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Responsive and Inclusive Business in Myanmar

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I first visited Myanmar over twenty years ago and to this day I remember the warmth of the people and the beauty of the natural environment. Despite an oppressive military regime, the people of Myanmar that I met welcomed me and displayed levels of generosity that I can never forget. In my recent visits to Myanmar those characteristics are still there but people are also endowed with a new enthusiasm, embracing the rapid change that has been apparent over recent years.

Change cannot, however, be taken for granted and there is still a lot to do to create a modern and vibrant economy and heal many of the bloody wounds of the past. The optimism displayed by the people of Myanmar must be matched by a concerted commitment by all stakeholders to ensure change lasts and to ensure that it is consistent with the best principles of sustainable development. Not least the private sector has an important role to play.

Whilst the relative underdevelopment of Myanmar has helped to protect biodiversity, it has also created large scale poverty, particularly in rural areas. Economic growth is therefore important but it needs to be balanced with the need to protect and embrace Myanmar’s natural environment. Businesses that see great market opportunities in Myanmar (and there are many) need to invest in ways which are both responsible and inclusive, if we are to ensure that sustainable development objectives are met.

At CSR Asia, we have always believed that there is a significant role for the business community in contributing to development. Businesses create wealth, provide much needed jobs, transfer technology and skills sets and should do business in a way that makes profits while protecting the social and environmental capital of a country.

More than ever, Myanmar needs new investment. Above all, it needs high quality, responsible investment that can put the country back on track to becoming one of Asia’s leading economies. There is a lot to do in Myanmar and businesses would be wise not to rush in until they better understand the real risks and opportunities of operating there. But well thought through business strategies that deliver value to businesses, people and the environment can be truly sustainable.

In this publication we provide an analysis of the current situation and prospects in Myanmar through a stakeholder engagement process, which began at the beginning of 2013. We provide a model for analysing risks and opportunities, guidance on developing inclusive business models and outline the importance of developing a strategic approach to responsible and inclusive business.

We welcome any comments and feedback which you may have, but hope that this report will help businesses operating or entering Myanmar to contribute to the sustainable development of this important country.
EXECUTIVE SUMMARY

Myanmar has initiated a comprehensive reform and democratisation process after decades of military oppression that left the country unstable. Myanmar’s potential is widely recognised, but business operations in transitional countries are challenging. Growth and investments are needed to contribute to the country’s economic development. But businesses need to ensure that growth is in the interests of all people and to act in a responsible and inclusive way, fostering sustainable development.

Research Findings

Stakeholder engagement showed that corporate social responsibility (CSR) and sustainability challenges fall into four categories: government, politics, laws and regulations; public services and society; business operations; and the environment. To date CSR has mainly been understood as a philanthropic concept due to the prevalent Buddhist beliefs and merit-making culture in Myanmar.

A Framework for CSR

This report has developed a framework that enables companies to define a responsible and inclusive business strategy for operating in Myanmar. It provides guidance on how to conduct business in a way that protects the organisation from reputational, financial or legal risks, and contributes to the sustainable development of the country. The model consists of the following three components:

1. Responsibility: An analysis of Myanmar and contribution of business to the country’s future development
2. Inclusivity: Incorporation of low-income populations into corporate operations and value chains to reduce poverty
3. Strategy: Development of a comprehensive strategy to facilitate responsibility and inclusivity

Responsibility

Based on the underlying approach that argues responsible companies contribute to Myanmar’s development, six capitals that provide opportunities for business contributions are assessed. These include the economical, political, legal, technological, social and environmental capital.

Myanmar’s economical capital, with a very high gross domestic product (GDP) growth rate, strategic location and encouraging future prospects, make the country a promising new market. However, there are also risks and challenges for businesses, including underdeveloped infrastructures, the difficulty of finding local partners and a range of competitive disadvantages.

Myanmar’s transitional government is committed to a comprehensive reform process. But major weaknesses in the political capital of the country exist, including challenges around bribery and corruption, weak institutions, ethnic conflicts and underdeveloped public services. These pose big risks and challenges for business operations.

Legal capital is weak, although Myanmar has initiated an ambitious law reform process. Underdeveloped legislative and judicial systems and the unclear interpretation of laws fail to provide legal certainty.

Myanmar’s technological capital depends on foreign technology imports and the transfer of know-how. Suffering from technological disadvantages and lower productivity, the potential to “leap frog” expensive research and development efforts and implement clean, state-of-the-art technology is significant.

Social capital begins with strong dimensions of civic reciprocity and social cohesion. But Myanmar also has major challenges around human rights and discrimination, especially with respect to minority ethnic groups and other marginalised groups.

Myanmar is known for its abundance of natural resources, great biodiversity and fertile agricultural land. Although the integration of income generation activities with conservation through community investment shows promise, the natural capital is threatened by the exploitation of natural resources, destruction of ecosystems and loss of biodiversity.
Inclusivity

Inclusive business is a commercially viable and scalable way to incorporate low-income populations into corporate value chains. It aims to combat the poverty challenge in Myanmar and provides access to goods, services and livelihood opportunities at the base of the pyramid (BOP). The report outlines three ways of including poor people:

- New employment opportunities and capacity building
- New consumer markets and distribution networks
- Business linkages along the value chain

Inclusive business opportunities are particularly promising in agriculture, tourism and the finance industry.

- Agriculture is the most important industry in Myanmar and accounts for 36% of GDP. It is a promising sector in terms of addressing poverty because the most affected populations live in rural areas.
- Tourism is set to boom in Myanmar as people seek out new opportunities to visit the beauty and diversity that is on offer. There are huge opportunities to create an inclusive tourism industry with an emphasis on eco-tourism, home stay accommodation and community based tourism services.
- Equitable and inclusive growth is accelerated through access to financial services, banks or microfinance for low-income households and small enterprises. New products and services are needed in Myanmar including insurance, small scale loans, savings, credit, remittances and mobile phone banking.

Strategy

The strategic alignment of responsibility and inclusivity with business objectives is crucial for effective risk management. To develop a responsible and inclusive business strategy, organisations need to exercise due care and diligence and assess the business environment in Myanmar, considering its history, ethnic diversity, regional differences, power structures, ongoing developments and the issue of bribery and corruption. Risks related to the specific industry and location, the natural environment, communities or labour and human rights need to be analysed. Ongoing stakeholder engagement with legitimate and representative stakeholders and vulnerable or minority groups builds trust. Action plans should be developed that include the definition of CSR policies and procedures, strategy, allocation of resources, monitoring and measuring of performance, as well as the review of activities and relevant communication strategies. A strategy development checklist guides organisations through the process and supports the establishment of a responsible and inclusive business strategy.

Recommendations

This report provides guidance for companies aiming to enter Myanmar and operate in a responsible and inclusive way and includes the following recommendations:

- Get the basics right: Be transparent and accountable, put CSR policies and procedures in place and understand the business environment
- Engage with your stakeholders: Know who your key stakeholders are and what they think
- Compensate for incomplete regulation frameworks: Know what is going on, get legal advice and engage with governments and other important institutions
- Consider both risks and responsibilities: Do not rush in, make a business plan and map out contributions to the six capitals outlined in this report
- Create new inclusive business models: Identify inclusive business opportunities, achieve co-creation, commit for the long-term, look for partnerships and manage expectations

Although businesses are facing a difficult environment, it is possible to invest and operate in a way that supports the responsible and inclusive development of Myanmar and offers prosperous business opportunities.
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1 INTRODUCTION

Myanmar was one of the last countries in the world that was isolated from international interaction and economic, political and social progress. Decades of military leadership tore down its previously flourishing economy and made it one of the poorest countries in Asia. For much of the population, time stood still since the early 1960s.

After years of struggles for freedom, the government initiated a peace and democratisation process and reconnected the country globally. These efforts ultimately enabled an important discussion on responsible and inclusive business development in Myanmar.

If the reform process continues and maintains its current course, the economy could grow by 7%-8% annually and the per capita income could triple by 2030. Great opportunities for both the country and business operations arise.

WHY did we write this report?

It is only possible to foster effective sustainable development through engagement with business, but operating in transitional countries such as Myanmar is challenging and involves financial, legal and reputational risks for companies. There is, as yet, limited guidance and practical recommendations for businesses planning to invest and operate in a country like Myanmar, but responsible businesses are very much needed to contribute to the country’s development and foster inclusive growth of the whole economy. Business activities that create employment and human resource capacity are required, as well as the provision of much needed goods and services. Responsible business and new inward investment can be a force for good, but it is essential that development is in the interests of all people.

Myanmar’s history and the relative underdevelopment of a rapidly changing environment pose big risks and challenges to businesses. But the country has great potential to become a democracy, to rise to an affluent economy within Asia and to address key development issues. However, experience from other resource-rich countries such as Vietnam or Cambodia has shown that development processes, accompanied by rapid economic growth, can have significant adverse impacts on society and the environment. A proper strategy for responsible and inclusive business can alleviate these adverse impacts.

WHO is this report for?

Responsible and inclusive business models provide opportunities to contribute to sustainable development in Myanmar, but activities must be strategically aligned with business objectives.

This report is written for businesses and other organisations that are dedicated to generating responsible profits through business activities and at the same time contributing to overcoming sustainability challenges and meeting the development needs of Myanmar.

WHAT do we want to achieve?

This report provides guidance for establishing a responsible and inclusive business strategy to operate in Myanmar. It links the current situation in Myanmar with business strategies that can accelerate the development of the country. This report therefore enables businesses to develop an appropriate business plan for operating in a way that reduces corporate risks and facilitates sustainable development in Myanmar.

“Opportunity seekers are flocking into Myanmar and we observe something that we call the 4-L’s: They are Looking, Listening, Learning and Leaving – hopefully that will change”.

(Daw Khine Khine Nwe, Joint Secretary General, Union of Myanmar Federation of Chambers of Commerce and Industry)

WHY is this report different?

This report is different from other publications on Myanmar because it is based on research from on-the-ground intelligence, knowledge and experience. A wide range of stakeholders’ experiences and opinions relating to operating in Myanmar in a sustainable manner have been used to understand the challenges that businesses face and the opportunities for development. This provided the basis for developing practical recommendations and approaches on responsible and inclusive business.

