

**Myanma Economic Bank  
The Republic of the Union of Myanmar**

**Project Completion Report  
on  
Development of Finance for  
Small and Medium-sized Enterprises  
in  
The Republic of the Union of Myanmar**

**January 2016**

**Japan International Cooperation Agency**

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**Japan Economic Research Institute Inc.  
Daiwa Institute of Research**

<b>1R</b>
<b>CR (5)</b>
<b>16-002</b>

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## Abbreviations

a/c	account
OAG	Office of Auditor General
CBM	Central Bank of Myanmar
ECC	Environmental Clearance Committee
EIA	Environmental Impact Assessment
ESMS	Environmental and Social Management System
FTD	Fund Transfer by Deposit
FY	Fiscal Year
GOJ	Government of Japan
GOM	Government of Myanmar
IEE	Initial Environmental Examination
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
L/A	Loan Agreement
M&E	Monitoring and Evaluation
MEB	Myanma Economic Bank
MIA	Myanmar Industries Association
MMK	Myanmar Kyat (currency)
MOC	Ministry of Commerce
MOECAF	Ministry of Environmental Conservation and Forestry
MOF	Ministry of Finance
MOI	Ministry of Industry
PCR	Project Completion Report
PFI	Participating Financial Institution
PMU	Project Management Unit
PR	Public Relations
PSR	Progress Status Report
SME	Small and Medium-sized Enterprise
SMIDB	Small & Medium Industrial Development Bank
SOE	Statement of Expenditure
TSL	Two-Step Loan
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry

# **1. Project Overview**

## **1.1 Background of the Project**

GOM has given a high priority to SME development and, with the aim of achieving inclusive economic growth led by private enterprises, launched the Central Committee for Development of SMEs chaired by the President and the Work Committee for Development of SMEs.

As the rapid economic growth is gaining momentum in Myanmar, SMEs funding needs for capital investment has been increasing. However, the supply of medium-to long term funding by banks has been extremely limited as a negative legacy of the strict regulations on loan terms by the central bank, which was relaxed just recently. As a result, many SMEs have to rely on their own funding resource for capital investment. For SMEs to aim for stabilized and expansive business management with the medium-to long term perspective, it is necessary to expand the supply of medium-to long term loans made by financial institutions.

JICA had multiple discussions with GOM and decided to offer TSL for SMEs, under which the fund provided by the Yen loan is on-lent to PFIs through MEB. By providing medium-to long term funding to SMEs and capacity development supports to PFIs, JICA aims to increase investment and production by SMEs and to facilitate financial intermediation functions.

## **1.2 Objectives of the Project**

This project operation is to support establishment of implementation scheme for TSL by dispatching a team of expert to MEB, an implementing agency of the TSL project, so that the TSL is being implemented smoothly before the start of consulting services under the TSL project. A team of experts will cooperate closely with the Finance Bureau of MOF, a leader of the Working Committee, and SMIDB, the PFI for the first batch, to fulfill this objective.

The specific tasks include assistance to MEB-PMU with drafting of Operating Guidelines for implementation and management of TSL, capacity building for MEB directors and officers regarding the implementation under the Operating Guidelines, selection of PFIs for the second batch, establishment of the TSL project monitoring scheme, and support on public relations activities in the early stage of the TSL project.



## **2. Basic Policies for Project Implementation**

### **2.1 Help foster the sense of project ownership by GOM**

The Consultant Team helped member institutions of Working Committee and MEB, including but not limited to PMU, foster the awareness that the owner of the TSL project is GOM, not JICA.

### **2.2 Accumulate expertise in assisting SMIDB with their institution building and utilize it for instructions for PFIs selected for the second batch.**

As for the establishment of internal institutions for the TSL project at SMIDB, the only PFI in the first batch, the Consultant Team provided assistance to promote the understanding, among directors and officers in charge, of the purposes of the TSL project and the need for environmental and social considerations.

On top of it, the Consultant Team instructed PFI candidates for the second batch on their institution building based on the expertise accumulated through assistance to SMIDB.

### **2.3 Select PFIs for the second batch that can be seen as model institutions**

The TSL project is not supposed to fulfill all the capital investment needs by SMEs in Myanmar but to function as a catalyst to facilitate the smooth financial intermediation for SMEs by encouraging SMEs make capital investments through bank borrowings. Upon the selection of PFIs for the second batch, the Consultant Team tried to select model financial institutions that can bring about the upgrading of capabilities for all the private financial institutions.

### **2.4 Consideration of effective promotion activities, which publicize the benefit of and Japan's contribution to the TSL project to as many SMEs as possible**

The Consultant Team made a research on what kind of information sources SMEs were utilizing, in order to provide support to make PR activities more effective (e.g. PR activities of TSL in PFIs' individual consultation to potential SME customers). At the same time, through the project implementation, the Consultant Team tried to let general public in Myanmar know about Japan's contribution to the TSL project.

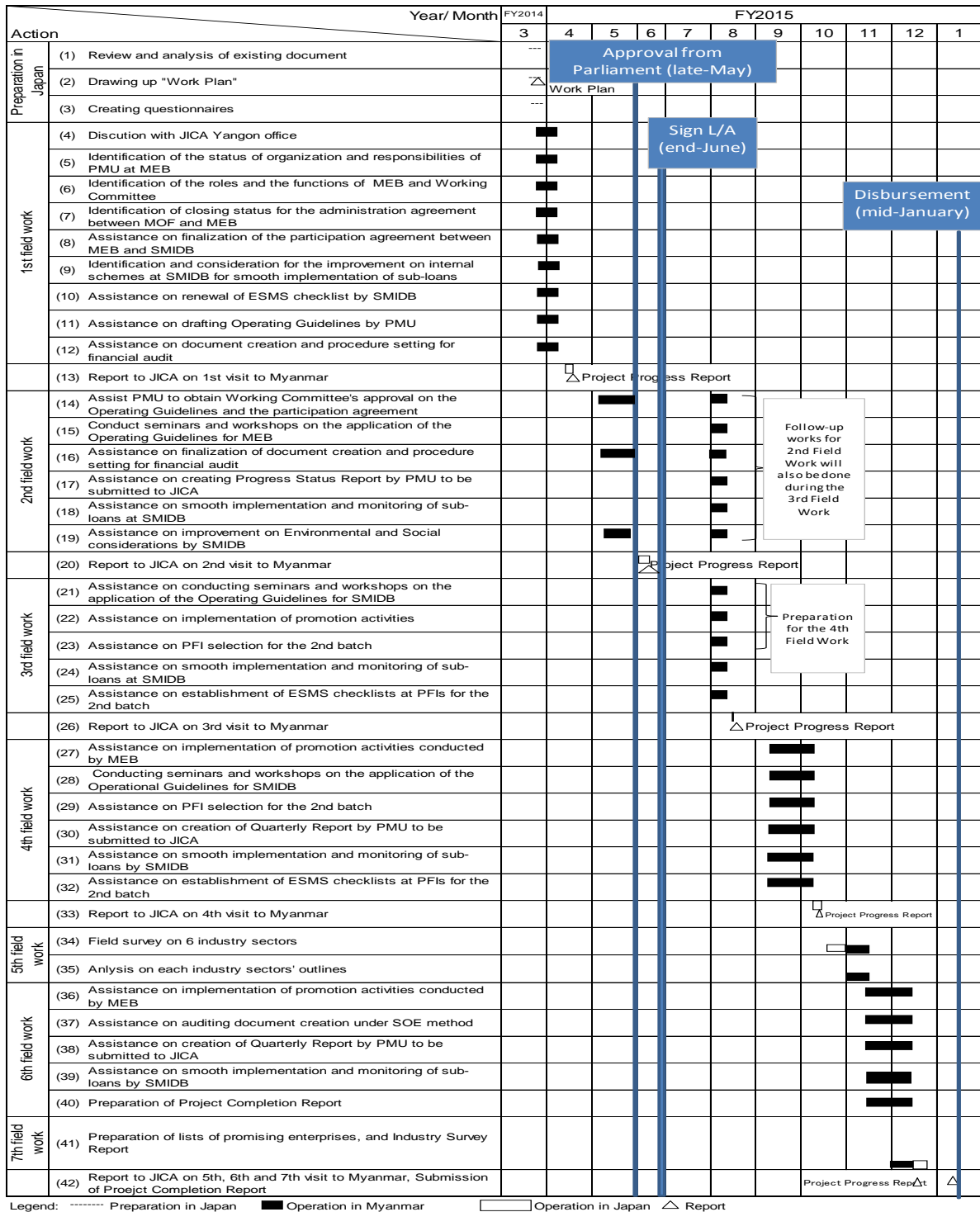
### **2.5 Collect general information on SME finance and share it with Working Committee, PMU and PFI**

Since the SME support by GOM has just started, a lot of changes are likely to be made. The Consultant Team collected information on those changes and reflected them into the Operating Guidelines.

### 3. The Results of the Project

#### 3.1 Project flow chart

In accordance with actual progress of TSL Project and additional necessity of SME survey in 6 target industries, the original operation schedule was modified appropriately. As a result, the project operations were done effectively and efficiently as the chart below shows.



### **3.2 The 1<sup>st</sup> field work (From March 23 to April 9, 2015)**

**(1) Identification of the roles and the functions of the implementing agency, MEB, and Working Committee**

Visited the Working Committee member institutions, MOF, MEB, MOI, MOC, CBM, SMIDB and business association, to confirm their understandings on implementations schemes of the TSL project as stipulated in the Basic Information.

**(2) Identification of the status of organization and responsibilities of PMU at MEB**

Checked the status quo of PMU's organization and responsibilities and requested for smooth deployment of personnel resources to the top management of MEB.

**(3) Identification of closing status for the administration agreement between MOF and MEB**

**(4) Assistance on finalization of the participation agreement between MEB and SMIDB**

Assisted PMU to draft the agreement based on the terms and conditions as stipulated in 2-1 and 2-2 in the Basic Information.

**(5) Identification and consideration for the improvement on internal schemes at SMIDB for smooth implementation of sub-loans**

Identified if SMIDB had established appropriate internal schemes to fulfill its obligations as stipulated in 2-1 (1) 2, Terms and Conditions of the Participation Agreement, of the Basic Information and provided with assistance.

**(6) Assistance on SMIDB's preparation of ESMS check list**

Assisted SMIDB for the renewal of ESMS checklist, in order to improve environmental and social considerations at SMIDB. Given the size of the loan and the lack of experience at PFIs, "Negative List Method" was a practical response to meet Environmental and Social Protection Standard at JICA.

**(7) Assistance on drafting Operating Guidelines, English and Burmese, by PMU**

Based on the terms and conditions contained in the Basic Information, the Consultant Team assisted PMU to draft the Operating Guidelines, which aim at smooth implementation and administration of TSLs. Such guidelines included at least the following terms and conditions.

- a) Eligibility of end-users and sub-projects for the TSL (SMEs to be supported by the new SME law and the capital investment)
- b) Conditions for sub-loans and FTD (Minimum deposit rate plus 0.5% interest rate for sub-loans, minimum deposit rate while idled and 4% after being disbursed for FTD)
- c) Lending procedures and review flows for sub-loans and FTDs
- d) Monitoring and reporting on Sub-loan and FTD
- e) Administration procedures for bank accounts used for TSL (Project Operating Account, Revolving Fund Account and so on)
- f) Criteria and procedures for PFI selections

**(8) Assistance on document creation and procedure setting for financial audit**

Discussed with the designated auditor over document creation and procedure setting for auditing, and assisted PMU in reflecting the results of the discussion into the Operating Guidelines.

- a) Auditing procedure and reporting format for Project Operating Account and Revolving Fund Account
- b) Auditing procedure and format under SOE method
- c) Record the result of confirmation and consideration for a) and b) in the Operating Guidelines

**3.3 The 2<sup>nd</sup> field work (From May 10 to May 30, 2015)**

**(1) PMU assistance to obtain Working Committee's approval on the Operating Guidelines and the participation agreement**

**(2) Capacity development of directors and officers at MEB**

Conducted seminars on the application of the Operating Guidelines.

**(3) Assistance for finalizing document creation and procedure setting for financial audit**

Assisted PMU to finalize document creation and procedure setting for financial auditing as shown in the below.

- a) Auditing procedure and reporting format for Project Operating account and Revolving Fund Account
- b) Auditing procedure and format under SOE method
- c) Record the result of confirmation and consideration for a) and b) in the Operating Guidelines
- d) Establishing operation monitoring scheme

**(4) Assistance on creating Progress Status Report by PMU to be submitted to JICA by the end of June**

**(5) Assistance on smooth implementation of sub-loans by SMIDB**

Assisted SMIDB to select sub-project candidates that can meet eligibilities in the TSL project and to create application documents for FTD to be submitted to PMU.

**(6) Assistance on improvement on Environmental and Social considerations at SMIDB**

Assisted SMIDB to judge if IEE or EIA is required for each sub-project candidate.

**3.4 The 3<sup>rd</sup> field work (From August 3 to August 15 2015)**

**(1) Capacity development of directors and officers at SMIDB**

Prepared for facilitating seminar on TSL and SME lending methodologies at SMIDB.

**(2) Assistance on implementation of promotion activities**

Assisted PMU to implement promotion activities through business associations, such as UMFCCL, and government agencies, such as SME Center.

- (3) **Assistance on PFI selection for the 2<sup>nd</sup> batch based on the Operating Guideline**
- (4) **Assistance on smooth implementation and monitoring of sub-loans at SMIDB**
- (5) **Assistance on improvement on Environmental and Social considerations at SMIDB**

### **3.5 The 4<sup>th</sup> field work (From September 7 October 12, 2015)**

- (1) **Assistance on implementation of promotion activities**  
Assisted PMU for the review the effectiveness of the promotion activities and its planning.
- (2) **Facilitation of SMIDB seminar**  
Facilitated seminar on TSL and SME lending methodologies at SMIDB.
- (3) **Assistance on PFI selection for the 2<sup>nd</sup> batch**
- (4) **Assistance on creation of Report by PMU to be submitted to JICA at the end of September and on recording of matters to be reported annually to JICA**  
Assisted PMU to create the Progress Status Report (PSR) to be submitted to JICA by the end of September 2015.
- (5) **Assistance on smooth implementation and monitoring of sub-loans by SMIDB**
- (6) **Assistance on establishment of ESMS checklists at PFIs for the 2<sup>nd</sup> batch**  
Assisted PFIs for the 2nd batch to establish ESMS checklist and to appropriately implement the schemes.

Furthermore, considering about the actual necessity, the Consultant Team facilitated 3-days seminar on TSL implementation for the PMU members. In addition, the Consultant Team conducted an additional survey on SME lending behavior and credit appraisal methodologies at SMIDB and PFI candidate banks.

### **3.6 The 5<sup>th</sup> field work (From November 1 to November 7, 2015)**

#### **(1) Background of 5<sup>th</sup> field work**

The two-step loan project follows the concept of Myanmar Industrial Development Vision (hereafter, MIDV), which was presented by Japanese government in July 2005. Therefore, the Consultant Team conducted two field works (the 5<sup>th</sup> and 7<sup>th</sup>) to select candidate loan recipients from the 6 sectors (Construction materials, Food processing, Chemical products, Textile, Plastic molding, Other business) deemed promising over the period until around 2020 in MIDV.

#### **(2) Conducted field interview survey on 15 SMEs in the 6 industrial sectors**

In this field work, 15 SMEs are visited in the 6 industry sectors, which are deemed promising in Myanmar Industrial Development Vision, and 4 governmental agencies/business associations in Yangon area to conduct interview survey regarding their business overview, financial needs, etc.

### **(3) Methodology**

- i. On top of the companies listed in "Top 100 SME in Myanmar" published by Ministry of Industry, the Consultant Team collected information of Myanmar companies who; had joined international exhibitions; had experience in export; had been known to us in our past research projects. In addition, in response to our request for support, UMFCCI kindly introduced several candidate interviewees to us.
- ii. On the basis of the information collected as above, the Consultant Team extracted companies that a) had business registration certificate, b) met criteria of SME definition stipulated in SME Development Law, and c) belongs to the 6 industrial sectors deemed promising in MIDV.
- iii. The Consultant Team requested appointments to the companies selected in above ii, and successfully interviewed 15 companies about their business status, financial needs, experience in bank loans, financial documentation, etc. Governmental agencies and business associations were also interviewed for information about the business trend in the 6 business sectors.

### **3.7 The 6<sup>th</sup> field work (From November 29 to December 19, 2015)**

#### **(1) Assistance on implementation of promotion activities**

Assisted PMU for the review on the effectiveness of the promotion activities and its planning.

#### **(2) Assistance on auditing document creation under SOE method**

Assisted PMU to reconfirm the OAG's corporation and preparation of auditing documents through the continuous discussion with OAG and MOF's corporation. Firstly, MOF submitted a letter dated 22 July to OAG, and then obtained the approval letter (dated 19 August) from OAG. However, the approval letter mentioned about SOE auditing documents, but it doesn't clearly mention about the auditing documents on TSL-related accounts. Then, PMU together with MOF reconfirmed it with OAG. In addition, OAG has hesitated to issue the auditing report written in English, and PMU might have to prepare it.

#### **(3) Assistance on creation of Report by PMU to be submitted to JICA at the end of December and on recording of matters to be reported annually to JICA**

Assisted PMU to create the PSR to be submitted to JICA by the end of December 2015.

#### **(4) Assistance on smooth implementation and monitoring of sub-loans by SMIDB**

Assisted SMIDB in preparing a list of candidate sub-projects for TSL's 1<sup>st</sup> batch. In addition, through this work, the Consultant Team made FAQs for PFIs' operations of TSL. Although SMIDB's preparation for sub-loan disbursement and its monitoring was completed, due to the delay of the overall schedule of the TSL Project, the Consultant Team has not been able to provide SMIDB with hands-on assistance for its sub-loan disbursement and monitoring during the field surveys.

#### **(5) Preparation of Project Completion Report on this field work**

Furthermore, as the follow-up of PFI selection for the 2<sup>nd</sup> batch during the 4<sup>th</sup> field work, the

Consultant Team assisted PMU to check with application documents submitted from 5 PFI applicant banks.

### **3.8 The 7<sup>th</sup> field work (From November 29 to December 19)**

#### **(1) Conducted field interview survey on 41 SMEs in the 6 industrial sectors**

In the same manner as in the 5<sup>th</sup> field work, the Consultant Team visited 41 SMEs in total in the 6 industrial sectors in Yangon, Bagan, Nyaung Shwe (Lake Inle), Taunggyi, Mandalay, and Pyin Oo Lwin, and 4 governmental agencies/business associations to conduct interview survey regarding business overview, financial needs, etc. of those SMEs (Number of visited SMEs: Yangon 14, Bagan 5, Nyaung Shwe (Lake Inle) 5, Taunggyi 2, Mandalay 11, Pyin Oo Lwin 4).

#### **(2) Compilation of sector outline report in 6 industry sectors**

Analyzed the overview and future outlook of the above 6 industrial sectors on the basis of the interview survey results, in preparation for the submission of final product.

#### **(3) Preparation of a list of promising SMEs as candidate loan recipients**

Selected comparatively promising companies among the SMEs interviewed during the 5th and 7th field surveys and the survey in 2013 (field survey of “Preparatory Survey on Two-Step Loan Project for Small and Medium Enterprises Development in the Republic of the Union of Myanmar”, conducted in 2013) on the basis of the interview results, in consideration of their business status, future business outlook, financial needs for capital investment, etc. The evaluation and scoring procedure is summarized as follows:

- A) Evaluation items are set as "Business performance and future potential" and "Profitability" (maximum 30 points are given to each), "Collaterals" and "Financial documents" (maximum 10 points are given to each), and "Financial need for capital investment"(maximum 20 points), resulting in a total of 100 points.
- B) Each interviewee was graded on each evaluation items on the basis of its interview result, comparison with other interviewees, and other supporting information. Finally, top 20 highest-scoring companies were selected as candidate loan-recipients.

## The list of candidate loan-recipients and rationale for their selection

(The index number corresponds to that in Appendix 9)

Index	Sector	Company name	Rationale for selection
1-1	Construction materials	Maga Manufacturing (Building Component Division)	Growing demand and sales, High awareness of financial management, Well-defined investment plan
1-2		Aung Generation Seven	Growing demand and sales, High profitability, Plenty of collaterals
2-1	Food processing	Zwe Oil	High awareness of financial management, Active participation in international assistance programs
2-2		Silvery Pearl	Growing demand and sales, Wide and stable sales network, Plenty of collaterals, Advanced quality management, Active participation in international assistance programs, Well-defined investment plan
2-3		SUMME	Growing export demand, International sales network, Active exploration of overseas markets, High awareness of quality management, Well-defined investment plan, Contribution to social development
2-4		Mr. Potato	Large potential demand, Well-recognized brand, Expanding sales network, Competitive product, Well-defined investment plan
2-5		Shan Maw Myae	Large potential demand, Nation-wide sales network, International business collaboration, Well-defined investment plan
2-6		Myanmar Golden Produce	Large potential export demand, High profitability, Wide international sales network, High awareness of financial management, Well-defined investment plan
2-7		KYK	Growing demand and sales, Well-known brand, Wide and stable sales network, Plenty of collaterals
2-8		Walco	Growing demand and sales, Wide and stable sales network, High awareness of financial management, Advanced quality management, Holding FDA certificate, Active participation in international assistance programs, Well-defined investment plan
2-9		Power Maw Shan	Growing demand and sales, Wide and stable sales network, Active exploration of overseas markets, International business network, Well-defined investment plan
2-10		Nyunt Nyunt Tamarindo	Growing demand and sales, Well-known brand, Nation-wide sales network, Plenty of collaterals
2-11		Soe San Damson	Growing demand and sales, High profitability, Firm customer base, Nation-wide and international sales network
3-1	Textile	Rose Gold Mountain Trading	Growing demand and sales, Firm customer base, Internationally recognized quality and design, Active exploration of overseas markets, High awareness of financial management, Contribution to social development
3-2		Thiri Sander Garment & General Trading	Growing demand and sales, Firm customer base, Active participation in international assistance programs, Well-defined investment plan
3-3		Shweyi Zabe Garment	Growing demand and sales, Firm customer base, High awareness of financial management, Active participation in international assistance programs, Well-defined investment plan
5-1	Plastic molding	Zaw Plastic	Large potential demand, High profitability, Ongoing plan to develop new products, Well-defined investment plan
6-1	Other business	Auto Life	Growing demand and sales, Huge potential market, Plenty of collaterals, Well-defined investment plan, Contribution to social development
6-2		Aung Zabu Tun	Growing demand and sales, Large potential market, High awareness of quality management, Well-defined investment plan
6-3		W.M.	Growing demand and sales, High profitability, Plenty of collaterals, Well-defined investment plan



## The list of candidate loan-recipients and their grade scores in selection process

Index	Sector	Company name	Business Performance, Future Potential (30)	Profitability (30)	Collaterals (10)	Financial Documents (10)	Financial Need of Capital Investment (20)	Total
			A: Very good B: good C: O.K.	A: > 20% B: 5-20% C: < 5%, not open	A: Plenty B: Available C: Difficult/No	A: Audited B: Prepared C: No	A: Well-defined B: Planned/Considered C: Not considered	A: x 1 B: x 0.5 C: x 0
1-1	Construction materials	Maga Manufacturing (Building Component Division)	A	B	C	A	A	75
1-2		Aung Generation Seven	B	A	A	B	B	70
2-1	Food processing	Zwe Oil	A	B	B	A	B	70
2-2		Silvery Pearl	A	B	A	B	A	80
2-3		SUMME	A	B	B	A	A	80
2-4		Mr. Potato	A	B	B	C	A	70
2-5		Shan Maw Myae	A	B	B	B	A	75
2-6		Myanmar Golden Produce	B	A	B	A	A	80
2-7		KYK	A	B	A	B	B	70
2-8		Walco	A	B	B	A	A	80
2-9		Power Maw Shan	A	B	B	B	A	75
2-10		Nyunt Nyunt Tamarindo	A	B	A	B	B	70
2-11		Soe San Damson	A	A	B	B	B	80
3-1	Textile	Rose Gold Mountain Trading	A	B	B	A	B	70
3-2		Thiri Sander Garment & General Trading	A	B	B	B	A	75
3-3		Shweyi Zabe Garment	A	B	B	A	A	80
5-1	Plastic molding	Zaw Plastic	B	A	B	B	A	75
6-1	Other business	Auto Life	A	B	A	B	A	80
6-2		Aung Zabu Tun	A	B	B	B	A	75
6-3		W.M.	A	A	A	B	A	95

### 3.9 Manning Schedule

M = Operation in Myanmar  
J = Operation in Japan

	Assigned Area	Name	Company	2014	FY2015										Man-Month								
				3	4	5	6	7	8	9	10	11	12	1	FY2014		FY2015		Total				
				M	J	M	J	M	J	M	J	M	J	M	J	M	J	M	J				
Operation in Myanmar	Team Leader/ SME Finance	Hiromasa KONDO/ Yoshiyuki OBA	JERI	■	■	■			■	■			■	■			0.30		3.03		3.33		
	Two-Step Loan Operational Support 1	Jin YOSHIDA	DIR	■	■					■	■		■	■			0.30		2.87		3.17		
	Two-Step Loan Operational Support 2	Miyuki SATO	JERI	■	■				■	■							0.30		2.33		2.63		
	Industrial Survey 1	Mikio YOKOYAMA	DIR										■	■			0.00		0.70		0.70		
	Industrial Survey 2	Takafumi TEMMA	DIR										■	■			0.00		0.93		0.93		
	Subtotal													0.90		9.86		10.76					
Operation in Japan	Team Leader/ SME Finance	Hiromasa KONDO/ Yoshiyuki OBA	JERI	□	□				□				□		□			0.05		0.45		0.50	
	Two-Step Loan Operational Support 1	Jin YOSHIDA	DIR	□	□			□									0.05		0.15		0.20		
	Two-Step Loan Operational Support 2	Miyuki SATO	JERI	□			□				□	□	□				0.05		0.20		0.25		
	Industrial Survey 1	Mikio YOKOYAMA	DIR								□	□	□				0.00		0.70		0.70		
	Industrial Survey 2	Takafumi TEMMA	DIR								□	□	□				0.00		0.60		0.60		
	Subtotal														0.15		2.10		2.25				
Report Submission				△	△				△				△										
Total				Work Plan										Final Report		0.90	0.15	9.86	2.10	10.76	2.25		
				1.05		11.96		13.01															

■ Operation in Myanmar □ Operation in Japan

## **Appendix**

### **Appendix 1: Operating Guidelines**

**GOVERNMENT OF THE REPUBLIC OF THE UNION OF MYANMAR  
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)**

**OPERATING GUIDELINES  
FOR  
DEVELOPMENT OF FINANCE FOR  
SMALL AND MEDIUM-SIZED ENTERPRISES**

**August, 2015**

**PROJECT MANAGEMENT UNIT  
MYANMA ECONOMIC BANK**

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## Abbreviations

CBM	Central Bank of Myanmar
ECC	Environmental Clearance Certificate
EIA	Environmental Impact Assessment
FTD	Fund Transfer by Deposit
GOM	Government of the Republic of the Union of Myanmar
IEE	Initial Environmental Examination
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
L/A	Loan Agreement
M/D	Minutes of discussions on the TSL Project between JICA and GOM signed on October 15, 2014
MMK	Myanmar Kyat
MOC	Ministry of Commerce
MOF	Ministry of Finance
MOI	Ministry of Industries
OAG	Office of the Auditor General
ODA	Official Development Assistance
PFI	Participating Financial Institution
PMU	Project Management Unit
P/M	Project Memorandum
P/R	Progress Report
SME	Small and Medium-sized Enterprise
SOE	Statement of Expenditure
TSL	Two-Step Loan

## Definitions

Administration Agreement	Agreement to appoint MEB as an executing agency of the TSL Project, signed between MOF and MEB on , 2015
Administration Fee Account	MMK bank account to be opened and maintained at MEB under the TSL Project's name to receive administration fee to be received by MEB under Administration Agreement
Advance Procedure	Procedures required for disbursement from ODA loan as stipulated in "Brochure on Advance Procedure for Japanese ODA Loans"
Designated Account	JPY bank account to be opened and maintained at MEB under the TSL Project's name to receive disbursement from JICA under the Advance Procedure

End-Borrower	Borrower of a project Sub-Loan
Fund Transfer by Deposit	Funds from ODA Loan provided by PMU to PFIs in the form of bank deposit
Interest Payment Account	MMK bank account to be opened and maintained at MEB under the TSL Project's name to receive interest paid by PFI for FTD
MOF Income Account	MMK bank account to be opened and maintained at MEB under the TSL Project's name to receive interest paid by PFI for FTD after deduction of administration fee for MEB
Loan Account	JPY bank account to be opened and maintained at BTMU (Bank of Tokyo-Mitsubishi UFJ) on behalf of MOF under the TSL Project's name to receive disbursement from JICA
Operating Guidelines	Guidelines issued by PMU to facilitate PMU and PFIs to thoroughly understand policies and mechanism of the TSL Project, to process the ODA loan to the GOM provided under the L/A, and to realize successful implementation of the TSL Project.
Participation Agreement	Basic agreement between MEB and PFI attached as Annex I
Participating Financial Institution	Bank(s) that receive funds from ODA Loan through PMU and make Sub-Loans to End-Borrowers
TSL Project	Development of Finance for Small and Medium-sized Enterprises
Project Completion Date	Earlier of (i) the last disbursement under LA, and (ii) the expiry of LA
Project Operating Account	MMK bank account to be opened and maintained at MEB under the TSL Project's name to receive fund transfer from Designated Account after conversion to MMK
Recovery Percentage	[Cumulative total expenditures of ODA loan proceeds justified by evidence] divided by [Cumulative total disbursement from Designated Account]
Revolving Fund Account	MMK bank account to be opened and maintained at MEB under the TSL Project's name to administer the second and succeeding generations of FTD to PFIs
SME TSL Idle Account	MMK bank account to be opened and maintained at each PFI to receive fund transfer from MEB
SME TSL Funding Account	MMK bank account to be opened and maintained at each PFI to maintain balance equal to the total outstanding balance of Sub-Loans made by each PFI.
Sub-Loan	Loan made by PFI to End-Borrower
Sub-Project	Project financed by Sub-Loan

# **Introduction**

## **Background**

The Government of Myanmar (hereinafter referred to as “GOM”) places SME development as a high priority policy issue and launched the Central Committee for Development of SMEs chaired by the President and the Work Committee for Development of SMEs with the aim of achieving inclusive economic growth led by private enterprises.

As the rapid economic growth is gaining momentum in Myanmar, funding needs for capital investment by SMEs have been increasing. However, the supply of medium/long-term funding by banks has been extremely limited as a negative legacy of the strict regulations on loan terms by the central bank, which was relaxed only recently. As a result, many SMEs have to rely on their own funding sources for capital investment. For SMEs to aim for stabilized and expansive business management with medium/long-term perspective, it is necessary to expand the supply of medium/long-term loans made by financial institutions.

JICA had multiple discussions with GOM and decided to offer Two Step Loan (hereinafter referred to as “TSL”) for SMEs, under which the fund provided by the ODA loan is on-lent to Participating Financial Institutions (hereinafter referred to as “PFI”) and ultimately to SMEs. Through provision of mid/long-term funding to SMEs and capacity development to PFIs, the TSL Project aims to increase investments made by SMEs and to facilitate financial intermediation functions.

## **Purpose of Operating Guidelines**

This Operating Guidelines is intended to facilitate PMU and PFIs to thoroughly understand policies and mechanism of the TSL Project, to process the ODA loan to the GOM provided under the L/A, and to realize successful implementation of the TSL Project.

## **Modification of Operating Guidelines**

This Operating Guidelines is subject to change for the purpose of operational improvement and/or reflection of changes in economic situations or laws. Any change in the Operating Guidelines, which would materially change the structure and/or nature of the TSL Project, shall be made by the PMU subject to approval from Working Committee and concurrence by JICA.

# **1. Outline of the TSL Project**

## **1.1. Objective**

The objective of the TSL Project is to improve the financial intermediation function for SMEs, and to increase the production and investments of SMEs in Myanmar. This objective is to be fulfilled by providing medium/long-term funds through PFIs and by strengthening PFIs' capacity, thereby contributing to inclusive development of the country's industry and economy, as well as creation of employment.

## **1.2. Two-Step Loan (TSL) Scheme**

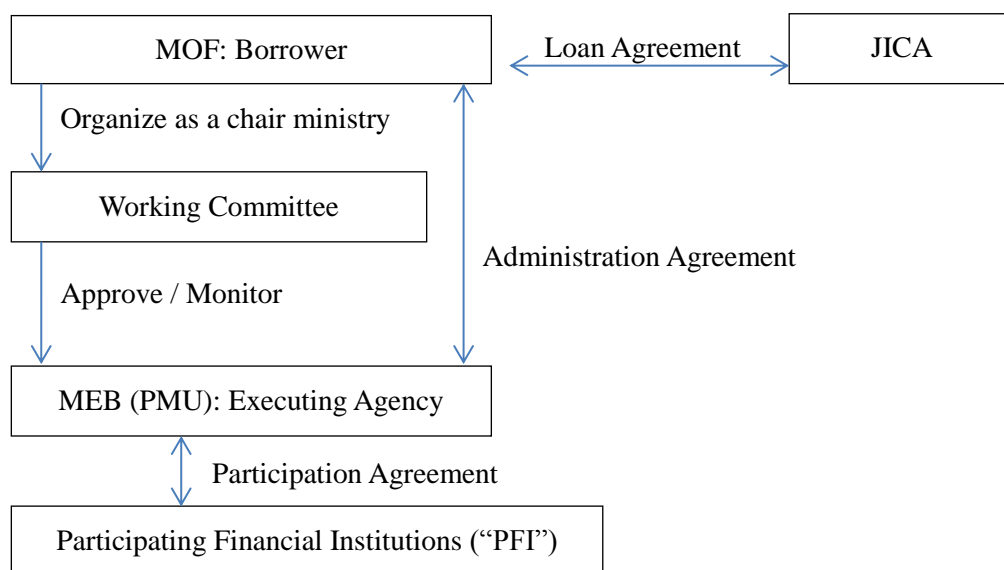
The TSL Project is an on-lending loan scheme to provide medium/long-term loans to SMEs through accredited PFIs. JICA provides the ODA Loan in JPY to GOM, which authorizes MEB to implement the TSL Project. MEB exchanges the JPY funds to MMK and provides it to PFIs. PFIs then lend such funds to SMEs as medium/long-term loans (herein after referred as "Sub-Loans") to be used exclusively for their capital investments, such as purchasing of machinery and equipment and working capital related to such investment.

The amount of the ODA Loan is JPY 5,000,000,000 in total, of which JPY 500,000,000 is earmarked for the first batch.

## **1.3. Management Structure**

The TSL project is a part of SMEs development programs carried out by GOM and to be implemented through cooperation with commercial banks in Myanmar. The implementation of the TSL Project is governed by the Working Committee, which is chaired by the Ministry of Finance, a borrower of ODA Loan, and consists of ministries in charge of SME promotion and financial regulation, as well as representatives from Participating Financial Institutions and industry associations.

The organizational structures and governing agreements are shown below.



### 1.3.1. Working Committee

In order to make sure that the TSL Project is implemented in line with the framework of SME development policies of GOM, and in a smooth and transparent manner, Working Committee is formed by the following members.

[Tasks to be performed by Working Committee]

- (1) Discuss and decide on policy issues relevant to the implementation and management of the project, including but not limited to the establishment and the revisions of Operating Guidelines, and inclusion/exclusion of PFIs
- (2) Monitor PMU and PFIs on proper implementation of the TSL Project
- (3) Report to the higher authorities on the progress and the achievement of the TSL Project so that the lesson learned from the project implementation is reflected in the policy formation for SME development.

