



MANDALAY INVESTMENT OPPORTUNITY SURVEY REPORT

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Prepared by
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Key Points

- Mandalay is Myanmar's second largest city with a population of over 1.2 million. It is the major trading and communication center in northern and central Myanmar. Mandalay is strategically situated on important Ayeyarwaddy River and connects to India and China, Thailand and other parts of Southeast Asia via land routes.
- With its central location, availability of raw materials and labour, Mandalay provides various types of business opportunities to different investors.
- Mandalay Investment Opportunities Survey collated 42 business respondents across various firm-size categories, age, ownership profiles and industries from Mandalay Region. 20 official Interviews were also conducted to public offices and associations in order to understand detailed information about overview of Mandalay.
- According to the Survey, Mandalay faces both institutional and infrastructure limitations, such as government procedures, availability of land and electricity supply. Both the regional government and private firms have been trying to improve the basic infrastructure with their own initiatives and partnerships.
- The future prospect for Mandalay is good; 46% of the respondents rated their future of industry as good prospect due to increasing market demand, FDI partner and better infrastructure and services. Most potential sectors include hotel and tourism, manufacturing and trading.
- To make Mandalay more competitive and attractive investment destination, a number of actions to be taken, such as, handling the land prices, upgrading infrastructures, providing skilled workforce and supporting by the government and relevant departments.

Background of the Mandalay Investment Opportunity Survey

Foreign Direct Investment (FDI) is considered as an engine of growth and highly prioritized in Myanmar. The Myanmar Investment Commission (MIC) is responsible for promotion of FDI and Myanmar citizen's direct investment.

In order to achieve balanced economic development as the national agenda, regional investment promotion is considered to be important but its strategy and implementation have not been fully materialized.

Mandalay is the second largest city in Myanmar and an integral part of the central to northern part of Myanmar. Mandalay and its 20 mile-circle surrounding area (Mandalay Area) have a vast potential for development and investment including agriculture, agro/food processing, manufacturing and other type of business. However, the potential has not been fairly realized yet and there are growing demands for identifying and promoting promising investment opportunities in Mandalay Area.

In order to address these issues, "Mandalay Investment Opportunity Survey and Investment Fair" was planned by MIC and the Japan International Cooperation Agency (JICA), which currently dispatches a JICA Expert as an advisor on investment promotion in Directorate of Investment and Company Administration (DICA) of Ministry of National Planning and Economic Development.

For this purpose, Myanmar Marketing Research and Development Co., Ltd. (MMRD) was contracted with JICA and conducted the Survey and Fair in order to identify untapped opportunities for investment in Mandalay area with evidence, to promote the identified investment opportunities in and around Mandalay for potential investors, and to enhance linkages between Mandalay local business and foreign/domestic investors.

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Abbreviations

ASEAN	Association of Southeast Asian Nations
AIRBMP	Ayeyarwaddy Integrated River Basin Management Project
B2B	Business-to-business
B.O.T	Build-Operate-Transfer
DICA	Directorate of Investment and Company Administration
ERIA	Economic Research Institute for ASEAN and East Asia
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FY	Fiscal Year
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit GmbH (German International Cooperation)
JICA	Japan International Cooperation Agency
KII	Key informant interview
MCDC	Mandalay City Development Committee
MCDV	Myanmar Comprehensive Development Vision
MIC	Myanmar Investment Commission
MCC	Mandalay Convention Centre
MMRD	Myanmar Marketing Research and Development Co. Ltd
MMID	Mandalay Myotha Industrial Development Public Co. Ltd.
MNPED	Ministry of National Planning and Economic Development
MIDV	Myanmar Industrial Development Vision
MoLES	Ministry of Labour, Employment and Social Security
MOT	Ministry of Transport
MRCCI	Mandalay Region Chamber of Commerce and Industry
NCDP	National Comprehensive Development Plan
NSSA	National Skills Standard Authority
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises

1. Macroeconomic Overview of Mandalay (Officials' perspectives)

1.1 Basic facts of Mandalay Region

Table 1: Basic facts of the Mandalay Region

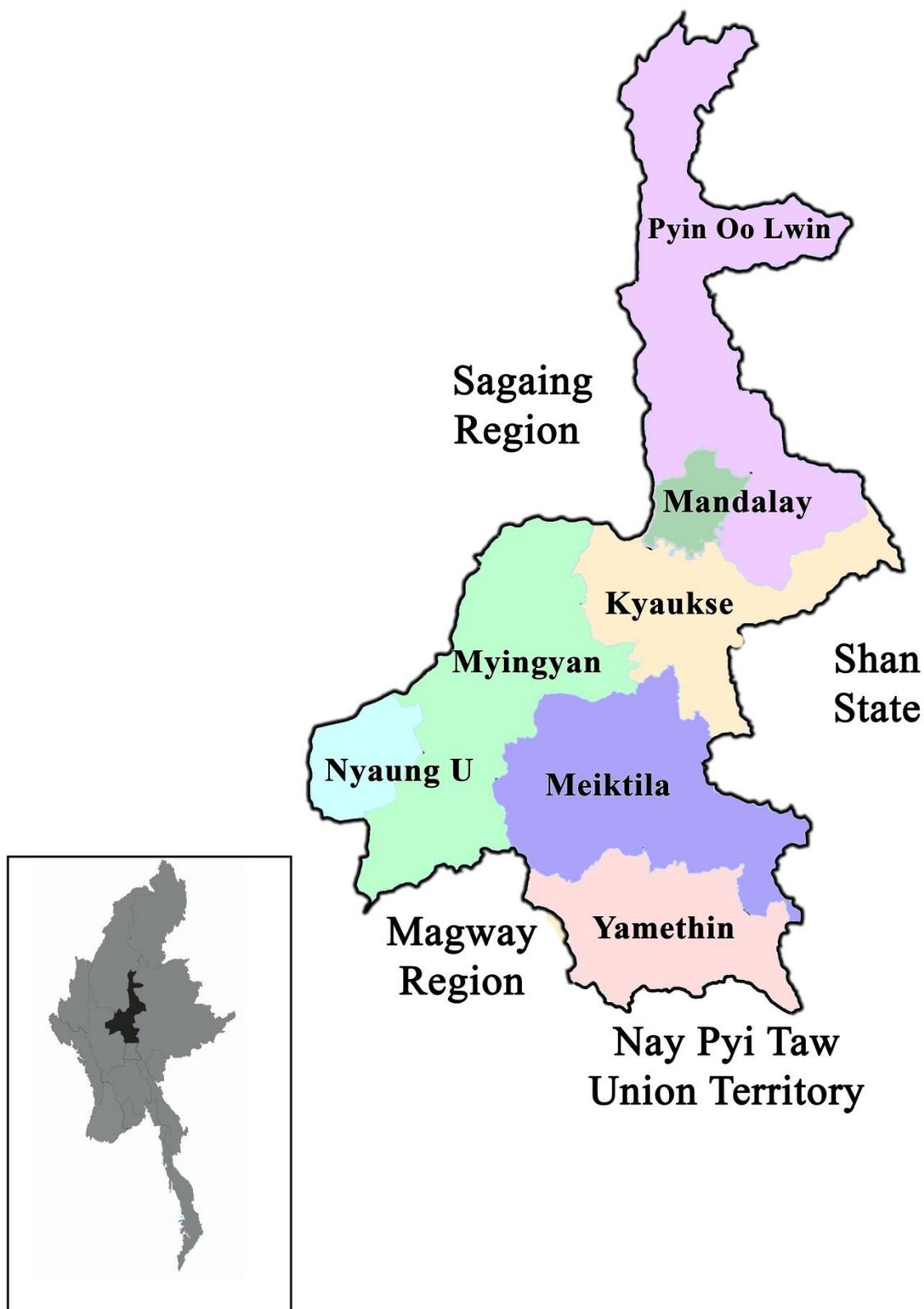
Size	11,925.95 sq. miles
Population	6.165 million (12% of union population) Population density – 206/km ²
Number of households	1,323,191
Percentage of urban households	31.4%
Number of districts	7
Number of townships	31
Capital	Mandalay
Gross Domestic Product	11.4% of overall GDP (FY2014-15)
Major industries	Agriculture Trading and logistics Minerals and mining Wood and forestry

Located in central Myanmar, Mandalay Region is bordered by Sagaing Region to the north, Sagaing and Magway Regions to the west, the Union Territory of Nay Pyi Taw to the south, and Shan State to the east. With the area of over 11,925 sq. miles, Mandalay Region is the 11th largest constituent unit of Myanmar. The Region occupies the eastern parts of the central lowlands, and has only few areas of higher elevation towards its eastern boundary with Shan State. Most of the Region belongs to the 'Dry Zone' due to its relatively low rainfall patterns compared to other regions.

Mandalay City and its surrounding districts have always played an important role in the political, economic and cultural history of Myanmar. It is also considered as one of the most developed among the states and regions of Myanmar socially and economically.

Mandalay is the capital of Mandalay Region. It is the second-largest city and the last royal capital of Myanmar. Located 445 miles (716 km) north of Yangon on the east bank of the Ayeyarwaddy River, the city has a population of 1.2 million. It is the economic hub of Upper Myanmar and considered the centre of Myanmar culture. Despite Nay Pyi Taw being the country's capital, Mandalay still remains Upper Myanmar's main commercial, educational and health centre. Mandalay is the major trading and communications centre for northern and central Myanmar. Most of Myanmar border trade to China and India goes through Mandalay.

Figure 1: Mandalay Region with its districts



Source: MMRD

1.2 Why Mandalay?

There are various reasons why Mandalay can provide huge opportunities to the potential investors. The potential of Mandalay is explained briefly below.

- 11.4% of Myanmar's GDP (2014-2015);;
- 12.4% GDP growth (2014-2015);
- 11.98% of Myanmar's population (6.16 million) ;
- 93.8% literacy rate;
- Accessibility (Asian Highway Hub (AH1,2,14), Trans Asian Railway Hub, Inland Waterway, International Airport);
- Culturally rich;
- High potential for growth

Although the GDP contributed by the Mandalay Region is one of the highest in Myanmar, there is not much development despite lots of potential in the region. For example, 707 foreign direct investments (FDIs) have been in business operation in Myanmar since 1988 until August 2015 (MIC existing enterprise basis) and the Yangon Region has the highest FDIs with 483 while Bago Region and Rakhine State have 42 and 28 respectively. However, Mandalay Region only has received 19 FDIs over 25 years. Thus, there is a need to support all the investment opportunities to reach its potential in Mandalay. Mandalay is also trade hub and provides a lot of potentials. However, if there is no implementation to follow up the potential, it would just remain as potential without reaching actual development. Furthermore, foreigners know Mandalay as the tourist city but not as a commercial or trade city.

Mandalay Region is important as one of the two growth polars stated by Two Polar Growth Strategy in Myanmar, which is defined in National Comprehensive Development Plan (2010-2030). This model identifies Yangon and Mandalay as the two growth poles, or two growth centers of Myanmar.

Current performance of small and medium enterprises (SMEs) has shown the slow growth. If the local SMEs could connect with the foreign investors and develop as the supporting industries, it would bring the win-win strategy for both parties. For example, there have been many sugar refineries which started operation since 1996. However, due to locally-made machineries, lack of raw materials and technology, these refineries lost out on the quality and production by modern machineries. Without investment, the number of local refineries shrank from 70 in 1996 to 15 in 2015. Previously, Mandalay accounts for over 50% of sugar processing and production in Myanmar. However, the production has dropped a lot in recent years so there is a need for investment. Thus, foreign investment is crucial to improve both quality and quantity of the products as well as help local firms in terms of technological transfer.

1.3 Economy

Mandalay Region is strategically located in the heart of central Myanmar. It is among the country's main centres of commerce and investment, contributing in generating employment and economic development. The region has a mixed economy with agricultural production being the primary livelihood source for the majority of its population, combined with industrial production, trade and tourism.

The region is endowed with providing agricultural and forest products. Thus, it is a naturally and traditionally a centre grown into an important storage, processing and distribution hub for agricultural and forest products. Primary crops grown within Mandalay Region are rice, wheat, maize, peanut, sesame, cotton, legumes, tobacco, chili, and vegetables. Livestock and fresh water fisheries are also important to the region's economy. Various types of forestry products such as teak and other hardwoods are extracted from forests.

The region also is home to various industries, such as alcoholic breweries, textile factories, sugar mills and factories of household and consumer goods. Minerals and precious materials are also produced in some areas. Mogok is famous for its ruby mines, which are among the most significant deposits in the world.

Tourism also forms a substantial part of Mandalay Region's economy. With tremendous growth of international tourist arrivals to Myanmar in recent years, some of the most popular tourist destinations led in its territory. Temples and ruins of Bagan and Amarapura are most famous destinations as well Mandalay city itself attracts many visitors with its religious and historical sites. Hilly regions of Pyin Oo Lwin and Mount Popa provide potential eco-tourism.

Due to its strategic location in the middle of the country, Mandalay city has a strong border trade with China and India, transporting primary goods such as rice, beans and vegetables to resellers in Yangon or exporting to China or India.

With thriving agriculture exports, trade and transportation hub as well as tourist destination, Mandalay Region is one of the regions which contribute significantly to Myanmar's economy. The region contributes around 11.4% of Myanmar's GDP, behind Yangon Region (22%) and Sagaing Region (11.6%) during FY2014-15. According to the regional government, it is planned to achieve an average of 8.4% growth during the period of 5-year term (FY2011-12 to FY2015-16) with regional GDP per capita of MMK 1.2 million (USD 1,000 equivalent)¹ for FY2015-16.

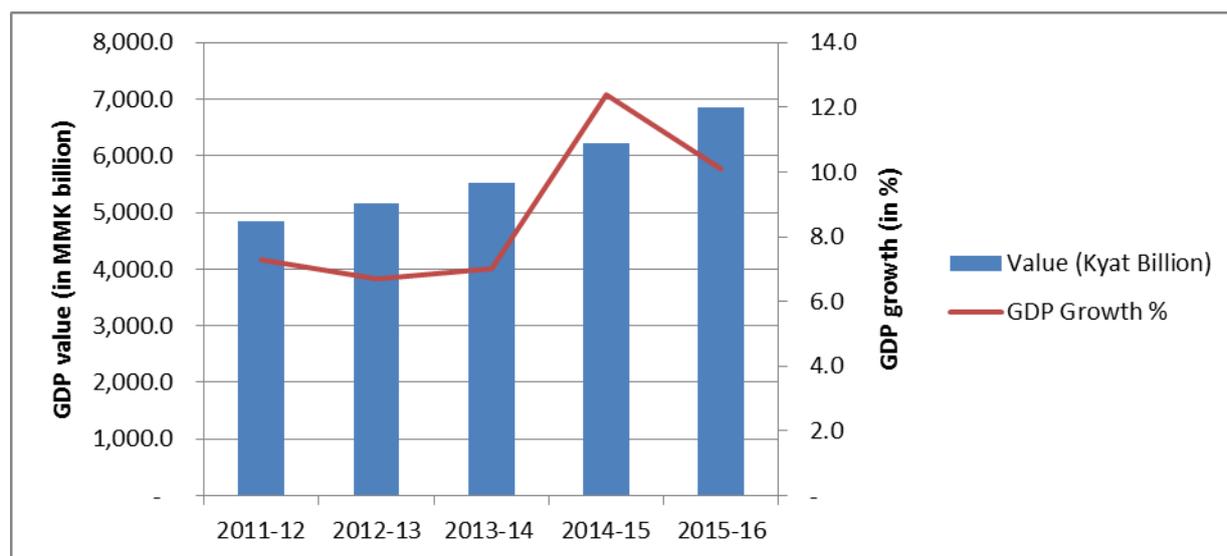
¹ An average of 1 USD = MMK 1,200 in 2015

Table 2: Contribution of Mandalay Region

Fiscal Year	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Contribution to Myanmar's GDP	11.29%	11.25%	11.08%	11.42%	11.50%

Source: Ministry of National Planning and Economic Development

Figure 2: GDP of Mandalay Region

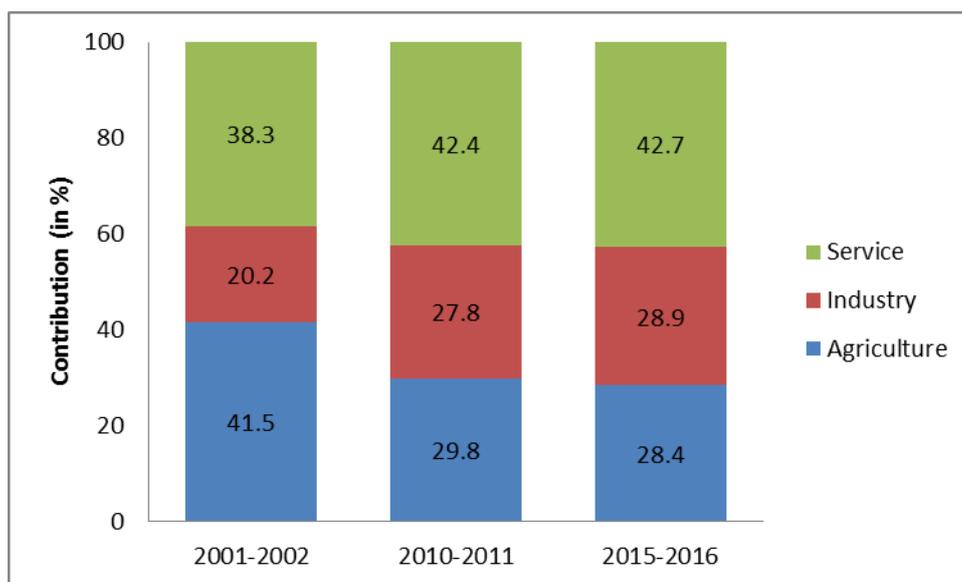


Source: Ministry of National Planning and Economic Development

Following the GDP of Myanmar, Mandalay Region's GDP is accounted based on three main broad based sectors: agriculture, industry and service. Agriculture comprises proper agriculture farming, livestock, and fishery and forestry sectors. Industry includes energy, mining, processing & manufacturing, electric power and construction. Services cover transportation, communication, financial institutions, social & administrative services, rentals and other services including trade.

