Norfund) has acquired the right to take up to a 25 percent stake in local microfinance company Myanmar Finance International.**

The microfinance firm is owned by AIM-listed Myanmar Investments International as well as Myanmar Finance Corporation.

Norfund is Norway's main vehicle for combating poverty through private-sector development.

"Norfund is an experienced investor in microfinance businesses in developing countries where they provide equity and debt financing. We welcome their experience to help build MFIL into a leading Myanmar microfinance company," said Myanmar Finance International managing director U Aung Htun in a press release.

A third tranche of financing, of US$750,000, is due to be contributed by Myanmar Investments and Myanmar Finance Corporation to their microfinance joint venture in February 2015, with a fourth tranche of $2.05 million expected in 2015, according to a filing on the AIM exchange.

Norfund will be able to exercise its option when the fourth tranche is called, which would see Myanmar Investment and Myanmar Finance Corporation's ownership of the microfinance firm drop to 37.5 percent each. Norfund's option is valid until September 2016.

Myanmar Finance Corporation was formed in 2012, and as of mid 2014, it claimed 10,000 clients and a loan portfolio of about K800 million ($780,000).

The microfinance industry has been attracting increased interest, with business and non-profits rushing into the sector following a 2013 law on the industry.

## 4.5 PLAN TO BRING MORE PEOPLE ONTO THE GRID

**Some 1.7 million people could gain electricity access – at a cost of US$670 million, according to Minister for Electrical Power U Khin Maung Soe.**

The ministry has drawn up plans with help from the World Bank to extend electrification, while looking at the costs, he said at the opening of a hydropower workshop in Nay Pyi Taw.

Myanmar will apply to the World Bank for loans for $400 million of the funds, he said.

The minister said $300 million of the total $670 million will be extended to generation and distribution, while another $90 million will be earmarked for the Ministry of Livestock, Fisheries and Rural Development to provide access in rural area. U Khin Maung Soe did not detail where the remaining $280 million will be spent.

Demand for electricity is rising about 15 percent a year, as the state works to extend the grid into previously unconnected areas. The state is currently capable of generating 4700 megawatts.

Still, about two-thirds of Myanmar's 9 million households do not have access, he said.

Speaking at the hydropower conference two weeks ago, International Finance Corporation vice president Asia Pacific Karin Finkelston said Myanmar has enormous hydropower potential of 100,000 megawatts, or 30 times its current installed capacity.

"Electricity is essential to reduce poverty and to raise living standards of people in Myanmar. Hydropower is an important part for the future of the state's energy sector, but it needs to be compatible with social life and not to damage environment in implementing it," she said.

The five-year National Electrification Plan, drawn up by the Ministry of Electrical Power and the World Bank, calls for projects to be carried out that distribute electricity to half of all households by 2019.

The plan calls for 205,000 households to be added to the grid in 2015, 227,000 in 2016, 337,000 in 2018 and 507,000 in 2019.

Beyond the grid's reach, another 200,000 households could be added using micro-generation, including technologies such as solar, wind and bio energy under the auspices of the Ministry of Livestock, Fisheries and Rural Development.

Some villagers say they have increasingly relied on solar when living off the grid.

U San Win, from Letpandan village in Nay Pyi Taw's Lewe township, said solar panels from China are often not expensive.

"If we have K150,000 we can have light," he said. "However, to power a television it costs K300,000 or K400,000 for solar panels."