

## **Private Sector Consultation on World Bank Group's Country Partnership Framework, Yangon, 2nd July 2014**

A meeting with private sector representatives was held in Yangon the 2nd of July, 2014 as part of a series of consultation meetings to inform the World Bank Group's new Country Partnership Framework and priorities emerging from the Systematic Country Diagnostic for Myanmar. The list of private sector representatives who participated in the meeting is attached hereto as Annex A.

Following is a brief summary of input and feedback received from the meeting, organized under seven broad themes discussed: Operations and Stakeholder Consultations, Public Sector Capacity Development, Agricultural Development, Land Governance, Private Sector Development, Education, Health, Electricity, Transportation and Communications.

### ***General Operations***

- The WBG should prioritize activities and areas that have been neglected by both the government and the international community in the past, such as Chin State.
- It would be helpful if the WBG could develop a report to map the priority areas and who is doing what in each of these areas.
- Financial management in government is very important, but at the same time at the grassroots level many NGOs are receiving significant funds for doing government work. It is important to develop capacity for financial accountability at this level as well.

### ***Public Sector Capacity***

- The Myanmar government urgently needs capacity development training in regard to prioritization skills.
- Tax management capacity and the tax revenue of the government here is very low. Many of the lawyers and service providers here teach tax avoidance. From my experience here many of the internationals working here in Myanmar are not paying tax here. This is happening across many sectors. Again the WBG has the capacity to work with government and with the international players to stop these detrimental practices.

### ***Macro-Economic Stability and Public Finance***

- The WBG should work on developing monetary policy and monetary instruments as well as on public finance. On the macro-economic side, there are lessons to be learned from Vietnam and Laos. Vietnam opened up very quickly but did not build up its financial management capabilities, did not do good macro-economic management or develop its monetary market, as a result it continues to struggle with erratic inflation.

Laos is less open but they are now going through a crisis dealing with basic public finance. They overestimated revenues and greatly underestimated expenditures and ran out of money. This is raising a lot of concern about how strong the banks are.

The IMF is not big enough and not capable of really supporting and developing a full monetary system. Decades ago the WBG and others used to work on this issue but more recently the Bank seems to have moved away from this. In 5-10 years, Myanmar will become a substantial economy and, as part of a functioning financial system, it will need to be able to move capital both within the country and internationally. That will require both short and long term monetary markets and monetary policies. The IMF could do diagnostics, but the development of these systems requires both money and a consistent approach. I would recommend that that be part of the WBG vision. I think that this is an area where the bank has a comparative advantage. It looks like it may be neglected.

- It is important and a huge challenge for Myanmar to make the inflows from natural resources transparent, and ensure that this money now goes into core social investment.

### *Private Sector Development*

- To reduce poverty, it is not only agricultural development that is important but also the development of manufacturing and services. So many donors go for the quick win and focus only on agriculture, but the challenges are much greater in manufacturing and particularly services, and those are fundamental to reducing poverty and increasing incomes. We see a lot of resistance from domestic providers to opening up these markets, but in fact these repressed sectors are so much smaller than they should be, so if we bring foreign investors into these markets they bring the domestic providers right along with them.

The importance of manufacturing and services often gets lost in lot of the debate here. Myanmar should look like Thailand. It should have a strong agriculture and natural resource sector but it should also have a strong manufacturing sector. As you develop the agricultural sector, you free up workers. They need to have somewhere to go to. So in addition to agriculture it is critical to work on developing a strong manufacturing and service sector.

- I would like to encourage the WBG and others to also focus on legal transparency. In Vietnam and Laos trade agreements have dominated a lot of the reforms that have taken place. One of the first things that Vietnam did to support this process was not to reduce tariffs or change quotas, but to amend their law in a way that required all new laws and regulations have to be published 50 days before they came into effect so that people could actually prepare for these changes and ensure that they were able to follow these new laws once they were enacted. They also established a 50 day public comment period on the development of all laws and regulations. I believe that similar reforms could benefit the development of the private sector in Myanmar.
- In regard to private sector development the WBG should focus on sustainability through the building of local capacity. The focus on poverty is good but we also need to focus on sustainability. The market has been growing because of investment coming in. While we welcome investment, local companies urgently need capacity development, particularly in regard to service industries. The foreign banks that are coming will focus on serving the needs of the foreign investors. Yet for local businesses the cost of capital is extremely high here. The WBG should do something to help level the playing field for local industry

- The WBG should provide capacity building for SMEs in Myanmar in regard to contractual and dispute management issues. The majority of these companies are completely lacking in knowledge on the legal framework of international contracts. International companies doing business with these SMEs, tend to insert dispute mechanisms in the contract that are based outside Myanmar. When the local companies sign these contracts they do not understand the implications of these contractual provisions. If a dispute arises they do not have the capital to use these mechanisms. This works against the development of this country. Can the WBG engage with the multinationals to stop this and help the SMEs grow?
- Even though there are already a number of organizations working on transparency in the private sector, in government and in the non-profit sector, the WBG should work on these issues because the WBG is here for the long term and these are issues that need to be addressed in the long term.
- When we talk with local businesses we always try to promote IFC/ international standards, but in regard to regional investment, it is very hard for level SMEs to follow these guidelines. As the WBG is also working with the government, would it be possible to explore with the government, the types of incentives that could be made so local SMEs have that leverage to work with the international companies that are coming in.
- Please add a section to the CPF focused on how to develop local industry in a sustainable way.
- The WBG should work on the issue of high land prices and to mitigate the disincentive that this causes for private sector investment.

### *Agricultural Development*

- The potential of agriculture in this country is not being fully exploited. Could the WBG work with the private sector on this to improve export earnings?

### *Education*

- There is also a need for strategic support to higher education in order to develop a tier of well educated government officials to manage the economy and the government. This would include the need for economists, lawyers and accountants. Also in the education system, it would be possible to get professors some relatively quick training so that they can come back and upgrade and modernize the university curriculum.

While this type of support was given by international donors in the past, currently the focus in the educational sector is almost exclusively on primary education. Very few of the donors currently provide this kind of strategic support. It would not be very expensive. I would like to encourage the WB to think about this a bit more.

### *Electricity*

- The supply of electricity is the basic infrastructure for the development of every sector. Development of this infrastructure is a top priority for this country and an area in which the WBG has considerable expertise. The government does not have sufficient expertise in this area. It would be therefore be

helpful if the WBG could work with the government to clarify policy on power supply, including the use of coal, EIA and SIA requirements, and power purchase agreements in terms of understanding how to do risk mitigation, what responsibilities the government should take and what responsibilities and risk should be taken by the power developer.

## Annex A

<b>No.</b>	<b>Name</b>	<b>Organization</b>
1	Steve Parker	USAID-ERA
2	Amuci Pceer	Tata
3	Numna	Sprinkles
4	Htet Htet Aung	
5	U Tun Win	Supreme Group of Companies
6	U Ye Thaung Htut	Myanmar Marketing Research and Development
7	Martin Pun	MBCH
8	Hnin Ei Ei Ngwe	MiTA Myanmar
9	Thi Thi Thein	Myanmar Center for Responsible Business
10	Hang Za Thawn	Sustainable Development Initiatives
11	Belda Fael	Coca-Cola
12	Madhal Paul	MiTA Myanmar
13	Dr Vo Vo	Japfa
14	Ken Tun	Parami