The region's GDP used to be mainly derived from primary products such as agriculture and forestry. During FY 2001-2002, agriculture was accounted for 41.5% of the overall contribution of the Mandalay Region's GDP. However, it was reduced to 29.8% in FY 2010-11, with increasing contribution from the industry and service sectors. The industry and service sectors could become important contributors to Mandalay's GDP by nurturing and enabling the unutilized and young labor force in labor-intensive industries. Furthermore, foreign investors will potentially be more attracted by the industry and service sectors as they could develop untapped market as well as providing employment to local community.

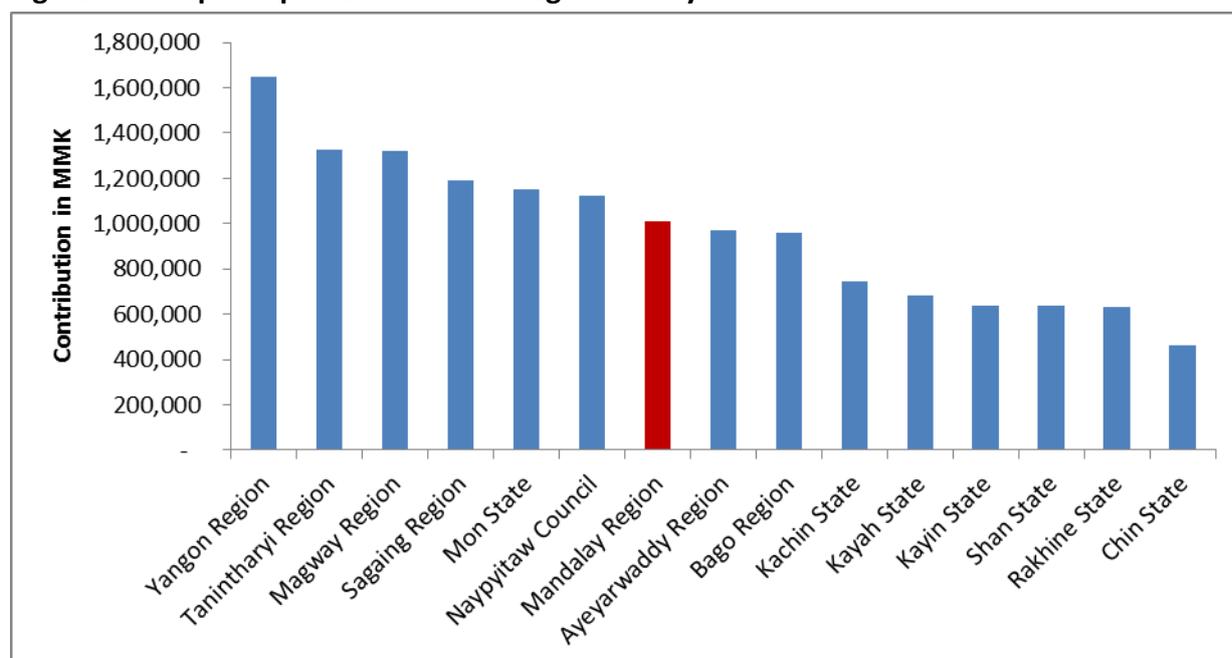
Figure 3: GDP contribution of the Mandalay Region by sector



Source: Ministry of National Planning and Economic Development

Although Mandalay has contributed as the third GDP generating region to Myanmar's GDP, Mandalay Region lags behind in terms of GDP per capita compared to other neighbouring regions such as Magway, Sagaing and Nay Pyi Taw. Mandalay Region's GDP per capita is MMK 1.011 million (USD 842) for FY 2014-15, compared to MMK 1.645 million (USD 1,370) by Yangon.

Figure 4: GDP per capita of states and regions in Myanmar



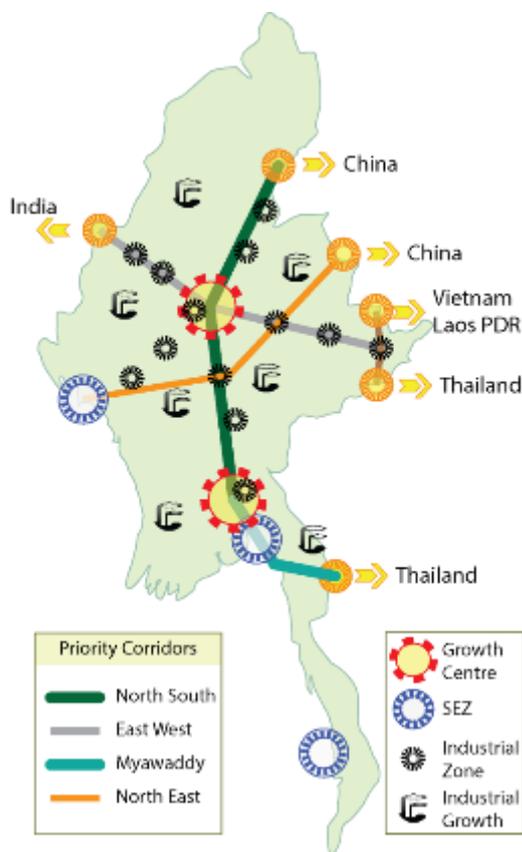
Source: Ministry of National Planning and Economic Development

1.3.1 Two Polar Growth Model

The comprehensive long-term planning "National Comprehensive Development Plan (NCDP)" presents "Two Polar Growth Model" which identifies Yangon and Mandalay as the two growth poles or two growth centers of Myanmar. The Two Polar Model focuses on further industrialization of Yangon and Mandalay to enhance their economic agglomeration with linkages via the economic corridors so that national inclusive development will be effectively achieved for poverty reduction. These economic corridors also provide internal connections (within the country) as well as external connections (to neighbouring Thailand, India, Lao PDR and China).

According to the NCDP, Mandalay will be functioning as an epicenter of economic growth in the north of the country will address 25% of the national poverty share. The idea of "Two Polar Growth Model" is supported by Myanmar Comprehensive Development Vision (MCDV), which was prepared by the Economic Research Institute for ASEAN and East Asia (ERIA) with the support of the Ministry of National Planning and Economic Development (MNPED). Since the plan is huge, prioritization is required due to high initial investment costs.

Figure 5: Two Polar Growth Model



Source: MNPED

1.4 Infrastructure

Sustainable infrastructure development in Mandalay Region is important to contribute effectively to the country's development. Mandalay is not only the economic and social centre of the central dry zone of the country, but also the trading hub connecting northern and southern parts of the country, China and India. Currently, both the government and private organizations have participated in various projects to improve overall infrastructure of the region.

The Mandalay regional government has detailed plans for regional development plans in order to reduce the gaps between the rich and poor, improve overall living standard of the people, and move forward to clean government and good governance. Detailed development plans, range from Regional Development Plan, City Development Plan, and Township Development Plan to Village Development Plan are being initiated by respective government councils.

1.4.1 Roads

Myanmar shares borders with Bangladesh, China, India, Lao PDR and Thailand, and is thus strategically located at the crossroads of China, South Asia and Southeast Asia. Being in the middle of the country, Mandalay Region is close proximity to Asia's largest and fastest growing markets which offers great opportunity for the region to become the land link between China, India and the ASEAN countries.

Table 3: facts of Mandalay Region roads

Type	Total
Union highways	24
Regional roads	33
Bridges	3,918
Registered vehicles (Excluding motorcycles)	146,525
Registered motorcycles	1,262,024

Sr.	District	# of bridges
1	Mandalay	359
2	Pyin Oo Lwin	1,456
3	Kyaukse	689
4	Meiktila	449
5	Myingyan	647
6	Nyaung-U	53
7	Yamethin	265
Total		3,918

Source: Mandalay Region Government (2011-2015 Plan)

Figure 6: Road linkage of Mandalay Region



Source: MMRD

To support the overall development of transportation sectors, it is important to focus on improving all the road links within the region, which in return, leads to the improvement in transportation system and provides efficient logistic links with other regions. The regional government has prioritized widening the union highways, upgrading roads and bridges with short-term 5-year plans and 20-year long-term strategy to improve road infrastructure within the region. The regional government has partnered up with private firms to build, operate and transfer in order to upgrade current roads and build new ones.

1.4.2 Ports

Myanmar has some 5,000 km of navigable waterways, of which about 2,400 km make up the primary inland waterway network, including the Ayeyarwaddy River which flows through Mandalay Region.

Ayeyarwaddy River, Myanmar's largest river and most important commercial waterway, acts as the major mode of inland water channel throughout Mandalay Region. The river has also served as its main cultural and economic passage-way throughout history and continues to be one of its main transportation arteries. Various types of commodities and goods such as rice, construction materials, fuel, coal, heavy machineries and consumer goods use waterway as one of the major modes for transportation.

Although transporting goods via waterway is considered one of the cheapest ways, there are several constraints such as not enough water in the river during summer, narrow navigation of water way and sharp bending of the river. Extensive and repeated dredging is required on the river as well as effective navigation and communications facilities.

To ensure free flow of goods throughout Myanmar and provide new opportunities for international trade before implementation of the ASEAN Economic Community in 2015, Mandalay Region aimed to improve inland ports and waterway with the union budget and funding from international organizations.

According to the Ministry of Transport (MOT), the following objectives will be achieved by establishing and upgrading inland ports.

- To establish standard Inland Ports at Ayeyarwaddy and Chindwin rivers in order to promote efficient cargo handling
- To promote the containerization by using inland water ways
- To support the facilitation of inland water transport
- To create job opportunities and develop the living standards of the people

Ayeyarwaddy Integrated River Basin Management Project (AIRBMP) will be funded by the World Bank with USD 100 Million within 5 years (2015-2016 to 2019-2020). 3 components will be parts of the project, including information and capacity building of water resource institutions, modernization of hydromet observation and information systems and enhancements of Ayeyarwaddy River navigation.

Mandalay Port, located close to Mandalay city, is one of the busiest inland water ports in Myanmar and it handles both regional and border trades of various goods. Inland Transport Authority transports people and goods from Mandalay to various cities along the Ayeyarwaddy River such as Yangon, Pyay, Nyaung Oo, Kathar and Bamaw. Although there is

According to MMID, full Foreign Investment Law (FIL) and Myanmar Investment Commission (MIC) privileges are available for qualified investors, along with the flexible land use lease terms. The firm has targeted to commence general cargo operation from January 2016. Compared to the Mandalay Port which focuses on manual loading, Semeikhon (Si Mee Khon) Port will provide modern cargo handling equipment which will allow high volume of bulk and containerized cargo efficiently. Cargo barge is also designed to connect and move along the length depending on river height which can vary by up to 10 meters between dry and wet season. Dutch firm Royal Haskoning DHV has undertaken a conceptual design for the cargo barge and crane envisaged at the port which allow loading to occur consistently all year round regardless of the water level.

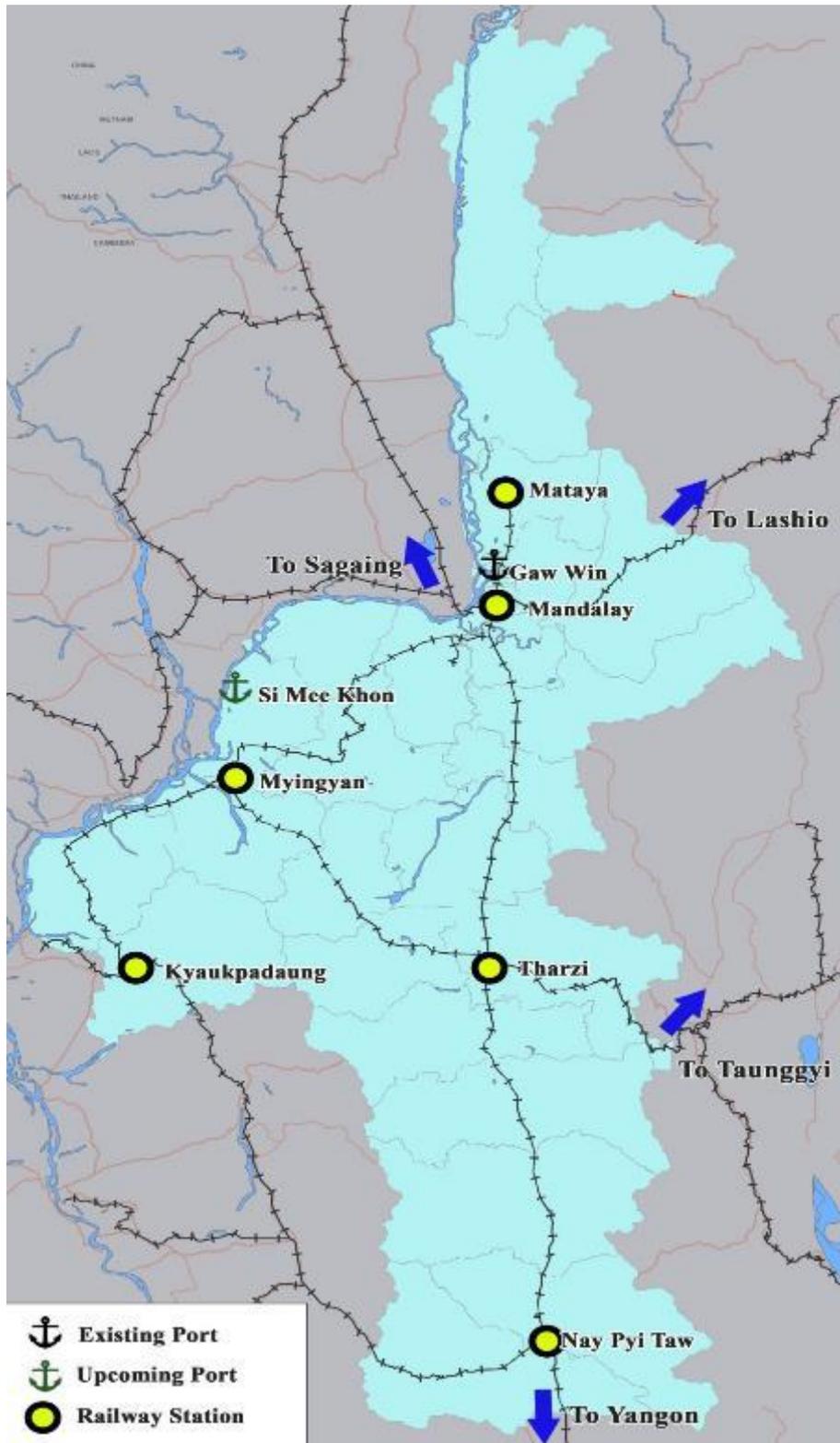
1.4.3 Railways

Mandalay is an important point for land transport services. Most of the cargoes handled at the city are exports of beans and pulses and imports (primarily agricultural equipment and fertilizers) by land from China (via Muse) and India (via Tamu). As for import goods, Mandalay will then distribute to different parts of Myanmar through various modes, including railways.