[Members]

✓ Chairman:

- (1) Director General, Treasury Department, MOF (Borrower)

✓ Members:

- (2) A suitable representative from MEB (Executing Agency);
- (3) A suitable representative from Ministry of Industry (“MOI”), as a ministry in charge of implementation of SME Development Law;
- (4) A suitable representative from Ministry of Commerce (“MOC”), as a ministry in charge of supporting private sector development;
- (5) A suitable representative from CBM as a banking regulator and supervisor;
- (6) A suitable representative from a PFI nominated by MEB;

- (7) A suitable representative from private business associations; and
- (8) Other organizations as may be considered appropriate by the resolution of Working Committee.
- ✓ Secretariat:
- (9) PMU
- ✓ Observer:
- (10) JICA

[Regular meetings]

Working Committee will convene at least once every quarter, but can be held on an ad-hoc basis if any issue arises to be discussed immediately.

### **1.3.2. Ministry of Finance (MOF)/ Borrower**

MOF serves as a representative of GOM in terms of borrowing from JICA and also is responsible for implementation of the TSL Project and serving as a chair of Working Committee. MOF is responsible for:

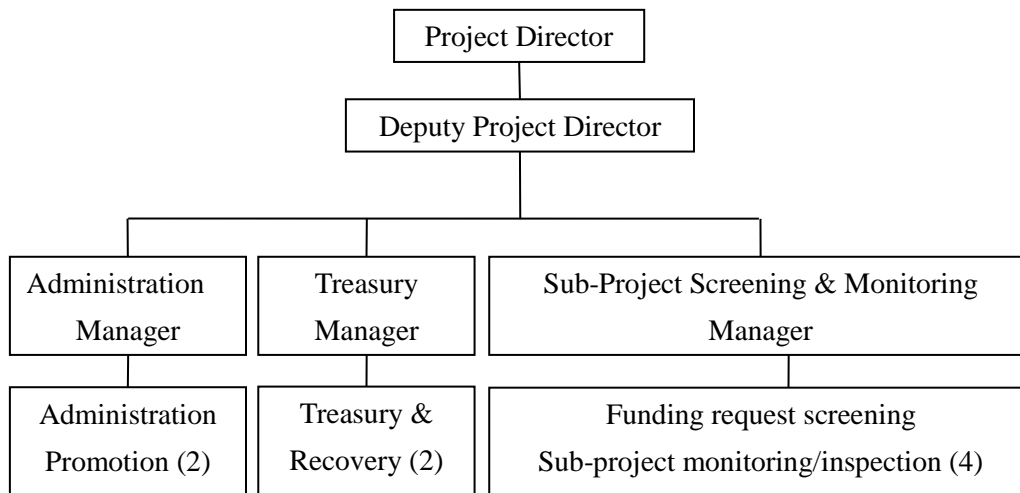
- (1) signing the L/A with JICA;
- (2) signing the Administration Agreement with MEB;
- (3) hold regular and ad-hoc meetings of Working Committee; and
- (4) repayment of ODA Loans on behalf of GOM.

### **1.3.3. Myanma Economic Bank (MEB)/ Executing Agency**

MEB is designated by MOF as the executing agency of the TSL Project by entering into Administration Agreement. MEB is responsible for:

- (1) administration of the TSL Project, including submitting disbursement request and reporting documents to JICA, maintain the funds as stipulated in the L/A and the Operating Guideline, monitor the proper implementation of the project by PFIs and End-Borrowers;
- (2) establishment and maintenance of appropriate PMU;
- (3) hiring of consultants;
- (4) signing Administration Agreement with MOF; and
- (5) signing Participation Agreement with PFIs.

For the purpose of the smooth implementation of the Project, MEB is established Project Management Unit at MEB. The structure of PMU is indicated as following:



In PMU, Project Director will be primarily responsible for the project implementation. MEB ensured that while the Project Director and the Deputy project Director may be those who are also responsible for and managing the existing tasks, the Project Managers as well as the staff members who are in charge of TSL administration and appraisal shall be engaged exclusively in the Project on full-time basis, and that Project Director shall have the authority to mobilize any directorate of MEB necessary for the smooth implementation of the Project.

#### **1.3.4. Participating Financial Institutions (PFIs)**

PFIs are selected from top-rated commercial banks in Myanmar and serve as direct contacts to SMEs under the TSL project. PFIs are responsible for:

- (1) finding appropriate End-Borrowers and Sub-Projects;
- (2) perform environmental and social screening of Sub-Projects;
- (3) monitoring the status of Sub-Loans and reporting to PMU;
- (4) signing Participation Agreements with PMU; and
- (5) administration of SME TSL Idle Account and SME TSL Funding Account

### **1.4. Governing Agreements**

#### **1.4.1. Loan Agreement (L/A) between JICA and GOM**

The L/A stipulates obligations of the Borrower, inter alia:

- (1) Loan Amount and Allocation of Proceeds of Loan;
- (2) Disbursement Procedure;
- (3) Administration Structure; and
- (4) Reporting Requirements to JICA.

#### **1.4.2. Project Memorandum (P/M) between JICA and GOM**

The P/M stipulates various issues on the implementation of the TSL Project, inter alia:

- (1) Confirmation on the contents of the Minutes of Discussion (M/D) including the Project Status Report (PSR), and the Main Points Discussed (MPD);
- (2) Submission of reports and information required as per L/A and M/D;
- (3) Monitoring Indicators in the PSR; and
- (4) Public Relations (PR) activities.

The major contents of P/M, M/D, PSR and MPD has been incorporated in this Operating Guidelines, however, it is recommended to refer to these documents from time to time to obtain deeper understanding of the TSL Project scheme, including the background and the purpose of the TSL Project.

#### **1.4.3. Administration Agreement between MOF and MEB**

The Administration Agreement officially authorizes MEB as the Executing Agency.

#### **1.4.4. Participation Agreement between MEB and PFI**

Each accredited PFI will conclude a comprehensive Participation Agreement with MEB, as attached as Annex I.

#### **1.4.5. Sub-Loan agreement between PFI and End-Borrower**

A Sub-Loan agreement shall be signed between a PFI and an End-Borrower which includes the following obligations of the End-Borrower:

- (1) To use the proceeds of the Sub-Loan exclusively for the purpose of the Sub-Project as specified in the Sub-Loan agreement;
- (2) To submit the evidence of use of the Sub-Loan proceeds (e.g. receipt or bill, invoice from suppliers);
- (3) To submit financial statements for every accounting term, at least once a year, until the full repayment of the Sub-Loan;
- (4) To enable PFI, PMU, and/or JICA to inspect the Sub-Project, if PFI, PMU, and/or JICA so requests;
- (5) To follow all the environmental regulations established by GOM and JICA's guidelines for environmental and social consideration; and

To allow PMU and PFI to suspend, terminate or withdraw the Sub-Loan when any violation is observed.



## **2. Eligible End-Borrowers and Sub-Projects**

### **2.1. Eligibility criteria for End-Borrowers**

The eligible borrowers must satisfy both requirements below.

- (1) Duly registered under "The Myanmar Companies Act"; and
- (2) Meeting the definition of SMEs stipulated in SME Development Law.

Before the enactment of SME Development Law, apply the definition included in the most updated draft.

### **2.2. Eligible Sub-Projects**

#### **2.2.1 Excluded sectors**

The following sectors shall be specifically excluded.

- (1) Farmers eligible for borrowing from Myanmar Agricultural Development Bank;
- (2) Real estate;
- (3) Finance and insurance;
- (4) Precious metal dealing;
- (5) Bars and pubs;
- (6) Amusement, entertainment (except for tourism);
- (7) Weapons, ammunition; or
- (8) Any other sector harmful to the social stability (to be judged by Working Committee)

#### **2.2.2. Eligible geographical location**

All the regions in Myanmar

There is no condition set on the geographical location of business as long an investment is made within the territory of Myanmar.

#### **2.2.3. Eligible investments**

- (1) Fixed assets, such as machinery, equipment, factory buildings including related civil works, services and training. However, purchase of land or land-use-right and, payment of tax and import duty are not eligible for financing.
- (2) Initial Working Capital, which is associated with a fixed asset investment. However, such initial working capital portion cannot exceed 20% of Sub-Loan principal.

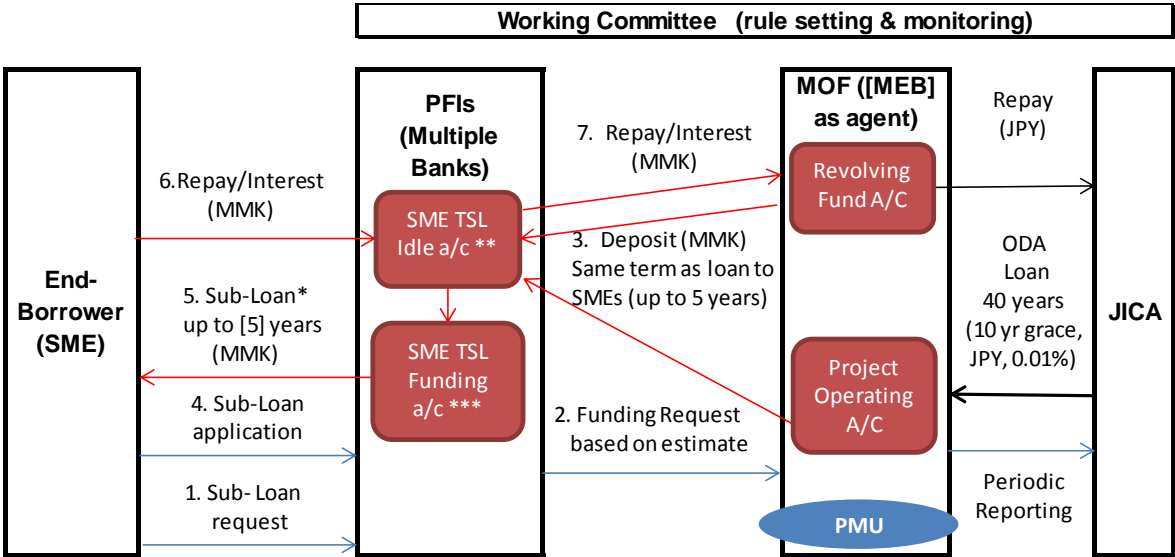
### **2.3. Ineligible investment activities for environmental and social consideration**

No Sub-Loans shall be extended to finance Ineligible Investment Activities as attached as Annex II and Category A investment activities as stipulated in JICA Guidelines for Environmental and Social Considerations.

**2.4. Revision of eligibility criteria**

Any change in the eligibility criteria shall be proposed by PMU, reviewed and approved by the Working Committee and then reviewed and concurred by JICA.

**3. Terms and conditions of TSL**



\* Lending interest rate is defined as [minimum deposit rate plus 0.5%]  
 \*\* Deposit rate while idled is the minimum deposit rate  
 \*\*\* Deposit rate after SME loan disbursement (TSL Funding Rate) is the TSL Lending Rate less the TSL Interest Margin, which is [90%] of the Prevailing Gross Interest Margin, a difference between the Maximum Lending Rate and the Minimum Deposit Rate.

**3.1. Terms and conditions of Fund Transfer by Deposit (FTD)**

<b>Currency</b>	The same as Sub-Loan
<b>Size</b>	
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>✓ When the fund is not lent to End-Borrowers, the fund is kept at SME TSL Idle Account with minimum deposit interest rate</li> <li>✓ When the fund is lent to End-Borrowers, the fund is kept at SME TSL Funding Account with the interest rate obtained from the formula below;  <math display="block">\text{SME TSL Funding Account deposit rate} = [\text{Sub-Loan interest}] - \{[\text{maximum lending rate}] - [\text{minimum deposit rate}]\} \times 90\%</math> </li> </ul>
<b>Maturity</b>	Corresponds to Sub-Loans but, since repayment and interest payment to PMU is
<b>Repayment Schedule</b>	made monthly, PFI shall return the fund to PMU on the principal repayment date following the date that End-Borrower repays to PFI

Penalty: If PFI receives FTD based on false or incorrect information and/or fails to pay on the FTD

Payment Date, MEB shall have a right to impose a penalty at 200% of applicable FTD interest rate, as well as a right to withdraw the entire outstanding balance of FTD.

**3.2. Terms and conditions of Sub-Loan**

<b>Currency</b>	Myanmar Kyats (MMK)
<b>Size</b>	MMK 500 million at maximum for each Sub-Loan
<b>Interest Rate</b>	Minimum deposit rate plus 0.5% per annum including other relevant charges (e.g. service charge, commitment charge)
<b>Maturity</b>	More than 1 year and up to 5 years from the date of final disbursement
<b>Repayment Schedule</b>	The principal repayment and interest payment is subject to Sub-Loan agreement. (PFIs and End-Borrowers may freely agree on the payment schedule.)

**3.3. Revision of terms and conditions**

Any change in the terms and conditions of FTD as well as Sub-Loan specified above, which would materially change the structure and/or nature of the TSL scheme, shall be proposed by PMU, approved by the Working Committee and then reviewed and concurred by JICA. Such revision shall, in principle, be applied to uncommitted loans only.

**4. Participating Financial Institution (PFI)**

**4.1. Accreditation criteria for PFI**

PFI candidate shall be screened by the accreditation criteria as attached as Annex III, which include the following:

- (1) Legality (licensed, approved and supervised by CBM);
- (2) Operational experiences (minimum 3 full years with audited records which shows profitable operation for 2 consecutive years );
- (3) Commitment to SME lending (track record of lending to and development of new products/services for SMEs );
- (4) Capital adequacy (compliance with the minimum capital requirement and Capital Adequacy Ratio (“CAR”));
- (5) Low level of non-performing loans (Non-Performing Loans (“NPL”) ratio not exceeding 10%);
- (6) Transparency (submission and/or disclosure of financial statements);
- (7) Corporate governance (control and management of business risks or corruption); and
- (8) Risk management (capacity development of risk assessment).

## **4.2. Accreditation assessment**

PMU shall invite applications from banks and financial institutions short-listed based on the accreditation criteria. After review of applications, PMU shall create a list of candidate PFIs and obtain approval from Working Committee, which will be submitted to JICA for endorsement.

## **4.3. Accreditation procedure**

PMU shall establish the accreditation procedure which includes the following:

- (1) Application from banks and financial institutions; and
- (2) Review of applicant banks and financial institutions by PMU.

### **4.3.1. Application by banks and financial institutions**

Applications submitted by banks and financial institutions must include following information and data:

- (1) Copy of license for banking or financing, to prove legality;
- (2) Audited financial statements for latest 3 full years, together with the latest Annual Report, which show profitable operation in latest 2 consecutive years, to prove legality;
- (3) Copy of lending policies, to prove commitment to SME lending;
- (4) Certificate of compliance with the minimum capital requirement and CAR;
- (5) Certificate of compliance with the NPL Ratio requirement;
- (6) Copy of disclosure policy and/or practice;
- (7) Explanatory materials for corporate governance;
- (8) Copy of risk assessment procedures and Report on compliance status with prudential regulations, to prove adequate risk management structure; and
- (9) Other information required from time to time by PMU.

### **4.3.2. Review of applicant banks and financial institutions by PMU**

PMU shall examine the information and data provided by each banks and financial institutions whether they satisfy the accreditation criteria, based on accreditation assessment form created by PMU. The final decision of PMU shall be informed to the applicant after being approved by Working Committee with the endorsement by JICA.

## **4.4. Entry and exit of PFIs**

Applications for new entry and/or exit to PFIs shall be considered annually. Any change in the list of accredited PFIs at the time of annual review shall be proposed by PMU and approved by Working Committee and JICA.

## **4.5. Annual review of compliance with accreditation criteria**

PMU shall review annually if eligibility of each PFI in accordance with the accreditation criteria is

duly maintained. PMU shall request PFIs to submit audited financial statements and other information required for assessing its performance as PFI, immediately after the completion of audited financial statement. The results of accreditation assessment review shall be reported to Working Committee and JICA.

**4.6. Loss of eligibility**

Irrespective of the timing, whether at the time of the annual review or else, if any PFI is found to be failing to meet the accreditation criteria by PMU, Working Committee or JICA, such PFI shall be required to submit remedial plans for examination by PMU. If the submitted plans are deemed sufficient to endorse that the state of non-compliance is likely to be resolved within a reasonable time limit, PMU may agree to allow those banks and financial institutions to maintain the PFI status. Otherwise, PMU shall take actions to stop disbursing new FTD until the PFI becomes fully accredited again and may require immediate repayment of principal and payment of interest accrued to the date of repayment.

**4.7. Capacity building at PFI**

For effective implementation of the TSL Project, PFI is required to provide constant training to its staff for accurate handling of the Sub-Projects and Sub-Loans. PFI may request PMU for assisting the establishment of such training programs and its execution. PMU extends assistances to the PFI in such manners as; holding seminars/workshops for the TSL Project inviting the PFIs’ staff; sending lecturers to the training program that the PFI organizes; developing and providing training materials; and extending on-site advices.

**5. Fund Transfer by Deposit (FTD) made by PMU**

**5.1. Pre-conditions for FTD**

In taking steps for PMU to carry out FTD under the TSL Project, PMU has to ensure that the following pre-conditions are duly met

- (1) PFI has been duly accredited and appointed in accordance with the procedures established by the TSL Project;
- (2) PFI has not failed to pay interest or repay the principal to PMU without any reason that are deemed justifiable by PMU; and
- (3) PFI is in compliance with the banking regulation by confirming it with CBM.

**5.2. Preparation of FTD application by PFI**

PFI, after confirming the eligibility of End-Borrowers and Sub-Project, prepares FTD application(s) to be submitted to PMU. FTD applications must be attached with eligibility checklist created by PMU

and the summary reports of Sub-Project in a form satisfactory to PMU.

The summary reports of Sub-Project must include at least the following information:

- (1) Legal Status of End-Borrower;
- (2) Eligibility of End-Borrower;
- (3) Description of the capital investment to be funded;
- (4) Terms and conditions of the Sub-Loan with specifics of partial disbursements if applicable; and
- (5) Compliance with Environmental and Social considerations as specified in the section 6.7.

### **5.3. Examination of FTD application by PMU**

PMU shall accept FTD applications twice a month. Deadline for such submission in each month shall be fixed and announced by PMU in advance.

Based on the information provided in applications submitted by PFIs, PMU shall verify at least the followings against the terms and conditions of the TSL Project:

- (1) Legal status of End-Borrower;
- (2) Eligibility of End-Borrower;
- (3) Eligibility of Sub-project (review of capital investment to be funded);
- (4) Terms and conditions of Sub-Loan appraised; and
- (5) Compliance with Environmental and Social considerations

PMU shall examine the environmental and social impacts associated with the Sub-Loan/ project by requiring PFI to certify that the Sub-Loan/ project is not for the purpose of carrying out any activity included in “Ineligible Investment Activities List” attached as Annex II and is in compliance with domestic laws and regulations, including IEE and EIA requirements.

Upon confirming the compliance with the eligibility requirement and the terms and conditions of Sub-Loan, PMU shall notify PFI the result of its examination. The period for issuing such notice shall not exceed ten 10 business days from the receipt of applications.

For PFI whose application(s) was found not to be in compliance with the eligibility and terms and conditions of the TSL Project, PMU shall issue non-compliance notice and not release the funds. Such PFI may resubmit revised applications once the non-compliance issue is resolved.

### **5.4. Disbursement from FTD**

Upon confirming the compliance with the eligibility requirement and the terms and conditions of Sub-Loan, PMU releases the funds under FTD to the SME TSL Idle account opened at each PFI. The release of funds shall be made on the same day as the confirmation notice mentioned in the section 5.3 is issued.

**5.5. Suspension of disbursement**

In case where FTD or Sub-Loan is deemed not in compliance with the terms and conditions of the TSL Project, including but not limited to the eligibility of the End-Borrower, investment activities and items and the accreditation criteria for PFI, PMU shall suspended the disbursement under FTD and may require immediate repayment of principal and payment of interest accrued to the date of repayment.

**5.6. Repayment and interest payment**

**5.6.1. FTD Payment Date and FTD Interest Payment Date**

PFI repays principal of FTD monthly and pays interest on FTD quarterly in the month of [March, June, September and December]. Repayment of FTD principal by PFIs shall be made by the due date set by PMU (hereinafter referred as “FTD Payment Date”). Interest payment on FTD by PFIs shall be made by the FTD Payment Date in March, June, September and December (hereinafter referred as “FTD Interest Payment Date”).

**5.6.2. FTD Principle and Interest Period**

(1) FTD Principle Period

The period between the previous FTD Payment Date and the day before the next FTD Payment Date

(2) FTD Interest Period

The period between the previous FTD Interest Payment Date and the day before the next FTD Interest Payment Date

**5.6.3 FTD principal repayment and interest payment amount**

(1) FTD principal repayment amount

Total amount of Sub-Loan principal to be repaid for each PFI during the current FTD Principle Period and the amount not to be used for Sub-Loan Disbursement.

(2) FTD interest payment amount

Sum of{ [Daily balance of SME TSL Idle Account] multiplied by [minimum deposit rate divided by 365 days] }for days in the current FTD Interest Period

Plus

Sum of {[Daily balance of SME TSL Funding Account] multiplied by [SME TSL Funding Account deposit rate divided by 365 days]} for days in the current FTD Interest Period

**5.6.4. Change of FTD repayment schedule**

PFI notifies PMU of rescheduling or prepayment under Sub-Loan and requests revision of FTD repayment schedule accordingly. The PMU will not impose any penalty for prepayment of FTD.

## **6. Sub-Loan made by PFI**

### **6.1. Pre-conditions for Sub-Loan**

Since the TSL Project is made possible by the funds provided by JICA and the administrative role played by PMU, it is imperative to have End-Borrowers understood that PMU may intervene with the credit appraisal, implementation, administration, monitoring as well as review of the Sub-Loan.

### **6.2. Sub-loan application to be prepared by End-Borrower**

PFI shall use its own format for loan application but also have to collect additional information required under the TSL Project from End-Borrowers, such as eligibility criteria of the TSL Project and environmental and social management considerations.

### **6.3. Credit appraisal and approval of Sub-Loan by PFI**

#### **6.3.1. Credit appraisal**

Upon receipt of Sub-Loan application, PFI conducts credit appraisal in accordance with its own guidelines for commercial lending and in compliance with the rules and regulations prevailing in Myanmar. PFI is advised to analyze the viability of business, the growth potential and the possible contribution to Myanmar economy to be made by the End-Borrower.

#### **6.3.2. Collateral**

PFI decides collateral requirement for each Sub-Loan, based on its own guidelines for commercial lending and the rules and regulations in Myanmar. PFI is advised to accept a wide variety of collaterals including inventory, machinery, receivables or other movable and immovable assets, as well as credit guarantee insurance.

### **6.4. Credit risk management at PFI**

PFI bears the credit risk of the End-Borrowers. In addition to the compliance with the laws and regulations, PFI needs to establish a solid system for credit risk management.

### **6.5. Compliance with banking regulations**

In appraisal, PFI ensures that Sub-Loan is in compliance with prevailing banking rules and regulations.

### **6.6. Compliance with the Operating Guidelines**

PFI examines whether the Sub-Loan application and other documents meet the terms and conditions of the TSL Project.



## **6.7. Environmental and social consideration**

PFI shall be primarily responsible for examining the environmental and social impacts associated with the Sub-Loan/ project in accordance with JICA Guidelines for Environmental and Social Considerations.

PFI shall ensure that End-project is not involved in any activity included in “Ineligible Investment Activities List” attached as Annex II.

PFI shall also examine if End-Borrower is required to submit Environmental Clearance Certificate (ECC) by accordance with domestic laws and regulations. ECC is issued after completing provide after completion of Initial Environmental Examination (IEE) or Environmental Impact Assessment (EIA). Sub-Project which requires IEE or EIA is to be specified by EIA procedures issued by GOM. Prior to the enactment of EIA procedure, PFI shall decide on the necessity of IEE or EIA based on the most updated draft of EIA procedure.

If End-Borrower needs to submit ECC, it has to submit it together with all necessary documents for the issuance of such.

To perform the tasks above, PFI is advised to establish the following scheme:

- (1) Designate an executive director/officer in charge of environmental and social considerations, who is independent from an executive officer/director in charge of making loans;
- (2) Establish or designate a department/section in charge of environmental and social considerations which performs the following tasks;
  - a) Judge if a Sub-Project falls under any category included in “Ineligible Investment Activities List” and/or requires ECC. The section must be independent from the loan section;
  - b) Regularly, at least once a year, confirm if the funds provided by the TSL Project are not used for any other purpose from those stipulated in the loan application and not causing any environmental and/or social problems; and
  - c) Report the result of environmental and social screening and monitoring to PMU in a form required by PMU.
- (3) Provide proper training for director and officers in charge; and
- (4) Allocate annual expense budget for the tasks above.

## **6.8. Sub-Loan agreement**

PFI, after completing its process of credit appraisal for the Sub-Loan applied, enters into the Sub-Loan agreement with the End-Borrower. The Sub-Loan agreement shall contain those requirement specified in the section 1.4.5.

Sub-Loan agreement must be attached with a side letter duly signed by End-Borrower to certify the eligibility and to pledge observance of obligations under the TSL Project, including submission of data required for monitoring and cooperation with JICA/PMU/PFI on possible inspection.

## **6.9. Disbursement from Sub-Loan**

PFI shall disburse the fund under the Sub-Loan after it receives the FTD from PMU. PFI shall report PMU of disbursement under Sub-Loan.

## **6.10 Prepayment of Sub-Loan**

### **6.10.1 Prepayment by the sales proceeds of the fixed assets originally financed by Sub-Loan**

If End-Borrower sells the fixed assets financed by Sub-Loan, End-Borrower must prepay Sub-Loan with the sales proceeds. If the sales proceeds are smaller than the outstanding balance of Sub-Loan, End-Borrower must agree with PFI on the repayment schedule of the remaining principal. The final repayment date must be within 5 years from the last disbursement from Sub-Loan.

### **6.10.2 Prepayment by the request from End-Borrower**

Apart from above, PFI may accept prepayment of the Sub-Loan, provided that the request for prepayment is genuine wish of End-Borrower and not coerced by PFI. The prepayment to be made by the End-Borrower shall be appropriated to the installments of principal in the inverse order starting from the last one.

## **6.11. Rescheduling of Sub-Loan**

### **6.11.1. Rescheduling of Sub-Loan requested by End-Borrower**

Upon request by End-Borrower, PFI may examine and, if judged to be appropriate, accept the rescheduling of the Sub-Loan at its discretion unless the final repayment date is within five 5 years from the last disbursement date. When rescheduling is made for any Sub-Loan, PFI notifies PMU and requests corresponding rescheduling of FTD.

### **6.11.2. Rescheduling of Sub-Loan due to extraordinary event**

Rescheduling of FTD may be granted by PMU for Sub-Loans facing difficulty in debt service due to the occurrence of extraordinary events such as: natural calamities, economic disasters, unforeseen events caused by the out-side forces such as the foreign restrictions on Myanmar trade, force majeure cases, etc. Upon occurrence of such events and/or request from PFI, PMU is to make policies on rescheduling.

## 6.12. Non-payment of Sub-Loan on due date

Should PFI find any of its Sub-Loans failing to make payment on due date, PFI notifies PMU of such.

## 7. Fund management

### 7.1. Accounts established

GOM, PMU and PFI require opening and maintaining the following bank accounts. Each account shall be opened under the TSL Project's name.

No.	Account Name	Currency	Account Location
(1)	Loan Account	JPY	Japan (BTMU)
(2)	Designated Account	JPY	MEB
(3)	Project Operating Account	MMK	MEB
(4)	SME TSL Idle Account	MMK	Each PFI
(5)	SME TSL Funding Account	MMK	Each PFI
(6)	Revolving Fund Account	MMK	MEB
(7)	Interest Payment Account	MMK	MEB
(8)	MOF Income Account and Administration Fee Account	MMK	MEB

#### (1) Loan Account (JPY)

Immediately after the signing of L/A, the Loan Account shall be opened and maintained at BTMU (Bank of Tokyo-Mitsubishi UFJ) by GOM under the TSL Project's name to receive disbursement from JICA.

#### (2) Designated Account (JPY)

Immediately after the signing of L/A, the Designated Account shall be opened and maintained at MEB under the TSL Project's name to receive disbursement from JICA under the Advance Procedure. Based on the financial forecast by the PMU under the Advance Procedure, the Designated Account would receive proceeds of the loan from the Loan Account by means of direct transfer.

#### (3) Project Operating Account (MMK)

Project Operating Account shall be opened and maintained at MEB under the TSL Project's name. The JPY fund transferred to Designated Account shall then be converted MMK at the exchange rate on the day of withdrawal and be transferred to the Project Operating Account. MEB will inform JICA of the fund transfer from Designated Account to the Project Operating Account.

#### (4) SME TSL Idle Account (MMK)

SME TSL Idle Account shall be opened and maintained at each PFI under the TSL Project's name. After preliminary appraisal of Sub-Loan, PMU deposits the FTD funds at SME TSL Idle Account.

#### (5) SME TSL Funding Account (MMK)

SME TSL Funding Account shall be opened and maintained at each PFI under the TSL Project's name.

After the disbursement from Sub-Loan, the corresponding funds shall be transferred from SME TSL Idle Account to SME TSL Funding Account.

**(6) Revolving Fund Account (MMK)**

Revolving Fund Account shall be opened and maintained at MEB under the TSL Project’s name, and managed distinctly from other accounts. The Revolving Fund Account will administer the second and succeeding generations of FTD to PFIs. Principal repaid from PFIs will be credited to Revolving Fund Account.

**(7) Interest Payment Account (MMK)**

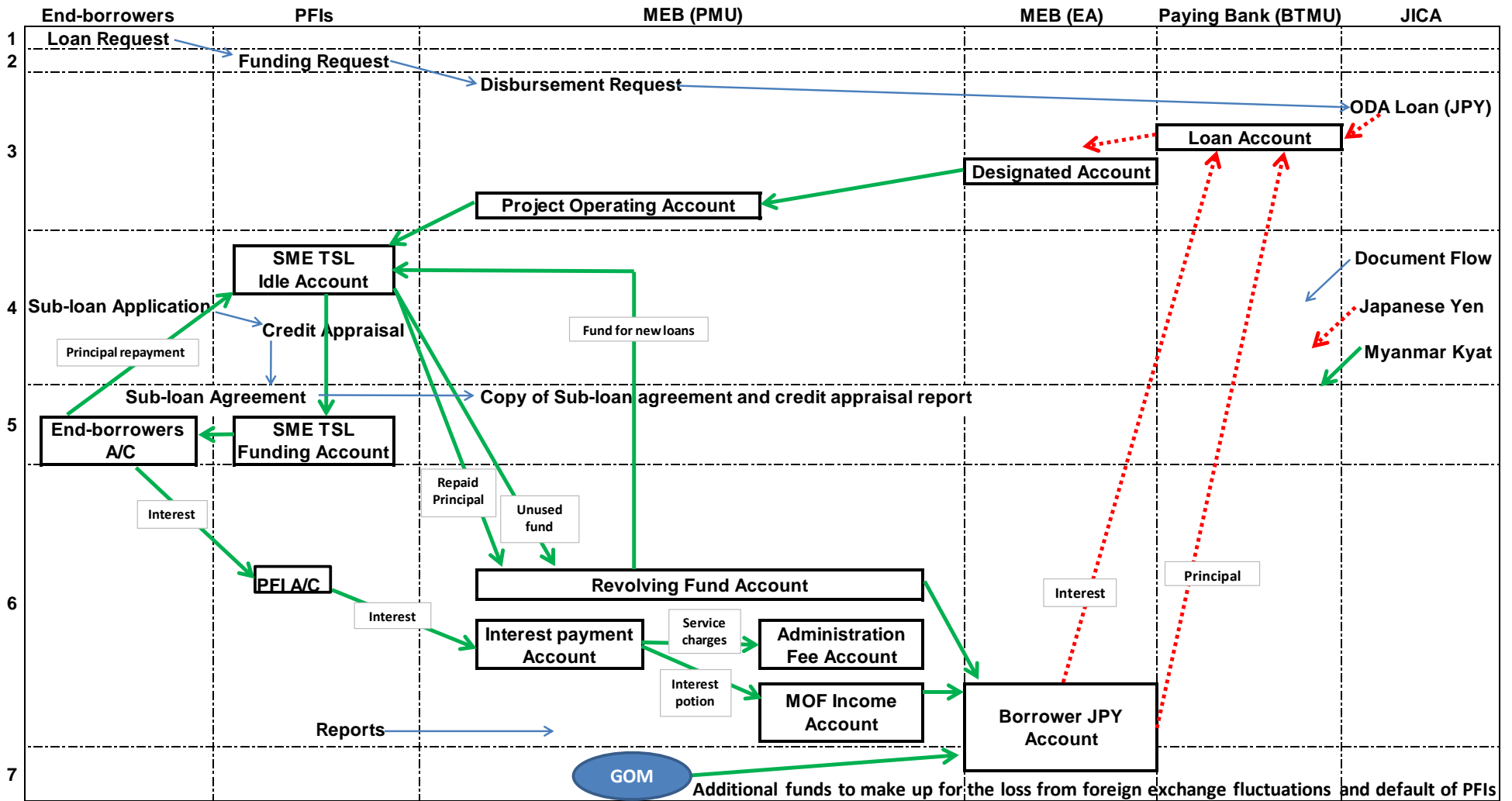
Interest Payment Account shall be opened and maintained at MEB under the TSL Project’s name. The interest paid for FTD by PFI shall first be pooled into the Interest Payment Account.

**(8) MOF Income Account and Administration Fee Account (MMK)**

**MOF Income Account and Administration Fee Account** shall be opened and maintained at MEB under the TSL Project’s name. Out of the funds received in Interest Payment Account, the administration fee shall be credited to Administration Fee Account in accordance with the Administration Agreement and the remaining amount shall be credited to MOF’s Income Account.

**7.2. Flow of funds**

The fund flow is illustrated in the following chart.



### **7.3. Receipt of funds from JICA**

The disbursement procedures for ODA loan are prescribed in the “Brochure on Advance Procedure for Japanese ODA Loans” issued by JICA, which includes the followings.

- (1) PMU may submit 1 request per quarter, or 3 months, based on forecast of funding needs for the next two quarters, or 6 months. However, if there is unexpected funding needs, MEB may make additional request during the same quarter.
- (2) For the first disbursement, PMU shall prepare following documents: (a) Request for Disbursement (Attachment 1), (b) Financial Forecast for the next 6 months (Attachment 2), and (c) document evidencing the opening of the Designated Account.
- (3) For subsequent request for disbursement, PMU shall submit above (a) and (b), as well as (c)' document evidencing the balance of Designated Account, (d) Reconciliation Statement (Attachment 3) and (e) Statement of Expenditures (SOE, Attachment 4) supported by evidences such as request from PFI or payment receipt from consultants. Reconciliation Statement shall show Recovery Percentage calculated by dividing cumulative total SOE amount with evidence by the cumulative total amount disbursed from Designated Account. If Recovery Percentage is less than 70%, PMU shall not be allowed to submit request for disbursement, unless JICA determines otherwise.
- (4) In case PMU fails to execute obligations of using Advance Procedure and SOE procedures, disbursement will be suspended.

### **7.4. GOM responsibility to repay ODA loan in full**

There is a possibility that funds kept at Revolving Fund Account becomes short of repaying ODA loans, due to expenditures made on consulting service and others, devaluation of MMK against JPY or loss of FTD from default of PFI. In any case, GOM is responsible for making up the shortfall and repay to JICA in full.

### **7.5. Information management**

PMU is recommended to develop its own information management system.

## **8. Promotion of the TSL Project**

### **8.1. Public relations (PR) of the TSL Project**

The success of the TSL Project depends upon raising awareness among SMEs of the availability of the lending facility for low-interest mid- to long-term loans.

PMU shall take a leadership role in developing an effective promotion strategy, including but not limited to; posters, booklet, brochure, video, newspaper advertisement, TV and radio run messages, holding seminars/workshops, etc. PMU, with the assistance of the consultants, plans, prepares and executes the publicity promotion in active utilization of the means and media discussed.

PMU is advised to seek for cooperation with relevant public and private organizations including but not limited to; Ministry of Industry (MOI), Ministry of Commerce (MOC), Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), Myanmar Industries Association (MIA), JICA Myanmar-Japan Center for Human Resources Development, etc.

