

Preserving Investment Impact in Myanmar

A case study of a DFI-led market shaping facility that adapted its approach to support investors and portfolio companies to navigate crisis in the wake of the military coup

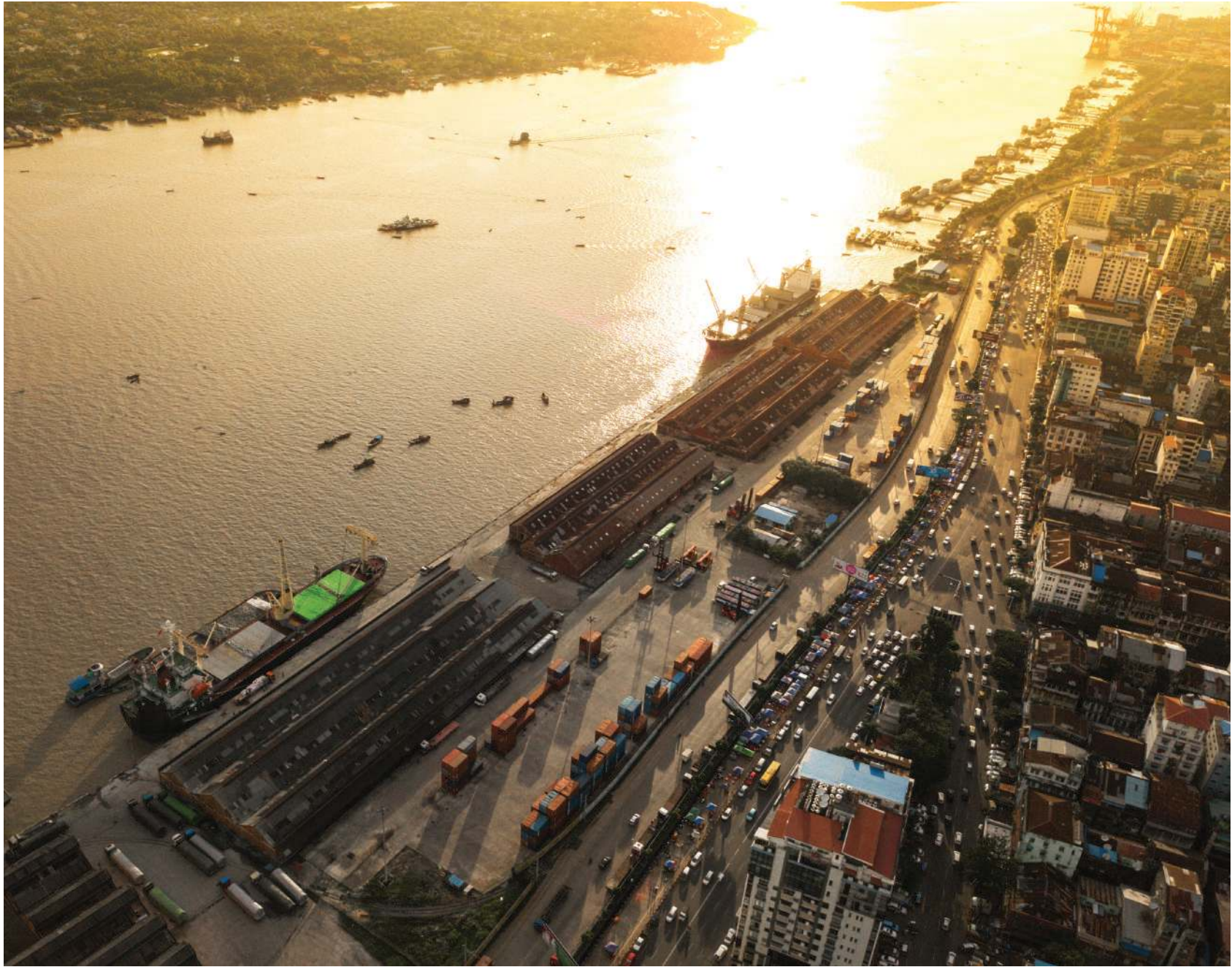


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This case study was developed for the Myanmar Enabling Investment Programme, a market shaping facility that adapted its activity to preserve investment impact following the military coup in Myanmar in 2021. MEIP was funded by CDC and FMO and implemented by MEDA. The views expressed do not necessarily reflect official policies of these institutions.

