

# Enabling SME access to finance for sustainable consumption and production in Asia

An overview of finance trends and barriers  
in **Myanmar**

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## About the SWITCH-Asia Network Facility

The goal of the European Commissions SWITCH-Asia programme is to promote economic prosperity and help reduce poverty in Asia by encouraging sustainable growth with low environmental impact from industries and consumers, in line with international environmental agreements and processes. More specifically, it aims to promote sustainable products, processes, services and consumption patterns in Asia by improving cooperation with European retailers, producer and consumer organisations and the public sector.



The SWITCH-Asia Network Facility is one of the components of the SWITCH-Asia programme funded by the EU and is implemented by the GFA Consulting Group and the Collaborating Centre on Sustainable Consumption and Production (CSCP). Within the SWITCH-Asia programme, the Network Facility helps effectively share knowledge, disseminate and promote replication of successful project practice, facilitate networking between Asian and European stakeholders, produce publications on sustainable consumption and production (SCP) practice. [www.switch-asia.eu](http://www.switch-asia.eu)

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**Disclaimer:** This report was undertaken based on the engagement of SWITCH-Asia to determine the processes, products, and best practice of financing institutions in Myanmar on green initiatives that support climate change mitigation, as well as identifying barriers and risks. Based on insights from the case studies, research, survey and interviews conducted, recommendations are also included.

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## List of abbreviations

<b>ADB</b>	Asian Development Bank	<b>MOE</b>	Ministry of Energy
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>MOECAF</b>	Ministry of Environment Conservation and Forestry
<b>CBM</b>	Central Bank of Myanmar	<b>MOEP</b>	Ministry of Electric Power
<b>DFID</b>	Department for International Development	<b>MOI</b>	Ministry of Industry
<b>EE</b>	Energy Efficiency	<b>MoU</b>	Memorandum of Understanding
<b>EIB</b>	European Investment Bank	<b>MSE</b>	Microfinance Supervisory Enterprise
<b>EU</b>	European Union	<b>MSLE</b>	Myanmar Small Loan Enterprise
<b>EUR</b>	Euro	<b>MST</b>	Ministry of Science and Technology
<b>FDI</b>	Foreign Direct Investment	<b>MW</b>	Mega Watt
<b>GDP</b>	Gross Domestic Product	<b>NBFC</b>	Non-Bank Financial Institution
<b>GEF</b>	Global Environment Facility	<b>NCPC</b>	National Cleaner Production Centres
<b>GHG</b>	Green House Gas	<b>NEDO</b>	New Energy and Industrial Technology Development Organisation
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Agency for International Cooperation)	<b>NGO</b>	Non-Governmental Organisation
<b>IDC</b>	Industrial Development Committee	<b>RE</b>	Renewable Energy
<b>IFC</b>	International Finance Corporation	<b>SCP</b>	Sustainable Consumption and Production
<b>JICA</b>	Japan International Cooperation Agency	<b>SECO</b>	Swiss State Secretariat for Economic Affairs
<b>kWh</b>	Kilo Watt Hour	<b>SHIFT</b>	Shaping Inclusive Finance Transformations
<b>MADB</b>	Myanmar Agricultural Development Bank	<b>SFP</b>	Sustainable Fisheries Partnership
<b>MCRB</b>	Myanmar Centre for Responsible Business	<b>SMART</b>	SMEs for Environmental Accountability, Responsibility and Transparency
<b>MEB</b>	Myanmar Economic Bank	<b>SME</b>	Small- and Medium-sized Enterprises
<b>MFRS</b>	Myanmar Financial Reporting Standards	<b>SMIDB</b>	Small and Medium Industries Development Bank
<b>MFTB</b>	Myanmar Foreign Trade Bank	<b>TFP</b>	Trade Finance Program
<b>MIC</b>	Myanmar Investment Commission	<b>UNCDF</b>	United Nations Capital Development Fund
<b>MICB</b>	Myanmar Investment and Commercial Bank	<b>UNDP</b>	United Nations Development Programme
<b>MLFDB</b>	Myanmar Livestock and Fisheries Development Bank	<b>UNEP</b>	United Nations Environment Programme
<b>MLFRD</b>	Ministry of Livestock, Fisheries and Rural Development	<b>UNIDO</b>	United Nations Industrial Development Organisation
<b>MMK</b>	Myanmar Kyat	<b>US</b>	United States of America
<b>MOAI</b>	Ministry of Agriculture and Irrigation	<b>USAID</b>	United States Agency for International Development
		<b>USD</b>	United States Dollars

## Executive Summary

Myanmar is an economy in transition. The country has gone through dramatic changes in recent years. From a closed economy operating in isolation, Myanmar has now opened its doors for foreign investment across sectors.

Small and medium-sized enterprises (SMEs) account for 99% of all enterprises in the country. With 70% of the total workforce in the country employed by SMEs, they play an important role in the socio-economic development of Myanmar. The SME Development Law of 2015 has re-defined the SME sector, which has led to the development of several committees to promote the development of SMEs. But till date, SMEs face multiple challenges on all fronts – weak infrastructure, lack of skilled manpower, cumbersome bureaucratic processes, and limited access to finance.

This study examines opportunities available for SMEs to obtain funding for sustainable consumption and production (SCP) measures, in particular for green innovations, efficiency improvements, and pollution abatement. The study also identifies current challenges that restrain access to (green) finance for SMEs in Myanmar. The main results of the study can be summarised as follows:

- The financial system in Myanmar is under-developed with only 3% percentage of the population holding bank accounts (MiSys Fusion Banking 2015). Very few enterprises receive financial support from the banks – only around 20% (GIZ 2015). SMIDB, the bank for lending out to SMEs, has not yet played a significant role in disbursing funds from international development agencies to SMEs. Yet this might change in the future as Vietnam, Singapore and Japan are considering financing programmes for SMEs with SMIDB. A few other banks such as Yoma Bank or Kanbawza Bank have been lending to SMEs but their reach is small. Micro Finance Institutions (MFIs) are also facing challenges – this restricts the growth of their loan portfolio and their appetite for SME lending. International support in the form of financing and capacity building has been the main support for SMEs.
- Myanmar has defined laws for environmental protection. But, as to date there is no government push towards implementing these laws. There is also no dedicated policy targeted at or even using the “SCP” terminology in the country.
- The average level of industrialisation is low, industry only contributes a fifth of the country’s GDP. For this

reason, Myanmar is not yet generating large amounts of greenhouse gas emissions. Access to electricity is only slightly more than 50% of the population. SMEs do not yet feel the need to adopt SCP practices, to improve energy efficiency and to reduce dependency on fossil fuel. Under these circumstances, both the demand and the availability of green financing for SMEs are still negligible.

- The government has set a target to achieve universal electricity access by 2030. Along with the grid, off-grid renewable energy projects will have to play a key role in achieving this target. SMEs with products and services to light up the 40,000 un-electrified villages can use this opportunity to set up operations and scale up. But, availability of funding and inconsistency in the implementation of policies will be a restricting factor for these SMEs.
- There is a clear need for more intervention on the part of the government to support the SMEs. The regulations related to funding sources, interest rate caps, and loan sizes are unfavourable for the SMEs. The presence of multiple supervising bodies for financial institutions adds to the challenges faced by the financial sector. Unless the overall financial sector is strong enough, interest in green finance cannot be generated. Myanmar has the opportunity to reinvent itself and can borrow insights from the neighbouring countries in Southeast Asia, where multiple initiatives across sectors for greening the economy have been initiated.

This report discusses the overall financial sector and looks at the banking and MFI sectors in more detail. It reviews the barriers to financing for SMEs and examines the roles played by international development institutions in capacity building and funding for SMEs. The study also examines the challenges faced by the banking and MFI sectors. It arrives at the conclusion that experiences from neighbouring countries such as India and Thailand<sup>1</sup> can serve as models for implementation of SME finance and, in particular, of green finance. Given that there are no green financial products targeted at SCP practices by SMEs, the topic of clean energy access is assessed in more detail as some progress has been made in this area, also in terms of access to finance.

<sup>1</sup> Studies on the SME green finance landscape in Thailand and in India are available in the SWITCH-Asia green finance publication series.

## Introduction

Myanmar has a population of 53.72 million people, 70% of the population lives in rural areas. The GDP (nominal) of Myanmar in 2014 was EUR 4.08 billion<sup>2</sup> (World Bank Data 2015). Agriculture contributed to 37%, industry 21.3% and services 41.6% of GDP (Central Intelligence Agency 2015). According to a report in 2011, the key industries were food and beverages (66.46% of SMEs by number), construction (7.51% of SMEs by number) and garments (4.45% of SMEs by number) (Win n.d.). In 2014, GDP per capita was EUR 1,040 and, with a poverty rate of 37.5% in 2010, Myanmar is one of the poorest countries in Southeast Asia (World Bank 2014).

