

# THE GUARANTEE OF GOVERNMENT NEEDS FOR PUBLIC-PRIVATE PARTNERSHIPS IN MYANMAR (BEFORE THE PPP LAW IS APPROVED)

**Moe Zar Zar**

Lincoln University College, Malaysia.

Corresponding Author's Email: moezar.sviumba@gmail.com

## ABSTRACT

Myanmar needs various infrastructure investments in several sectors including power generation & transmission for long-term development and growth. Various investors have proposed many projects with different quality and different standards. The uncertainty is whether the chosen project is a good deal or not. Because of those challenges, the project owners/the investors cannot manage the project-process properly. In any project in Myanmar, there are various risks which can affect the return on investment. Without taking the risks by Government, a low developing country, Myanmar will not be a nice place to do business and the competitive level in attracting investment will not be increased among the regional-countries too. In certain cases of PPP, the Government of Myanmar should contribute the best support through the Guarantee of Government to get more confidence in both sides. However, the systematic checks should be done among the proposed projects, before issuing the guarantees.

**Keywords:** *Public Private Partnership, PPP Law, Government Guarantee, Myanmar*

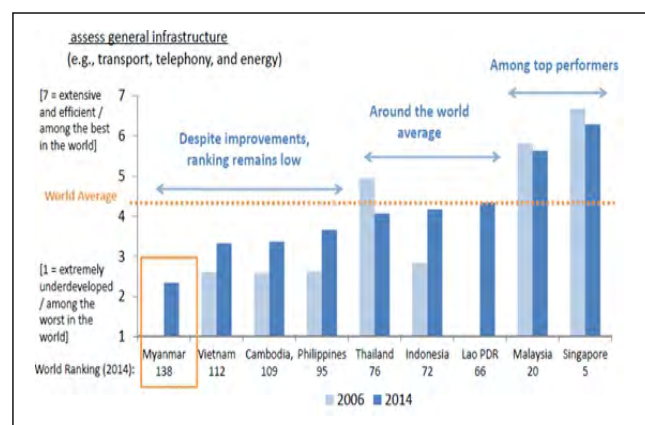
## INTRODUCTION

One of the developing countries, Myanmar, needs the large-scale investments in infrastructures such as power generation, transmission, transportation, industrial zones and special economic-zones to realize the long-term development and growth. Therefore, the various investors from several countries propose many types of projects with different qualities and standards. To understand the importance of private involvement, the Government of Myanmar will focus on specifying PPP projects based on urgency and will play the key role in structuring, procurement process, oversight of project trend, and will put the supports in this regard. (Myanmar Public-Private Partnership, 2015 ; Oza & Mandhanya, 2017). At the same time, there is a gap or a big question between the conditions to capitalize in Myanmar and the precedent of international investment who will grant the project? To attract the local and international investors and promoting the projects, government shall enter the guarantees and contractual obligations which make them vulnerable to various risks. This conceptual paper will be an explanation for the requirement of Government Guarantee at the Public-Private Partnership which is the good support for the investment and implementation partnership will be a part of study to do in the doctorate scholar research-thesis in Lincoln University College (Wibowo, 2012; Win, 2017). The subjects of the guarantee's structure and approval process, the terms & conditions of guarantee are considered with the case-studies, regional comparison of PPP frameworks and it has been trying to put those only in the main Thesis paper which we are trying (Verougstraete, 2016).

## LITERATURE REVIEW

The Government has an important stake (direct or indirect) in all PPP projects besides usual responsibilities in regulatory and legal affairs, policy and administrative matters (UNESCAP, 2007). In recent years, there has been a growing trend in low developing countries and developing countries towards incorporating the know-how of the private sector into infrastructure projects. By making a correct differentiation of roles and risks between the public and private sectors, public-private partnerships are implemented to stimulate greater benefits and efficiency in the projects. (JICA, 2014). The essence of the Government Guarantee is to increase the credit-worthiness of infrastructure projects in country and to support private sector participation (See Fig. 1) in the development of infrastructure projects (Karyadi & Marseille, 2011).

**Figure 1: The Quality of Infrastructure in Myanmar**



Source: World Economic Forum, 2016

**Objective**

It is a kind of providing public infrastructure and services by Government in partnership with private sector or a form of long term cooperative arrangement between two or more public and private industries for investing equity and raise financing (Thiemann & Volberding, 2017). PPP has two main approaches: Finance based approach and Service based approach. Public Private Partnership (PPP) or Private Finance Initiative (PFI) is a procurement method that has been successfully implemented by many countries worldwide. The goal of PPPs is to achieve collaborations in the joint innovative use of resources and in the application of management knowledge with finest accomplishment of the goals of all parties involved, by working together (Jomo & Chowdhury, 2009). OECD (2012) stressed that there is no widely recognised definition of PPPs and work with the different definitions. However, private sector investment creates more infrastructures and the updated technology used in the private sector also created the benefits to public (World Bank, 2018).

In Myanmar, the said-situation is not being certainly happened whether the chosen project is a good deal or not and cannot commit to rely because of the lack of plans, lack of framework and lack of technical capacity. Those challenges are barriers and so the project owners or the investors cannot manage the project- process correctly (MIC, 2016).