The research interviews mainly focused on the following areas:

1. Key corporate social responsibility (CSR) and sustainability challenges when operating in Myanmar
2. Foreign investments
3. The role of the private sector in the sustainable development of Myanmar

**At a Glance**

This report outlines many of the challenges highlighted by our research. We then present a responsible and inclusive business model that can guide companies in their investment and operational decisions. It consists of three parts and aims to guide and support companies through the following stages:

- **Responsibility**: Identifying priority areas for responsible business activities
- **Inclusivity**: Identifying inclusive business opportunities
- **Strategy**: Developing a responsible and inclusive business strategy

1. **Responsible business**

The section of the report on responsible business analyses the key sustainability challenges that businesses are facing in Myanmar. The current development stage and potential future developments of six “capitals” is analysed. Based on this analysis, actual business risks and opportunities are outlined.

This comprehensive analysis of Myanmar provides insights that businesses can use to identify opportunities to positively contribute to the “capitals” and enhance the sustainable development of Myanmar.

2. **Inclusive business**

The inclusive business section demonstrates how low-income populations can be included in corporate operations and their value chains. Although there are certain challenges when including poor communities and marginalised groups into business operations, growth in Myanmar must benefit all people. A number of opportunities are outlined and three industries are considered in-depth.

3. **Strategy**

The third section of the report assists organisations with the development of a responsible and inclusive business strategy. Key areas and initiatives are identified. We outline the long-term objectives that are vital for responsible and inclusive business and future success.
Research Findings

Stakeholder engagement showed that CSR in Myanmar is predominantly understood as a philanthropic concept. Although the common understanding of CSR outside Myanmar does not exclude philanthropy, it is much more focused on identifying a business case for CSR activities and creating impacts on the ground. There is scant understanding of the concept of CSR and a need to increase understanding of the importance of CSR through training and consulting activities.

WHY are donations so important in Myanmar?

1. The majority of people in Myanmar are Buddhists, who believe in the concept of rebirth. Donating money, goods or services is a way of acting morally and making “merit” and therefore positively influences one’s form in the next life.
2. Myanmar is a very value based society and there is a natural willingness to share. The donation culture is therefore highly developed.
3. The concept of CSR is relatively new and immature amongst Myanmar’s business society. CSR is seen as a fashionable concept and certainly the right thing to do, but there is still little understanding about its strategic alignment.

WHAT are key sustainability challenges?

Our stakeholder engagement revealed that major CSR challenges in Myanmar are:

1. **Government, politics, laws and regulations**
   - Insecure regulatory environment
   - Bureaucracy and underdeveloped institutions
   - Governance
   - Conflict and post-conflict situations
   - Bribery and corruption
   - Labour standards, fair and decent work
   - Land rights and land ownership

2. **Public services and society**
   - Underdeveloped education sector
   - Underdeveloped health sector
   - Underdeveloped infrastructure
   - Vulnerable groups and inequalities
   - Marginalised ethnic minorities
   - Widespread poverty

3. **Business operations**
   - Human capacity gaps
   - Poor CSR awareness and understanding
   - Problem with indentifying reliable local partners
   - Access to marketplaces for all businesses
   - Creating positive impacts for development

4. **Environment**
   - Vulnerability to natural disasters and climate change
   - Environmental degradation
   - Loss of biodiversity
Myanmar Background

Years of isolation, mismanagement, corruption and cronyism have made Myanmar one of the poorest and most underdeveloped countries in the world. Accurate statistics about Myanmar are difficult to find and largely based on estimations, varying widely from source to source. The overview of Myanmar provides a summary of the country’s current situation.

Myanmar Facts

- **Location**
  Surrounded by Bangladesh, India, China, Laos and Thailand

- **Area**
  - 653,508 sq km land
  - 23,070 sq km water

- **Natural resources**
  Petroleum, timber, tin, antimony, zinc, copper, lead, coal, tungsten, marble, limestone, precious gemstones, natural gas, hydropower

- **Natural hazards**
  - Earthquakes and cyclones
  - Flooding and landslides
  - Periodic droughts

- **Population**
  Estimated at between 54.6 and 60.6 million

- **Ethnic groups**
  Burman 68%, Shan 9%, Karen 7%, Rakhine 4%, Chinese 3%, Mon 2%, Indian 2%, others 5%

- **Religion**
  Buddhist 89%, Christian 4%, Muslim 4%, animist 1%, others 2%

**POLITICAL development**

Britain took control over Myanmar in 1886 and incorporated the country into its Indian Empire. Myanmar became semi-autonomous in 1937 and gained total independence in 1948.

- **Military Rule**

After a military coup d’état in 1962 under General Ne Win, Myanmar was subject to socialist military rule and decades of isolation. Ne Win resigned in 1988 as a response to the student-led revolution and widespread civil unrest. However, the military junta crushed the revolution within months. Any form of dissent was subsequently brutally broken down and the country was ruled by martial law.

- **1990 Elections**

The first multi-party elections were held in 1990. It was a thorough success for the opposition party, the National League for Democracy (NLD). Yet power was not handed over and Aung San Suu Kyi, the Nobel Peace Prize recipient, icon of political dissent and leader of the NLD, was placed under house arrest for almost two decades before she was finally released in 2010.

- **Saffron Revolution**

As a result of the removal of fuel subsidies in 2007, prices of gasoline and other fuels increased by 100%-500%, which had a massive impact on prices of food and other essentials. Thousands of Buddhist monks and civilians protested in the streets of Yangon in the so-called Saffron Revolution. The military junta violently cracked down on the demonstration, resulting in thousands of injuries and deaths as well as imprisonments and torture. The international community expressed concerns and further sanctions, such as an arms embargo and trade restrictions, were put in place.

- **Since the 2010 Elections**

The Union Solidarity and Development Party gained 75% of seats at the parliamentary elections in November 2010. Thein Sein was elected president in 2011 and assembled the majority of his parliament with previous military officers.
This new government has initiated political and economic reforms such as the removal of press censorship and the release of political prisoners, and reconnected Myanmar globally. The NLD was registered as a political party and has participated in parliament as the opposition party since April 2012.

**HUMAN rights violations**

The military junta sealed off Myanmar from global interaction for a long time and a range of human rights violations took place while neighbouring countries became established constitutionally and developed economically.

Crimes against humanity were reported throughout the regime’s leadership, including the pervasive use of forced labour, forced recruitment of tens of thousands of child soldiers, rampant sexual violence, extrajudicial killings, torture and the displacement of over a million people.\(^5\)

Human rights violations continue to be a problem in Myanmar and are still present in all 14 states and regions. Forced labour, torture, inhumane and degrading treatment, arbitrary and corrupt taxation and extortion continue.\(^6\)

**DIVERSE society**

There are officially 135\(^7\) national races registered as living in Myanmar, although some ethnic minorities are still not recognised by the government.

Ethnic conflicts are deeply rooted within Myanmar’s diverse society. Human rights were not only violated by the military but continue to be an issue between ethnic groups. The ongoing conflict between Buddhist and Muslim groups, for example, has resulted in violence and has caused many injuries and deaths.

Many ethnic minority groups were displaced during Myanmar’s violent past. In 2012, a total of 400,000\(^8\) internally displaced people were estimated to be living in Myanmar. Although the government has signed ceasefire agreements with all minority groups and announced peace negotiations to reach country-wide and lasting peace in January 2013, ethnic conflicts are far from over and the reconciliation process has just started.

**HUMAN development**

Myanmar’s Human Development Index\(^9\) (HDI) remains low compared to its neighbours, although the gap has been closing in recent years. Myanmar reached 0.483 in 2011, but is still far below the average of 0.671 in East Asia and the Pacific region.\(^10\) Life expectancy increased between 2005\(^11\) and 2011 by 7.7 years for men to 57.5, and 2.1 years for women to 63.1.

The Asian Development Bank estimated that the number of people living below the poverty line declined from 32.1% in 2005 to 25.6% in 2010.\(^12\) Nevertheless, the population with access to safe drinking water and sanitation also declined by 6.8% and 11.7% respectively in 2010.\(^13\)

Poverty is unevenly distributed between rural and urban areas: 85% of poverty is found in rural areas and the disparity between states and regions vary from as high as 73% in Chin Province to as low as 11% in Shan Province.\(^14\) Although the consumption gap (difference between the richest and poorest 20%) decreased by 8% more households have entered into poverty (16.5%) than escaped from poverty (11.3%) since 2005.\(^15\)

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\(^9\) The United Nations Human Development Index is an indicator measuring achievements of human development in three dimensions: Length and health of life, knowledge, and decency of living standards.


\(^12\) Asian Development Bank, Myanmar in Transition: Opportunities and Challenges, August 2012 (Philippines: ADB, 2012).

\(^13\) Ibid.

\(^14\) MNPED et al., Integrated Household Living Conditions Survey: Poverty Profile, 2009-2010, June 2011 (Yangon: MNPED et al.).

\(^15\) Ibid.
2 RESPONSIBLE BUSINESS

SUSTAINABLE development and CSR?

Corporate social responsibility is essentially the private sector’s contribution to sustainable development. It is a wide-ranging concept that requires companies to think about their economic, social and environmental performance throughout their value chains.

1. The objective of CSR is to contribute to sustainable development, which allows the present generation to meet their needs without compromising the ability of future generations to meet their own needs.\(^\text{16}\) Sustainability refers to something that can be maintained indefinitely. However, today’s economies are not sustainable: Natural resources are depleted and the Earth’s physical system is damaged in a way that seriously impacts human livelihoods, eco-systems and the future availability of resources.

2. CSR is a strategic concept and includes two dimensions: How companies make their profits in a responsible way and how they provide benefits to stakeholders through their economic activities. CSR addresses how companies manage their impacts relating to the economy, society (and communities) and the natural environment, in a way which goes beyond compliance. It also includes relationships with stakeholders within the corporate sphere of influence, including employees, customers, competitors, the value chain, communities and governments.\(^\text{17}\)

SIX capitals

In order to enable companies to develop a responsible and inclusive business strategy for operating in Myanmar, the existing framework conditions of the country and the rapidly changing environment must be taken into consideration.

All countries, including Myanmar, have assets, which we refer to as economical, political, legal, technological, social and environmental capitals. Responsible companies will contribute to the development of Myanmar’s capitals through business activities.

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Economical Capital

Due to decades of military leadership, mismanagement and isolation, Myanmar was not able to keep pace with the economic development of its dynamic neighbours such as China or Thailand. Although the country’s per capita income was amongst the highest in the region in 1960s, it has since raced to the bottom.