About CDC

CDC is the UK's development finance institution. CDC helps solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation. CDC's technical assistance and grants facility is called CDC Plus. Using CDC's experience as an investor in emerging markets, CDC Plus identifies and creates opportunities that are beyond the scope of returnable capital. CDC Plus is funded by UK aid from the British people and is intended to support CDC's pipeline and portfolio companies as well as the wider market in Africa and South Asia.

About FMO

FMO is the Dutch entrepreneurial development bank. FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO understands that it takes more than finance to build a profitable and sustainable business for the long run. For this reason, FMO provides development contributions to strengthen portfolio companies and co-funds initiatives like the Myanmar Enabling Investment Programme.



Executive Summary

This paper presents a case study of Myanmar Enabling Investment Programme (MEIP), a market shaping initiative that adapted its activities to support Development Finance Institutions (DFIs), private investors and portfolio companies to navigate crisis and redefine their roles and responsibilities with the goal of preserving impact in post-coup Myanmar.

CDC and FMO developed MEIP to address systemic barriers to business and fund performance in order to drive increased impact-oriented investment flows to Myanmar. One month after the programme's launch in January 2021, a military coup hurled Myanmar into crisis, with profound implications for its people, economy and global standing.

In the months since, investors and their portfolio companies have wrestled with whether or not to remain invested and how best to preserve impact. They have faced severe political, economic and social disruptions, increased scrutiny, and pressing operational concerns like risks to staff safety and limited access to cash. As a result, investors restructured their Myanmar engagements, shifting from actively evaluating potential investment opportunities to ensuring the financial and operational resiliency of their current assets and identifying options for continued support and impact.

The changed circumstances and stakeholder response rendered many of MEIP's original planned activities irrelevant. While retaining its systemic approach, MEIP adapted its strategy to focus on improving partner and market capacity to adapt and endure:

- Collaborating with a private equity (PE) and venture capital (VC) association to pivot its support to members, providing valuable information and networking events to help them to problem-solve and adapt operations to survive.
- Leading a consultative process of inquiry and facilitated debate that enabled DFIs to share experiences, identify common risks, and prioritise collective solutions. Collective solutions include evaluating military exposure, protecting current operations, coordinating support to portfolio companies, and navigating reputational risk.

The programme's influential team, collaborative donor-implementing partner management approach, and flexible design enabled it to respond to the dramatically changed context quickly.

Market shaping activities can play a valuable risk mitigation role to support DFIs, private investors, and portfolio companies to navigate uncertainty and crisis that often accompanies operations in fragile contexts. DFIs are also well-positioned to lead market shaping initiatives due to their investment expertise, capability, and influence.

Introduction



In 2011, Myanmar began a transition to democracy and a quasi-free market economy that accelerated the country's economic growth. Myanmar emerged as one of the fastest growing economies in Asia. Its resources, market size, strategic location, and reform-minded government were attractive to the private sector.

However, DFI investment flows remained limited. For example, of the over 40 investment funds in the country that sought backing from the CDC between 2013-2019, only two met the institution's investment criteria.¹ Further, these two funds reported high execution risk and significant costs associated with moving companies from pipeline to investment. Challenges confronting companies included inconsistent regulatory and legal frameworks and application, low business density, poor financial, business integrity, and human resource standards, absent and poorly aligned business services providers, and low awareness and demand for equity and debt.

Then, on 1 February 2021, a military coup threw the country into tumult, profoundly affecting Myanmar's people and disrupting the democratic process. Widespread protests throughout Myanmar and a strong civil disobedience movement in the government, healthcare, banking, and education sectors brought the country to a standstill. The military responded with violent crackdowns on civilian opposition, resulting in targeted military-linked sanctions imposed by most Western governments.