The country is beginning to emerge from a state of international isolation, military and state controls on business, and suspension of political rights. During the 2000s, the military government tried to control the majority of Myanmar's economic activities. The country went through a banking crisis in that period, when three banks collapsed. During two events in 2002 and 2003, bank customers withdrew their money simultaneously from 20 private banks leading to the collapse. In 2006, prices of basic essentials like rice, eggs and cooking oil increased by 30-40%. Fuel prices soared by as much as 500% and diesel prices doubled (Hays 2013).

The release of Aung San Suu Kyi, the main opposition leader, in 2010 and the democratic reforms led to the "dramatic change" in Myanmar (UN Secretary-General 2012). In 2011, the US eased its sanctions followed by the EU, who lifted its last sanctions in 2013 (excluding arms) (BBC 2013). With the removal of sanctions, foreign investments have increased significantly from the lows of EUR 309.9 million in 2009-10. In 2013-14, Myanmar received EUR 3.9 billion of foreign direct investments (FDI), which went up to EUR 7.6 billion in 2014-15. Power (36.34%), oil and gas (31.96%), and manufacturing (9.71%) are the main sectors

receiving investments. Other important sectors are the telecommunication, mining, real estate, and hotel and tourism sector (Reuters 2014, PWC 2015). Prior to the removal of the sanctions, the most important sources of FDI in Myanmar were China, Thailand, Singapore and Hong Kong (PWC 2015).

GDP growth has accelerated from 5.1% in 2009-10, 7.3% in 2012-13, to 8.25% in 2013-14 (Deloitte University Press 2014). The annual inflation rate came down to 2.8% during 2012-13, though it crept back to 5.8% in 2013-14 (Naing 2014). On April 2nd, 2012, the Central Bank of Myanmar announced that the value of the Myanmar Kyat (MMK) against the USD would float. The float rate was initially set at MMK 818 per USD (Reuters 2012). However, the currency was depreciated against the USD by 11% starting from April 2013 to March 2014.

Moreover, the integration of Myanmar into the ASEAN Economic Community in 2015 is expected to provide a further boost to the economy. To promote trade, the government has removed taxes on most exports items, excluding a few natural resource products in 2012-13. The government has further given income tax relief of up to 50% on profits to export-based industries (Naing 2014).

Evidently the key to the overall development of the country will lie in the government's capacity to that ensure the benefits of liberalisation and investments will reach the 70% of the population living in rural areas. The poverty rate in the rural areas is high with 78% of the rural population living under the poverty line, while in urban areas it reaches 34.6%. Thus, the government has to work in parallel to improve the conditions in both rural and urban regions (World Bank 2014). To achieve this, employment generation and equal access to energy and basic infrastructures like mobile and internet communication systems are necessary. SMEs have been playing a key role for employment generation as SMEs form an overwhelmingly majority of enterprises in Myanmar. The approximate number of total registered businesses (formal sector) is 127,000, of which 99.4% are SMEs (see Table 1).

<sup>2</sup> Throughout the study monetary amounts will be expressed in Euro (EUR). Conversion rates were retrieved from [www.oanda.com](http://www.oanda.com) on 27.11.2015 (EUR 1 = USD 1.06163 = Myanmar Kyat 1,403.9). Decimal numbers were rounded to one decimal place; amounts below 1 million were rounded to increments of 1,000.

**Table 1: Formal and Informal Businesses** (ARTNeT 2014)

Business form	Number of enterprises	Percentage of total enterprises
Large enterprises (formal sector)	721	0.1%
SMEs (formal sector)	126,237	16.9%
SMEs (informal sector)	620,000	83%

SMEs account for 96% of the total economic activities in Myanmar, where 92% of the activities take place in the manufacturing sector and employ 70% of the total workforce (Hlaing 2011; Hlaing 2013). Still, even these figures probably underestimate the importance of SMEs in

Myanmar since the majority of SMEs operate in the informal sector and are not registered. The SME definition itself varies according to the type of industry. The Small and Medium Enterprise Development Law, enacted in April 2015, defines SMEs in Myanmar as below (see Table 2).

**Table 2: Formal and Informal Businesses** (ARTNeT 2014)

Type	Sector	Capital Investment amount (in MMK; does not include land)	Annual turnover (in MMK)	Number of workers
Small	Manufacturing	<500 million (EUR 356,000*)		<50
	Labour intensive	<500 million (EUR 356,000)		<300
	Wholesale business		<100 million (EUR 71,000)	<30
	Retail business		<50 million (EUR 36,000)	<30
	Services		<100 million (EUR 71,000)	<30
	Other		<50 million (EUR 36,000)	<30
Medium	Manufacturing	500 – 1,000 million (EUR 356,000 – 712,000)		<300
	Labour intensive	<1,000 million (EUR 712,000)		<600
	Wholesale business		<300 million (EUR 214,000)	<60
	Retail business		<100 million (EUR 71,000)	<60
	Services		100 – 200 million (EUR 71,000 – 143,000)	<60

\* Using an exchange rate of 1 EUR = 1,403.9 Myanmar Kyat

Despite the low level of industrialisation, Myanmar is facing environmental issues like water pollution resulting from economic activities. This is a problem that may worsen in the future as Myanmar does not have enough safe drinking water, with only 68% of the households having access to clean water (MCRB 2014). Fortunately, air pollution from industries has been limited thus far. However, there are neither air pollution or air quality monitoring stations to report such data nor any air quality standards in Myanmar (UNEP and BCA 2011; MCRB 2014).

Embarking on a path towards applying sustainability to its nascent industry can be a means for Myanmar to leapfrog the often negative environmental impacts of economic growth, where SMEs have their large share. SMEs usually lack knowledge and the technical as well as financial capacities in minimising their environmental impacts. Thus, promoting SCP practices among SMEs and making the required financial means available can address these challenges.

Sustainable consumption and production (SCP) is a concept to reduce negative economic, environmental and social impacts of economic activities. It can also be defined as “a holistic approach to minimising the negative

environmental impacts from consumption and production systems while promoting quality of life for all” (UNEP 2011). Not surprisingly, SCP has been included as Goal No. 12 of the United Nations’ Sustainable Development Goals (SDGs) in 2015, which seeks to “Ensure sustainable consumption and production patterns” and explains SCP in a catch-phrase with “doing more and better with less” (UN n.d.).

In this study it is examined which financial sources are available for SMEs in Myanmar to finance a shift towards more sustainable consumption and production patterns. The term “green finance” is revisited in the box on page 7.

## Green Finance, SMEs and SCP

The term “green finance” is used to link three focal topics discussed in this series of studies: small- and medium-sized enterprises (SMEs), sustainable production and consumption (SCP), and access to finance. Aspects of SCP most relevant for SMEs are the reduction of energy and material intensity of goods and services production; the reduction of waste and emissions from raw material extraction, production, consumption, and disposal; and the application of life-cycle thinking in all stages of product life (UNEP 2012). Green finance is thus defined as all capital from public and private sources enabling SMEs to achieve or contribute to these SCP goals.

Green finance from the perspective of financial institutions usually comprises financial products and services to promote environmentally responsible investments and stimulate low-carbon technologies, projects, industries and businesses. For green finance products, financial institutions usually consider environmental factors in their internal procedures, e.g. loan sanctioning, monitoring or risk assessment (PWC 2013). Green finance covers not only investment costs but also operational costs such as production preparation or land acquisition costs for green projects (Zadek and Flynn 2013).

In addition to dedicated green finance, this study also takes into account a selection of SME financing products. This is based on the fact that SMEs may also use conventional financing sources for making green investment, especially if the green finance landscape is still underdeveloped.

## Methodology

The objectives of this study are to:

- Present an overview of the SME sector
- Understand the SME financing opportunities with a focus on green projects
- Identify and analyse barriers to financing and green financing for SMEs
- Present examples from neighbouring countries on how to develop green processes and raise financing.

The results of this study are useful to inform relevant stakeholders on the latest situation of access to green finance for SMEs in Myanmar.

Data collection was conducted through literature review and personal interviews.

**Literature review** was conducted on relevant topics, including the situation of SMEs in Myanmar, situations and trends in financing. Reviewed literature includes studies, reports and online articles.

**Personal interviews** were held with senior officials in Myanmar’s financial institutions, international donor organisation as well as research institutes and consultancies in Yangon between October 13 to 17, 2015.

## Policy and Institutional Support System

The Myanmar government has established a number of initiatives and organisations to support SMEs in their general development. Multiple parallel ministries regulate the business sector in the country yet lack in co-ordination amongst themselves (ARTNet 2014).

The governmental organisations which were created to support SMEs have formed an elaborate bureaucratic structure. The **Central Committee for Development of SMEs** was established under the Ministry of Industry (MoI) in 2013. The committee with its 27 members is chaired by the president and tasked with laying down policies that promote development and offer guidance to SMEs on all fronts (Sustainable Business Myanmar n.d.; The Republic of the Union of Myanmar 2015). The committee also provides guidance on energy production and effective and efficient use of energy and technology to conserve energy. The MoI also set up the **SME Development Service Centre** that is responsible for data collection, recording SME history, financial management, marketing advisory, and to serve as a credit guarantee corporation.