Rail transport was first introduced in Myanmar in May 1877 when Lower Myanmar was a British colony and the British extended the Taungoo line to Mandalay by 1889 from Yangon. Since then, Mandalay-Yangon route is the busiest railway route in Myanmar and commodities imported from China (Yunnan) are transshipped to freight cargos at Mandalay and forwarded to Yangon. At the same time, cargo from Yangon is transshipped to China and other parts of Myanmar via Mandalay. Mandalay connects to far regions such as Kachin State and both Shan south and north through railway. USD 142 million Japanese ODA loan was approved in 2014 to renovate and modernize the aged railway equipment and facilities to provide safer, faster train service with enhanced transport capacity. Further efforts are being taken to get the ODA Loan/ private Investment in order to upgrade the Mandalay-Myitkyina Track and Signaling Upgrading Project, with the estimated cost of USD 60.57 million.

Being located in the middle of Myanmar, Mandalay and its region play an important role to transport people and various types of commodities and products across all Myanmar, from Lower Myanmar to Central, Northern, Western and Eastern Myanmar.

Figure 8: Rail and waterway linkage of Mandalay Region



Source: MMRD

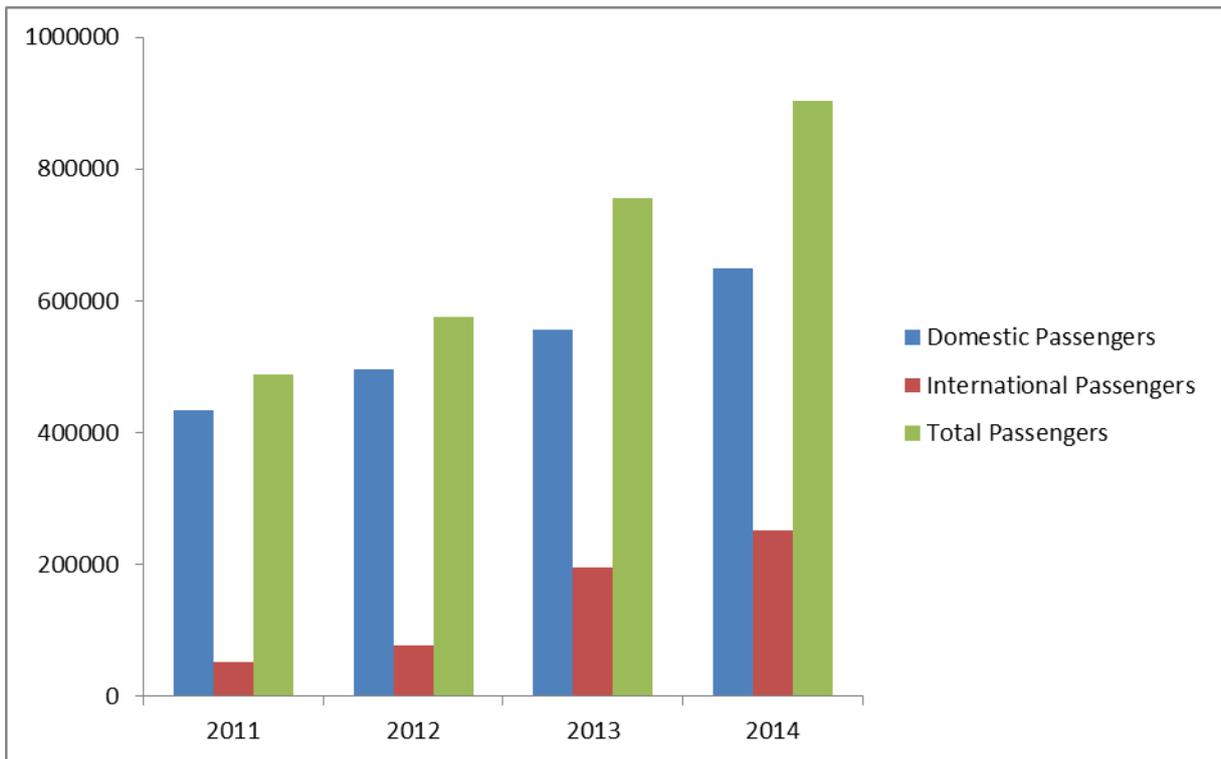
1.4.4 Airports

Mandalay region has 2 airports, including Mandalay International Airport and Nyaung-Oo Airport.

Mandalay International Airport, located 35 km south of Mandalay in Tada-U, is one of only three international airports in Myanmar. Completed in 1999, the airport is the largest and most modern airport in the country, connecting both domestic and international destinations. It also has a 14,000-foot (4267-m) runway which is the longest runway in use in Southeast Asia and capacity to handle up to 3 million passengers a year. The current operation is handled by joint venture of Mitsubishi Corporation, JALUX Inc., and SPA Project Management Ltd for 30 years.

With the investment of USD 13.5 million, Mandalay International Airport would be upgraded to be an aviation and logistic hub in the region with 3 phases of cargo handling capacity, from 4,000 tons in Phase-1 to 12,000 tons in Phase-3.

Figure 9: Passengers arrivals of Mandalay International Airport



Source: Ministry of Transport

Table 4: List of commercial airlines operating in Mandalay Region

Sr. No.	Name of airlines
1	Myanmar National Airlines (formerly known as Myanma Airways)
2	Asian Wings
3	Air Kanbawza
4	Air Bagan
5	Yangon Airways
6	Golden Myanmar
7	Mann Yadanarpon
8	China Eastern* (Mandalay- Kunming)
9	Air Asia* (Mandalay- Bangkok)
10	Bangkok Airways* (Mandalay- Bangkok/ Chiang Mai)
11	SilkAir* (Mandalay- Singapore)
12	Myanma Airways International (Mandalay- Gaya/ Seoul)

* International airlines

Figure 10: Commercial airports in Mandalay Region

Source: MMRD

Nyaung-U Airport is the primary air gateway to the ancient sites of Bagan and surrounding areas and has connected to major cities in Myanmar with domestic airlines.

1.4.5 Energy and Power

Energy and power have been an important part of infrastructure for attracting foreign investors to Myanmar and power is also considered one of the major drawbacks about investing in the country. By 2015, the ministry of Electric Power estimated 1,176MW of electricity to be used in the Mandalay Region, with the demand for electricity to increase 10% annually. With many upcoming industrial projects such as Mandalay Myotha Industrial Park, Tada-U Development Plans, development of other industrial estates and rural area developments, there will be a strong need for electricity and energy in near future.

The Ministry of Electric Power has 3 plans to fulfill such need for electricity.

1. Implementations by the Ministry
2. Implementations by the local entrepreneurs with Build-Operate-Transfer (B.O.T) system
3. Implementations by foreign investors with Joint Venture or B.O.T system

Table 5: Electricity generation and distribution in Mandalay Region

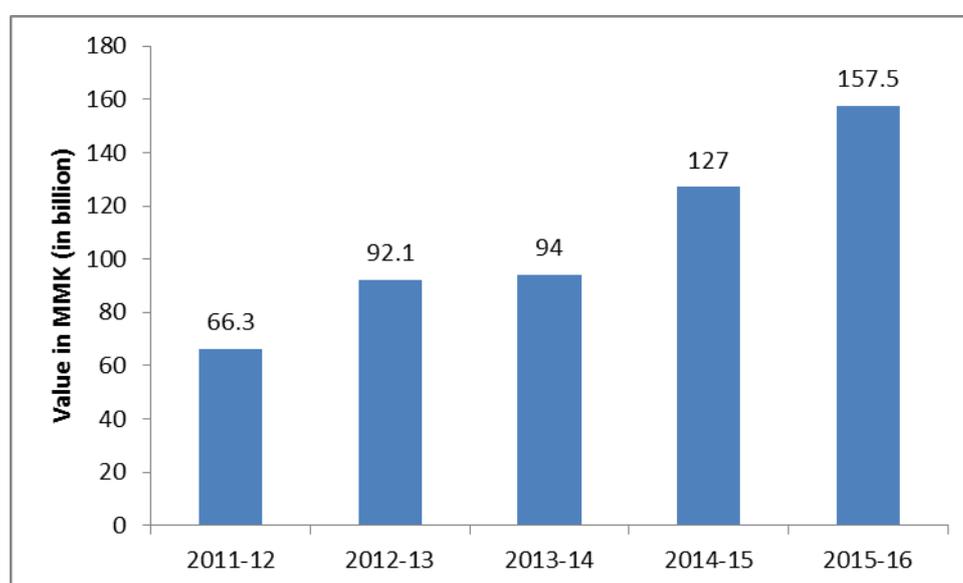
Sr. No.	Description	Voltage Ratio	Installed Capacity (MVA)
1	230 kV Myaukpyin S/S	230/33	200
2	230 kV Shwesaryan S/S	230/132 230/33	100 60
3	230 kV Bellin S/S	230/132 230/33	100 100
4	230 kV Thaphaywa S/S	230/33	60
5	230 kV Thazi S/S	230/132 132/33	200 30
6	132 kV Myingyan S/S	132/66	90
7	132 kV Tagundaing S/S	132/33	128
8	132 kV AungBinlae S/S	132/33 132/11	30 31.5
9	132 kV Yinmarbin S/S	132/33	15
10	132 kV Ahneesakhan S/S	132/33	60
11	132 kV Yepaungson S/S	132/33	60

12	132 kV Taungtawkwin S/S	132/33	150
13	132 kV Inngone S/S	132/33	60
14	132 kV Yadanarbon S/S	132/33	18
15	132 kV Latpanhla S/S	132/33	20
16	132 kV Zone (2) S/S	132/33	18
17	132 kV Chauk S/S	132/66/11	39.99
Total			1,570.49

Source: Ministry of Electric Power

Currently, there are 6 hydropower stations and one on-going implementation of hydropower stations located in the Mandalay Region, which could provide up to 1,424MW by the end of FY 2015-16. In February 2014, US-based APR had a contract with the government to build a fast-track power plant in Mandalay Region. Based in Kyaukse, the expanded power plant is one of the largest gas powered plants in Myanmar, providing electricity to over six million people.

Figure 11: Gross production value of electricity in Mandalay Region



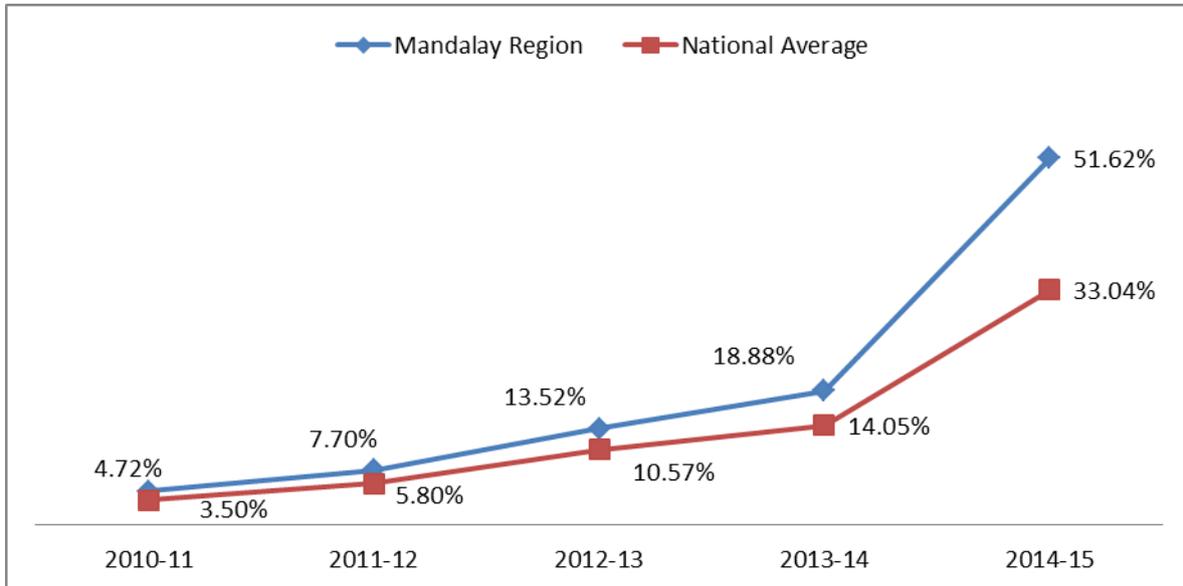
Source: Mandalay Regional Government

1.4.6 Telecommunication

Compared with other countries in the region, the telecommunications sector in Myanmar used to be extremely underdeveloped. Before the foreign companies were allowed to enter, the telecommunications industry had been under the monopoly of government-owned Myanmar Post and Telecommunication (MPT). After President Thein Sein's government had

come into power, improving the telecommunications sector became one of the government’s top priorities. To reduce the country’s giant mobile coverage gap, the government has set highly ambitious goals to increase the teledensity rate to 50 percent in FY 2013 - 2014 and 80 percent in FY 2014 - 2015.

Figure 12: Mobile penetration of the Mandalay Region*



Source: Myanmar ALin (17-8-2015) *for MPT subscriber only

To have better telecommunication in the region, Mandalay Region has been doing the following agendas with the participation of various stakeholders, from government organizations such as MPT to the private investors.

1. Improving and expanding of Internet Gateway (Nay Pyi Taw, Yangon, Mandalay)
2. Expanding the connection of fiber optic cables and microwave
3. Increasing mobile penetration
4. Upgrading high-speed internet
5. Upgrading post system
6. Upgrading computer and IT system
7. Upgrading telegraph system
8. Setting up e-Government National Data Center

1.5 Public and Private Investment

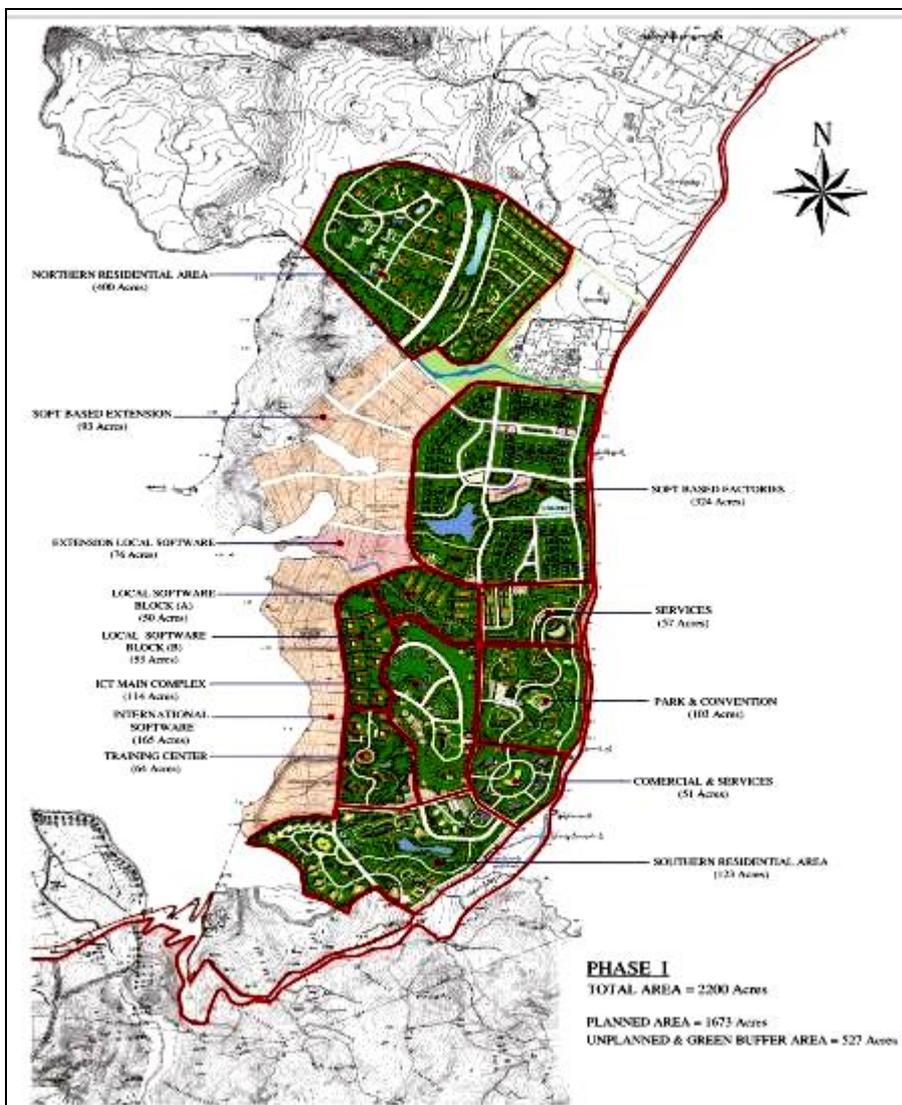
1.5.1 Public Investment

The regional government has been focusing on the development rural areas while upgrading the infrastructure and facilities of urban townships so that conclusive development will be achieved within the region. For rural area development, the government has dedicated

towards building more clinics, primary schools, roads and bridges. Apart from that, the government has also implemented rural electrification in all districts.

