PROMOTING SUSTAINABILITY IN THE PRIVATE SECTOR IN MYANMAR

MYANMAR
AT A GLANCE

GDP & Growth Rate
US$ 64 billion, 8.5%

Foreign Investment
US$ 6.9 billion

Water Stress
Access to water risk: High
EPI rank: 164

Impact of flood in 2015
1 mil acre farm destroyed
US$ 200 mil crop destroyed
Increased food prices
20,000 farms animals died
Less than expected export

Data: MNPED, WB and BBC

Myanmar is in a unique position to achieve development objectives while increasing prosperity through a Green Economy approach. Access to big, high growth markets in the region, abundance of natural resources, and opportunity to leapfrog through technology adoption, are some of reasons why Myanmar has experienced exponential growth in foreign and domestic investments. Moreover, many businesses are eagerly waiting to invest in the country once the regulatory and political risks reduce to their level of risk tolerance.

With increasing volume and diversity of business in the country, the pressure on the environment is mounting. Most businesses depend on the use of the services environment provides. Such services may include food, water, forest products (e.g. rubber, timber), soil retention, carbon cycling, pollination etc. On one hand, the cumulative investment over the last three years has increased to US$12 billion or almost 20% of the GDP, while on the other, about three quarters of that investment has been in sectors that significantly depend on and/or impact the quality of environment and ecosystem.

Businesses are facing unprecedented risk due to the degradation of ecosystem services through excessive use and impact.

Many examples across the globe, particularly associated with water, demonstrate that the physical risk can bring a business to its knees in matter of days, forcing factories to shut down and to lose millions of dollars in capital investment. Additionally, excessive and unsustainable use of natural resources can increase reputational risk to a business and, potentially, discourage consumers from buying its products and/or services.

Foreign Investment by Sector (2012-2015)
The risks business face in this context can be broadly classified into four types. The magnitude of these risks to a business depends on many factors, including geography, competing resources, brand value, regulatory environment etc. and these risks are not independent of each other. For instance, increased physical risk might have a spillover effect on other risks. Therefore, risks and mitigation measures shouldn’t be considered in isolation and a comprehensive corporate strategy is one that addresses these risks systemically.

**Sustainability in Private Sector**

Sustainability in the private sector, if done right, can not only reduce the risks mentioned above but also potentially improve competitive advantage of a business. There are many examples around the world where businesses have made sustainability an integral part of their corporate strategy and improved their position and bottom line in global markets.

A business can take a five step approach to go from a traditional short term profit model to integrating sustainability in company's operations and supply chain. When it comes to sustainability strategy, there is no one solution that fits all. The strategy needs to be sliced and diced to the local conditions the business operates in. Moreover, the framework doesn’t include every aspect of sustainability. None the less, this framework can help corporations take the initial steps to move into the right direction.

**Identify Priorities:** First, a business needs to identify the ecosystem services that its supply chain depends upon or impact. Thereafter, they need to find the services that are under stress. If the dependency (or impact) is high and the service is under stress, it is of high priority to the company. For instance, water is a high priority to a textile company in a water stress area but, perhaps, a lower priority to a software company in the same geography. This exercise has to be done along the entire supply chain, including inputs, production process and product use.
Identify Risks: After identifying the priorities, a business needs to identify the possible risks it is facing in relation to those priorities. To identify those risks, estimate the change and trend in ecosystem services (e.g., has the flow of water in the river decreased in the lower part of Irrawaddy?). After identifying the change in services, identify the drivers of change (e.g., what main factors have led to decrease in the flow of river? How responsible your business is to the change in ecosystem services?). Based on these estimates, identify the level of all four types of risks mentioned above. Various tools developed by WWF and other organizations can help a business identify these risks quantitatively and qualitatively. Specifically for water ecosystem services, a business can use the Water Risk Filter Tool developed by WWF.

Internal Actions: The strategy for internal actions has to align with the risks in operations along the supply chain. Unaligned actions can further aggravate the risks including reputational risk through Greenwashing. Based on the risks identified, a business can reduce its dependency and impact on ecosystem services through process efficiency, innovations and offset programs in the supply chain. Internal actions mitigate some of the risks and may also reduce operational costs to the business.

Multi-stakeholder Collaboration: More often than not, the efforts of one company do not lead to the long term sustainability of a natural resource. Resource stewardship extends beyond any single business, and improved management of resources is fundamental to the long term sustainability of the industry and well-being of the community dependent on the same resources. Therefore, a collaborative approach is required to address the shared risks. There are many examples such as Partnership for Cleaner Textile (PaCT), Better Cotton Initiative etc., where businesses have collaborated to address a sustainability issue critical to the industry. To collaborate, a business can join an existing collective initiative. If no such initiative exists, a business needs to engage with stakeholders, including industry and NGOs, to take joint decisive actions for the long term sustainability of the industry.

“*If we achieve our sustainability targets and no one else follows, we will have failed.*”

Paul Polman, CEO, Unilever

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1 WWF Myanmar can support committed organizations to measure their risks along the supply chain.
**Influence Public Policy:** Finally, it may be important for a business to engage with public policy to ensure that the regulatory environment is coherent, predictable and stable over time and promotes transparency and accountability in the private sector as well as favours sustainable use of ecosystem services. As the business recognizes the need for a “level playing field”, sound policies can create a competitive advantage in terms of the cost of sustainable production as well as utilizing resources responsibly over a longer period.