**Current Situation**

- High GDP growth rate
- Strategic location
- Lifting of economic sanctions
- Underdeveloped infrastructures
- Difficult to identify local partners

**Potential Development**

- New markets
- Increasing interregional trade
- Establishment of sustainable economic relations globally
- Increasing government revenues
- Dutch disease\(^{18}\)
- Competitive disadvantage of domestic businesses
- Production costs

**WHAT is the current situation?**

Myanmar’s gross domestic product (GDP) grew from 5.1% in 2009 to 5.5% in 2011. For the fiscal year 2012/13, the GDP is forecasted to grow by 6% and even 6.3% in 2013/14.\(^{19}\) Such high GDP growth rates certainly provide prosperous business environments and promising economic developments.

Being the bridge between north, south and south east Asia, Myanmar has a unique **strategic location**. The country does not only border the two fastest growing economies of India and China, but also boarders about 40% of the world’s population. Myanmar’s transportation links with neighbouring countries are likely to make it one of the future’s most important hubs for regional production and trade.

In early 2012, the United States of America (USA), Australia and the European Union (EU) recognised Myanmar’s peace and development efforts and eased or removed their **economic sanctions**. Regained trade opportunities between Myanmar and the USA and EU offer business opportunities and strengthen Myanmar’s economy.

Economic decline and stagnation resulted in poor and **underdeveloped infrastructures** throughout the entire country.

- Electricity remains a big problem and although the power generation capacity is increasing, only 13%\(^{20}\) of the population has access to electricity.
- Myanmar’s Logistic Performance Index, which also includes the quality of infrastructures related to trade and transportation, ranked 129 out of 155 and is far below neighbouring countries (China 26, Thailand 38, India 46, and Laos 109).\(^{21}\)
- The telecommunications sector recently underwent a revolutionary transformation. SIM (subscriber identity module) cards are affordable for the general public for the first time and prices were set at US$2 in April 2013. Investors have already applied for licenses and plan to invest US$1.5-2 billion\(^{22}\) in internet and mobile infrastructure.

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\(^{18}\) The Dutch disease describes the relationship between increasing exploitation of natural resources causing a decline in the manufacturing sector.


\(^{22}\) NewsViews Issue 59, Myanmar’s Political and Economic Changes, Thura Swiss, April 11, 2013.
It is very difficult for international organisations to identify local partners and establish long-term relationships, as organisational structures and ownership are often not transparent. This is especially true of organisations that are government-owned or related to the former military regime. Myanmar is a relationship based society and good business relations are a key factor of success for business operations.

**WHAT are potential future developments?**

There is great potential for new markets across all sectors. The development of markets will improve lives through the provision of goods and services within the country, provide much needed employment and foster economic growth.

Holding the Association of South East Asian Nations (ASEAN) chairmanship in 2014, Myanmar will strengthen relationships with its ASEAN allies. Myanmar can take advantage of the increasing interregional trade, which accounted for 26% of ASEAN’s total trade in 2011.23

After economic sanctions were eased by the USA and even lifted by the EU24 in April 2013, long-term sustainable trade relationships can now be established.

Additionally, increasing economic activity and international trade may boost government revenues and taxes, which is an important source of income for investing into public goods and services such as infrastructure, health and education.

Domestic businesses in Myanmar are concerned about fierce international competition. Due to technological gaps and a lack of capacity, domestic businesses have a competitive disadvantage compared with international competitors. Additionally, domestic production costs can be higher due to underdeveloped infrastructures and higher costs for transportation, energy and access to marketplaces.

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**Key Challenges**

Know that incomplete infrastructures will impact your business
- Insufficient transportation networks
- Unreliable electricity networks
- Underdeveloped communication infrastructure

Engage with local authorities and invest in the physical infrastructure at your location

Remain informed about economic relations and regulations (rapid change is constant)

Consider your role in appropriate technology transfer and skills enhancement that can help the development of the economy and local businesses

Networks and local partners are key
- Find time to engage with local partners and to establish your network
- Create economic partnerships that can contribute to sustainable development

Ensure that money reaches its desired destination
- Cooperate with suppliers or business partners directly and avoid middlemen

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Political Capital

**Current Situation**

 março Government commitment to reform process
 março Political democratisation process
 março Weak institutions
 marzo Influential military apparatus
 março Bribery and corruption
 março Ethnic conflicts

**Potential Development**

 março Political stability and solid framework
 marzo Establishment of sustainable business requirements
 março New public image
 marzo Reintroduction of international sanctions
 marzo Loss of asset ownership
 marzo Underdeveloped public services sector
 março Jeopardised reconciliation process

**WHAT is the current situation?**

Myanmar’s transitional government with President Thein Sein as the head of state has proven its strong reform commitment since its inauguration in 2011. Current regulations are under development and new laws are constantly implemented.

The political democratisation process is in full swing and is promising. This is, in part, thanks to the government’s acceptance of international support and willingness to learn from similar transition processes that previously took place in other countries, including Cambodia and Vietnam. However, Myanmar’s political situation is not yet stable and major problems need to be solved to achieve lasting peace.

Macroeconomic policies, rules and regulations are being established at a rapid pace, aiming to close gaps and provide stable frameworks. Weak institutions fail to operationalise and implement policies effectively at national, regional and local levels. It will take time before an efficient institutionalised network is established.

There is still a strong influential military apparatus in Myanmar. 25% of all parliamentary seats are taken by the military, which gives it a blocking minority for constitutional amendments and major influence in parliamentary decisions. The military is protected by the constitution, which also stipulates the president must hand over power in case of an emergency.

The government says it is committed to eliminating bribery and corruption, but decades of cronyism and corruption are deeply rooted in Myanmar. Corruption is a major drawback for development and a threat to human rights. In 2012, Myanmar ranked 172nd out of 176 participating countries and territories on Transparency International’s Corruption Perception Index.25

Although ceasefire agreements were made with all ethnic minorities at the beginning of 2013, ethnic conflicts are still far from solved and the beginning of the national reconciliation process is unsteady. There are still minorities that are not recognised by the government and issues such as internal displacement and ethnic conflicts threaten recently established ceasefires. There is still a long way to go before ethnic peace, equality and positivism towards ethnic diversity can be established.

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**WHAT are potential future developments?**

If the transition process maintains its current pace, the government is likely to resolve key challenges. Myanmar could achieve long-term **political stability** and establish a **solid policy framework** facilitating continuous and inclusive development.

The government has the power to include **sustainable business requirements** into its policies. We also encourage companies to develop a responsible and inclusive business strategy.

Thanks to current international attention, the government is able to project a **new public image** and Myanmar seeks to become a recognised and reputable Asian economy.

Due to the current instability and uncertainty of future developments, the political environment of Myanmar is subject to potential risks, which should not be underestimated. If the military were to regain full power and return to its previous dictatorial leadership, **international sanctions** are likely to be reintroduced. This would negatively affect the political capital and business environment.

The government has initiated privatisation processes in order to improve technology, finance and expertise in areas such as oil refineries and fuel distribution networks, extraction mines for jade and tin, factories, farmland, schools and hospitals. This **loss of asset ownership** potentially impacts the government’s future ability to obtain income.

Myanmar’s **underdeveloped public services sector** is a big challenge for people and businesses alike. Public services include a variety of goods and services that are usually provided by the government such as roads, health services, education or police and fire services.

In April, 2013, Human Rights Watch\(^26\) accused authorities of being involved in ethnic cleansing against the Rohingya, a minority group that has been subject to persecution and violent attacks. Although peace talks have started, the involvement of ethnic minorities in the political process remains weak and further conflicts could put the **reconciliation process in jeopardy**.

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### Key Challenges

**Bribery and corruption**
- Establish guidelines and ensure that people understand and act on anti-corruption strategies
- Cooperate with other businesses and agencies in combating corruption

**Public institutions are weak as the political democratisation process continues**
- Provide health and social benefits for employees and local communities
- Invest in professional capacity building
- Promote diversity and support ethnic reconciliation

**Know your business partners and organisational relations**
- Advocate ethical behaviour in all business dealings
- Define your approach to business relationships and partnerships, avoiding those seen to be cronies

**Support government initiatives to introduce social responsibility requirements in the private sector**

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Legal Capital

Current Situation

- Law reform process
- International support for legal development process
- Underdeveloped legislative and judicial system
- Unclear interpretation of new laws
- Weak rule of law

Potential Development

- Establishment of comprehensive legislation
- Incorporation of sustainability requirements
- Exploitation of insecure regulatory environment

WHAT is the current situation?

Myanmar’s government has initiated a law reform process to review existing laws and regulations that are out of date. The rapid development of laws should help to build an economy that attracts foreign investment. This reform process is internationally supported through the involvement of advisory panels from various governments, business sectors, and associations.

However, the underdeveloped legislative and judicial system hinders the implementation and enforcement of laws and regulations at national, regional, and local levels. Myanmar’s business and civil society often lacks the capacity to interpret regulations and act on laws. In terms of human rights or labour laws, people are not yet familiar with processes and procedures to use the law to protect themselves.

Unclear interpretation of new laws is a general problem that also applies to the new Foreign Direct Investment Law (FDI) that was signed in November 2012. International organisations and multinational businesses remain observant regarding interpretations. The FDI lacks details, and interpretations depend on how the Myanmar Investment Commission (MIC) implements and interprets the law.27

Overall, due to incomplete regulatory frameworks and underdeveloped institutions, Myanmar has a weak rule of law. Responsible organisations need to go beyond Myanmar’s legal requirements and apply international standards and norms of behaviour.

WHAT are potential future developments?

There is great future potential to establish comprehensive legislation aligned with international standards fostering economic and social development. Legislation and judicial systems must be implemented at national, regional, and local levels.

The development of a new legal foundation in Myanmar allows the incorporation of key sustainability requirements and best practices, for example, concerning the environment, human rights and health and safety.

Unethical organisations might exploit the unclear regulatory environment and the weak rule of law. Businesses should act in accordance with international standards and regulations.

Key Challenges

- Laws and regulations are not sufficiently implemented and enforced
  - Ensure that you and your business partners act on laws and adhere to international norms and standards where rules are not yet sufficient
  - Obey the law and be a catalyst and role model for responsible business practices
  - Do not seek to exploit unclear laws for your own advantage

- Unclear legal situation
  - Actively engage with legal advisors, industry associations and governmental institutions to discuss legal implications and foster common understandings and interpretations of the law

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Technological Capital

Current Situation

- Transfer of foreign technology and know-how
- Little research and development
- Lower productivity

Potential Development

- Leap frog expensive research and development
- Returns on technology investment
- Introduction of clean technology
- High production costs
- Competitive disadvantage

WHAT is the current situation?

