



Supporting Innovation in Inclusive Business in Myanmar

Case Study: Early Lessons Learned





Introduction and context

Despite significant potential, a wealth of natural resources, and encouraging recent growth, decades of economic mismanagement and conflict have exacted a heavy toll on the Myanmar economy. The 2018 Doing Business Report ranked Myanmar near the bottom at 155 of 190 countries in the ease of starting a business and 188 of 190 countries in enforcing contracts. The financial sector is hamstrung by an extremely restrictive regulatory environment, and trade is only starting to recover from the impact of sanctions. The current business environment includes high costs of engaging in business, requiring social, as well as financial capital that limits investment, stifles innovation and competition, and excludes important groups.

The UK Department for International Development (DFID) is funding the transformative Business for Shared Prosperity Programme (BSP) in Myanmar, of which £25m of funding is allocated to the DaNa Facility. DaNa is designed to support the transformation of the Myanmar economy in

becoming more inclusive, with a focus on serving the needs of the poor and groups historically marginalised from the economy, such as women. DaNa has three main modalities for achieving results: 1) Competitive grants and technical support for innovative new projects from the not-for-profit and business sectors; 2) high level direct technical assistance, delivered alongside partners to the business community, civil society and other development partners; and 3) a strategic response facility to enable quick and flexible support for private sector development. As part of its grant assistance, DaNa has £5m set aside for the Business Innovation Window (BIW) that fills a niche in providing significant co-investment funding for established businesses. It follows an earlier Economic Empowerment Window (EEW) grant fund aimed at non-governmental organisations (NGOs).

Overview of the Business Innovation Window

DaNa issued a call for grants through its BIW in August 2017 to catalyse private sector investment and innovation, and develop inclusive business models in Myanmar by selecting 10-12 organisations to support through matching grant funding. The BIW issued 11 grants in early 2018, ranging in value from £150,000 to £750,000.

Applicants went through a two-stage selection process; the first round required submitting a short pitch deck of up to 12 slides in PowerPoint format, which was reviewed by a four-person Investment Committee, chaired by the DaNa Director of Investments and three external experts. Shortlisted applicants were then requested to prepare a complete business plan, with selective guidance and support from DaNa. Applicants also made a 30-minute 'shark tank' style pitch to the Investment Committee, with the DFID Senior Responsible Officer (SRO) observing. Prior to awarding grants, DaNa technical advisors in conjunction with KPMG auditors, conducted a site visit to verify operational capacity and authenticity of the applicant organisation.

Applicants were screened for eligibility requirements including having a business entity as the lead partner, matching funds of at least 51% of the total requested budget, and addressing issues within at least one of DaNa's sectors: agribusiness, financial inclusion, garments and textiles, and community forestry. Applications were then assessed on the strength of their business model, commercial viability, social impact, and ability to scale up successful initiatives. In addition, applications had to demonstrate innovation and potential for market transformation, capacity to deliver the proposed approach, directly addressing issues of gender and social inclusion, and demonstrating an understanding of or directly addressing issues of environmental sustainability and conflict sensitivity.

Case study methodology and limitations

The findings presented below were generated from a review of documentation describing the BIW process and key stakeholder interviews with four people involved in the selection process, including: two technical team members, a sector specialist, and another person involved in the selection process, as well as additional representatives from two applicant organisations receiving grants. Interviews followed a semi-structured format, and findings were analysed according to topic areas. Names have been withheld and some identifying information has been changed to ensure confidentiality of responses. Because of the limited number of respondents, findings presented below are not necessarily representative of all persons involved in the BIW process, and responses from applicants may be subject to positive response bias since they were ultimately successful. However, care has been taken to draw out potential areas of improvement as well as areas of good performance.



Initial findings

Selection criteria

The BIW invitation for proposals stated multiple selection criteria, including social impact at scale, innovation, leverage, and cross-cutting issues of gender inclusion, empowerment, conflict sensitivity, and environmental sustainability. All applicants were assessed according to these criteria, with the Investment Committee, sector specialists, and cross-cutting specialists reviewing initial applications and providing evaluations and comments. The BIW received 70-80 eligible applications. One applicant interviewed noted the organisation was encouraged to apply because one of the project examples from the application materials was very similar to their proposed project.

Sectors represented

The selection process prioritised quality of applicants over ensuring representation from all targeted sectors. This resulted in no grants awarded for one target sector – community forestry – as all applicants were NGOs and none of them demonstrated realistic commercial viability or sustainability in their approach.

Lessons learned from the EEW

DaNa ran the EEW for NGOs, six months earlier, which used a similar process of issuing a call for grants and selecting applicants. Assessors and applicants for the BIW benefitted from experience with the EEW. For assessors, the EEW was an opportunity to 'test the waters', clarify sectors and refine overall grant amounts. Both applicants interviewed had heard of the EEW, though felt they did not have sufficient time to find an NGO lead, build a consortium, or draft their applications. For the BIW they were prepared because they heard about it in advance and had sufficient time to understand and organise proposals.

Potential for selection bias

Both assessors and applicants recognised that the structure and conditions of the BIW affected the types of organisations that applied and were ultimately successful. The value of the grants, requirement for at least 51% in matching funds by companies, payment in arrears requiring applicants to have sufficient cash on hand to cover expenses in advance, and even the monitoring and evaluation (M&E) and reporting requirements favoured larger, more established companies.

