

MULTILATERAL DEVELOPMENT BANKS' COLLABORATION:  
 INFRASTRUCTURE INVESTMENT PROJECT BRIEFS

# Myanmar: Ooredoo 3G Network Financing



## Overview

Myanmar emerged from nearly 50 years of military rule to become one of Asia's newest democracies. It launched a broad reform effort, including its telecommunications, for which it needed significant external investment. Following a successful competitive bid, the government awarded Ooredoo Myanmar (OML) one of two mobile telecom licenses. After securing \$150 million loans from the Asian Development Bank (ADB) and the International Finance Corporation (IFC), OML aims to reach 90 percent of the population, and has already experienced significant penetration in urban and rural areas.

This series showcases how the Multilateral Development Banks' collaboration supports the development and implementation of infrastructure investment. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

## Background

Myanmar is one of the largest countries in Southeast Asia strategically located near China and India. Its economic development was stunted by decades of political instability, civil war, and isolation. After returning to civilian rule in 2016, Myanmar launched new economic policies to transition to a market-oriented economy. With abundant natural resources, fertile farmland, and a historic role as a trading hub, Myanmar has the potential for significant economic growth. However, poverty is widespread and infrastructure remains poorly developed.

Myanmar remains one of the poorest and least-connected countries in Southeast Asia. The lack of investment in ICT infrastructure was apparent in the low penetration of telecommunication services—in 2013, only seven in 100 persons had access to a mobile phone; 0.5 in 100 had fixed-line telephone access; and 0.7 in 100 had a broadband internet subscription. Due to lack of investment and competition, the cost of a mobile connection was prohibitively expensive for the average citizen, and coverage was biased toward larger cities even though the majority of the population lives in rural areas.

With assistance from the World Bank Group (including funding from the Public-Private Infrastructure Advisory Facility-PPIAF), the government undertook significant ICT reforms such as restructuring of the incumbent operator and regulator, introducing competition, and opening the sector to foreign investment. In February 2014, following a competitive international tender that attracted over 90 applicants, the government awarded telecom operating and associated spectrum licenses to Qatar's Ooredoo Group and Norway's Telenor Group. Factors in the award decision included the technical and financial capability to quickly roll out a telecom network nationally and a commitment to offer affordably-priced services. Achieving these ambitious targets will expand access to more than 90 percent of the population, with an estimated 35 million people connecting through mobile services for the first time.

Ooredoo Myanmar (OML), a subsidiary of Ooredoo QSC, is a Qatar-based company engaged in the provision of domestic and international telecommunication services to over 107 million people across 15 countries in Asia, the Middle East, and North Africa. OML sought debt financing from the ADB and IFC to set up and roll out its telecommunications network and services, a greenfield operation in Myanmar.

## Project Description

The project consists of rolling out an advanced third-generation (3G) mobile telecommunication network across the country under a 15-year operating and associated spectrum license. OML will build, own, and operate the telecommunication network providing a full range of fixed and mobile telecom services nationwide. The total cost of the project, including license fees, is estimated to be \$2.9 billion over a five-year period.

OML officially launched its services in August 2014 as the first international operator to begin commercial operations and plans to deploy more than 10,000 kilometers of fiber cable and more than 7,000 telecom towers that will reach rural, remote, and low-income areas. It will also develop several mobile applications for banking, agriculture, and health to enhance access to basic services.

ADB and IFC each provided a \$150 million debt facility to finance in part the project's startup costs and the rollout of the 3G network in Myanmar, and mobilized additional financing.

## Multilateral Development Banks' Role

Multilateral support for the project was as follows:

- ADB provided a \$150 million direct loan and plans to implement a \$1 million technical assistance to deploy renewable energy solutions to 1,500 telecom tower sites in rural Myanmar to reduce diesel-burning power generation and avoid 10,000 tons of carbon dioxide emissions annually. This technical assistance is funded by the Canadian Climate Fund for Private Sector in Asia under the Clean Energy Financing Partnership Facility.
- IFC provided a \$150 million direct loan.

## Outcomes

Launching in three key cities, Yangon, Nay Pyi Taw and Mandalay, OML sold more than one million SIM cards within three weeks of launch, and aims to secure 13 million subscribers by 2019. The project is expected to:

- Provide mobile phone and Internet services to 77 percent of Myanmar's population
- Provide service to both urban and rural areas, thereby opening the doors to mobile banking services
- Increase competition in the sector, thereby driving down costs to the consumer
- Provide a positive demonstration effect for infrastructure projects in the country
- Support local firms—more than 700,000 small and medium-sized enterprises are expected to be part of OML's distribution network

Total penetration of mobile telecom services in Myanmar, by all providers, skyrocketed from 20 to 60 percent between 2013-16.

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