## **8.2. Advisory Services**

PFI shall contribute for the TSL Project by utilizing their branch networks. PFIs are recommended to establish or designate a particular unit/person at branch office to provide advisory services to the prospective End-Borrowers on how they can benefit from the TSL Project.

PFIs are expected to provide assistances including;

- (1) Guidance on the basic terms and conditions of financing under the TSL Project;
- (2) Guidance on the eligibility of End-Borrowers and Sub-Projects; and
- (3) Preparation of Sub-Loan application forms.

## **9. Monitoring**

### **9.1. Monitoring by PFI**

PFI is responsible for monitoring End-Borrowers, Sub-Projects and Sub-Loans individually and collectively. PFI shall submit following reports and information to PMU.

- (1) On-going Sub-project Summary, in a form shown in Attachment 5, within 15 business days after the end of each quarter
- (2) Report on Current Repayment and Overdue Status, in a form shown in Attachment 6, within 15 business days after the end of each year
- (3) Outline of an Annual Environmental and Social Performance Report in a form shown in Attachment 7, within 15 business days after the end of each year
- (4) Performance indicators for the impact assessment as specified in section 9.6.

PFI is also responsible for providing any other information when required by JICA and/or PMU.

### **9.2. Monitoring by PMU**

PMU is responsible monitoring PFIs and their management of Sub-loans individually and collectively.

PMU shall collect information of Sub-Loans/projects by asking PFIs to deliver such.

### **9.3. Monitoring by Working Committee**

Working Committee conducts their periodical review based on the report submitted by PMU.

### **9.4. Inspection**

For the purpose of monitoring, JICA and/or PMU may initiate inspection of PFIs, End-Borrowers and/or Sub-Projects. The following sites and parties may be visited for such inspection and relevant records and documents may be examined:

- (1) PFIs, including their branch offices;
- (2) End-Borrowers' office; and
- (3) Sub-Projects' sites.

Depending upon cases, JICA may entrust PMU to conduct inspection on its behalf. PMU and PFIs shall cause necessary arrangement to enable orderly and effective inspection.

Also, JICA may initiate inspection of PMU by visiting to PMU offices and interviewing of PMU members.

### **9.5. Monitoring of environmental and social impact**

Based on the reports from PFIs, PMU shall carry out survey and/or inspection on environmental and social impact caused by Sub-Projects when it judges it necessary. In case an environmental and social safeguard system is considered not to be functioning adequately, a modification plan shall be made by PMU and approve by Working Committee and JICA.

JICA may disclose (a part of) monitoring results and may disclose further information when third parties so request.

PMU shall report to JICA, and make PFIs report to PMU, if and whenever the negative impact is observed during the implementation of the Sub-Projects.

### **9.6. Impact assessment of the TSL Project**

JICA shall conduct impact assessments twice under the TSL Project. The first assessment, "ex-ante project evaluation report" will be published soon after the signing of L/A. Prepared based on the information collected through JICA's appraisal, the report stipulates the followings: 1) project name, 2) necessity and justification of JICA loan, 3) objectives of the TSL Project, 4) project description including schedule at present and result of environmental review, 5) performance indicators (operation



and effect indicators), 6) risks due to external factors, 7) evaluation results of past similar projects and lessons learned, and 8) evaluation plan.

**Operation and effect indicators for the TSL Project**

Indicators	Baseline (2015)	Target [2 years after the Project Completion Date]
Sales turnover of the benefited SMEs (million Kyat)	Data collected upon application of Sub-Loans	Increase from the baseline figure
Profit of the benefited SMEs (million Kyat)	Data collected upon application of Sub-Loans	Increase from the baseline figure
Amount of capital investment of the benefited SMEs (million Kyat)	Data collected upon application of Sub-Loans	Increase from the baseline figure
Total medium/long-term loan outstanding of the PFIs to SMEs (million Kyat)	Data collected upon the accreditation	Increase from the baseline figure
Number of approval and disbursement of loan by the PFIs to SMEs	Data collected upon the accreditation	Increase from the baseline figure
Ratio of non-performing loans of PFIs (%)	Data collected upon the accreditation	Not increase from the baseline figure

The second assessment, “ex-post evaluation” shall be carried out 2 years after the Project Completion Date. In order to assess the TSL Project’s effectiveness, impact, and sustainability, necessary baseline data shall be collected from PMU and the PFI: e.g. financial statements, annual report, and information of sales revenue and number of employees at the beginning and the end of the term of L/A. Such data to be provided by End-Borrower shall be collected at the time of signing Sub-Loan agreement as mentioned in section 6.8. PFI is obliged to keep the records, data and information of Sub-Project and End-Borrower including the financial statement until ex-post evaluation. PMU shall prepare and submit to JICA necessary evaluation results including the Operation and Effect Indicators.

## 10. Reporting to JICA

	Name / Type	Timing	Format / Contents
Concerning all aspects of project implementation			
1	Project Status Report	Quarterly until the Project Completion Date	Annex I of M/D with updated list of PFIs
2	Project Completion report	Within 6 months after the Project Completion Date	(Revised version: Appendix VI of P/M signed in June 2015)
Concerning Sub-Loan and Sub-Project			
3	On-going Sub-Project Summary Report	Quarterly until 3 years after the Project Completion Date	In a form as shown in Attachment 5
4	Current Repayment and Overdue Status Report	Annually until 3 years after the Project Completion Date	In a form as shown in Attachment 6
5	Annual Environment and Social Performance Report	Annually until 3 years after the Project Completion Date	Attachment 7
Concerning project implementation bodies			
6	Annual Review of the performance of accredited PFIs	Annually until 3 years after the Project Completion Date	In the form which MEB reports the result of the annual review to the Working Committee.
7	Annual Report of the Executing Agency and PFIs (including the balance sheet, the profit and loss statement, and the auditor's report)	Annually until 3 years after the Project Completion Date	N/A
Concerning fund management			
8	Statements of Designated Account, Project Operating Account and Revolving Fund Account	Annually until 3 years after the Project Completion Date	In a form as shown in Attachment 8
9	Audit Report on the Statements of the Designated Account, Project Operating Account and Revolving Fund Account	Annually until 3 years after the Project Completion Date (within 9 months after the end of each fiscal year).	In a form as shown in Attachment 9

	Name / Type	Timing	Format / Contents
10	Audit Report on Statements of Expenditures (SOEs)	Annually until 3 years after the Project Completion Date (within 9 months after the end of each fiscal year).	In a form as shown in Attachment 10

JICA will disclose the information above, upon request from the third party, subject to approval of MEB.

### **10.1. Project status report**

PMU prepares and submits quarterly until the Completion of the TSL Project, together with the up-to-date list of the accredited PFIs.

### **10.2. Project completion report**

PMU prepares and submits this report within 6 months after the Project Completion Date.

### **10.3. On-going sub-project summary report**

Based on reports submitted from PFIs, PMU prepares and submits this report to JICA quarterly until 3 years after the Project Completion Date.

### **10.4. Current repayment and over-due status report**

Based on reports submitted from PFIs, PMU prepares and submits this report to JICA annually until 3 years after the Project Completion Date.

### **10.5. Annual environment and social performance report**

Based on reports submitted from PFIs, PMU prepares and submits this report annually until 3 years after the Project Completion Date.

### **10.6. PFI performance review**

PMU prepares and submits “Review of the performance of accredited PFIs” annually until 3 years after the Project Completion Date.

### **10.7. Annual reports of MEB and PFIs**

MEB and PFIs are required to submit Annual Reports (including the balance sheet, the profit and loss statement, and the auditor’s report) annually until 3 years after the Project Completion Date.

## **10.8. Reports on bank accounts and financial audit**

PMU shall submit to JICA audit report for Designated Account, Project Operating Account, Revolving Fund Account and Statement of Expenditure (SOE). Under SOE method, all records and accounts related to disbursement from JICA Loan shall be audited by Office of the Auditor General (OAG).

Audit report for each fiscal year shall be submitted within 9 months after the end of each fiscal year and until 3 years from the Project Completion Date.

# Annexes

## Annex I: Participation Agreement

### Draft of Participation Agreement

#### Participation Agreement between Myanmar Economic Bank and .....

This Agreement is signed on the day of ..... 20..

#### BETWEEN

Myanmar Economic Bank (MEB) established by the Bank Law, 1975 and the Financial Institutions of Myanmar Law, 1990, having its head office at Nay Pyi Taw,

#### And

..... duly established under the Financial Institutions of Myanmar Law, 1990, and carrying on its business under Central Bank's license No. ... dated ....., having its head office at ....., Yangon (hereinafter called the Participating Financial Institution, or PFI).

#### Preamble

Whereas:

- (A) Japan International Cooperation Agency (JICA) has provided a loan fund of Japanese Yen XXXX million to Government of Myanmar (GOM) under Project for the Development of Finance for Small and Medium-Sized Enterprises. (Loan No. .... dated ....., 2015) to support the Two-Step Loan Project for small and medium-sized enterprises (SMEs) (hereinafter called the "TSL Project") to provide FTD to banks and financial institutions for lending to End-borrowers:
- (B) MEB has been entrusted with the responsibility to administer the TSL Project on behalf of GOM under the Administration Agreement dated ....., 20...
- (C) It is requested to enter into a participation agreement between MEB and the lending banks interested to avail of the Fund Transfer facilities out of JICA fund; and
- (D) Whereas the PFI fulfills the eligibility criteria as set forth in the Operating Guidelines set forth by PMU at MEB and is willing to avail of the Fund Transfer facility from the above mentioned fund on terms and conditions described in the said Operating Guidelines.

Now, therefore, the parties hereto hereby agree as follows:

## **Article - I**

### **Definition:**

#### **Section 1**

Unless the context otherwise requires, the terms used in the preamble to this Agreement have the respective meaning therein set forth and the following additional terms have the following meaning:

- (a) “Bank” means any banking company operating in Myanmar having license from Central Bank of Myanmar (CBM).
- (b) “PMU” means a unit established at MEB to specifically handle all relevant tasks related to the TSL Project.
- (c) “PFI” means a Participating Financial Institution.
- (d) “Fund Transfer by Deposit (FTD)” means the deposit transferred by MEB to PFIs under this TSL Project.
- (e) “SME” means small and medium-sized enterprises, which is defined in SME Development Law. Before the enactment of SME Development Law, the definition included in the most updated draft is applied.
- (f) “End-borrower” means small and medium-sized enterprises satisfying the criteria described in Section 12 of this Agreement for receiving a Sub-loan from a PFI.
- (g) “Sub-loan” means a loan provided by the Participating Financial Institution to an End-borrower as described in Section 12 of this Agreement.
- (h) “Sub-project” means an investment project of SME to be financed by a Sub-loan.
- (i) “Operating Guidelines” is the one set forth by the PMU and approved by JICA for the implementation of the TSL project

## **Article - II**

### **Objectives and Target Group:**

#### **Section 2**

The PFI declares its commitments to the objectives of the TSL Project and carries out its SMEs lending program with due diligence and efficiency and in conformity with the Operating Guidelines for the TSL Project as well as appropriate administrative, financial and banking practices.

### **Section 3**

- (1) MEB shall provide FTD against the loans made or to be made by the PFI to End-borrowers with the amount for individual case not exceeding 500 million Myanmar Kyats.
- (2) The PFI will be required to submit Certificate of Deposit amounting equal to the disbursement each time it receives FTD under this Agreement.
- (3) In order to enhance productivity and modernize the management of End-borrowers, the following item will be eligible for financing under the TSL scheme; Capital investments (including equipment, machinery, warehouse, factory building etc.) as well as initial working capital which will be needed alongside of capital investments.

### **Article - III**

#### **Terms and Conditions for the Fund Transfer and Sub-loans:**

### **Section 4**

- (1) The FTD will be available only for loans more than one year and up to five years.
- (2) The FTD shall be repaid by a PFI in accordance with fixed repayment schedule as agreed between MEB and PFI. Repayment terms and conditions for FTD shall synchronize with respective Sub-loans.

### **Section 5**

- (1) MEB shall charge interest on the FTD at the minimum deposit interest rate. When PFI disburses the Sub-loan to the End-borrower, the interest rate is changed to TSL Lending Rate, which is defined as follows:  
Sub-loan interest – (maximum lending rate – minimum deposit rate) x 90%
- (2) For each Sub-loan, PFI shall specify to End-borrower and MEB the effective rate of interest inclusive of all charges and fees as well as the method of calculating the interest rates.

### **Section 6**

Fund Transfer facilities will be made available to a PFI on “first come first served” basis and subject to the availability of balance in the Project Operation Account and the Revolving Fund Account. MEB shall reserve the right to meet the request of FTD by the PFIs in part or in full as considered appropriate out of the available fund.

### **Section 7**

MEB shall have the discretion to refuse any request for FTD made by the PFI if such request in MEB’s consideration does not conform to the objectives, terms and conditions of the FTD scheme set

forth in the Operating Guidelines.

### **Section 8**

In case a PFI is found to have received FTD under the scheme on the basis of such statement and information which may subsequently prove to be false or incorrect, MEB shall have the right to impose and receive penalty at the rate of double the interest rate on the amount of the FTD as well as to withdraw the entire outstanding deposit with interest regardless of the terms and conditions of Fund Transfer.

### **Section 9**

- (1) In case that a PFI fails to implement any payment of FTD as per the repayment schedule, MEB may realize the payment amount plus applicable penalty at the rate of double the interest rate on the amount of the FTD by asking immediate withdrawal of FTD

## **Article - IV**

### **Miscellaneous:**

#### **Section 10**

The PFI shall be duly established and operating under the laws of the Country and shall:

- (1) Maintain a sound financial structure, a health portfolio, and the organization, management, staff and other resources required for the efficient carrying out of its activities;
- (2) Conduct its operation and affairs including interest rate policies in accordance with sound financial principles and practices;
- (3) Maintain a lending and investment policy conducive to the growth and development of SMEs and maintain suitable procedures and adequate number of suitably qualified staff to enable it effectively to:
  - (a) Appraise the financial, technical, environmental and economic feasibility of Sub-projects and to make Sub-loans to End-borrowers in accordance with sound lending and investment policy and in keeping with the principles, terms and conditions set forth in the Operating Guidelines;
  - (b) Supervise and monitor the proper use of the Sub-loans by End-borrowers; and
  - (c) Undertake not to assign, amend, abrogate or waive any of its agreement with the End-borrower providing for loans or investments or any provision thereof without the approval of MEB.



## **Section 11**

The PFI shall make Sub-loans to the End-borrowers on terms by written contract or by other appropriate legal means to obtain rights adequate to protect the interests of MEB, GOM and JICA, and comply with the obligations under the Participating Agreement in order to achieve the purpose of the TSL Project including the right to:

- (1) inspect by MEB itself or jointly with representatives of GOM and/or the JICA, such goods (equipment, machineries, warehouses, factory buildings etc.), sites and works, included in the Sub-loan of the End-borrowers, the operation thereof, and any relevant records and documents;
- (2) obtain all such information as MEB, GOM or JICA shall request relating to the forgoing and to the administration, operation and financial conditions of the End-borrower and to the benefit to be derived from the concerned Sub-project, including but not limited to the evidence of use of the proceeds of the Sub-loan, financial statements for every accounting term;
- (3) suspend or terminate the right of the End-borrower to the use of the proceeds of the Sub-loan upon failure by such End-borrower to perform its obligations under its contract with the PFI; and
- (4) comply with all the environmental regulations established by GOM and JICA's guidelines for environmental and social consideration.

## **Section 12**

Sub-loan under the TSL Project shall be used by End-borrowers exclusively to finance capital investments to purchase capital goods such as equipment, machineries, warehouses, factory building etc. to enhance capacity and productivity of End-borrowers, as well as initial working capital which would be incurred by such capital investments.

## **Section 13**

This Agreement shall stay in force until MEB notifies the PFI on the termination of granting Fund Transfer facilities. This notification shall be made in writing at least three months before it become effective.

## **Section 14**

Any provision of the Agreement can be amended if necessary on mutual agreement of the contracting parties.

Witness:

For and on behalf of  
Myanma Economic Bank

(Authorized Representative)

Witness:

For and on behalf of  
(Participating Financial Institution)

(Authorized Representative)

## **Annex II: Ineligible Investment Activities by JICA Guidelines for Confirmation of Environmental and Social Considerations**

### Ineligible Investment Activities List by JICA Guidelines for Confirmation of Environmental and Social Considerations

1. No investment activity will be financed by the TSL scheme, which is likely to have significant adverse impact on the environment, and which could be classified as Category A pursuant to ‘JICA Guidelines for Confirmation of Environmental and Social Considerations’ (April 2010).

Category A, in principle, includes projects in sensitive sectors (i.e., sectors that are liable to cause adverse environmental impact) or with sensitive characteristics (i.e., characteristics that are liable to cause adverse environmental impact) and projects located in or near sensitive areas, as follows:

#### Sensitive Sectors

Large-scale projects in the following sectors:

- (1) Mining;
- (2) Oil and natural gas development;
- (3) Oil and gas pipelines;
- (4) Iron and steel (projects that include large furnaces);
- (5) Non-ferrous metals smelting and refining;
- (6) Petrochemicals (manufacture of raw materials; including complexes)<sup>1</sup>;
- (7) Petroleum refining;
- (8) Oil, gas and chemical terminals;
- (9) Paper and pulp<sup>2</sup>;
- (10) Manufacture and transport of toxic or poisonous substances regulated by international treaties, etc.;
- (11) Thermal power;
- (12) Hydropower, dams and reservoirs;
- (13) Power transmission and distribution lines involving large-scale involuntary resettlement, large-scale logging or submarine electrical cables;
- (14) Roads, railways and bridges;
- (15) Airports;
- (16) Ports and harbors;
- (17) Sewage and wastewater treatment having sensitive characteristics or located in sensitive areas or their vicinity;
- (18) Waste management and disposal;
- (19) Agriculture involving large-scale land-clearing or irrigation;

---

<sup>1</sup> Large-scale projects in this sector mean the projects relating to the storage facility with the capacity of over 200,000 ton.

<sup>2</sup> Large-scale projects in this sector mean the projects relating to the production facility with the capacity of over 200 ton per day.

- (20) Forestry; or
- (21) Tourism (construction of hotels, etc.)

#### Sensitive Characteristics

- (1) Large-scale involuntary resettlement<sup>3</sup>;
- (2) Large-scale groundwater pumping<sup>4</sup>;
- (3) Large-scale land reclamation<sup>5</sup>, land development and land-clearing<sup>6</sup>;
- (4) Large-scale logging<sup>7</sup>

#### Sensitive Areas

Projects in the following areas or their vicinity

- (1) National parks, nationally-designated protected areas (coastal areas, wetlands, areas for ethnic minorities or indigenous peoples and cultural heritage, etc. designated by national governments)
- (2) Areas considered to require careful consideration by the country or locality

##### <Natural Environment>

- a) Primary forests or natural forests in tropical areas;
- b) Habitats with important ecological value (coral reefs, mangrove wetlands and tidal flats, etc.);
- c) Habitats of rare species requiring protection under domestic legislation, international treaties, etc.;
- d) Areas in danger of large-scale salt accumulation or soil erosion; or
- e) Areas with a remarkable tendency towards desertification

##### <Social Environment>

- a) Areas with unique archeological, historical or cultural value;
- b) Areas inhabited by ethnic minorities, indigenous peoples or nomadic peoples with traditional ways of life and other areas with special social value

---

<sup>3</sup> "Large-scale" in this case means the involuntary resettlement of over 200 persons approximately.

<sup>4</sup> "Large-scale" in this case means the groundwater pumping of over 10 million cubic meters per year approximately.

<sup>5</sup> "Large-scale" in this case means the land reclamation of over 50 ha approximately.

<sup>6</sup> "Large-scale" in this case means the land development or land-clearing of over 100 ha approximately.

<sup>7</sup> "Large-scale" in this case means the logging of over 100 ha of forests approximately.

## Annex III: Accreditation Criteria for PFIs

### Accreditation Criteria for PFIs

1. The PFIs must comply with all of the following criteria:

(1) **Legality**

Banks duly licensed, approved and supervised by CBM in accordance with the Financial Institutions of Myanmar Law, 1990<sup>8</sup>.

(2) **Operational Experiences**

Banks must have the experience of business operation in banking and/or finance at a minimum three (3) full years with audited records. In case the banks and financial institutions are of subsidiaries to other financial entities in Myanmar or in foreign countries, the experiences of the parent companies are allowed to be counted.

(3) **Commitment to SME Lending**

Banks and financial institutions must have lending policies and strategy related to SMEs and commit to expanding their lending in SME sector. Such policies and strategies should include measures for promoting sectors with high growth potential and improving gender diversity. Sectors with high growth potential include but not limited to:

- (i) Construction materials;
- (ii) Food processing;
- (iii) Chemical products;
- (iv) Plastic molding
- (v) Textile; and
- (vi) Other labor intensive industries.

(4) **Capital Adequacy**

- (i) Banks and financial institutions must fulfill the minimum capital requirement as regulated by CBM in its latest audited financial statements.
- (ii) Banks and financial institutions failing to meet the risk weighted capital adequacy ratio as regulated by CBM shall not be eligible for PFIs.

(5) **Profitability**

Banks and financial institutions must have the records of the profitable financial closing for two consecutive fiscal years including the latest one.

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<sup>8</sup> Financial Institutions of Myanmar Law, 1990 is under process of revision by the parliament.

(6) **Non-Performing Loans (NPL)**

Banks and financial institutions having NPL ratio exceeding 10% for the latest fiscal year shall not qualify for PFIs.

2. In addition to the above criteria, if banks and financial institutions are deemed to have significant insufficiency in fulfilling the prudential regulations in the aspects, including but not limited to the following, and if such insufficiency is deemed to adversely affect their operations and management, such banks and financial institutions shall not be accredited:

(7) **Transparency** (e.g. submission and/or disclosure of financial statements)

(8) **Corporate Governance** (e.g. control and management of business risks or corruption)

(9) **Risk Management** (e.g. capacity development of risk assessment and adoption of adequate procedures)

# Attachments

## Attachment 1: Request for Disbursement

Form RFD (A)

### Request for Disbursement

to D/A Name : [Account no. or name]

<input type="checkbox"/>	Request for Disbursement
<input type="checkbox"/>	Request for Disbursement (in installments)
<input type="checkbox"/>	Request for reporting justified expenditures only

Date:

Application Serial No.:

To: JAPAN INTERNATIONAL COOPERATION AGENCY

Attn: [Name of the Department or JICA Office in charge]

Ladies and Gentlemen:

Pursuant to the Loan Agreement No.        dated       , between the JAPAN INTERNATIONAL COOPERATION AGENCY (hereinafter referred to as "JICA") and (the Borrower) (hereinafter referred to as the "Loan Agreement"), the undersigned hereby requests for Advance Disbursement, under the said Loan Agreement, of ¥        in number        (Say Japanese Yen        in wording       ) by being paid to the Loan Account of (Agent Bank of the Borrower) with (Paying Bank), Tokyo, Japan, from which (Agent Bank of the Borrower) transfers the amount to the Designated Account.

1. The undersigned has prepared the accompanying documents (including the Financial Forecast, if applicable) in good faith. The undersigned has not obtained nor will obtain funds for such purpose out of the proceeds of any other loan, credit or grant available to the undersigned except short-term loans or credits, if any, established in anticipation of the disbursement requested for herein and to be repaid pro-tanto with the funds disbursed hereunder and any charges, commission or interest paid or payable under such anticipatory short-term credits are not included in the amount herein requested to be disbursed.
2. Required documents as per the Loan Agreement attached to this request shall form an integral part hereof.

Very truly yours,

\_\_\_\_\_  
(Name of the Borrower)

\_\_\_\_\_  
(Authorized Person's Signature, Name & Title)

**Attachment 2: Financial Forecast**

**Forecast Disbursement Schedule**

CY Item	20__					20__
	Jan – Mar	Apr – Jun	Jul – Sep	Oct – Dec	Total	
<b>Total</b>						



# Attachment 3: Reconciliation Statement

Form RS

## RECONCILIATION STATEMENT

LOAN NO.: \_\_\_\_\_ APPLICATION NO.: \_\_\_\_\_  
 NAME: \_\_\_\_\_ (Borrower or E/A)  
 REPORTING PERIOD: From \_\_\_\_\_ To \_\_\_\_\_  
 CATEGORY: \_\_\_\_\_  
 DESIGNATED ACCOUNT: Bank Name \_\_\_\_\_ Account NO. \_\_\_\_\_  
 DATE: \_\_\_\_\_

		(in Japanese Yen)			
Detail	Current Period	Cumulative			
Beginning cash balance					
1. D/A balance as of					
ADD: Advances from JICA					
2. Advances credited to D/A					
3. Amount claimed but not yet credited as of the date of the bank statement	-	-			
4. Total cash available (1+2+3)	-	-	a		
LESS: Advances withdrawn from D/A					
5. Total amount justified by supporting documents			b		
6. Total amount withdrawn but not yet justified by supporting documents	-	-	c (d-b)		
7. Total withdrawn (5+6)			d (a-e)		
8. Cash available less withdrawn (4-7)	-	-			
Closing cash balance					
9. D/A balance as of	e				
<i>Difference (8-9) should be zero</i>					
	0	OK!			
<i>Recovery Percentage (Total justified amount / Total amount withdrawn from D/A)</i>		<small>The percentage stipulated on the U/A</small>	70%	#DIV/0!	b/d #DIV/0!

		(in Japanese Yen)		
Detail	Next Period			
Forecast of amount needed for next 2 periods				
10. Total Fund requirement				
11. Amount requested to be advanced (10-9)		-	f	
<i>(Reference)</i>				
<i>Unjustified Amount when request for advance above is approved</i>		-	a+f-b	

\_\_\_\_\_  
 Authorized Signature(s), name, and title of representative of the E/A  
 which hold the title of the designated account

**NOTES:**

- 1 Copy of bank statement for the period should be attached
- 2 \_\_\_\_\_ is automatically calculated.

**REMARKS:**

**Attachment 4: Statement of Expenditures (SOE)**

Form SOE (A)

**STATEMENT OF EXPENDITURE**

Advance Procedure

PROJECT \_\_\_\_\_ D/A NO. \_\_\_\_\_ DATE \_\_\_\_\_  
 LOAN NO. \_\_\_\_\_ CATEGORY \_\_\_\_\_ APP. NO. \_\_\_\_\_

No.	JICA CONC. NO./CONTRACT No.	NAME OF SUPPLIER	NATIONALITY	Month/Date of Payment	Description	Amount Paid (without Tax)	Disbursement %	Amount for JICA Financing in Contract Currency	Exchange Date *	Exchange Rate	Amount for JICA Financing in Request Currency (JPY)
<b>JICA CONCURRENCE NO.</b>											
1											
2											
3											
<b>SUBTOTAL (JICA CONC. NO.)</b>						-		-			JPY -
<b>JICA CONCURRENCE NO.</b>											
1											
2											
3											
<b>SUBTOTAL (JICA CONC. NO.)</b>						-		-			JPY -
<b>CONTRACTS NOT REQUIRING CONCURRENCE</b>											
1											
2											
3											
<b>SUBTOTAL (CONTRACTS NOT REQUIRING CONCURRENCE)</b>						-		-			JPY -

The undersigned certifies that the Supplier(s) and payments stated above are procured according to the applicable guidelines and eligible under the Loan Agreement.

**TOTAL AMOUNT in JPY** \_\_\_\_\_

For (Name of the Borrower)

\* Exchange Date: the date of withdrawal from D/A

\_\_\_\_\_  
 Authorized Person's Signature, Name & Title



## Attachment 6: Report on Current Repayment and Overdue Status

### Form of Current Repayment and Overdue Status Report

(As of DD/MM/YYYY)

#### 1. Sub-loans from the Project Operating Account (1<sup>st</sup> generation)

(million Kyat)

Duration of arrears	Number of the Sub-Loans with arrears	Total Amount of Arrears	Total loan amount of Sub-Loans with arrears	Total repaid amount from Sub-Loans identified in each category
3 to 6 months				
6 months to 1 year				
1 to 2 years				
Over 2 years				

#### 2. Sub-loans from the Revolving Fund Account (2<sup>nd</sup>- and succeeding-generation)

(million Kyat)

Duration of arrears	Number of the Sub-Loans with arrears	Total Amount of Arrears	Total loan amount of Sub-Loans with arrears	Total repaid amount from Sub-Loans identified in each category
3 to 6 months				
6 months to 1 year				
1 to 2 years				
Over 2 years				

#### 3. Fund Transfer from Project Operating Account (1<sup>st</sup> generation)

(million Kyat)

Duration of arrears	Number of the FTD with arrears	Total Amount of Arrears	Total loan amount of FTD with arrears	Total repaid amount from FTD identified in each category
3 to 6 months				
6 months to 1 year				
1 to 2 years				
Over 2 years				

**4. Fund Transfer from the Revolving Fund Account (2<sup>nd</sup> – and succeeding-generation)**

(million Kyat)

Duration of arrears	Number of the FTD with arrears	Total Amount of Arrears	Total loan amount of FTD with arrears	Total repaid amount from FTD identified in each category
3 to 6 months				
6 months to 1 year				
1 to 2 years				
Over 2 years				

Note: This report only covers the sub-loans and Fund-Transfers by Deposit whose principals are in arrear.

Date:

Name and Title:

---

(Authorized Signature)

**Attachment 7: Outline of an Annual Environmental and Social Performance Report**

**Outline of an Annual Environmental and Social Performance Report to JICA**

**1. Basic Information**

Name of Organization:  
 Completed by (Name):  
 Position in Organization:  
 Reporting Period:                      From: To:  
 Completed in (MM/YY)

**2. Subprojects using JICA Funds during the Reporting Period**

Name of Subproject approved during the reporting period	Industry Sector	Project Scope	Project Cost (JPY)	Approval Date	Environmental Category*	Reason of Categorization	Documents made (e.g. EIA, RAP, IPP)	Any outstanding environmental, IR or IP** issues

\* Please refer Environmental and Social Categorization: Definition or II. 2.2. of JICA Guidelines for Environmental and Social Considerations (April 2010)

\*\* IR = Involuntary Resettlement, IP = Indigenous People

**3. Subprojects using JICA Funds to be Approved in the Next FY**

Name of Subproject approved during the reporting period	Industry Sector	Project Scope	Project Cost (JPY)	Approval Date	Environmental Category*	Reason of Categorization	Documents made (e.g. EIA, RAP, IPP)	Any outstanding environmental, IR or IP** issues

**4. Environmental and Social Management System (ESMS)**

Please describe if ESMS of your organization has changed in any way (e.g. establishment of a new division for environmental and social management) since JICA’s appraisal.

## Attachment 8: Statements of Designated Account, Project Operating Account and Revolving Fund Account

### Statements of Designated Account, Project Operating Account and Revolving Fund Account for MY-P12

(Covering Period: From DD/MM/YYYY To DD/MM/YYYY)

No.	Category	Amount
<b>Designated Account</b>		
1	Opening Balance (million JPY)	
	Total Revenue	
2	Disbursement from JICA (million JPY)	
	(Ref) Equivalent amount in million MMK	
	Total Expenditure	
3	Transfer to the Project Operating Account (million JPY)	
	(Ref) Equivalent amount in million MMK	
	Closing Balance (1+2-3, million JPY)	
<b>Project Operating Account</b>		
4	Opening Balance (million MMK)	
	Total Revenue (5+6)	
5	Refund of un-used 1st-generation Fund Transfer by Deposit (FTDs) (million MMK)	
6	Transfer from the Designated Account (million MMK)	
	Total Expenditure	
7	1st-generation Fund Transfer by Deposit Disbursement (FTDs) to PFIs (million MMK)	
	Closing Balance (4+5+6-7)	
<b>Revolving Fund Account</b>		
8	Opening Balance (million MMK)	
	Total Revenue (9+10)	
9	Principal Repayment from the End-Borrowers through PFIs on the 1st-generation Sub-Loans (million MMK)	
10	Principal Repayment from the End-Borrowers through PFIs on the Sub-Loans from the Revolving Fund (2nd- and succeeding generation) (million MMK)	
	Total Expenditure	
11	Disbursement of the 2nd and succeeding generation of Sub-Loans to the End-Borrowers through PFIs from the Revolving Fund (million MMK)	

No.	Category	Amount
	Closing Balance (8+9+10-11 million MMK)	
<b>Interest Payment Account</b>		
12	Opening Balance (million MMK)	
	Total Revenue	
13	Interest Payment from the PFIs on the Sub-Loans (million MMK)	
	Total Expenditure	
14	Interest Payment to MOF after deduction of Administration Fee for MEB (million MMK)	
	Closing Balance (12+13-14, million MMK)	

Date:

Name and Title:

---

(Authorized Signature)



**Attachment 9: Audit Report on the Statements of the Designated Account, Project Operating Account and Revolving Fund Account**

**[Form] Audit Report on the Statements of the Designated Account, Project Operating Account and the Revolving Fund Account**

To: Myanmar Economic Bank

Date: [                    ]

We have audited the accompanying Statements of the Designated Account, Project Operating Account and the Revolving Fund Account relating to the Project for the Development of Finance for Small and Medium-sized Enterprises financed under Loan Agreement No. MY-12 for the year(s) [                    ]. The said Statements are the responsibility of Myanmar Economic Bank's management. Our responsibility is to express an opinion on the said Statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards [or relevant national standards or practices], and accordingly, included such tests of the accounting records, and other auditing procedures necessary to confirm that:

- (a) the proceed of the Loan are used for the purpose of the Project;
- (b) the claims to the Designated Account, Project Operating Account and the Revolving Fund Account are made only for expenditures on eligible items under the Loan; and
- (c) the Statements of the Designated Account, Project Operating Account and the Revolving Fund Account are correct.

During the course of the audit referred to above, the said Statements and the concerned documents, together with the procedures and internal controls involved in their preparation, were examined, and they can be relied upon to support the related disbursement under the aforesaid Loan Agreement.

On the basis of the information and explanations that have been obtained as required and according to the best of our information as a result of the test audit, it is certified that the Statements of the Designated Account, Project Operating Account and the Revolving Fund Account read with the observations set out below represent a true and fair view of the implementation of the Project for the year.

---

[Name of the Auditor]  
[Title of the Auditor]  
[Name and Address of Audit Firm]  
[Completion Date of Audit]

**Attachment 10: Audit Report on Statements of Expenditures (SOEs)**

**[Standard Form] Audit Report on Statements of Expenditures**

To: Myanmar Economic Bank

Date: [                    ]

We have audited the accompanying Statements of Expenditures (SOEs) of the Project for the Development of Finance for Small and Medium-sized Enterprises financed under Loan Agreement No. MY-12 for the year(s) [    ]. The SOBs are the responsibility of Myanmar Economic Bank's management. Our responsibility is to express an opinion on the SOBs based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards [or relevant national standards or practices]. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the SOBs are free of material misstatement. An audit includes verifying the SOBs with accounting records and supporting documentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, with regard to the SOBs, adequate supporting documentation has been maintained to support claims to the JICA for reimbursements of expenditures incurred; and which expenditures are eligible for financing under the Loan Agreement.