Myanmar is very much aware that its economic development depends on foreign technology and the transfer of know-how in order to increase efficiency, update production processes, develop new skills and enable the country to compete internationally.

The need for foreign technology is also reflected in the new FDI law. Chapter IV explicitly outlines that high technology development and achievement, as well as exchange of technology, is a basic principle and the primary objective of development.

Myanmar is not active in its own research and development activities, including the development of technology. The country depends on technology imports and foreign investments to transfer technology and know-how into all sectors including, for example, extraction, agriculture and manufacturing. Due to its technology gap, Myanmar suffers from low productivity.

WHAT are potential future developments?

Technological deficiencies provide great potential for mutual win-win cooperation between Myanmar and investors. Myanmar can take advantage of foreign state-of-the-art technology and leap frog decades of expensive research and development. Investors are likely to gain high returns on technology investment through cost efficiencies and increasing productivity.

The modernisation of production processes and use of technology in agriculture, in particular, promises increasing efficiencies by fostering development at the same time. Emphasis must be put on the introduction and import of clean technology.

Expensive and underdeveloped transportation services, poor communications resulting from poor telephone, fax and Internet access or outdated equipment and technology gaps, are some of the reasons for relatively high production costs in Myanmar. These facts also result in a competitive disadvantage for Myanmar compared to other Asian countries.

Key Challenges

Expect low technological skills
- Enable and foster a learning process amongst those using technology
- Allow more time for learning curve efficiencies
- Contribute to skills development and capacity

Import and invest in technology
- Establish production facilities and introduce appropriate equipment and machinery
- Cooperate with universities and research centres on research and development
Social Capital

Social capital is the most diverse capital of Myanmar. Some areas are very strong, including social cohesion, whereas others, such as human rights protection, are weak and underdeveloped.

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Potential Development

| Improvement of health system aligned with international practices |
| Abundant human resources |
| Brain-drain |
| Discrimination |
| Complicity in human rights violations |
| Increasing organised crime |

**WHAT is the current situation?**

Positive civic reciprocity and strong social cohesion are deeply rooted in the value system and strong Buddhist beliefs in Myanmar. The opinion is that merits of previous lives distinguish one’s economic and living standards. This shapes the personality and characteristics of people in Myanmar, as well as social and cultural norms and behaviours.

A climate of freedom and openness has emerged in Myanmar and is beginning to foster a new democratic society. There are many civil society groups emerging and people are enthusiastic to learn about democracy and democratic institutions. The democratisation process is not only driven from the top, but has very strong bottom-up support.

Having been a British colony, people still have good English language skills and English is taught at school.

Relationships are very important within Myanmar’s society and the local business community. It is necessary to establish good relationships within local networks and connect with key stakeholders. Social relationships help to bridge incomplete framework conditions, such as weak institutions or missing regulatory foundations, and are therefore an important asset that companies need to consider.

A major challenge in Myanmar is that weak regulatory frameworks do not sufficiently protect human rights. Human rights violations have a long history in Myanmar and are still present today. A variety of new laws and regulations were established in 2011 and 2012 aiming to protect social capital, including:

- The Labour Organisation Law (2011)
- The Minimum Wage Law (2012)
- The Social Security Law (2012)
- The Settlement of Labour Dispute Law (2012)

The practical implementation and enforcement of these laws is still underdeveloped and insufficient, while effective grievance mechanisms are yet to be established.

Education and human capacity gaps are one of the key challenges. In 2011, the average period of schooling was four years, although primary education actually lasts five years. Skilled and knowledgeable human capacity is still rare and Myanmar needs to close this gap to overcome key development challenges.
WHAT are potential future developments?

Myanmar’s spending on health accounted for only 0.2% of the country’s GDP in 2009 and is therefore significantly lower compared to neighbouring countries. There are on average 4.6 physicians and 6 hospital beds per 10,000 people in Myanmar. This is far below neighbouring China, where this ratio is 14.2 (physicians) and 42 (hotel beds) per 10,000 people and even India, with an average of 6.5 physicians and 9 hospital beds. Although this reveals the underdevelopment within the health sector, there is great potential to improve the health system aligned with international standards and practices.

There are abundant human resources with 13 million people aged 15-28, who are eager to contribute their skills and knowledge to create income and enhance the country’s competitiveness. Another 25% of the population is below working age but with the provision of appropriate education, skills development and capacity building measurements, this human capital can be an important future driver of Myanmar’s economy, offering a young and skilled labour force for decades to come.

With increasing global mobility, educated and skilled people are more likely to leave their country and seek prosperous employment opportunities abroad, further increasing capacity gaps. Although there is a trickle of educated and skilled people returning to Myanmar, brain-drain remains an issue that can impede economic growth.

Discrimination based on ethnicity continues to be an issue. The Burman majority has been engaged for six decades in a violent campaign against ethnic minorities. Although the government reached ceasefire agreements with all recognised ethnic minorities and started peace talks in February 2013, conflicts and armed interventions are still occurring on a regular basis. These struggles will not be reconciled in the short-term and the vulnerability of ethnic minorities and other marginalised groups, such as children or women, remains a challenge and risk for organisations.

The risk of complicity in human rights violations is omnipresent. Complicity issues arise with initial attempts to establish business operations where there is collaboration with local partners, acquisition of land, procurement of licenses and documents, employment of workers, production and distribution of goods; in short, within all business activities.

Violence and illegal activity are consequences of poverty and excessive inequality. Social disparity potentially leads to increasing organised crime. Stakeholders reported a recent increase in crime in Myanmar.

Key Challenges

Respect and uphold international human rights
- Develop policies and guidelines
- Train your employees and business partners
- Monitor value chain performance

Understand social and ethnic conflicts
- Monitor conflicts and include findings in your business strategy, plans and activities

You will face professional capacity gaps
- Invest in professional training and development
- Consider employee retention measures
- Raise awareness and encourage and support improvements in education and access to education

“... the international community needs to follow UN principles on human rights to remember human rights are at the core of any transition, development and economic process”

(Tomas Ojea Quintana, UN Special Rapporteur on Human Rights)

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28 ADB, Myanmar in Transition: Opportunities and Challenges, August 2012.
Environmental Capital

Environmental capital is potentially one of the greatest assets and could be a very important competitive advantage of Myanmar. Yet many environmental threats remain to be overcome.

Current Situation

- Abundance of natural resources
- Different climate zones
- Biodiversity
- Poverty and subsistence needs
- Conflicting priorities
- Diversity of stakeholders and policy fragmentation

Potential Development

- Integration of income generation and conservation
- Enhancement of community involvement
- Increasing efficiency in agriculture
- Exploitation of natural resources
- Increasing costs associated with negative externality effects
- Loss of biodiversity and extinction of species

WHAT is the current situation?

Myanmar has abundant natural resources and agricultural land, which will be an important asset for income and wealth creation, as well as long-term economic growth. Agriculture is currently the most important sector for the country’s economy and accounts for 36% of the GDP. Large numbers of people work in agriculture and are dependent on a protected natural environment.

Different climate zones allow the cultivation of a variety of crops. Rice and beans are most important agricultural products and account for the majority of exports.

Myanmar is home to some of the richest biodiversity amongst Asian countries, which was protected by the country’s past isolation and underdevelopment. Many species in Myanmar are undoubtedly still to be discovered and the natural environment can be an important part of any tourism offering in Myanmar. Many livelihoods are still dependent on natural resources, and the functionality and balance of ecosystems.

Poverty and subsistence often damage the environmental capital, because people depend on fuelwood and charcoal production from forests and mangroves. Although modern and environmentally-friendly energy services provide answers to these problems, rural poverty simply excludes households from accessing these solutions. The same conflict applies to wildlife hunting and poaching.

Although environmental protection and the conservation of ecosystems are on the government’s agenda, there are conflicting priorities with the need for more energy, the capitalisation and use of natural resources to create jobs and wealth and agricultural expansion.

A wide range of stakeholders are working on the environmental protection and conservation of Myanmar’s natural resources. The diversity of stakeholders complicates the process of planning and implementation. Efforts are additionally undermined by policy fragmentation, which prevents effective actions.

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WHAT are potential future developments?

A promising opportunity arises from aligning livelihoods and income creation with conservation goals. Synergies exist between the double cropping of paddy fields with the cultivation of fish and prawns, the growing of vegetables and fruits and the raising of livestock. Communities can be encouraged and incentivised to protect nature at the same time as developing income generating activities.

Stakeholder engagement, local ownership or community schemes contribute to both sustainable use of natural resources and environmental protection. Enhanced community involvement in the sustainable use of natural resources potentially improves income generation and livelihoods of rural communities by improving environmental protection.

Currently, only 20% of available crop land in Myanmar is irrigated. Modern technology and procedures in cultivation processes can increase the efficiency of cultivated land.

Resource rich countries risk exploitation and environmental destruction. Additionally, there might be increasing costs associated with negative externality effects caused by the overuse of natural resources, pollution and environmental degradation. Natural disasters have been very much on the agenda since the devastating cyclone Nargis in 2008. Businesses investing in Myanmar will need to face costs related to climate change and natural disasters, pollution taxes or the introduction of green development mechanisms.

Despite Myanmar’s great biodiversity, environmental degradation and the destruction of natural habitats will inevitably lead to the extinction of species, unless there is concerted intervention by government, local communities and the private sector. A total of 38 species are already critically endangered, 65 species are endangered and 228 species are vulnerable.

Myanmar’s environmental capital is a valuable and important asset for many livelihoods, the country’s income and future development. But key environmental challenges associated with environmental degradation must be solved. Stakeholders are demanding improved environmental performance to avoid adverse impacts and are increasingly concerned about unsustainable use of the environment and natural resources.

Key Challenges

Avoid environmental degradation
- Measure and monitor your impacts
- Set challenging yet achievable targets
- Reduce adverse impacts

Protect natural resources and biodiversity
- Use natural resources sustainably
- Promote environmental awareness and responsible behaviour within your supply chain

Link community investment activities with the need to preserve and protect the natural environment

34 Ibid.
Business Opportunities and Threats

Through an analysis of Myanmar’s capitals, companies will need to consider opportunities and threats posed to their business activities.