This situation may have resulted in unintended consequences. One assessor was surprised to discover a shortlisted applicant had already received substantial processing equipment from another donor and felt the organisation should be 'getting on with it' instead of seeking more grant funding. One applicant believed that small Myanmar businesses could not cope with the grant size, requirements for matched funding, or extensive reporting requirements.

Initial marketing / call for grants

The BIW was advertised through multiple media channels, including a feature in the Myanmar Times, press releases, and through relevant business associations and chambers of commerce; Facebook, the DaNa web page, and the Myanmar Information Management Unit (MIMU) - a job board for development projects. However, both assessors and applicants mentioned that applicants primarily heard of the BIW via word-of-mouth. This method helped to narrow the range of organisations applying and limit the number of ineligible and unsuccessful applications.

Number of qualified applicants

Assessors agreed that through its chosen channels of communication the grant window attracted a sufficient number of applicants, with 70-80 eligible organisations applying, 20 shortlisted, and 11 applicants selected, with four organisations



selected as alternates. Assessors saw it as a success that the majority of applications were from Myanmar-based organisations. Regarding international organisations, Dutch companies topped the list at around 10% of applications, and a few British companies applied.

Length of the selection process

DaNa improved its turnaround time on grants from six months for the EEW to four and a half months for the BIW. However, both assessors and applicants mentioned that the process was still too slow. Applicants noted that their final business proposals were 60-80 pages. One applicant recommended that the full proposal could be scaled back, and suggested a hybrid model between pitch deck and full proposal to expedite the process.

Language or cultural barriers in the application process

The BIW seemed to largely overcome language and cultural barriers in working with local companies. Application materials were provided, and application pitch decks were accepted, in both English and Myanmar, and two members of the Investment Committee spoke Myanmar. However, there is a chance that the selection process favoured applicants who had previous experience

with DFID or other Western donors or NGOs. Both applicants said their local staff members had a good level of English and were familiar with donor requirements.

Requirement for matching funds

BIW applicants were expected to match DaNa funding at least 1:1, or in other words provide at least 51% of the total proposed project budget. Assessors explained that the rationale was to show that organisations had 'skin in the game' and were not using DaNa funds for risky business propositions. Ultimately, the requirement for matching funds was not a significant barrier for applicants as the BIW received numerous applications. It should be noted, however, that the requirement for matching funds is likely to have limited applicants to medium or large companies with available matching capital, and discouraged applications both from smaller or more illiquid companies that were not able to commit significant capital, as well as from larger, more established companies looking for grants of \$1 million or more.

'Shark tank' or pitch to the selection committee

As part of the second stage selection process, shortlisted applicants were invited to send two



representatives to make a 10-minute presentation followed by 20 minutes of questions and answers in front of the four-person Investment Committee, chaired by the DaNa Director of Investments, including three external experts, and the DFID representative. This process was referred to as the 'shark tank' by both assessors and applicants, in reference to the format of the popular television show where entrepreneurs pitch to a panel of investors.

Several assessors and both applicants identified this as their favourite part of the process. For assessors, this allowed them to gauge the dynamics of the applicant companies. One assessor noted that the presentation spoke volumes since one company presented with all men showing a video that was all men, and were challenged on their inclusivity. Another assessor noted the pitch provided important insight since seeing the groups present gave a sense of their energy and enthusiasm. Pitches were generally conducted in English by younger members of the company, while older members of the company could speak in Myanmar language to the nationals on the Investment Committee.

Due diligence

Due diligence was seen as necessary, since when DaNa started sanctions were still in place against certain organisations and individuals and Western aid programmes needed to be able to withstand scrutiny that they were not supporting members of the former regime. KPMG, originally engaged as an auditor, took on a second role of conducting due diligence on shortlisted organisations. Assessors saw this as a necessary process to safeguard the programme's reputation, although it added time and cost to finalising grant awards.

Conclusions and summary of lessons learned

The BIW attracted 70-80 applications from qualified organisations through a targeted campaign. The selection criteria and other grant requirements attracted a certain profile of businesses, which tended to be large, well established, with sufficient cash or liquidity to match funding and cover grant payments in arrears.

The BIW used several novel approaches in selecting grantees successfully:

- A short 10-12 slide pitch deck was used for the initial proposal, which was well received by both applicants and assessors.
- DaNa provided technical assistance during the second stage of the application process, which assessors said improved the quality of second stage applications and applicants agreed was helpful.
- Shortlisted applicants gave a 30-minute 'shark tank' style pitch presentation in front of an independent Investment Committee. Several assessors and both applicants said this was the most positive part of the application process, with assessors noting that the pitch presentation gave a good insight into the dynamics of the applicant business.
- Assessors and grantees felt that the second stage business case application of 60-80 pages could have been reduced.

Both assessors and grantees recognised the value of DFID support in lending credibility to successful organisations and providing a link trade and industry bodies. Grantees look forward to DaNa providing additional technical assistance and coordination on sectoral and thematic issues.

For more details on the DaNa Facility and the work of the programme please visit: danafacility.com

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