\_\_\_\_\_  
[Name of the Auditor]  
[Title of the Auditor]  
[Name and Address of Audit Firm]  
[Completion Date of Audit]

## **Appendix 2: Workflows and Formats for TSL Operations**

## Workflow and formats for procedures

<b>W</b>	<b>Workflow</b>			
	Chart A. Workflow for accreditation and review of PFIs			
	Chart B. Workflow for FTD disbursement			
	Chart C-1. Workflow for FTD collection (principal only)			
	Chart C-2. Workflow for FTD collection (principal and interest)			
	Chart D. Workflow for prepayment			
	Chart E-1. Workflow for rescheduling by End-Borrower's request			
	Chart E-2. Workflow for rescheduling due to extraordinary event			
	Chart F-1. Workflow for monitoring (quarterly)			
	Chart F-2. Workflow for monitoring (annual)			
Chart F-3. Workflow for monitoring (project completion)				
Form created by: <b>SME PFI PMU</b>				
<b>A</b>	<b>Format A: PFI accreditation or annual review</b>			
	Form No. A-1: Application for accreditation as PFI		<b>x</b>	
	Form No. A-2: Evaluation Form			<b>x</b>
	Form No. A-3: Performance report for annual review			<b>x</b>
<b>B</b>	<b>Format B: Documents to be submitted by End-Borrower to PFI</b>			
	Form No. B -1: Application for Sub-Loans	<b>x</b>		
	Form No. B -2: Side-letter to Sub-Loan Agreement	<b>x</b>		
<b>C</b>	<b>Format C: PFI applications for Fund Transfer by Deposit (FTD)</b>			
	Form No. C -1: FTD Application for individual Sub-Loan		<b>x</b>	
	Form No. C -2: Summary list of FTD application		<b>x</b>	
	Form No. C -3: Certificate of deposit issued for FTD (existing format, if acceptable)		<b>x</b>	
	Form No. C -4: Report on Sub-Loan disbursement		<b>x</b>	
	Form No. C -5: Request for rescheduling of FTD		<b>x</b>	
	Form No. C -6: Pre-payment report of Sub-Loan		<b>x</b>	
	Form No. C -7: Notice of non-payment of Sub-Loan		<b>x</b>	
	Form No. C -8: Monitoring report of Sub-Project		<b>x</b>	
<b>D</b>	<b>Format D: PMU Notices of FTD</b>			
	Form No. D -1: Notice of compliance of the application for FTD			<b>x</b>
	Form No. D -2: Notice of non-compliance of the application for FTD			<b>x</b>
	Form No. D -3: Rescheduling notice on FTD			<b>x</b>
	Form No. D -4: Rescheduling notice for FTD by prepayment			<b>x</b>
	Form No. D -5: Notice of principal and/or interest payment			<b>x</b>
	Form No. D -6: Receipt of principal and/or interest payment			<b>x</b>
	Form No. D -7: Notice of non-receipt for principal and/or interest			<b>x</b>
	Form No. D -8: Receipt of overdue principal and/or interest payment			<b>x</b>
<b>E</b>	<b>Format E: PFI monitoring reports to PMU</b>			
	Form No. E -1: PFI report on on-going Sub-Project summary		<b>x</b>	
	Form No. E -2: PFI report on monitoring indicators		<b>x</b>	
<b>F</b>	<b>Format F: Information management at PMU</b>			
	Form No. F - 1: ODA Loan			<b>x</b>
	Form No. F - 2: Sub-Loan profile			<b>x</b>
	Form No. F - 3: Sub-Loan schedule			<b>x</b>
	Form No. F - 4: Sub-Loan summary			<b>x</b>
	Form No. F - 5: FTD status			<b>x</b>

Chart A. Workflow for accreditation and review of PFIs

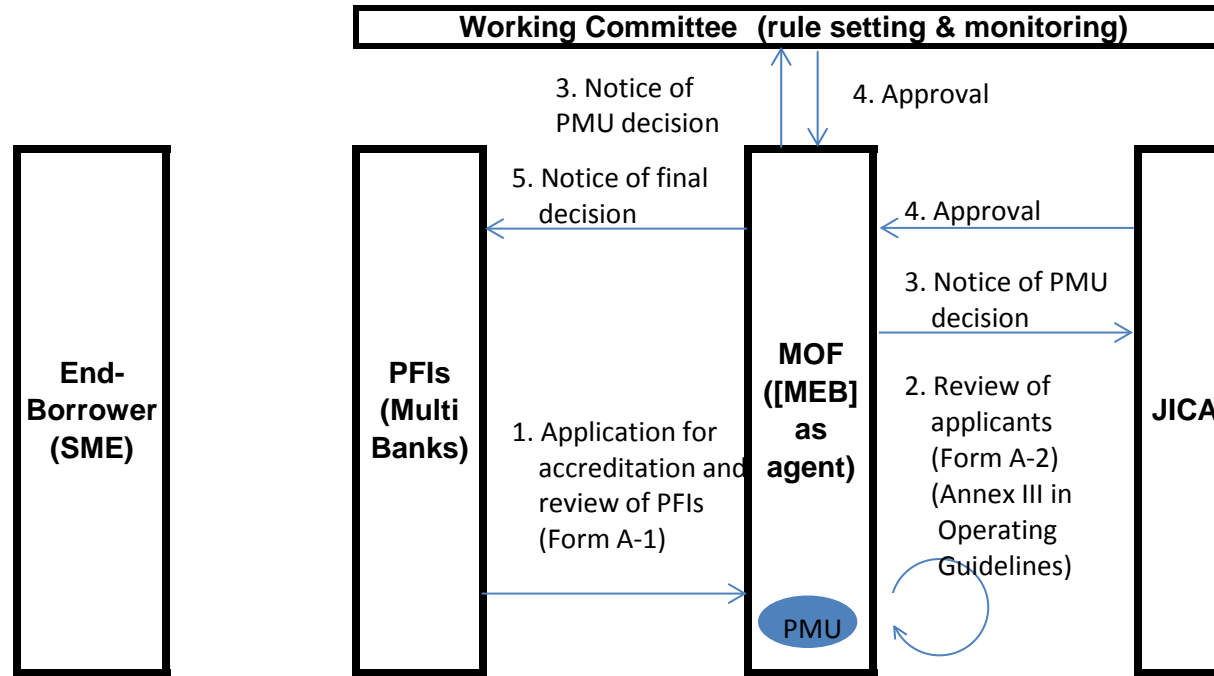


Chart B. Workflow for FTD disbursement

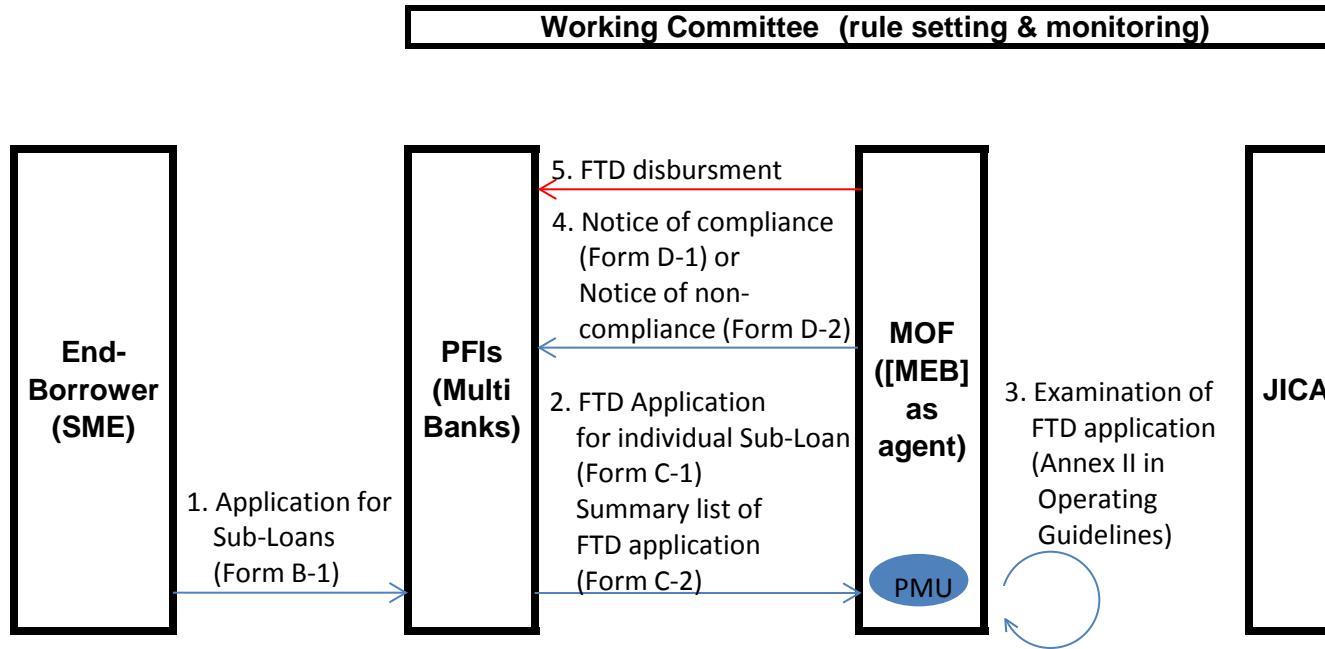


Chart C-1. FTD collection (principal) (the other 8 months except for March, June, September, December)

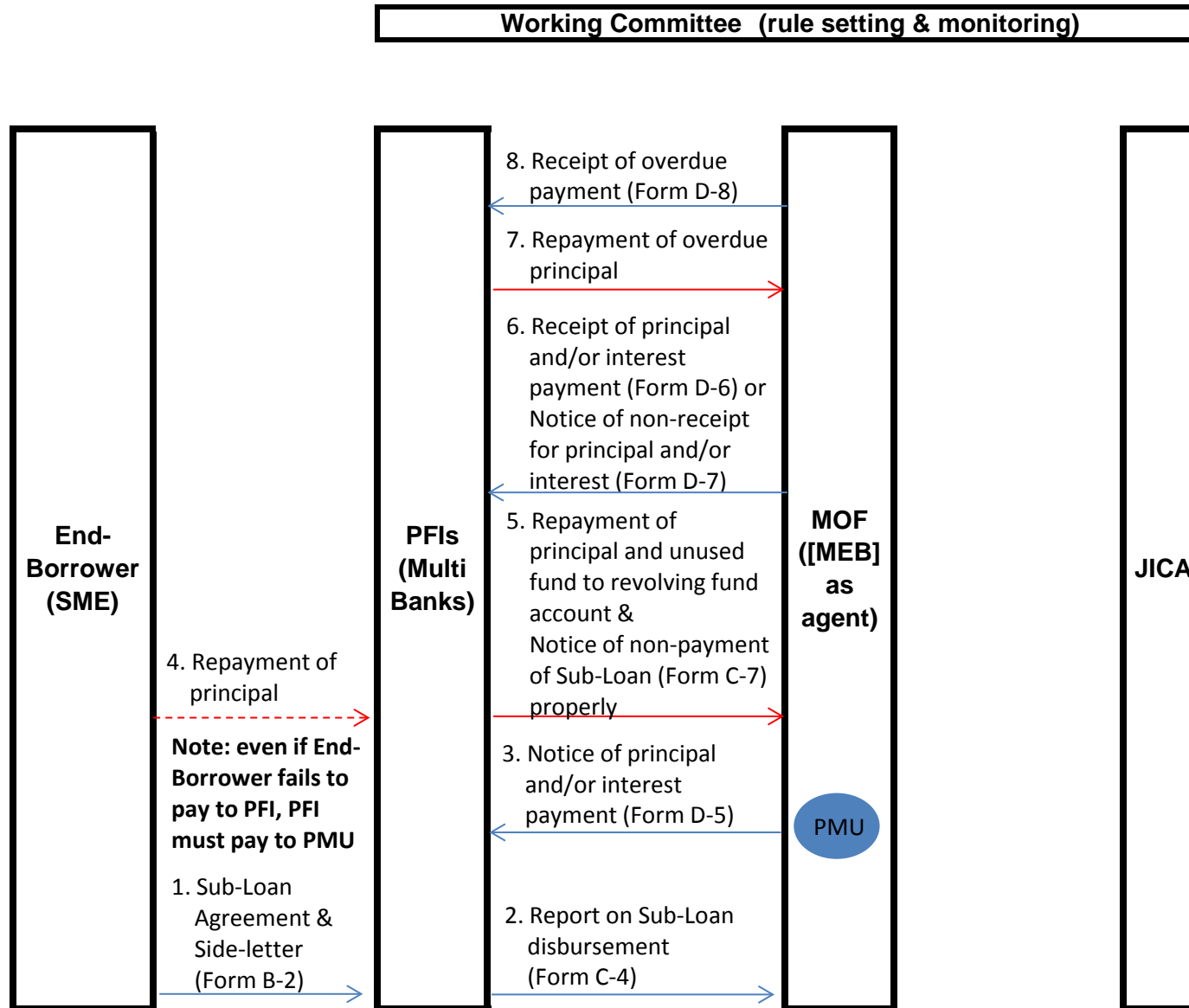


Chart C-2. FTD collection (principal & interest) (March, June, September, December)

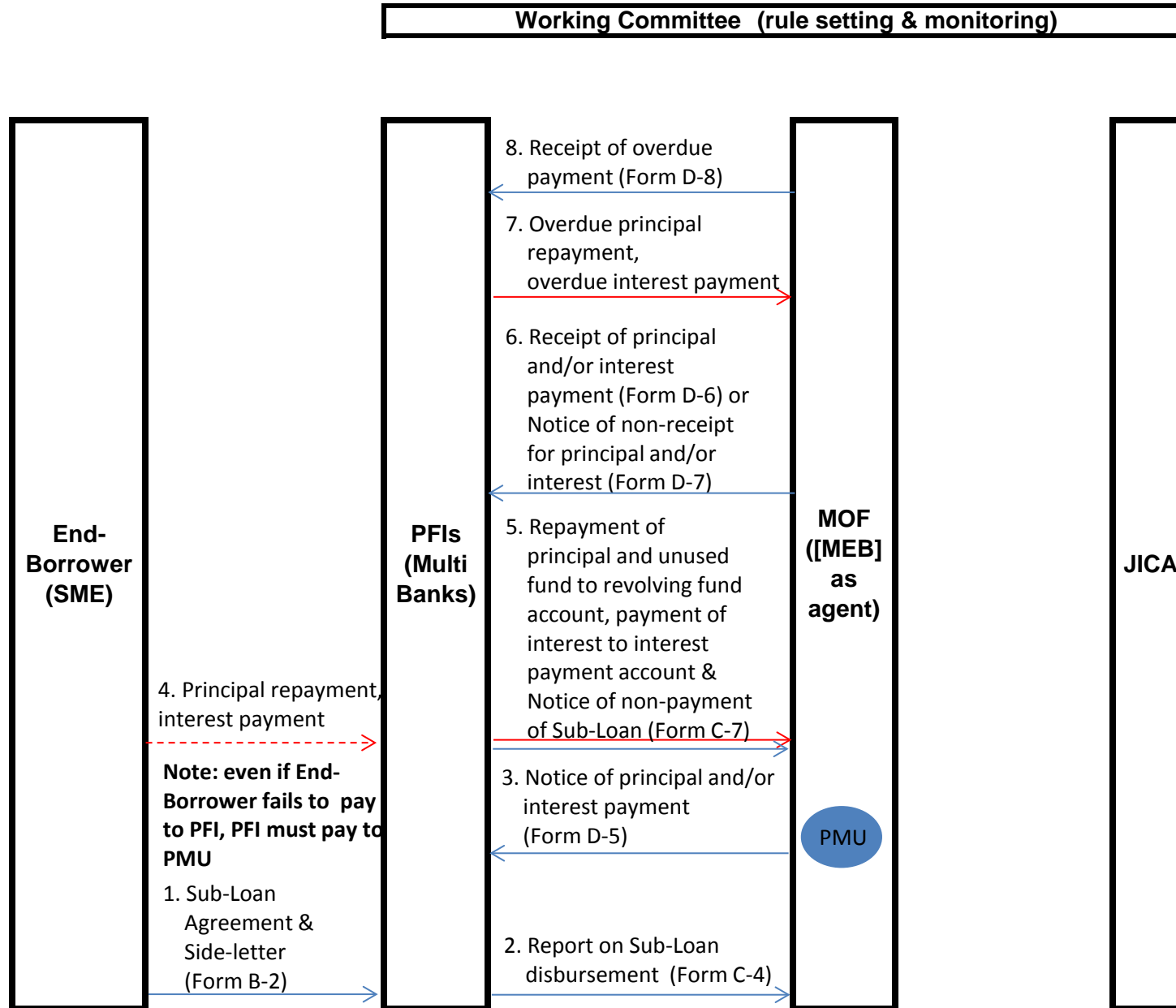




Chart D. Workflow for prepayment

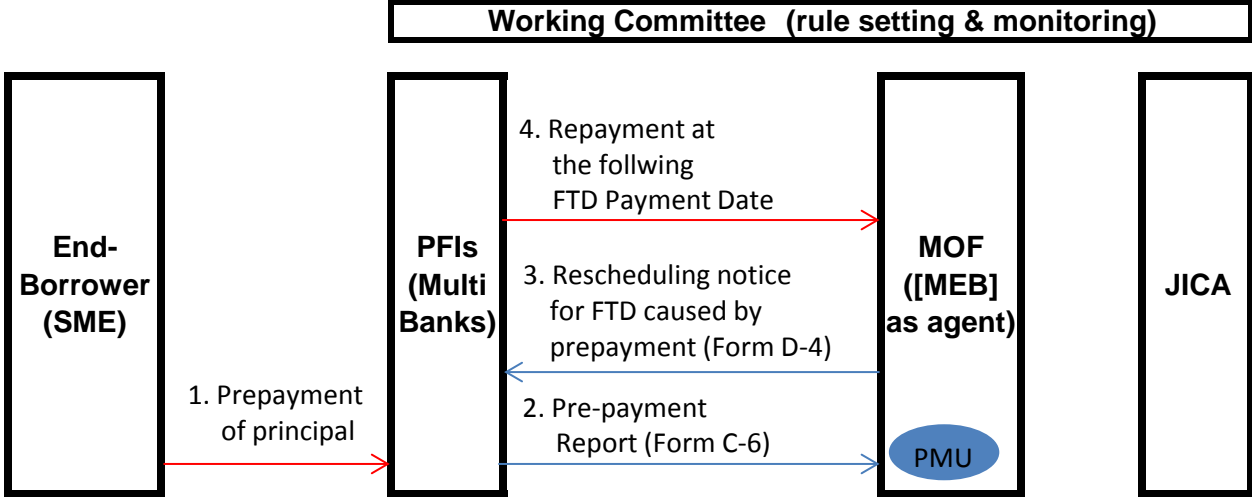


Chart E-1. Workflow for rescheduling

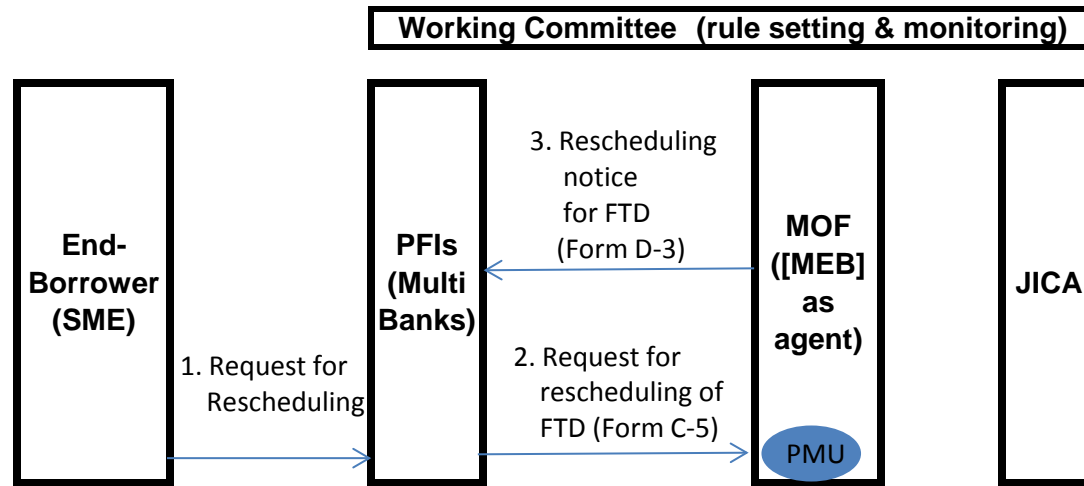
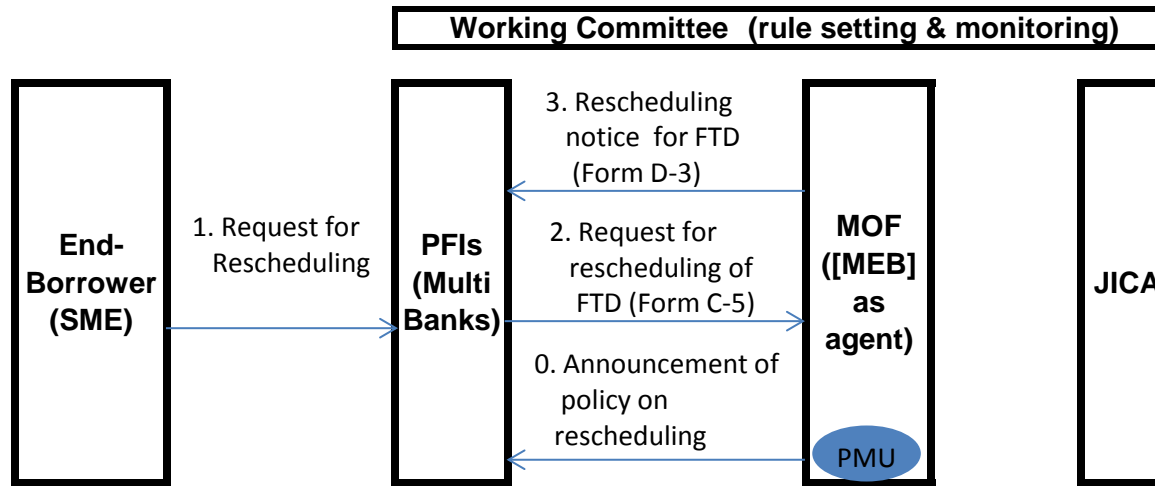


Chart E-2. Workflow for rescheduling



**Chart F-1. Workflow for Monitoring (Report Quarterly)**

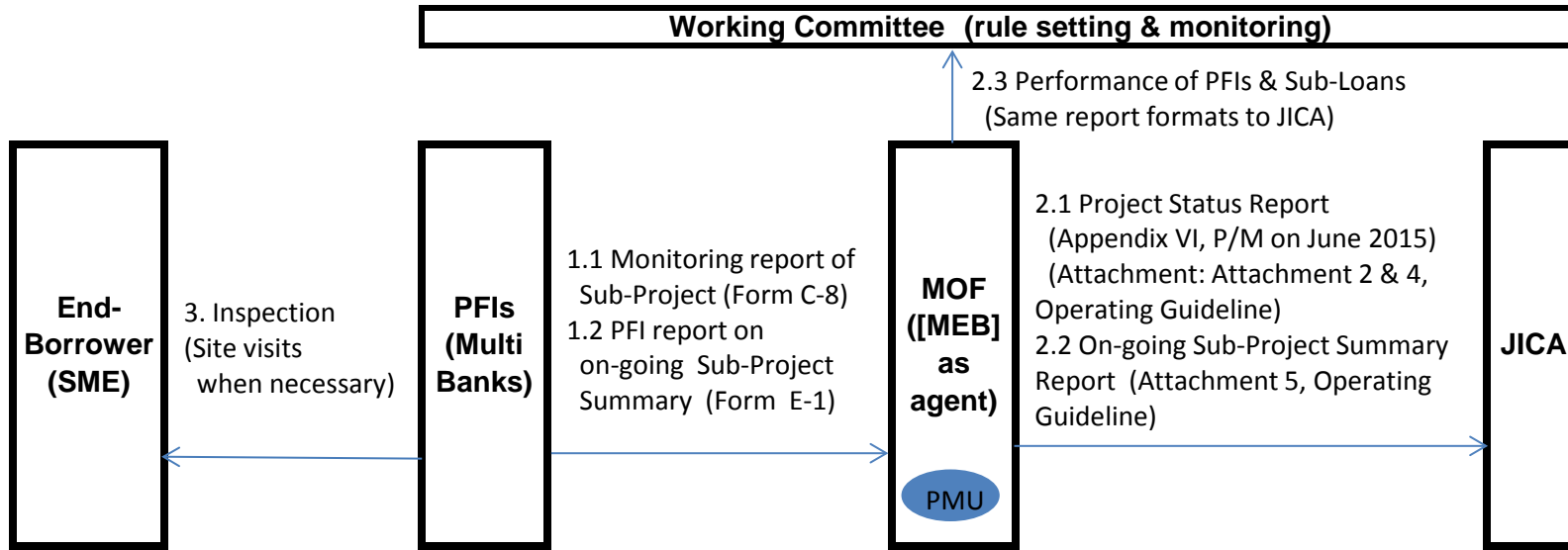


Chart F-2. Workflow for Monitoring (Report Annually)

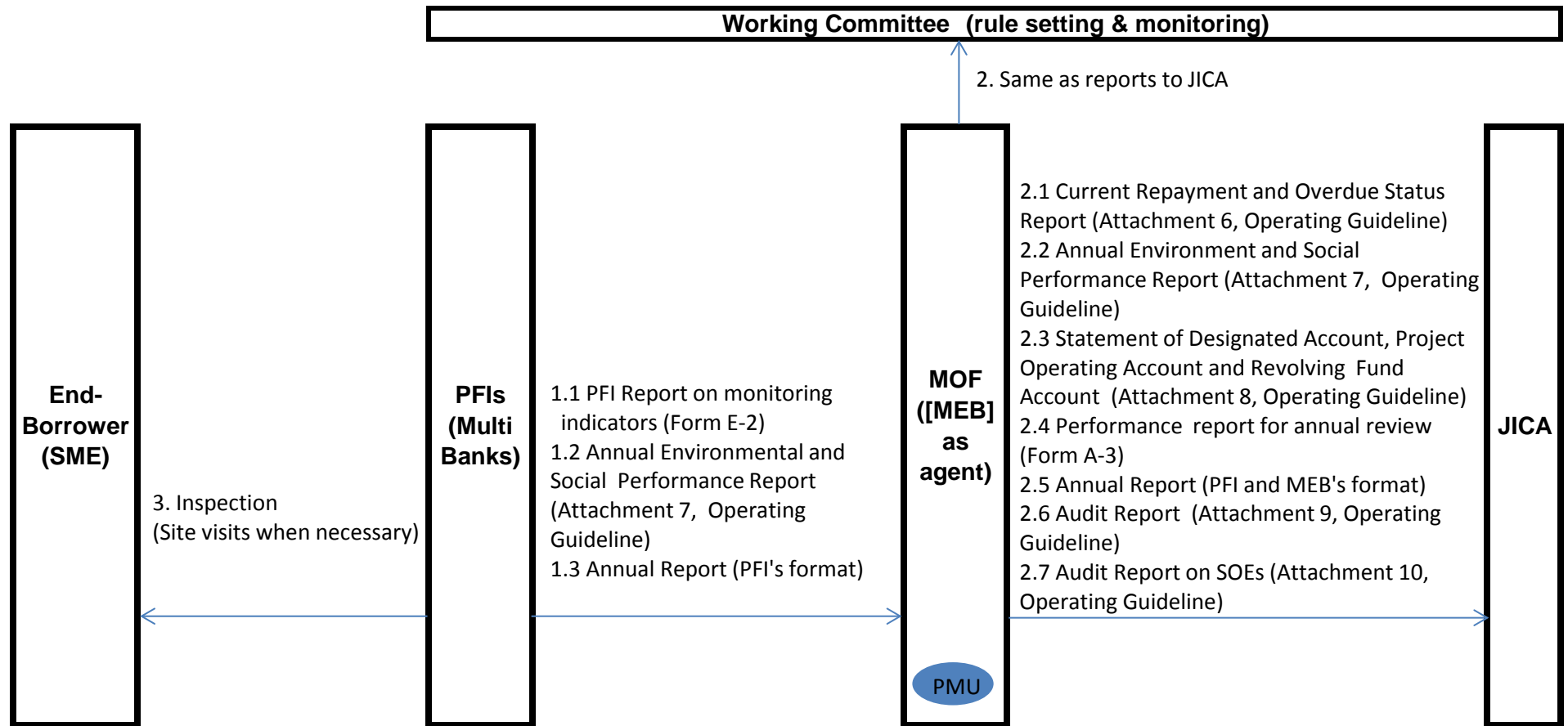
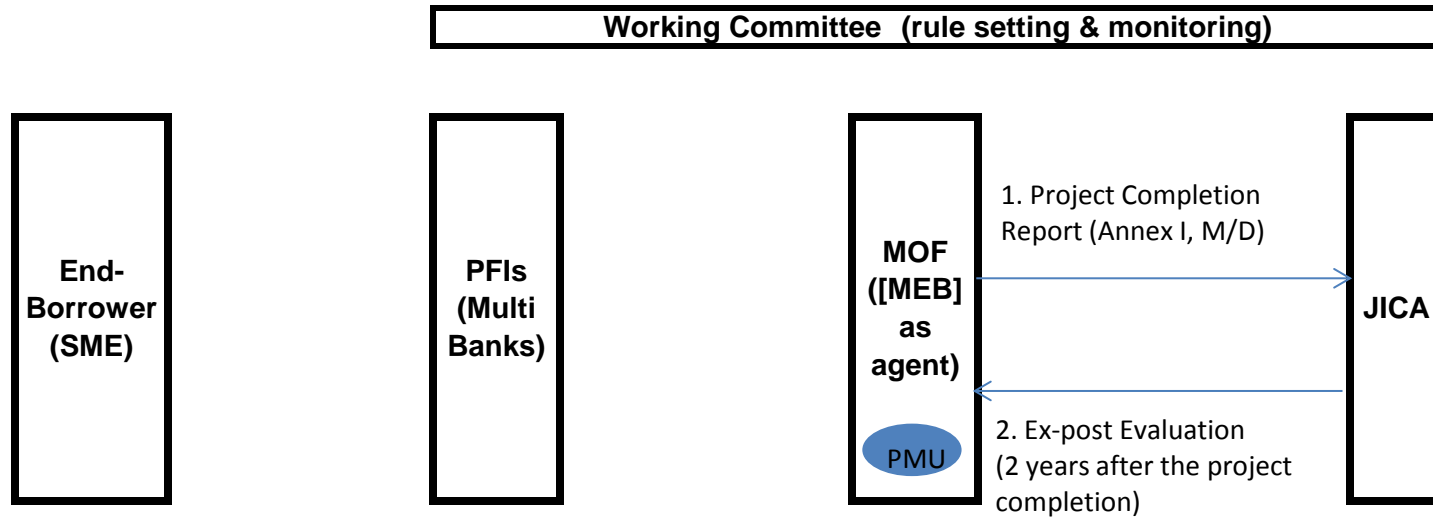


Chart F-3. Workflow for Monitoring (Project Completion)



DATE: dd/mm/yyyy

TO: Project Management Unit (PMU)

FROM: \_\_\_\_\_ Bank

**Application Form for Participating Financial Institution (PFI)**

We hereby request you to accredit us as a PFI and confirm that the application below is correct and our satisfaction with the all of the criteria.

Criterion	Statement	Fulfill the Criteria (Yes or No)
(1) Legality	Financial Institution No. with CBM:	
(2) Operational Experiences	Establishment Year: (Copy of audited financial statements for the latest 3years attached)	( > 3 years)
(3) Commitment to SME lending	“Expansion of the Lending in SME Sector” (Copy of lending policies attached)	
(4) Capital Adequacy		
(a) Paid-up Capital	Kyat          million (as of          ) (Copy of balance sheet attached)	( > 30 million Kyat for commercial bank)
(b) Capital Adequacy Ratio	(as of          ) (Copy of the weekly report to CBM attached)	( > 10%)
(5) Profitability	Net Profit    Kyat          million (in FY          ) Kyat          million (in FY          ) (Copy of profit and loss statement attached)	( > 0)
(6) Non-Performing Loans (NPL)	NPL Ratio:          (as of          ) (Copy of the quarterly report to CBM attached)	( < 10%)

(7) Prudential Regulations		
(a) Transparency		
(b) Corporate Governance		
(c) Risk Management	(Copy of risk management procedures attached)	
(d) Others, if any		

## Attachment:

- (1) Copy of license for banking or financing, to prove legality
- (2) Audited financial statements (balance sheet and profit and loss statement) for latest 3 full years, together with the latest Annual Report, which show profitable operation in latest 2 consecutive years, to prove legality
- (3) Copy of lending policies, to prove commitment to SME lending
- (4) Certificate of compliance with the minimum capital requirement and CAR
- (5) Certificate of compliance with the NPL Ratio requirement
- (6) Copy of disclosure policy and/or practice
- (7) Explanatory materials for corporate governance
- (8) Copy of risk assessment procedures and Report on compliance status with prudential regulations, to prove adequate risk management structure



### Accreditation Evaluation Form

(Name of Financial Institution: \_\_\_\_\_ )

Criterion	Evaluation by PMU	PMU judgment of eligibility
(1) Legality		
(2) Operational Experiences		
(3) Commitment to SME lending		
(4) Capital Adequacy		
(a) Paid-up Capital		
(b) Capital Adequacy Ratio		
(5) Profitability		
(6) Non-Performing Loans (NPL)		
(7) Prudential Regulations		
(a) Transparency		
(b) Corporate Governance		
(c) Risk Management		
(d) Others, if any		

## Performance report for annual review

To: Working Committee and JICA

From: Project Management Unit (PMU)

We report the performance of PFIs in the previous fiscal year and status of eligibility under the accreditation criteria.

(Million Kyats)

PFI	New Sub-Loans made in the previous year			Maintenance of accreditation criteria (Previous year)						
	Total amount	Numbers	Types of collaterals accepted	Change in SME lending policy	CAR	Net profit	NPL ratio	Audited statement	Maintenance of eligibility	Notes
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	

PFI	New Sub-Loans made in the previous year			Maintenance of accreditation criteria (Previous year)						
	Total amount	Numbers	Types of collaterals accepted	Change in SME lending policy	CAR	Net profit	NPL ratio	Audited statement	Maintenance of eligibility	Notes
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	
					__% (__%)	( )	__% (__%)	Submitted/ Not yet	Yes / No	

Date:

(Name and title)

---

(Authorized signature)

**Application for SME Two-Step-Loan (TSL)**  
sponsored by the Government of the Union of Myanmar(GOM)  
and financed by the Government of Japan(GOJ)

To \_\_\_\_\_ **Bank**

I apply for SME TSL sponsored by the GOM and GOJ with principal amount of \_\_\_\_\_million kyats and the final loan term of \_\_\_\_ years, and hereby certify that;

1. My company is registered under the Companies Act and meets the criteria of SME as defined by the SME Development Law

- (Circle one) {
- ✓ Manufacturing
  - ✓ Labor intensive or CMP Sector
  - ✓ Whole sale trading
  - ✓ Retail sale trading
  - ✓ Service
  - ✓ Other \_\_\_\_\_

Capital investment \_\_\_\_\_ million kyats

Turnover of previous year \_\_\_\_\_ million kyats

Number of employees \_\_\_\_\_ People

2. My company is not engaged in the following businesses.

- (1) Farmers eligible for borrowing from Myanma Agricultural Development Bank;
- (2) Real estate;
- (3) Finance and insurance;
- (4) Precious metal dealing;
- (5) Bars and pubs;
- (6) Amusement, entertainment (except for tourism);
- (7) Weapons, ammunition; or

3. My company is not engaged in “Ineligible Investment Activities” stipulated in the Operating Guidelines for the TSL project.

(Circle one)

4. My company is not engaged in any activity that is required to carry out Initial Environmental Examination or Environmental Impact Assessment

4'. My company is engaged in an activity that is required to carry out Initial Environmental Examination or Environmental Impact Assessment. My company will provide Environmental Clearance Certificate before the signing of Loan Agreement.

[Please describe your business, location and potential damage to the natural environment and society.]

5. My company will use the loan proceeds for the following fixed asset investment.

[Describe the use of funds such as purchasing machinery or construction to be done]

Investment Item	Specification	Cost estimate
e.g. Rice milling machine	ABC Company, type DEF23	US 300,000-
e.g. Expansion of factory	300m2, RC	100 million kyat

[Expected benefit of fixed asset investment] (circle all applicable ones)

- Capacity expansion; expected increase in sales \_\_\_\_\_ million kyat / year
- Quality improvement; expected increase in sales \_\_\_\_\_ million kyat/ year
- Cost reduction; expected increase in profits \_\_\_\_\_ million kyat/year
- Other: quantitative benefit expected \_\_\_\_\_ million kyat/ year

[Expected disbursement schedule] (e.g. (Nov/2015) 400 million Kyats)

1<sup>st</sup> (    /    ) \_\_\_\_\_ million Kyats, 2<sup>nd</sup> (    /    ) \_\_\_\_\_ million Kyats,  
3<sup>rd</sup> (    /    ) \_\_\_\_\_ million Kyats

6. If I sell the fixed assets mentioned in the previous section, I shall use the sale proceed to prepay SME TSL

7. I agree to cooperate with possible inquiry or inspection by Japan International Cooperation Agency and/or Myanma Economic Bank (Executing Agency of TSL Project).