The rapid and radical shift in context forced investors and companies to scramble to protect and support staff while concurrently adapting operations to survive. The crisis also provoked an ethical dilemma: what is the right thing to do in post-coup Myanmar, remain invested and preserve value or leave?

This paper presents a case study of Myanmar Enabling Investment Programme (MEIP), a market shaping initiative that adapted its activities to support DFIs, private investors and portfolio companies to navigate crisis and redefine their roles and responsibilities in the post-coup period. Though it is too soon to assess its impact, this paper summarizes the initiative's changed approach and emerging outcomes. It also outlines key success factors that enabled its adaptation, offering considerations for DFI-led technical assistance facilities and other private sector development programmes working in fragile states.

¹ CDC Insight (2019), "[What we have learnt about investing in fragile and conflict-affected states?](#)"

Investing in Fragile Contexts

Investing in fragile contexts like Myanmar is important but difficult. About a quarter of the world's population lives in fragile states, including over three quarters of those living in extreme poverty.² Expectations of return, time-frame, and risk deter commercial investment in these settings. In fragile contexts, overseas development assistance amounts to 2.3 times the level of foreign direct investment.³ Limited financing hinders private sector growth and, with it, the productivity, employment, and revenue gains that are critical to stability and development.

“ These risks exist in frontier markets, and we go in informed and with eyes open. The alternative is not to invest or have a development impact.” — *CDC Investment Director*

DFIs, on the other hand, have a remit to invest in fragile settings. DFIs can be more flexible on risk, wait longer to realize returns, and leverage blended finance in expectation that their investments will yield wider social and economic benefit. However, they must also remain profitable and sustainable. For this reason, while DFIs have a mandate to invest in fragile contexts, they often require additional risk mitigation to do so.⁴

Concessional finance, including technical assistance, can play a valuable risk mitigation role. CDC and FMO leverage technical assistance and blended finance facilities to accelerate investment within frontier and fragile contexts. Examples funded by CDC include [Nepal Invests](#), a market shaping initiative funded by multiple donors; the [Sierra Leone Ebola Financing Facility](#), a working capital facility established in partnership with Standard Chartered; and Gridworks, a platform facilitating equity investments in transmission and distribution in Africa. Examples funded by FMO include: [MASSIF](#), a financial inclusion fund; [NASIRA](#), a risk sharing facility for local financial institutions; and, [Ventures Program](#), a fund focused on disruptive technology in fintech, energy, and agri-tech.

Market Shaping

One way to increase DFI flows to fragile markets is to tackle issues at a market level. With ‘market shaping’ tactics, initiatives aim to influence business and investment markets in ways that enable local private sector actors to perform more effectively while lowering investor risk perception. Market shaping can address systemic failings such as absent supporting industries, gaps in local talent, and ineffective regulatory environments that offer wider potential for impact and would otherwise pose too great a cost or risk to companies and investors to take on directly.

² OECD (2020), [“The State of Fragility in 2020.”](#)

³ Ibid

⁴ Collier, Paul and Sebastian Kriticos, Sarah Logan, and Camilla Sacchetto, [“Strengthening Development Finance in Fragile Contexts.”](#)

“ Ecosystem challenges increase the cost of doing business (particularly in terms of time spent by investors). This erodes efficiencies and undermines investment potential.” — *CDC Representative in Myanmar (2019)*

While systemic, market shaping activity is generally nascent amongst most DFIs, initiatives and methods targeting improvements to markets and systems are not new.⁵ Established communities of practice share common delivery principles: recognition that the problems of development are complex, the importance of a deep understanding of contexts, working behind local actors, prioritising sustainability and working at scale, a focus on incentives and relationships, and use of iterative and adaptative tactics.

Initiatives that couple systemic approaches with targeted investment could be transformative – and, DFIs are uniquely well positioned to lead such activities. DFIs offer expertise on working with and investing in companies and intermediaries. Further, DFIs and the intermediaries in which they invest are often the most attractive sources of capital in fragile contexts, placing them in positions of influence. CDC and FMO have collaborated on two such initiatives, both launched in 2021: The Myanmar Enabling Investment Programme (MEIP) and [Nepal Invests](#).