The **SME Development Law** is a recent addition – it was promulgated in April 2015 (The Republic of the Union of Myanmar 2015). The law aims to make access to information easier, enhance competitiveness of SMEs, increase employment opportunities, and reduce the obstacles faced by SMEs in their operations. It encourages SMEs to

manage resources in a sustainable manner and minimise negative impacts on the natural environment and society. The law also promotes the use of advanced technology and facilities for production and distribution.

To further support SMEs, the Myanmar government set up a credit guarantee scheme in form of a department under the Myanmar Insurance (GIZ 2015). While the committees and the law are in place, the task of implementing this law is yet to be carried out. The system needs to create a conducive environment where SMEs may flourish. This is a challenge in itself, given the diverse organisations and political scenarios.

At present SMEs have limited impact on account of environmental and climate change policies. The interviews conducted did not reveal any restrictions on SMEs or any relocation plans due to their polluting activities, probably due to a low level of environmental law enforcements or informal operations of the majority of SMEs. So far there are no strategies, policies or guidelines that include SCP. Yet, the president used the term SCP in his speech at the joint declaration of ASEAN on environmental issues (The Republic of the Union of Myanmar n.d.; ASEAN Cooperation on Environment 2013). The only area where SMEs create a relatively positive impact is renewable energy.

Several SMEs are now present in the country providing consulting and local support to international grid developers, such as Myanmar Eco Solutions, SolaRiseSys, Myanmar Solar Power Trading and Sunpower. The renewable energy sector has also invited a few other SMEs with international backgrounds targeting the distribution of renewable energy solutions (mostly solar) to rural households and SME sector. For example, Proximity Design, a not-for-profit social enterprise from Yangon, offers irrigation systems and agricultural guidance to rural communities and now distributes solar lamps from D.Light, a US-based manufacturer. Proximity Design has also set up its own quasi micro-credit institution, charging 2.5% interest on loans that are repaid within six months. PACT, another not-for-profit organisation that has operations in 25 countries, is currently partnering with ABB to bring solar power to 3,500 villages in rural Mandalay (Central Myanmar) in five years, as a part of ABB's Access to Electricity Rural Electrification Programme (BBC 2014; PACT 2015).

Organisations like Mercy Corps, an international, non-governmental humanitarian relief and development agency, provide capacity building to strengthen the energy market. This is done after they carried out an energy market assessment in cities like Mandalay and Chin in 2012. The assessment revealed that only 10-16% of the respondents have access to electricity, solar penetration was negligible, and most people rely on battery-powered

torches or lanterns for lighting. Solar panels were already available in the market with limited access to rich customers capable of making cash payments and small businesses that have set up battery charging stations for the lanterns. However, the solar panel market is gradually developing and there is demand from the battery charging stations. To make this technology accessible to a wider part of the society, SMEs will have to offer financing solutions to their customers due to the high upfront cost of solar panel installations.

Adapting to Myanmar customers, several companies have invented innovative business models, for example Brighterlite, a Norwegian enterprise focusing on off-grid rural electrification. The company has partnered with Telenor Myanmar to provide solar home systems through a fee-for-service model. The partnership will give access to Brighterlite to use Telenor Myanmar's agent network for acquiring customers and collecting payments. To access the service, customers can pay weekly or monthly using a scratch card or mobile phone. Similarly, Sunlabob Renewable Energy, a Laos based renewable energy company, has set up operations in Yangon with a focus on providing renewable energy solutions to hotels, industries and rural areas.

Beside solar-based energy solutions, there are initiatives promoting biomass energy. Rice mills facing issues with toxic ash and tars from rice husk gasifiers have started trying out rice husk briquettes and charcoal with technical support from a Japanese NGO, NEDO. By implementing reverse engineering on the existing machinery used to produce rice husk briquettes, NEDO can offer new machinery for EUR 9,000 (Renewable Energy World 2013).

Some promising examples of renewable energy promotion and dissemination can be seen in Myanmar. However, the manufacturing processes in industries are energy intensive and there are only a few initiatives which encourage SCP practices, for example by improving energy efficiency and switching to alternative energy sources. Noteworthy are the **four SWITCH-Asia** projects that are operating in Myanmar. The SWITCH-Asia projects engage with utilities, electrical equipment, cook stove, and textile and leather industries. The *SMART Myanmar* project, implemented in the period from 2013 – 2015, worked closely with the textile industry to increase the competitiveness of SMEs, not only in domestic but also international markets. As part of the project, 19 financial institutions were given training on green financing instruments to ultimately set pre-conditions for replicating successful financing schemes in other sectors. To replicate or scale up the results of such projects, however, stricter regulations and monitoring practices are the key pre-requisites, especially in the context of Myanmar's developing economy.

## Financial Support for SMEs in Myanmar

The banking and financial sector in Myanmar is still limited and only provides negligible financial support for SMEs. Financial coverage is very poor: only 5% of the population have bank accounts. According to a KPMG survey in 2012, loans extended by local banks accounted for only 0.6% of GDP. It was the lowest figure across all Asian countries (Consult-Myanmar 2015a). Considering the lack of SME financing in general, it is not surprising that there are currently no green financing opportunities for SMEs available in the country.

### Green finance for SMEs

Dedicated green financing products to promote sustainable consumption and production (SCP) among the targeted SMEs do not exist in Myanmar. One recent step towards the establishment of dedicated financing products to increase access to clean energy was the CleanStart Energy Access Window Challenge. This initiative, launched by the SHIFT Challenge Fund from the United Nations Capital Development Fund (UNCDF) in September 2015, is implemented in Cambodia, Lao PDR, Myanmar and Vietnam. It calls for the participation of banks, non-bank financial institutions, microfinance institutions (MFIs), private sector companies, and cooperative societies “to introduce innovative financial products, approaches and services which facilitate expansion of consumer and/or enterprise financing” (UNCDF SHIFT n.d.). The objective is to benefit low-income consumers, with a focus on women and marginalised groups, who want to transition to cleaner and more efficient energy sources. The programme will give a preference to applications from Cambodia and Myanmar, given the poor electricity situation in the two countries. Funding of EUR 0.942 million up to 1.13 million for around four to eight projects has been made available. The minimum project grant size is EUR 94,000 (UNCDF SHIFT n.d.). Although the focus is on Cambodia and Myanmar, few applications are expected from countries in nascent stages of financial sector development.

Despite the almost non-existence of SME financing, there are a few emerging opportunities in the field of green finance in the renewable energy sector. These opportunities are related to the recent efforts of the International Finance Corporation (IFC), World Bank, and Asian Development Bank (ADB) to support rural electrification in Myanmar.

IFC is currently planning to launch the first phase of the **Lighting Myanmar Programme** to develop the off-grid solar market in Central Myanmar. The programme will assess the market for solar products by studying consumer profiles, demand, willingness and ability to pay. It will educate the consumers about solar products. As the market for solar products in Myanmar is still developing, quality assurance becomes more important. This programme will certify products and build local capacity for testing and assuring quality of solar products in the future. IFC will offer business-to-business support and provide access to finance for supply chain development. The programme will also provide funds to MFIs. In addition, the availability of funding and capacity development will support the growth of SMEs in the clean energy sector.

In 2015 the **World Bank** launched the **Myanmar National Electrification Project** which was designed to support the government’s energy access programme with both a grid extension (EUR 353.2 million) and a strong “distributed renewable energy” component (EUR 162 million). The distributed renewable energy component is concentrated on the remote regions of Chin, Kachin, Kayin, Shan, Rakhine, Taninthayi and Sagaing. The distributed renewable energy component involves the provision of solar home systems, mini-grids, electricity connections to community buildings and public street lights.

The two programmes initiated by the IFC and World Bank can serve as platform for SMEs planning to operate in the distributed renewable energy sector. In practice, however, the government may be giving away solar home systems for free and thereby hampering the development of a competitive market.

The third programme is the **ADB’s Off-grid Renewable Energy Demonstration Project**. It has seen participation from two local solar firms, i.e. Suntac Technologies and MMiC. In February 2013, the ADB has launched a 30 month demonstration project, covering 1,500 households in three regions – Magway, Mandalay and Sagaing. The project’s main components are the setting up of solar micro grids, for which ADB procures the technology and products from private companies, and the development of least cost energy access and off-grid investment plans. The long-term objective is to build a project pipeline for international investors and donors, and to build local capacity to implement small scale off-grid renewable energy projects.

Through the abovementioned programmes and initiatives by several international organisations, Myanmar’s capacity to develop its solar energy sector will be built. However, there is hardly any interest or request to invest in the greening of industrial processes or SCP implemen-

tation at the moment. Thus, the demand to finance such measures is almost negligible.