Since 2006, Yadanarpon Cyber City has been implemented with over 30 local and foreign investors, mostly from Asia. It accommodated various firms related to information and communication technologies (ICT) as well as university related to ICT development. Although the government has focused on setting up major parts of the Cyber City, private companies have been selected for building residential estates. Construction companies such as Asia Mega Link, Elite and Tawtarwin have been selected to build residential estates, including resident buildings for the government servants.

Figure 13: Yatanarpon Cyber City Project Area Location



1.5.2 Private investment

To improve the overall development of the region rapidly, the regional government alone could not handle every aspect of the development or projects due to human resource or budget constraints. Thus, private investment has been allowed in public infrastructure with various forms, such as, build-operate-transfer (BOT), lease agreement and also joint venture with the government or the related ministries.

Myanmar Citizen Investments

As for private investments by Myanmar citizens, Yangon accounts for almost 54% of overall investment in FY 2014-15 while Mandalay Region only the fifth with just 2.7% of investment in the region.

Table 6: Myanmar citizen investments to respective states and regions in FY 2014-15

<i>(Kyat Million)</i>		
No.	State and Region	2014-15 FY
1	Yangon Region	649,965.22
2	Nay Pyi Taw Council	236,622.77
3	Tanintharyi Region	95,648.30
4	Shan State	94,145.97
5	Mandalay Region	32,954.68
6	Magway Region	19,304.77
7	Rakhine State	18,285.77
8	Sagaing Region	17,718.61
9	Bago Region	17,524.10
10	Ayeyarwaddy Region	13,751.78
11	Mon State	10,000.00
12	Kayin State	1,000.00
	Total	1,206,921.97

Source: MNPED

Foreign Investment

Foreign direct investments (FDIs) inflow in Myanmar in FY 2014-15 are over USD 8 billion (MIC approved basis). Yangon Region accounts for almost half of the investment while Mandalay Region accounts for just over 8% of overall FDI.

Table 7: Foreign direct investment to respective states and regions in FY 2014-15

(USD Million)

No.	State and Region	FY 2014-15
1	Yangon Region	3,766.65
2	Rakhine State	1,618.19
3	Mandalay Region	666.54
4	Tanintharyi Region	601.12
5	Magway Region	460.04
6	Bago Region	325.60
7	Shan State	234.20
8	Ayeyarwaddy Region	165.56
9	Kayah State	144.38
10	Sagaing Region	16.83
11	Magway Region	9.00
12	Naypyitaw Council	2.43
	Total	8,010.54

Source: DICA

1.6 Industrial parks

Mandalay Region is located in the middle of Myanmar and considered as historical centre for trade and transportation in Myanmar. Mandalay Region has 3 industrial zones, namely Mandalay Industrial Zone, Myingyan Industrial Zone and Meiktila Industrial Zone.

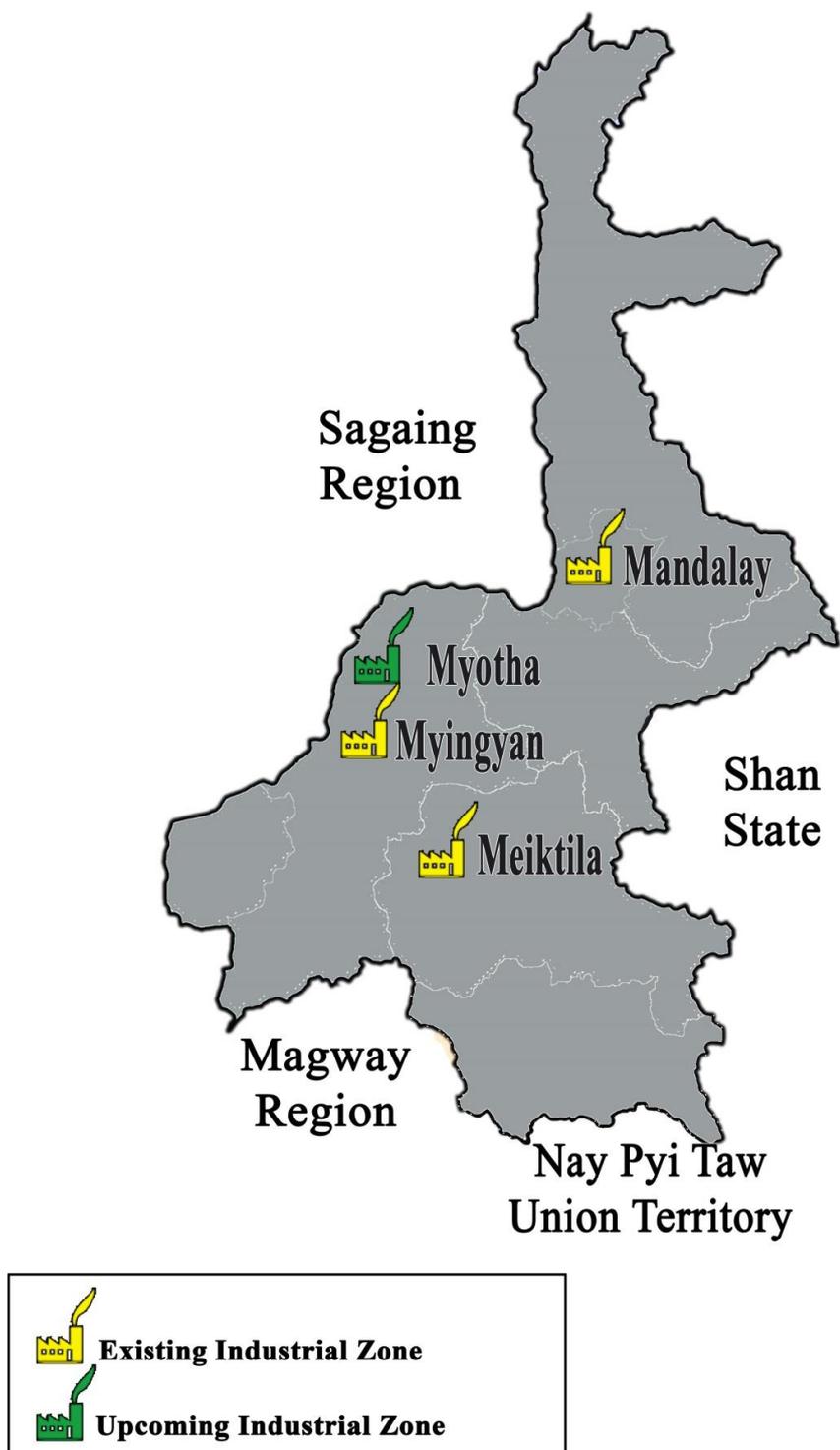
Name of IZ	Mandalay Industrial Zone	Myingyan Industrial Zone	Meiktila Industrial Zone
Land size (acre)	1,820	163	385
Number of enterprise	1,294	265	295
Established year	1990	1995	1997

Since the market economy has been introduced, joint ventures, profit sharing enterprises and leasing of government industries have started. Apart from the big players, small and medium enterprises also play important role in developing industries, such as supplying raw materials and semi-finished goods as well as acting as supporting industries to the main industries. Thus, there is a strong need to do the following steps.

1. Amend the laws, regulations and procedures of doing and improving business environment in the region
2. Improve the efficiency of logistics and transportation
3. Support the development of infrastructure

- 4. Upgrade the skills of the workers by supporting with various technical training institutes
- 5. Produce the potential products

Figure 14: Industrial zones in Mandalay Region



Source: MMRD

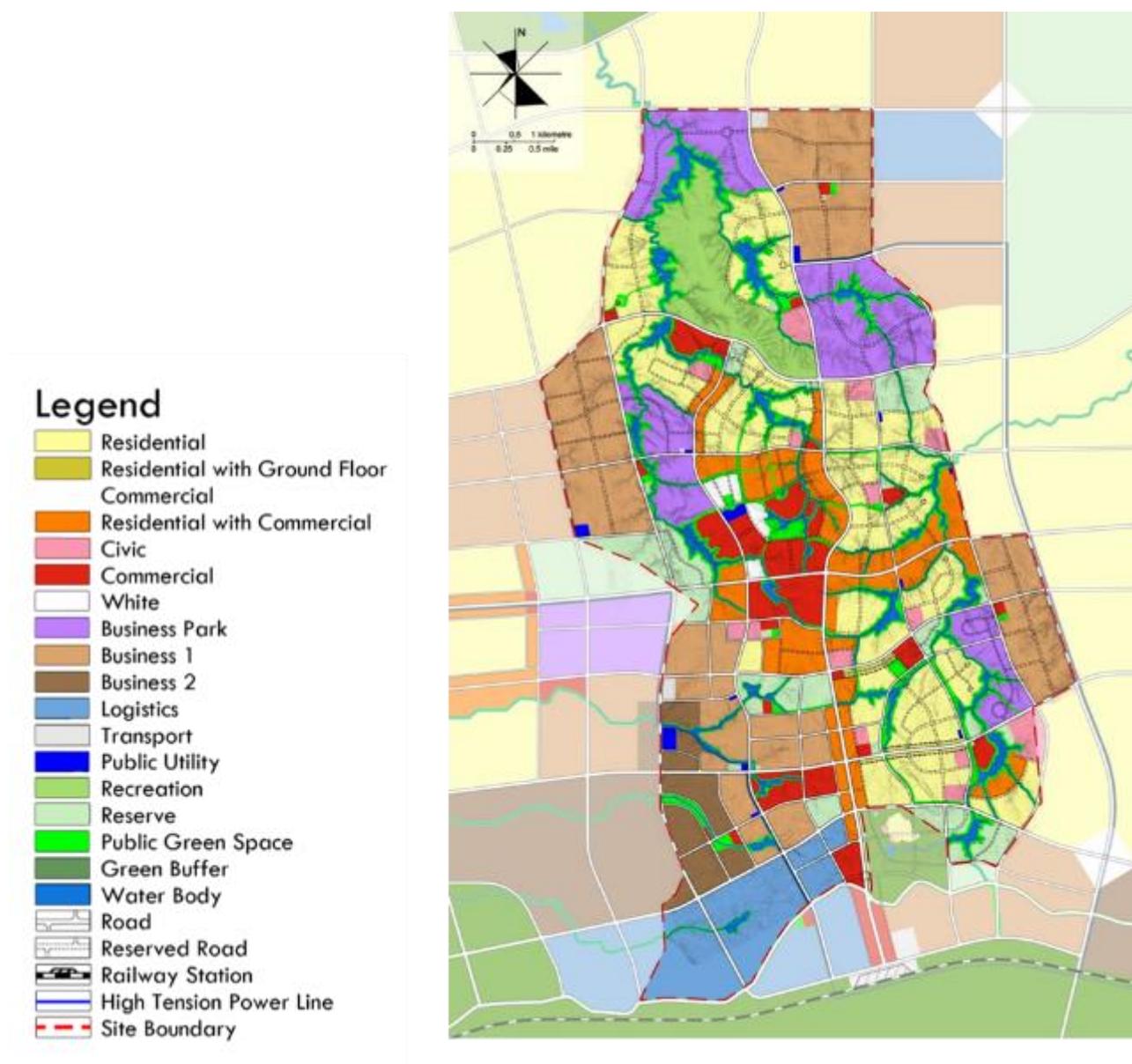
Mandalay Myo Tha Industrial Park is located near Myo Tha (Ngazun Township) which is approximately 36 miles away from Mandalay. It is developed by Myo Tha Industrial Development Public Co. Ltd (MMID). The industrial park covers 10,337 acres and includes specified areas for Industrial, warehouse and logistic development, residential development, road and transportation, commercial public facilities and amenities. Myo Tha Industrial Park is 28 miles from Mandalay International airport and 36 miles from Mandalay.

Figure 15: The location of Myo Tha Industrial Zone



Source: MMRD

Figure 16: Myotha Industrial Park



Source: MMID

According to MMID, the location is strategically placed and easily accessible for all industrial and economic activities in the region. The industrial park is established to generate employment opportunities and help to alleviate poverty in Mandalay Region and to create and maintain an effective, pro-business and service-oriented investment environment for Local and Foreign Investors. It is open for all types of industries such as foundation industry, hi-tech and capital-intensive industry, consumer and product service industries although it doesn't welcome heavy industries.

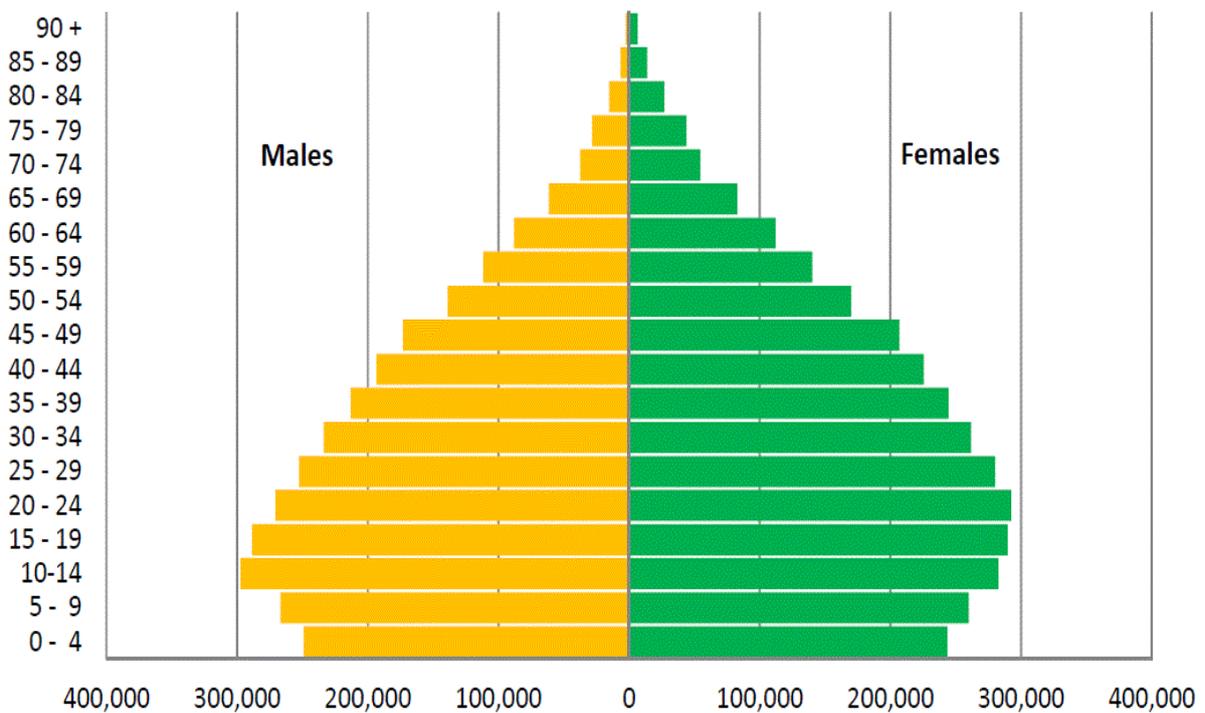
The project will continue phase by phase developments with Phase-1 with 2,500 acres (2013-2017), Phase-2 with 4,500 acres (2017-2022) and Phase-3 with 3,500 acres (2022-

2025). Electricity is being connected to key areas of the site and MMID was recently allocated 2x20MVA of 66 Kv Substation from the Ministry of Electric Power. Transmission line and Substation construction have started and will be completed in January 2016.

