

Myanmar, an Energy Frontier – An insider's view of how to navigate this exciting new market

We summarise the themes from our BLP-sponsored Women in Energy, Asia event, held at The Fullerton Hotel Singapore on 8 November 2016.

Myanmar's political transition

There was unanimity among the panellists that the political landscape has changed dramatically and is influencing the decision-making processes within the government. Despite the optimism arising out of the 2015 elections in Myanmar and the lifting of sanctions, there are still many issues creating uncertainty and frustration on the ground. The following points arose from a discussion on this:

- Expectations were very high but actual progress felt by the people on the ground has been varied. Especially amongst the young Burmese people, there is a lot of pent up frustration so expectations must be managed as overnight change is unrealistic.
- The lack of experience of the new government means that there are real bottlenecks in decision making. While the government is receiving much assistance from development organisations and NGOs, there is also a real risk of officials and civil servants being over-loaded and not having sufficient time to actually execute and deliver plans. So while capacity building initiatives are welcome, they may also unintentionally create further delays in decision-making processes.
- At the extreme end of the spectrum, some decisions are being made over social media instead of using the more formal organised channels of disseminating information, which at times causes confusion and is less orderly.

Local perception of foreign investment

The panellists shared the view that, for the most part, investors are well received in Myanmar. However, this widespread approval is not without some minor opposition, with those opposed viewing foreign investment with suspicion. The following comments were raised on this topic:

- One of the main real changes observed has been the genuine willingness of the government and Burmese people to engage with foreign investors. The government is very keen to learn about new concepts and there has been particular interest in public-private-partnerships (PPP) across the board.
- The people are generally keen to innovate and modernise and there is evidence that they are embracing the sort of technology that is infiltrating the country alongside foreign investment. For example, it is no longer unusual to see a farmer with a smartphone, which is perhaps a sight one would not have come across even a few years ago.
- Despite the observations above, there is still some confusion about what State Counsellor Aung San Suu Kyi actually wants to achieve in terms of welcoming foreign investment and where this sits in her immediate list of priorities for the country. Given other pressing issues such as the resolution of ethnic tensions, there is some concern that investment reforms are less a focus. As a result, some investors who are seeking more certainty feel Aung San Suu Kyi has not yet provided this.
- Also, there are land, environmental and cultural issues that need to be dealt with sensitively in order to mitigate any scaremongering about the consequences of foreign involvement.

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Challenges to expediting inbound capital flows

There was a general discussion about the barriers to a substantial influx of investment. Some issues appear to be cultural and others point to a lack of coherence and organisation within governmental bodies:

- There is a disconnect between key stakeholders such as the Regional and Union Governments which often causes extra delays because of the inconsistent nature of decision-making and it is not always clear with whom investors should be working.
- There is a critical human resource gap and the talent from which to select workers and bring projects to fruition is small. A greater emphasis on training and education is needed, starting at very early stages.
- Many businesses in Myanmar are family run and therefore may not have the same levels of corporate governance as multinational corporations. For those investors not used to partnering with such entities, this creates cultural issues and at times there are conflicts faced by foreign professional management when partnering with a Burmese company.
- Corruption is still prevalent and while the government has taken steps in the right direction to encourage more transparency, there do not appear to be plans to launch any major anti-corruption campaigns as we have seen in China. Additionally, as many projects must be carried out in partnership with a Myanmar company, it is difficult to do background searches/due diligence as there is no central database. Doing this due diligence is not easy without the right advisers.
- There has been a slowdown of investment in 2016 as some investors seem to be taking a step back and waiting for decisions to be made and greater clarity on the direction of the government before fully committing to Myanmar.

Energy woes

The panellists all agreed that there is a big gap that needs to be plugged to improve the excessively low rate of electrification in the country. This USD 40 billion gap in the energy sector in Myanmar is in desperate need of foreign investment and expertise. In particular they discussed:

- One of the biggest issues that the country faces in this sector is a real and urgent need for clarity on energy policy.
- Domestic gas production will not be sufficient to satisfy domestic demand and there is particular concern how to bridge the gap in supply around the years 2021-25.
- Although LNG could be an ideal solution to plug this gap in energy supply in the short to medium term, the greater issue of how to get the right energy mix remains outstanding (for example the role of renewables).
- The problem goes beyond lack of adequate sources of energy supply. Myanmar also suffers from a poor grid network. Grid connection is a big issue for investors in the electricity sector also because stakeholders have to engage with both the regional and central governments to ensure rural electrifications projects are connected to the grid.

CSR and society

The panellists were in agreement that investors have a duty to contribute to a society which is lacking in many areas and to avoid viewing the country purely as a profit making expedition without the sense that they have a real opportunity to lift the country from underdevelopment. There was some animated discussion as to how this should be carried out with one view supporting the sponsorship of local and

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national programs that help to improve welfare. Another view supported the merits of empowering people through the creation of social enterprises and finding ways for communities to make money. Beyond CSR activities, the panellists commented on the role of women in Burmese society:

- Some men think they have already achieved gender equality by pointing to the existence of a female leader (i.e. Daw Aung San Suu Kyi).
- While women are well represented in the education sector (e.g. a teachers and professors), that is not the case across all sectors and more needs to be done to correct this imbalance.
- There is a distinct feeling that men are still dominating the highest echelons of power in business and this will need to be addressed through the generational change.