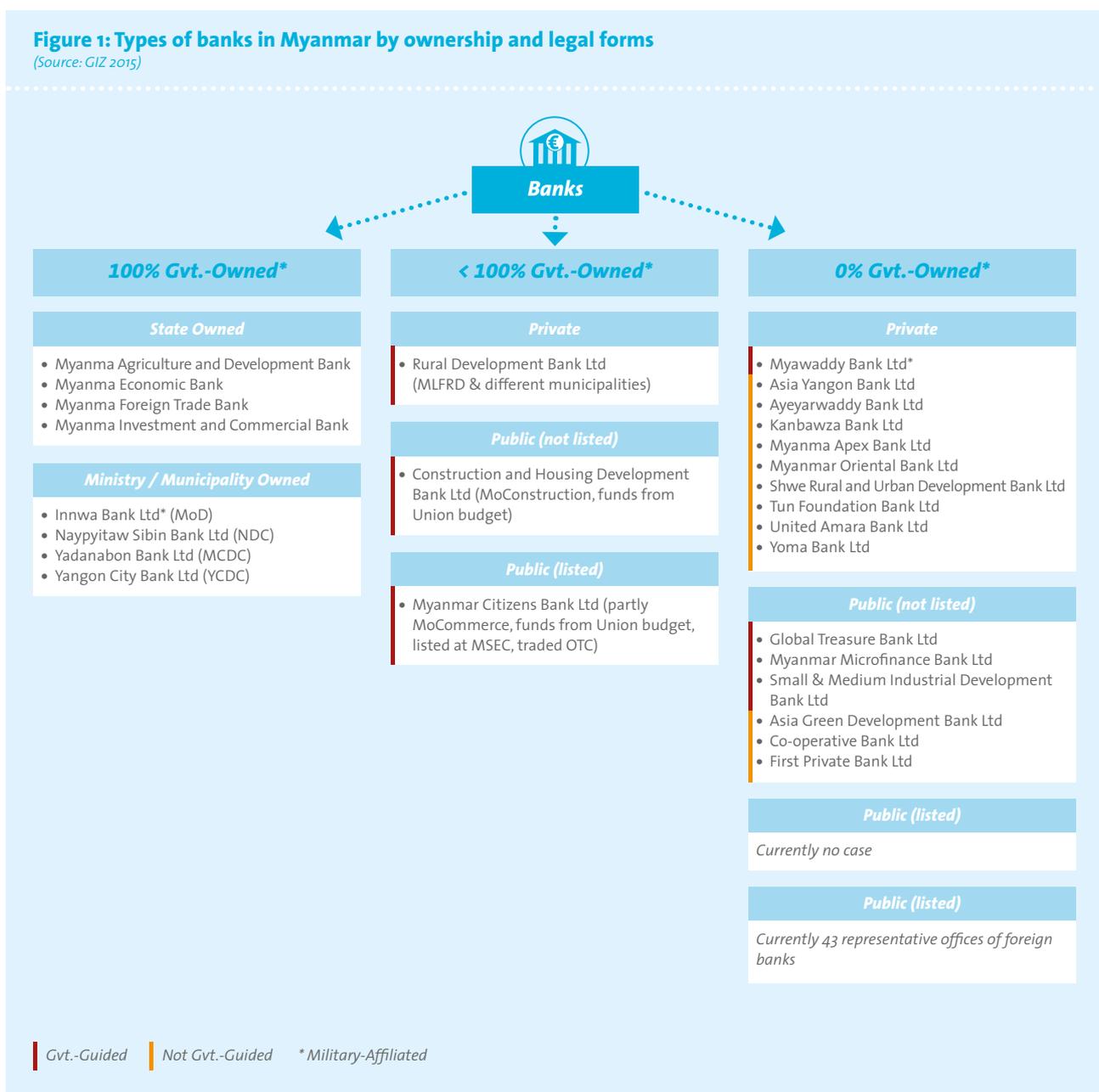
Yet, there is an emerging demand for clean energy finance to set up and operate SMEs that provide alternative sources of energy to households and businesses. As the financial sector is at a nascent stage in Myanmar, the appetite to finance such projects amongst banks and MFIs is still minimal. Thus, it can be expected that grants from international donor organisations will continue to play an important role in the finance market. The implementation of the ADB and World Bank projects will help to grow understanding about how market mechanisms can emerge in Myanmar’s renewable energy sector.

## Banking sector

The financial sector is still under-developed in Myanmar, consisting of about 2.5 banks per 100,000 people. In total there are 27 banks, of which 23 are private (CBM n.d.). The state-owned banks dominate the financial sector in terms of assets. The four state-owned banks MEB, MFTB, MADB and MICB account for over than 60% of the total banking assets. Besides the local banks, 43 foreign banks have established local offices in the country. The types of banks in Myanmar can be categorised according to their ownership (first layer) and, for the semi-governmental and private banks, their legal forms, i.e. private, public listed / not-listed, or international (GIZ 2015).

**Figure 1: Types of banks in Myanmar by ownership and legal forms**

(Source: GIZ 2015)



The only financial product available to SMEs from banks is a fully collateralised (by land) loan with a maximum tenure of one year (which can be rolled over) and with interest rates of 13-14% per annum. The 200% coverage through land titles is a regulatory requirement imposed on banks, which most SMEs find impossible to fulfil.

An exception to these harsh conditions is a loan offered by the **SMIDB**, a public sector bank under the Ministry of Industry (Moi). This loan has been created to exclusively focus on SME lending for the manufacturing sector. SMIDB offers collateralised loans of up to MMK 50 million (EUR 36,000) at 8.5% interest rates and three year repayment period. Yet, the application and approval procedures are cumbersome, which has resulted in a low number of loans dispersed to 300 SMEs from 2012 until May 2015 (Myanmar Business Today 2015). According to SMEs applying for the loans, preparing documents for the application is rather costly, consisting of up to 10% of the total loan amount (Consult-Myanmar 2015b).

This shows that the penetration of the SME financial market through the banking sector in Myanmar is limited. An important reason resulting from this unfavourable situation is that the regulations regarding collateral requirement are very strict. SMEs with limited assets and financial history have therefore not been able to access financing from banks. With the creation of SMIDB, the first loan scheme dedicated to SMEs has been put in place. Whilst the need for collateral still remains, the interest rates of the scheme are lower than the commercial rates. Over the course of a few years SMIDB has collected valuable lessons learnt that can be shared with other banks, where banks may together assess to what extent SCP measures have been financed through the loan scheme. This in turn can make those banks consider the SCP aspects in their financing schemes.

## International finance

International banks, donor organisation and their financial branches have recently started to look at the financial sector in Myanmar and develop programmes to support its advancement. Most of these initiatives are still in the planning stage and, in general, focus more on SME finance rather than dedicated green SME finance:

- The Central Bank of Myanmar (CBM) has given authorisation in May 2015 for SMIDB to avail of a EUR 18.8 million from Singapore banks (Myanmar Business Today 2015; The Irrawaddy 2014). Another authorisation to obtain financing from Vietnamese banks is still awaited. Together the funds will be disbursed under

the aforementioned SMIDB financing scheme, with a potentially lower interest rate of 6%.

- In June 2015, JICA and Myanmar Government signed loan agreements which included the provision of JPY 5,033 million (EUR 38.7 million) for the development of financial products for SMEs. JICA will provide a medium-term financing to intermediary financial institutions through the Government of Myanmar.
- The European Investment Bank (EIB) plans to funnel EUR 30-100 million per year to support Myanmar SMEs through loans to local banks (Myanmar Times 2014). In 2015 EIB and the Government of Myanmar signed a Framework Agreement under which EIB will start financing capital investments in the country (EIB 2015).
- In 2015 the International Finance Corporation (IFC) disbursed EUR 4.7 million to Yoma Bank for SME finance (The Irrawaddy 2014). This is expected to contribute to the 1,000 loans that Yoma Bank has planned to grant to SMEs by 2019, which will be worth EUR 348.5 million. IFC has also extended a loan to Myanmar Oriental Bank for facilitating international trade for local SMEs (IFC n.d.).
- The Trade Finance Programme (TFP) of the Asian Development Bank (ADB) and CB Bank signed an agreement on October 6, 2015. In this financing framework TFP will provide guarantees of up to EUR 11.3 million per annum to support trade finance operations of the CB Bank. As expected, this financing will further support the small and medium-sized Myanmar exporters and importers (ADB 2015).
- In June 2015, the ADB declared that it would work with several commercial banks to raise the risk management capacity for lending to SMEs (Consult-Myanmar 2015c).
- In May 2015, the German Agency for International Cooperation (GIZ) offered financial support for SME development in the country through three local banks – SMIDB, Yoma Bank and Kanbawza Bank. In addition, GIZ will provide technical assistance to the banks to support them in developing financial products specifically designed for SMEs (DEALSTREETASIA 2015). The programme is planned to run until the end of 2016, when other banks are expected to be included to the programme (The Nation 2015).

