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SOCIAL ENTERPRISE LANDSCAPE IN MYANMAR

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Acronyms and Abbreviations

BIF	The Business Innovation Facility
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DFID	Department for International Development
EU	European Union
FIL	Foreign Investment Law
HNWI	High-net-worth Individual
INGO	International Non-governmental Organization
LIFT	The Livelihoods and Food Security Trust Fund
MFI	Microfinance institution
MMRD	Myanmar Market Research and Development
MNO	Mobile Network Operators
MoU	Memorandum of Understanding
NGO	Non-governmental Organization
PPP	Public-Private Partnership
PwC	PricewaterhouseCoopers
SE	Social Enterprise
SfSE	Skills for Social Entrepreneurs Programme
SME	Small and Medium Enterprise
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Foreword

At such a critical juncture in Myanmar’s history it is of paramount importance to start a positive conversation about the role that business can play in supporting inclusive economic and social development. The emerging Social Enterprise sector in Myanmar can play an important role in leading this discussion, bringing together voices from business, civil society and government in a constructive dialogue around how resources (skills, networks and capital) traditionally associated with the private sector can be applied to some of the challenges this country faces. Social Enterprise in Myanmar offers an opportunity to demonstrate that it is possible to make financial returns whilst at the same time having a positive impact on Society.

The Social Enterprise Mapping study makes an important contribution to understanding the potential scale of the sector in Myanmar as well as a better understanding of the intervention points where opportunities to grow the sector lie.

Myanmar has a particular flavour to its Social Enterprise sector, which is more demand-led than other markets in the region. Early developments in the Social Enterprise sector see organisations very much rooted and responsive to the needs of the communities they are there to serve. This bodes well for the development of the sector, demonstrating a deep understanding of the underserved markets that Social Enterprises are there to provide products and services for. The diversity of legal forms adopted by Social Enterprises further demonstrates a particular Myanmar approach where the social objectives and vision remain at the core whilst the legal definition is secondary.

The sector faces typical challenges to growth that are being witnessed in other markets in East Asia, the skills gap is a significant issue, along with barriers faced by Social Enterprises in growing and scaling great ideas. Accessing investment at the lower end of the scale (50,000USD -200,000USD) and the disproportionate amount of work in sourcing and due diligence that is needed to be done for lower financial returns is a further challenge in growing the sector. The need to tell more powerful stories about the great work that Social Enterprises are doing across the country is essential as is the ability to tell those stories in a way that show the social as well as financial value that is being created.



A handwritten signature in black ink, appearing to read 'Aung Tun Inet'.

Prof. Dr Aung Tun Inet
President’s Economic Advisor

Acknowledgements

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Background

This research is carried out in the context of British Council’s Skills for Social Entrepreneurs (SfSE) programme. SfSE provides social entrepreneurs with skills training and professional mentoring along with access to UK expertise, global peer networks and funding opportunities that enable them to build successful social enterprises. The programme also forms partnerships with national and international organizations, businesses and social investors that fund, mentor and support social enterprises.

In addition, SfSE organises public-engagement activities and policy dialogues which promote the social enterprise model as well as social innovation, corporate social responsibility (CSR) and sustainable economic development at local, national and international levels.

Through such initiatives, the programme showcases UK best practice and prominence in the sector, supports the development of CSR, social innovation and social enterprise in participating countries and fosters dialogue and partnerships between social entrepreneurs in the UK and participating countries. The programme was Launched in East Asia in 2009.

Quick Facts ¹ : Myanmar			
Population (millions)	54.5	Main Cities	Yangon, Mandalay, Nay Pyi Taw (Capital)
Ethnic Groups	Burman 70 percent, Shan 9 percent, Karen 7 percent, Kakhine 4 percent, Mon 3 percent, Ka chin 2.5 percent, Kayah 0.5 percent, Chin 0.3 percent, other 3.7 percent	Religions	Buddhist 89 percent, Christian 3 percent, Muslim 4 percent, other 3 percent
		Climate	
Main Sector	Agriculture		Tropical monsoon

¹PwC, Myanmar Business Guide, 2012

Introduction

Myanmar is undergoing rapid changes following the government's economic and political reforms since the general elections in 2010. Many countries in the EU and the US have eased economic sanctions against Myanmar since 2012, leading to increased trade and investment opportunities and expectations of consequent economic growth.² The Myanmar government has also reduced or abolished tariffs on a number of primary and intermediate inputs to industry, increasing competition from abroad for Myanmar businesses while also increasing opportunities for bringing new technologies and capital into the country. As a result of these institutional changes, large shifts are beginning to take place across the economy. These range from agricultural producers and manufacturers that are now faced with competition from more modern and capital intensive agricultural producers and manufacturers abroad,³ to utilities and infrastructure that are struggling to meet the demands of a modernising economy.

Another important factor in the transition process in Myanmar is civil society, which has played an increasingly significant role enabling social movements. The trend was partly driven by improved contacts between the government and the international community in the 1990's, which allowed more community-based initiatives to develop.⁴ The relief and reconstruction activity undertaken post-Cyclone Nargis in 2008 further catalysed the emergence of a modern civil society movement.⁵ Many of these civil society organisations (CSO) centred on social development activities, including significant emergency relief and rebuilding efforts for the basic infrastructure of the country and provision of basic health services. Because the military government initially resisted some of the large-scale international aid offered after the event,⁶ domestic foundations and individual donors played an important role in funding the disaster relief response.

Against this background of transition, there is a growing need for products and services that foster inclusive growth and social development. Social Entrepreneurship could be part of the solution for delivering these products and services sustainably, and ensuring that the most disadvantaged groups not only benefit from but also play an active role in the development process.

Although increasingly popular, the concept of social enterprise (SE) in Myanmar is very new and there is still a lack of consistency in terms of the definition and understanding.⁷ Thus very few entities define themselves as SEs or are formally recognised as SEs in Myanmar. This is comparable to much of the South East Asian region, where the term, although gaining awareness, is not yet in mainstream use. Understanding of the term also tends to be reflective of the lack of practical experience and research in the space. However awareness of the concept is starting to emerge and the space in Myanmar has begun to take shape as existing entities in the NGO or private sector are beginning to identify themselves as SEs. These can be described as 'informal' SEs that have yet to be accounted for in the SE literature.

This report aims to understand the broad contours of Myanmar's emerging SE space for both 'formal' and informal SEs, including the regulatory environment, financing environment as well as key challenges and opportunities. More specifically, it will examine the current state of 'informal' SEs that presently operate as NGOs, associations, cooperatives or private entities but that could play a role in growing the Myanmar SE community. At this stage delineation between different donors is required to define their potential contribution to SEs and will serve to guide the discussion in this report. 'Donors' are defined as governmental and intergovernmental development institutions such as USAID, and UNDP. Other contributors are categorized as foundations (institutional) and charitable donations (individual).

Methodology

The first step in this study was a review of primary and secondary research on the policy and financial environment in Myanmar. We corroborated our findings in interviews with various sector experts. We then selected SEs and stakeholders, including market intermediaries, from British Council and MMRD's database, and via referrals from country experts. In order to gain a comprehensive overview of the SE sector in Myanmar, we identified the relevant stakeholders as follows:

- Social enterprises
- SMEs
- NGOs
- Beneficiaries
- Relevant ministries and government bodies
- Investors
- Subject matter specialists (in SE, impact investing)
- Academics
- Intermediaries, such as lawyers and accountants

² EU trade and travel restrictions for Myanmar were lifted in April 2013 (except for trade in weapons), and the USA removed many of its sanctions on Myanmar exports in September 2012 (notably excluding trade in jade and rubies). Cf. Fuller and Geitner, 2012; Hodal, 2012; Holmes and Fernandez, 2012; Myers, 2012.

³ Mandalay Rice Millers' Association. Pers.comm. Interviewed 5th March, 2013. Mandalay Sugar Entrepreneurs Association. Pers.comm. Interviewed 6 March, 2013.

⁴ Kramer, Tom, 'Civil Society Gaining Ground- Opportunities for Change and Development in Burma', The Transnational Institute, 2011

⁵ Dr. Aung Tun Thet. Pers.comm. Interviewed 4th March 2013. Devi Thant Cin. Pers.comm. Interviewed 8th March 2013.

⁶ Mydans, Seth, 'Myanmar Rulers Still Impeding Access', The New York Times, 2008.

⁷ British Council Yangon, 'Social Enterprise in Myanmar- Challenges and Opportunities', 2012

Our research team interviewed a total of 31 SEs/informal SEs, 2 decision makers, 2 investors and 9 subject matter experts. Phone interviews were conducted before the field visits with a selected number of SEs and subject matter experts. These interviews provided initial understanding of the landscape and connections to other interviewees. More in-depth face to face interviews were conducted with Investors, policy makers and SEs/informal SEs.

Analysis

For this research, we sought to understand the current Social Enterprise (SE) landscape and identify ways to further grow the sector. This included answering the following questions:

- Who is currently having positive social impact through market driven activities?
- What are the barriers to financial sustainability?
- What are the barriers for scaling?

In order to do so, we looked at three elements of the SE space, namely the regulatory environment, financing environment and the ecosystem.

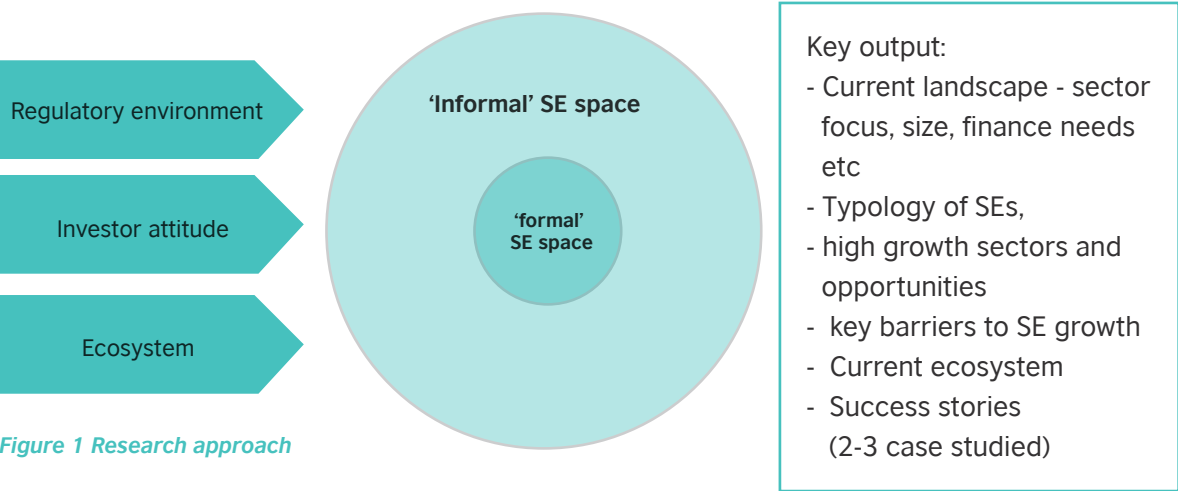


Figure 1 Research approach

In the context of this study, we make the distinction between the ‘formal’ and ‘informal’ SE space. ‘Formal’ SEs are entities that identify themselves as SEs and have understanding of the SE concept. ‘Informal’ SE comprises entities that have positive social impact and are exploring revenue generating activities as a way of financing social impact. These include NGOs with characteristics of a market-driven organisation (efficient use of resources, and market-driven, revenue generating activities), and SMEs with positive social impact.



