

DETAILS OF IMPLEMENTATION ARRANGEMENTS

A. Regulatory Framework

1. The Ministry of Transport and Communications (MOTC) oversees the telecommunications industry. In 2013, a new Telecommunications Law was approved that delineated MOTC's policy, regulatory, and operational functions. The new law fulfilled the basic elements of a liberalized telecoms regulatory framework set out by the World Trade Organization. Under the new law, MOTC's Post and Telecommunications Department (PTD) is responsible for regulating the telecom industry. In 2013, after decades of underinvestment when communications networks were owned and tightly controlled by the state, the government announced an international bidding process for two international licenses. The two licenses were the subject of an international tender process, which was assisted by global strategy consulting firm Roland Berger, and was widely regarded as transparent and competitive. The government received 91 expressions of interest in February 2013 and 12 companies were shortlisted. In June 2013, two bidders were competitively selected: Qatar's Ooredoo Group and Norway's Telenor Group.

2. The regulatory and competitive environment in Myanmar is evolving as the government pursues significant reforms in information and communication technology (ICT) and other sectors. The World Bank continues to play an important role in advising on the establishment of the telecoms laws and regulations. In July 2015, MOTC released a draft telecommunications master plan with the objective to establish Myanmar as a "mobile first, digitally connected nation" by (i) creating a Myanmar national broadband infrastructure asset, (ii) delivering communications content and services for the Myanmar people, and (iii) creating an enabling institutional framework.

3. The telecommunications market structure in Myanmar has transformed from a monopoly into a liberalized environment with two international operators, the state-owned incumbent, and a newly approved fourth operator. In July 2014, Myanma Posts and Telecommunications (MPT), the incumbent telecom operator, announced a memorandum of understanding with Japan's KDDI Corporation and Sumitomo Group, which stipulates that KDDI Summit Global Myanmar will invest \$2 billion over 10 years. In July 2015, MOTC invited applications from domestic public companies to participate in a special purpose vehicle (SPV) that would be formed in partnership with a foreign firm for the fourth license. The Myanmar firms were selected first, followed by the foreign partner. MOTC announced in November 2015 that the SPV has been formed with 11 local companies. In March 2016, Viettel, a telecoms operator from Viet Nam, was chosen as the foreign partner that will own up to 49% of the partnership; the rest will be owned by the SPV and Star High Public Company, a subsidiary of military-run Myanmar Economic Corporation.

B. Management

1. Borrowers

4. The borrowers will be Irrawaddy Towers Asset Holding Pte Ltd (ITAH), a company incorporated under the laws of Singapore, and its subsidiary Irrawaddy Green Towers Ltd (IGT), a company incorporated under the laws of Myanmar, on a joint and several basis. ITAH is a joint venture between M1 Group Limited and Alcazar Projects Limited; ITAH in turn owns 100% of IGT. IGT is the largest tower company in Myanmar with more than 2,000 towers commissioned by the end of the first quarter of 2016.

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2. Sponsors

5. M1 Group Limited, registered in Dubai International Financial Center, is a holding company with interests in telecommunication, real estate, aviation, retail, energy, and transportation.

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6. Alcazar Projects Limited, registered in the Cayman Islands and wholly owned by the family of Maroun Semaan, was established to develop and invest in the tower business in Myanmar.

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C. Project Structure and Operation Arrangements

8. **Tower infrastructure rollout.** Up to 5,000 telecom towers will be deployed across the country.

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9. Construction of a telecom tower consists of three main parts: civil works, tower infrastructure, and power solutions.

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In commissioning more than 2,000 towers by the end of the first quarter of 2016, IGT built up a strong network of suppliers across the value chain that will enable it to rollout new towers rapidly and in a cost-effective manner.

10. **Tariff structure.**

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12. **Co-location potential.** Unlike in more developed markets, the new international telecom operators in Myanmar, Telenor and Ooredoo, chose the “tower company model” to deploy its telecom network from day 1. Under this model, the telecom operator outsources the construction, operation, and maintenance of its towers to a third-party tower company, and installs its equipment on towers owned and operated by the tower company. The tower company constructs and manages tower infrastructure, which is leased to telecom operators under long-term contracts. This business model allows faster deployment cycles to meet the aggressive rollout targets and achieve cost efficiencies by sharing tower infrastructure with other telecom operators.

13. Tower sharing has numerous advantages, including (i) increasing the telecom operator’s ability to roll out services quickly across larger areas; (ii) increasing efficiencies for the industry as a whole as overall industry capital expenditure and operational expenditure, such as power, ground rent, and security, are shared by all tenants; (iii) improving service quality since telecom operators are able to create denser networks using more shared towers; and (iv) alleviating the

aesthetic concern of having too many towers close to each other. The regulator, PTD, has also put zoning regulations in place to avoid duplication of infrastructure, further encouraging co-location by telecom operators.

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14. **Major cost structure.** Major costs include O&M for the towers, fuel delivery, and site leases.

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D. Project Performance Monitoring, Reporting, and Evaluation

15. During project implementation, the Asian Development Bank (ADB) will receive reports regularly on project financial and operational indicators, as well as other information that ADB and IGT agree upon. Reporting requirements will be documented in the facility agreement and will include (i) the audited financial statements of IGT, (ii) calculations and compliance certificates of the financial covenants, and (iii) the business plans of IGT. IGT will provide information to track development impacts based on the performance indicators established in the design and monitoring framework. Requirements for reporting on safeguards and development impact will be included in the loan covenants. ADB will conduct annual reviews to monitor environmental and social safeguard requirements, credit assessments, and a review of development impacts, among other things.