Providing Development Capital to Infrastructure Projects in Myanmar

Introduction to Infra Capital Myanmar
ADB ACEF, Manila, June 2017
ICM fulfils the InfraCo Asia Development mandate for Myanmar. InfraCo Asia is backed by the Private Infrastructure Development Group (PIDG) a multi-donor organization that promotes private infrastructure investment in developing countries through a range of specialized financing and project development facilities and programs.
The **Department for International Development (DfID)** is a United Kingdom **government department** responsible for administering **overseas aid**. The goal of the department is "to promote sustainable development and eliminate world poverty".

### Economic development:
- Improving rural livelihoods for men and women through the **Livelihoods & Food Security Trust Fund (LIFT)** and **FLEG-T**
- Advising firms on operating in ways that benefit poor people through the **Business Innovation Facility**
- Unlocking the potential of business in Burma via the **Burma Enterprise Opportunity Facility**
- Improving the investment climate and business standards through the **IFC** and the **Myanmar Centre for Responsible Business**
- Increasing investment in infrastructure through the **ADB, InfraCo Asia** and **SARTIP**

### Governance:
- **Electoral and Parliamentary strengthening**, including credible November 2015 elections via **IFES**
- Improving the Government’s **public financial management**
- Supporting Burma’s participation in the **Extractive Industries Transparency Initiative (EITI)**
- Strengthening civil society through **Pyoe Pin and others**
- Co-funding the **2014 Census**

### Peace building:
- Addressing **inter-communal violence and supporting the peace process**
- Advice from **Inter Mediate** to all sides on negotiating durable peace agreements

### Health and nutrition:
- Extending health services and improving health systems via **3MDG**
- Combatting **drug resistant malaria**
- Improving nutrition, especially for children under 5 and pregnant women, via **LIFT** and **3MDG**

### Education:
- Improving **primary schooling** quality and access via **UNICEF**
- Improving complementary education systems through the **Myanmar Education Consortium**

### Humanitarian:
- Funding humanitarian support to people affected by conflict in Kachin, Rakhine and border regions
- Flood Emergency: **relief supplies and livelihoods recovery support**
Infra Capital Myanmar (ICM) originates, develops and finances infrastructure projects in Myanmar. As the Developer under contract to InfraCo Asia Development (IAD) for the country of Myanmar, we aim to stimulate greater private investment in infrastructure by developing projects and bring them to a stage whereby they can attract domestic and international finance.

**Target Sectors of Development and Investment Interest in Myanmar**

- **Sustainable energy**
  - Renewable energy
  - Energy efficiency
  - Waste to energy

- **Transport & logistics**
  - Road infrastructure
  - Urban planning
  - Logistics value chain

- **Agriculture & agri-support**
  - Fisheries
  - Agricultural farming
  - Cold storage

- **Rural development**
  - Power infrastructure
  - Rural electrification
  - Water and sanitation

**Building Foundations for:**
- Economic Growth, Poverty Reduction
- Access to Infrastructure, Employment and Sustainability
Creating bankable projects through leveraging the public sector

**Stages of Infrastructure Project Development**

- **Stage 1: Idea Generation & Early-Stage Project Development**
  - Investment at this stage only $2 to $3 Million (2 to 10% of the total cost depending on project size)
  - However, riskiest stage of investment
  - Lack of sources of early stage financing in industry

- **Stage 2: Project Development**

- **Stage 3: Construction**
  - Most institutional investors focus on Stage 3 and Stage 4 projects as a way to diversify their portfolios
  - • Commercial Banks
    • Multi-laterals
    • Private Equity
    • Pension Funds
    • Sovereign Wealth Funds
    • Infrastructure focused government sponsored funds such as AIF, AIIB

- **Stage 4: Operation**

**InfraCo Asia** plays a key role in attracting more private sector investment but very few peers exist

- • IFC Infra Ventures
  • Global Infrastructure Facility
    • Recent World Bank initiative
    • Supported by Australian government, European institutions and Swiss firms
Investment Methodology

1. **Project Identification**
   - Due Diligence
   - Technical Assessment

2. **Feasibility Phase**
   - 1 - 2 years
   - Feasibility studies
   - Commercial & legal due diligence

3. **Construction & Implementation Phase**
   - 1 - 2 years
   - Permits and Regulatory Navigation

4. **Investment Exit**
   - Develop projects until financial close
   - Partner with local and foreign stakeholders
   - Attract investments from private sector
   - Promote success of the projects and partners

Role of ICM:
- Identifies and screens infrastructure opportunities
  - Feasibility studies
  - Commercial & legal due diligence
- Develop projects until financial close
- Partner with local and foreign stakeholders
- Attract investments from private sector
- Promote success of the projects and partners
Rural Mini-grid Project

Project Description

- Solar/ Diesel/ Battery micro-grids to power
  - community centres,
  - telecom towers and
  - households in rural areas

Phase I: Development phase

- Implementation of 2 x Pilot projects
- build an enabling environment for cottage industry and SMEs to benefit from electricity.

Phase II: Commercial Implementation

- Short term objective of up to 100 sites by Dec 2018
- and a long-term objective of 1000 sites by 2023
Rural Mini-grid Project

Project Description

- Providing energy access and rural electrification through Solar diesel hybrid micro-grids in the country
- Displacement of 440,000 liters of diesel, 889 tons of CO₂/year and inefficient gensets that run 24/7
- Catalyst for cottage industry and small businesses
- Additional Access to Social Infrastructure – power mobile medical clinics, community schools
- For rural areas, basic energy access can be provided quickly to the people at affordable rates (previously un-electrified)

Opportunities and Challenges

- **Development of a security package** that would provide comfort private sector investors, within a Private-Public-Partnership framework.
- It could function as a combination of a funded escrow account and a guarantee facility to:
  - Backstop short term payment delays by the Village Electrification Committees (VECs)
  - termination events caused by defaults from VECs
Wind Power Project

Project Description
- Pioneering the deployment of wind power in Myanmar
- Development of up to 60MW to 100MW of wind power portfolio
- 24 proposed sites to be in three regions of Myanmar
- Prefeasibility completed with fair level of confidence in wind resource, transportability & constructability
- Development of local wind power platform

Opportunities and Challenges
- In Myanmar, there is huge potential for power generation from renewable energy resources
- Technology transfer and development of native core skills in wind power project development is needed
- However, there is still lack of bankable wind data that can be utilized for public and private sector in the development of wind power projects.
Changing Landscape for Development and Investment in Myanmar

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