[Date]

[Company name and address]

[Signer name, title]

[Signature]

Date: dd/mm/yyyy

[Name], [Title]

[PFI's name]

[Address]

**Side Letter to the Sub-Loan Agreement dated dd/mm/yyyy (the "SLA")**

Upon signing of the SLA, I represent and warrant the following.

1. My company is registered under the Companies Act and meets the criteria of SME as defined by the SME Development Law

- (Circle one) {
- ✓ Manufacturing
  - ✓ Labor intensive or CMP Sector
  - ✓ Whole sale trading
  - ✓ Retail sale trading
  - ✓ Service
  - ✓ Other \_\_\_\_\_

Capital investment \_\_\_\_\_ million kyats

Number of employees \_\_\_\_\_ People

2. My company is not engaged in the following businesses.

- (1) Farmers eligible for borrowing from Myanma Agricultural Development Bank;
- (2) Real estate;
- (3) Finance and insurance;
- (4) Precious metal dealing;
- (5) Bars and pubs;
- (6) Amusement, entertainment (except for tourism);
- (7) Weapons, ammunition; or

3. My company is not engaged in "Ineligible Investment Activities" stipulated in the Operating Guidelines for the TSL project.

(Circle one)

4. My company is not engaged in any activity that is required to carry out Initial Environmental Examination or Environmental Impact Assessment

4'. My company is engaged in an activity that is required to carry out Initial Environmental Examination or Environmental Impact Assessment. My company has already provided Environmental Clearance Certificate before the signing of Loan Agreement.

[Please describe your business, location and potential damage to the natural environment and society.]

5. My company will use the loan proceeds for the following fixed asset investment.

[Describe the use of funds such as purchasing machinery or construction to be done]

Investment Item	Specification	Cost estimate

[Expected benefit of fixed asset investment] (circle all applicable ones)

- Capacity expansion; expected increase in sales million kyat / year
- Quality improvement; expected increase in sales million kyat/ year
- Cost reduction; expected increase in profits million kyat/year
- Other ;quantitative benefit expected million kyat/ year

[Disbursement schedule (amount: million Kyats)]

1<sup>st</sup> (month/year); \_\_\_\_\_, 2<sup>nd</sup> (month/year) \_\_\_\_\_, 3<sup>rd</sup> (month/year) \_\_\_\_\_

6. If I sell the fixed assets mentioned in the previous section, I shall use the sale proceed to prepay SME TSL

7. I agree to cooperate with possible inquiry or inspection by Japan International Cooperation Agency and/or Myanma Economic Bank (Executing Agency of TSL Project).

Very truly yours,

[Company name and address]

[Signer name, title]

[Signature]

---

## FTD Application for individual Sub-Loan

To: Project Management Unit (PMU)

From: \_\_\_\_\_ Bank

We had verified eligibility of the attached Sub-loan request and request for FTD;  
(If the application is for the 2<sup>nd</sup> or later of partial disbursements for the Sub-Loan already approved, please write the FTD Compliance Notice Date (dd/mm/yyyy) )

End-Borrower name;

Requested amount; \_\_\_\_\_ Kyat

Tenor; \_\_\_\_\_ Years \_\_\_\_\_ Months

Expected disbursement schedule, if applicable (amount: Kyats);

1<sup>st</sup> (month/year); \_\_\_\_\_, 2<sup>nd</sup> (month/year) \_\_\_\_\_, 3<sup>rd</sup> (month/year) \_\_\_\_\_

We want to receive FTD for (total Sub-Loan amount) / (partial disbursement \_\_\_\_\_ Kyat)

Company registration number: \_\_\_\_\_

Means of verification; original registration documents checked on (dd/mm/yyyy)

1. Description of business

Data source (circle all applicable); document review, interview at PFI office, site visit, reference to suppliers/customers/relevant authorities

2. Confirmation of not falling in the excluded businesses.

Data source (circle all applicable); document review, interview at PFI office, site visit, reference to suppliers/customers/relevant authorities



3. Confirmation of not engaging in “Ineligible Investment Activities”

Data source (circle all applicable); document review, interview at PFI office, site visit, reference to suppliers/customers/relevant authorities

4. Confirmation of the necessity for Environmental Clearance Certificate

Data source (circle all applicable); document review, interview at PFI office, site visit, reference to suppliers/customers/relevant authorities

5. Confirmation of the use of funds and PFI’s evaluation of the expected benefit

- Use of fund was confirmed by; (circle one)

Document review (invoice, estimate, etc), interview at PFI office, site visit, reference to suppliers/customers/relevant authorities

- Evaluation of the expected benefit

Data source (circle all applicable); document review, interview at PFI office, site visit, reference to suppliers/customers/relevant authorities

6. Has PFI explained to the End-Borrower the obligation to prepay SME TSL if it sells the fixed assets mentioned in the previous section?

Yes (On dd/mm/yyyy at \_\_\_\_\_) , No

7. Has PFI explained to the End-Borrower the obligation to cooperate with possible inquiry or inspection by Japan International Cooperation Agency and/or Myanmar Economic Bank (Executing Agency of TSL Project)?

Yes (On dd/mm/yyyy at \_\_\_\_\_) , No

Attachment:

1. Copy of “Application for SME Two-Step-Loan (TSL)” (Form B-1) submitted by the End-borrower

Date:

Name and title

---

(Authorized signature)

## Summary list of FTD application

Date: yyyy/mm/dd

To: Project Management Unit (PMU)

From: \_\_\_\_\_ Bank

We apply for FTD based on the End-borrowers' Sub-loan request.

No.	End-Borrower information			Sub-Loan information		
	Name	Address (state/region)	Business sector	Requested ammount (million Kyats)	Tenor Years    Months	Schedule of partial disbursement, if applicable
1				mil Kyats	Years    Months	1 <sup>st</sup> (month/year)_____ 2 <sup>nd</sup> (month/year)_____ 3 <sup>rd</sup> (month/year)_____
2				mil Kyats	Years    Months	
3				mil Kyats	Years    Months	
4				mil Kyats	Years    Months	
5				mil Kyats	Years    Months	
6				mil Kyats	Years    Months	
7				mil Kyats	Years    Months	
8				mil Kyats	Years    Months	
9				mil Kyats	Years    Months	
10				mil Kyats	Years    Months	

**Report on Sub-Loan disbursement**

PFI Name:

Loan Officer:

We had made a disbursement on the Sub-Loan below and transferred the corresponding fund from SME TSL Idle Account to SME TSL Funding Account:

**1. Information on Sub-Loan**

FTD application date	
Sub-Loan Agreement date	
End-Borrower name	
End-Borrower address	
Total Sub-Loan amount	
Schedule of partial disbursement, if applicable	1 <sup>st</sup> (month/year) _____ 2 <sup>nd</sup> (month/year) _____ 3 <sup>rd</sup> (month/year) _____

**2. Information on disbursement**

Disbursement date	
Disbursed amount	
Sub-Loan balance after disbursement	
Undrawn amount after disbursement	

**3. Change from FTD application, if any**

(Please describe any major change regarding Sub-Loan, End-Borrower and/or Sub-Project occurred after the submission of FTD request to PMU)

Date:

Name and title

---

 (Authorized signature)

### Request for rescheduling of FTD

PFI Name:

Loan Officer:

Based on the rescheduling request from the End-Borrower below, we would like to request the corresponding rescheduling of FTD.

#### 1. Sub-Loan to be rescheduled

Sub-Loan number		L/A date (dd/mm/yyyy)	
End-Borrower (Tel/ Mobile No.)		Maturity date (dd/mm/yyyy)	
Sub-Loan amount (Kyats)		Outstanding amount (Kyats)	

#### 2. Current and revised repayment schedule

Repayment#	Current Schedule		Revised Schedule	
	Date	Amount	Date	Amount
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

#### 3. Reasons for rescheduling(Circle one)

- ✓ Temporary shortage of working capital
- ✓ Worse than expected operating performance
- ✓ Other \_\_\_\_\_

Please attach separate sheet for further explanation.

Date:

Name and title

---

 (Authorized signature)

**Prepayment report of Sub-Loan**

PFI Name:

Loan Officer:

Sub-Loan number		L/A date (dd/mm/yyyy)	
End-Borrower (Tel/ Mobile No.)		Maturity date (dd/mm/yyyy)	
Sub-Loan amount (Kyats)		Outstanding amount (Kyats)	

**1. Information on prepayment**

Prepayment date (dd/mm/yyyy)	
Prepaid amount (Kyats)	

**2. Reasons for Prepayment (Circle one)**

- ✓ Sale of fixed assets financed by SME-TSL
  - ① The amount of sale proceed (Kyats) \_\_\_\_\_
  - ② Means of verification (sales contract, receipt, others \_\_\_\_\_)
  
- ✓ Request from End-Borrower
  - [Purpose of prepayment]
  - ✧ Save on interest expense
  - ✧ Use of collateral for other financing arrangement
  - ✧ Other \_\_\_\_\_

Date:

Name and title

---

 (Authorized signature)

**Notice of non-payment of Sub-Loan**

PFI Name:

Loan Officer:

Sub-Loan number		L/Adate (dd/mm/yyyy)	
End-Borrower (Tel/ Mobile No.)		Maturity date (dd/mm/yyyy)	
Sub-Loan amount (Kyats)		Outstanding amount (Kyats)	

**1. Information on non-payment**

Scheduled payment date (dd/mm/yyyy)	
Unpaid principal amount (Kyats)	
Unpaid interest amount (Kyats)	

**2. Reasons for non-payment**

[Please explain the reason behind non-payment, such as shortage of working capital, operating loss and others.]

**3. Plan for recovery**

[Please explain your plan for recovering the unpaid interest and principal and the status of negotiation with End-Borrowers]

Date:

Name and title

---

 (Authorized signature)

**Monitoring Report of Sub-Project**  
(For the            quarter of            )

PFI name:

Loan officer:

Loan number		L/A date (dd/mm/yyyy)	
Borrower		Maturity date (dd/mm/yyyy)	
Loan amount (Kyats)		Outstanding (Kyats)	

**1. Sub-Project**

Sub-Project name			
Brief Description			
Product/ Service		Project objective	
Investments			

**2. Schedule**

(Year)	Q1	Q2	Q3	Q4
Procurement				
Construction				
Installation				
Test operation				
Operation				

**3. Current status of project implementation**

Interest/principal payment	
Major activities carried out	
Problems encountered	
Background	
Solution/ Remedial action	
Other issues	

Date:

(Name and title)

---

 (Authorized signature)



### Notice of compliance of the application for FTD

To: \_\_\_\_\_ Bank

From: Project Management Unit (PMU)

We decided that your FTD application for the Sub-Loan below and release the fund specified below to SME TSL Idle Account today.

#### Information on Sub-Loan

FTD application date	
Sub-Loan application date	
End-Borrower name	
Enb-Borrower address	
Total Sub-Loan amount	
Schedule of partial disbursement, if applicable	1 <sup>st</sup> (month/year) _____ 2 <sup>nd</sup> (month/year) _____ 3 <sup>rd</sup> (month/year) _____

**FTD amount:** \_\_\_\_\_ **Kyat**  
**(Total Sub-Loan amount or partial disbursement amount)**

Note to PFI (if any)

(Please write any message to PFI such as any question, concern, or special request for additional information or monitoring methodologies.)

Date:

\_\_\_\_\_  
 (Authorized signature)

**Notice of non-compliance of the application for application for FTD**To: \_\_\_\_\_ Bank

From: Project Management Unit (PMU)

We decided that your FTD application for the Sub-Loan below is not compliant with the eligibility requirement of the Project.

**Information on Sub-Loan**

FTD application date	
Sub-Loan application date	
End-Borrower name	
End-Borrower address	

**Reasons for non-compliance**

[Reason for non-compliance, such as Sub-project's being in the prohibited list or lack of ECC, end-borrower not being SME, insufficient verification by PFI etc]

Date:

\_\_\_\_\_  
(Authorized signature)

### Rescheduling notice on FTD

To \_\_\_\_\_ Bank

Your rescheduling request dated \_\_\_\_\_ concerning the Sub-Loan specified below has been;

- ✓ Approved as requested
- ✓ Approved on the following conditions  
(\_\_\_\_\_)
- ✓ Rejected (rationale \_\_\_\_\_)

#### 1. Sub-Loan to be rescheduled

Sub-Loan number		L/A date (dd/mm/yyyy)	
End-Borrower name		Maturity date (dd/mm/yyyy)	
Sub-Loan amount (Kyats)		Outstanding amount (Kyats)	

#### 2. Current and revised repayment schedule

Repayment#	Current Schedule		Revised Schedule	
	Month	Amount	Month	Amount
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Date:

(Name and title)

\_\_\_\_\_  
(Authorized signature)

### Rescheduling notice on FTD caused by prepayment

To \_\_\_\_\_ Bank

Based on your prepayment report dated \_\_\_\_\_ concerning the Sub-Loan specified in the section 1, the repayment schedule for FTD has been changed as specified in the section 2.

#### 1. Sub-Loan to be rescheduled

Sub-Loan number		L/A date (dd/mm/yyyy)	
End-Borrower (Tel/ Mobile No.)		Maturity date (dd/mm/yyyy)	
Sub-Loan amount (Kyats)		Outstanding amount (Kyats)	

#### 2. Current and revised repayment schedule

Repayment#	Current schedule		Revised schedule	
	Month	Amount	Month	Amount
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Date:

(Name and title)

---

(Authorized signature)

**Notice of principal repayment and/or interest payment**

To: \_\_\_\_\_ Bank

From: Project Management Unit (PMU)

FTD Payment Date (dd/mm/yyyy)	
FTD Payment Amount (Kyats) a+b	
a) Principal repayment	
b) Interest payment	

(1) FTD principal repayment amount (Kyat)

Repayment on Sub-Loan #_____ scheduled on (dd/mm/yyyy)	
Repayment on Sub-Loan #_____ scheduled on (dd/mm/yyyy)	
Repayment on Sub-Loan #_____ scheduled on (dd/mm/yyyy)	
Repayment on Sub-Loan #_____ scheduled on (dd/mm/yyyy)	
Return of unused FTD principal	

(2) FTD interest amount (please refer to the separate sheet for daily balance)

From (dd/mm/yyyy) to (dd/mm/yyyy)

	Applicable interest rate (%)	Average daily balance (Kyat)
SME TSL Idle Account		
SME TSL Funding A/C		

From (dd/mm/yyyy) to (dd/mm/yyyy)

	Applicable interest rate (%)	Average daily balance (Kyat)
SME TSL Idle Account		
SME TSL Funding A/C		

Date:

\_\_\_\_\_  
(Authorized signature)

**Receipt of principal and/or interest payment**To: \_\_\_\_\_ Bank

From: Project Management Unit (PMU)

We have received principal repayment and/or interest payment on FTD by FTD Payment Date.

**Information on principal and/or interest payment**

FTD Payment Date (dd/mm/yyyy)	
FTD Payment Amount (Kyats) a+b	
a) Principal repayment	
b) Interest payment	

Date:

---

(Authorized signature)

### Notice of non-receipt for principal and/or interest

To: \_\_\_\_\_ Bank

From: Project Management Unit (PMU)

Regarding our notice of principal repayment and/or interest payment of FTD as specified below, we have not received your payment as of today. Please immediately pay the FTD Payment Amount below. The penalty interest as stipulated in the Participation Agreement shall be charged to the FTD Payment Amount specified below for the period between the FTD Payment Date specified below and the day that PMU receives the payment.

#### Information on overdue principal and/or interest payment

Date of Notice (Notice of principal repayment and/or interest payment) (dd/mm/yyyy)	
FTD Payment Date (dd/mm/yyyy)	
FTD Payment Amount (Kyats) a+b	
a) Principal repayment	
b) Interest payment	

Date:

\_\_\_\_\_  
(Authorized signature)

**Receipt of overdue principal and/or interest payment**To: \_\_\_\_\_ Bank

From: Project Management Unit (PMU)

We have received overdue principal repayment, interest payment and/or penalty below.

**Information on the payment**

The date that the payment was received by PMU (dd/mm/yyyy)	
Received amount (Kyats)    a+b+c	
a)    FTD Principal Amount	
b)    FTD Interest Amount	
c)    Penalty	

Date:

\_\_\_\_\_  
(Authorized signature)







**PFI Report on Monitoring Indicators (PFI)**  
 (Covering Period: From DD/MM/YYYY To DD/MM/YYYY)

Form No. E-2 (2)

PFI No.	PFI Name	Total medium-/ long-term loan outstanding of the PFIs to SMEs (million Kyat)			Number of approval and disbursement of loan by the PFIs to SMEs			Ratio of non-performing loans of PFIs (%)		
		Baseline (2015)	2 Years After the Project Completion	(% of increase)	Baseline (2015)	2 Years After the Project Completion	(% of increase)	Baseline (2015)	2 Years After the Project Completion	(% of increase)
				#DIV/0!			#DIV/0!			#DIV/0!

Date \_\_\_\_\_

Name and title \_\_\_\_\_

\_\_\_\_\_  
 (Authorized signature)

**F-1: ODA Loan**

No.	Data input date	*List		*List		
		Data type	Scheduled date	Currency	Amount	Notes
1						
2						
3						
4						
5						

(Choose one from the list)  
 Drawdown request  
 Fund received at Loan AC  
 Fund transferred to Designated AC  
 Fund transferred to Project Operating AC  
 Debit from Project Operating AC (FTD)  
 Debit from Project Operating AC (Others)  
 Credit to Revolving Fund AC  
 Debit from Revolving Fund AC (FTD)  
 Debit from Revolving Fund AC (Others)  
 Interest payment to JICA  
 Principle repayment to JICA

(Choose one from the list)  
 Japanese Yen  
 Myanmar Kyat

**F-2: Sub-Loan profile**

No.	Sub-Loan Number	PFI Code	PFI Name	Branch	1. End-borrower Information					2. Sub-Project Information						3. Result	4. Inspection		5. Officer in charge			
					Date of Sub-Loan Agreement (SLA)	FTD application date (dd/mm/yyyy)	Company registration number	End-Borrower name (Company name)	End-Borrower's address (state/ region)	Business Sector	Capital investment (Kyats)	No. of employees (regular basis)	Requested Sub-Loan principal amount (Kyats)	Tenor (Years)	Type of collateral		Coverage (%)	Confirmation of the necessity for Environmental Clearance Certificate	Acquisition date of Environment Clearance Certificate (ECC) (dd/mm/yyyy)	PMU decision on compliance	Date of issuance D-1 / D-2 (dd/mm/yyyy)	Inspection Date
1																						
2																						
3																						
4																						
5																						
6																						
7																						
8																						
9																						
10																						

\*Input data from SLA      \*Data comes out automatically      \*B-2 or SLA      \*Input Data from Form No. C-1 (FTD Application for individual Sub-Loan) and B-1 (Application for SME TSL)      \*List      \*Input data from Form No. B-1 (Application for SME TSL) and B-2/ SLA      \*List      \*If required      \*List      \*Record any changes (company name, address, etc.)

PFI Code      PFI name      If not yet signed "NS"      (Choose one from the list)      (Choose one from the list)      (Choose one from the list)

001 ABC Bank      Manufacturing  
 002 CB Bank      Labor intensive or piecework (CMP) sector  
 003 Kambawza (KBZ) Bank      Whole sale trading  
 004 Myanmar Citizens Bank (MCB)      Retail and trading  
 005 SMIDB Bank      Service  
 006      Other  
 007  
 008  
 009  
 010

PMU decision on compliance      No activity engaged      Requires to carry out ECC/ EIA  
 D-1: compliance      D-2: non-compliance

**F-3: Sub-Loan schedule**

**Example as of 20 May 2019**

No.	Sub-Loan number	Data input date	*List	Scheduled date	*List	Amount	*List	Status input date	*Record reason(s) of change (if any)
			Data type		Schedule Status Current / Old / Actual		Status		Note
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									

(Choose one from the list)  
 FTD Disbursement  
 Sub-Loan Disbursement  
 Sub-Loan Collection  
 FTD Collection

Current  
 Old  
 Actual

Disbursed  
 Collected  
 Defaulted  
 Revised



**F-5: FTD status**

Name of PFI: \_\_\_\_\_

Date: \_\_\_\_\_  
(dd/mm/yyyy)

From \_\_\_\_\_  
(dd/mm/yyyy)

to \_\_\_\_\_  
(dd/mm/yyyy)

**TSL Idle Account**

\*Data comes out automatically

No.	Sub-Loan Number	Date	End-Borrower Name	Opening balance	Transfer from PMU	Transfer to TSL Funding Account	Transfer from TSL Funding Account	Closing balance	Days	Applicable interest per year	Interest amount
0				0				0	1	8%	0
1				0				0	1	8%	0
2				0				0	0	8%	0
3				0				0	0	8%	0
4				0				0	0	8%	0
5				0				0	0	8%	0
6				0				0	0	8%	0
7				0				0	0	8%	0
8				0				0	0	8%	0
9				0				0	0	8%	0
10				0				0	0	8%	0

**Total 0**

**TSL Funding Account**

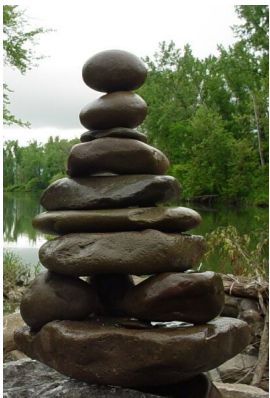
\*Data comes out automatically

No.	Sub-Loan Number	Date	End-Borrower Name	Opening balance	Transfer from TSL Idle Account	Transfer To TSL Idle Account		Closing balance	Days	Applicable interest per year	Interest amount
0				0				0	1	4%	0
1				0				0	1	4%	0
2				0				0	0	4%	0
3				0				0	0	4%	0
4				0				0	0	4%	0
5				0				0	0	4%	0
6				0				0	0	4%	0
7				0				0	0	4%	0
8				0				0	0	4%	0
9				0				0	0	4%	0
10				0				0	0	4%	0



## **Appendix 3: Presentation at PFI Seminar**

# PFI SEMINAR IN MYAMAR - ORIENTATION OF JICA PROJECT -



**Project for the Development of Finance for SMEs**

**Consultant Team**

September 2015



株式会社 日本経済研究所  
Japan Economic Research Institute Inc.

大和総研  
Daiwa Institute of Research

# Contents of this Seminar

## **1. Project Outline & Operating Guidelines**

*Understand the JICA Project better and  
make the most use of TSL Scheme.*

## **2. Difficulties in SME Lending**

## **3. Solutions**

# Schedule

◆ Morning Session (09.30 – 12.30)		
09.30 - 09.45	Orientation to this Seminar (15 min)	Oba
09.45 - 10.00	Project Outline (15 min)	Oba
10.00 - 10.45	Operating Guidelines I (45 min): Target and eligible sub-projects.	Oba
10.45 - 11.00	Coffee break (15 min)	
11.00 - 11.45	Operating Guidelines II (45 min): Terms and conditions of sub-loan, Sub-loan procedure.	Sato
11.45 - 12.30	Operating Guidelines III (45 min): Selection criteria for PFI, Requirement for PFIs' ESMS, Impact assessment of TSL, Accreditation procedure.	Yoshida

◆ **Afternoon Session (13.30 – 16.30)**

13.30 - 14.30	Discussion I (60 min): Practical challenges, SME support by bankers.	Oba
14.30 - 14.45	Coffee break (15 min)	
14.45 - 15.45	Discussion II (60 min): Solution for mid-to long-term SME lending, Industry survey in a bank.	Oba
15.45 - 16.00	Coffee break (15 min)	
16.00 - 16.30	Q&A Session / Summery (30 min)	Oba, Sato, Yoshida

WHAT IS THE JICA PROJECT FOR SME FINANCE DEVELOPMENT?

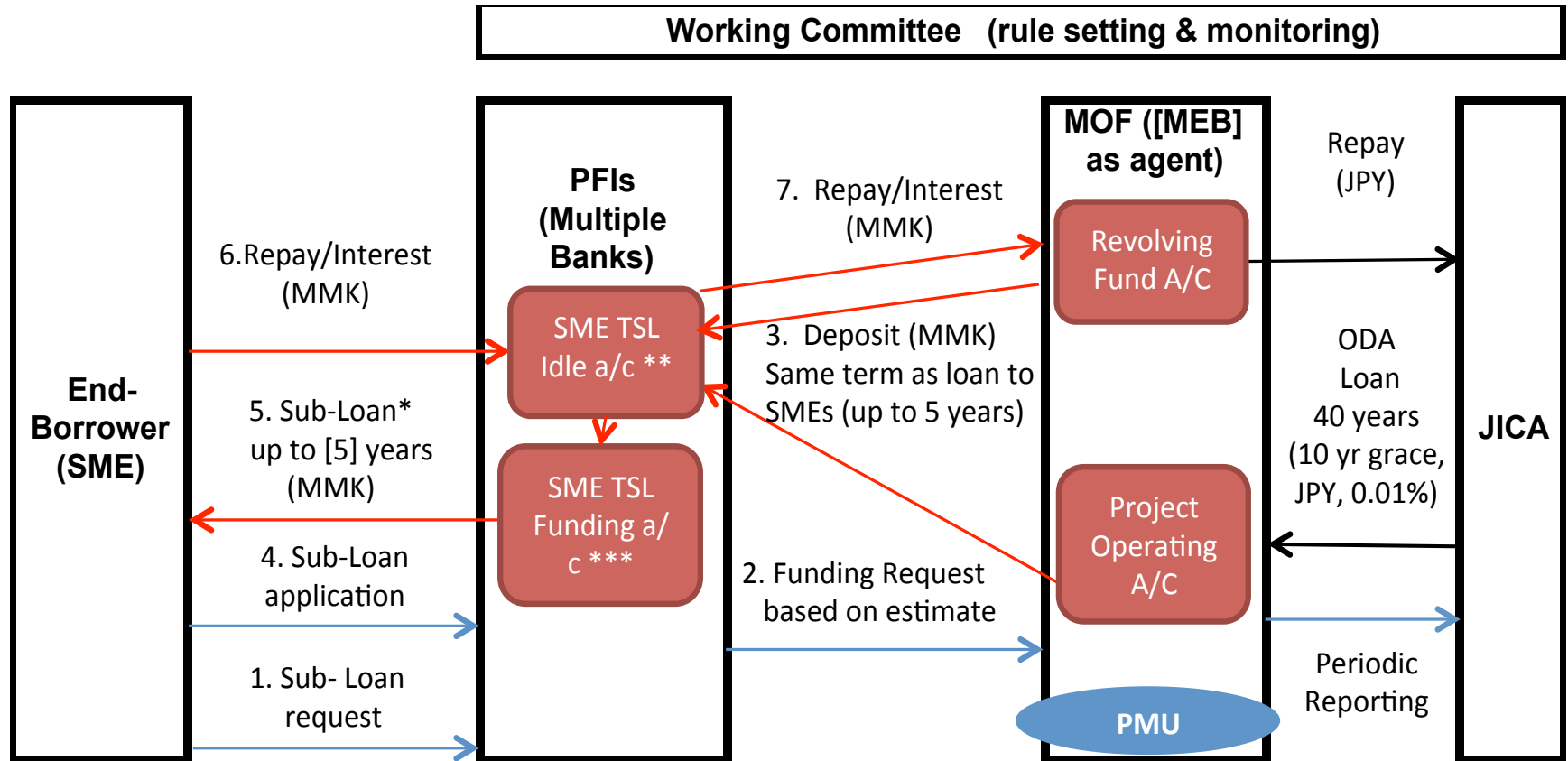
# OUTLINE OF PROJECT



# Objective

- **SME sector development** by improving the financial intermediation function for SMEs and increasing the SMEs' production and investments
- Ultimately contribute to **the development of industry and economy** as well as **job creation**

# Two-Step Loan Scheme



\* Lending interest rate is defined as [minimum deposit rate plus 0.5%]

\*\* Deposit rate while idled is the minimum deposit rate

\*\*\* Deposit rate after SME loan disbursement (TSL Funding Rate) is the TSL Lending Rate less the TSL Interest Margin, which is [90%] of the Prevailing Gross Interest Margin, a difference between the Maximum Lending Rate and the Minimum Deposit Rate.



# Features of TSL

- **Mid-to long-term financing:** 1 year to 5 years
- **Low interest rates:** Minimum deposit rate + 0.5% per annum (including other relevant charges)
- **Focus on SMEs' capital investments:** Eligible investments are fixed assets (e.g. machinery, equipment, factory buildings)

HOW TO IMPLEMENT THE LOAN SCHEME?

# **OPERATING GUIDELINES**

# Target End-borrowers

- Duly registered under **Myanmar Companies Act**
- SME defined in **SME Development Law 2015**
- **Excluded sectors:** Farmers, Real estate, Finance & insurance, Precious metal dealing, Bars & pubs, Amusement & entertainment (except for tourism), Weapons & ammunition, Any other sector harmful to the social stability.

# What is A SME in Myanmar?

- Manufacturing
- Labor intensive works
- Wholesale
- Retail
- Service
- Others



# SME is Defined by Industry Types

Definition	No.	Category	Number of Employees (regular basis)	Capital Investment (Kyats)	Turnover of previous year (Kyats)
Small Enterprise	(1)	Manufacturing business	Up to 50	Up to 500 million	
	(2)	Labour intensive or mainly works for piecework business	Up to 300	Up to 500 million	
	(3)	Wholesale business	Up to 30		Up to 100 million
	(4)	Retail business	Up to 30		Up to 50 million
	(5)	Service business	Up to 30		Up to 100 million
	(6)	Except from above business	Up to 30		Up to 50 million
Medium Enterprise	(1)	Manufacturing business	More than 50, up to 300	More than 500 million, up to 1,000 million	
	(2)	Labour intensive or mainly works for piecework business	More than 300, up to 600	More than 500 million, up to 1,000 million	
	(3)	Wholesale business	More than 30, up to 60		More than 100 million, up to 300 million
	(4)	Retail business	More than 30, up to 60		More than 50 million, up to 100 million
	(5)	Service business	More than 30, up to 100		More than 100 million, up to 200 million
	(6)	Except from above business	More than 30, up to 60		More than 50 million, up to 100 million

(Note) Capital investment doesn't include the value of land.

(Source) SME Development Law (Law No.23, 9 April 2015) Chapter 1 Article 2 (A), (B).

# Eligible Investments

- **Fixed assets:** Machinery, Equipment, Factory buildings (excluding purchase of land or land-use-right).

*\* Payment of tax and import duty are not eligible.*

- **Initial working capital associated with a fixed asset investment**

*\* The initial working capital portion cannot exceed 20% of sub-loan principal.*

- Excluded by **environmental and social considerations**

*\* Category A in “JICA Guidelines for Confirmation of Environmental and Social Considerations” [2010].*

# Terms and Conditions of Sub-Loan

<i>[Lending conditions]</i>	
Currency	Myanmar Kyats (MMK)
Size	MMK 500 million at maximum for each borrower
Interest Rate	Minimum deposit rate + 0.5% per annum
Maturity	1 - 5 years
Collateral	It is based on each PFI's own guidelines. But PFI is advised to accept a wide variety of collaterals including inventory, machinery, receivables, or other movable and immovable assets.
Repayment schedule	The principal repayment and interest payment are subject to each sub-loan agreement.

# Sub-loan Procedure

[1] **Sub-loan application:** PFI receives a TSL application form from sub-borrower in addition to the normal loan application documents.

[2] **Appraisal and Loan decision-making:** PFI is responsible for examining the social & environmental impacts associated with the sub-loan project in accordance with JICA Guidelines.

[3] **Sub-loan agreement with the end-borrower:** The agreement should include end-borrower's 5 obligations.



**[4] Request for disbursement of FTD (Fund Transfer by Deposit):** Submit a copy of sub-loan agreement and summery reports to PMU.

*\* In order to check with the PFIs' applications, PMU shall accept them twice a month. PMU's notice on its verification shall be issued within not exceeding 10 business days from the receipt of applications.*

**[5] Disbursement of sub-loan**

[6] **Loan repayment** and **Monitoring** on each sub-project/end-borrower.

[7] **Reporting to PMU**: (1) On-going Sub-project Summary (quarterly); (2) Report on Current Repayment and Overdue Status (Annual); and (3) Outline of an Annual Environment and Social Performance Report (Annual).



## Note: **Pre-financing Method**

- After confirming the eligibility of end-borrower and sub-project at PMU, PFI can request PMU to transfer the necessary amount of sub-loans to “SME TSL Idle Account” in PFI.
- When PFI disburses sub-loan to end-borrower, PFI can transfer the corresponding amount to “SME TSL Funding Account” in PFI.

# Terms and Conditions of Fund Transfer by Deposit (FTD)

<i>[Funding conditions for PFI]</i>	
Currency	Myanmar Kyats (MMK)
Size	Same as sub-loan
Interest Rate	<ul style="list-style-type: none"> <li>When the fund is not lent to end-borrowers, the fund is kept at SME TSL Idle Account with the minimum deposit interest rate.</li> <li>When the fund is lent to end-borrowers, the fund is kept at SME TSL Funding Account with the interest rate obtained from the formula below;  <math display="block">\text{SME TSL Funding Account deposit rate} = [\text{Sub-Loan interest}] - \{[\text{maximum lending rate}] - [\text{minimum deposit rate}]\} \times 90\%</math> </li> </ul>
Maturity	Corresponds to sub-loan. PFI shall return the fund to PMU on the principal repayment date following the date that end-borrower repays to PFI. PFI pays interest quarterly in the month of March, June, September, and December.
Repayment schedule	

# Selection Criteria for PFI

- ✧ **Legality:** licensed, approved & supervised by CBM
- ✧ **Operational experiences:** minimum 3 years with audited records
- ✧ **Commitment with SME lending:** expand SME loans
- ✧ **Capital adequacy:** comply with minimum CAR
- ✧ **Profitability:** profitable for 2 consecutive years

- ✧ **Low NPL:** not exceeding 10%
- ✧ **Transparency:** submission/disclosure of financial statements
- ✧ **Corporate governance:** control risks and corruption
- ✧ **Risk management:** capacity development of risk assessment

# Requirement for PFIs' ESMS

- ✧ By the start of TSL program, PFI is required to establish an internal **Environmental and social Management System (ESMS)**, which includes:
  - 1) Environmental policy; 2) Organization & staff for ESMS; 3) Annual budget for ESMS; and
  - 4) Monitoring & reporting system.
- ✧ PFI will be interviewed by PMU/Consultant Team (cf. "**Checklist for ESMS**").



# Impact Assessment of TSL

PFI's are required to collect and accumulate each end-borrower's data and PFI's data necessary for PMU/JICA's impact assessment of TSL:

(1) Sales turnover; (2) Profit; (3) Amount of capital investment. Plus, (4) PFI's total MLT loan outstanding to SMEs; (5) PFI's number of approval and disbursement of SME loans; (6) PFI's NPL ratio.

[2015 ⇔ 2 years after the Project completion date]

# Accreditation Procedure

[1] Banks submit **application documents** (Oct 2015):  
application form + attachments

[2] **PMU** reviews the submitted application documents (Nov 2015) , and **Working Committee** and **JICA** gives approval on the PFI selection (Dec 2015).