⁵ Development approaches that focus on complex systems include: [Market systems development \(MSD\)](#), [Problem Driven Iterative Adaptation \(PDIA\)](#), and [Doing Development Differently \(DDD\)](#).

Case Study: Myanmar Enabling Investment Programme (MEIP)

CDC and FMO developed and launched the Myanmar Enabling Investment Programme (MEIP) to address systemic barriers to business and fund performance in order to drive increased impact-oriented investment flows to Myanmar. The programme was implemented by Mennonite Economic Development Associates (MEDA).

MEIP Pre-Coup Focus: Increasing Investment Flows

Context

- Inconsistent regulatory frameworks and application
- Low business density and dynamism
- Poor financial, HR and integrity practices
- Limited business leadership and skill
- Mismatched business services provision
- Low demand for equity and debt

Impact Thesis

By strengthening Myanmar’s investment ecosystem, MEIP aims to improve business performance that will result in increased investment flows to civilian-led SGBs and, in turn, increased economic opportunities for the people of Myanmar.

MEIP Objectives

1. Increase awareness and demand for growth capital among business leaders.
2. Improve the provision of business services that prepare SGBs for investment.
3. Increase the capability of c-suite and investment professionals.



Adaptations

MEIP launched in January 2021. Less than one month later, a military coup hurled Myanmar into crisis, with profound implications for its people, economy and global standing.

In the months since, investors and their portfolio companies have wrestled with whether or not to remain invested and how best to preserve impact. They have faced severe political, economic and social disruptions as well as increased scrutiny and reputational risk that impacts their ability to operate and invest responsibly in Myanmar. Companies struggle with pressing operational concerns, including ensuring staff safety and mental health, timely payments, access to cash, and intermittent connectivity, with no clear medium-term outlook. As a result, investors have been forced to restructure their Myanmar engagements, shifting from actively evaluating potential investment opportunities to ensuring the financial and operational resiliency of their current assets and identifying options for continued support and impact.

The changed circumstances and stakeholder response rendered many of MEIP's original planned activities irrelevant. However, rapid local and international stakeholder consultations indicated that a market level activity that could support DFIs, development partners (DPs), investors, and portfolio companies to navigate the evolving context would have value.

Approach

Responding to the context, MEIP adapted its strategy to focus on improving partner and market capacity to adapt and endure.

MEIP Post-Coup Adaptation: Preserving Impact

Context

Pre-coup contextual challenges, plus:

- Increased military exposure
- Civil disobedience and escalating violence
- Unclear mandate, international sanctions, reputational risk
- Banking crisis, lack of cash, currency exposure, inflation, disrupted telecommunications
- Sharp economic decline (18% contraction)
- High profile corporate exits (eg: Telenor)

Impact Thesis

Through targeted and responsive short-term activities, MEIP will aim to support investment ecosystem stakeholders to mitigate risks in post-coup Myanmar.

MEIP Objectives

1. Investors and portfolio companies manage crisis and sustain operations in post-coup Myanmar.
2. DFIs, DPs, and private investors define responsible investment and their roles and responsibilities toward navigating risks and preserving impact in post-coup Myanmar.

Despite the short-term outlook, MEIP continued to employ principles of systems delivery while adapting its day-to-day tactics, including:

- **Understanding context.** The timely pivot to focus on short term objectives and risk mitigation allowed MEIP to stay relevant and offer immediate support in a time of crisis and flux. MEIP activities were developed based on problems identified and prioritised by Myanmar stakeholders through a process of consensus building, leading to a high degree of local ownership.
- **Working behind local actors, prioritising sustainability and working to scale.** MEIP worked with Myanmar Private Equity & Venture Capital Association (MPE&VCA) to support businesses and funds to navigate the complex post-coup environment while coordinating DFI response. MEIP aimed

to build the capability of MPE&VCA to adapt and fund its role to best support members and industry even after the closure of the programme.

- **Structuring relationships and incentives.** MEIP prioritised the adaptive capacity of partners and networks, facilitating local and global networks by, for examples, connecting MPE&VCA with regional PE and VC associations and business service providers who could offer crisis management support to funds and companies.
- **Continued iteration.** MEIP employed extensive and repeated stakeholder engagement to allow for ongoing discovery of possible change pathways.