**OPPORTUNITIES for businesses**

- Rapid economic growth and growing consumer markets of both consumer goods and services and business-to-business products
  - Strategic location for serving east and south east Asian markets
    - Direct access to fast-growing and major economies including India and China
    - Neighbour to almost 40% of the world’s population
    - Rapidly increasing interregional trade amongst ASEAN members
    - Fast developing domestic markets of around 60 million consumers

- Contributing to establishing a business-friendly economy through advocacy and responsible political involvement

- Establishment of special economic zones (SEZ)
  - Provision of necessary infrastructure and energy supplies, as well as access to transportation

- Investment-friendly environment provided by the new Foreign Direct Investment Law (FDI)
  - Tax exemptions
  - Up to 80% foreign ownership
  - Greater access to Myanmar’s assets
  - Latitude of the Myanmar Investment Commission (MIC) to grant exemptions

- Easier market entry for international companies bringing technology and know-how because technology transfer is encouraged in the FDI

- Preferential treatment for imports into the European Union through reduced or absent custom duties
  - The new Generalised System of Preference (GSP) includes Myanmar under the section Everything But Arms, effective from 2014.

- Competitive advantage compared to local businesses due to technological head start
  - Opportunities for responsible technology and skills transfer

- Increasing efficiency and profitability of business activities through investments in technology and know-how. In particular:
  - Agriculture
  - Manufacturing
  - Telecommunication
  - Tourism
  - Financial services

- Abundance of human resources and affordable labour provide a good basis for developing an efficient and qualitative workforce
  - High literacy rate
  - English language skills
  - Motivation to increase knowledge and capabilities
  - Eagerness to earn increased incomes

- Abundant natural resources, fertile and cultivatable land and scenic landscapes
  - Responsible extraction
  - Sustainable agriculture
  - Eco-tourism

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**THREATS for businesses**

- **Increasing mobility of skilled workers**
  - Job-hopping as new opportunities emerge
  - Cross-sector migration of labour

- **Long transportation time and distances due to underdeveloped infrastructure**
  - Spoilage of fresh goods such as food
  - Delays and financial consequences, such as late penalties, customer annoyance

- **Weak enforcement of laws**
  - Uncertain fulfilment of contracts
  - Questionable enforcement of contractual penalty clauses
  - Malfunctioning market mechanisms, bribery and corruption

- **Loss of investment in any possible case of reintroduced sanctions or escalating armed conflicts (nationally or locally)**

- **Copyright and patent infringement**
  - Uncertain protection of patents, intellectual property and trademarks

- **Lack of technology and technical expertise in the country**
  - Expensive import of technology, skilled workers, maintenance services or spare parts

- **Legal consequences and reputational damage from human rights violations**
  - Direct violation of human rights
  - Complicity in human rights violations throughout the value chain

- **Legal obligation to employ locals within operations (FDI)**
  - Skills shortage and capacity gaps

- **Slow ethnic peace and reconciliation process**
  - Conflicts amongst ethnic groups continue to pose investment risks
  - Ethnic discrimination within the workforce

- **Climate change and vulnerability to natural disasters that are threatening business operations and investments**
  - Flood, droughts and storms
  - Destruction of operations, electricity shortage, water shortages, interruption of production process, destruction of warehouse and goods, raw material and labour shortage
  - Threats to business continuity

Responsible business organisations need to identify areas where they can contribute to Myanmar’s capitals and thereby contribute to sustainable development.

A particular emphasis of stakeholders in the research included focusing on the following top six private sector responsibilities:

- Job creation
- Capacity building and human resource development
- Local engagement and ongoing stakeholder engagement
- Technology and knowledge transfer
- Creation of shared value through social and environmental initiatives
- Community investment projects aimed at marginalised groups
3 Inclusive Business

Inclusive business refers to the commercially viable and scalable incorporation of low-income populations into an organisation’s value chain. It expands access to goods and services and provides livelihood opportunities for the base of the economic pyramid (BOP) and marginalised groups.

Inclusive business is a systematic approach to fighting poverty, addressing key vulnerabilities and development issues. The inclusion of low-income segments into business value chains is essential for sustainable development in Myanmar. Having an inclusive approach to business and involving local stakeholders in business activities will also have benefits for the business as well as positive local economic impacts.

Inclusive Business Models

- Are self-sustaining and contribute to development
- Provide long-term opportunities for low income segments and marginalised groups
- Stress and are oriented towards profit and self-sufficiency instead of philanthropy

Advantages for organisations

- Business expansion and entry into unfamiliar markets
- Increasing profitability due to better understanding and management of difficult local environments
- Social license to operate and utilisation of existing social networks
- Improved local stakeholder relationships
- Competitive advantage, brand recognition and business leadership
- Reputational benefits of being seen as an inclusive business that promotes shared value

Advantages for people and communities

- Access to new marketplaces and finance
- Consumption of more affordable and higher quality products and services
- Better compensation and benefits for work performed
- Increased skills, knowledge and technological know-how
- Improved productivity and efficiency
- Better quality of life and long-term improvement of livelihoods
- Improved incomes for families and communities
- Opportunities to develop small enterprises along the corporate value chain

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Inclusive Business Approaches

**HOW can the BOP be included?**

Inclusive business models expand access to goods, services, and livelihood opportunities for those at the base of the pyramid and for marginalised groups in commercially viable and desirably scalable ways.

Employment creation and enhanced livelihoods are essential elements of achieving inclusive and sustainable growth for the poor.

*Increasing economic growth is essential – but it is not enough. The quality of growth – its sustainability, composition and equity – is equally important.*

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**Figure 3: Inclusive Business Models**

- **Value Chain (supply):**
  - Sourcing
  - Production
- **Value Chain (sales):**
  - Distribution networks
  - Local retail
  - Administration
  - Business processes

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EMPLOYMENT: Job creation

Low-income segments can become a skilled and competitive workforce within any business. Internal intervention through the employment of staff and the development of their skills is not only limited to work in production, but also includes employment in administrative tasks or business procedures.

Employment opportunities in Myanmar should aim to provide low-income households with the long-term capacity for them to improve their own livelihoods. In order for the poor to become a valuable source for recruitment, responsible businesses will play a part in overcoming skills and capacity gaps through training and human resource development initiatives. The BOP is a valuable workforce, in need of investment.

Businesses are rewarded with enthusiastic and loyal workers if they effectively manage the variable educational backgrounds of low-income populations and successfully integrate BOP employees into their workforce. Responsible companies also need to address broader education issues, such as health and well-being, within corporate training initiatives.

PepsiCo – vocational training centre

Together with the United Nations Educational, Scientific and Cultural Organisation (UNESCO), PepsiCo has established the Centre of Excellence for Business Skills Development in Myanmar. The Centre will provide vocational training to young people, especially to students and unemployed youth, helping them to successfully enter the workforce. Young people will be able to participate in the three month training that focuses on commercial and workplace skills. PepsiCo intends to support Myanmar’s development and to build the capacity of its young people to secure sustainable livelihoods.

“We are committed to supporting the countries in which we do business, and are very grateful to our partners in Myanmar for helping us develop this Centre of Excellence. It is our aim to help the students here make a successful transition to the commercial workplace.”

(Umran Beba, President, PepsiCo Asia Pacific)
CONSUMPTION: New market segment

Organisations might develop a new market segment targeting low-income populations. This type of external intervention offers new sales opportunities for the business and can provide poor people with access to essential products and services. The approach also benefits people who can be included in the distribution and sales functions.

The provision of goods and services to the BOP often requires innovative solutions and the adaptation of existing product and service portfolios. Making poor people a new target customer segment offers great business opportunities if they can be provided with affordable goods and services. In particular, responsible businesses will try to improve their access to goods and services in areas such as health, food and nutrition, education, water, sanitation, housing and financial services.

Proximity Design – creating an inclusive marketplace

The social enterprise Proximity Designs develops affordable, income-boosting products and services for rural smallholders and people who are living in poverty. Their product range includes irrigation products (foot-pumps, drip irrigation sets and water storage containers), loans, farm advisory services and solar lanterns. The company also engages in so-called “rural stimulus projects” that improve infrastructure in rural areas and provide additional income opportunities through employment. Proximity’s products aim to increase the productivity of farms, improve crop yields and sustainably enhance livelihoods. Additionally, the in-depth knowledge Proximity Designs acquires is used to support research centres and inform policy makers.

Through the inclusion of poor, rural households and communities, Proximity Designs is able to impact the lives of smallholders by selling much needed products and services:

Over 10,000 villages in 125 townships across 9 states and regions in Myanmar have access to Proximity’s distribution network

✓ Sales of over 110,000 products and provision of services to over 75,000 people has led to an estimated $170 million in increased earnings for people living in poverty since 2004

✓ Proximity has given over 101,000 loans for either crops or products since 2009 and each loan generates on average $300 in increased income per family

✓ Over 35,000 farmers received training and farm advisory services that promote low-cost farming techniques that increase yields by an average of 10-15%

✓ Over 486,500 people directly increased their household incomes and improved their quality of life since 2004 (the number is far higher when considering the number of rural people who have benefited from improved market access, school access and healthcare access as a result of the infrastructure projects)

✓ Over 34,000 families have received an income for their participation in one of Proximity’s infrastructure projects in either the Delta, or the Dry Zone in 2012

✓ Over 8,000 solar lights have been sold since 2012 to rural populations where an estimated 95% of people live off grid

“We are like Apple for the poor”

(May Thu Khine,
Business Development at Proximity Designs)

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BUSINESS LINKAGES:
New producers, suppliers, distributors or retailers

Different parts of the value chain, including production, distribution and sales, provide inclusive business opportunities through forging new linkages with people and other businesses. Poor people can be included in value chain activities as suppliers, producers and distributors. Inclusive approaches with a business linkage often enable low-income segments to establish or strengthen their own business, and thus their entrepreneurial activities and capabilities. Responsible businesses will seek out opportunities along the value chain to include poor and marginalised people. They might also provide help with skills development and small business start-ups.

KKPM40 – developing an inclusive value chain

Kool Kiwi Pure Milk (KKPM) is a private company that plans to produce high quality yet affordable pasteurised cow milk in Karen State, Myawaddy, Myanmar. KKPM will be able to sell quality milk for a price that is 44% lower than conventional UHT tetra packs through an effective and efficient supply chain. Target markets are both the local market in Myanmar and neighbouring Thailand, which will be served through mobile and indoor dispensers that maintain optimal milk conditions while reducing costs for packaging.

The business concept targets poor, rural communities and will allow them to consume milk and dairy products on a daily basis. To date, poor households cannot consume dairy products on a daily basis because prices for imported milk are simply too high for regular consumption.