Evidently, most of the initiatives have just started. International financial institutions therefore have an important role in inscribing the SCP concept from the very beginning in the product portfolio of Myanmar fi-

financial institutions. In turn, the take-up of SCP concepts by Myanmar’s financial institutions will create a window of opportunity to communicate SCP with SMEs requiring (green) financing. Through support from international financial institutions, Myanmar’s banks will be motivated to include SCP indicators in their credit ratings, establish a monitoring system and offer preferential conditions for SCP-related (green) loans. This early inclusion of SCP concepts in Myanmar financial sector will prevent problems that many of the neighbouring countries face, where the integration of green financing elements in the existing SME financing portfolio has been difficult. This also means that the provision of financing from international institutions needs to be accompanied with capacity building measures that will familiarise local financial institutions to the specifics of green SME finance.

## Microfinance

Cooperatives have been playing an important role in microfinance in Myanmar for a long time. But it was only in 1997 that microfinance was introduced formally through the UNDP’s Human Development Initiative. As of January 2013, multiple microfinance institutions (MFIs) reached 2.8 million micro clients with a total loan portfolio of EUR 266.6 million (Duflos et al. 2013).

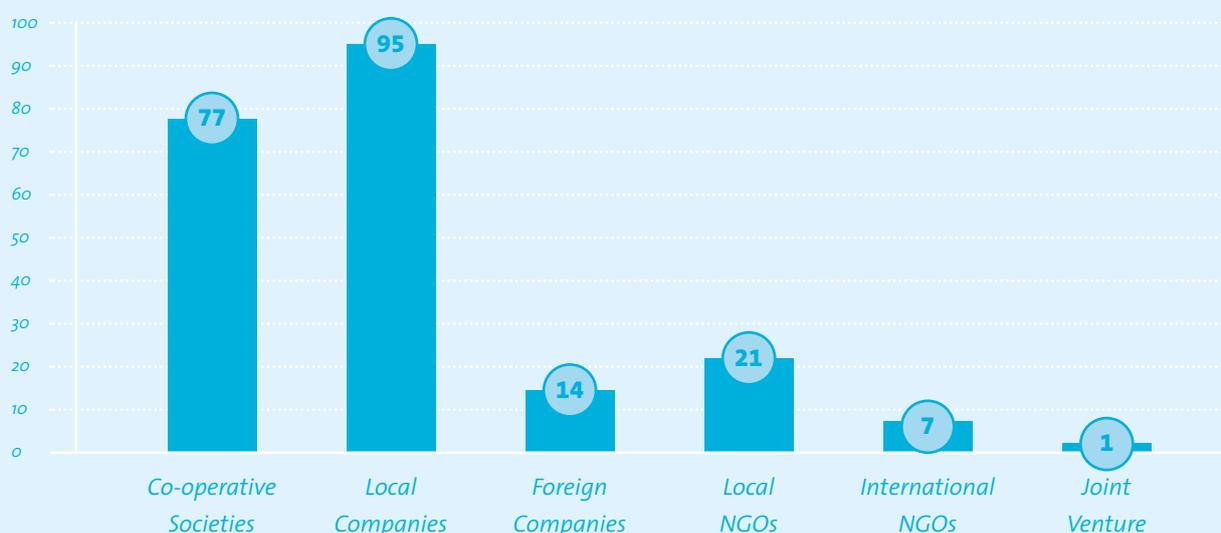
In 2011, a legal framework was established to regulate existing and new MFIs. To encourage new MFIs, the framework allowed the privately owned local and foreign

MFIs to operate in Myanmar and legalised the already operating MFIs. The law capped the interest rate at 2.5% per month (declining) and the loan size at MMK 0.5 million (EUR 360). In 2014, the Microfinance Business Supervisory Committee introduced some changes in the existing law and the loan size was increased to MMK 5 million (EUR 3,600). As per the revision, local MFIs can take loans from the Myanmar Economic Bank (MEB) only – they are not allowed to borrow from international or private banks. Local MFIs can, however, receive equity funds from foreign as well as local institutions. Foreign MFIs, in turn, cannot borrow locally, but are allowed to take loans from foreign financial institutions given the CBM’s approval (Myanmar Times 2015). They also have to maintain a debt to equity ratio of 5:1. MFIs are also allowed to enter the market using mobile payment systems with a limitation on the daily transaction volumes (GIZ 2015).

The new MFI law has attracted international players and encouraged local organisations to expand their operations. Examples of international players entering the financial market are the Cambodia-based microfinance institution ACLEDA MFI Myanmar Company Ltd that planned to loan out MMK 8 billion (EUR 5.7 million) to SMEs in 2013, and BRAC, a development organisation from Bangladesh that received a license to operate in the country in 2014 (Myanmar Times 2014). As of October 2014, there were 215 licensed MFIs in Myanmar. This included 95 local MFIs and 77 cooperatives (see Figure 2). Finally, there are 14 foreign companies and seven international NGOs giving out microloans (GIZ 2015).

**Figure 2: Licensed MFIs in 2015**

(Source: GIZ 2015)



Despite the fact that Myanmar's microfinance is an attractive market with a high number of MFIs being present, there is still a huge unmet demand. UNCDF estimates this demand to be EUR 942 million, with an existing MFI lending portfolio of EUR 111.2 million (GIZ 2015). The challenging conditions in the country have been a contributing factor in creating this gap, where as a result the microfinance sector has not expanded significantly. The most important challenges facing MFIs are:

- **Artificial caps on borrowing rates:** Interest rates at which MFIs can borrow cannot be above 8% for US Dollar loans, and 10% for Myanmar Kyat loans. Although the government allows borrowing from international institutions, it is not possible to get funds from abroad at such low rates.
- **Very thin spreads:** Given the constraints on borrowing, MFIs depend on individual deposits which come at a minimum rate of 15%. The annual lending rates are capped at 30% for MFIs. Given that the local costs of operating and servicing the loans are high, the spread between actual costs of borrowing and lending is not economical. MFIs need to be supported to be able to attract lower cost funds and bring down costs of operations. This can be done with capacity development grants.
- **Limited funding sources:** Rules regarding the source of borrowing are restricting the growth of MFIs operating in the country. Local MFIs are restricted to borrow only from MEB, and foreign MFIs only from international sources.
- **Unclear rules:** The rules in regard to the requirements of solidarity group lending and reporting methodologies for MFIs remain unclear (Duflos et al. 2013).
- **Weak financial system:** The absence of a credit bureau and an underdeveloped payment system also negatively affects the growth of MFIs (Duflos et al. 2013).
- **Fragmented supervision:** Multiple organisations are involved in the supervision of MFIs: CBM controls the banks, the Ministry of Cooperatives controls the co-operatives, and the Financial Supervisory Department controls the MFIs. This leads to a confusion about responsibilities and hampers further development of the sector.
- **Limited technical knowledge at MFI authority:** There is a lack of technical knowledge on financial issues related to MFIs in the newly established Microfinance Supervisory Enterprise (MSE) which is the main organisation responsible for the daily supervision of MFIs.

Clearly Myanmar's microfinance sector along with its regulatory framework is still in an early development phase, although microlending has existed in Myanmar for a long time. The law's revisions have helped in generating interest in this sector, but have not yet been able to achieve significant traction. Unclear rules and un-economical lending rates have made it difficult for MFIs to raise funds and increase the size of their loan portfolio. The ability of ACLEDA and BRAC to raise funds and expand will set precedence for MFIs planning to enter Myanmar. The performance of the 215 licensed MFIs in the wake of changing regulations will help in understanding how this sector will develop in the future.

## Informal financial sector

The informal financial sector in Myanmar is large. Informal money lenders are often unreliable and very expensive as they come with high interest rates. At the same time, requests for financing can be quickly processed, sometimes with only a phone call (GIZ 2015). The semi-formal financing sector includes pawnshops and community-based organisations. Chinese communities run the pawn shops and offer loans against collateral at 10% per month with a repayment period of around four months. The informal sector also comprises a mercantile class that lends out to rural customers against providing collateral. The money lenders often act as brokers between banks and less financially literate individuals. Interest rates vary between 3-8% per month and average repayment periods are 3-6 months (GIZ 2015).

Given the difficult access of SMEs to formal financing products, the informal financing sector has a prominent place in the financing landscape in Myanmar. The flexibility of these informal financing sources makes it especially attractive for SMEs, in comparison to the formal financial sector. In a transition toward a formalised financial system in Myanmar with a better product portfolio for SMEs, the informal sector would definitely need to be considered.

# Challenges for SMEs’ Access to Green Finance

In all the interviews there was recognition that the future economic growth path of Myanmar strongly depends on SME development. However, SMEs have been and are still facing various challenges that are restricting the expansion of SME operations and the inclusion of SMEs in the formal sector – one of the most important is the limited access to finance (see Figure 3). A survey among 3,000 enterprises in Myanmar revealed that 91% of the business financing comes from personal savings, personal loans and retained earnings. Only 9% of business financing comes from bank loans or money lenders (GIZ 2015). This section describes the demand-side, supply-side and structural barriers to SME finance.