Figure 2 Map of Myanmar

Country Overview

The largest country in mainland South East Asia, Myanmar is divided into fourteen ‘states’ and ‘divisions’. The main ethnic group, the Bahmar, inhabits the ‘divisions’ whereas ‘states’ are home mostly to ethnic minorities. The administrative divisions are further subdivided into districts, townships, wards, and villages.

A large proportion of the organisations interviewed as part of this research operate in The Dry Zone and the Delta region, which were severely affected by the 2008 Cyclone Nargis (See map). These include a number of CSOs providing Nargis recovery work and capacity building programmes in both the Delta area and the Dry Zone. Some charitable organisations such as foundations also operate in areas where the founder has personal interests, for example building schools and hospitals in the founder’s native village.

Defining Social Enterprise

Social Enterprise UK the UK’s national body for the Social Enterprise sector defines Social Enterprise as “a business that trades for a social and/or environmental purpose. It will have a clear sense of its ‘social mission’: which means it will know what difference it is trying to make, who it aims to help, and how it plans to do it. It will bring in most or all of its income through selling goods or services. And it will also have clear rules about what it does with its profits, reinvesting these to further the ‘social mission’.” There are a variety of approaches to definition around Social Enterprise, in an emerging market such as Myanmar with a nascent Social Enterprise sector, definitions are less important, especially as the sector attempts to grow and develop its own ‘Myanmar’ character, therefore for the purposes of this report we have look more broadly, also researching market-driven not-for-profit organisations as well as mission-driven for-profit entities. Specifically, the legal form of an organisation is not a primary criterion; the important factors are an operating model that allows the entity to sustain itself financially while delivering products and services that foster inclusive growth, empower disadvantaged groups and protect the natural environment.

As part of this study, we have also researched charitable organisations that provide services at scale and utilise donor funds in efficient and effective ways; these types of organisations may not ever become financially sustainable on their own and it may not be in their interests to do so, but they do provide excellent examples of how to utilise resources human and capital in an extremely efficient and effective fashion, sometimes through market based approaches.

Social Enterprises in the Region

SEs in Asia operate in the same space as development organisations and have grown to be as diverse in set up and approach as the region within which they operate. Asia is also the birthplace of several of the most successful and largest SEs such as Grameen Bank, BRAC and PDA. Microfinance institutions (MFIs) are generally the most mature in terms of size and public recognition, although many other market-based approaches to social challenges exist. SEs in Asia have received varying levels of public and government support. In general, the concept of SE is gaining momentum in most countries in the region among entrepreneurs, CSOs and decision makers. For example, the Thai government is currently working towards an SE law that would provide formal legal status for SEs. There are also initiatives by international organisations that help bridge some of the financing and capacity gaps facing Asian entrepreneurs.

The Emerging Social Enterprise space in Myanmar

There is a wide spectrum of development⁸ organisations in Myanmar with different legal forms, different degrees of market orientation and financial viability, and different social missions. Although not currently recognised as ‘formal’ SEs, there are number of ‘informal’ SEs, including socially focused organisations that could potentially become financially sustainable. These include NGOs and Associations that have explored revenue generation activities that supplement donations. This is also relevant for cooperatives, which have an operational model comparable to that of private entities, while being more inclined to be addressing social issues. The term SE could also be applied to SMEs that emphasise the social mission as a part of their business model.

Several large corporations and business people in Myanmar have set up foundations and become increasingly engaged in charitable work – often citing Nargis as a catalyst for their activities. Although most foundations are neither financially sustainable nor seeking to become more financially self-sufficient, they typically have a sustained source of corporate funding, and could play an important role in the development of the SE sector. This is the case for Indonesia, where some SEs operate in the form of foundations as a result of supportive regulatory environment and started to spin-off market-driven, revenue-generating enterprises, as an alternative to seeking grant funding.⁹

A summary of the different legal forms adopted by SEs and informalSEs is presented below.

Table 1 Summary of legal forms adopted by Myanmar SEs and quasi-SEs

Legal Form	Notes
NGOs	International NGOs (INGOs) The number of INGOs has grown rapidly in recent years, however there are still relatively fewer INGOs in Myanmar compared to countries such as Cambodia, Philippines or Thailand. Domestic NGOs Typically small grassroots organisations run by volunteers. Mostly operating in rural areas and funded by INGOs or local donors.¹⁰ NGOs are often used as subcontractors for projects designed by donors and charge overheads to manage and implement projects. The registration for domestic and international NGOs is under the Ministry of home affairs. Registration is notoriously long and frustrating, pushing many domestic organisations to register as associations or private companies. Many domestic organizations also tend to operate without registering.

⁸ Social Development in a broad sense i.e. including environmental protection, agriculture, food security etc.
⁹ Shujog and ADB, ‘Social Enterprise in the Education Sector: An overview of growth factors in Indonesia, Cambodia and Philippines’, 2012
¹⁰ Kramer, Tom, ‘Civil Society Gaining Ground- Opportunities for Change and Development in Burma’, The Transnational Institute, 2011.

Associations	Strictly focus on social and religious issues. Because it is difficult to register as NGOs, most local NGOs are registered as 'association' through the 1988 Organisation of Association Law. ¹¹ This status limits the entity's rights to issue invoices for services.
Private Companies	It is much easier to register as a private company than an NGO in Myanmar. However, the idea of profit making in development is not well accepted, leading many would-be NGOs to register as associations or remain informal. ¹²
Cooperatives	Owned and controlled by their members. Could potentially be a 'quick-win' for the SE space, cooperatives benefit from government backing and enjoy a simpler and quicker registration process. However they suffer from a bad reputation as failed "socialist enterprises". Due to their established institutional framework and legitimacy, cooperatives could be a vehicle to grow the SE sector in the short to medium term.
Foundations	Not financially sustainable per se, but many foundations are financially supported by their parent private company as their CSR arm. Foundations provide significant funding for charitable work in the Myanmar. Operations are typically funded by donations from a single source, sometimes supplemented with very small private donations or revenues. The relationship between businesses and foundations is sometimes formalised, with the business donating a percentage of their profits every year, and in other cases not formalised. Like charities and voluntary organisations, foundations have been predominantly engaged in disaster relief and the provision of basic services.

The NGO sector is expanding as a result of the growing presence of international donors as the country opens up to development support. Despite the historical reluctance towards NGOs, fuelled by the government's perception of NGOs as vehicles for opposition movements, CSOs and local NGOs are becoming more active players in addressing community issues. As a result, NGOs are becoming increasingly influential as a source for technical and policy advice.¹³ A new law governing NGOs is currently at the drafting stage, which is expected to provide clarity on their role in the country and simplify the bureaucratic process of registration. There are also a large number of cooperatives in Myanmar, with a long history of support by the government. Because of their legal status, it is relatively easier for cooperatives to introduce revenue generation activities and they are more likely to be self-sufficient financially. Although cooperatives have lost some popularity in Myanmar, they are considered to have great potential to contribute to the SE space.

On the funding side, the social sector is characterised by a large and growing pool of domestic and foreign donors, a trend underlined by the perception that social activities targeting the poor do not go well with revenue generation. Many organisations have also simply never considered potential revenue generating opportunities.

A summary of SEs and 'Potential' SEs included in this study is presented Appendix II.

¹¹ Kramer, Tom. 'Civil Society Gaining Ground- Opportunities for Change and Development in Burma', The Transnational Institute, 2011.
¹² Myo Min Oo, PS Business School, Pers. Comms., Interviewed 7th March 2013.
¹³ International Crisis Group, 'Myanmar: Storm Clouds on the Horizon', 2012

Social and Political Environment

Democratic reforms following the 2010 election and the subsequent formation of a new government under President Thein Sein in 2011 marked a significant milestone in the development of a space for SEs to operate. Broadly speaking, in light of declining government services, civil society has been able to expand and operate in underserved sectors.¹⁴ International interest in developing civil society in Myanmar gained further momentum in the aftermath of relief efforts following Cyclone Nargis in 2008.¹⁵

A number of trends supporting the SE sector are emerging (Figure 4). The government is developing policies to create a stronger ecosystem for small businesses to operate in.¹⁶ More generally, anticorruption, investment and taxation laws are designed to encourage investors to look at opportunities in Myanmar.