Contextual upheaval challenges teams, not only delivery

The MEIP team grappled with unprecedented personal and professional risk and limitations just as they were reworking delivery. Movement restrictions, internet shutdowns, and widespread protests and violence placed a physical and emotional toll on team members. Given this, the leadership team on the programme ensured:



Emphasis on safety and security first, including daily check-ins with MEDA security team, guidance on bombs blasts, military checkpoints, and areas to avoid, and some evacuation



Creative communication, such as Signal group chats rather than blocked mediums



Adjusting schedules, activities and deadlines to navigate curfews, internet shutdowns and personal needs



Activities

In line with its updated strategic focus, MEIP concentrated activities to two main objectives in the post-coup period.

Objective 1: Investors and portfolio companies manage crisis and sustain operations in post-coup Myanmar

Issue

Ecosystem actors were confronted with a rapidly changed environment that required them to adapt business processes and systems in order to manage both short term and long term changes in their operating environment. At the same time, business leaders were themselves struggling to process and digest the impact of the coup on their personal and professional lives. This resulted in a heavy emotional and psychological burden. Moreover, investors and their portfolio companies were each tackling the challenges alone. They could benefit from experience sharing with each other and those who had been through similar political upheaval in other geographies.

Partner Spotlight

The [Myanmar Private Equity & Venture Capital Association \(MPE&VCA\)](#) is a group of institutional investors dedicated to improving the venture capital and private equity industry in Myanmar. MPE&VCA plays a distinct and crucial role as a convener in the Myanmar investment ecosystem, bringing together local and international investors, business accelerators, and business service providers. CDC was instrumental in the formation and development of MPE&VCA through a two-year grant extended in July 2019.

MPE&VCA

Tactics

The first objective focused support to and through MPE&VCA, recognizing its unique role as a convener of local and international investors and companies in Myanmar. MEIP provided direct organisational support to MPE&VCA, developing the requisite resources, networks and tools to provide timely guidance to its members and other companies.

Activities



Improved MPE&VCA capacity to sustain operations and provide support to members

- Strategy and financial planning to navigate cashflow risk.
- Developed capabilities to lead training and networking activities designed to support members to manage post-coup risk, such as event planning tools and member tracking.
- Global PE/VC association benchmarking to define key success factors and initiatives offered during relevant crises as a guide for MPE&VCA



Directed support to members and ecosystem actors to navigate crisis

- Webinars offered timely guidance for fund managers and associates, including: Valuation of Portfolio Companies in a Crisis, Navigating Political and Economic Crisis for Funds, and informal networking for fund employees

- Leadership coaching and peer consultations for fund managers and portfolio executives; topics included exercising leadership in times of crisis and adaptive vs. technical challenges
- Crisis management workshops addressing investor dilemmas for operational and governance risks, including two interactive workshops for members and investees with case studies.



Positioned MPE&VCA to convene and support ecosystem actors

- Sharing sessions with global PE/VC associations from similar fragile contexts (e.g. [Ukraine](#)) as well as business associations in Myanmar to guide crisis response and future collaboration.
- Myanmar-focused SGB investment toolkit with investment overview, key investors, and requirements (English and Burmese language). Able to adapt to reflect new requirements as they emerge, such as due diligence linked to military exposure.
- Investment Readiness Scorecard, a self-assessment survey for SGBs to assess investment readiness (English and Burmese language). Linked to deal-sharing platform, enabling proactive SGB sourcing.
- BSP mapping database to be shared amongst MPE&VCA members for facilitating relevant support to funds and portfolio companies as well as other SGBs, including crisis management firms.

Objective 2: DFIs, DPs, and private investors define responsible investment as well as their roles and responsibilities toward navigating risks and preserving impact in post-coup Myanmar

Issue

Investors and companies struggled to adapt activity in post-coup Myanmar where the right and just thing was unclear and the risk of error high.