KKPM’s so-called “value-addition chain” includes local smallholders and entrepreneurs in the value chain. They are involved in commercial dairy farming (milk production, raw milk handling and processing), the loading and distribution of dispensers and the marketing and selling of products.

KKPM plans to establish a system of direct contacts with local farmers, who will receive extensive support and training to become successful dairy micro entrepreneurs. KKPM will employ a veterinarian and agronomist, who will provide free advice to the local farmers and medicines for animals at wholesale price.

The direct impacts on poor, rural smallholders and customers are potentially great and include income creation, increasing efficiency of smallholders’ dairy production and healthier cows, plus improving health conditions and better nutrition for consumers.

The KKPM business model can create positive impacts for the economic and health situation of the entire region.

- Customers are able to buy and consume milk on a daily basis that was previously impossible
- Smallholders are included as producers of animal feed, suppliers of milk, distributors or even retailers of the final product and can enter into business partnerships ensuring long-term incomes

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40 Cesar Russo, shareholder and board member at KKPM, 19.02.2013, Yangon
Three Promising Industries

Myanmar’s need and potential to include poor, marginalised and underprivileged populations into corporate value chains is an important part of the sustainable development process and offers great opportunities for responsible businesses. There are three important and significant sectors where inclusive business strategies could be particularly effective in Myanmar: agriculture, tourism and finance.

AGRICULTURE and livestock

Agriculture is the most important sector in Myanmar’s economy and accounts for more than one third of the country’s GDP. Rural areas contain 67% of Myanmar’s people and yet represent 85% of the country’s poor.41 Agriculture is therefore one of the most important sectors for addressing poverty by targeting the most affected populations.

There are a number of important aspects when considering inclusive business models for local smallholders and poor farmers:

- **Dependency on weather conditions**
  
  Agriculture and livestock heavily depend on changing weather conditions, which is a particularly uncertain and risky factor. As Myanmar is very vulnerable to climate change and natural disasters, smallholders and businesses face significant risks. There is an important role for financial inclusion and, in particular, the provision of tailored micro-insurance.

- **Need for aggregation**
  
  Myanmar’s farmers are widespread and to increase efficiencies it is necessary to bundle supply chain activities, such as procurement and logistics processes, in order to manage costs. Farmers in remote areas lack access to proper infrastructure, networks and industry organisations such as collectives.

- **Risk of deterioration**
  
  Agricultural products perish easily and processing or storage facilities are usually not accessible for poor smallholders or their end consumers. The risk of deterioration and food contamination is significant and measures to reduce risks of deterioration or contamination increase prices for the farmers and customers that can least afford it.

- **Closed production systems**
  
  Sustainable agricultural value chains and food production need to consider by-products and waste. Effective waste management is essential for the sustainable production of food products.

- **Land acquisition**
  
  The acquisition of land is a sensitive issue in Myanmar due to the country’s history of land grabs and compulsory land acquisition by the previous military governments and corrupt officials. There are likely to be ongoing land disputes in the future that businesses investing in Myanmar should be aware of.

- **Social protection**
  
  Child labour, health and safety, cultural heritage and the rights of indigenous populations are only some of the issues organisations are likely to face when engaging with rural family farms and smallholders.

- **Environmental impacts**
  
  Agriculture and farming has adverse environmental impacts that need to be addressed. Issues will include the use of pesticides, water contamination and impacts on local water availability, soil erosion and soil quality, and impacts on biodiversity.

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42 MNPED et al., Integrated Household Living Conditions Survey: Poverty Profile, 2009-2010, June 2011 (Yangon: MNPED et al.).
Key Challenges

Mitigate climate change impacts and manage uncertain weather conditions
– Establish sufficient information systems to communicate weather forecasts
– Introduce climate change mitigation and disaster resilience measures
– Engage with smallholders and institutions to access affordable micro-insurance

Foster smallholder aggregation
– Support the establishment of collectives or business associations
– Ensure essential infrastructure is available
– Engage with institutions and governments to improve transportation networks

Establish facilities and engage with suppliers, partners and business peers
– Ensure that sufficient processing and storage facilities are available
– Combined activities with business peers and partners help to reduce costs

Due diligence
– Ensure that potential land has not been taken by force or compulsorily acquired in the past
– Cooperate with local institutions and engage with stakeholders before purchasing or using land

Continuously increase efficiency and effectiveness
– Analyse supply chain effectiveness and the efficiency of products
– Identify potential opportunities to close the production cycle and utilise by-products
– Consider up-stream and down-stream partners

Protect social capital and support development
– Engage with stakeholders and local communities with a view to promoting development
– Implement clear policies on human rights, labour standards and working conditions and define remediation procedures if needed
– Monitor and measure performance throughout the value chain

Limit adverse impacts and become a role model
– Monitor and measure environmental impacts, establish key performance indicators and set targets
– Inform and educate local farmers on best-practices, efficient use of pesticides and other chemicals, as well as environmentally-friendly farming techniques
– Support environmental management throughout the value chain
RESPONSIBLE AND INCLUSIVE BUSINESS IN MYANMAR

RESPONSIBLE and inclusive tourism

Myanmar’s tourism sector is rapidly growing by 30% annually. The tourism minister expects 1.3 million tourists by the end of 2013 and the team leader of Myanmar’s Tourism Master Plan Project even predicted up to 2 million tourists per annum by 2020.

Tourism in Myanmar is underdeveloped, and yet has the potential to generate many jobs and create wealth, positive impacts and benefits for those in need if undertaken in an inclusive way. Many tourists will be attracted to Myanmar by cultural artefacts and the natural environment. But tourism can have adverse impacts on the environment and cultural heritage, and there needs to be an emphasis on creating sustainable tourism products and services.

The following 10-point action plan is crucial to ensure that tourism in Myanmar in inclusive, benefits all people and protects the environment:

1. **Encourage inclusiveness**

   Inclusiveness refers to the participation of people and communities in tourism and the fair and equal distribution of benefits. Special attention must be brought to vulnerable or minority groups such as women, youth or the disabled. Encourage new SMEs and local entrepreneurs and support their business involvement in accommodation (home-stays), catering or the provision of products (e.g. souvenirs) and services (e.g. local guides) for tourists.

2. **Establish capacity and an enabling environment**

   Engage with governmental institutions or civil society groups to foster an enabling environment for local SMEs and entrepreneurs. Assist local businesses and entrepreneurs with the planning, establishment and funding of operations. Provide training and skills development initiatives for local communities that enable households to generate income on a long-term, sustainable basis.

3. **Engage with local stakeholders**

   It is critical that the needs and concerns of all members of local communities that may be impacted (positively or negatively) by tourism are understood and addressed. There may be constraints when engaging with rural or indigenous populations, such as language barriers, divergent priorities, or cultural constraints that do not allow certain groups to participate in conversations. Concerns change over time and ongoing engagement with local stakeholders is vital in order to antagonise poverty and support responsible community development through tourism.

4. **Facilitate benefits without incurring costs**

   Tourism certainly has the potential to increase incomes of poor communities and improve livelihoods. However, tourism can also incur costs and put pressure on local communities regarding the availability of essentials, such as water, energy, food or shelter. Avoid community pressure and mitigate adverse impacts of tourism for local communities.

5. **Contribute to improving local health infrastructures**

   Myanmar’s health system is underdeveloped, especially in remote areas. The improvement of local health infrastructures or health and hygiene standards is not only important to protect tourists, but also needed to give local communities access to healthcare services. Engage in the establishment of health clinics for local communities and provide first aid training and facilities. Raise awareness amongst locals and tourists regarding the prevention of diseases such as malaria or HIV/AIDS. Ensure that appropriate drinking water purification facilities are available and accessible for tourists as well as local communities.

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6. **Protect cultural authenticity and diversity**

Respect local cultures and promote cultural diversity. Myanmar’s great ethnic diversity still struggles to achieve peace, and violent raids against ethnic minority groups are still happening. Support social development and ensure cultural authenticity. Although tourism may have an influence on local behaviour, it should not lead to the loss of cultural identity or eliminate cultural traditions. To protect cultural authenticity and diversity, train and inform tourists on appropriate behaviour, such as the respect for religious, cultural artefacts and local customs.

7. **Promote cultural activities whilst protecting human rights**

The tourism industry frequently violates human rights, especially related to activities where indigenous people or rural communities participate in cultural shows. Cultural activities need to protect the privacy, dignity and respect for host communities, while ensuring that ethnic groups or indigenous populations are not subject to degrading or inhumane treatment, or the arbitrary deprivation of property. Although children might be involved in cultural activities and therefore participate in the income generation, special protection and care must be ensured and international labour standards applied.

8. **Promote peace and prosperity**

Peace is a precondition for flourishing tourism. Conflicts within communities or between local villages threaten the security of tourists, and therefore the future prosperity of tourism for an entire area. Promote peace and prosperity within communities and between villages. The need for peace and prosperity does not only apply to ethnic conflicts, but also to envy and jealousy between villages because of disparity and unequal distribution of benefits.

9. **Endorse eco-tourism that protects biodiversity and conserves resources**

Undertake environmental impact assessments as part of environmental due diligence, especially before developing new projects or sites. Respect local community resource needs, such as water or energy, and do not compromise communities’ access to these vital resources. Minimise waste production and implement a waste management system to protect and conserve local environments. Myanmar’s great biodiversity is already threatened and 38 species are already critically endangered. Invest in conservation projects and engage with respective NGOs or institutions to promote eco-tourism and the conservation of biodiversity and ecosystems.

10. **Measure impacts and improve performance**

Responsible tourism brings social and environmental benefits to local communities. Impacts are not however, limited to communities that are directly involved as business partners or service providers, but also affect the entire value chain. Social and environmental impacts need to be continuously measured, monitored and improved. Set challenging yet achievable targets and include a local community perspective in the assessment process and definition of future goals.
FINANCIAL goods and services

Access to financial services, banks and credit for low-income households and small enterprises helps accelerate equitable and inclusive growth.

- It provides families with a safe place to save, a cheap and easy way to transfer money, insurance to protect themselves and their assets from risks and loans to invest in small enterprises and productive activities.

- Inclusive financial goods and services advance development challenges, such as access to clean water, disaster mitigation and recovery, and healthcare, by supporting the businesses that provide these services and the clients that need to access them.

Financial sector development is a priority for the Myanmar government, but will require a medium to long-term process of reform and implementation. The country is just starting to implement the basic financial infrastructure that is needed for a functioning market-based financial sector.