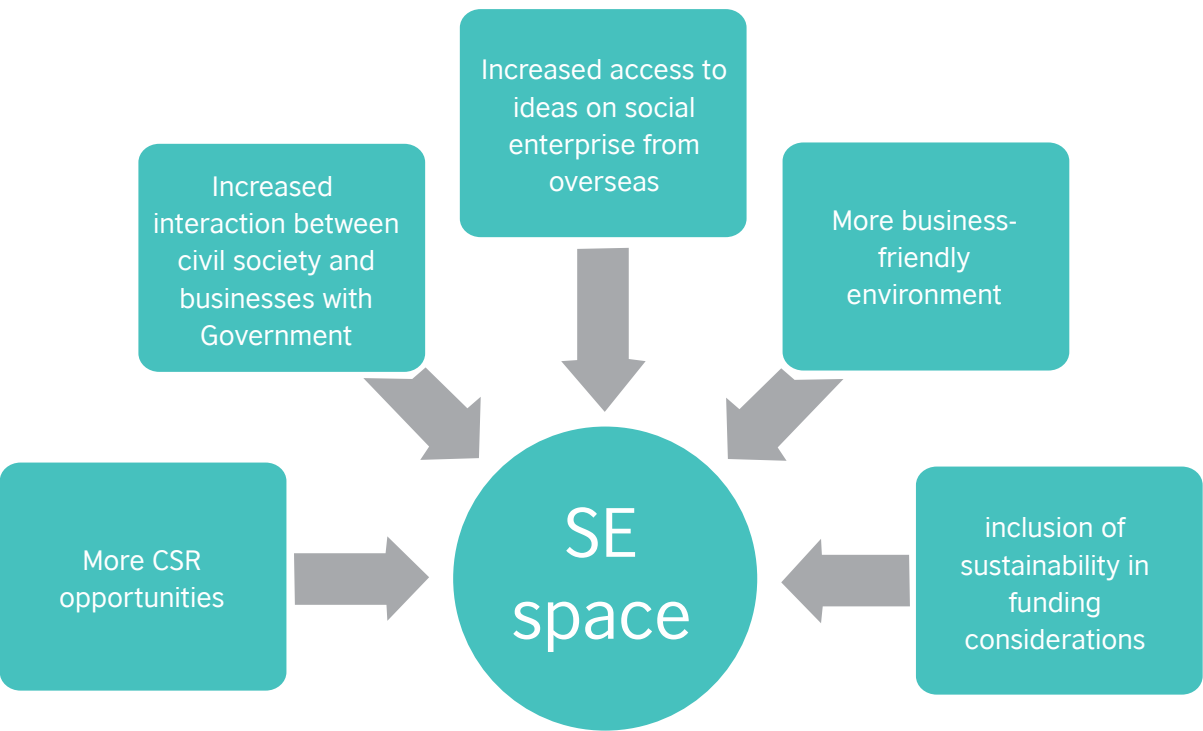
Political reforms have also led to increased dialogue between government, CSOs and intergovernmental agencies. For example, in February 2012, the government, intergovernmental agencies and CSOs held a national dialogue to discuss ways to strengthen property rights and access to fallow land. Further, a number of new laws aimed at improving the environment for ownership of property, strengthening the rule of law and improving the conditions for inward investment have been passed. Although the effectiveness of these initiatives remains to be proven, there are clear signs of increasing government-CSO interactions.

A new regulatory structure for NGOs is also being developed to help ease the significant bottleneck currently in place for NGO registration. An SME law, currently being drafted, will define SMEs, facilitate financial capital for SME development, and establish a SME centre to encourage networks and knowledge transfer.¹⁷ The microfinance law, enacted in 2011, permits investments in privatised MFIs and creates the space for traditional money lending institutions to be formalised.^{18 19}

Corporate Social Responsibility has already proved to be something taken seriously by potential investors in Myanmar. This is not only caused by an increasing number of large multinationals coming into Myanmar, but also because consumer-facing domestic companies are likely to be subject to higher consumer scrutiny and market competition.²⁰ While institutions dedicated to ethical investment such as the Myanmar Centre for Responsible Business will sensitise investors towards socially responsible investment.

¹⁴ Kramer, Tom, 'Civil Society Gaining Ground- Opportunities for Change and Development in Burma', The Transnational Institute, 2011
¹⁵ Kramer, Tom, 'Civil Society Gaining Ground- Opportunities for Change and Development in Burma', The Transnational Institute, 2011
¹⁶ Kramer, Tom, 'Civil Society Gaining Ground- Opportunities for Change and Development in Burma', The Transnational Institute, 2011
¹⁷ The FNF is supporting the government develop the Small-Medium size Enterprise law. The Soe Moe, Friedrich Neuman Foundation (FNF), interviewed on 15th January 2013
¹⁸ An interesting consequence of this law is that it will begin to erode individual moneylenders' hold on rural credit
¹⁹ <http://www.myanmarmicrofinance.org/?p=140> accessed on 3rd March 2013
²⁰ Heatherly Bucher, Yangon Bakehouse, pers.comm., interviewed 20th February 2013

Figure 3 : Trends impacting the SE Space



Financing Environment

Myanmar’s financial system is relatively underdeveloped and closed to foreign competition. Four state-owned banks and 19 private banks dominate the sector. The New Finance Institutions Law will allow foreign banks to establish operations in the country once domestic banks have been prepared for foreign competition. Seventeen representative offices of foreign banks have been established in anticipation of this change.²¹ Other financial entities include:

- Cooperative credit societies established under the Ministry of Cooperatives;
- State-owned and private pawnshops;
- Microfinance projects established by international donors and local associations; and
- Informal lenders, such as moneylenders, traders, and input suppliers.

For investing in SEs, the Myanmar Investment Authority is the main regulator.

²¹ Duflos et.al., ‘Microfinance in Myanmar-Sector Assessment’, IFC, CGAP, 2013

Lack of Lending Options for Early stage Enterprises

The greatest funding gap ranges between US\$50,000- 250,000,²² there have been very few examples of social impact investing deals and none that have been done using Myanmar laws. Like in many other countries, bank financing is largely non-existent for Myanmar SEs except for the largest entities. Less than 20 percent of the population has access to formal financial services,²³ and enterprise lending is complicated both by regulations and capacity to lend on the part of the banks. Private entities can typically only access one-year loans from the bank, and SEs registered as NGOs face strict restrictions on lending.²⁴

While the banking infrastructure is currently unable to meet demand for debt financing among both SEs and conventional private enterprises, there are a number of impact investment funds such as Insitor that have been assessing investment opportunities in the country. Alternative financing mechanisms for SEs are also emerging, with some examples of successful international crowd funding for start-up enterprises, including Yangon Bakehouse, Co-exist and Kant Kaw Education Centre.

The new Foreign Investment Law (FIL) offers a number of incentives and safeguards for large investments in the country. One of the major challenges to investing in Myanmar SEs is the lack of these benefits when funding smaller SEs that don’t qualify for the available incentives under the FIL.²⁵

²² Bradley Kopsick, Insitor Fund, pers. comm. Interviewed 19th February, 2013

²³ Duflos et.al., ‘Microfinance in Myanmar-Sector Assessment’, IFC, CGAP, 2013

²⁴ Daniel Padang, Cathy Win, and Declan Magee. Interviewed 19th February, 3rd March, and 18th March 2013, respectively.

²⁵ Bradley Kopsick, Insitor Fund, pers. comm. Interviewed 19th February, 2013

Defining Social Impact Investing

Social Impact investing can be defined as making investments intended to create positive impact beyond financial return. Over the past decade, an emerging base of investors with a global focus has sought to make investments that generate a double or triple bottom line (not only financial returns, but also social and environmental returns). These investors are now broadly identified as social impact investors and includes investors such as HNWIs, institutions, family offices and foundations . Emerging from traditional philanthropy, private investment and venture capital backgrounds, social impact investors are driving an innovative movement with cross-sector and cross-regional investment portfolios that focus on creating and scaling social impact.

In the context of Myanmar, although none or very few entities are investment ready, many investors see Myanmar as an attractive market and social impact investors have been scanning the market for high potential SEs for future investment. One such investor is Insitor a social venture capital fund focused on Asia. Insitor is now expanding its operations into Myanmar and provides pre-investment services for some organisations, while keeping a close relationship with these entities for possible investment in 2-3 years time.

Readily Available Grant Funding Limits Demand

With the notable exception of Foundations, the majority of sustainable SEs received some form of initial funding from an international donor, often supplemented with contributions from the founders' themselves. For INGOs that have set up local offices, the financial backing from the parent organisation has been key to establishing operations in the country.

Coupled with limitations of the financing infrastructure, there is a general lack of interest in seeking outside capital due to the following reasons:

- Revenue generated is sufficient to expand or scale-up operations;
- Fear of losing control over the mission and focus area of the organisation;
- Readily available grants and donations;
- Organisation is at a very early stage, which will not attract any investor interest.

Challenges to Investment Readiness

SEs in Myanmar also face impediments common in many emerging SE markets across the whole region. These often centre on operational issues related to increasing workload and a growing team. In particular, the difficulties include: ²⁶

- Developing a robust business plan, e.g.: demonstrating proof of concept;
- Lack of capacity within the team to manage an increasing workload;
- Clarifying processes and roles as the team grows beyond core founders;
- Identifying the appropriate legal approach to facilitating investment (with respect to the organisation's non-profit/hybrid structure);

Microfinance

The demand for microfinance in Myanmar is high, especially in rural areas.²⁷ However, few institutions provide microcredit, with an unmet demand estimated at close to \$1 Billion.²⁸ In response to UNDP's Human Development Initiative in 1997, a pilot project was launched through various INGOs such as EDA, Grameen Trust, GRET and PACT in the Delta area (Ayeyarwady Division), the Dry Zone and Shan State. In 2006 PACT, subcontracted by UNDP, became the dominant microfinance provider and this grew to six actors by 2009 (five INGOs and one private company) and operated institutional microfinance in the country regulated under specific MoUs with authorities. By 2010 the sector served more than 385,000 clients, of whom at least 90 percent were women, with a total portfolio of around US\$27 million.