1.7 Labour

Mandalay region has a population of over 6 million and is one of the most populated regions in Myanmar. The population pyramid for Mandalay Region in 2014 is pot-shaped; an almost similar shape to the population pyramid of the Union. With the growing young population, it is important to provide employment opportunities and encourage the development of policies and programmes. Thus, the need to provide job opportunities is critical for the government and other stakeholders.

Figure 17: Population pyramid of Mandalay Region



Source: National Census 2014

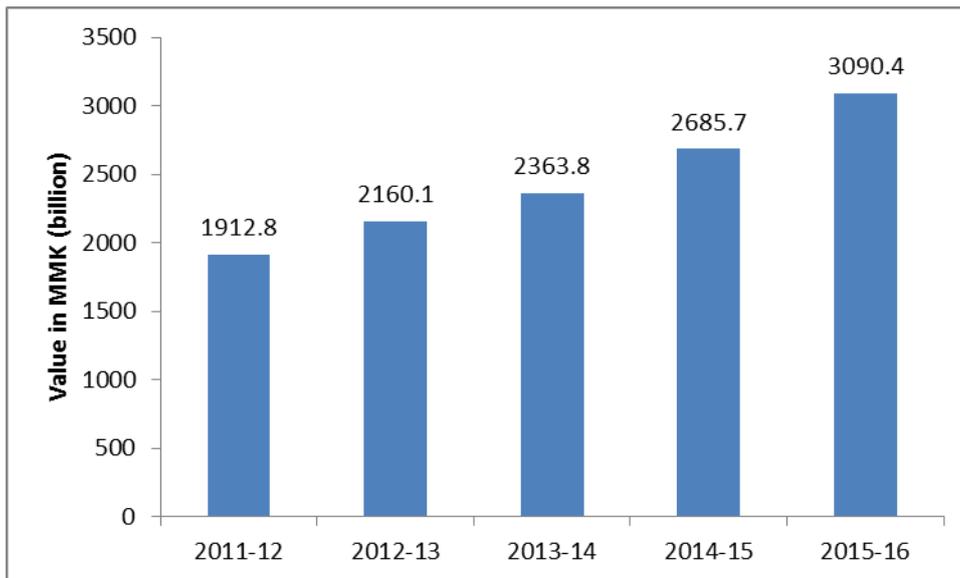
There are 150,000 private employees and 120,000 government employees in Mandalay Region. Industry sector has the workforce of over 56,000 people. They have been working in various firms located in the industrial zones of Mandalay, Meiktila and Myingyan. To provide more job opportunities to the local communities, there is a need to upgrade the current industrial zones, build new zones and expand more industries in the region. Small and medium enterprises are the main stakeholder to employ the majority of the workers in the region.

1.8 Mandalay District Development

Like Yangon, Mandalay has formed a special administration for its municipal areas, in the form of the Mandalay City Development Committee (MCDC), which includes seven urban townships, with the area of 1,474 sq. miles. The major businesses of the districts are industries, transportation and trade. The district is called 'hub city' with various air routes, roads, railways and inland waterways strategically located between India, China and along the Greater Mekong Subregion Corridor.

To carry out the city development works effectively, The Mandalay City Development Committee (MCDC) was first established in 1992 under Mandalay City Development Committee Law. It has wide-ranging responsibilities, including city planning, land administration, tax collection and urban development. MCDC has partnered with various companies in the form of joint venture or B.O.T to provide housing, roads, facilities and infrastructure to the public.

Figure 18: Planned GDP by Mandalay District (Current price)



Source: Mandalay Regional Government

1.8.1 Infrastructure and commercial projects in Mandalay

With the increasing industries and machineries in the industrial zones, MCDC also focus on the water supply system, waste water discharging system and treatment management in Mandalay City. JICA has provided assistance of water supply system for Pyigyí Tagon Township, worth USD 20 million. Apart from the international loans and assistances, MCDC partnered with Hydrotek Public Company for *central waste water treatment plant and*

collection system. To generate energy from municipal solid waste from Mandalay, Organic Group from Thailand also implemented with B.O.T method with support by MCDC.

Pyi Gyi Mingalar Truck Terminal was built by MCDC, made up of around 80 reinforced concrete buildings which include trucking services, warehouses, banks, workshops and clinic. Area is around 62 acres and finished construction at the end of 2012.



Together with CAD Construction, New Star Light Construction and Mandalay City Development Committee, *Mingalar Mandalay Project* was started in 2012.



The project finished the first phase which includes apartments, a supermarket, car parks, a three star hotel, condominiums, shop houses, an office tower and a shopping mall for residents. An additional Pullman Hotel, condominium, villas and office towers are currently under construction.



Mandalay Convention Centre (MCC) Project is being built on a 14.8-acre, MCDC-owned site on southern Theitpan Road in Chan Mya Tharsi township. It is a joint venture between MCDC, New Star Light and CAD construction. The centre will have a 1,500-seat hall, six meeting halls, and small booths for exhibition of commodities, one 1,000 seat hall and a 2,000-vehicle car park. A commercial complex featuring a hotel, shopping centre, a 16-floor office building and two 20-floor condominiums is expected to be built in 2017 and 2018.

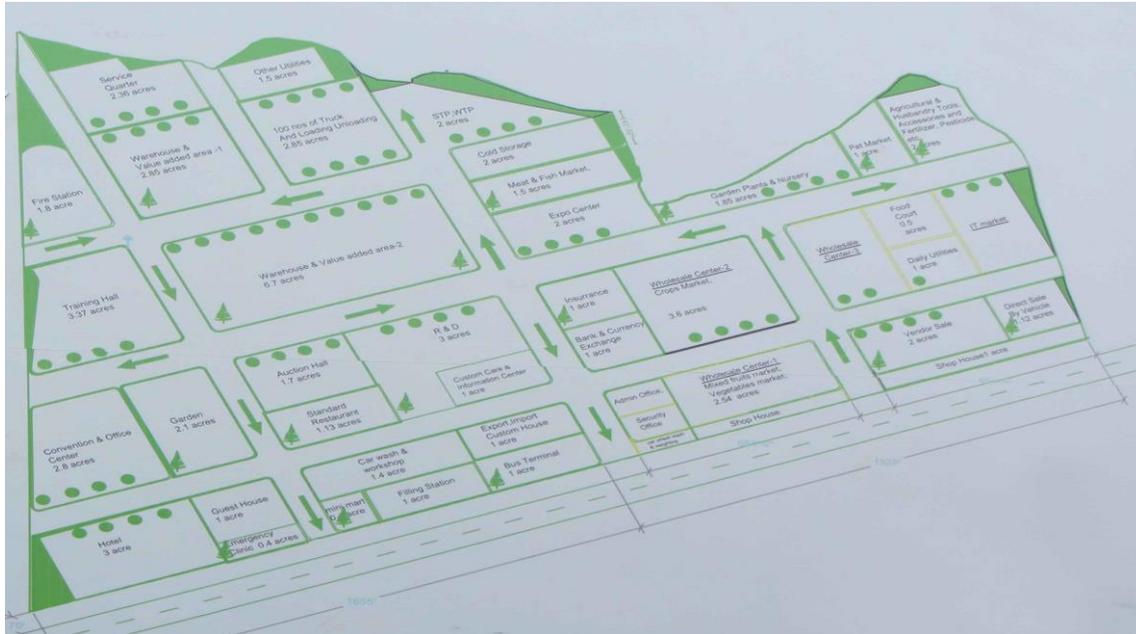
Tada Oo Hotel Zone Project is situated at 14.27 miles South West of Mandalay City and planned area of around 2,000 acres. It would be built by Myanmar Tourism Development Co. Ltd and comprises of hotels, commercial and financial areas as well as residential areas. It aims to create 10,000 hotel rooms in the market and 50,000 jobs for the local people.

Mandalay City Development Committee has been building *Yay Dagon Taung golf course*, together with parks and recreation centres as well as high-end housing estates. Total areas reserved for the development of parks and housing estates are 225 acres.

Developed by Mandalay Green City Co Ltd and constructed by Mann Myanmar, Than Lwin Myat, and a dozen other local companies, the *Mandalay Wholesale Market* is located near the Mandalay International Airport and plans to have trade buildings, refrigerated storage rooms, banking services, hotels, guest houses, and exhibition halls. This 100-acre wholesale market project is to improve the market conditions of Upper Myanmar by decreasing

dependency on China and the goods will mainly come from neighboring areas such as Sagaing, Meikhtilar, Myingyan and other northern areas. It is planned to be finished in April 2017.

Figure 19: Mandalay Wholesale Market Master Plan

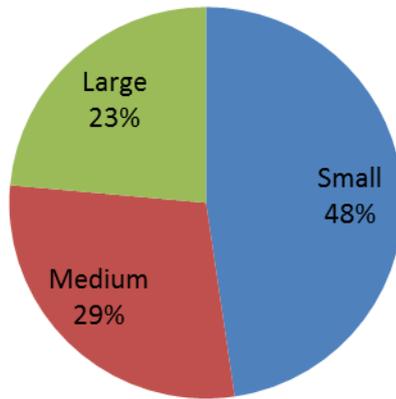


Source: Mandalay Green City Co., Ltd.

1.8.2 Industrial parks

Mandalay is also an industrial hub. It has over 4,000 registered industries. Almost 70% of the firms are small and medium enterprises. Micro and small-scaled industries have up to 19 employees while medium enterprises have up to 99 workers. Large firms constitute more than 100 employees. The industries are still weak in Waste water treatment programs. There are around 3,000 Small-sized industries that are registered as (i) Food Processing, (ii) Personal Care Products, (iii) Gems and (iv) Textile. The highly potential industry is the food processing as the processes can be value added and the availability of raw materials.

Figure 20: Registered industries in Mandalay District

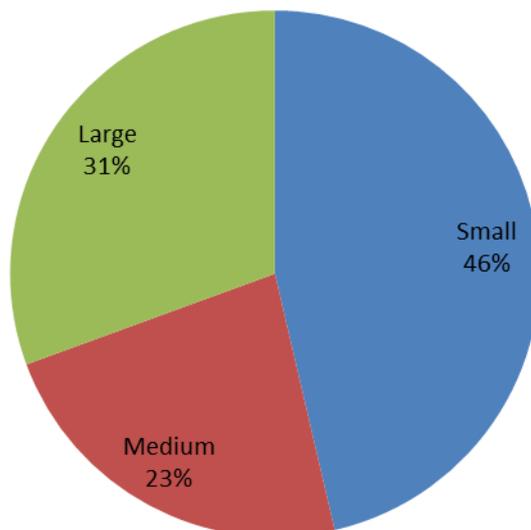


Source: Mandalay Regional Government

Mandalay city has three industrial zones – zone 1, 2 and 3. Zone 1 began in 1990, zone 2 was opened in 1998 and zone 3 from 2003. Zone 1, located in Pyi Gyi Tagon Township, has the area of 1,820 acres with over 3,500 plots. Mandalay Industrial Zone Management Committee was established to support the overall management of the industrial zones and to facilitate between the business owners and governmental organizations.

Mandalay’s industrial zones house over 1,200 factories, with focus on production of consumer and household goods, raw material and semi-finished products, agricultural and other types of machineries and transportation.

Figure 21: Registered industries in Mandalay Industrial Zone



Source: Mandalay Industrial Zone Management Committee

Apart from producing textiles, motorcycle tyres, detergent and other kinds of FMCG products, the industrial zone also houses several export products from wood-based industries, which export mainly to France, Italy, Japan, China, Thailand, United Kingdom, South Korea and Singapore.

According to the Management Committee, there are plans to upgrade the industrial zone to reach international standard in order to attract foreign direct investments. Thus, the Committee has been working together with local and international consultants in training human resources and skill development as well as building basic infrastructure to further improve industrial zones.

2. Understanding businesses in Mandalay (Business owners' perspectives)

Mandalay Region provides a lot of investment opportunities to all investors. Before establishing the business, there is a need to understand the situation of Mandalay so that would benefit the investor. To understand investment climate of Mandalay and identify business opportunities, a total of 42 business to business interviews were conducted in and around Mandalay from 3 to 14 August 2015. These were further enhanced by conducting key informant interviews to officials from regional ministries, Mandalay City Development Committee, Mandalay Region Chamber of Commerce and Industry, and industrial zones.

Human Resource for the project team

The project team consisted of team leader, assistant team leader, industrial survey specialist and members of fieldwork who all have good field research experience in surveys of this nature.

Table 8: manpower for conducting the Mandalay Investment Opportunity Survey

Scope of work	Staff	No.	Total
Mandalay Investment Opportunity Survey	Team Leader	1	5
	Assistant Team Leader	1	
	Industrial Survey Specialist	1	
	Junior Industrial survey Specialist	1	
	Junior staff for Project administration	1	

Methodology

MMRD first undertook secondary data collection (desk research) in identifying possible industries for the study, rule and regulation for the business setup and operation. Desk research produced statistical information, macroeconomic data and number of business in Mandalay.

The second stage was primary data collection (field research) in conducting business to business interviews (B2Bs) with the selected potential local industries, mainly to those involved with investment climate such as retailers, wholesalers, and distributors. Detailed output is 42 interviews within 7 sectors within the study in Mandalay area. Apart from B2B interviews, 20 Key Informant Interviews (KII) were conducted to regional authorities and business associations.

Key Informant Interviews (KII) were conducted to public offices and associations in order to understand detailed information about overview of Mandalay city and its environ, Mandalay infrastructure development and investment climate of Mandalay.