## Demand-side barriers

- **SMEs lack in financial literacy.** SMEs in need of external funding often lack the financial and bookkeeping knowledge required to prepare a complete loan application. Therefore, SMEs first need to understand what information is required for a loan application and have to be able to collect it. Yet, many SMEs do not have an appropriate accounting system in place that would allow an easy extraction of financial data. This leads to the situation in which SMEs cannot provide an accurate picture of their business situation, which again increases the reluctance of banks to lend money to SMEs at all. In addition, many SMEs lack in soft skills to present their business case to loan officers for obtaining financial support.
- **SMEs lack knowledge of financing options.** As the financial sector is continuously growing in Myanmar, SMEs are often not up to date about the banking facilities that they can access (Thein 2013). This makes the market entry for SME finance products rather difficult. New SME financing products, for which there is a demand, may not succeed as the information does not reach the relevant target SMEs.
- **SMEs do not create demand for green financing products.** The primary target of SMEs in the current economic situation is expansion, yet, very few SMEs consider SCP improvements or other green investments. There is a very limited knowledge among SMEs that SCP measures can increase their production efficiency and that green products can open up new markets. An underlying cause is that demand

for such green products does not exist – green public and private procurement are not yet on the agenda in Myanmar.

## Supply-side barriers

- **Strict funding requirements constrain the access to SME finance.** State-owned as well as private commercial banks have a limited funding capacity due to the strict collateral requirements. Banks are not allowed to extend loans without collateral which can take the form of land and buildings, gold and jewellery, as well as agricultural assets and deposits. Yet, even with collateral, banks can only lend up to 50-60% of the forced sale value of the collateral. Many SMEs cannot meet the collateral requirements and are therefore unable to access any formal financing.
- **Time-consuming loan appraisal process and the cost of loan applications make external finance unattractive for SMEs.** The preparation of loan applications including certifications and registration is costly. According to estimates of an SME representative, the application costs can amount to 10% of the loan. This is prohibitively high for many SMEs, and even if SMEs can manage to submit a loan application, the subsequent process of appraisal takes too much time. It is thus easier and faster for SMEs to approach informal money lenders. One reason for the long appraisal process is often the inexperience of loan officers in the local bank branches.
- **Lack of credit assessment and risk management tools makes it difficult to assess SMEs’ applications.** The banking system in Myanmar is in need of credit assessment and risk management tools. Currently, banks do not have access to credit information of their customers which makes it difficult to lend out to SMEs for the first time. Thus, there is no way for banks to assess whether an SME is creditworthy and whether the investment is promising enough to guarantee a payback.
- **Financial institutions do not perceive green finance as a business opportunity.** The topic of green finance and SCP is still new to the majority of Myanmar’s financial institutions. Since SMEs are not yet aware of the green finance potentials, its demand is almost non-existent where government does not see

the need to produce supporting policies. Moreover, financial institutions have not yet realised that green finance portfolios can enhance their competitiveness.

### Structural barriers

- **An inadequate legal framework makes the development of financial products for SMEs difficult.** The banking and financial sector faces challenges in developing products and releasing loans to SMEs due to inadequate legal and regulatory frameworks. The lending infrastructure including protection for creditors, enforcement of contract and collateral rights, rules dissolving commercial disputes and arbitration, and commercial laws are not yet well defined (IDE-JETRO 2008). In this context, the risks associated with lending to SMEs are perceived as too high by the financial institutions.

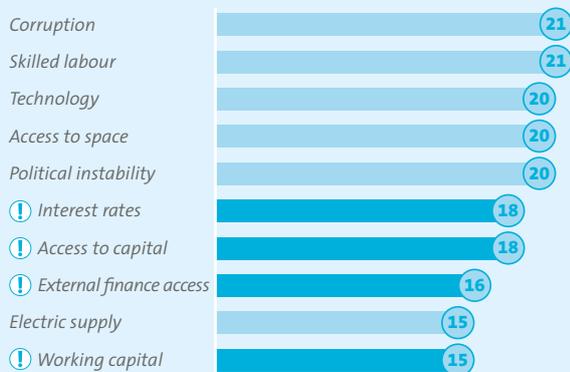
Apparently, the barriers identified have contributed largely to preventing more orchestrated collaboration between financial institutions and SMEs in the country. The opening of Myanmar’s economy and its expected economic effects provide a unique opportunity to design and create a system which supplies SMEs with the needed funding while offering banks the security required to continue their operations.

While addressing the overall problem of SME access to finance, it becomes increasingly important for the government and financial institutions to take green finance into consideration. A too narrow focus on the expansion of SME sectors without taking into account SCP practices will pose risks to Myanmar’s growing economy resulting in severe environmental pollution and resource depletion. Ensuring more sustainable growth would call for provisions favouring green finance in Myanmar’s financial system.

**Figure 3: Key barriers for SMEs in Myanmar**  
(Source: GIZ 2015)

#### Key barriers for business and in financing\*

**!** Of the top 10 barriers for business in Myanmar, 4 are related to financing



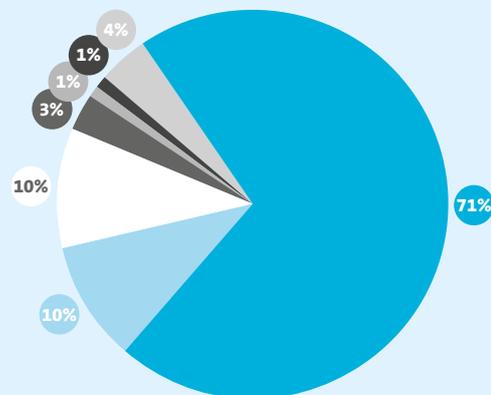
**!** In financing collateral followed by loan procedures ranks highest\*



**x** = % of respondents \* Based on survey of >3,000 businesses in Myanmar

#### Source of financing\*

**!** 80% of financing done through personal savings and personal loans



- 71% Personal saving
- 10% Personal loan
- 10% Retained earnings
- 3% Commercial banks
- 1% State development banks
- 1% Money lenders
- 4% Others

## Conclusions

The analysis of SME financial landscape has shown that green finance for SMEs is basically non-existent in Myanmar. With the country's recent move towards opening the economy, the focus of policymakers, the private sector and international donor organisations has been on many different topics. In spite of this rather discouraging situation for SMEs requiring green finance, there is an ample opportunity for Myanmar to develop a greener financial system right from the beginning.

With the inclusion of SCP in the United Nations' Sustainable Development Goals (SDGs) in 2015, the topic is now gaining more prominence in the political arena, internationally as well as nationally. It is clear that, in order to enable companies including SMEs to leapfrog the polluting growth path and support them from early on to implement SCP, the suitable financing mechanisms need to be in place. In the light of the barriers faced by Myanmar, several recommendations can be made to support the development of a financial landscape supportive to SME green finance:

- **Myanmar needs to ensure the enforcement of environmental regulations.** Regulations for climate change mitigation and environmental protection are already present in the country. As the national industries grow, contributing to an increase in GDP, the implementation of these laws and regulations becomes imperative. The laws can be implemented and enforced in a phased manner, starting off with the most critical areas. For example, currently a large amount of waste is generated and dumped into water bodies. The cleaning of these water bodies is essential to sustain ecosystems around industrial areas, yet it is not easy to do. Therefore, the government needs to implement environmental laws more strictly, encouraging the establishment and operation of effluent and sewage treatment plants by companies. In addition, the government can create a demand for environmental friendly products by establishing a green public procurement policy. This would create an incentive for companies to consider the green procurement criteria and further facilitate the spread of SCP practices.
- **Programmes for supporting financial institutions in strengthening their SME departments must be up-scaled and replicated.** The banking sector in Myanmar is advancing and requiring support from the government as well as international donor organisations, to build their capacities on different topics. One example of such organisations is GIZ who has offered capacity building support to three local banks. The experiences from this programme can contribute to the upscaling and replication of capacity building approaches to further strengthen other banks' SME departments. The topics of green finance and SCP should be included in the capacity building.
- **SMEs need support to increase their financial literacy.** For an improved SME access to finance, skills for writing business plans and developing financial statements become crucial. As the SME sector matures, there will be more information and support available on how to apply for loans from banks, MFIs and other non-banking financial institutions. The experience of the SMEs that have availed loans from SMIDB, Yoma and Kanbawza Banks should be documented and shared with other enterprises. This will help SMEs in training their staff and preparing the requisite collateral and to build the capacity for loan applications. These skill sets will be useful in obtaining green finance in the future.
- **SCP, energy efficiency and renewable energy generation should be supported by the Myanmar government.** The country is presently aspiring to provide universal electricity access by 2030. To realise this goal, the government needs to promote SCP practices, energy efficiency and renewable energy sources. It also needs to encourage the manufacturing sector to gradually shift from the outdated energy consuming technologies to the newer and more efficient technologies that consume less energy. At this point, only a few dedicated green enterprises are operating in the country (e.g. clean energy SMEs). As the government starts implementing policies to achieve the renewable energy and energy efficiency targets, more of such

businesses requiring access to green finance are likely to emerge. They can generate the first pipeline of green investment projects and thus secure demand for green financial products.