PACT covered 92 percent of these clients and held 93 percent of the total portfolio. Institutional microfinance existed in 46 out of 330 townships, which represented 6,000 villages. ²⁹ A baseline survey report in 2012 by the Livelihoods and Food Security Trust Fund (LIFT) revealed that 92 percent of loans were provided by a combination of family/friend, moneylender and/or shopkeeper.³⁰

Until 2011, with some exceptions for some INGOs, domestic NGOs and private companies were not allowed to operate as MFIs. The 2011 MFI law provided a way for many MFIs operating without licences to become legal entities. As of March 2013, 146 licenses have been released, including six international NGOs, nine NGOs, and a majority of cooperatives local companies.³¹ Many of these organisations are not field operational and focus more on urban areas.³² The new law sets an interest rate cap of 2.5 per cent per month, which represents a challenge for some entities but this is also likely to encourage MFIs to increase their operational efficiency in order to recover costs.³³ The high attrition rate of borrowers from both state as well as private lending institutions, without collateral coverage, means low returns on primary lending. While State institutions can absorb the losses due to political commitment towards affordable credit, private institutions do not have the capacity to absorb such large costs. This often leads to an increase in operational costs, subsequently targeting low-risk customers with smaller loans. ³⁴

Another major challenge for the microfinance sector is the lack of skilled labour for supervision of MFIs, even within the main government agency responsible for microfinance. Infrastructure also represents a major problem for disbursement and branchless banking. Opportunities are limited for going digital, with mobile penetration currently at less than five percent. The government however, is taking active steps to overcome these challenges. For example, a microfinance-working group made up of leading microfinance NGOs has been established to disseminate good practices and advocacy. The government also aims to increase mobile penetration and has recently issued two mobile phone network licenses in Myanmar, this is an opportunity for both donors and SEs to explore synergy between mobile technology and the microfinance sector. Lessons can be learnt from examples of good practice from SEs and MNOs collaborating in Bangladesh and Kenya through BKash and mPesa, respectively. ³⁵

²⁶ Based on expert interviews with IIX SE team
²⁷ Duflos et.al., 'Microfinance in Myanmar-Sector Assessment', IFC, CGAP, 2013
²⁸ Duflos et.al., 'Microfinance in Myanmar-Sector Assessment', IFC, CGAP, 2013

²⁹ The Foundation for Development Cooperation, 2010, 'Microfinance Industry Report Myanmar', BWTP Network and ACTED
³⁰ LIFT, 'Baseline Survey Results July 2012', Livelihoods and Food Security Trust Fund, 2012
³¹ Duflos et.al., 'Microfinance in Myanmar-Sector Assessment', IFC, CGAP, 2013
³² Fahmid Karim Bhuiya, COO, PACT Myanmar, pers. Comms, Interviewed 7th March 2013
³³ Fahmid Karim Bhuiya, COO, PACT Myanmar, pers. Comms, Interviewed 7th March 2013
³⁴ Sanjan Haque, Lee Kuan Yew School of Public Policy, pers. Comms, Interviewed May 7th 2013
³⁵ BKash, established by BRAC Bank & Money in Motion LLC and mPesa by Safaricom, was designed for domestic electronic remittances.

Mapping the SE Space in Myanmar

Because the concept of SE is still new in Myanmar and because of the limited data available, there is a lack of clarity regarding how many entities provide socially and environmentally beneficial services through revenue generating activities.

There are very few organisations recognised as SEs or who identify themselves as SEs in Myanmar.³⁶ Entities that are formally recognised as SEs are registered as private limited companies or cooperatives, and aim to balance their social mission and core business to achieve financially sustainable social impact. For example, Green Waves Social Enterprise, a CSO, which buys land and provides livelihood enhancement, while reinvesting 50 per cent of its profits in its programmes and activities.

Beyond ‘formal’ SEs, a mapping of socially oriented organisations in Myanmar shows that entities potentially forming the ‘informal’ SE space span across a wide variety of legal forms including NGOs, local SMEs, associations and cooperatives. Social initiatives run by domestic foundations are also identified as related organizations owing to their potential in leveraging their parent entity’s resources in achieving financial sustainability. This sets Myanmar apart compared to its neighbouring countries such as Cambodia, Philippines and Thailand, where the SE space tends to be driven by NGOs. Many large NGOs in Cambodia for example have adopted profit-generating activities to fund their programmes, which is currently not common in Myanmar.

Myanmar SEs and other social organisations are concentrated around five types of socially beneficial services:

- Provision of basic services (basic education and health care, disaster relief)
- Civic engagement and civil society promotion, targeted livelihood enhancement programmes (including vocational training)
- Access to finance
- Provision of socially beneficial products and services.

The majority of financially sustainable SEs focus on:

- Livelihood enhancement
- Vocational training
- Microfinance. Microfinance initiatives are also often an integrated part of livelihood programmes.

While NGOs do not dominate the SE space, there is a persistent bifurcation between non-sustainable not-for profit and voluntary organisations focused on health and education, and private sector businesses providing job creation and livelihood enhancement. Charitable and voluntary organisations dominate delivery of basic services to underserved populations, in particular basic education and health services.

³⁶ Bradley Kopsick, *Insitor Fund, Pers.Comm., Interviewed 19th February, 2013*

Private sector entities create jobs and are engaged in the full range of manufacturing and services provision, with varying degrees of social mission orientation guiding their operations. An emerging SE space connects these two extreme points, and draws on characteristics from both. Figure 5 illustrates the SE space, centred on provision of socially beneficial products and services, access to finance, targeted livelihood enhancement, and civic engagement.

Typology of Myanmar SEs

We have mapped the entities interviewed in this report according to the five types of social organisation and their revenue generation model. As shown on Figure 5, there is a clear correlation between the level of social focus and the financial sustainability of the business model. More sustainable entities tend to have less of a social focus, whereas foundations, or organisations that rely 100 per-cent on donor funding focus on Products and Services for the poorest. The map also shows two different groups of NGOs. For many local NGOs, the mission is often borne out of a social service orientation and directed towards the poorest subgroups. Others that focus on access to finance and livelihood engagement are likely to be more inclined to seek revenue generation opportunities.

Private entities, as well as cooperatives tend to provide livelihood enhancement programmes, usually with a small revenue stream. Some entities integrate some form of microfinance or semi-formal revolving fund facility to cross-subsidise training and capacity building activities. This is the case for the Myanmar Ceramic Society, Proximity, MBEC and FXB. Companies that qualify as ‘formal’ SEs, (pursuing triple bottom-line returns, and have or are on the way to reaching break-even point) tend to focus on activities beyond basic services, with a majority providing vocational training and micro-loan facilities.

The only profit making entity we interviewed was Fame pharmaceuticals, an organic natural medicine and cosmetics producer. Fame is an example of a conventional business with a potential for social impact that has not been explicitly explored (see box). Interestingly, cooperatives tend to be situated at the less social and financially more sustainable end of the spectrum, suggesting that there might be more SEs to emerge in the future from the large pool of cooperatives in the country.

Fame Pharmaceuticals

Although Fame does not identify itself as a Social Enterprise, it creates strong environmental and indirect social impact while operating under a fully profitable business model. Fame creates direct environmental impact through the adoption and promotion of organic farming methods. Its social impact is less evident, but it is arguably generated indirectly by introducing affordable and high quality natural remedies in Myanmar.

It also brings skills and capacity to its suppliers by introducing sustainable farming practices. Fame has a number of CSR activities which include providing affordable medical consultations at its clinic. The key success factors for Fame are a combination of international standard products (ISO and Organic certification), affordable prices and smart marketing; from a country with virtually no demand for natural products, Fame created a market by appearing on a weekly telecast on health education. Although Fame does not currently have an explicit social mission, there are opportunities for Fame to explore involving the disadvantaged groups in its value chain either as suppliers or consumers.