Table 9: Detailed list of KII interviews

No.	KII Interviews	# of samples
Department		14
1	DICA, Mandalay	
2	Directorate of Hotel and Tourism	
3	Directorate of Industry, Supervision and Inspection, Mandalay Region	
4	Small Scale Industries Department	
5	Department of Trade Promotion and Consumer Protection	
6	Department of Agriculture	
7	Department of Labour	
8	Mandalay City Development Committee (MCDC)	
9	Engineer Department (Water & Sanitation), MCDC	
10	Engineer Department (Building), MCDC	
11	Revenue Department, MCDC	
12	Market & Slaughter House Department, MCDC	
13	Pollution Control and Cleaning Department, MCDC	
14	Saunders Textile and Vocational Institute, Small Scale Industries Department, Ministry of Co-Operatives	
Associations		6
1	Cargo shipping Association/ Mandalay Water Craft Owners Association	
2	Mandalay Fruit and Vegetable Producer and Exporter Association	
3	Real Estate Agent Association	
4	Myanmar Sugarcane & Sugar Related Products Merchants and Manufactures Association (MSMA)	
5	Wood Carving Associations	
6	The Highway Freight Transportation Services Association	
Total		20

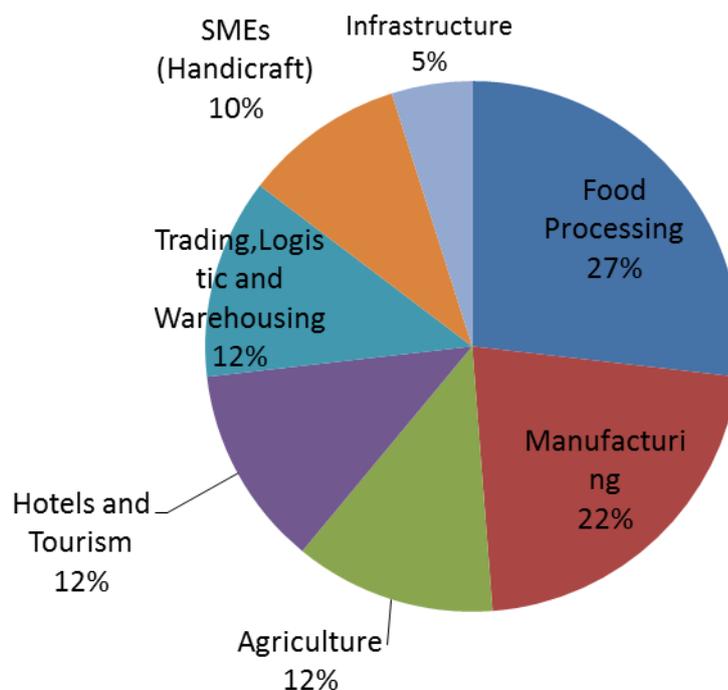
Business to Business (B2B) interviews were conducted to business for agriculture, manufacturing, food processing firms, hotels and tours, construction, trading, logistic and warehousing and SMEs in order to understand detailed information about the company information, business setup, business operation and future business development.

Table 10: Detailed list of B2B interviews

Sr.	Sector	# of Sample
1	Food Processing	11
2	Manufacturing	10
3	Agriculture Companies	5
4	Hotels and Tourism	5
5	Trading, Logistic and Warehousing	5
6	SMEs (Handicraft)	4
7	Infrastructure (Construction and Real Estate)	2
	Grand Total	42

With the support by MRCCI and DICA Mandalay, the MMRD team interviewed various sectors. Food processing and manufacturing firms contributed the highest with 49% of overall survey. Food processing firms include sugar refinery, oil mills, biscuit factory and beans crushing plants while cement factory, plywood factory, iron casting and tyre factory contribute some of the manufacturing firms. Apart from food processing and manufacturing, agriculture, hotels and tours, trading and logistic as well as SMEs and construction companies have participated in the survey. Only 2 out of 42 firms are foreign-owned enterprises while the rest are locally-owned.

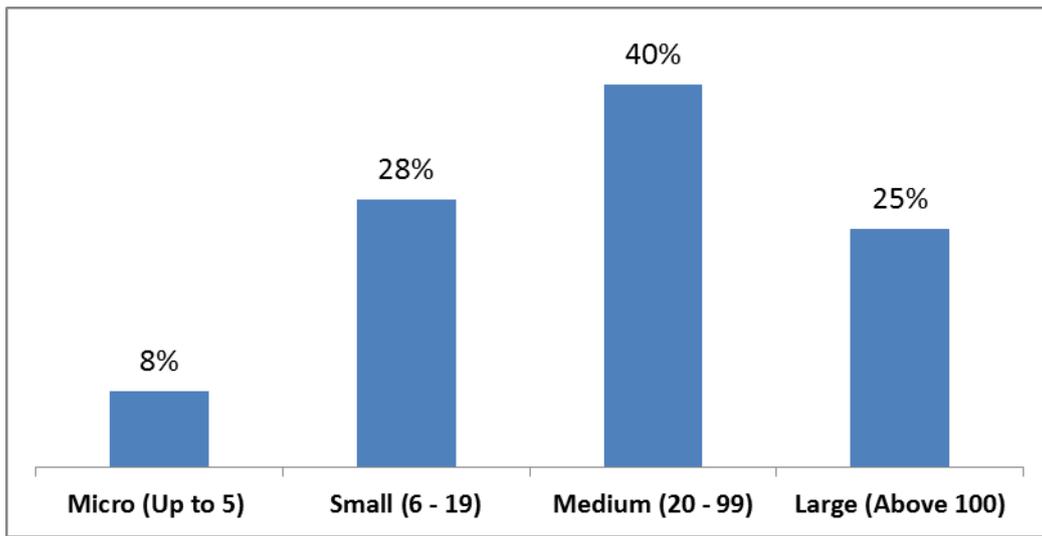
Figure 22: Businesses by sector



Source: Mandalay Investment Opportunity Survey

In Mandalay Region, 86% of the registered firms are small and medium enterprises and 16% are large firms. Among all the respondent firms, 75% of the businesses are considered small and medium enterprises as they employ up to 99 workers. Only 25% are large firms which employ more than 100 workers. They are agriculture, manufacturing, food processing, logistics and construction companies.

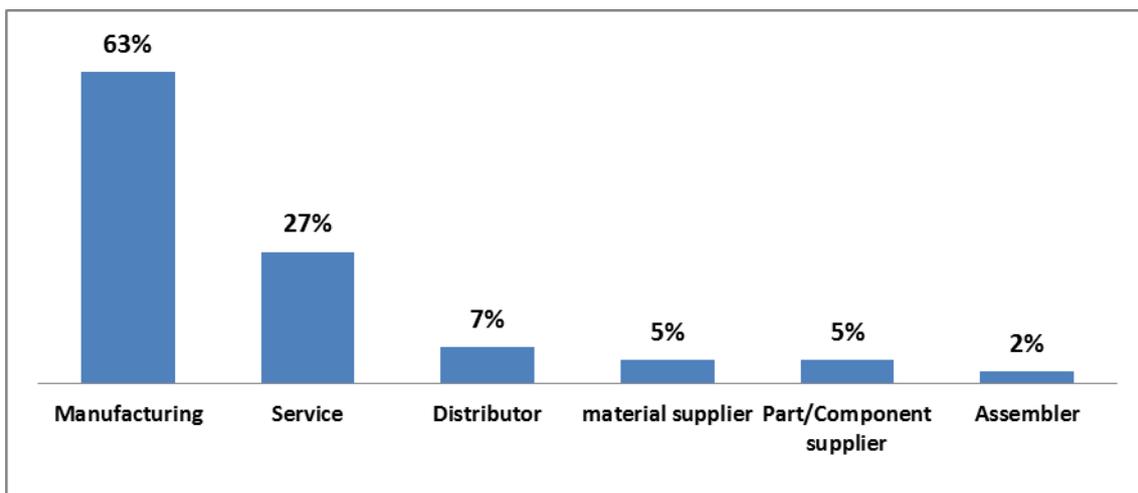
Figure 23: Size of the businesses



Source: Mandalay Investment Opportunity Survey

Majority of the firms are manufacturing up to finished goods (63%) and providing services (27%). Material and part suppliers are found in agriculture machineries, manufacturing and logistics.

Figure 24: Business activities

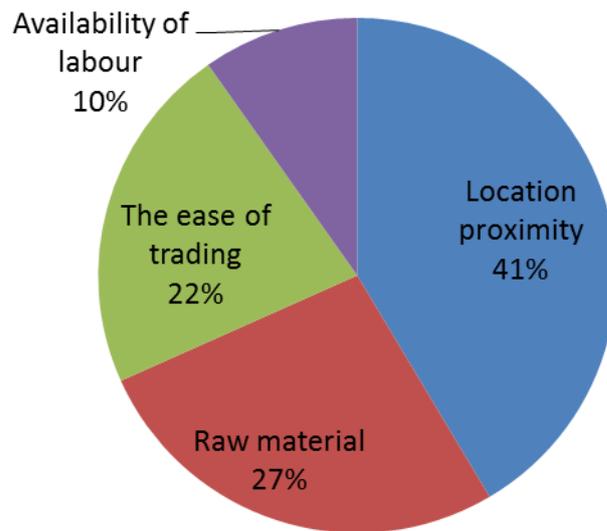


Source: Mandalay Investment Opportunity Survey

2.1 Setting up the business

Mandalay Region is situated in the middle of Myanmar. Thus, for 41% of the businesses chose Mandalay due to the location (being the centre of Myanmar). Access to raw materials, especially for those food processing and manufacturing firms, and the ease of trading, for trading and logistic businesses, are also two important factors to start a business in Mandalay.

Figure 25: The reason for starting up business in Mandalay

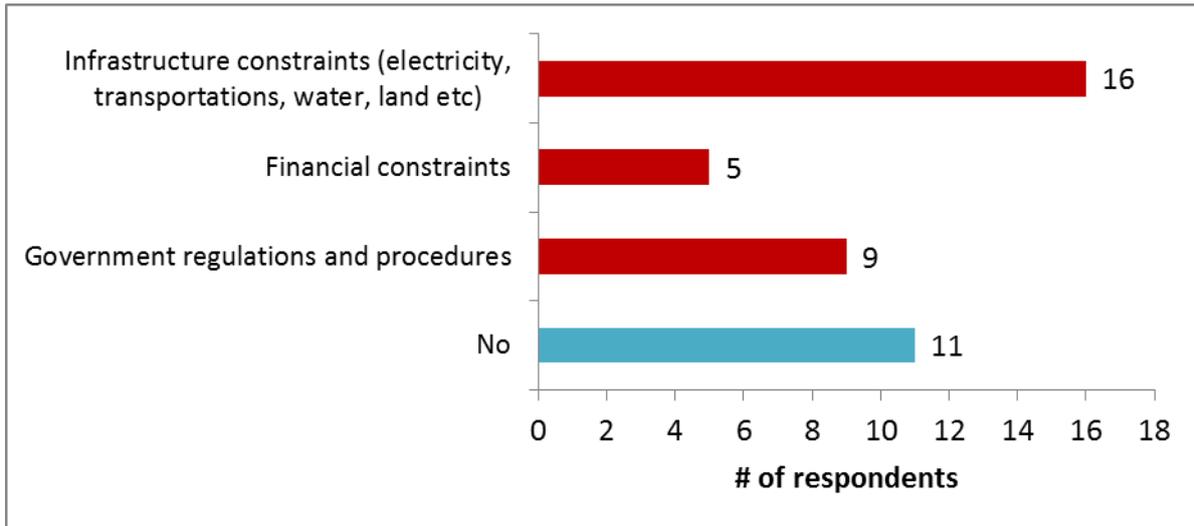


Source: Mandalay Investment Opportunity Survey

Infrastructure constraint has been considered as the major obstacle for most business owners. Among the infrastructure constraints, land is the main constraint for most investors. It is difficult to find spacious land. For example, the space required by the foreign investors, range from 20 acres to 50 acres. But inside the Mandalay industrial zone, the largest space available is 7 or 8 acres. Furthermore, foreign investors want to lease the land for at least 15 years to at most 30 years. However, the land plots in Mandalay Industrial Zone have been granted by MCDC for 30 years since 1995. Up to date, the valid period is left is for 10 years which is the limitation for foreign investors to invest in Mandalay industrial zone.

Apart from various infrastructure constraints, it also takes longer to receive official permits, land utilization permit and electricity permits. Financial constraint is mostly faced by small and medium enterprises which have limited financial resources such as loans from banks or government grants.

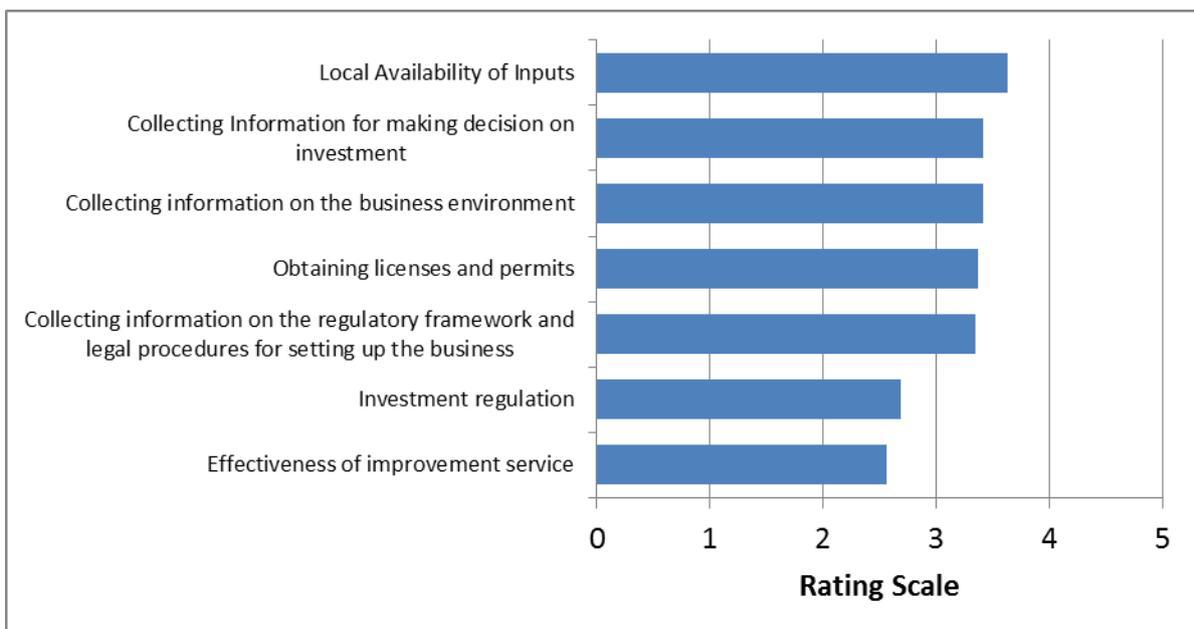
Figure 26: Major obstacles in starting up a business



Source: Mandalay Investment Opportunity Survey

For the survey, the rating scale of 1 as very poor, 2 as poor, 3 as fair, 4 as good and 5 as excellent are being used to measure the difficulty of doing business in Mandalay Region. The respondents put fair to most of the tasks faced during the business setup. However, there is no governmental support or incentives to set up businesses in Mandalay Region. Furthermore, the respondents mentioned that there is a need for improvement of business services in the zone as well as the need to provide one-stop service in the industrial zones to facilitate the setup easily.

Figure 27: Business setup



Source: Mandalay Investment Opportunity Survey

2.2 Operating the business

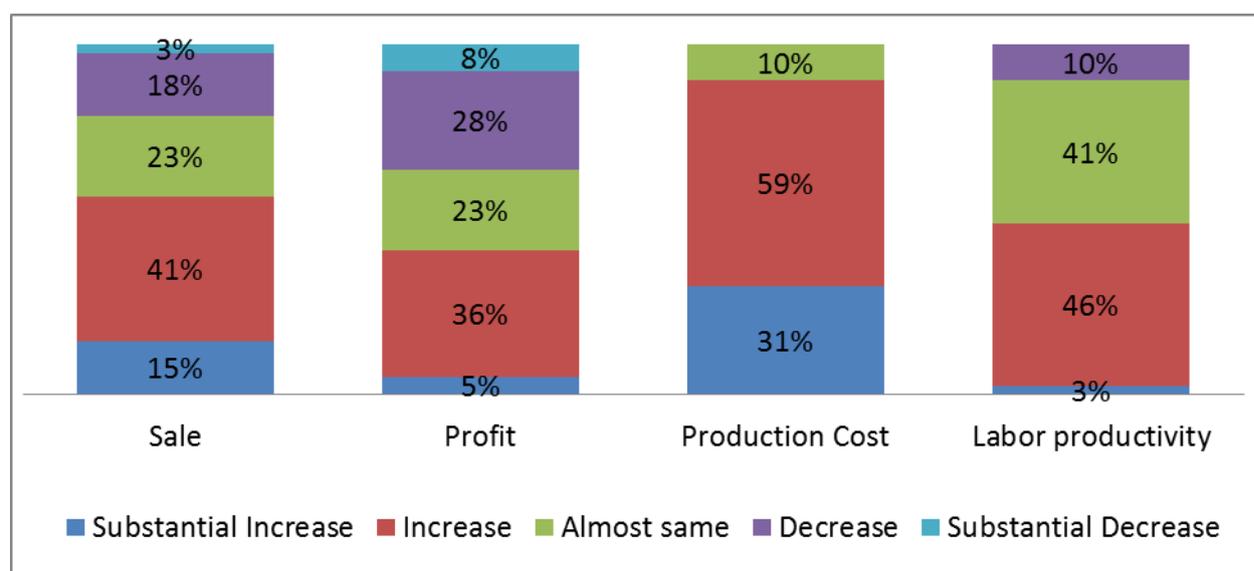
In order to understand business performance of the firm, the respondents were asked the revenue, profitability, production cost and labour productivity of their firms. According to the respondents, 56% of the businesses saw overall increase sales in 2014 compared to 2013. Most hotel and tourism as well as construction companies increased in overall sales while some agriculture, SMEs and manufacturing firms also showed the increase in sales. However, some food processing firms and manufacturing firms faced the decrease in sales.