Private sector investment to create more infrastructures and the updated technology using in the private sector also created the benefits to public in Myanmar. Most of the countries in the region have Public Private Partnership (PPP) law or regulation to control the uncertainties of the projects but it still trying to set it in Myanmar. The PPP Policy Document is drafted in 2016 by UNESCAP, with the legal review of related issues for consultation to get the roadmap for Myanmar but not yet approved (Ministry of Planning and Finance Republic of the Union of Myanmar, 2016). Through the policy draft, the Government sets its vision and strategy for PPPs to deliver public infrastructure services in Myanmar with the important four questions:

- What are the objectives of the PPP programme?
- Which sectors are targeted?
- What types of PPP are envisioned?

How does the Government plan to implement its strategy?

**RESEARCH METHODOLOGY**

The descriptive analysis of secondary data combines with the elements of qualitative (See fig. 2) as

interviewing with the stakeholders for wider coverage and deeply understanding. Interview questions shall be coming out based on the following framework.

*Figure 2: Analysis of Secondary Data*



**RESULTS AND DISCUSSION**

In any kind of project in countries, there are various risks which can affect the return on investment and possibly not taken by the private sector.

- (1) Loss from change of law,
- (2) Stability of currency exchange,
- (3) Stability of region to be project-operated in,
- (4) Early-termination compensation,
- (5) Creditworthiness of state owned enterprises,
- (6) Refinancing for project,
- (7) Change of tax,
- (8) Land leasing right,
- (9) Environmental and social,
- (10) Permission and approvals etc.

The following assessment data which are collected from the Directorate of Investment and Company Administration (DICA) shows the different lacking points that Myanmar has. The table 1 exhibits the existing five lacking points in Myanmar.

*Table 1: Existing Five Lacking points in Myanmar*

1	Legal & Policy Framework	Public Debt Management Law enacted to allow the Ministry of Finance to supervise and monitor government debt. Lack of laws, regulations and policies regarding the systematic use of PPP/private sector finance for infrastructure development (ESCAP, 2007).
2	Strategic Investment Plan	New government can review and update the supported master plans for strategic decision - making [transport, electricity, Yangon urban & transport (JICA), energy ( ADB), electrification (WB), etc.] (Lau, 2017; Thant, 2018). Lack of multiple year prioritised infrastructure investment strategy with financing plans linked to medium-term fiscal framework

3	Fiscal Risk Management	Highly concessional loans available (MDBs, JICA, etc.) under debt of the sustainability framework. Lack of rules, institutions and capacity to make decisions on the mode of financing (PPP and manage in fiscal impact, risks and liabilities).
4	Promotion of PPP	A few pioneering success stories of PPP & private sector financing ( e.g., Myingyan Gas -Fired Power Plant) with the support from MDBs, DICA - JICA partnership under FDIPP. Lack of institution with capable staff that can promote use of PPP for infrastructure development.
5	Line Ministries and Organizations	Learning International practices of Infrastructure finance and implementation through concessional loan projects financed by MDBs, JICA etc. Currently, PPP Projects are typically awarded to investors through direct and non-transparent process. There is a room for improving efficiency of SEEs in charge of infrastructure

without taking the risk by the government, a low developing country, like Myanmar will not be a nice place to do business and the competitive level in attracting investment will not increase among the regional countries too.

- Sponsors dislike to take the risks for financing
- Project proposals are not moving forward / Pending
- The next comers need to do queuing so long for the blocks
- Continuing the lack in infrastructure
- Country's improvement is so slow

**CONCLUSION**

It should be recognized that PPPs can also create substantial responsibilities for governments when guarantees cost more than planned so that the proposed model will try to offer enlightenment to the effect of overall quality on future findings. However, the qualitative checking among the Myanmar public sectors, consultant-firms & private sectors also encouraged to do. Those checking are required before issuing the guarantee because they can strongly support the evaluation for the confirmed feasibility report and the financial analysis of proposed project (EPEC, 2011).

**RECOMMENDATION**

In certain cases of PPP subjected with the relevant evaluations, the Government of Myanmar should

contribute the best support for the gap through the Guarantee of Government for the PPP Projects to get more confident in both sides in various angles of operation. At the same time, table 2 exhibits the following benefits that can also be returned to the Government for providing the guarantees (PPP Projects in Myanmar (Burma), 2018).

- (1) Reducing the cost of project (i.e. lower rate of interest, longer debt moods and therefore the project value will improve automatically)
- (2) Reducing the usage of public money
- (3) Increasing the level of competitiveness of attracting investments etc.

*Table 2: The PPP Projects in Myanmar*

PROJECT NAME	SECTOR
Shweli River Cascade 1 Hydropower Station	Electricity
Yadana Gas Pipeline	Natural Gas
Yetagun Gas Pipeline	Natural Gas
Myingyan Gas-Fired Power Plant	Electricity
Ahlong Power Plant	Electricity
Nanli 1-2 Hydropower Station	Electricity
HyalRoute Fiber Optic Cable Network	ICT
Thilawa	Ports

Source: [pppknowledge.lab.org](http://pppknowledge.lab.org)

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