Figure 4 Myanmar's SE and informal SE space

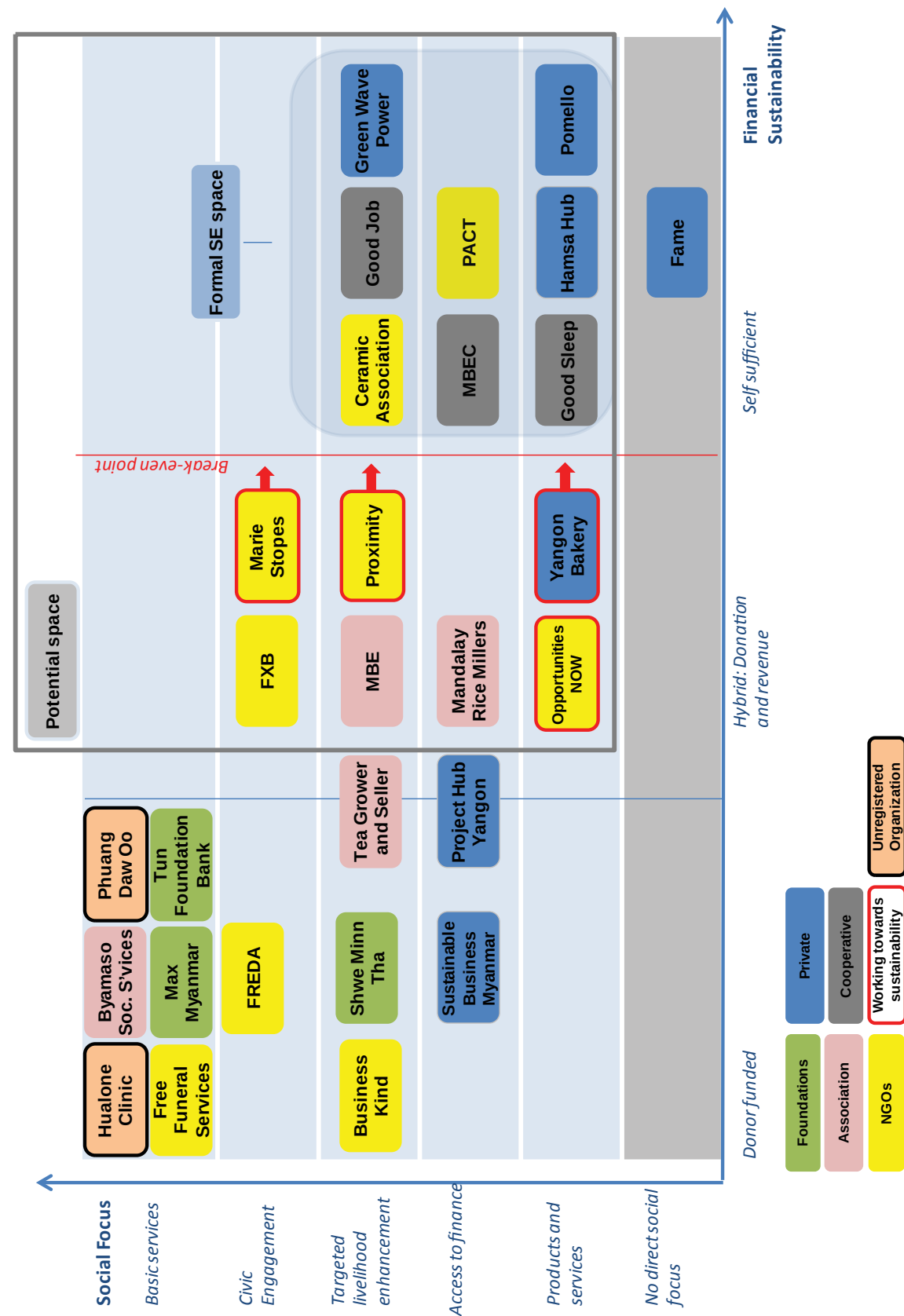


Table 2 Myanmar SE typology

Organisation Type	Characteristics
Basic Services	These organisations provide basic healthcare and education to disadvantaged populations, as well as other basic services such as funeral services. These organisations tend to be driven mostly by donations from individuals or domestic foundations. Many of them are foundations set up by large corporations which commit a certain percentage of their profit. In response to the 2008 cyclone Nargis, many organisations have refocused on providing disaster relief services. At the same time, some organisations were created as a response to the 2008 Cyclone Nargis and have since expanded their scope to provide ongoing basic service provision. Staff members at these organisations are predominantly volunteers.
Civic Engagement Organisations	Civic engagement organisations generally comprise NGOs and associations and are primarily focused on dissemination of specific knowledge and behavioural change. Examples include research, publication and training on issues surrounding environmental sustainability and social entrepreneurship. Civic engagement organisations often supplement their activities with basic health and education services, as well as disaster relief activities. Operations are funded by donations, primarily from private donors and development agencies. Staff members are predominantly volunteers.
Targeted Livelihood Engagement Organisations	Livelihood enhancement organisations focus on targeted livelihood programmes related to their core activities, such as sustainable forestry or vocational training. Entities focused on these areas are often either local NGOs or associations with innovative financing approaches, including the use of micro-loans and revolving funds.
Access to Finance	Very often livelihood engagement organisations also provide microfinance services to their beneficiaries. These activities allow the organisations to generate revenue and become fully or partly financially sustainable. These types of SE tend to be diverse in terms of their legal form, although entities with microfinance as a core activity are generally cooperatives or NGOs.
Products and Services	The majority of private enterprises that have a social focus tend to focus on providing affordable and socially-conscious products such as mosquito nets, water pumps and water filters to disadvantaged groups. Many organisations also supplement their products with vocational training and by integrating beneficiaries into the supply chain.

Drivers and Challenges

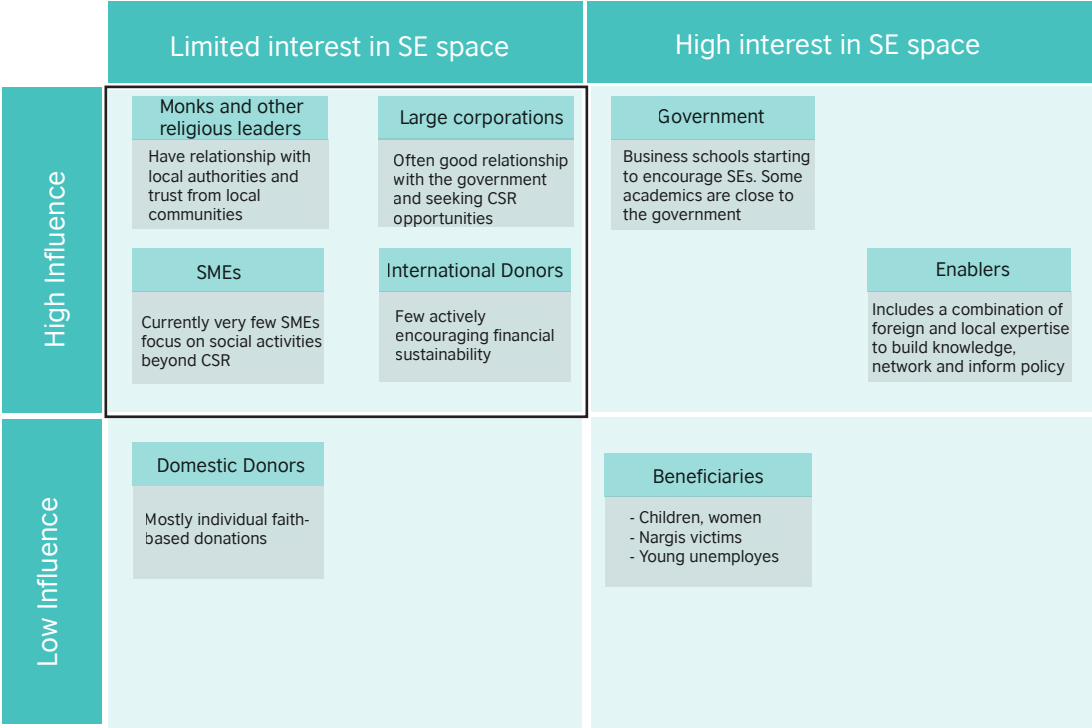
The Myanmar SE space is small, but a number of initiatives are emerging to promote growth in this area. Local CSOs such as Loka Ahlinn, which created Green Waves Social Enterprise as well as private initiatives such as the SE Challenges organised by PS business school have been promoting social entrepreneurship and demonstrating proof of concept across Myanmar. Some practitioners also recognise the role played by international organisations such as the British Council in formalising the SE concept in the country, bringing in international expertise, as well as working with local organisations to create an SE network, growing the community.³⁷ Their international status and expertise also enables them to work both with organisations on the ground and policy makers. As an INGO, iDE has also played a role in growing the interest in SEs for example by helping set up Proximity Design, an NGO with a successful revenue generation model. These organisations, considered in this study as ‘enablers,’ are also in a position to work with policy makers and connect various stakeholder groups.

Figure 6 presents a stakeholder map of the social development space in Myanmar, highlighting those that act as potential drivers for the growth of a financially sustainable SE space. Stakeholders were mapped according to their degree of influence in either helping or hindering the operations and growth of an SE, and their level of expressed interest in the growth of the space. The assessment is based on qualitative information collected during field visits. A mapping of stakeholders reveals that although the government and organisations such as the British Council have an important leadership role to play in growing the SE community, more potential can be leveraged from stakeholder groups that have high influence but that have not yet started being active in the space. These players can be potential drivers of the space once the infrastructure, and the ‘leaders’ have raised awareness.



³⁷ Dr. Aung Tun Thet. Pers.comm. 4th March, 2013; Bradley Kopsick, Insitor Fund, Pers.comm., Interviewed 19th February, 2013

Figure 5 Stakeholder map



Current Influencers– ‘Leaders’ (High Influence and High Interest/Awareness)

Enablers – Enablers such as the British Council, Project Hub Yangon, Hamsa Hub, Sustainable Business Myanmar and environmental promotion initiatives such as Freda can play a key role in creating networks, building knowledge, and providing capacity building to SEs. Similarly, academic institutions such as PS Business School have also contributed to the development of the SE space with an Annual SE Challenge that introduces the SE concept to its students and rewards promising young Social Entrepreneurs. Enablers may also have influence on policy making through advocacy and research, for example Proximity design, which produces policy papers together with Harvard University. Many of these stakeholders are able to combine international experience and education with good insights on the local environment. Most importantly, enablers can create platforms to showcase success stories from small SEs such to encourage the growth of the space.³⁸

Government Entities – Historically, local authorities have been cautious with community-based programmes.³⁹ Many entities interviewed stress that it is important to have a good relationship with individuals in the government: to avoid misunderstandings, succeed in starting a business; or to implement development projects. Having a champion within the right department is known to help accelerate administrative procedures and remove red tape. Overall, despite complex bureaucratic processes, government entities have been perceived as supportive of the idea of broad based economic growth and the role of civil society in this growth.⁴⁰

³⁸ Myo Min Oo, PS Business School, Pers. Comms., Interviewed 7th March 2013

³⁹ ADB, ‘Myanmar in Transition: Opportunities and Challenges’, 2012

⁴⁰ Dr. Aung Tun Thet. Pers.comm. Interviewed 4th March, 2013.

High Potential Stakeholders (High Influence and Low Interest/Awareness)

Religious Leaders Monks enjoy broad-based popularity on both a grassroots and official level, and play an important role in helping social organisations and initiatives gain buy-in from local communities. Monks also run donor-funded education and health initiatives.

Foundations and Large Domestic Corporations

Large corporations deliver high impact services through charitable initiatives funded by corporate profits, often through a foundation affiliated with the corporation. Currently, there is limited awareness of, and interest in impact investing and financially sustainable models for delivery of these high impact services. Given the business acumen, resource availability and influence of heads of large corporations, coupled with an increased promotion of civil engagement and corporate social responsibility in Myanmar, foundations and large corporations are identified as high potential drivers for financially sustainable SEs, including incubation of private SEs, provision of technical assistance, and investment in SEs.

City Mart Holding

City Mart is the largest modern retailer in Myanmar, with a 60 percent share of the formal retail market. It is currently in the process of setting up a foundation to better develop and streamline its CSR activities. City Mart raises funds for health, education and Nargis recovery projects through the sales of its products and actively promotes environment sustainability. As part of its future strategy, City Mart is considering introducing capacity building programmes to teach farmers how to produce organic produce to be sold at its stores.

It is possible to draw a parallel between foundations in Myanmar and those in some neighbouring countries, where foundations enjoy a more supportive regulatory environment compared to private business and/or NGOs. In Indonesia for example, SEs often operate as Foundations (Yayasans) as an easier legal structure to register and access initial funding. Many of these foundations adopt revenue-generating activities to become partly or entirely self-funded. Although it is not yet the case in Myanmar, some foundations have started considering inclusive business models, which is the case for City Mart Holding's CSR foundation.

SMEs While many SMEs provide goods and services to the most disadvantaged groups, SMEs broadly are not explicitly socially oriented in Myanmar. Lack of data also makes it hard to estimate the total size of 'inclusive' SMEs. Among the few 'formal' SEs, Green Waves Social Enterprise has proven to be a successful mission-driven private business. Given strong civic engagement and pro-poor attitudes in Myanmar, but a lack of awareness of the SE concept, SMEs are identified as a high potential driver of financially sustainable SEs that can be unlocked with further advocacy and capacity building around social entrepreneurship.

International Donors International donors are increasingly active in Myanmar, with a strong focus on education, health and civil society. These organisations provide different types of support, including financial support and technical assistance.

After years of sanctions and restrictions, many are still at the scoping stage in terms of their engagement in Myanmar – especially for private sector promotion programmes. Although international donors have begun to emphasise the sustainability of project outcomes, as well as efficient use of their resources, there is limited emphasis on the financial sustainability of the project or organisation they are funding.⁴¹ Funding for local grassroots organisations is often channelled through a local national organisation. International donors thus have great potential to promote social enterprise and more broadly, financial self-sufficiency in Myanmar civil society. The Business Innovation Facility, established by DfID, will be encouraging sustainable businesses and will begin technical assistance work in Myanmar with a focus towards high-impact and mission-driven private enterprise.⁴²

Limited Potential Stakeholders (Low Interests and Potential Barriers)

Domestic Donors Domestic donors make up a small amount of total donations and are mainly for religious organisations, foundations and associations. Domestic donors tend to advocate that financial sustainability should not be embedded in development work. Despite limited potential as drivers of financially sustainable SEs, they play a crucial role in sustaining and supporting charitable initiatives that provide basic services to those who cannot afford or access such services elsewhere.