The people of Myanmar need support: it is expected that GDP will fall by 18% in FY 2021,⁶ an estimated 1.2 million jobs were lost in the second quarter of 2021, and the number of people living in poverty in Myanmar could double by the start of 2022.⁷ Meanwhile, in a recent World Bank survey, only 57% of firms indicated that they were confident of remaining in business over the following month.⁸

However, Myanmar's military is intertwined with the economy and at times linked to the private sector. Heightened military exposure combined with limited clarity on acceptable contributions, such as taxation or licensing, was confusing. Social boycotts and public shaming of organisations found to be directly or indirectly linked to the military, internal pressure from local staff to publicly condemn the coup, and increased urgency to halt government engagement posed significant threats to investors and companies.

At the same time, limited communication between actors and risks associated with individual activity dissuaded action, paralyzing DFIs, DPs, investors and companies.

⁶ World Bank (July 2021), "Myanmar Economic Monitor."

⁷ Frontier Myanmar Research (July 2021), "Responsible Investment in Post-Coup Myanmar."

⁸ World Bank (July 2021), "Myanmar Economic Monitor."

Tactics

Under the second objective, MEIP facilitated a process of inquiry and debate amongst DFIs, DPs, private investors, companies and other ecosystem actors. These extensive, confidential stakeholder consultations completed through individual engagement as well as facilitated roundtables yielded a common and prioritised set of risks and recommendations for collective action.

Activities



Consultative process of inquiry and debate that established common risks and priorities for responsible investment in post-coup Myanmar

- One-on-one consultations with 53 DFIs, donors, private investors, international and local firms, and market observers.
- Two roundtable discussions, validating findings and prioritising recommendations for collective action amongst participants.
- Third party research, defining scenarios and benchmarking recommendations with relevant and successful actions in other contexts.



Coordinated DFIs, donors, and private investors in post-coup Myanmar

- Coordination and alignment regarding key priority areas for collective response and action: evaluating military exposure, protecting current operations, opportunities for financial and non-financial assistance, and evaluating reputational risks.
- Process of continued consultation and collaboration, including additional roundtables and an issue-based working group outlined.

“ The roundtable organised on “Responsible Investment in Post-Coup Myanmar” was very helpful and well timed. It gave us the necessary insights to support our own conversations with our internal and external stakeholders, and relay some of the important messages that were presented in the roundtable.” — *MPE&VCA Board Member*

“ Validation that others are not divesting is valuable.” — *DFI Country Representative*

Management

MEIP adapted to offer support to investors and portfolio companies during a period of crisis. Several success and limiting factors shaped MEIP's response, offering useful reflections for the design and management of technical assistance programmes in fragile contexts.

Success Factors

An influential team, integrated management approach, and flexible technical and contract design enabled MEIP to respond to risks posed to impact oriented investors.

DFI Collaboration – Co-funding amongst DFIs broadened MEIP's influence and ensured wider relevance.

- MEIP was co-funded and co-managed by CDC and FMO. The two donors approached the project with a shared vision and an established trust. Both were able to leverage internal technical teams as well as to tap their DFI and investor networks to contribute to MEIP's redesign and consultative activities. This ensured the relevance of the adapted programming to DFIs, investors and portfolio companies. It also fostered greater participation and buy-in from target constituencies.

Convening Power – Investor and team influence and networks enabled MEIP to consider and support impact investors.

- The MEIP team was comprised of individuals experienced and networked within Myanmar's investment ecosystem. Local expertise drove partner engagement and helped to ground truth the programme's technical pivot. Meanwhile, the convening power and networks of CDC and FMO motivated global DFI and DP engagement.
- For example, the combination of local and international influence enabled MEIP to facilitate a participatory process amongst DFIs, DPs, and GMs to identify shared risks to divestment. The willingness of these managers to speak candidly about their concerns was central to identifying shared opportunities for collective action.

Integrated Management – A blended approach to strategic management involving the donor and implementing partner leveraged the capabilities of all parties and ensured swift action in a volatile time.