- **SMEs need to be supported in creating green investment projects.** The topic of green finance is only likely to create pull among financial institutions if they see this as a potential market. In order to create this market, there should be SMEs requiring investments that would be eligible under future green financing schemes. Besides supporting financial institutions to consider green criteria in their financing products, SMEs also need to be supported by the government and international donor organisations in identifying green improvement potentials.

It will take some years before the green financial market will have developed into viable size. However, today appears to be the right time to start investing in the basic institutional infrastructure to remove the supply-side, demand-side and structural barriers that SMEs face to obtain access to finance. The development of a capacity building institution and a focused financial body dedicated for SMEs is of paramount and immediate importance, including green issues in their agenda from the very beginning. As the formal financial sector evolves, financial institutions will be better equipped to develop green financial products and SMEs will be able to acquire funding once SMEs have built their internal capacities. The overall demand for green finance will be seen when SMEs come under the obligation to adopt SCP practices.

With its projects, the SWITCH-Asia Programme can contribute to the development of the financial sector in Myanmar, especially with regard to the development of dedicated green SME finance products. There is an enormous opportunity for the projects funded by the SWITCH-Asia Programme to contribute to a project pipeline for SCP measures. As up-scaling of SCP practices is the overall goal of this European Union co-funded programme and most grant projects engage directly with SMEs, the SWITCH-Asia Programme can generate demand for green SME finance. It needs to be demonstrated to financial institutions that such demand exists to make of such financial products.

If project activities are related to SMEs, SWITCH-Asia projects often include a financing component. SMEs could be trained to increase their financial literacy and supported to develop appropriate financing proposals, preferably for SCP measures. At the same time financial institutions could be targeted through training and capacity building on specific opportunities for green investments. The financial institutions could be sensitised on the types of SCP investments relevant for the particular SWITCH-Asia project. This would make the access to finance easier for SMEs. Activities with financial institutions could be implemented on local branch level as well as general management level.

In addition, SWITCH-Asia projects could work on establishing alternative financing models for relevant SCP measures. There is also potential for bringing the supply- and demand side together. Fairs and market places could be set-up where financial institutions and SMEs meet. At such events investment proposals would come together with funding. These events could be held for SMEs involved in one particular SWITCH-Asia project only, or for all companies participating in the SWITCH-Asia projects in one particular country, or even at a regional level with financial institutions and SMEs from several countries. The SWITCH-Asia Programme should make use of its unique position and broad network to push the agenda for more and better access to green finance for SMEs in Myanmar and the region.

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## Annex: Database with Funding Schemes

SME Loan	
Implementing institution	Small and Medium Industrial Development Bank (SMIDB)
Description	SMIDB has been operating since 1996 with 15 branches, planning to open five new branches in 2015-2016 and three new branches in 2016-2017. SMIDB is a public bank that offers the only dedicated SME loans in Myanmar.
Target group and investments	SMEs, there is not dedicated investment focus
Type of finance	SME loan with three year tenure at an 8.5% interest rate and with a minimum investment amount of MMK 10 million (EUR 7,200) and a maximum of 100 million (EUR 72,000).
Volume, duration and status	In 2014 SMIDB disbursed MMK 20 billion. The Central Bank of Myanmar has given authorisation in May 2015 for SMIDB to avail of USD 20 million (EUR 17.6 million) from Singapore banks. An authorisation for funding from Vietnamese banks is still awaited. JICA has released a statement that they will be granting another USD 40 million (EUR 35.3 million) to SMIDB for SME loans.
Conditions	<p>For accessing funding from SMIDB the following documents are required: Collateral (the loan is usually 30-60% of the forced-sale value of the collateral for land and buildings and 80% for gold), proof of business registration, tax payment and land ownership information along with other documentation. The application and loan sanctioning process is as follows:</p> <ol style="list-style-type: none"> <li>1. SMEs submit their applications to the SME Centre</li> <li>2. The SME Centre checks the credit history and passes on the application to SMIDB.</li> <li>3. The bank still has to submit the application to the Industrial Development Committee (IDC)</li> <li>4. IDC issues the Credit Guarantee certificate</li> <li>5. SMIDB issues the loan</li> </ol>
Contact	Face Wing Shed, Rm 30, Bogyoke Aung San Market, Pabedan, Yangon, Myanmar; Tel: 01 256175, 01 243525
Source(s)	<p>Thein, U San. 2013: SME Financing in Myanmar. Myingyan 08.08.2013. Retrieved 10.08.2015 from <a href="http://www.aec.com.mm/download/presentations/AEC%209_SMEFinance_USanThein.pdf">http://www.aec.com.mm/download/presentations/AEC%209_SMEFinance_USanThein.pdf</a>.</p> <p>Myanmar Business Today 2015: SMIDB to Open Five More Branches in FY15-16. Retrieved 20.10.2015 from <a href="http://www.mmbiztoday.com/articles/smldb-open-five-more-branches-fy15-16">http://www.mmbiztoday.com/articles/smldb-open-five-more-branches-fy15-16</a></p> <p>Myanmar Business News 2015: JICA will lay out USD 40 million loan to SMEs. Retrieved 10.11.2015 from <a href="http://www.elevenmyanmar.com/business/jica-offer-two-step-loan-smes">http://www.elevenmyanmar.com/business/jica-offer-two-step-loan-smes</a></p> <p>Myanmar Business Today 2015: SME Bank Offer Loans, but Few SMEs Interested. Retrieved 10.08.2015 from <a href="http://www.mmbiztoday.com/articles/sme-bank-offers-loans-few-smes-interested">http://www.mmbiztoday.com/articles/sme-bank-offers-loans-few-smes-interested</a></p> <p>Consult-Myanmar 2015: SMEs Lack Paperwork Prowess, Unable to Secure loans. Retrieved 10.08.2015 from <a href="http://consult-myanmar.com/2015/07/10/smes-lack-paperwork-prowess-unable-to-secure-loans">http://consult-myanmar.com/2015/07/10/smes-lack-paperwork-prowess-unable-to-secure-loans</a></p>

Credit guarantee scheme for SMEs	
Implementing institution	Myanma Insurance
Description	Credit guarantee insurance for banks that lend to SMEs
Target group and investments	Banks that offer SME loans
Type of finance	Myanma insurance reimburses the lender for up to 60% of the loss.
Volume, duration and status	Not specified; as of October 2015 no bank has made use of the credit guarantee scheme.
Conditions	For loans for which some collateral is provided SMEs pay a premium fee of 2% for the first year, 1.5% for the second year and 1% for the third year is charged from banks. Without collateral, the premium increases to 3% for the first year, 2% for the second year and 1% for the third year.
Contact	N/A
Source(s)	<p>New Light of Myanmar 2015: Myanmar launches credit guarantee insurance service for SME development 29 June 2014. Retrieved 09.11.2015 from <a href="http://www.burmalibrary.org/docs18/NLM2014-06-29-red.pdf">http://www.burmalibrary.org/docs18/NLM2014-06-29-red.pdf</a></p> <p>Myanmar International TV 2015: New Schemes: Credit Guarantee Insurance Revamped. 4 September 2015. Retrieved 05.11.2015 from <a href="http://www.myanmarinternational.tv/news/new-schemes-credit-guarantee-insurance-revamped">http://www.myanmarinternational.tv/news/new-schemes-credit-guarantee-insurance-revamped</a></p>

General loans	
Implementing institution	Yoma Bank
Description	Yoma Bank was established in 1993 and has 50 branches across the country. It offers a variety of loans that can also be accessed by SMEs. Over 70% of their loans have been made to SME through their SME Banking Department. Average loan size of MMK 175 million (EUR 126,000). Yoma Bank strives to become a leading SME Bank in Myanmar. Yoma Bank cooperates with GIZ in a Financial Sector Development Project to support SME finance by increasing the SME loan portfolio. The project focuses capacity building.
Target group and investments	Personal as well as business loans
Type of finance	Term loans, overdraft loans, share loans, gold backed loans, pledge loans
Volume, duration and status	N/A
Conditions	Depending on the loan the interest rate is between 12-13%; tenure is usually one year and is renewable. Collateral is required for all loans (the loan is usually 30-60% of the forced-sale value of the collateral for land and buildings and 80% for gold).
Contact	606-610/380 Bogyoke Aung San Rd. Yangon. Tel. +95 9796372298 <a href="http://www.yomabank.com/sme-banking.php">http://www.yomabank.com/sme-banking.php</a>
Source(s)	Yoma Bank 2015. SME Banking. Retrieved 10.08.2015 from <a href="http://www.yomabank.com/about-us.php">http://www.yomabank.com/about-us.php</a>  Myanmar Business News 2015: KBZ, SMIDB, Yoma Bank, GIZ extend SME development collaboration. Retrieved 20.10.2015 from <a href="http://myanmarbusinessnews.com/kbz-smidb-yoma-bank-giz-extend-sme-development-collaboration/#.ViZm5hArKnQ">http://myanmarbusinessnews.com/kbz-smidb-yoma-bank-giz-extend-sme-development-collaboration/#.ViZm5hArKnQ</a> .