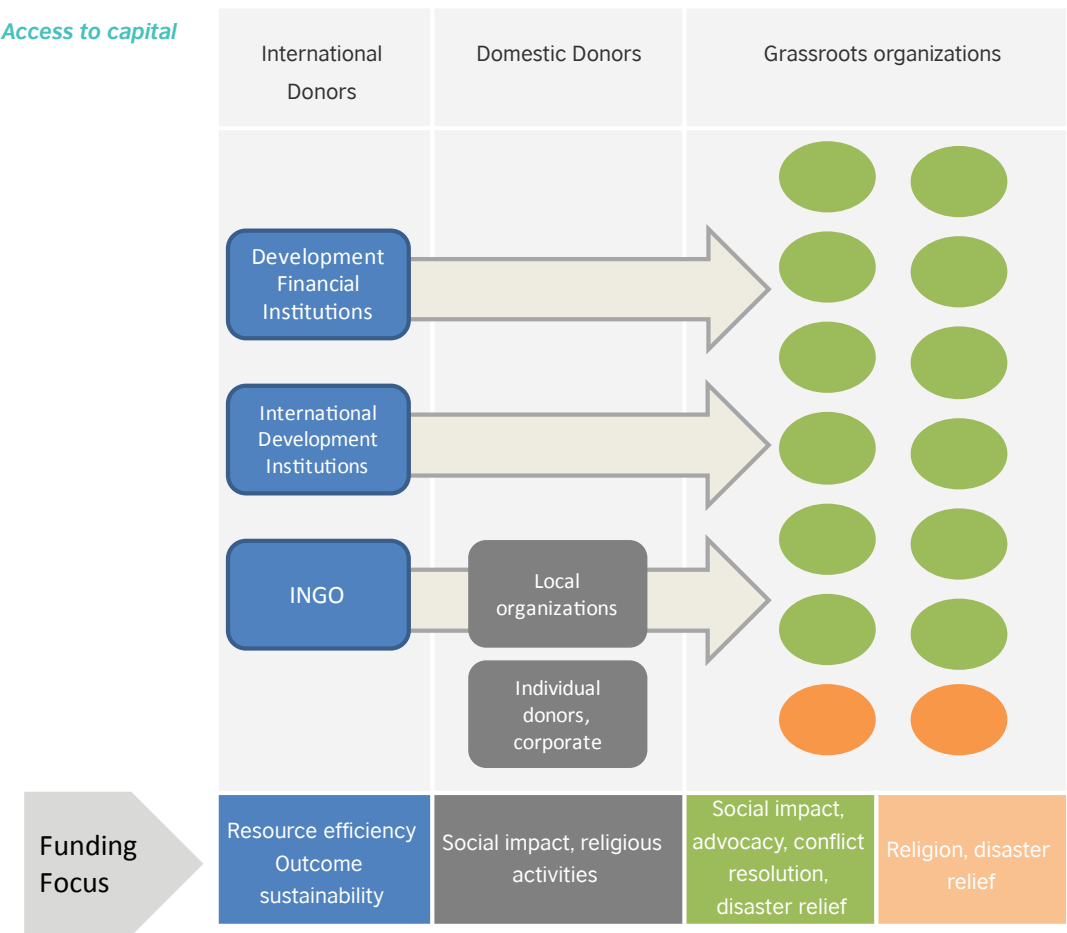


© Tim Mitzman 2012 (Proximity Design)

⁴¹ Matthew Sheader, British Council, pers.comm, Interviewed 8th March, 2013

⁴² Tom Harrison, Business Development Facility, pers.comm, Interviewed 21st February, 2013

Figure 6 Access to capital



Myanmar entities tend to be need-driven and not typically led by a top-down 'one-size-fits-all' strategy. There are therefore many organisations with a wide variety of products and services that are characterised by a high level of adaptability to the environment and needs of target beneficiaries. Compared to many countries that have benefitted from heavier international support, Myanmar civil society is more 'market-led' or 'community-led', specifically initiatives to benefit civil society are generated through internal identification resulting in a coordinated effort to address key issues. This is a characteristic that can be translated into a significant opportunity for the development of an SE space, and a more participatory approach to development.

NGOs Are Starting to Develop Self-financing Programmes

Studies on SEs in Cambodia, Indonesia, Thailand and the Philippines have shown that the growth of the SE space in these countries has been mainly driven by NGOs. This is due to the concurrence of several factors. Firstly, NGOs in countries that have benefitted from a large amount of international aid (such as Cambodia) are currently facing decreased funding due to a change in donor focus towards the 'bottom billion' and a global recession induced reduction in donor national budgets.⁴³ Similarly, a series of natural disasters have further diverted funding from development to humanitarian sector, such as in the Philippines. There is also a growing realisation that the NGO sector needs to move away from donor dependency and achieve financial sustainability, if not for the entire organisation at least for a proportion of its operations or for new initiatives. As a consequence, many NGOs in these countries have adopted revenue-generating entities or hybrid models.

In the case of Myanmar, NGOs are likely to grow stronger as increasing numbers of donors enter the market. There is however a realisation by many stakeholders that as a late mover, the country can benefit from the lessons learned from its neighbouring countries and that decreased donor dependency is key in achieving sustainability.

Overall, there is a lack of knowledge and information about financially sustainable models for delivering high impact social services, and much less about raising capital from impact investors for such SE models. Myanmar-led social organisations tend to rely on international donors who often channel their donations through a domestic entity. In the case of foundations, although they are not per se financially sustainable, many do benefit from a reliable source of funding from their parent companies and do not seek to establish additional sources of revenue.

The Majority of SEs Are Led by Myanmar Nationals (As Opposed to Foreigners)

Another characteristic of the Myanmar SE space is the dominance of entrepreneurs who are Myanmar nationals. Foreign presence is often limited to entities that are spin-offs from an INGO. In comparison, wealthy foreign entrepreneurs with the know-how and capital mostly drive the active SE space in Cambodia. Myanmar led SEs tend to be closer to the issues at stake and face less resistance from local stakeholders, especially beneficiaries or customers. It can also mean better relationships with the government.

Key Observations

Characteristics of Financially Sustainable SEs

Four key points emerge in relation to the financial sustainability of SEs in Myanmar:

1. Financially sustainable SEs are mostly focused on livelihood enhancement, microfinance, and the provision of socially beneficial products and services;
2. Several financially sustainable SEs combine more than one activity into an integrated development programme, for example by providing microfinance and vocational training, or vocational training and jobs in entities that provide socially beneficial products and services;
3. With the exception of MFIs, NGOs with high potential for financially viable business models for their services would benefit from capacity building on business development and business administration skills;
4. All financially sustainable SEs have benefitted from seed stage donations, largely from international sources.

⁴³ Collier, P. 'The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It'. Oxford University Press, 2007.

CSR as a Growing Source of Funding

Indonesia is a notable example in the region where CSR is playing a role in the growth of SEs. A law introduced in 2007 requires companies in the extractive industries to donate a percentage of their net profit for CSR activities. This has made available a large pool of funding for more mature SEs which attracted funding by providing CSR services.

In Myanmar, several interviewees, including the Yangon Bakehouse and FXB, have mentioned CSR as a source of funding. There is a growing number of CSR programmes, the largest of which have spun-off as foundations, such as is the case with City Mart Holdings (see box on page 18).⁴⁴ CSR is also expected to grow in Myanmar as a result of increased international competition and tourism, especially for consumer-facing businesses.

Public-Private Partnerships (PPPs) Increase Services in Underserved Areas

PPPs is one of the mechanisms that is considered to hold potential for encouraging inclusive growth in Myanmar – especially in terms of increasing the participation of the most underserved populations in economic growth. Foundations and government ministries working together can provide longer-term planning to increase access to basic services in underserved areas. Foundations are already emerging as a significant funding source of such work – albeit, in many instances, with inadequate long-term planning for their social programmes.

Advocacy and SEs

NGOs have traditionally been perceived as channels through which international donors help respond to policy changes in Myanmar.⁴⁵ In recent years, new types of advocacy activities have emerged among social entrepreneurs that are focusing on working with the government to ensure social advancement. For example, part of the success of Proximity Designs stems from its role in providing policy advice. Their policy recommendations based on research on Myanmar's agriculture sector have contributed to stimulating a constructive debate and fostering good rapport with the government. Another example is Green Waves Social Enterprises, which has contributed to a number of economic development and impact assessment studies to better inform policies.

Challenges

Despite positive signs and encouraging examples of SEs, there are a series of both external and internal challenges for the development of the SE space in Myanmar. Many of the challenges mirror those faced by the emerging private sector in Myanmar.

Internal Constraints

- **Human Capital:** The legacy of a poor education system centred on rote learning has led to a significant internal constraint in terms of business skills – especially from mid-management and upwards. These pose significant challenges on the evolution of financially viable SEs in Myanmar. Many interviewees have identified loss of competent staff to the increasing numbers of better paying multinationals in Myanmar as a major challenge to the sustainability and growth of their organisations.⁴⁶
- **Perception:** There is a widespread perception that organisations delivering social benefits should not also seek to make a profit. This is especially true in the health sector, where services for women and the disadvantaged are expected to be absolutely free of charge. This is not only true for domestic donors and beneficiaries, but also for many major international donors.⁴⁷
- **Lack of Access to Capital:** Lack of access to capital is an important obstacle SEs face. Loan financing is not readily available and access to bank lending is often limited to only those with strong connections.⁴⁸ There is also a gap between funding needs and investors' appetites; The amount of investment that SEs are looking for (US\$50,000-250,000), usually for seed capital, is too small to attract investors, and the lack of protection for this size of investment also constitutes a strong disincentive for investors.⁴⁹

External Constraints

- **Lack of Basic Physical Infrastructure:** The lack of a reliable banking system and infrastructure for transport and electric utilities make it difficult to operate and scale up any business – including SEs.
- **Supply of Goods:** Limited supplies of imported goods pose significant challenges for the development of organisations focused on delivering beneficial goods and services.
- **Donor Funding Structure:** As in many countries, there are limitations with the current international donor funding structure, which tend to focus on projects and prevent grants being disbursed to pay for core expenses such as staff salaries. This does not promote organisational sustainability as many NGOs depend largely on volunteers to run their operations. This may potentially encourage bad governance practice to be embedded within local NGO's given the restrictions on fund disbursement. For many 'potential' SEs, capacity building has not been brought about by international donor intervention. These needs include developing sound governance systems, formulating long-term strategy and most importantly, establishing frameworks to measure and increase social and environmental impact over time.
- **Real Estate:** The high cost of renting or purchasing land and offices relative to average income – in particular in Yangon, combined with uncertainty surrounding property rights in rural areas, makes it very challenging to operate financially sustainable SEs

⁴⁶ Fahmid Karim Bhuiya, COO, PACT Myanmar, Pers. Comms. Interviewed 7th March, 2013

⁴⁷ Sid Naing, Marie Stopes International Myanmar, Pers. Comms. Interviewed 5th March 2013

⁴⁸ Daniel Padang, Pers.Comms 19 February, 2013. Declan Magee, Pers.Comms 21st March, 2013.