Compared to 2013, 41% of the firms increased their profits and 36% decreased profit. Hotel and tourism and some manufacturing firms increased their profits due to increasing interest to Myanmar and expanding consumer market. But, 6 out of 11 food processing firms decreased the profits in 2014 compared to 2013.

The decrease in profit also could be due to the increasing raw material prices. 90% of production cost increased in 2014. The cost of production substantially increased in manufacturing firms.

Productivity is important to be highly competitive in the market. Labour productivity increased in 49% of the firms while 41% remained the same in 2014 compared to 2013. However, 10% of the businesses decreased labour productivity due to unskilled workforce and migration of skilled workers.

Figure 28: Business operation



Source: Mandalay Investment Opportunity Survey

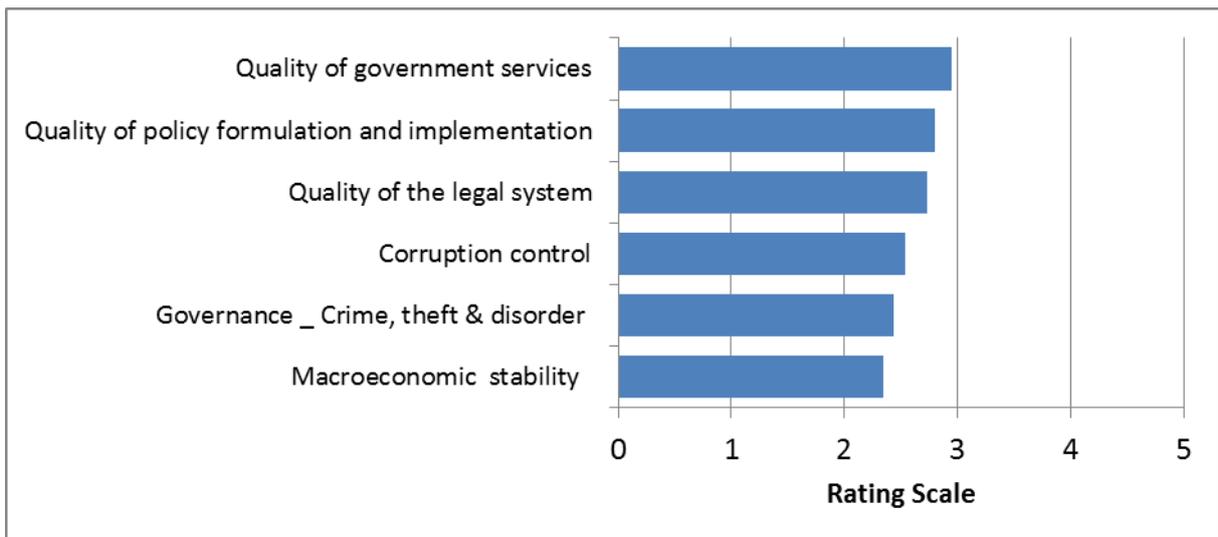
2.2.1 Macroeconomic overview and regulatory framework

Macroeconomic factors are critical for every business to make decisions on operating and developing businesses. According to the respondents, macroeconomic factors are less than fair in rating scale while governance (crime, theft and disorder) and macroeconomic stability are considered as the worst factors.

Compared to years ago, Mandalay locals faced more crimes such as robberies and thefts as the economic development is not inclusive to everyone. According to the respondents, in order to lower such crimes and more safety to the general public, there is a strong need for improvement in police force and strict punishment by the government.

Macroeconomic stability is very weak. Inflation and fluctuation of exchange rate lead to the increased costs of raw materials, which further burden the business owners and the end consumers.

Figure 29: Macroeconomic and governance

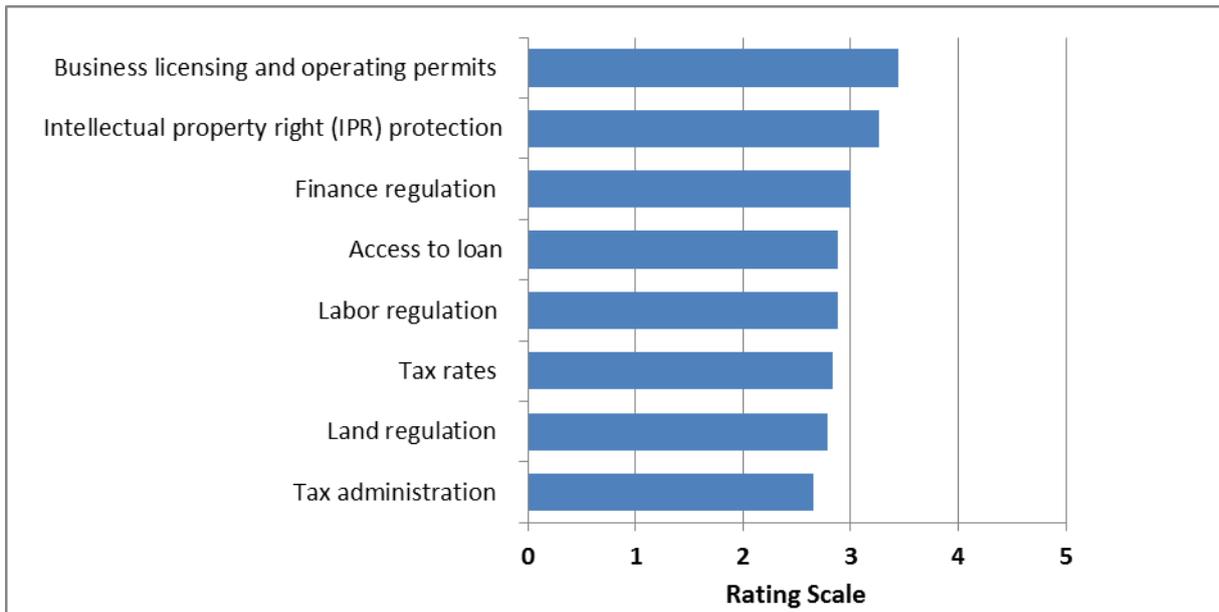


Source: Mandalay Investment Opportunity Survey

Compared to setting up the business, it is much easier for the businesses to handle business licensing and permits. Although general business licensing and operation permits are easy to operate in Mandalay, it takes a long time to receive land permit, especially difficulty in registering as an owner.

The income tax collection is gradually high over the years. There are a number of constraints faced by the business owners such as poor services by IRD, complicated tax systems and no transparency. With higher income tax imposed, there is an increase in tax evasion.

Figure 30: Regulatory framework



Source: Mandalay Investment Opportunity Survey

2.2.2 The need for infrastructure

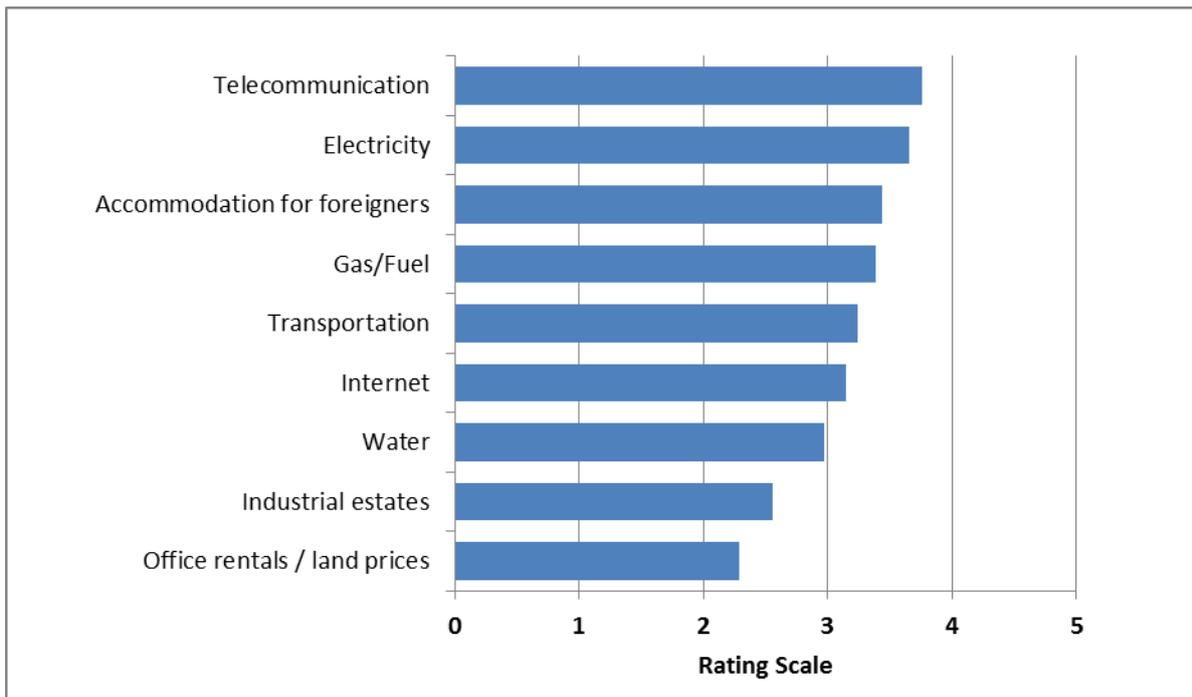
Infrastructure has strong impact on business environment. It is a fundamental factor which contributes to the development of highly competitive economy. Before starting up the business, every investor checks all the basic infrastructures such as electricity, telecommunication, water and transportation.

With the introduction of two private operators in telecommunication, network coverage and connectivity have been better and the service providers have become more competitive. Thus, telecommunication has improved the most compared to the previous years. It is rated as the highest compared to other infrastructures in Mandalay. Although telecommunication is getting better, internet connection is still poor, according to the respondents.

Electricity has been better compared to years ago but the low voltage is a barrier to food processing and manufacturing firms, which need high and consistent electricity supply. Most industries use tube well for industry water supply and gas/fuel can be purchased easily at market price.

However, the business owners face poor transportation due to bad roads and insufficient port facilities. Compared to other infrastructures, the situation of industrial estates is not significantly improved. Office rental and land prices are high due to speculators and government has no control measure with appropriate policies.

Figure 31: Rating infrastructure in Mandalay Region



Source: Mandalay Investment Opportunity Survey

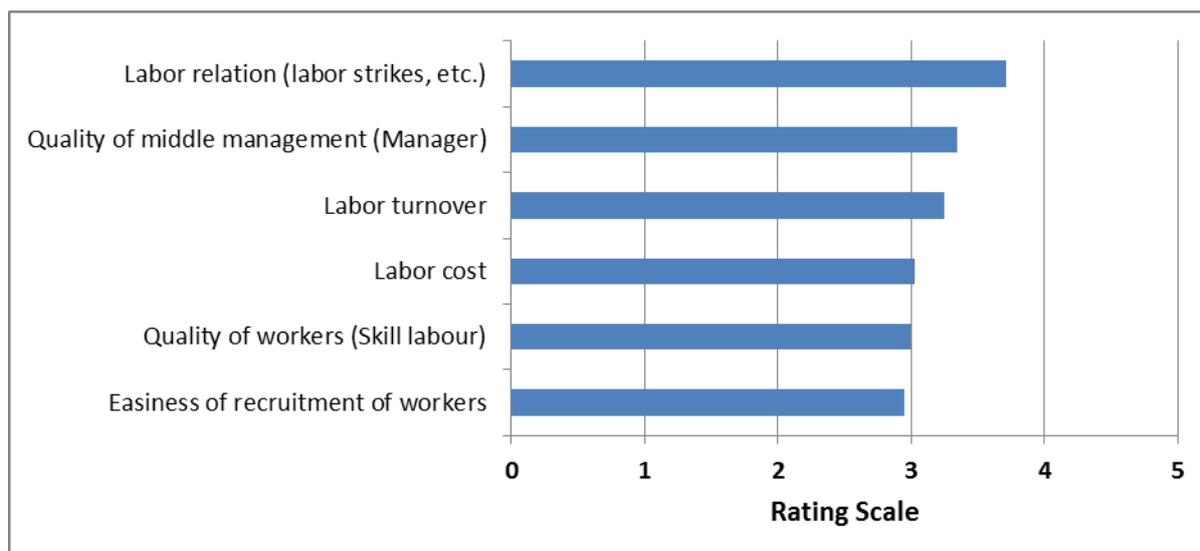
2.2.3 Quality of labour

Compared to Yangon, there is no serious problem in owner-labour relationship. The business owners are satisfied with the quality of middle management and skilled workers. Quality of engineers is considered good and some factories give competitive salary to keep their employees. Some industries train workers from low level until they are in charge of the operation. Unskilled labour is plentiful, thus, business owners have to train their staffs to be semi-skilled and skilled labour.

If the skills of the workers are better, it would increase the productivity, which could further benefit the businesses. Thus, it is important to provide vocational trainings and assessments. National Skills Standard Authority (NSSA), government body which establish competency standards and conduct assessments for workforce development in Myanmar, had a pilot training for 6 occupations in 2014. Then, NSSA provided certificated to 133 persons who passed the assessment. With recognized certifications by NSSA, it would provide benefits to both workers and business owners.

Although there is no issue over labour strikes, the businesses are facing Issues of skilled workforce migrating to neighboring countries, such as China, Thailand and Malaysia, for better wages.

Figure 32: Rating the quality of labour in Mandalay Region



Source: Mandalay Investment Opportunity Survey

2.2.4 Business cost in Mandalay

Average salary of a semi-skilled worker is around MMK 130,000 and staff is around MMK 180,000. Thus, it is considered comparable to salaries in Yangon and higher than national average. Business owners in Mandalay are also aware of national minimum wage law. Wages will continue to increase if appropriate vocational programmes, skill trainings and assessments are provided to increase the productivity.