**Creating Opportunities through Sustainability**

Sustainability, while reducing the risks to a business, can potentially provide significant competitive advantage. With rising demand for sustainable products in many developed and developing countries, business can target environmentally conscious consumers and charge a premium for sustainable products. Fifty percent of global consumers are willing to pay more for responsible products. Moreover, a business can potentially drive out “irresponsible” competition through policy engagement. For instance, policy engagement to promote responsible waste water disposal can force irresponsible competitors to take safeguard measures or risk shutting down their operations.

**Sustainability in Myanmar**

The environmental safeguards and their enforcements are limited in Myanmar, leaving it up to the judgment of the business to implement safeguards and risk management in a manner they find best. Some business in Myanmar have demonstrated leadership and made great strides towards actions. But equally, sustainability efforts of many companies, usually labeled as CSR, do not align well with the underlying ecosystem risks and community challenges. Such misalignments put the industries and communities at a greater risk and also undermine the export competitiveness of Myanmar to premium markets.

“Governments must take the lead in living up to their pledges. At the same time, I am counting on the private sector to drive success.”

Ban Ki-moon,
Secretary General, United Nations

Specifically considering the scenario of garment and beverage industry in Yangon industrial zone, most companies do not treat their waste water before disposal. This results in unhygienic living conditions for the local community, impact on fish quality and population, and, along with many other consequences, limited export markets for the industry. A collaborative approach to responsible use and governance of water may improve labor health and productivity, increase community’s purchasing power, and provide industry access to diverse and lucrative markets. This is a win-win situation for all the stakeholders.

There is an urgent need to promote sustainable use of ecosystem services in Myanmar. With a sharply rising trade deficit, the short term incentive to exploit natural resources and ecosystem services is greater. However, such a strategy would lead to an irreversible destruction of ecosystems. In such a scenario, nature will lose, communities will lose and thus business will ultimately pay a higher cost for raw materials and generate lower revenue.

2 http://www.sustainablebrands.com/
As the ideas and actions for sustainability develop in the country, the civil society will increasingly be vocal on the effectiveness, inclusiveness and intent of business and their initiatives. Here are some basic dos and don’ts.

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<th>Do</th>
<th>Don’t</th>
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<td>Assess risks, and explore which tools and indicators are truly meaningful</td>
<td>Misrepresent risks, or assess risks with poor quality indicators or single-focus tools</td>
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<td>Create a clear and strong sustainability strategy and publish it on your website; support and develop initiatives that make strategic sense from the point of view of your risk profile, not just any philanthropic giving</td>
<td>Perpetuate ad hoc approaches and unclear motives. Random philanthropic giving</td>
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<td>Focus on internal actions first</td>
<td>Blame others or engage in high level policy debates without taking responsibility for your own actions at a local level</td>
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<td>Be engaged with competing resource users and your supply chain</td>
<td>Ignore competing resource users, suppliers and ecosystems and say that &quot;their problems aren’t a part of your core business&quot;</td>
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<td>Be transparent and accountable while considering business responsibility</td>
<td>Misrepresent motivations and the role you are playing</td>
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<td>Explore robust resource management schemes, such as Alliance for Water Stewardship, and consider third party verification</td>
<td>Make unsubstantiated claims about stewardship using only internal platforms</td>
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<td>Be clear on your business’s roles and responsibilities</td>
<td>Greenwash core impacts with minor improvements and small-scale projects</td>
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<td>Anticipate investor disclosure expectations and reporting trends</td>
<td>Think that ecosystem services have no value, that investors only care about quarterly profits</td>
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<td>Create targets that are meaningful and relevant to external conditions</td>
<td>Set arbitrary targets that have little to do with what regulators, policymakers and nature have in store</td>
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<td>Promote strong governance, and predictable and consistent regulation</td>
<td>Dismantle regulatory regimes for narrow, short-term interest</td>
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There are many other considerations when addressing sustainability, the previous list is only a starting point. WWF Myanmar stands ready to support business with a strong commitment to integrate environment sustainability into corporate strategy. WWF will work with government, civil society and private sector players to promote sustainable use of ecosystem services in business by

- supporting organizations to develop their sustainability strategy;
- helping companies build capacity to analyze their supply chain footprints, identify services under stress, set sustainability targets and take collaborative actions;
- supporting corporate sustainability guidelines into key policy decisions;
- building capacity of journalists and CSOs to distinguish genuine sustainability efforts from Greenwash and to demand greater responsibility, accountability and transparency as well as stronger environmental safeguards in private sector;
- encouraging green investments through the inclusion of ESG risks in investments;
- promoting sustainable sourcing of strategic commodities.

**CASE STUDY**

Because water is essential to nature, communities, and business, The Coca-Cola Company and WWF have been working together since 2007 to help conserve the world’s freshwater resources. Our global partnership is focused on helping to ensure healthy, resilient freshwater basins in the Mesoamerican Reef catchments in Mexico, Belize, Guatemala, and Honduras and the Yangtze River basin in China.

Together, we are addressing the natural resource challenges that impact fresh water by measurably improving environmental performance across the company's supply chain, integrating the value of nature into decision-making processes, and convening influential partners to solve global environmental challenges.

Beyond the global partnership, WWF and The Coca-Cola Company collaborate locally in dozens of countries to create a more water-secure future.

WWF Myanmar stands ready to support business with a strong commitment to integrate environment sustainability into corporate strategy.

To stop the degradation of the planet’s natural environment and promote prosperity through a Green Economy approach.

To build a future in which humans live in harmony with nature.
2nd
most vulnerable country to climate change

1.1-1.9%
deforestation rate

2.5-3.1%
forest degradation rate

72%
mangrove cover loss

Myanmar at a glance