Financial institutions and other non-bank service providers have the opportunity to innovate to offer a variety of services that meet the needs of households and small businesses. Some business models have already proven successful in reaching poor, rural clients.

PROVEN business models

1. Banking beyond branches

Myanmar is a country with very low urbanisation, large geographic expanse and a lack of transport infrastructure. Additionally, regulations require very high capitalisation of bank branches. Banks therefore need to find other channels to reach their clients outside of city centres.

Banks (and other financial institutions) can attract new clients by using local shops as agents. Banks can establish a presence in remote areas, villages or regions by forming a relationship with local shops, post offices, petrol stations or other stable businesses with reasonable cash flow.

The bank trains its agents on the provision of basic services and installs its brand outside the shop to identify the official agent. Shop owners benefit from additional revenue through the provision of banking services and potential new customers coming into their shop. This gives households access to a safe and local place to save and small local businesses access to financial services.

2. Savings and credit

Simple savings accounts with no minimum balance requirements and reasonable transaction fees can help boost domestic savings. The benefits at a household or small enterprise level of having a safe place to save are enormous: It helps families reduce their reliance on cash that leaves them vulnerable to theft or loss in fires or floods, and sets aside funds for health, education, investment and protection against unexpected shocks.

Microcredit and other microfinance activities can play a major role in helping people, especially women, to access finance and improve income creation opportunities.

3. Payment and remittances

Domestic payment services can reduce transaction costs and speed up the ability of local businesses and individuals to transact with each other. Payment tools include a variety of pre-paid mechanisms and other digital technology that can transfer stored value (e.g. through mobile devices).
4. **Mobile money**

Elsewhere, financial institutions and mobile network operators are having some success providing financial services via mobile phones. Customers can load money into their “mobile wallet” and transfer it via a simple SMS (short message service) transaction to other mobile wallet users. This could be to pay for goods or services, to send money to a family member or to purchase more airtime. Some services even link directly to a bank account so that customers do not need to visit a branch in order to have a savings account.

5. **Micro-insurance**

Myanmar is especially vulnerable to natural disasters, which impact the agricultural sector every year. Government goals are to accelerate growth in the agricultural sector, but for this to be successful, farmers need access to insurance to help protect against risks.

Exciting new micro-insurance products can be offered to protect low-income families against risks. These can include health or funeral insurance priced reasonably and available through local organisations with simple and clear terms. Short-term risk policies (for example a week’s cover) for workers in dangerous industries are available for purchase, as are savings accounts with a linked health insurance policy that will ensure a family can protect its savings should someone fall ill or get injured.

6. **Impact investing**

There is a growing movement among investors globally to provide funds to small or medium sized enterprises (SMEs) who offer products or services that also advance economic, social or environmental needs. Relevant investment examples include small businesses that provide energy-efficient lighting or cooking appliances for the home, or those that sell water and energy-saving irrigation and other sustainable agricultural tools. This market is likely to open up over the coming years in Myanmar as the new investment law encourages foreign direct investment in local companies.

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**Key challenges**

Facilitate and support national partnerships for financial inclusion
- Involve government agencies, the private sector and civil society
- Set targets and cooperate towards these goals
- Engage with smallholders and institutions to access micro-insurance

Facilitate peer learning with other nations that have innovative financial inclusion business models and regulations
- Send delegations to visit counterparts in other countries
- Conduct follow-up learning and implementation

Facilitate innovation
- Help local financial service providers access the information they need to innovate
- Conduct capacity building for banks and non-bank financial service providers

Facilitate adaptation and anticipation
- Banks and non-bank service providers need ongoing support to adapt to and anticipate ongoing changes and financial sector regulations
- Encourage compliance of banks and non-bank service providers with new regulations

Facilitate policy development
- Work with policymakers to ensure access to finance is a central part of financial sector reform
- Ensure that policies do not raise barriers but foster financial inclusion
STRATEGY DEVELOPMENT

A comprehensive strategy based on the concepts of responsible and inclusive business in Myanmar is the foundation for successful operation and risk management. Contributing to overcoming sustainability challenges and meeting specific development needs in the context of Myanmar must be strategically aligned with business objectives and intended outcomes.

The following steps will guide a business through a responsible and inclusive strategy process, addressing the challenges derived from the previous analysis of Myanmar:

Assessment

- **Due diligence**
  Exercise due care and diligence within all business decisions and activities. Myanmar is a country in transition from an oppressive military dictatorship towards a democratic society with a reviving economy. The country’s history and its complexities must be taken into consideration when designing a responsible and inclusive business strategy.

- **History**
  Myanmar has a violent history, where human rights were frequently abused. Human rights violations are still present and the emerging national peace process is already threatened by the rekindling of conflicts.

- **Ethnic diversity and tensions**
  There are 135 officially registered ethnic groups in Myanmar. This great ethnic diversity not only led to violent riots in the past but is still the reason for inter-ethnic tensions and conflicts today.

- **Regional differences**
  Myanmar is rich in natural resources and fertile ground, but there are huge regional disparities in the deposit of natural resources, such as oil, timber or gem stones, as well as geologic differences varying from wetland to dry zones and mountainous areas to flat land. Impacts of, and vulnerability to, natural disasters also differ between regions, which pose higher risks to operations in certain areas.

- **Bribery and corruption**
  Cronyism, bribery and corruption dominated the business culture in the past and remain a challenge today. Although the transitional government is committed to end bribery and corruption, the old system still influences the business culture.

- **Formal and informal power structures**
  Power structures in Myanmar are changing, but even formal power structures can be difficult to understand due to opaque relationships and connections. There are strong informal power structures. Myanmar is a very relationship based society and these informal structures play an important role within the private sector.

- **Ongoing developments**
  Monitor ongoing developments and regularly evaluate activities, targets and objectives. Myanmar is a highly dynamic environment and the continuous observation of market conditions is necessary to realise upcoming opportunities and effectively manage risks in a timely manner.
## Risk Analysis

Analysing risks is important for understanding high risk activities and implementing respective safeguards, guidelines and procedures. When operating in a transitional country such as Myanmar, effective risk management helps to protect the organisation from legal, financial and reputational risks.

### Industry
- What industry are you in?
- How established are legal frameworks?
- Are laws sufficiently implemented and enforced?

### Location
- Where are business operations and where are customer markets?
- Is there a vulnerability to natural disasters?
- Are there ethnic conflicts?
- How developed is the infrastructure?

### Environment
- What are your impacts on the natural environment, biodiversity and ecosystems?
- How do you measure and improve your impacts?
- Are there appropriate waste disposal and effluent management facilities available?
- Do you use resources in a sustainable way?
- How can you contribute to protect the environment, biodiversity and restore natural habitats?

### Community
- How do operations and business practices impact communities?
- How can you improve the wealth and income generation ability of affected communities?
- Do you contribute to water tensions or food security risks for local communities?
- What employment creation and skills development opportunities are there for local communities?

### Labour
- What are the labour laws and regulations regarding workplace health and safety?
- Do existing rules and regulations meet international standards?
- Are working conditions appropriate and do you provide social protection?
- Do you effectively address gender issues and discrimination?
- Have you considered value chain impacts and risks?

### Human Rights
- Do you operate in conflict areas?
- Are you involved in extractive activities affecting natural resources and impacting on local communities?
- Do you impact on the rights of indigenous populations or potentially disrupt their communities?
- Are there activities within your value chain that can affect or involve children?
- How do you identify risks associated with land rights?
Stakeholder Engagement

Ongoing stakeholder engagement is crucial in order to identify important issues, align strategies with expectations, receive valuable market information, effectively manage risks, and to better understand your target audience. Engaging with stakeholders helps businesses to make informed decisions, increases transparency and provides the basis for cooperative activities and partnerships.

- **Legitimate and representative stakeholders**

  Although it is often difficult for outsiders to understand the complexity of relationships in Myanmar, focus efforts on legitimate stakeholders who are interested in, or impacted by, your activities and operations. Ensure that you engage with representative stakeholders that can truly speak on behalf of an entire group or community. In male-dominated rural communities make sure that you hear the views of women, children and minorities.

- **Vulnerable and minority groups**

  Myanmar has a diverse population made up of a large number of ethnic groups often with competing interests. Many of the community groups in Myanmar are vulnerable and marginalised. Engage with different ethnic groups as well as other vulnerable groups (including women and children) and minority groups, such as disabled people. It might be challenging to reach these stakeholders due to cultural convention or local restrictions, but it is important that their views are represented.

- **Trust**

  Build a relationship of trust with your stakeholders. Good stakeholder relationships provide a social license to operate and foster competitive advantages. Promote transparency and encourage scrutiny within stakeholder communications. In order to build trust, organisations need to be very open when explaining what is going to be done and what is not going to be done. Build your plans around free, prior and informed consultation with stakeholders.

Action Plans

Map out an action plan to establish a responsible and inclusive business strategy for Myanmar. The action plan needs to include the following:

- **CSR policies and procedures**

  Internal affairs and external activities must be covered and guided by clear, strong policies that are linked to the major challenges outlined in this report. Define own principles of business behaviour aligned with the overall target of sustainable development in Myanmar. Aspects such as a commitment to transparency and accountability, dignity, and the respect for human rights must be included. The set of policies should cover:

  - Corporate governance
  - Anti-corruption
  - Human rights and complicity in human rights abuses
  - Human resources management and development
  - Occupational health and safety
  - Value chain practices
  - Community investment and development
  - Environment and biodiversity
  - Climate change

- **Business plan**

  Due to restrictions within the Foreign Direct Investment Law and unclear interpretations of regulations, businesses need to develop a detailed business plan and engage with government institutions, such as the Myanmar Investment Commission (MIC).

  - Understand current laws and frameworks that are applicable to the private sector in Myanmar.
  - Map out a detailed plan for the next one, two and three years, including milestones, short-term and long-term goals, measurement procedures and key performance indicators.
  - Discuss the business plan, constraints and opportunities with the MIC and apply for permission. Adapt the business plan according to requirements and include organisational objectives and goals.
  - Promote the business plan, establish operations and implement respective procedures.
Resources, Monitoring and Measurement

- **Resource allocation**
  Allocate financial and human resources according to intended outputs and outcomes. It might be necessary to develop capacity throughout the entire organisation to manage and execute the strategy for responsible and inclusive business in Myanmar. Be creative, innovative, and encourage employee participation in the capacity development process. Myanmar’s rapidly changing environment requires flexibility and the ability to adapt to changing situations.