General loans	
Implementing institution	Kanbawza Bank
Description	Kanbawza Bank was established in 1994 and is one of the four major private banks in Myanmar. Approximately 80% of KBZ's clients are SMEs. It had a market share of around 16% in 2014. Kanbawza Bank cooperates with GIZ in a Financial Sector Development Project to support SME finance by increasing the SME loan portfolio. The project focuses capacity building.
Target group and investments	Personal as well as business loans.
Type of finance	Overdraft loan and hire purchase
Volume, duration and status	N/A
Conditions	<p>To assist in the development and growth of businesses and to increase working capital in the country, Myanmar citizens can apply for loans and overdraft. A typical term of loan and overdraft is 1 year and renewable before maturity on a yearly basis. The interest rate is 13% per annum.</p> <p>Required is the following information:</p> <ul style="list-style-type: none"> <li>• Company registration</li> <li>• License for business</li> <li>• Receipts of revenue tax for the last 3 years</li> <li>• Financial statements for the last 3 years</li> </ul> <p>Collateral is required for all loans (the loan is usually 30-60% of the forced-sale value of the collateral for land and buildings and 80% for gold). Required are documents concerning the ownership of properties as well as grant, map and history of property. Considered as collateral are immovable properties, government bonds and securities, machinery, fixed deposits or savings deposits, goods, gold.</p>
Contact	<p>No. (615/1), Pyay Road, Kamaryut Township, Yangon.</p> <p>Tel. Operator (HO) (+95) 1-538075, 538076, 538078, 538079, 538080</p> <p><a href="https://www.kbzbank.com/index.php/overdraft/">https://www.kbzbank.com/index.php/overdraft/</a></p>
Source(s)	<p>The Asian banker 2015: Adapting to capture opportunities in a frontier market. Retrieved 05.11.2015 from <a href="http://www.theasianbanker.com/updates-and-articles/myanmar:-transaction-banking-in-a-frontier-market">http://www.theasianbanker.com/updates-and-articles/myanmar:-transaction-banking-in-a-frontier-market</a></p> <p>Myanmar Business News 2015: KBZ, SMIDB, Yoma Bank, GIZ extend SME development collaboration. Retrieved 20.10.2015 from <a href="http://myanmarbusinessnews.com/kbz-smidb-yoma-bank-giz-extend-sme-development-collaboration/#.ViZm5hArKnQ">http://myanmarbusinessnews.com/kbz-smidb-yoma-bank-giz-extend-sme-development-collaboration/#.ViZm5hArKnQ</a></p>

Microfinance	
Implementing institution	ACLEDA MFI Myanmar Company (subsidiary of Cambodia's ACLEDA Bank)
Description	ACLEDA MFI Myanmar Company has five branches in Yangon and one branch in the Bago region. It offers group loans and individual loans for micro businesses in Myanmar.
Target group and investments	Micro and small entrepreneurs; there is no financing focus
Type of finance	Group loan and individual loan
Volume, duration and status	There is no overall funding limit of the MFI – the financing scheme is a permanent scheme.
Conditions	<p>Borrower must have own residential address, own legal business, and have own capital of at least 20% of the loan.</p> <p>For groups (a group consists of 2 to 10 individuals):</p> <ul style="list-style-type: none"> <li>• Loan period up to 12 months for loan size from MMK 100,000 to MMK 400,000 (EUR 70 – 280) per member</li> <li>• Loan period up to 18 months for loan size more than MMK 400,000 to MMK 1,200,000 (EUR 280 – 860) per member</li> </ul> <p>For individuals:</p> <ul style="list-style-type: none"> <li>• Loan period up to 12 months for loan size from MMK 100,000 to MMK 400,000 (EUR 70 – 280)</li> <li>• Loan period up to 18 months for loan size more than MMK 400,000 to MMK 2,000,000 (EUR 280 – 1,400)</li> <li>• Loan period up to 24 months for loan size more than MMK 2,000,000 to MMK 5,000,000 (EUR 1,400 – 3,600)</li> </ul> <p>Interest is calculated as decline repayment method.</p>
Contact	<p>Building No.186(B), Shwe Gon Taing Road, Yae Tar Shae Block, Bahan Township, Yangon Region. Tel: (+95-1) 559 475 / 552 956</p> <p>The loan application form is available with the ACLEDA MFI branches.  <a href="http://www.acledamfi.com.mm/mm/eng/service#loan">http://www.acledamfi.com.mm/mm/eng/service#loan</a></p>
Source(s)	ACLEDA MFI Myanmar 2015. Retrieved 10.08.2015 from <a href="http://www.acledamfi.com.mm/mm/eng">http://www.acledamfi.com.mm/mm/eng</a>

International Finance Support	
Implementing institution	<p>The German Agency for International Cooperation / Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).</p> <p>Project was commissioned by German Federal Ministry for Economic Cooperation and Development (BMZ). The lead executing agency in Myanmar is the Ministry of Planning and Economic Development</p>
Description	<p>The project has provided support to Banking and financial system development in Myanmar and runs from 2012 – 2016. The goal is to create tailor made financial services for SMEs. The project comprises the following activities:</p> <ul style="list-style-type: none"> <li>• Support the government and financial institutions to develop legal frameworks for effective supervision of the banks, to adhere to international accounting standards</li> <li>• Assist central bank in establishing regulatory and supervisory environment.</li> <li>• Train service providers who can then train bank employees in risk assessment related to SMEs</li> <li>• Work with three pilot banks that have branches throughout the country – SMIDB, Kanbawza Bank and Yoma Bank</li> <li>• Develop financial products for SMEs.</li> </ul> <p>Results to date include:</p> <ul style="list-style-type: none"> <li>• The SME credit portfolio of banks that participated in the project increased by almost 40% over one year</li> <li>• The number of participants involved in training courses for banking sector increased by more than 30%</li> <li>• A new banking law has been submitted to parliament for discussion</li> <li>• Banks participating in the project share results with the banking association</li> <li>• The banking association is developing a certification course for providing loans to micro and small-sized enterprises (MSEs).</li> </ul>
Contact	<p>GIZ financial development project  <a href="mailto:fsd-myanmar@giz.de">fsd-myanmar@giz.de</a></p>
Source(s)	<p>Myanmar Business News 2015. KBZ, SMIDB, Yoma Bank, GIZ extend SME development collaboration. 22 September 2015. Retrieved 18.11.2015 from <a href="http://myanmarbusinessnews.com/kbz-smidb-yoma-bank-giz-extend-sme-development-collaboration/#.VkyL8itpGRQ">http://myanmarbusinessnews.com/kbz-smidb-yoma-bank-giz-extend-sme-development-collaboration/#.VkyL8itpGRQ</a></p> <p>GIZ. Retrieved 10.08.2015 from <a href="http://www.giz.de/en/worldwide/17772.html">www.giz.de/en/worldwide/17772.html</a>.</p> <p>DEALSTREETASIA 2015: GIZ selects SME banks in Myanmar. Retrieved 10.08.2015 from <a href="http://www.dealstreetasia.com/stories/giz-selects-sme-banks-in-myanmar-7168">www.dealstreetasia.com/stories/giz-selects-sme-banks-in-myanmar-7168</a></p>

International Finance Support	
Implementing institution	International Finance Corporation (IFC)
Description	<p>IFC works in Myanmar on the topic of financing and mobilising capital for private sector projects. Activities under this project include:</p> <ul style="list-style-type: none"> <li>• Providing energy efficiency financing, equity, loans, quasi equity/convertibles, risk guarantees and trade finance</li> <li>• Providing financing and building capacity of local banks and financial institutions to expand access to finance</li> <li>• Working with the Central Bank to develop a credit reporting system that will make customers credit history available to banks for loan decisions</li> <li>• Result to date include:</li> <li>• Provided USD 5 million (EUR 4.4 million) convertible loan to Yoma Bank, which will provide an additional 1,000 loans worth USD 370 million (EUR 325 million) to SMEs by 2019.</li> <li>• Provided USD 5 million (EUR 4.4 million) trade finance credit line for Myanmar Oriental Bank to help facilitate international trade especially for local SMEs.</li> <li>• Provided USD 2 million (EUR 1.7 million) loan for ACLEDA MFI Myanmar as a founding investor in the MFI operation in Myanmar.</li> </ul>
Contact	No.57, Pyay Road, 6 1/2 Miles, Hlaing Township, Yangon. Tel: + 95 1 654824
Source(s)	IFC in Myanmar. Creating Opportunities Where It's Needed Most. Retrieved 20.08.2015 from <a href="http://www.ifc.org/wps/wcm/connect/3974170043ba9348bab7ba869243d457/IFC+in+Myanmar.pdf?MOD=AJPERES">http://www.ifc.org/wps/wcm/connect/3974170043ba9348bab7ba869243d457/IFC+in+Myanmar.pdf?MOD=AJPERES</a>