- MEIP's strategic direction was determined by a Management Committee (MANCO) comprised of its donors, CDC and FMO, its implementing partner, MEDA, and a technical adviser.
- Close coordination and regular interaction amongst the MANCO allowed for collective insight and collaborative action. It also enabled swift decision making amidst a volatile external environment. For example, weekly management and technical meetings (that increased in frequency during periods of significant flux) ensured adaptations to the approach, deliverables, and budget were consistent with the programme's intent and received buy in.



Limiting Factors

While the above success factors enabled MEIP's adaptability and thus relevance in the post-coup period, other factors proved limiting.

Early Closure – The volatile operating landscape required MEIP to adapt to support immediate and medium-term needs in a short period.

- Extreme volatility and unpredictability challenges response. In effect, MEIP adapted twice. First, MEIP undertook immediate activities, such as connecting MPE&VCA to regional private equity associations and offering crisis coaching to fund managers, to help partners and collaborators to navigate uncertainty in the short-term. Then, when longer-term operating scenarios became clearer, MEIP repositioned to identify risks to divestment and coordinate DFIs and GPs to respond collectively. However, little time remained in its 6-month delivery period to adequately facilitate medium-term objectives.

Risk Perception – Many of the same risks that deter investment to fragile contexts also challenge technical assistance facilities.

- In response to the volatility and risk in post-coup Myanmar, MEIP was focused to its 6-month discovery phase, with further delivery on hold. A number of risks deterred donors from progressing MEIP to its full implementation phase:
 - Exposure to reputational and political risk
 - Poor medium-to-long-term investment outlook
 - Pressure to deliver impact returns and value for money
- Even though MEIP was designed as a technical facility to mitigate commercial risk, it was held to a similar risk standard as investments.

Conclusion

MEIP's adaptation and approach offer valuable reflections. Market shaping activities and technical assistance facilities can play a valuable role toward supporting DFIs, private investors, and portfolio companies to navigate uncertainty and crisis that often accompanies operations in fragile contexts.

- **Coordinating information flow and collective action to navigate a complex dilemma and preserve impact**

MEIP's activities brought together a coalition of actors, facilitating information sharing, networking and guidance that is helping DFIs, donors, funds, and portfolio companies to define their roles and responsibilities in post-coup Myanmar and move forward with support at a critical time. The consultative process of inquiry and facilitated debate enabled DFIs to share experiences, identify common risks, and prioritise collective solutions.

- **Providing support to navigate immediate risks to operations and teams at a time of crisis**

MEIP's support to MPE&VCA enabled the association to pivot its support to members, providing valuable information and networking events to problem-solve and adapt operations to survive.

- **Supporting keystone ecosystem actors to adapt and continue, improving the resilience of the system**

MPE&VCA plays a vital role in the nascent Myanmar investment ecosystem: a PE/VC association can provide valuable information for investors entering a market and serve a coordinating function to improve efficiency amongst members. Reinforcing MPE&VCA's sustainability and fit-for-purpose offering generates wider impact and value.

Further, to ensure relevance in unpredictable and changing contexts, a number of technical and management considerations should be baked into facility design. These include:

- **Establish structures and teams that leverage networks.** Co-funding with other DFIs, fostering engagement from investment teams within DFIs, and hiring team members that bring local networks and global expertise fosters influence, ensures relevance, and eases adaptation.
- **Design for flexibility and manage closely.** Markets are complex and unpredictable, especially in fragile environments. Prescriptive activities and budgets are likely to become irrelevant quickly. Close donor-implementing partner engagement can still ensure accountability.
- **Right size the risk appetite,** recognising that the lens for technical facilities may need to differ from the lens applied to commercial investments. Fragile contexts are prone to shocks – indeed this is one reason why market shaping activities are so valuable here.



About MEDA

Since 1953, MEDA (Mennonite Economic Development Associates) has been implementing effective market-driven programs globally. MEDA combines innovative private sector solutions with a commitment to the advancement and empowerment of excluded, low-income and disadvantaged communities (including women and youth) with core expertise in market systems and value chains, climate-smart agriculture, inclusive financial services, and impact investment. MEDA partners with local private, public and civil society actors, strengthening individuals, institutions, communities and ecosystems, and thereby contributing to sustainable and inclusive systemic change.



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