⁴⁹ Daniel Padang Zau Du, Loring Harkness, Sustainable Business Myanmar, Pers.Comm. Interviewed 19th February, 2013

⁴⁴ May Zin Soe Htet, City Mart Holding Co., Pers.Comm. Interviewed, 8th March, 2013

⁴⁵ Kramer, Tom, 'Civil Society Gaining Ground- Opportunities for Change and Development in Burma', The Transnational Institute, 2011

- Changing Political and Economic Environment:** With new laws being drafted and rapid changes in the political and economic environment, it is difficult for organisations to make long-term strategic plans.
 In addition to these issues, each type of organisation faces its own set of challenges and opportunities. Table 4 summarises key challenges and opportunities for each type of SE and social organisation.

Table 3 Challenges and opportunities for development of SEs, by organisation type

Organisation	Challenges	Opportunity
NGOs	- The registration process for NGOs is long and unpredictable, and consequently a costly constraint for SEs registering as NGOs. - NGO regulations pose restrictions on operations, including restrictions on use of bank accounts. - Lack of clarity on future regulation of NGOs makes the structure less attractive in the medium term. - Large donors for NGO development programmes do not incentivise long-term financial sustainability in NGOs.	- The government has recognised NGOs as an important driver in the growth of the country and is currently drafting an NGO law. - Their not-for-profit status attracts grant funding, which is particularly beneficial in the start-up phase of social initiatives.
Associations	- It is difficult for associations to engage in commercial and for-profit activities, thus difficult to generate revenues. - Many associations are not accountable to non-members and have poor or no incentives for monitoring social impact of their activities.	- A legal form adopted by many local NGOs due to the faster and easier registration process. - Seen by many as a common legal form for organisations working in development.
Cooperatives	- Closer control by the government and decreased independence. - Prone to conflicts of interest because lenders and borrowers are the same people in group saving-lending programmes.	- Historically enjoy strong backing from the government. - Easier registration process compared to NGOs. - Potentially supported by the government's new SME law. - Potential in gaining popularity for its ability to empower workers
SMEs	- Lack of available capital for start-ups. - Often cut off from the development sphere due to the bifurcation of social and commercial activities.	- Easier registration process compared to NGOs. - Potentially supported by the government's new SME law. - Do not face resistance for profit making as may be the case in the not-for-profit sector
Foundations	- Often lack long-term strategies for their activities. - Programmes are not necessarily needs-based, but driven by personal interest or history of their founder.	- Reliable funding from parent corporate organisation. - Target the bottom of the pyramid and provide basic services to those most in need, and least able to pay.

Ecosystem

The SE ecosystem includes financial, legal and accounting advisors, government bodies, academic institutions, social entrepreneurs and organizations that build capacity for social organizations. Since the political reforms and lifting of sanctions, market intermediaries such as PwC are returning to Myanmar. New players such as Vriens & Partners, an international consulting firm are also establishing offices in the country, increasing the availability of professional services available to Myanmar SEs. Today, the market ecosystem in Myanmar is dominated by large organisations that work with local partners for service delivery such as advisory, education, capacity building, and incubation of SEs and SMEs.

The SE space in Myanmar is benefiting from a growing level of CSR activities in the private sector. Many commercial organisations and associations, such as the Mandalay Regional Chamber of Commerce and several professional trade associations are looking to engage with local partners and promote social responsibility,⁵⁰ and local SEs also stand to benefit from this in the medium term. While the concept of social entrepreneurship is new, positive trends are emerging in the intersection of CSR initiatives and SEs – with great potential for increased activities along these lines.

SEs in neighbouring countries such as Cambodia and Philippines have benefited from CSR programmes offering free or discounted fees for professional services to SEs. These include pro bono legal or accounting services, as well as discounted technical assistance. These types of CSR activities have not yet been identified in Myanmar. The Hamsa Hub represents potential in shaping the country's CSR activities. Hamsa Hub consists of a team of business developers that work with organisations such as cooperatives on achieving sustainable growth strategies. Hamsa Hub also advises private companies on their CSR activities.

Key Success Factors for SEs in Myanmar

- This study finds that the most successful SEs tend to display the following characteristics:
- Local-led:** For-profit enterprises are predominantly founded and run by entrepreneurs who are Myanmar nationals and entrepreneurs; although the term ‘social entrepreneurship’ has been introduced by international players, local entrepreneurs have been more successful at understanding the local needs and targeting these in a financially viable manner
 - Good Working Relationship with the Government:** The most mature SEs and social organisations have successfully balanced their relationships with the government and focused on having positive social impact at the local level, such as livelihood programmes in agricultural communities. Going forward, successful and sustainable impact will be linked to a similar balancing act between civil society promotion, capacity building for social entrepreneurs, and available funding from Myanmar foundations.⁵¹

⁵¹ Dr. Aung Tun Thet. Pers. Comm. Interviewed 4th March, 2013.

3. **Collaboration with Religious Networks:** Working with local monks and religious leaders facilitates beneficiary buy-in and implementation of social service delivery. Religious organisations remain crucial in the organising of local private donations and basic service delivery for the poorest in Myanmar – including relief efforts in the aftermath of Nargis.
4. **Focus on Learning and Improvement:** Long-term viability depends on adequate skills and qualification of core SE staff. Today, the most successful financially sustainable SEs focus significant efforts on capacity building and training for their staff.

Recommendations for Developing the SE Space in Myanmar

Although the term ‘civil society’ only emerged in Myanmar with the entrance of international agencies and donors in the mid 1990’s, civil organisations in the form of religious and community based groups have been active throughout Myanmar’s modern history. The sector was small during the military rule but emerged as an important interlocutor for disaster relief and reconstruction after Cyclone Nargis. With the historical importance of civil society in the country and more support as a result of recent government reforms, there are promising opportunities for Myanmar to benefit from lessons learned from its neighbouring countries, leapfrog the experience of donor dependence and achieve sustainability. By promoting organisations, institutions, and structures that allow market-based initiatives to play a role in development, and including social impact investing as one of the models for funding social impact, Myanmar can embark on a path of inclusive growth and avoid the limitations of donor-dependent development initiatives.

Develop Holistic Approach to Basic Service Delivery and Inclusive Growth

The government has undertaken sector wide reform measures aimed at improving political and economic development, and increasingly done so with the inclusion of different local interest groups. The more inclusive government stance is also illustrated in the current drafting of the new law regulating NGOs and the gradual expansion of international donors’ interest in the emerging social sector.⁵²

A parallel increase in coordination between different actors, including INGOs running high-visibility social programmes that target specific groups, donation-funded local charities that deliver education and health services in their communities, and local foundations would greatly benefit the SE sector.

Further mapping of different development projects will help to understand how they interact and contribute to the country’s development. This is necessary to identify the appropriate combination of approaches that will allow both donor-based and market-based development initiatives to flourish and complement each other. With a deeper understanding of concerted donor-funded initiatives, market-based actors can better target their services towards remaining gaps, and donor-funders can support initiatives to build the institutional capacity of local SEs through a combination of mentoring, social entrepreneurs and the policy window required for structural reforms.

⁵² Dr. Aung Tun Thet. Pers.Comms Interviewed 4th March, 2013.

Explore More Effective Public-Private Partnerships

PPPs have significant potential for increasing access to basic services and funding start-up SEs and development initiatives. Leveraging funding from foundations and private corporations to fund longer-term development strategies under the aegis of government can speed up delivery of basic services to the poor. There is potential for the government to capitalise on this by working together with SEs, funders, SE networks, and other enablers to define a strategic plan for the development of the SE sector. This plan could aim to enhance the efficiency of incubation and growth of SEs by coordinating the efforts of funders and enablers with existing organisations that deliver high impact services – including religious organisations, NGOs and other non-profit organisations.

For Enablers:

Establish Networks and Platforms to Show-case Best Practice Examples and Share Lessons Learned

As the SE space is currently mostly driven top-down by academics and development organisations, several interviewees identified the need for further involvement of grass roots organisations in growing the sector from the bottom-up. More specifically, experts advocate a platform or network that will bring together all stakeholders and enable discussions, sharing of experiences and disseminations of dos and don’ts of social entrepreneurship. This platform would also play the role of connecting intermediaries and show case small-scale success stories across the country to build capacity and attract more ‘latent’ SEs into the formal space.⁵³

Provide Basic Business Literacy Training to the Not-for-Profit Sector

A major impediment to the NGO sector joining the SE space is the lack of business skills in the not-for-profit sector. Many interviewees emphasized the importance of basic business literacy over secondary skills such as communication in English for building successful businesses.⁵⁴

For SEs:

Consider ‘Cooperatives’ as a Legal Form

Cooperatives are identified as potential ‘low-hanging fruits’ to grow the SE space by some subject matter experts. Co-ops benefit from government support and their legal structure allows them to operate like normal businesses. There is great opportunity for Cooperatives to be ‘rebranded’ as financially sustainable and socially beneficial organisations as the concept of SE gains more momentum in the country.

As a legal form, cooperatives are much easier to register, and the potential higher level of policy support therefore makes it a pragmatic choice for new entrepreneurs looking to register an entity.

Continue to Stimulate Involvement from the CSR Sector

Incorporating an explicit commitment to SEs as part of existing and emerging CSR initiatives has great potential for enhancing support and creating a business environment that is conducive to SEs. CSR support can both tie in to the funding of SEs and social initiatives, subsidising operating expenses of such organisations, as well as providing seed funding and support for capacity building

⁵³ Myo Min Oo, PS Business School, Pers. Comms . Interviewed 7th March 2013.