- **Monitoring and measurement**
  Develop key performance indicators to operationalise corporate goals and objectives. Be clear about what you want to measure and maintain continuity in data collection processes and the calculation of indicators. To ensure continuous improvements, monitor and measure not only inputs, activities and outputs, but also outcomes and impacts. Be clear about the impacts of your operations (positive and negative) on the local communities and on the natural environment.

Communication and Review

- **Communication**
  Stakeholder engagement creates stakeholder expectations, and it is part of a corporation’s social responsibility to report organisational performance, including successes and failures. It is necessary to focus both internal and external communications, especially in a country like Myanmar where many stakeholders have limited capacity but sometimes unreasonable expectations of the private sector. In order to build trust, reputation and enhance brand value, be transparent and accountable. Develop disclosure policies, reporting guidelines and implement respective feedback mechanisms.

- **Review**
  Review the action plan and analyse whether goals and targets are achieved. Due to rapid change in Myanmar, companies need to identify weaknesses and gaps on a regular basis. Reflect on corporate objectives and analyse achievements. Review whether activities and measures had intended impacts and include findings in future processes.
Strategy Development Checklist

The following checklist provides practical assistance for organisations looking to develop a responsible and inclusive business strategy by posing specific questions.

<table>
<thead>
<tr>
<th>Benchmark</th>
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<tbody>
<tr>
<td>• Where does the organisation stand in terms of its social responsibility performance?</td>
<td></td>
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<tr>
<td>• Is there a gap between the current and desired position?</td>
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<tr>
<td>• How are the main competitors positioned?</td>
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<table>
<thead>
<tr>
<th>Six Capitals Assessment</th>
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<tbody>
<tr>
<td>• What are the internal strengths and weaknesses?</td>
<td></td>
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<tr>
<td>• Which opportunities and threats arise from external market conditions?</td>
<td></td>
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<tr>
<td>• How can the organisation contribute to Myanmar’s assets?</td>
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<thead>
<tr>
<th>Stakeholder Engagement</th>
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<tbody>
<tr>
<td>• Who are the key stakeholders?</td>
<td></td>
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<tr>
<td>• How are different stakeholder groups engaged?</td>
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<tr>
<td>• What are the critical concerns of key stakeholders?</td>
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<table>
<thead>
<tr>
<th>Risk Assessment</th>
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<tbody>
<tr>
<td>• How likely are certain risks to occur?</td>
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<tr>
<td>• How significant is the impact of risks if they occur?</td>
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<tr>
<th>Materiality Assessment</th>
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<tbody>
<tr>
<td>• Which issues are important for stakeholders?</td>
<td></td>
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<tr>
<td>• Which issues are relevant for the organisation and for business success?</td>
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<tr>
<th>Prioritisation</th>
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<tr>
<td>• What are the most material social and environmental issues that the business should focus on?</td>
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<tr>
<th>Framework Conception</th>
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<tr>
<td>• Which policies are present and which additional ones are needed?</td>
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<tr>
<td>• What internal roles and responsibilities are needed?</td>
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<tr>
<td>• What external cooperation is helpful (e.g. partners, institutions, service providers)?</td>
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<tr>
<td>• Where do inclusive business opportunities exist within the value chain?</td>
<td></td>
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<tr>
<td>• What activities and measures can be incorporated in the inclusivity framework?</td>
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</table>
CONCLUSIONS AND RECOMMENDATIONS

This report has shown that businesses are facing both huge opportunities and risks in Myanmar. Responsible and inclusive business strategies are not only a mechanism to protect organisations from financial, legal and reputational risks, but also represent the best approach to contribute to sustainable development in Myanmar.

Despite all the difficulties of a country in transition, it is possible to operate responsibly if social and environmental policies and procedures are in place that engage with stakeholders and ensure development is in the interests of all people.

Doing business in a responsible and inclusive way does not compromise an organisation’s ability to generate revenues. It offers the potential to create benefits for stakeholders, offering communities a way out of poverty, protecting the environment, ensuring human rights are respected and facilitating profitable business activities.

In a rapidly changing and dynamic economy such as Myanmar, there are many different dimensions that businesses need to take into account when investing and subsequently developing a responsible and inclusive business strategy. Figure 4 summarises the individual dimensions that were previously analysed in this report.

Companies should assess how they can be responsible in their own operations, value chains and sphere of influence, through a critical analysis of the way that they interact with the six capitals outlined in this report. The priority should be on reducing risks and contributing to the capital development of the country.

Businesses that contribute the most to sustainable development will be the ones that think carefully about how they can make their business activities more inclusive, with a particular emphasis on the poor. Inclusivity can be enhanced through working with your own employees, producing affordable goods and services for people at the base of the pyramid, and creating value chains that offer opportunities for people to be employed through distribution and sales networks. Inclusive business is about building business linkages that will also help people start small businesses that can create long-lasting wealth.

Businesses will need a strategic approach to responsible and inclusive business, and also need to address the challenges that exist in Myanmar. Ongoing stakeholder engagement, capacity building and understanding the impacts of activities will be central to that process.

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Figure 4: Responsible and Inclusive Business Model
GET the basics right

- **Be transparent and accountable**
  Being a responsible and inclusive business requires transparency in business activities. Businesses should communicate effectively about business activities, operations, achievements and failures. Being accountable and allowing scrutiny is not only an important aspect of responsible organisations, but fosters vital stakeholder engagement.

- **Understand the business environment in Myanmar**
  Businesses and foreign investors must be aware of social conventions and cultural norms. All business activities, including human resource management, communications and marketing, will be influenced by the existing value system. Cross-cultural competence is necessary for those managing workplace diversity and issues related to ethnicity, but with the huge diversity that exists in Myanmar, local knowledge of regional and cultural differences will also be critical.

- **Put CSR policies and procedures in place**
  Well defined, clear and comprehensive policies are vital for operating responsibly in rapidly changing circumstances. Legal requirements are relatively underdeveloped and it is not sufficient to simply comply with the rule of law. Responsible companies need to go beyond basic requirements and become role models for responsible and inclusive business by implementing best practices and implementing the highest international standards.

ENGAGE with your stakeholders

- **Know who your stakeholders are and what they think**
  Continuous stakeholder engagement is essential and starts with the identification and prioritisation of stakeholders. Ongoing engagement and the mapping of concerns, supplemented by review of these concerns and appropriate responses, is vital for establishing long-term and loyal partnerships. Include stakeholders in decision-making processes and business activities to ensure a robust approach to prioritised issues. In the context of Myanmar, place particular emphasis on engagement with vulnerable and marginalised groups.

COMPENSATE for incomplete regulations

- **Know what is going on**
  It is important to remain up-to-date with the political development and reform process, as well as changing laws and regulations. Plan for the future, identify opportunities and threats and enact quick and timely reactions to changing conditions.

- **Get legal advice**
  Legal advice and consultation is important in order to understand existing regulations and interpret the passing of new laws. Local, practical advice on how to act on laws will be important because laws are often vague and need to be interpreted in the specific business context.

- **Engage with governments and other important institutions**
  Get involved and support the development of a business-friendly environment. Knowledge transfer and advising governmental institutions about relevant business areas and best practices is important for Myanmar. Responsible political involvement is part of corporations’ social responsibility. The engagement with authorities and other institutions enables organisations to establish networks and relations, which is necessary in a relationship-based society such as Myanmar.

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CONSIDER both risk and responsibilities

- **Do not rush in**
  Responsible organisations should not rush into Myanmar. Investments and the establishment of business operations in Myanmar must be planned and executed properly. Proper due diligence and risk assessments are vital to running a safe and profitable business. Although promising opportunities can tempt a quick entry, the significant risks of doing business in Myanmar require thorough preparation.

- **Make a business plan**
  Based on a proper assessment of risks and opportunities, a realistic business plan should be prepared. The Myanmar Investment Commission is the key decision-making institution when it comes to large-scale investments, or if businesses operate in restricted or high impact areas. It is important to develop a comprehensive business plan and engage with respective governmental institutions when applying for investment permissions.

- **Map out contributions to the six capitals**
  Identify opportunities where you can contribute to the country’s development through an analysis of the positive contribution you can make to the six capitals. Although the scope of contribution is likely to differ between the capitals, there are plenty of opportunities, and every individual contribution matters. Place an emphasis on protecting the environment and creating opportunities for poor people. This is vital to the long term success of Myanmar.

CREATE new inclusive business models

- **Identify inclusive business opportunities**
  Be innovative and consider inclusive business opportunities in your own sector and area of expertise. It is important that inclusive business models help to create value for both the business and those in need. Place emphasis on helping poor people to help themselves through capacity development, the transfer of enterprise skills and helping people start their own businesses. Support women entrepreneurs.

- **Co-creation**
  Engage in a meaningful dialogue with the communities that are impacted by your operations. Building trust and thorough understanding of poor people and their communities’ real needs are crucial for any initiative.

- **Commit for the long-term**
  Take a long term view of investments in Myanmar and set appropriate timelines from project inception until it is viable and self-sustainable. If part of your objective is to improve livelihoods and reduce poverty through inclusive business, “quick and dirty” is not an option.

- **Look for partnerships**
  Partnership will be central to any responsible and inclusive business strategy. Look for partners that can provide much needed knowledge and access to the social networks that are important in Myanmar. Joining forces with local governments, NGOs and business peers will provide solutions to many of the challenges that Myanmar faces.

- **Manage expectations**
  Understanding expectations and managing these is necessary to avoid disappointing stakeholders. Be clear about your expectations and the expectations of others, and be realistic about the goals you aim to achieve.
Responsible international investment is much needed in Myanmar. Businesses can contribute significantly to the sustainable development of the country, but the private sector must develop a comprehensive strategy for responsible and inclusive business, plan any market entry carefully, engage with stakeholders and ensure that growth is in the interests of all people.

This report has analysed the external environment that organisations are facing in Myanmar and has shown how to develop a responsible and inclusive business strategy. It also provides recommendations to operate in a way that protects the business in the long-term, lives up to the best practices associated with corporate social responsibility and meets the key development needs of Myanmar.

Doubtless, Myanmar has a long and challenging way to go to grow inclusively and develop sustainably. There is optimism however, and much reason to hope that this difficult task can be accomplished.

“I firmly believe that, regardless of the challenges we are subjected to, the joint efforts of all the forces in our country will definitely pave the way for success in all the reforms we undertake.”

(President Thein Sein)44

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ABOUT CSR ASIA

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