

MHM Yangon Newsletter

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- 1. Foreign banks are now permitted to lend to Myanmar local companies.**
- 2. The Myanmar Investment Promotion Plan (MIPP)**

1. Foreign banks are now permitted to lend to Myanmar local companies.

The Central Bank of Myanmar (“**CBM**”) has issued Directive No. 6/2018 dated November 8, 2018 (the “**Directive**”), announcing that foreign banks licensed by the CBM to provide banking services in Myanmar would be allowed to lend to local companies.

Thirteen foreign banks are currently licensed by the CBM to provide banking services in Myanmar through local branch offices. Prior to the issue of the Directive, a condition of such banking licences was that the foreign banks were not permitted to lend to Myanmar local companies (that is, companies which were ultimately wholly owned by Myanmar citizens). Instead, they were only permitted to lend to companies with foreign capital (that is, Myanmar-foreign joint ventures and wholly foreign-owned companies). The Directive now permits foreign banks to lend to any company in Myanmar regardless of its ownership.

The purpose of the Directive is to diversify the sources of finance available to local companies to meet the growing demand of Myanmar companies for funding. In addition, this announcement marks the latest step in the gradual deregulation of the banking sector since the first issuance by the CBM of a banking licence to a foreign bank in 2015. In December 2017, foreign banks were permitted to provide export finance to Myanmar local companies.

However, although the Directive now permits foreign banks to provide loans to Myanmar local companies, there remain questions around whether foreign banks will be able to assess and approve their creditworthiness. The impact of the Directive on the local credit market will therefore be of significant interest from the perspective of gauging whether the ongoing deregulation of financial markets in Myanmar is benefitting Myanmar’s economy and businesses.

2. The Myanmar Investment Promotion Plan (MIPP)

The Myanmar Investment Committee (“**MIC**”) published in October 2018 its Myanmar

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Investment Promotion Plan (“MIPP”), setting out its long-term investment promotion strategy. The MIPP is a comprehensive long-term vision for attracting investment to Myanmar through to 2035, prepared with the support of international organisations like the Japan International Cooperation Agency.

(1) Strengthening the functions of one-stop service centers (“OSSCs”)

The MIPP recommends strengthening the functions of OSSCs. For example, although an OSSC currently operates at the Directorate of Investment and Company Administration (“DICA”), it functions broadly as an information source. Investors need to contact relevant ministries separately to obtain the approvals and licences required to do business in Myanmar. By contrast, the OSSC in the Thilawa Special Economic Zone is authorised to grant licences and permits, obviating the need for investors to separately contact other ministries.

It will be of interest therefore what authority is granted to OSSCs established outside of the Thilawa Special Economic Zone under the MIPP.

(2) Establishment of an Investment Promotion Committee (“IPC”)

The MIPP also recommends establishing an independent IPC chaired by the chairman of the MIC, with DICA as its secretariat, and comprising ministries which are relevant to investment in Myanmar. The purpose of the IPC is to manage the implementation of the MIPP and coordinate government policy on a wide range of economic policies to improve Myanmar’s investment environment. As an independent agency, the IPC is expected to have authority to liaise with, and make recommendations to, other line ministries, in its own capacity rather than as a department of a ministry, streamlining the internal decision-making processes and improving its responsiveness.

(3) Establishment of an independent investment promotion ministry














Following publication of the MIPP, on November 20, 2018, the President issued Notification No. 87/2018 establishing the Ministry of Investment and Foreign Economic Relations. This new ministry combines the functions of DICA and the Foreign Economic Relations Department of the Ministry of Planning and Finance into a separate ministry.

While the creation of the Ministry of Investment and Foreign Economic Relations appears to bolster DICA’s ability to coordinate and contribute to Myanmar government

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policy-making on investment, it is yet to be seen whether it will fulfil the aspirations in the MIPP for an IPC, and whether this new ministry will have the authority in practice to change government policy for the benefit of investors in Myanmar.

The MIPP's recommendations evidence the MIC's belief that it is necessary to manage and supervise the regulatory framework in Myanmar and the policies of Myanmar government ministries to promote investment. As an economy which has only recently opened to foreign investment, significant capacity constraints exist within government which can adversely impact investors. The implementation of the MIPP will be of particular interest from the perspective of whether it improves Myanmar's regulatory framework for investors.

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