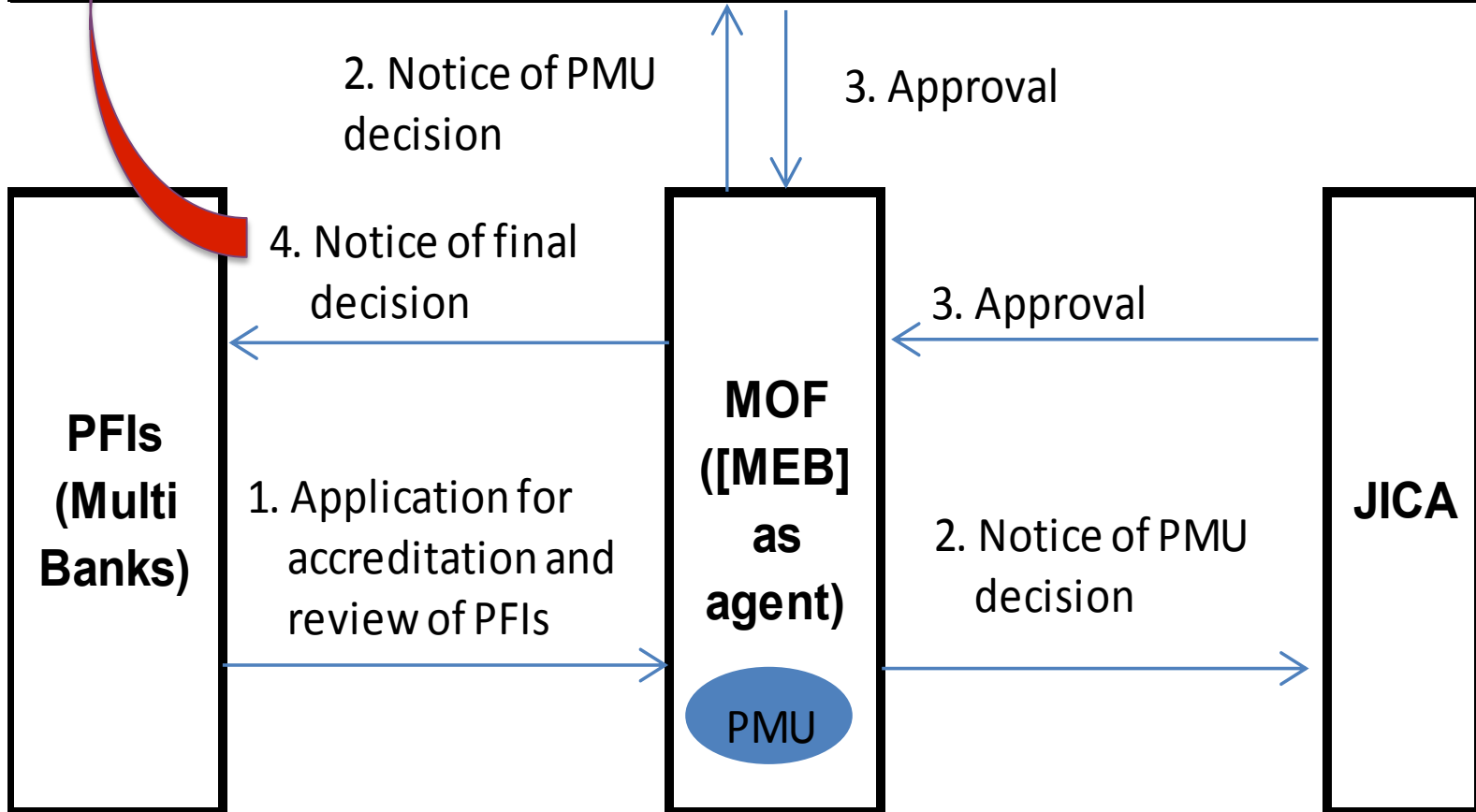
[3] **Participation Agreement** between MEB and each PFI  
(Dec 2015)

*\* New entry and/or exit of PFIs will be considered annually by PMU and approved by Working Committee and JICA.*

# Participation Agreement between MEB and each PFI



## Working Committee (rule setting & monitoring)



WHAT ARE OBSTACLES AGAINST SME LENDING IN MYANMAR?

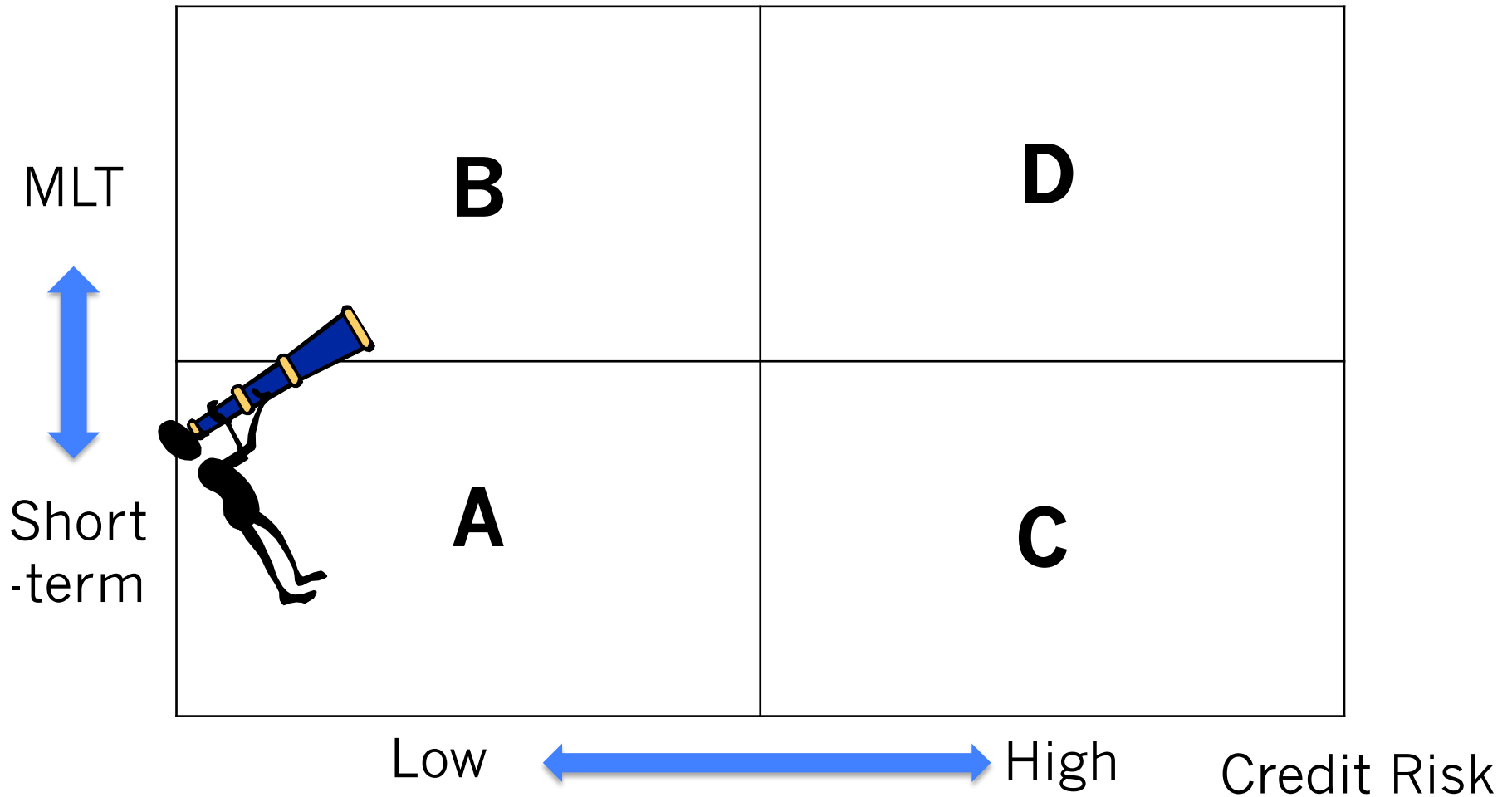
# **PRACTICAL CHALLENGES**

## **Discussion**

What are the current main targets for your bank?

**Risk:  $A < B \& C < D$**   
**Target Shift by TSL:  $A \Rightarrow B$**

Loan Maturity



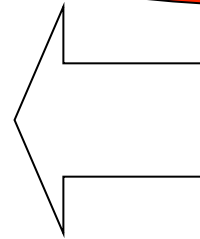
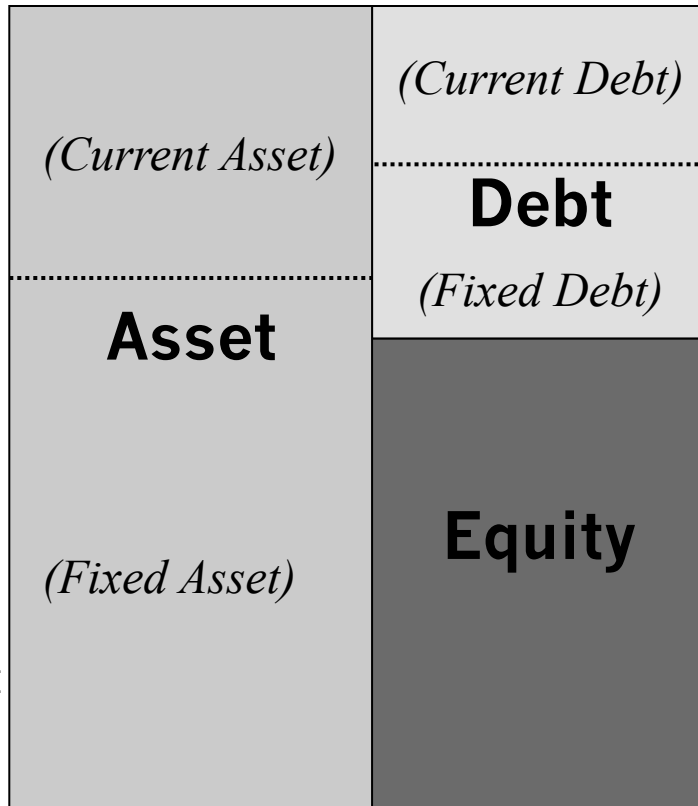
## **Discussion**

What are the difficulties in SME lending for you?

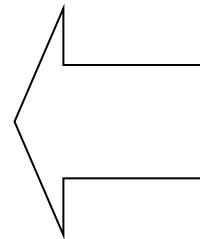
# In Theory, Why is it So Difficult?

The Issue of SME Finance =

**“Information Asymmetry”**  
between banks and SMEs

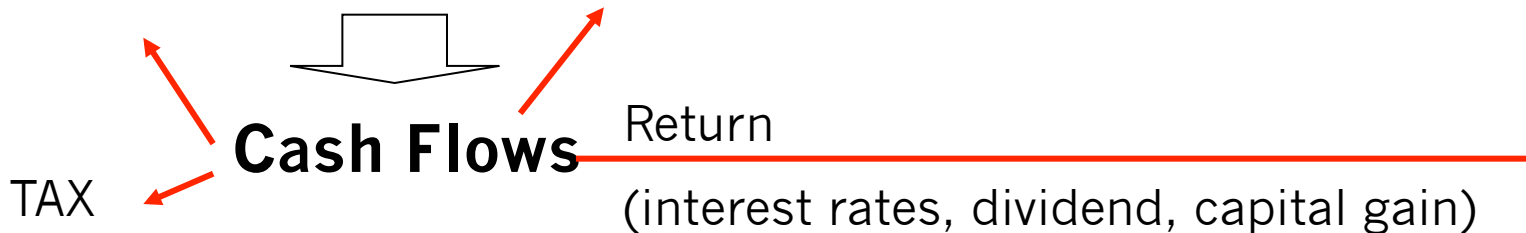


**Banks**



**Shareholders  
/ Investors**

Investment  
in Plant &  
Equipment





# How to Identify A SME?

- **The Definition under the SME Development Law**
- First of all, how to identify **the industry category** of a SME (manufacturing, labor intensive works, wholesale, retail, service, others)?
- How to verify **the criteria items** such as “Number of Employees (regular basis)”, Capital Investment”, and “Turnover of Previous Year”?

# How to Get F/S?

- **SMEs' financial statements are available?:** income statement, balance sheet, cash flow statement...
- **SMEs' internal financial management?** How do the SMEs' financial statements look like?
- You find a potential SME customer, but it has not prepared F/S. How would you deal with this situation? Any advise for the SME?

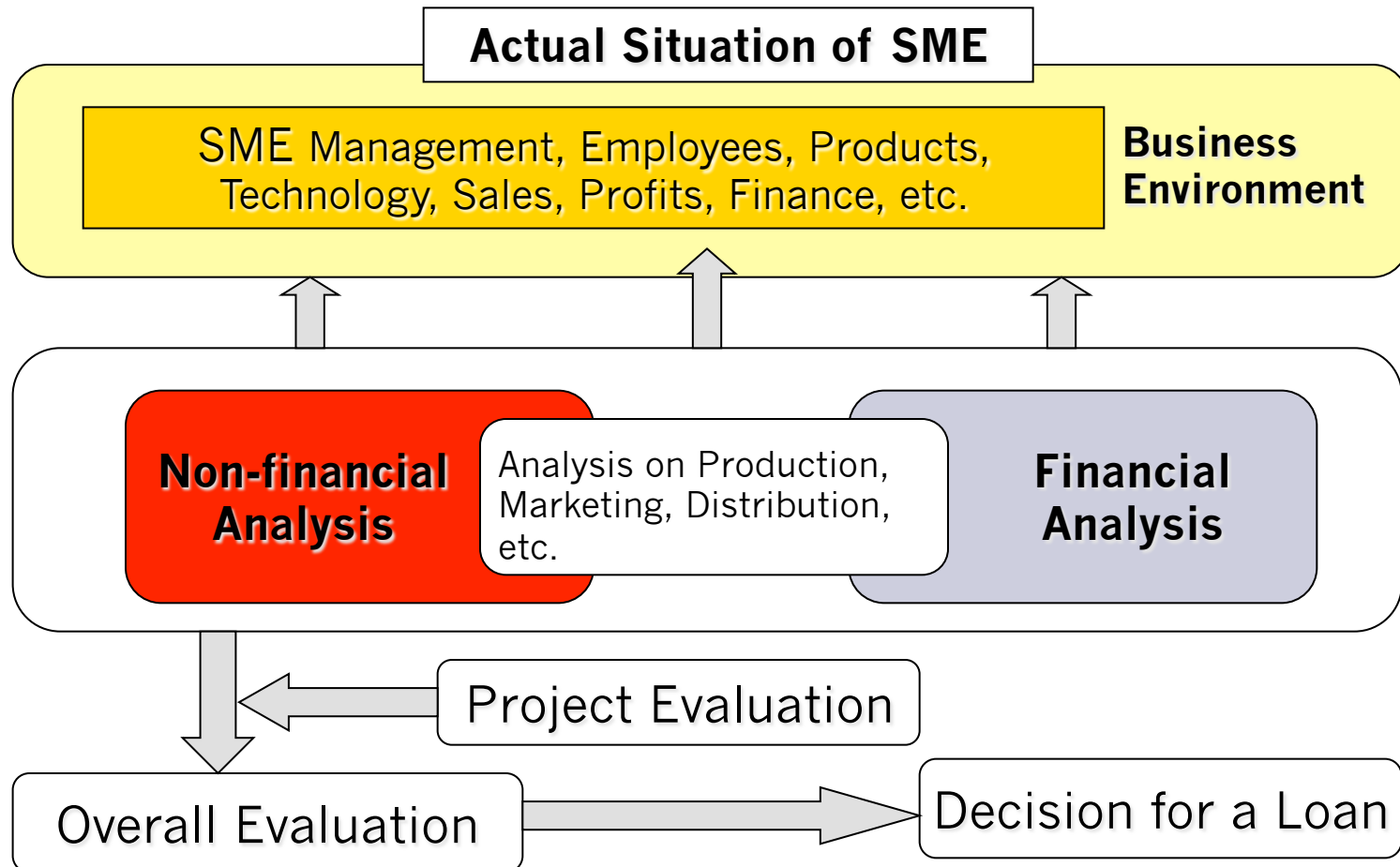


# How to Make Credit Appraisal?

- What is **the ultimate purpose of credit appraisal?**
- F/S doesn't seem to be reliable, so how would you verify the financial data?
- What are the important points to be examined for SME credit appraisal?

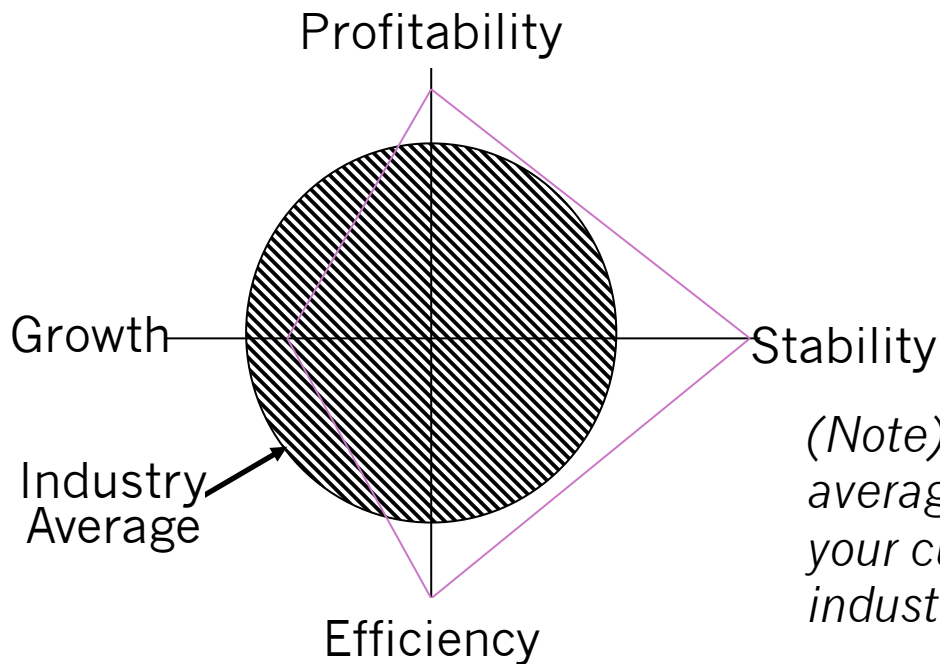


# Structure of SME Appraisal



# How to Make Financial Analysis?

- What are the key financial indicators for SME appraisal?
- The important thing is to compare with “past” and “industry average”. Find any changes and/or gaps.



*(Note) If you don't have data of industry average, you can use the financial data of your customer that belongs to the same industry.*

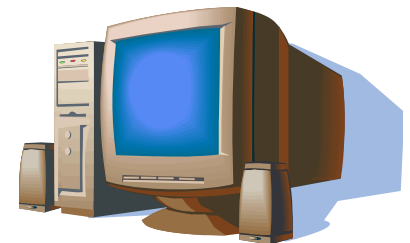
# How to Value Collateral?

(Immovable asset)

- **Land/land-use right and building**

(Movable asset)

- **Machinery**
- **Inventory**
- **Receivables**



# Might A Paradigm Shift be Needed?

**Risk Check for screening**

(Traditional Lending Practice)



**Risk Management for SME development**

# 4S for Risk Management

[1] **Skill**: Credit appraisal, Rating, Scoring

[2] **Sense**: Experience, Consulting

[3] **Slim & Speed**: Speed-up for customers' satisfaction

[4] **Scenario**: Your scenario in ever-changing business environment (e.g. diversified targets by potential industries)





# Credit Scoring & Rating

## Credit Scoring & Rating



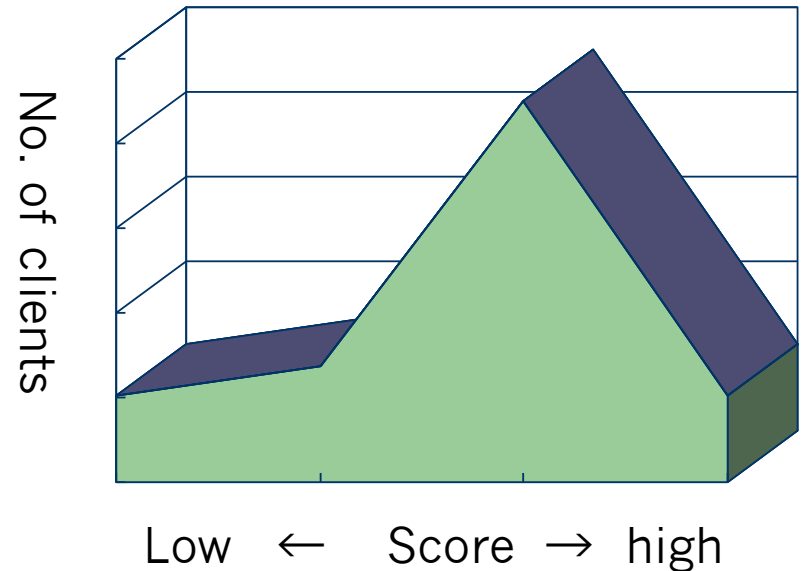
### Qualitative Analysis

(management, industry, clients, patent, etc.)

+

### Quantitative Analysis

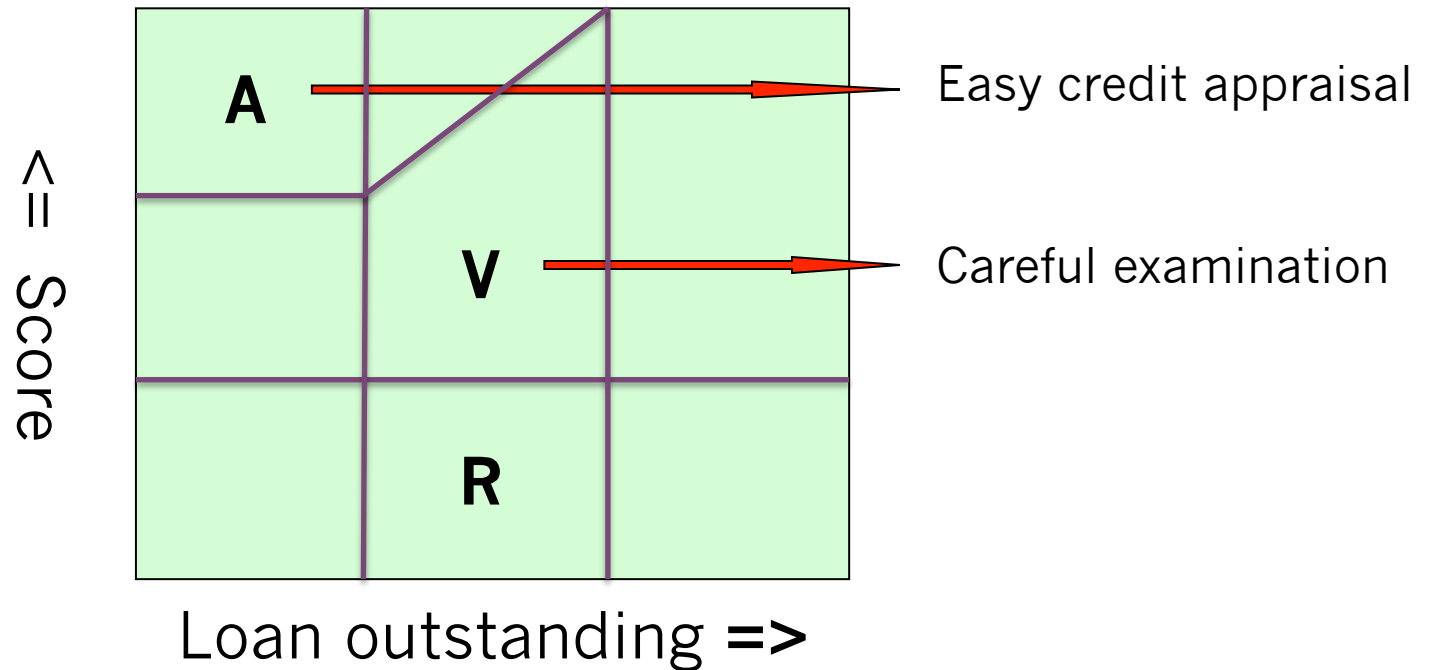
(safety, profitability, growth, cash flow, assets)



# Modeling for Loan Decision-making

## Default Risk x Collateral

**AVR: Accept, reView, Reject**



HOW TO ASSIST SME IN PREPARING F/S AND BUSIENSS PLAN?

# **SME SUPPORT BY BANKERS**

# Discussion

Why do SME bankers have to support SME management?

What is “Smart Money”?

# Supporting Needs for Small Firms

- Growth potential from small to mid-sized firm
- Basic financial management is not done. Without financial statements, bankers couldn't help.



## **Support for preparing financial statements**

\* Introduce some training programs (e.g. Book-keeping training by Myanmar-Japan Center & UMFCCI), accounting software, advisors/accountants?

# Flow of Making Financial Statement

**Transaction**



**Journal**



**Ledger**



**Unadjusted Trial Balance**



**Work Sheet**



**Financial Statements: B/S, P/L**

<b>Debit</b> ←	<b>Credit</b> →
e.g. ✓ Increase of assets ✓ Increase of expenses	✓ Increase of liabilities ✓ Increase of revenues



# Supporting Needs for Mid-Firms

- Financial needs for the firm's growth
- There is room for improvement of management



**Provide with management advise**

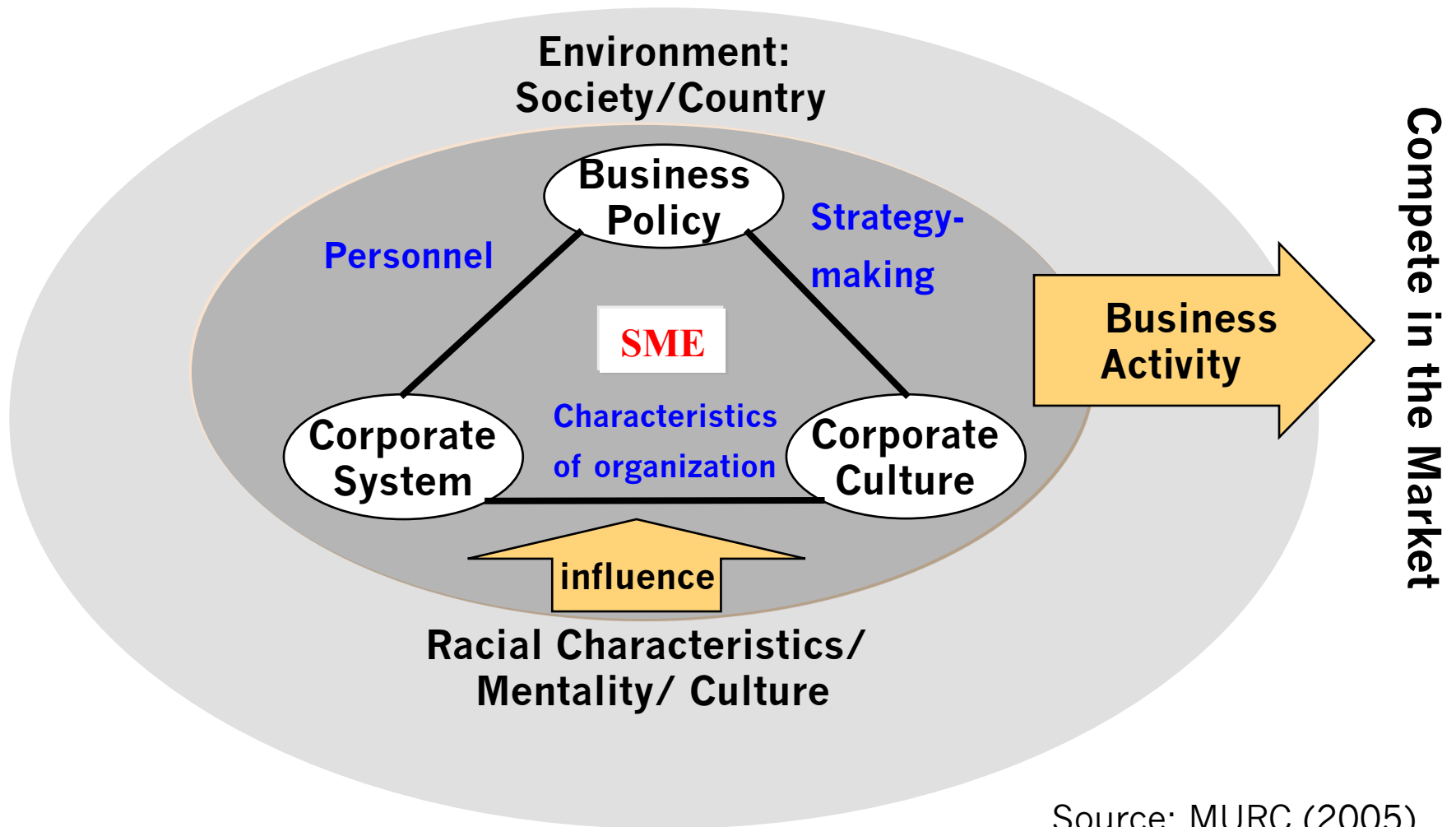
**Support for making a business plan**



# Clue for SME Bankers

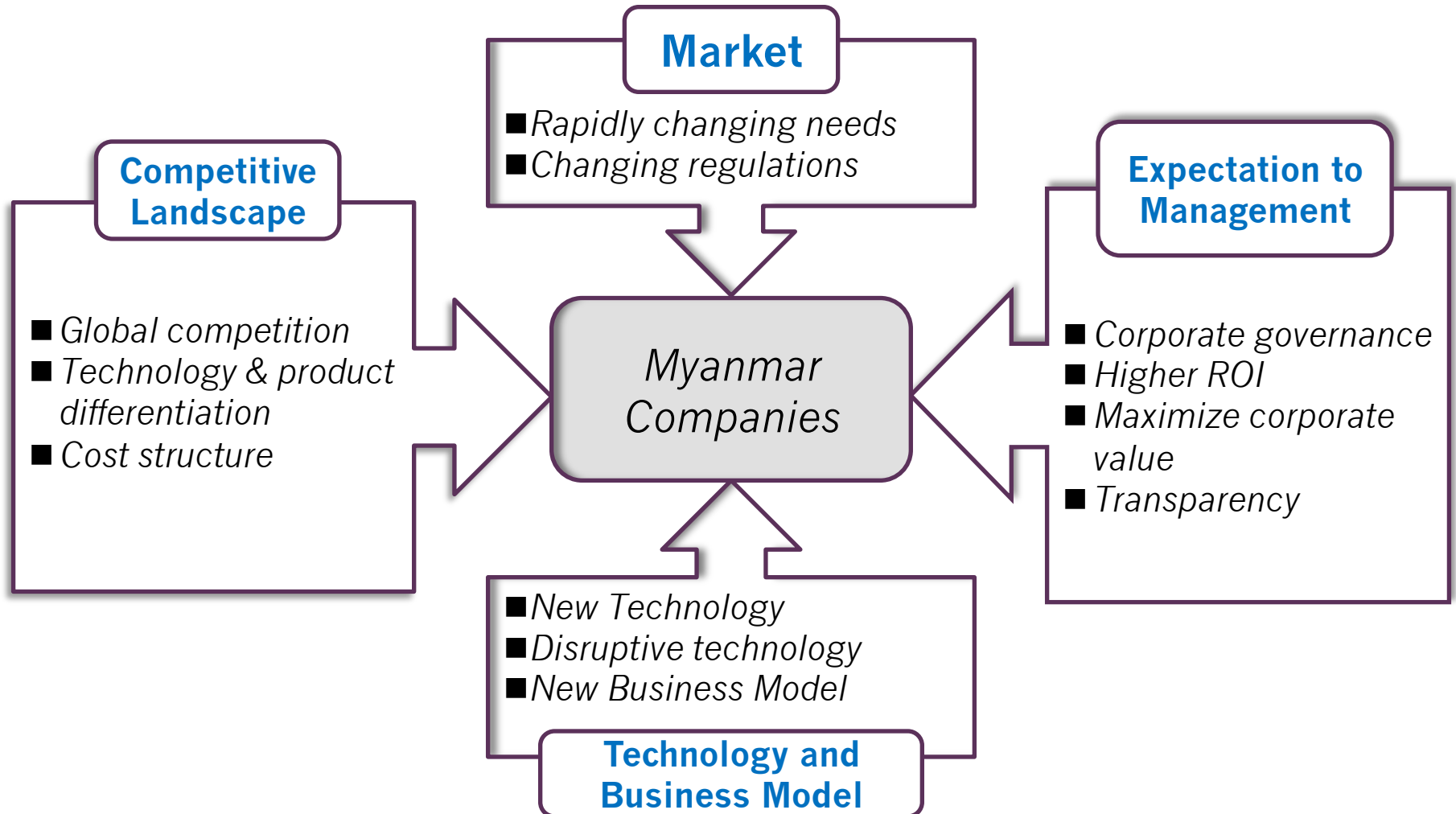
- ✧ “Business” is a reality, and “financial statement” is just a past record of business. However, bankers need to understand the real business mainly through analyzing F/S.
- ✧ One of the clues for SME bankers is “**Organizational Diagnosis**”. This might be helpful to your better understanding of SME customers.

# Organization is Influenced by Its External & Internal Factors



Source: MURC (2005)

# Environmental Impact on Myanmar Companies

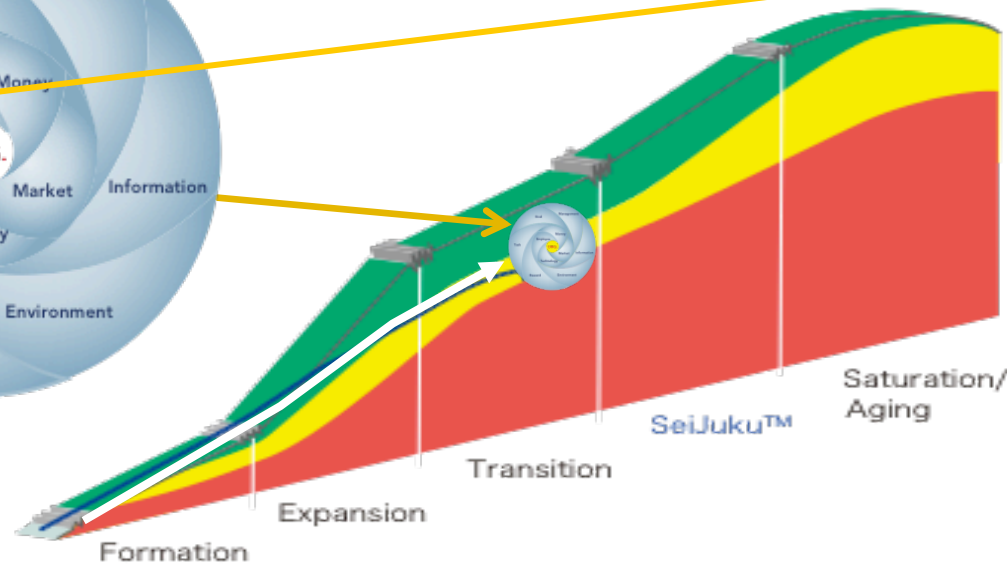
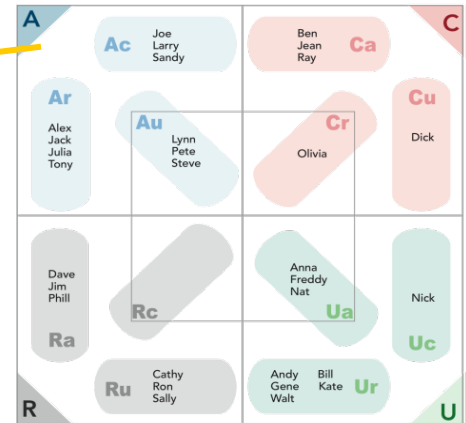


# How to Understand An Organization?

## (1) Organization Model



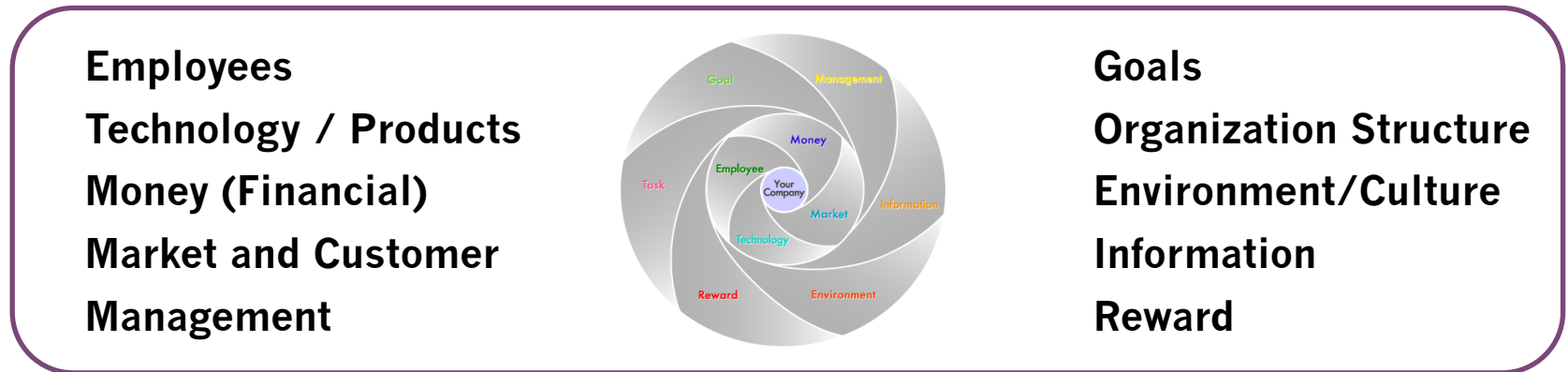
## (3) Management Style Distribution Map



## (2) Lifecycle Model

# Organization Model

- Organization as a dynamic system consists of 10 entities:



- Each entity as well as all 10 entities as a whole are very complex, and it would dynamically react to environmental changes.