⁵⁴ Peter Moe Kyaw, MMRD and Union of Myanmar Federation Chamber of Commerce and Industry (UMFCCI), Pers.Comm. Interviewed 6th March 2013.

for SEs at the incubation stage. The latter can be done directly, or through support for SE incubators: specialised service providers that target emerging SEs. This can help to catalyse a culture-shift of businesses operating in the country.

Impact Measurement Frameworks

SEs put in place frameworks for measuring and managing the social and environmental outcomes of their activities. By collecting data from relevant stakeholders and reporting their results to senior management and board members, SEs will become both more professional in their service delivery and more accountable for their work. Consistent and timely reporting on social impact will also enhance SEs' ability to communicate to external parties, gain recognition for their work, and raise funds to scale up their activities.

For Donors:

Encourage Financial Sustainability in Programmes and Activities

The international development community across the region is increasing and emphasizing the importance of sustainability in their programmes and activities. However, the focus currently tends to be on the sustainability of project outcome and efficient utilisation of grant money rather than the financial sustainability of a project or organisation.⁵⁵ Many interviewees interacting with donors stress the common view in the development sector that development work should not be confused with moneymaking.⁵⁶ More specifically, using donor money to encourage entrepreneurship is perceived as 'using tax payer money for private benefit'.⁵⁷ There are however signs of change. DFID are currently exploring opportunities to bring The Business Innovation Facility (BIF) to Myanmar. The BIF is a PwC managed platform that provides technical assistance to inclusive businesses.⁵⁸

Creating a Framework for Funding SEs towards Investment Driven Growth

A key step towards developing the SE space would be for donors to integrate SE development explicitly within their broader funding frameworks. A combination of:

- Patient capital
- Soft loans and grant funding towards technical assistance, advisory and business development services for Myanmar entrepreneurs
- Donor help for SEs to get off the ground and become financially sustainable entities that deliver products and services promoting inclusive growth
- An impact fund that would help fill the 'missing middle', investment between \$5,000-50,000
- Technical assistance services focused on developing management skills, business plans, financial budgeting and social performance monitoring mechanisms that enhance professionalism, strategic planning and accountability in the delivery of socially beneficial products and services

⁵⁵ Matthew Sheader, British Council Myanmar, Pers.Comms. interviewed 8th March 2013.

⁵⁶ Sid Naing, Marie Stopes International Myanmar, Pers. Comms. interviewed 5th March 2013; Fahmid Karim Bhuiya, PACT Myanmar, Pers. Comms. interviewed 7th March, 2013

⁵⁷ Fahmid Karim Bhuiya, PACT Myanmar, Pers. Comms. interviewed 7th March, 2013

⁵⁸ Tom Harrison, BIF, Pers. Comm. interviewed 27th February, 2013

For policy Makers:

Providing Training and Support to SEs

Increased education and advocacy towards social responsibility and social entrepreneurship would play a major role in continuing to grow the SE space. Enablers are emerging, including SE networks and social and environmental advocacy and capacity building organisations. Increased support for these organisations from international donors will facilitate the emergence of a local, sustainable, and engaged foundation for inclusive growth through SEs and responsible SMEs. In parallel, the Myanmar education system would benefit from reform.⁵⁹ Limitations in the current education system lead to an under-qualified middle class, with a lack of skills for mid-level and senior management in both corporations and SMEs. English language schools should also be encouraged to include business literacy classes.



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Invoking SEs in the Reform of Public Service

To remedy the problems of the formal education system, SEs in vocational training hold tremendous potential – illustrated in part by the success of SEs such as GoodJob and PACT. Initiatives to reform the education system could draw on lessons learned from such SEs and organisations promoting business skills and entrepreneurship, such as Egress. Inclusive business should be embedded in curricular and extra-curricular programmes. These could include encouraging business skills and business schools and high level education institutions to include inclusive business in their modules. Promoting entrepreneurship, business literacy, and management skills will support the growth of a viable SE and private sector.

Rebuild and Repurpose Banking System and Financial Support

The Myanmar banking system is currently unable to extend credit financing to SEs. While increased CSR activities and a holistic approach to social development that involves foundations can increase seed funding and capacity-building efforts for SEs, Myanmar would also benefit from a stronger and more effective banking system to support SEs. While social impact investors are entering Myanmar and private venture capital is emerging, credit financing would also support growth of SEs and socially responsible SMEs.

⁵⁹ Sonny Nyunt Thein. Pers.Comms interviewed 8th March, 2013.

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Section	Details	How	Interviewee					Output
			BC	Ecosystem	SEs	Gov	Investors	
	Country overview	Overview of the context within which SEs evolve						- Socio-econ indices - Key sectors - Political outlook - Main social challenges - List of established SEs - Current situation, sector focus and legal status - List of entities - Map SEs by type and by sector - Gaps and Technical assistance needs - Finance needs - Key barriers they face in order to become sustainable and to scale up. - Success stories/best practice examples - Overview of key government support and regulatory barriers - List of investors interested in Myanmar SEs - Investor attitude and preferences - Barriers to investments - List of ecosystem players broken down by category and sector - Recommendations on how to remove challenges
	'Formal' SE space	The 'well known' SEs						
	'Informal' SE space	Capture entities that have positive social impact through market-driven initiatives. These include two main groups: NGO that are not yet self- sufficient financially SMEs that have social impact but have not identified themselves as SEs						
	Regulatory environment	Identify policies for NGOs, SMEs and sector specific elements						
	Financial environment	Identify investors. Understand investor attitude						
	Ecosystem	Identify current ecosystem for SEs						
	Towards sustainability	Identify barriers and challenges to the growth of the SE space						

Appendix II List of Organisations Interviewed

Table 4 List of interviewed SE and quasi-SEs

Name	Legal Form	Financial Sustainability	Type of Work
Palaung Tea Grower and Sellers Association	Association	Funding from English school (sister company)	Education
MBE	Association	60% from sister company	Vocational training for physically disabled
Mandalay Rice Millers' Association	Association	100%	Insurance and assistance to farmers
Byamaso Social Services	Association	Donations	Funeral service, in-patient and out-patient health care, old age care, education and community development
MBEC	Cooperative	60% revenue	Micro-loans for farmers
Good Sleep	Cooperative	100% after 1 year	Produces and sells bed nets
Good Night	Cooperative	100% after 1 year	Candles, vocational training
Good Job	Cooperative		Vocational training for women
Ayeyarwady Foundation	Foundation	100% from Parent company	Schools, hospitals including PPP projects
Shwe Min Tha	Foundation	60% Parent company, 40% donor funded	Vocational training and job coaching programme to physically disabled individuals.
HTOO Foundation	Foundation	Parent company	Builds schools, hospitals and orange orchards.
FXB	IGNO	Only from handicraft sales	Sex trafficking, sexual healthcare, vocational training. Has a revolving fund for maternal care
Marie Stopes	INGO	Donor funded	Public health, HIV aids, maternal health, medical relief and gender based violence.
Myanmar Ceramic society	NGO	100% after 3 years	Livelihood development and micro finance for pottery families
Proximity design	NGO	70% donor funded	Designs, produces and sells products and services to low-income farmers
Free funeral services	NGO		Funeral services, health, education
FREDA	NGO	Donations	Forest Resource Environment Development and Conservation Association

Pact Myanmar	Microfinance institution	100% after donor seed funding	Microfinance
Phaung Daw Oo Monastic Education	Monastery	Donation funded with some revenue	Education and vocational training
Hamsa Hub	Private	From revenue	Consulting for business development for both SEs and traditional for profit enterprises. Promotion of sustainable business, engagement of CSR programmes.
Green Waves Social Enterprise	Private	Yes, within 2 years	Economic empowerment, access to water and funding for social entrepreneurship for landless farmers Cyclone-hit regions
Yangon Bakehouse	Private	Part cross-subsidized by cafe	Life skills training for women
Tun foundation Bank	Private company	Yes, from commercial activities	Donates 100% of the profit from commercial activities to education, health and culture
Fame Pharmaceuticals	Private company	100% from commercial activities	R&D and produces international standard organic natural medicines and cosmetics in Myanmar and abroad.
Hualone Hla Pinle Free Clinic	Unregistered charitable organization	Donation funded	Free health clinic that is run on a combination of private donations and volunteerism.
Opportunities Now	INGO	Partially from revenue generating activities. Some donor funding, expects financial sustainability in 2 years.	Provides entrepreneurial education to poor, minority group young people aged 17-25. Partners with start-ups to generate revenue. Operating under the umbrella of US based non-profit.
Project Hub Yangon	Private Company	Commercial activities	Provides space and incubation programmes to help grow startups. Also offers networking opportunities and information sessions for entrepreneurs
Sustainable Business Myanmar	Private Company	Donation Funded	Open platform that brings several ecosystem players interested in social businesses together.
Pomelo	Private Company	Yes, from revenue	Fair trade marketplace featuring local producers including individuals from several underserved communities. Based in Yangon.

Skills for Social Entrepreneurs: East Asia Overview

The British Council is the UK's international organisation for educational opportunities and cultural relations. We work in over 120 countries to build opportunity and trust for the UK through the exchange of knowledge and ideas between people.

We understand the challenges young people around the world face in finding meaningful work, improving their skills and making positive contributions to their communities and wider society. We know that sustainable development is a significant concern for tens of millions of people with whom we engage. This is why we and our national and international partners connect individuals, communities and organisations seeking to craft solutions to these issues through social enterprise.

The UK is widely regarded as a global hub for social enterprise and social innovation and many countries are eager to learn from its experience. The UK is home to some 68,000 social enterprises that provide over one million jobs and last year contributed GBP 24 billion to the economy.

Through the Skills for Social Entrepreneurs programme, the British Council helps social entrepreneurs in Asia learn from the business models, corporate strategies and creative solutions that have enabled successful social enterprises in the UK and in other Asian countries to overcome challenges, thrive in difficult economic climates and deliver positive change.

At the same time, our programme encourages UK social enterprises to learn from innovation in Asia because social enterprise is evolving rapidly here and social entrepreneurs are devising grassroots solutions that are worthy of emulation.

We promote dialogue and build links between social entrepreneurs, academics, business people, policy experts and journalists in Asia and the UK through conferences, video dialogues, online networks and UK study tours.

Such engagement broadens participants' horizons, disseminates best practice and fosters partnerships across borders. This in turn delivers social and environmental benefits and builds trust and opportunity between the participating countries and the UK.