# Lifecycle Model

## SeiJuku™ (“Prime stage”)

- Market driver with brand
- Best management practices
- Balance between profit centers and HQ
- Maximizing ROI and company value

## Transition (“Better create more”)

- Battle between old (us) and new (them)
- Conflict between control and flexibility
- Turning point for founder and company

## Expansion (“More is better”)

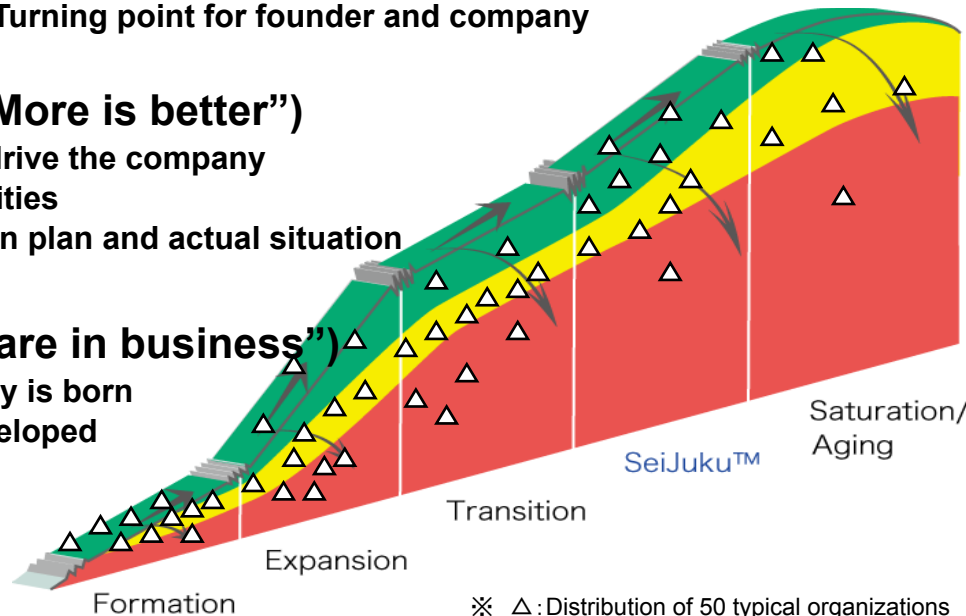
- Opportunities drive the company
- Too many priorities
- Big gap between plan and actual situation

## Formation (“We are in business”)

- Risk is taken & a baby is born
- Product is being developed
- Repeated orders

## Saturation/Aging (“Negative growth”?)

- Conservative and avoiding risks
- Live by old success and not much new products
- Less attention to market & more internal focus
- High administrative costs



※ △ : Distribution of 50 typical organizations

### Your organization

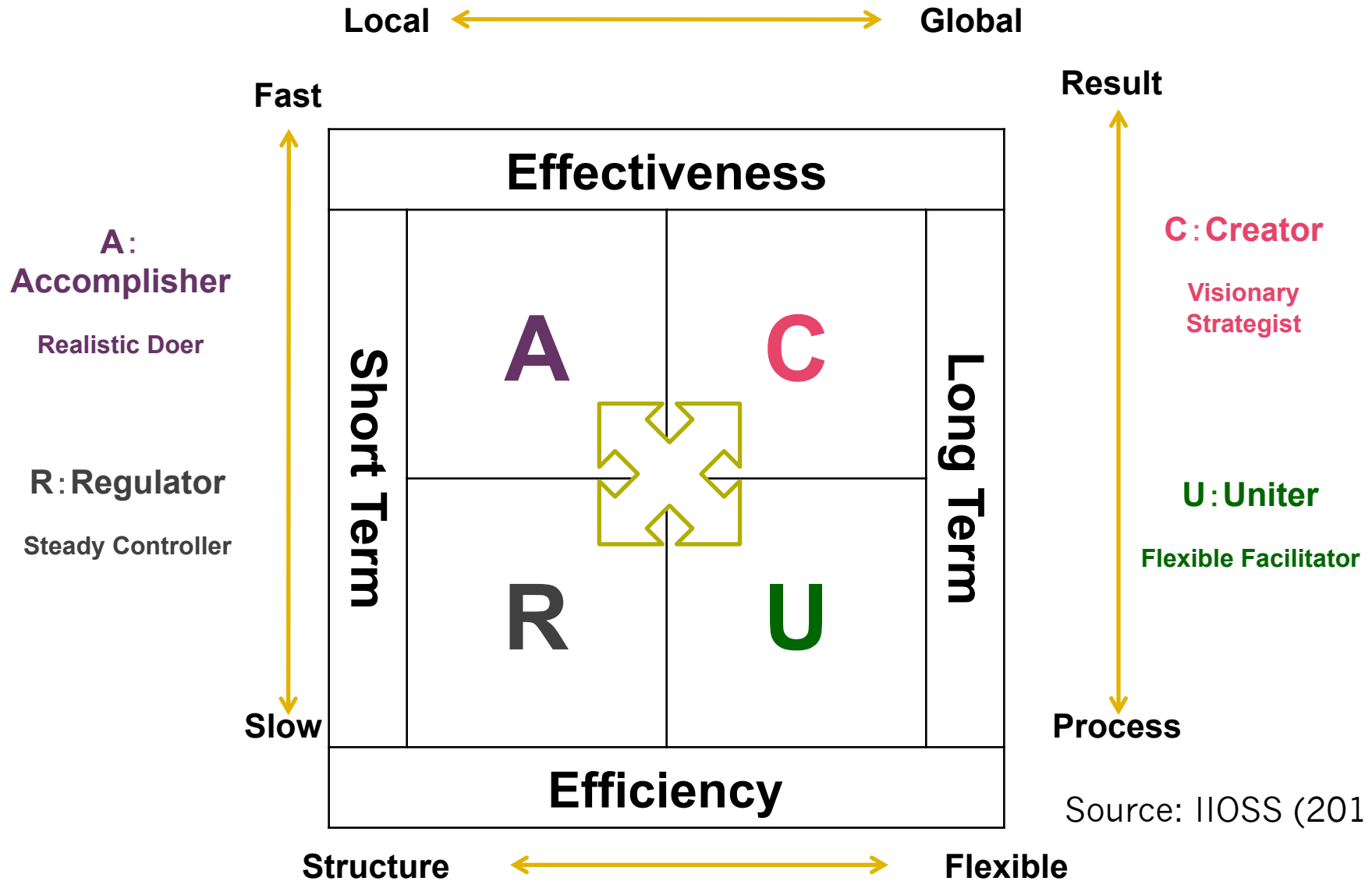
➤ Matured?

➤ Healthy?

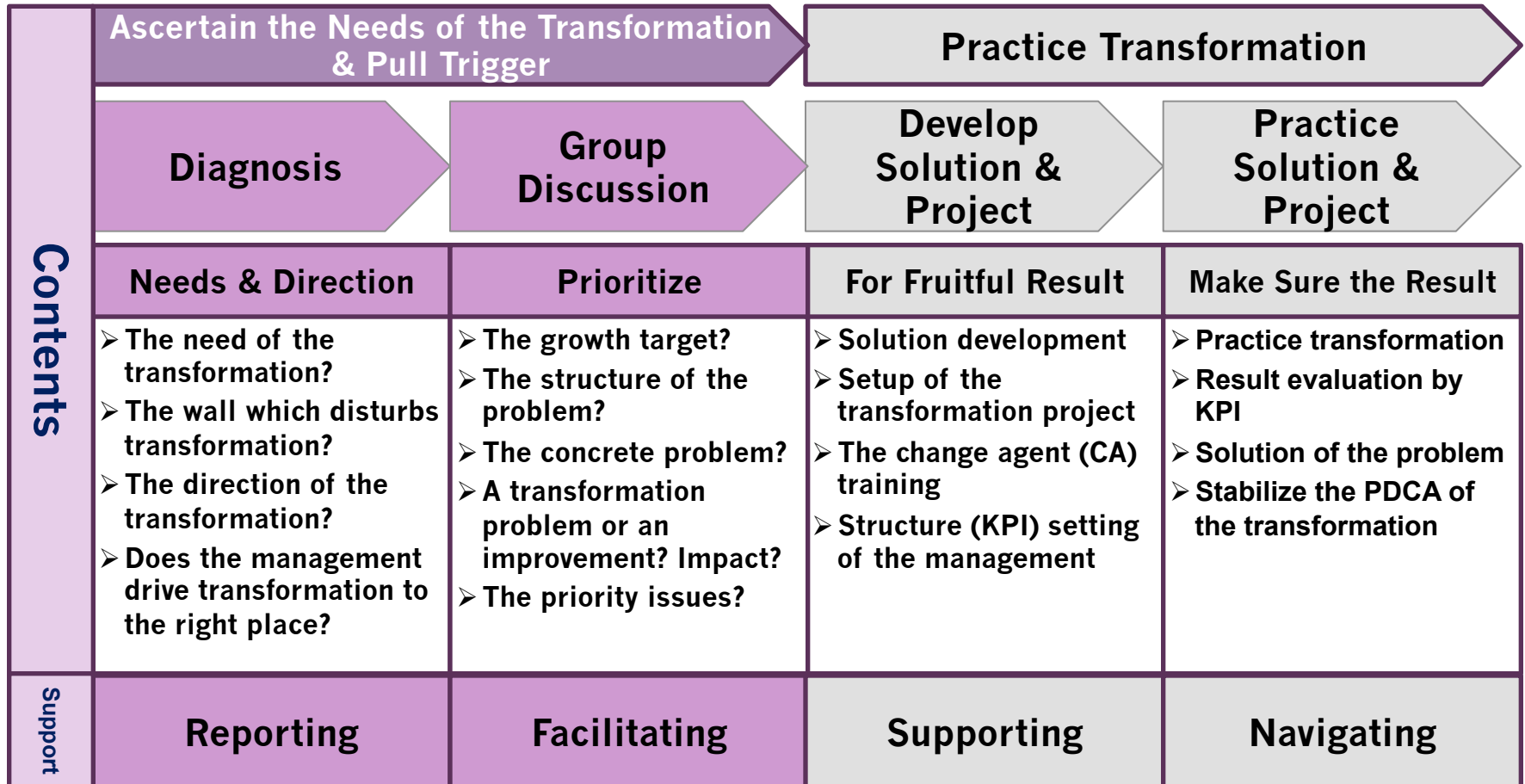
Green? Yellow? Red?

Source: IIOSS (2011)

# Management Style Distribution Map



# Coaching Method



**Bankers should navigate SME's PDCA of self-transformation & growth**



HOW TO DEAL WITH THE RISK OF MLT SME LENDING?

# **SOLUTIONS FOR MID-TO LONG-TERM SME LENDING**

# Continuous & Timely Monitoring

- In general, LMT lending to SMEs is doubly risky.
- In order to manage the hidden credit risks continuously, monitoring is significantly important.
- Monitoring Method: On-site visit, Interview, Update the customer's file by receiving necessary data from SME customers.

## Discussion

[1] After 6 months from sub-loan disbursement, what would you ask SME's Managing Director/CEO?

[2] What kind of facts would you worry about? And why?



## Important Points to be Checked

[1]

- Progress of the sub-project and its effects
- Business environment, industry trends
- Management: manager, employees, shareholders
- Business trends: sales, profits, production line, related company
- Financial position: cash flow, financial statement
- Plan for new investments

[2]

- Changes in financial factors: Decrease of monthly sales, increase of account receivable, increase of inventory, increase/decrease of fixed assets, increase of investments/loans to the related companies, decrease of profit ratio, etc.
- Changes of MD's attitude in doing business, delay of payments, a lot of retired people, embezzlement, etc.

*\* Don't miss any small changes. Ask "why?" Asking why-questions might draw critical information on SME business.*

# Continuous Support for SMEs

- In order to manage SME customers' credit risks, SME bankers are potentially expected to support SME management continuously.
- Supporting Method: Management advise based on financial analysis, Business matching, Management diagnosis, etc.
- Bank should be “SME supporting hub” by collaborating with public organizations related to SME development policies and BDS providers.

HOW TO MAKE INDUSTRY SURVEY FOR MARKETING STRATEGIES?

# **INDUSTRY SURVEY IN A BANK**



# Why is it Important in A Bank?

The importance of industry survey in a bank is described in the following context:

- As **banks' social mission**, banks are expected to support the national industry development by strategically focusing on promising sectors/industries.
- In SME banking practices, banks need to make **marketing strategies** by sectors/industries.



# Promising Industries in Myanmar

- **Report on Industry Development Vision** (July 2015)
- 5 promising industries in SME sector (**Myanmar Industrial Development Vision: MIDV**):

Constructive materials; Food processing;

Chemical products; Plastic molding; Textile; and

Other labor intensive industries.

# Desirable Bank's Internal System for Industry Survey

- Establishment of a section/function in charge of making industry survey in a bank.
- Collection & accumulation of major industries' data in collaboration with data sources such as Central Statistical Organization, business associations, etc.
- Based on the own industry analysis, each bank needs make marketing strategies and its better loan portfolio for managing credit risks as well as maximizing profits.



For any further questions, please feel free to contact

**Mr. Yoshiyuki OBA**, Senior Consultant, JERI

[oba.yoshiyuki@gmail.com](mailto:oba.yoshiyuki@gmail.com)

**Ms. Miyuki SATO**, Senior Research Analyst, JERI

[m.sato@jeri.co.jp](mailto:m.sato@jeri.co.jp)

**Mr. Jin YOSHIDA**, Ph.D., Consultant, DIR

[jin.yoshida@dir.co.jp](mailto:jin.yoshida@dir.co.jp)

## Appendix 4: FAQs for PFIs and Definitions of SME

No.	Category	Questions from PFIs	Answers	Operating Guidelines (Chap.)
1	Eligibility	Is the SME eligible as an end-borrower if the company is registered under the YCDC not The Myanmar Companies Act?	No. If the company is not registered under the Myanmar Companies Act, PFI cannot make a TSL to the company.	2.1 (1)
2	Eligibility	How do I know if the company is SME or not?	Please refer the definition of SME in "SME Development Law" approved by the parliament on 9th April 2015. <a href="http://www.smedevelopmentcenter.gov.mm/sites/default/files/SME%20Law%20Final%20-%20Translation%20to%20English-for%20website.pdf">http://www.smedevelopmentcenter.gov.mm/sites/default/files/SME%20Law%20Final%20-%20Translation%20to%20English-for%20website.pdf</a> (English)	2.1 (2)
3	Eligibility	How do I know if the end-borrower is eligible or not?	Below are the points to make a judgement: - Is the company registered under The Myanmar Companies Act? - Is the company classified as a SME according to the definition in SME Development Law? - What is the company's registered business type? What kind of business is the company doing actually? - Does the company want to get the loan for "fixed assets", not for working capital? - Will the company's sub-project affect to the environment?	2.1, 2.2, and 2.3
4	Eligibility	How should I identify end-borrower's business sector?	PFI is required to be careful about end-borrower's business sector, while checking with the excluded sector list on the Operating Guideline. PFI shouldn't judge about it just based on the company name, interview with SME people, etc. Please check the business type of the company, please check with the business registration certificate (registered officially at the government).	2.2.1
5	Eligibility	Why does TSL focus only on capital investment loan?	TSL scheme is a policy-based finance for SMEs' capital investment. The Japanese government recognizes that commercial banks can provide short-term financing for working capital, which is not a role of government. Therefore, working capital financing is not covered historically by TSL scheme.	2.2.3 (1)
6	Usage of Loans	Is it allowed to make loans for working capital by using TSL?	No, it is not allowed. In principle, TSL target is fixed asset investment. However, it is allowed to make loans for working capital supplementary together with capital investment loans. In such a case, the working capital portion cannot exceed 20% of total sub-loan principal.	2.2.3 (1)

No.	Category	Questions from PFIs	Answers	Operating Guidelines (Chap.)
7	Eligibility	A SME will construct a building for rental services to foreigners. Is this end-borrower or sub-project eligible?	If the SME is registered as "real estate" company, it is one of excluded sector under TSL. If so, the SME is not eligible for TSL.	2.2.1
8	Terms and Conditions	Is it acceptable to make 1-year maturity loan and 1 year later consider about the roll-over?	No. In a sub-loan contract between PFI and end-borrower, the loan maturity is required to be more than 1 year under TSL scheme.	3.2
9	Usage of Loans	Can I make loans to an SME by both TSL and PFI's own loan at the same time?	Yes. If the TSL's maximum loan amount of MMK500 million is not enough for the total amount of sub-project, PFI can make additional loans by using its own capital. Also, PFI can make loans for working capital requirement by using PFI's own capital together with TSL for capital investment.	2.2.3
10	Usage of Loans	Is re-financing allowed under TSL scheme?	No. It is not allowed to finance the past capital investments that were previously financed by other bank loans. This is because TSL aims to increase the production and investments of SMEs in Myanmar.	1.1
11	Usage of Loans	If the sub-project is under construction, is the portion of future repayments eligible for TSL?	Yes. But please be noted that PFI shall check the repayment by confirming the payment receipt and sub-borrower's balance sheet after all the payments to the constructor. In such PFI's post-loan investigation, the amount of payment receipt should exceed the disbursed TSL amount.	2.2.3
12	Usage of Loans	A construction SME has a project to build such buildings as schools, staff house, and hospital for the government. Is this sub-project eligible?	No. In this case, normally the constructor will not have the ownership of buildings by transferring it to the government. This is not recognized as capital investment of the end-borrowers, while the company's real financial requirement is working capital.	2.2.3
13	Usage of Loans	A retailer of agricultural machines wants to borrow the loan for purchasing agricultural machines for selling. Is this eligible investment for TSL?	No. The eligible investments are "fixed assets" (OG 2.2.3 (1)), which is defined generally as assets that will not be exchanged into cash within a year. In this case, agricultural machines are recognized as "inventories" which are "current assets". If a retailer builds a retailing shop or purchase such shop's equipment, it could be eligible for TSL.	2.2.3 (1)

**SME Law (The Small and Medium Enterprise Development Law)** 9, April 2015

**Chapter 1. Name and Definition**

Definition	No.	Category	Number of Employees (regular basis)	Capital Investment (Kyats)	Turnover of previous year (Kyats)
Small Enterprise	(1)	Manufacturing business	Up to 50	Up to 500 million	
	(2)	Labour intensive or mainly works for piecework business	Up to 300	Up to 500 million	
	(3)	Wholesale business	Up to 30		Up to 100 million
	(4)	Retail business	Up to 30		Up to 50 million
	(5)	Service business	Up to 30		Up to 100 million
	(6)	Except from above business	Up to 30		Up to 50 million
Medium Enterprise	(1)	Manufacturing business	More than 50, up to 300	More than 500 million, up to 1,000 million	
	(2)	Labour intensive or mainly works for piecework business	More than 300, up to 600	More than 500 million, up to 1,000 million	
	(3)	Wholesale business	More than 30, up to 60		More than 100 million, up to 300 million
	(4)	Retail business	More than 30, up to 60		More than 50 million, up to 100 million
	(5)	Service business	More than 30, up to 100		More than 100 million, up to 200 million
	(6)	Except from above business	More than 30, up to 60		More than 50 million, up to 100 million

(Note) Capital investment doesn't include the value of land.

(Source) SME Development Law (Law No.23, 9 April 2015) Chapter 1 Article 2 (A), (B).

## Appendix 5: SMIDB List of Candidate Sub-projects for TSL

SMIDB Customer Lists for TSL Project

(9.12.2015)

No.	Company Name	Registered under the Myanmar Companies Act	Business Type	Capital Investment Amt. (MMK in mil)	Number of Employees	Turnover of Previous Year	Company Address	Name of Representative	Male or Female of the Representative	Outline of Sub-project	Total Costs of Sub-projects (MMK in mil)	Purpose and Amount of TSL Sub-loan (MMK in mil)	Other Financing and Its Amount (SME's own capital, SMIDB, other bank, etc.)	Purpose and Amount of SMIDB's Loan Outstanding (MMK in mil)
1		Yes	Construction	1500	30				Male	Hotel	500	To build 3-Star Hotel Amt : 500	A. 500 mil from TSL	Working Capital Loan Amt : 2000
2		Yes	Manufacturing	230	60				Male	Ready Made Instant Tea Sachet Production	500	To build factory and buy machine Amt : 500	A. 500 mil from TSL	Working Capital Loan Amt : 314
3		Yes	Manufacturing	100	50				Male	Home Paint Production	500	To build factory and buy machine Amt : 500	A. 500 mil from TSL	Working Capital Loan Amt : 190
4		Yes	Trading	225	30				Male	Agro Services (Hiring Machines)	500	To construct the building for keeping machines Amt : 500	A. 500 mil from TSL	Working Capital Loan Amt : 300
5		Yes	Manufacturing	5	30				Male	Hardware (Home Mart) Production	500	To build a factory and buy machines Amt : 500	A. 500 mil from TSL	New Customer
6		Yes	CMP (Manufacturing)	50	200				Female	Garment Factory	500	To build the garment factory and buy machines Amt : 500	A. 500 mil from TSL	New Customer
7		Yes	Construction	300	30				Male	Construction	500	To build the Private Hospital Amt : 500	A. 500 mil from TSL	New Customer
8		Yes	Manufacturing	10	30				Male	Purified Drinking Water Production	500	To buy new machine Amt : 500	A. 500 mil from TSL	Working Capital Loan Amt : 405
9		Yes	Manufacturing	5	70				Male	Hardware (Homemart) Production	1000	To build a factory and buy machines Amt : 500	A. 500 mil from TSL B. 300 mil from SMIDB C. 200 mil from SME's own capital	Working Capital Loan Amt : 240
10		Yes	Services	10	25				Male	Services : Backhoes Hiring	300	To buy used car and backhoe Amt : 300	A. 300 mil from TSL	Working Capital Loan Amt : 180
11		Yes	Manufacturing	100	80				Male	Plastic Product Production	1000	To build the factory Amt : 500	A. 500 mil from TSL B. 500 mil from SME's own capital	Working Capital Loan Amt : 300
12		Yes	Manufacturing	50	50				Male	Tea Leaves Manufacturing	200	To buy machines Amt : 200	A. 200 mil from TSL	Working Capital Loan Amt : 180

(Note) As requested by SMIDB, company name, address and name of representative are not open as this stage.  
(Source) SMIDB

## Appendix 6: Summary of Candidate PFIs' Financial Information

	SMIDB			KBZ			CB			AYA			APEX			MCB		
	2014	2013	Y/Y	2014	2013	Y/Y	2014	2013	Y/Y	2014	2013	Y/Y	2014	2013	Y/Y	2014	2013	Y/Y
<b>General Information</b>																		
Establishment	1996			1994			1992			2010			2010			1992		
No of branches																		
No of employees																		
<b>B/S</b>																		
Total Assets	205,026	163,247	26%	5,779,446	4,199,376	38%	1,669,708	1,179,890	42%	1,768,347	984,056	80%	1,059,582	718,708	47%	164,203	105,297	56%
Cash	5,007	5,612	-11%	617,028	366,518	68%	427,177	208,446	105%	174,410	78,177	123%	90,917	64,671	41%	5,496	5,814	-5%
Loan	116,145	85,511	36%	3,496,853	2,513,413	39%	848,179	540,789	57%	1,031,981	529,488	95%	591,996	404,441	46%	87,116	60,848	43%
Balance w/t CBM	11,825	6,579	80%	67,344	96,036	-30%		5,919	-100%	54,206	58,158	-7%	26,816	21,148	27%	7,560	3,277	131%
Investment	46,050	50,430	-9%	604,000	650,000	-7%	183,920	199,995	-8%		147,080	-100%	166,200	98,200	69%	31,620	18,787	68%
Total Deposit	130,815	111,292	18%	5,232,153	3,710,889	41%	1,439,378	959,716	50%	1,647,181	896,293	84%	878,037	641,094	37%	103,178	76,948	34%
Total Share holder's equity	35,799	33,531	7%	241,654	183,149	32%	87,011	70,486	23%	64,901	57,257	13%	53,227	43,592	22%	44,899	21,784	106%
Paid-up capital	26,660	26,020	2%	135,525	106,525	27%	55,415	42,880	29%	64,000	50,000	28%	42,241	35,806	18%	37,112	18,270	103%
<b>P/L</b>																		
Interest income	19,817	17,109	16%	456,852	306,320	49%	89,737	77,528	16%	113,855	55,310	106%	74,100	57,507	29%	10,072	7,170	40%
Interest paid	11,331	9,161	24%	292,317	194,162	51%	72,837	56,157	30%	96,727	40,012	142%	61,042	40,410	51%	6,079	4,126	47%
Net interest income	8,485	7,948	7%	164,535	112,157	47%	15,899	21,371	-26%	17,127	15,297	12%	13,057	17,096	-24%	3,992	3,044	31%
Total income	10,077	9,330	8%	201,692	159,132	27%	56,667	52,571	8%	42,135	26,913	57%	29,374	26,954	9%	8,245	5,817	42%
Operating cost	2,269	1,986	14%	108,323	76,310	42%	46,819	34,075	37%	30,655	14,902	106%	25,040	17,364	44%	3,138	2,466	27%
Operating profit	7,808	7,343	6%	93,369	82,822	13%	9,847	18,495	-47%	11,479	12,010	-4%	4,332	9,589	-55%	5,106	3,350	52%
Net profit	5,856	5,507	6%	70,026	62,116	13%	5,907	11,080	-47%	8,607	9,077	-5%	3,249	7,192	-55%	3,770	2,512	50%
<b>Key numbers for prudence</b>																		
Risk-weighted capital adequacy ratio	22.96%	30/7/2015		10.74%	31/10/2015		13.13%	31/10/2015		10.06%	31/10/2015		14.43%	31/3/2015		31.93%	31/10/2015	
Liquidity asset /total deposit >10%	13%	11%		13%	12%		30%	22%		14%	15%		13%	13%		13%	12%	
Loan/Deposit ratio	89%	77%		67%	68%		59%	56%		63%	59%		67%	63%		84%	79%	
NPL ratio	1.66%	30/6/2015		0.15%	30/9/2015		3.22%	30/9/2015		0.90%	30/9/2015		5.38%	30/9/2015		2.50%	30/9/2015	
<b>Key numbers for profit</b>																		
ROA (operating profit base)	4.24%	4.50%		1.87%	2.47%		0.69%	1.84%		0.83%	1.64%		0.49%	1.53%		3.79%	3.18%	
Net interest income /total asset	4.61%	4.87%		3.30%	3.34%		1.12%	2.13%		1.24%	2.08%		1.47%	2.73%		2.96%	2.89%	
Interest paid /interest income	57%	54%		64%	63%		81%	72%		85%	72%		82%	70%		60%	58%	
Overhead ratio (Op cost/total income)	23%	21%		54%	48%		83%	65%		73%	55%		85%	64%		38%	42%	
Operating cost /total asset	1.23%	1.22%		2.17%	2.28%		3.29%	3.40%		2.23%	2.03%		2.82%	2.77%		2.33%	2.34%	
Loan/employee	#DIV/0!																	



## Appendix 7: Recent Trends of Banks' SME Lending Behavior in Myanmar

Bank Name	SME Lending Policies and Practices	Special Loan Programs for SMEs
SMIDB	Has performed in SME lending as the only semi-governmental bank under MOI. Has facilitated "SME loan program" since 2013 as the first bank in Myanmar. Introduced a scoring system by technical assistance of GIZ.	Sponsor: MEB Total amount: 6.9 bil Kyat (as of Mar 2015) Interest: 8.5% pa Period: 1 year
KBZ	Has aggressively targeted on SME loan service by introducing a scoring system (GIZ technical assistance) and relaxation of collateral requirements. Interest: 13.0% pa Period: up to 3 years Loan to value: 60-65% for excellent customers	Sponsor: Cathay United Bank Total amount: 80 mil USD Interest: 13.0% pa Period: 1 year (revolving up to 4yrs) This loan program will start soon.
CB	Has newly established "SME Department" to expand SME loans. Loan to value: 60-65% for excellent customers.	Sponsor: Bank of Tokyo-Mitsubishi UFJ Total amount: less than 10 mil USD Details will be decided later.
AYA	Has started SME loan service by introducing IT-oriented efficient operational systems including a scoring system.	—
APEX	Has started focusing on SME loan service. Loan to value: 30-50% for excellent customers.	—
MCB	Has started focusing on SME loan service. Loan to value: 40-50% for excellent customers	—
YOMA	Has supplied SME loan service by introducing IT-oriented efficient operational systems. Normal loan conditions are as follows: maximum amount: 1 bil Kyat, interest: 12.5% pa, offer end: 31 Oct 2015.	—

## Appendix 8: Selection of PFI Candidates

### (1) Selection Criteria of Candidate PFIs




PFI is supposed to be selected from banks which have banking license issued by CBM. To select 2nd batch PFI, MEB and the Consultant Team decided to start with 5 banks other than SMIDB. For MEB, since it is the first time to handle JICA loan, they may need to have some experiences to handle loans working with small number of banks first. And for banks, if the number of PFIs is large, the allocation of loan may be smaller for each PFI compared to their preparation and cooperation, which make them feel not profitable to participate in the TSL project.








For selecting PFI candidates, MEB and the Consultant Team adopted the following three criteria: (i) top-rated commercial banks in Myanmar, (ii) the banks which are actively conducting SME lending, and (iii) highly transparent banks which enhances corporate governance. The definition of “top-rated” is based on the GIZ finance report published in February 2016. The report is listed “10 largest banks in Myanmar” according to the bank assets. Also, it may also be important to select banks which have wide branch network in order to implement the TSL project nationwide.

The PFI selection is adopted as “short-listed method”. During the preparatory survey in 2013, the Consulting Team conducted interviews to several banks and almost all of the banks are strongly interested in participating in the TSL Project. Since the number of PFI is planning to be limited, it seems obvious that most of the applicant banks, whose bank assets are not large as the “top-rated” banks, would not become PFI even if the selection is open to the public.

### (2) Result of PFI Candidate Selection

MEB and the Consultant Team have selected top 5 eligible banks from the list as Candidate PFIs: KBZ, AYA, CB, MAB, and YOMA, based on the bank assets and branch network, and interviewed if they are interested in applying for PFI selection. As a result of interviews by the Consultant Team, 4 of 5 selected banks showed their interest of participating in the project.

No.	Logo	Bank	Assets (MMK billion)	No. of Branches	Result
1		Kanbawza Bank	4,144.97	180	Selected as a candidate PFI
2		Ayeyarwaddy Bank	1,200	76	Selected as a candidate PFI
3		Co-operative Bank	1,180.7	100	Selected as a candidate PFI

No.	Logo	Bank	Assets (MMK billion)	No. of Branches	Result
4		Myawaddy Bank	1,028.1	37	<b>Not selected:</b> included on SDN Lists and their business covers mainly for the military, not SMEs
5	 Myanma Apex Bank	Myanma Apex Bank	721.2	45	<b>Selected as a candidate PFI</b>
6	 Global Treasure Bank	Global Treasure Bank	588.9	81	<b>Not selected:</b> their business is not focused on SME lending (Former Livestock and Fisheries Development Bank)
7	 YOMA BANK	Yoma Bank	506	51	<b>Selected as a candidate PFI but declined:</b> not interested in joining the TSL project, due mainly to the low profits possibly generated from this Project
8		United Amara Bank	505	32	<b>Not approached</b>
9		Asia Green Development Bank	463.1	50	<b>Not approached</b>
10	 MOB BANK	Myanmar Oriental Bank	238.9	26	<b>Not approached</b>

(Source: GIZ, *Myanmar's Financial Sector: Challenging Environment for Banks*, February 2015)

MEB and the Consultant Team considered listed companies on a stock exchange market or OTC market are highly transparent banks and enhance corporate governance, because listed companies have to disclose financial information and management information to various shareholders. In fact, Myanmar Citizens Bank (MCB), which is the only listed bank on OTC market<sup>1</sup> in Myanmar, conducts external audit and also discloses their Financial Statements on the website<sup>2</sup> for their responsibility of disclosure and compliance. As for top three banks on the list above, KBZ, AYA, and CB bank, only AYA Bank discloses their financial information on the website. It shows that the public disclosure in Myanmar is still on the way while MCB makes their effort on the bank management tangible to the public.

There is no listed company on a stock exchange market as of January 2016. The Yangon Stock Exchange has been just established in December 2015. According to the comment by Mr. Maung

<sup>1</sup> Myanmar Stock Exchange Centre (MSEC) was the only securities business company in Myanmar until September 2015 and MSEC handled OTC market. The listed companies on OTC market are just two companies : Myanmar Citizens Bank and Forest Products Joint Venture Corporation.

<sup>2</sup> <http://mcb.com.mm/images/MCB%20Profile.pdf>

Maung Thein, Deputy Finance Minister, MCB is the only bank among 6 candidate PFIs to be listed in the near future. Therefore, MEB and the Consultant Team selected MCB as a PFI Candidate.

**Appendix 9: Analysis of Business Sectors Deemed Promising in Myanmar  
Industrial Development Vision and Promising SMEs in those Sectors**

**Analysis of business sectors deemed  
promising in Myanmar Industrial  
Development Vision**

**and**

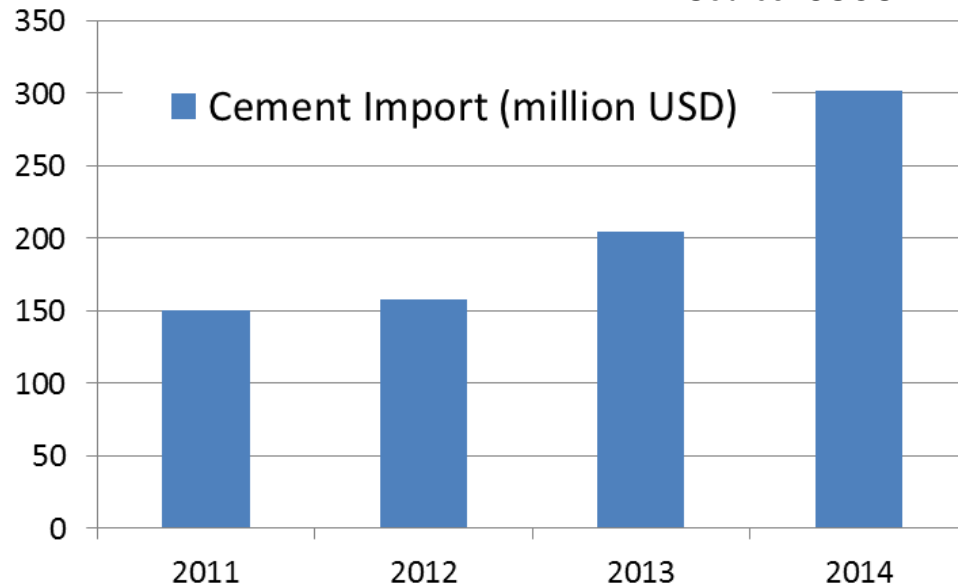
**Promising SMEs in those sectors**

# Business deemed promising in Myanmar Industrial Development Vision

## 1. Construction materials

- Demand for construction materials (e.g. concrete products) is expected to increase as more private and ODA construction projects would follow the rapid economic growth.
- Domestically-produced construction materials are under severe competition with imported products. Imported materials tends to be chosen for large-scale construction projects because of their higher reliability. One example of this result appears in the increase in cement import.
- Construction materials industry is rather capital-intensive. An extensive modernization and scale-up of manufacturing process is necessary for domestic products to replace imports. This sector would be led mainly by foreign investments and large companies having solid financial backing.

Source: CSOSTAT





# 1-1. Maga Manufacturing (BCD: Building Component Division)

**Company Profile:** Maga itself is a large company with more than 400 employees. This BCD is planning to spin out in 2016 or near future.

Business area	Construction materials
Representative(M/F)	U Kyaw Aye (M)
Contact (Add./Tel)	No.189, B (1), Seikkanthar Street, Industrial Zone(1) Hlaing Thar Yar, Yangon/ 95-9-5078868
Capital Investment Amt.	180(mil. Kyat)
Establishment	2004
Number of Employees	50
Annual Sales	732(mil. Kyat)
Main clients	Domestic construction companies

## Business Overview

- Manufacturing concrete slabs for infrastructures/ residential buildings
- Current facilities and machinery are too small and outdated to meet increasing demand.
- Needs to replace current machines with larger/moderner ones

## Capital Investment Plan

- Large cranes and lifts to efficiently move concrete products
- Large concrete mixers

## Major Strengths

Awareness of financial management, Well-defined investment plan



Concrete slab products



Concrete slab manufacturing site



Concrete mixer in current use 2



# 1-2. Aung Generation Seven

## Company Profile

Business area	Construction materials(Wire mesh production)
Representative(M/F)	Myat Zaw Soe (M)
Contact (Add./Tel)	Shed 93(Rm5), Sawbwargyi Gone Warehouses,Pearl St.,Insein,Yangon/ 095502093~4
Capital Investment Amt.	N/A
Establishment	1987
Number of Employees	116
Annual Sales	1,200(mil. Kyat)
Main clients	About 300 distributors over the country, major construction companies, government agencies

## Business Overview

- Welded and knitted wire mesh production
- Intends to enlarge production capacity to meet growing demand in domestic construction sector
- Improvement needed in quality, production capacity, and productivity for higher competitiveness

## Capital Investment Plan

- Upgrading wire-mesh production machinery to better compete against Chinese products

## Major Strengths

High profitability, Plenty of collaterals



Wire Mesh Products



Manual Welding Process



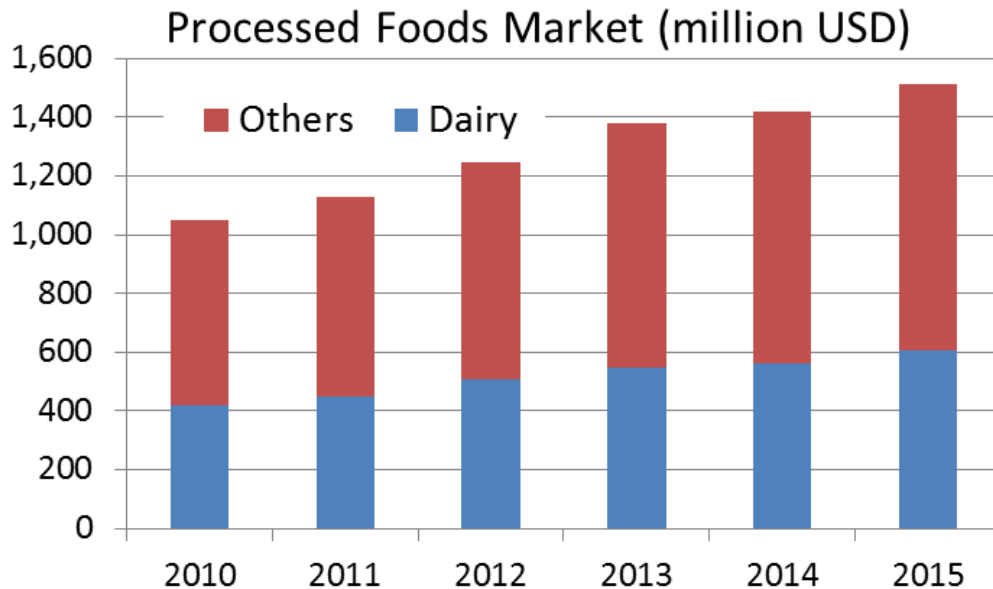
Automatic Welding Machine

# Business deemed promising in Myanmar Industrial Development Vision

## 2. Food Processing

- With increasing variety of eating habits and retail shops as a result of improved standard of living, demand for processed foods (e.g. dairy, snacks, confectionery, etc) is fast growing. This market is expected to grow continuously as Myanmar's national income grows.
- In food sector, domestic products have a competitive edge against imports since proximity to consumption market is a great advantage in terms of both quality control and transportation.
- Myanmar's unique food culture and wide variety of agricultural products present large potential to explore overseas markets. The major issues to be addressed for export promotion include: quality control, food preservation, and food sanitation to meet overseas quarantine standards.

Source: Euromonitor



# 2-1. Zwe oil

## Company Profile

Business area	Food processing (edible oil)
Representative(M/F)	U Tin Aung Kyaw (M)
Contact (Add.,Tel)	K-32, Yuzana St., Bayint Naung Warehouse, Mayangone Tsp., Yangon / 01-682571, 09-73087134
Capital Investment Amt.	N/A
Establishment	2003
Number of Employees	N/A
Annual Sales	1,400(mil. Kyat)
Main clients	Local wholesalers and retailers

## Business Overview

- Production of peanut oil and sesame oil in Pyay
- No contract farmers
- In-house production of packaging bottles
- Current production facilities were imported from Germany 13 years ago
- Intends to export overseas (e.g. Japan)

## Capital Investment Plan

- Purchase of packaging machinery
- Machinery for anti-oxidizing process

## Major Strengths

Growing sales, Awareness of financial management



Products



Oil mill Machines



Packaging Machine



## 2-2. Silvery Pearl

### Company Profile

Business area	Food processing (Dairy products)
Representative(M/F)	U TIN WIN (M)
Contact (Add./Tel)	36/5, Hnin Si Road, Lay Daunt Kan Village, Mingalason Tsp., Yangon/ 01-638-329
Capital Investment Amt.	N/A
Establishment	1999
Number of Employees	90
Annual Sales	1,400(mil. Kyat)
Main clients	Individual consumers and modern retailers (e.g. City Mart, Ocean)

### Business Overview

- Dairy farming, milk collecting center, production and sales of dairy food items
- Producing whole/pasteurized milk, yogurt, butter, etc
- Actively participating in assistance programs (e.g. by FAO, JICA, NZ) for improved quality and increased production

### Capital Investment Plan

Renewal of facilities and machinery for larger production capacity and improved hygiene in milk processing

### Major Strengths

Plenty of collaterals, Well-defined investment plan



Cow ID and AI History



Laboratory for quality check



Portable Milker



Packing Machine

## 2-3. SUMME

### Company Profile (2013)

Business area	Food processing (dried fruits)
Representative(M/F)	U Khin Maung Htay (M)
Contact (Add./Tel)	67/7, 11 <sup>th</sup> St. , Bet 86 <sup>th</sup> St. 87 <sup>th</sup> St., Aung Myae Thar Zan Tsp.,Mandalay / 09-2002607
Capital Investment Amt.	1(mil. Kyat)
Establishment	1996
Number of Employees	150
Annual Sales	800 (mil. Kyat)
Main clients	Domestic distributors, and export agents (to India, Bangladesh, Thailand)

### Business Overview

- Production of dried fruits, preserved jaggery in syrup, and mango paste
- Has secured a room for new machinery and relevant systems (electric generator, etc.) to improve productivity and quality of export products
- Having connection with Japanese trade companies to expand their sales network abroad.
- Participated in ASEAN+JAPAN Food Fair in 2012.

### Capital Investment Plan

- Dehydrators to enhance production of dried fruits

### Major Strengths

Overseas sales network, Well-defined investment plan



Natural Sun Dryer



Packaging process



End Products



## 2-4. Mr.Potato

### Company Profile

Business area	Food processing (potato chips)
Representative(M/F)	U Thaik Soe (M)
Contact (Add./Tel)	No.100, Sittaung Street, Industrial Zone 5, Hlaing Thar Yar, Yangon / 09-5104768
Capital Investment Amt.	400 (mil. Kyat)
Establishment	2000
Number of Employees	40
Annual Sales (mil. Kyat)	445 (mil. Kyat)
Main clients	Major Supermarkets (City Mart etc.) and retailers mainly in Yangon and Mandalay

### Business Overview

- Production of potato chips
- Provides snack products for general consumers at lower prices than imported ones by lowering production cost (e.g. adopting low-cost fuels in heating process)
- Recently introduced a Chinese fryer and packaging machines in response to recent sales increase
- Plans to extend its sales network to all over the nation

### Capital Investment Plan

- Introduction of automated packaging and weighing machines (or the one having both functions integrated)

### Major Strengths

Competitive products, Well-defined investment plan



End products



Frying process



Packaging process

## 2-5. Shan Maw Myae

### Company Profile :

Business area	Food processing
Representative(M/F)	U Nyan Lin (M)
Contact (Add./Tel)	No. 243, 1st floor (left), Bo Aung Kyaw Street (Middle Block), Kyauktada Tsp., Yangon / 95-1-370969, 392642
Capital Investment Amt.	100 (mil. Kyat)
Establishment	2001
Number of Employees	200
Annual Sales	100 (mil. Kyat)
Main clients	Farmers nationwide via 60 distributors. Individual consumers in urban areas (nutrient-rich food)

### Business Overview

- Production and sales of organic fertilizers/bio-pesticides
- Providing guidance about product usage to farmers
- R&D of organic fertilizers
- Increasing demand for nutrient-rich products, as urban people are getting more health-conscious
- Several projects in collaboration with Japanese firms

### Capital Investment Plan

- Renewal/addition of machinery for higher productivity of nutrient-rich products (pellet forming, filling, etc)
- Installation of new production lines of organic fertilizer

### Major Strengths

Large potential demand, International business collaborations, Well-defined investment plan



Organic fertilizer products



Nutrient-rich food products (honey, etc)



User guide of organic products



## 2-6. Myanmar Golden Produce

### Company Profile :

Business area	Food processing(Mango products)
Representative(M/F)	Daw Lai Lai Oo (F)
Contact (Add.,Tel)	14th Floor, MarlarMyaing company,, Daimond Condo,Pyi Road, Hlaing Tsp., Yangon / 95-1-372841
Capital Investment Amt.	N/A
Establishment	2012
Number of Employeas	20 (plus about 100 seasonal workers)
Annual Sales	30 (mil. Kyat)(= USD 25,000)
Main clients	Overseas wholesalers /supermarkets (China, Singapore, Dubai, Thailand, Japan, EU)

### Business Overview

- Export of fresh and processed (dried/puree) mango (fresh mango is purchased from contract farmers)
- Main export items to countries having strict quarantine rules (e.g. EU and Japan) are processed products
- Planning to export mango puree to EU for ice-cream use, and fresh mango to Japan

### Capital Investment Plan

- Building own factory for in-house puree production
- Having well-defined factory layout plans and machine selections ready to be implemented

### Major Strengths

Large potential export demand, Awareness of financial management, Well-defined investment plan



Fresh Mango for export



Packaging process



Network of contract farmers



## 2-7. KYK

### Company Profile :

Business area	Food processing (ice-cream)
Representative(M/F)	Daw Mya Mya Than (F)
Contact (Add./Tel)	18-Z/2, U Ba Han Lane, 10th Block, Chawdwingone, Mayangone Tsp., Yangon / 95-1-663530
Capital Investment Amt.	3,000 (mil. Kyat)
Establishment	1982
Number of Employees	150
Annual Sales	1,200 (mil. Kyat)
Main clients	Domestic supermarkets, retailers, hotels, etc

### Business Overview

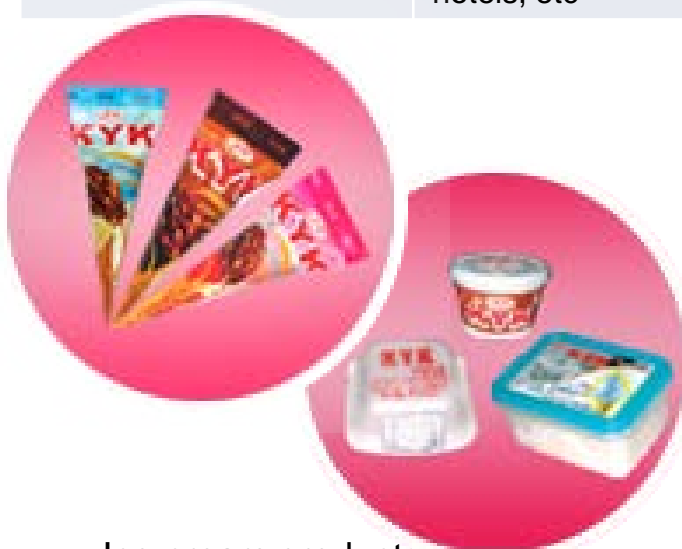
- Production of various types of ice-cream products supplied to retailers, hotels, festive events, and individuals
- 2 factories in Yangon, 1shop in Nay Pyi Taw
- Needs larger production capacity to meet rapidly growing domestic market demand

### Capital Investment Plan

- Construction of new factory to meet surging demand especially in hot season
- Renewal of domestically-made outdated machinery

### Major Strengths

Growing sales, Plenty of collaterals



Ice-cream products



Old factory since the foundation



Man-powered mixing process

## 2-8. Walco

### Company Profile :

Business area	Food processing (dairy)
Representative(M/F)	Dr. Khin Hlaing (M)
Contact (Add./Tel)	20, Mya Nandar St., Mya Thida Ward, Mingalardon Tsp., Yangon / 95-9-73205542
Capital Investment Amt.	N/A
Establishment	1995
Number of Employees	68
Annual Sales	10,000(mil. Kyat)
Main clients	Supermarkets, retailers, hotels, bakeries, ice-cream factories

### Business Overview

- Owning a dairy farm, and purchasing raw milk from contract dairy farmers to produce pasteurized milk, yogurt, butter, etc.
- By 15-35% of increase in annual sales for past 6 years
- Joined the dairy development program led by FAO since 2011 to improve QC and increase milk production
- Holding Myanmar FDA certificate

### Capital Investment Plan

- Bottling machines for higher productivity and quality

### Major Strengths

Growing sales, Awareness of financial management, Advanced quality check, Well-defined investment plan



Product line-up



Milk processing facility



Quality check lab equipped with modern instruments

## 2-9. Power Maw Shan

### Company Profile :

Business area	Food processing (tea products)
Representative(M/F)	U Nay Che Myat Htun (M)
Contact (Add./Tel)	No. G-30/B, Sein Pan Street, Baynt Naung, Mayangone Tsp., Yangon / 95-1-682395
Capital Investment Amt.	N/A
Establishment	1985
Number of Employees	60
Annual Sales	1,320(mil. Kyat)
Main clients	Supermarkets, retailers, convenience stores

### Business Overview

- Processing tea leaves harvested in its own farm and acquired from nearby farmers in Shan state, for drinking-use and salad(lahpet)-use
- A new processing/packaging factory under construction
- Planning to export: green tea to Singapore, Malaysia, and China; tea-salad to Japan
- Actively joining overseas exhibitions for export market

### Capital Investment Plan

- Automation of production process to reduce labor cost by 10% and increase productivity by 30%

### Major Strengths

Growing sales, Active exploration of export market, Well-defined investment plan



Tea Products



Yangon office



Retail shop in Yangon office 13



## 2-10. Nyunt Nyunt Tamarindo

### Company Profile:

Business area	Food processing (tamarindo products)
Representative(M/F)	Daw Tin Htay Kyi (F)
Contact (Add./Tel)	No.11, Hmandanyed, Aye Zar Yat Ward, Amarapura, Mandalay / 09-793101376
Capital Investment Amt.	N/A
Establishment	2007
Number of Employees	About 150
Annual Sales	1,500(mil. Kyat)
Main clients	Domestic retailers via distributors nationwide, (main end-consumers are school kids)

### Business Overview

- Well-known nationwide for its Tamarind snacks
- New release of damson sweets two years ago brought about increase in total sales by 30%
- Existing factory is too small to catch up with rapidly increasing demand

### Capital Investment Plan

- Factory expansion and construction of new storehouses
- Introduction of additional packaging machines for higher productivity

### Major Strengths

Growing sales, Nation-wide sales network, Plenty of collaterals



Main product for kids



Sun-drying process in factory site



Manual packaging process

## 2-11. Soe San Damson

### Company Profile :

Business area	Food processing (preserved fruits, jam)
Representative(M/F)	U Soe Soe Oo (M)
Contact (Add./Tel)	No.52, Lar Ba St., Mya Marlar Ward, Pyin Oo Lwin, Mandalay / 09-33016774
Capital Investment Amt.	N/A
Establishment	2000
Number of Employees	40
Annual Sales	600(mil. Kyat)
Main clients	Domestic wholesalers, Myanmar Mayson Industries(major bakery), export agents to Malaysia

### Business Overview

- Production of damson sweets, strawberry jams, etc
- Supplying strawberry jams to a major domestic bakery (Myanmar Mayson) for sweet rolls/buns since 2015
- Export of Damson sweets to Malaysia via export agents accounts for 1/4 of total sales
- Needing larger production capacity, as total sales has doubled since 2014

### Capital Investment Plan

- New storehouses to double the stock of fruit materials

### Major Strengths

Growing sales, High profitability, Nation-wide and international sales network



Fruit jams



Storage of preserved fruits



Drying room on the factory rooftop

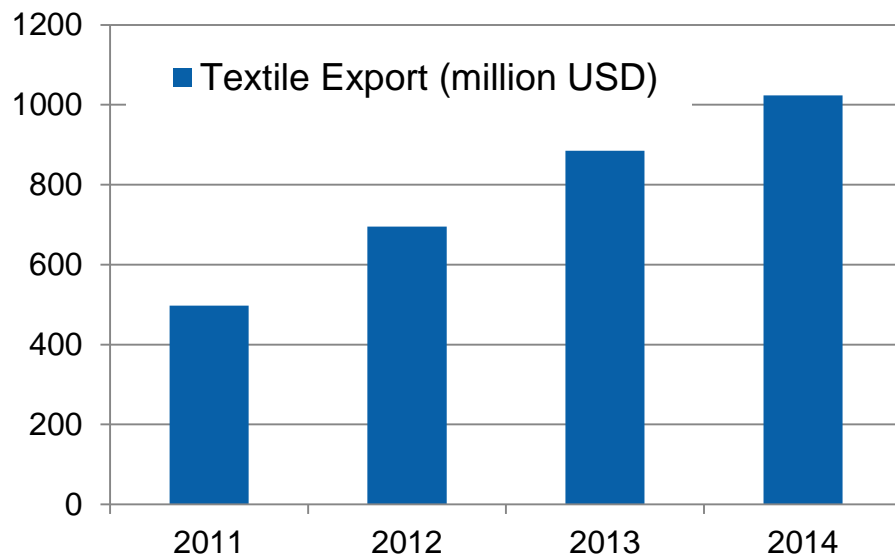


# Business deemed promising in Myanmar Industrial Development Vision

## 3. Textile

- This sector is rather labor-intensive and has a large impact on job creation. Myanmar's textile products have international competitiveness owing to Myanmar's relatively low labor cost.
- Other positive factors include relaxation of trade sanctions imposed by EU and U.S. and incoming migration of textile production base from China and Thailand.
- With technical assistance from EU, improvements are ongoing in a variety of aspects such as factory working condition, law compliance, export promotion, quality control, etc.
- A major negative issue is the recent sharp rise of labor cost.
- There is large room for growth if business scale is further expanded and productivity is further improved (e.g. by effectively combining manual and automated process).

Source: CSOSTAT



# 3-1. Rose Gold Mountain Trading

## Company Profile:

Business area	Textile design ,Manufacturing
Representative(M/F)	Mo Hom (F)
Contact (Add./Tel)	No.14, Mya Thida Lane Pyi Tharyar Avenue, Yankin Tsp., Yangon / 95-9-49313462
Capital Investment Amt.	N/A
Establishment	2012
Number of Employees	14
Annual Sales	420(mil. Kyat)
Main clients	Major domestic airlines, hotels, and banks

## Business Overview

- Designing and manufacturing major companies' uniforms (airlines, hotels, banks)
- Two boutiques of its own brands are opening in 2016
- Ms. Mo Hom, the founder/designer, is well-known in ASEAN via frequent presentations in fashion events.
- Actively engaged in social business, especially in Shan state, the home region of the founder

## Capital Investment Plan

- Plans to build a textile factory in northern Shan state in 2016-2017 as a part of social business activity
- A tea plantation and its processing factory in Shan state

## Major Strengths

Growing sales, Internationally recognized design and quality, Awareness of financial management



Ms. Mo Hom in fashion show in Tokyo, July 2015



Workshop in Yangon office



Sample pieces

## 3-2. Thiri Sandar Garment & General Trading

### Company Profile :

Business area	Textile
Representative(M/F)	Daw Htay Htay Aye (F)
Contact (Add./Tel)	Lower Mingalardon Road, Aung San Ward, Insein Tsp., Yangon / 95-1-645730, 500472
Capital Investment Amt.	N/A
Establishment	1994
Number of Employees	300
Annual Sales	1,000(mil. Kyat)
Main clients	Japanese and Korean apparel traders and domestic textile factories (CMP Business)

### Business Overview

- CMP contracts mainly with Japanese and Koreans, in addition to sub-contracts from domestic factories
- Increasing amount of orders from Japan, as it actively participates in QC training and technical assistance provided by Japanese governmental agencies
- Needs larger production capacity to meet increasing amount of new orders for U.S. market.

### Capital Investment Plan

- Installation of additional production lines in a new building to be constructed within current factory site

### Major Strengths

Growing sales, Firm customer base, Active participation in assistance programs, Well-defined investment plan



Production line



Cutting machine



Site for a newly planned factory building 18



# 3-3. Shweyi Zabe Garment

## Company Profile:

Business area	Textile
Representative(M/F)	Daw Aye Aye Han (F)
Contact (Add./Tel)	Plot No 25, Shwe Pyi Thar Bridge Road, Shwe Pyi Thar industrial Zone3, Yangon / 09-5008066
Capital Investment Amt.	900(mil. Kyat)
Establishment	1995
Number of Employees	300-350
Annual Sales	1,000(mil. Kyat)
Main clients	Major domestic CMP contractors, and overseas apparel traders

## Business Overview

- Textile CMP business, with 50% of orders are for Japan/Korea via domestic sub-contracts, while the rest for EU via Hong Kong/India agents
- Increase in annual sales by over 10% for recent years
- Installation of 5 new production lines are requested by clients, in addition to existing 7 lines

## Capital Investment Plan

- Factory expansion to accommodate 5 new lines, together with purchase of about 40 sewing machines

## Major Strengths

Growing sales, Firm customer base, Awareness of financial management, Well-defined investment plan



Existing production lines



Computerized pattern printer

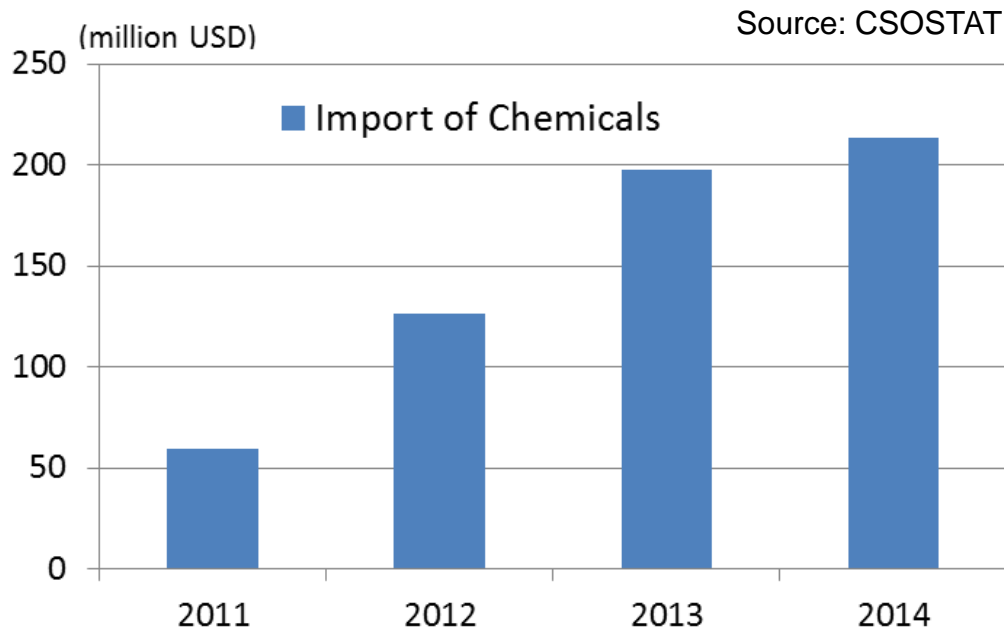


Site for planned factory expansion

# Business deemed promising in Myanmar Industrial Development Vision

## 4. Chemical products

- Increase in demand for chemical products (e.g. chemical fertilizers, paints, detergents, etc) is inevitable as people's standard of living improves and the society is modernized.
- Since domestic petrochemical industry is not well established, most of raw chemical materials need to be imported. Recent increase in chemical element import is considered to reflect the growing domestic demand for chemical products.
- This sector tends to be capital-intensive as it often requires large-scale/automated facilities to deal with complex production steps and toxic compounds. Foreign investments, large domestic companies, or joint ventures of those two with large financial capacity would be the main players in this sector.

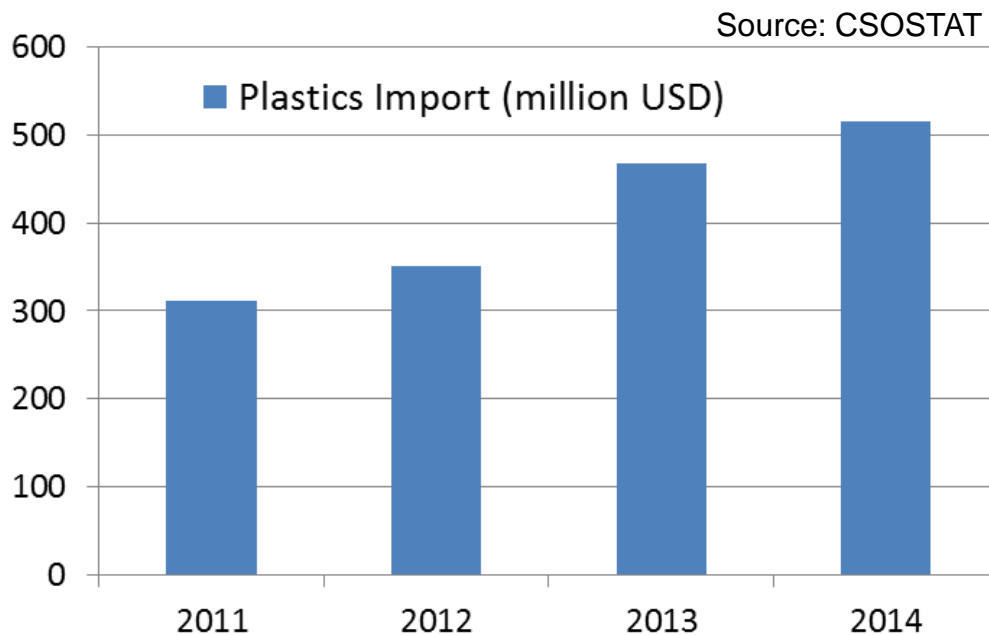


Imported raw material in a soap factory in Mandalay

# Business deemed promising in Myanmar Industrial Development Vision

## 5. Plastic molding

- Demand for higher-quality plastic molding products is increasing as better-quality parts and packages are needed in a variety of business (e.g. food processing).
- Domestic products are under fierce competition with foreign items on account of high cost of imported raw materials and obsolete processing techniques. Most domestic products are very simple and low-value-added, as represented by packaging films and household goods.
- For wider application (e.g. mechanical parts) and higher market competitiveness, domestic plastics industry needs to invest more in advanced technology and production facilities of molding and quality control.





# 5-1. Zaw Plastic

## Company Profile :

Business area	Plastic molding
Representative(M/F)	Myint Kyi Htun (M)
Contact (Add./Tel)	11/350, Yadanar Rd., South Okkalapa Tsp., Yangon / 01-579286, 572778
Capital Investment Amt.	N/A
Establishment	1985
Number of Employees	60
Annual Sales	489(mil. Kyat)
Main clients	Domestic retailers, Domestic companies (client gift items)

## Business Overview

- Producing PP-made household goods(about 100 items)
- Domestic sales network via 100 distributors in Yangon area, and 150 in other areas
- Focuses are set on items for Myanmar’s own lifestyle, to avoid harsh competition with Chinese products
- Planning to produce PET-made containers of new design and higher quality than existing domestic items

## Capital Investment Plan

- Acquisition of new factory site and construction of new factory, together with PET injection molding machines

## Major Strengths

High profitability, Well-defined investment plan



Products for household use

Sample product for industrial use

Quality check and sorting

# Business deemed promising in Myanmar Industrial Development Vision

## 6. Other business (1/2) (e.g. labor-intensive sector)

- Industries such as electric/electronic items and mechanical maintenance service are highly promising as a wide variety of related industries grow fast with more incoming investments and increasing demand for better machines/facilities.
- Labor-intensive industries such as footwear are also promising as export-oriented industries.
- Common issues to be tackled for further exploration of domestic/overseas market are mainly represented by: modernization/automation of manufacturing process, improvement in quality management.
- Local business associations rather requests assistance in technical training and human resource development as higher priority areas than in financial support/facility renewal.



Chassis factory in Yangon

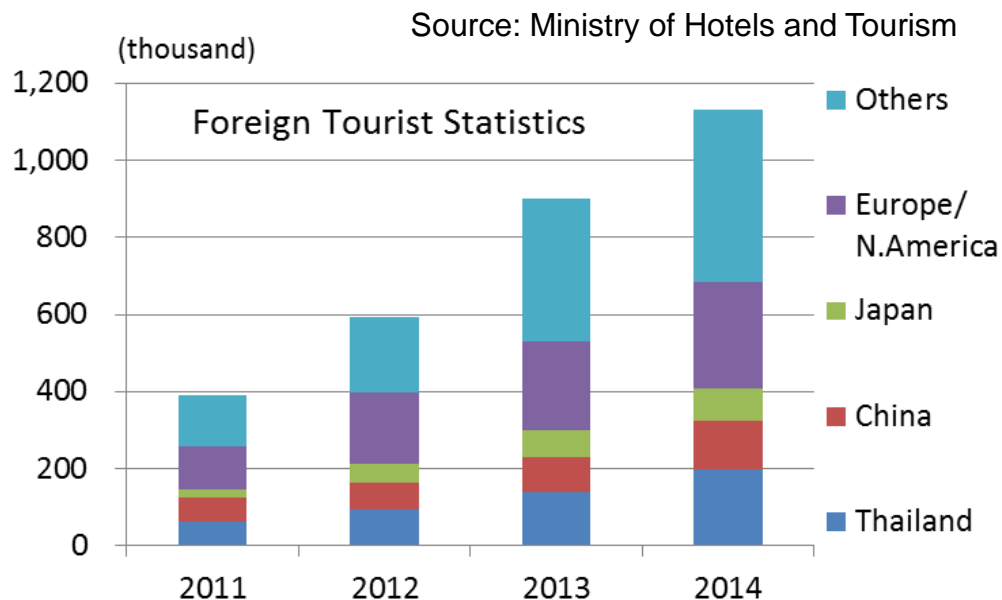


Footwear factory in Yangon

# Business deemed promising in Myanmar Industrial Development Vision

## 6. Other business (2/2) (Traditional Handicrafts)

- Cultural and artistic values of Myanmar's handicrafts (e.g. lotus silk and lacquerwares) are highly valued and appealing in world market. The handicraft sales is thus growing as number of foreign tourist increases.
- The core values lie in uniqueness of design, authenticity of raw material, and hand-made production process. Mechanized mass-production/standardization might undermine those values.
- Because of low demand for machinery/modern facilities among local workshops, financial support for capital investment is not considered an issue of prime interest in this sector.
- Issues of interest among local workshops are mainly represented by violation of intellectual property rights, lack of quality certification system, and aging workforce. Future policies and international assistance in this sector would need to focus on those issues.



Craftworker in Bagan



# 6-1. Auto Life

Company Profile		Business Overview	
Business area	Auto-repair service	<ul style="list-style-type: none"> <li>• Automobile repair and maintenance</li> <li>• Received technical assistance from Japanese auto companies in the past</li> <li>• Planning to establish an engineering school to train automobile technicians, in collaboration with a Japanese company</li> </ul>	
Representative(M/F)	U Kyaw Wai (M)		
Contact (Add./Tel)	Thudhamar St, Descent of Nawaday Bridge, North Okkalapa Tsp., Yangon / 09-5017795		
Capital Investment Amt.	100(mil. Kyat)		
Establishment	1987	<b>Capital Investment Plan</b> <ul style="list-style-type: none"> <li>• Opening a school to train automobile technicians</li> <li>• Installation of new machinery and opening new service branches to increase service capacity</li> </ul>	
Number of Employees	67		
Annual Sales	470(mil. Kyat)		
Main clients	Individual customers in Yangon area	<b>Major Strengths</b> Plenty of collaterals, Well-defined investment plan	



Lift



Alignment measuring facility



Painting facility

## 6-2. Aung Zabu Tun

### Company Profile

Business area	Power switchboard production
Representative(M/F)	U Myint Win (M)
Contact (Add./Tel)	No (C-19/20), U Wisara Rd, Industrial Zone, North Dagon Tsp., Yangon. / 09-421064291, 09-421064293
Capital Investment Amt.	4 (mil. Kyat)
Establishment	1997
Number of Employees	120
Annual Sales	1,000(mil. Kyat)
Main clients	Construction companies (for building factories and infrastructures)

### Business Overview

- Production of power switchboard (power switchboard, interior/exterior panels, control panel, etc.)
- Production of power cable trunking
- Needs to meet annual sales increase
- Needs training on machine operation if Japanese CNC lathe is installed

### Capital Investment Plan

- Japanese CNC lathe for production of panel box
- Punching machine for trunking

### Major Strengths

Growing sales, Well-defined investment plan



Switchboard Panel



Cable Trunkings and Trays



Assembling process





# 6-3. W.M

## Company Profile :

Business area	Chassis of electric machinery
Representative(M/F)	Win Myint (M)
Contact (Add./Tel)	No.(5/681), Yoma Avenue Street, Quarter 144, Dagon East Industrial Zone, South Dagon Tsp., Yangon/ 09-73228911, 5178004
Capital Investment Amt.	300 (mil. Kyat)
Establishment	1995
Number of Employees	65
Annual Sales	720 (mil. Kyat)
Main clients	Domestic manufacturers of transformer and electric machinery ( e.g. Linyama, Mectronic)

## Business Overview

- Manufacturing chassis of electric tools and panels (e.g. transformers)
- Cutting, bending, painting, etc, of Thai-made steel sheets, and occasional installation of internal electric boards/power switches
- Sales has doubled for the past 3 years, as the number of customers and orders has increased

## Capital Investment Plan

- Additional installation of steel sheet laser cutters
- Renewal of outdated facilities, machines, and tools

## Major Stregnths

Growing sales, High profitability, Plenty of collaterals, Well-defined investment plan



Chassis product



Hand-driven machine tools



Automatic Laser Cutting Machine (second-hand) 27