Table 11: Average salary of the workers in Mandalay

Particulars	Response	Minimum (Kyats)	Maximum (Kyats)
Semi-skilled Worker	33	108,939(\$83)	165,152 (\$127)
Staff	23	139,130 (\$107)	221,739 (\$170)
Supervisor	22	177,500 (\$136)	258,636 (\$ 198)
Mid-management	25	324,000 (\$250)	441,200 (\$340)
Engineer	10	612,000 (\$ 470)	1,327,000 (\$1,020)

Source: Mandalay Investment Opportunity Survey (Exchange rate- K 1300/\$)

Although many foreign investors came to observe Mandalay, their business plans have not been realized mainly due to the challenges imposed by the real estate sector. Limited space is also one of the issues as space required by the foreign investors range between 20 acres and 50 acres. But in places such as the Mandalay industrial zone, the largest space available is 7 or 8 acres. Furthermore, the rental fee is a huge cost for the foreign firms who want to make long-term investments. For lessee, the land price of an acre land is around Kyat 1.5

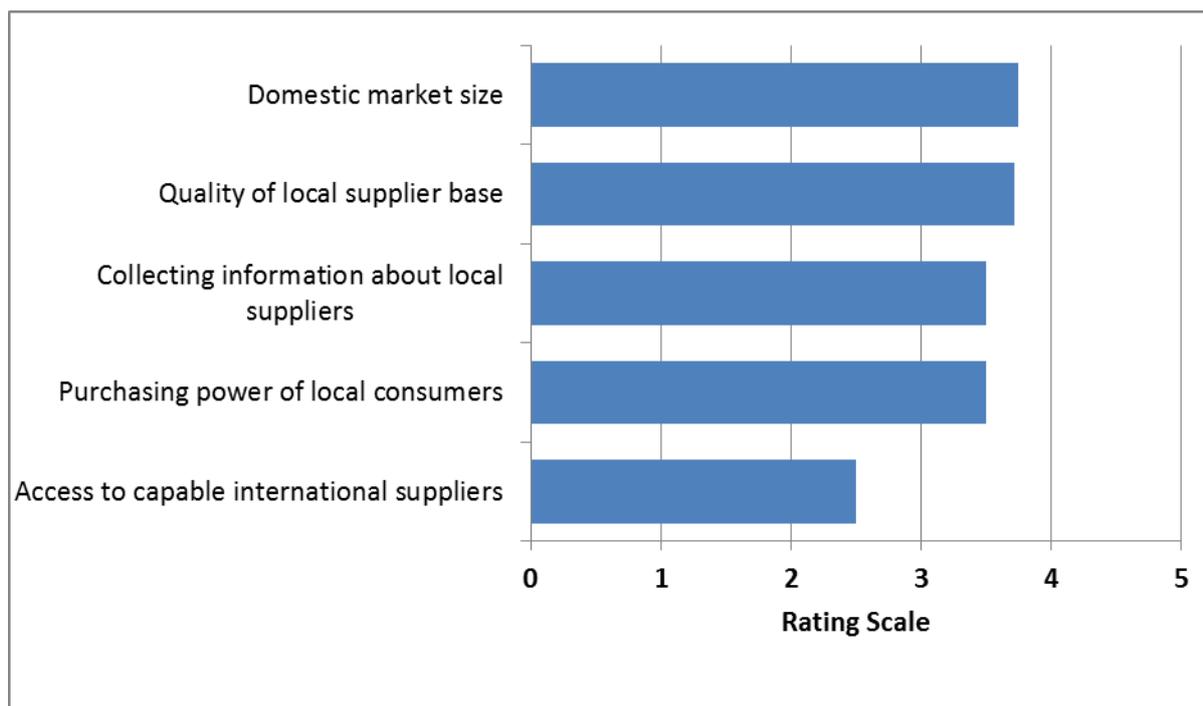
Billion and land rental fees are K 2 million per month per acre. Thus, it would be a huge initial investment for the potential investors.

2.2.5 Logistics

Mandalay is located in the middle of Myanmar and widely regarded as the transportation hub of Upper Myanmar. Logistics and transportation play a huge role in this region to connect various suppliers, distributors and exporters. According to the respondents, 96% of them focus on domestic markets and only 4% focus on both domestic and overseas markets.

For most respondents, they have years of experiences and networking related to the logistics. They don't have problem with offering from domestic market, quality of local supplier and procurement. However, there is no networking activity and potential suppliers or customers are out of reach for overseas market. Some industries still face the difficulties contacting capable international suppliers as well.

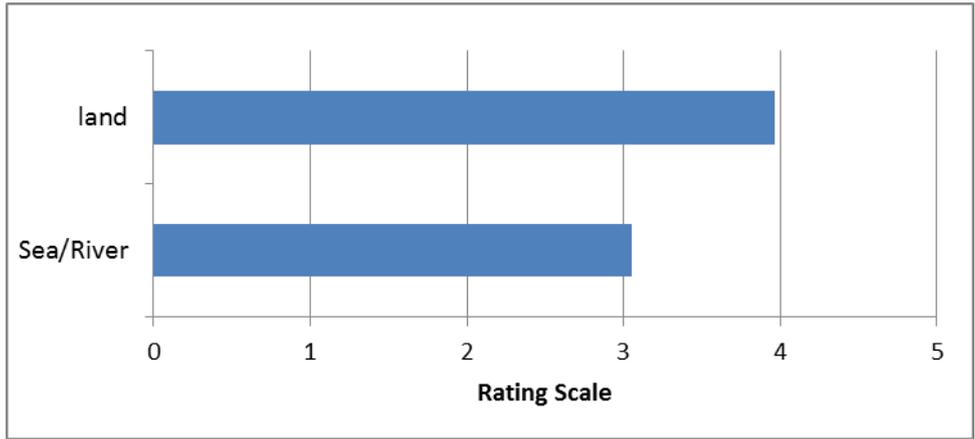
Figure 33: Rating logistics in Mandalay Region



Source: Mandalay Investment Opportunity Survey

According to the respondents, they have focused on domestic market and air transport is not used to deliver their goods. Thus, they only rate land (via trucks/ rail) and river for transportation of cargo. The respondents rated land transport higher as river transportation is seasonal and face difficulties during drier seasons.

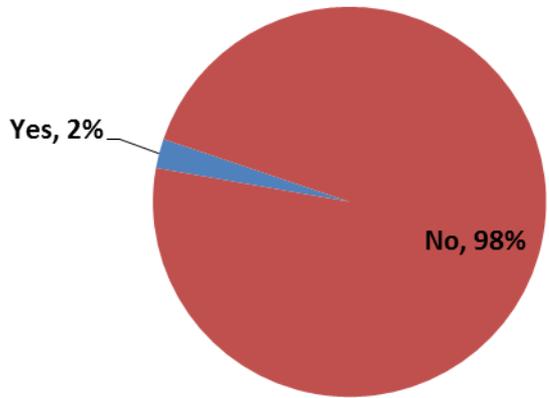
Figure 34: Rating of reliability of each mode of transportation



Source: Mandalay Investment Opportunity Survey

In order to enhance the investment and provide untapped opportunities, the government normally provides appropriate policies and incentives for businesses. However, 98% of the respondents think that the current investment incentives, such as tax privileges, are not attractive enough to attract the investors.

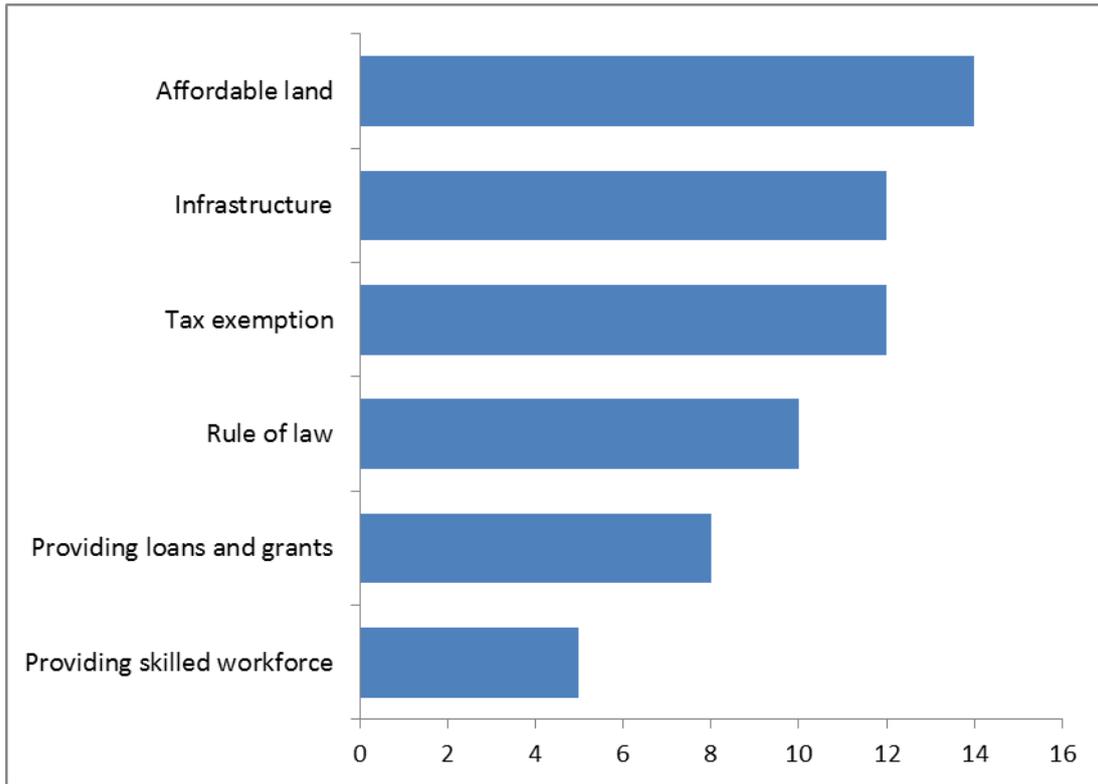
Figure 35: Attractiveness of the incentives by the government



Source: Mandalay Investment Opportunity Survey

According to the respondents, the government policy related to land is the most important for many investors, followed by infrastructure and tax exemption. Without appropriate land size and affordable cost, it would be hard to set up a business in Mandalay.

Figure 36: Effective incentives proposed to the government by the respondents



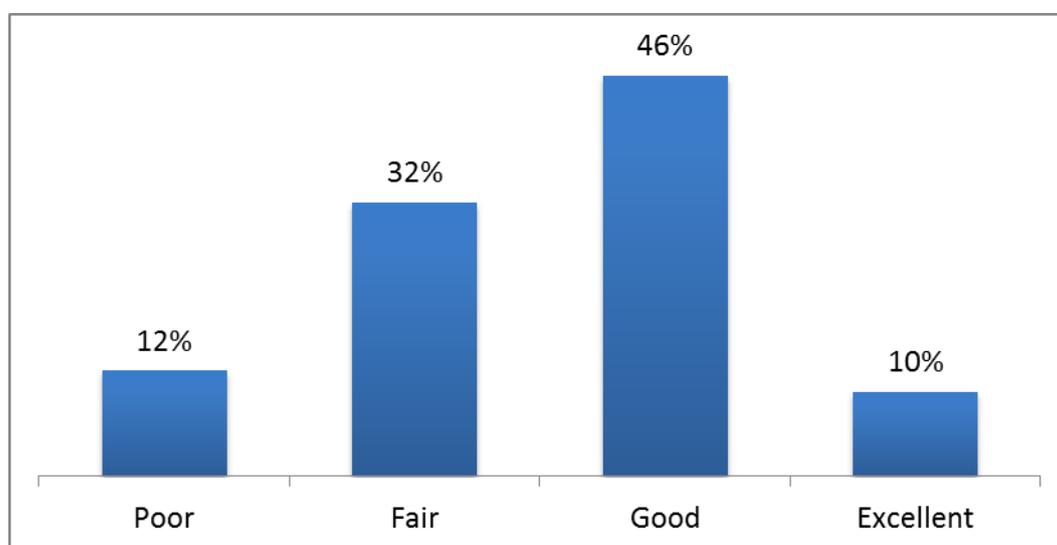
Source: Mandalay Investment Opportunity Survey

Special economic zones and industrial zones are important for some countries to attract foreign investors. 56% of the respondents think that the establishment of SEZ/IZ will be effective to improve the investment environment because it would provide better infrastructure, faster procedures and create more job opportunities for the locals.

2.3 Future business Development

Mandalay Region provides various business opportunities to the respondent firms. According to their potential towards Myanmar's economic development, some would ride rapid growth while others might face slow or even poor growth. 56% of the respondents rated the future of their own industries as good prospect for the next 3 years because the market demand has been increasing, more foreign direct investments and better infrastructure and government services in future.

Figure 37: Predicting the future of own industry in next 3 year

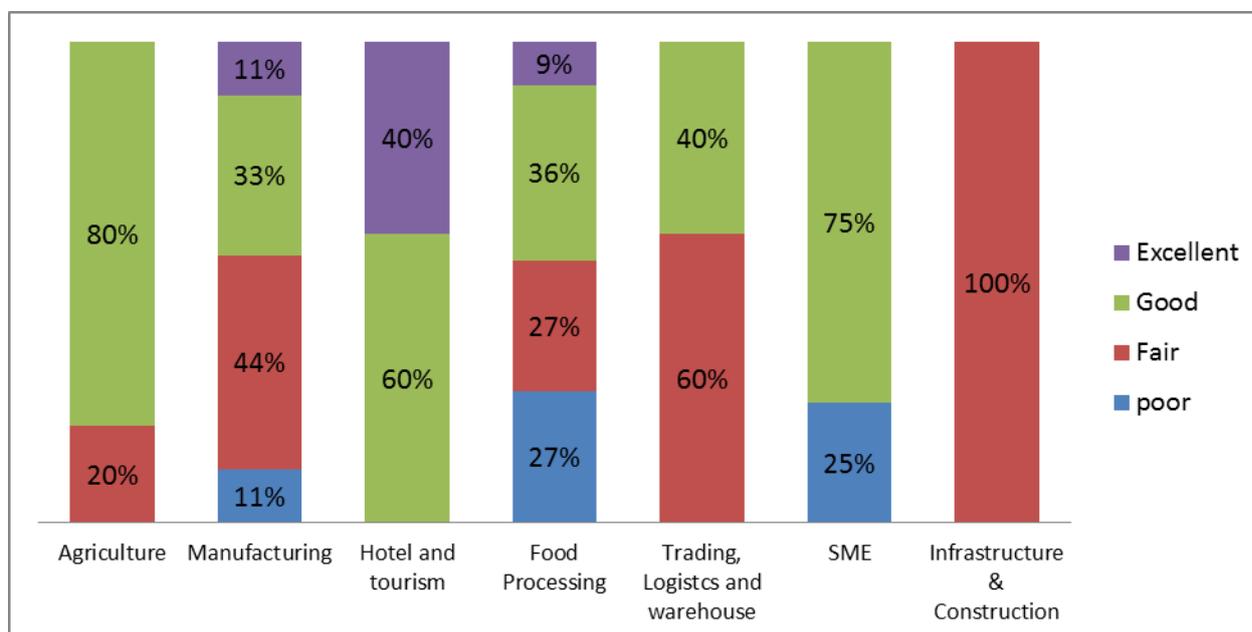


Source: Mandalay Investment Opportunity Survey

But, 12% of the respondents rated poor because they are likely to face more competitions and lack of skilled workers in near future.

In order to understand which sectors are the potentials for the next 3 years, the responses are further separated into individual's industry. Hotel and tourism businesses predicted to have the most potential for the next 3 years. Majority of them predicted the future of hotel and tourism is good. 80% of the respondents from agriculture sector have positive growth for their own industry. The sector will grow if provided access to modern agriculture machineries, seeds and fertilizers.

Sectors such as trading, logistics, warehousing, infrastructure and construction sectors will continue the business as per usual. Some manufacturing and food processing firms might have to struggle due to the increase of raw material price as well as competitions from foreign goods in terms of quality and price. Small and Medium Enterprises (SMEs), especially the handicrafts, will likely to grow together with tourism.

Figure 38: Predicting the future of own industry in next 3 year (by industry)

Source: Mandalay Investment Opportunity Survey

3 Obstacles and limitations of doing business in Mandalay

Although there are much potential in Mandalay, there are also many obstacles of doing business in Mandalay Region. The respondents have mentioned the following obstacles as some of the most crucial limitations in order to start a business in Mandalay. They are:

1. Land
2. Electricity
3. Technology
4. Transportation and logistics
5. Labour
6. ICT

3.1 Land

Land price is just too high for investors. If the land is too expensive to lease/buy, the potential investor would think twice about starting a business in Mandalay. Thus, the government needs to intervene with appropriate policy to reduce land and rental prices.

According to the potential foreign investors, the land and property prices in Mandalay Industrial Zone are very expensive. For the investors, it is hard to achieve profits as most of the initial investment went into 30-year lease for the land. Due to the farmland law which

stated "anyone who does not engage agricultural process but supervise the land use of agriculture is called farmer/ agriculturist", many started buying farmland and speculated so that land prices in Mandalay have risen up.

Currently, there are some vacant lands which are owned by speculators in the industrial zones. Actual investors would have to pay the inflated prices to set up businesses. Thus, there is a strong need for proper land management before developing the industrial zones.

One of the reasons of increasing land price is due to the published rate of the government. Thus, the government should only provide the land to those who really need to develop farms or industries.

3.2 Electricity

Electricity has been better compared to years ago. However, instability and low supply make it harder to run manufacturing businesses. Furthermore, old transmission lines act as hazard to the local community. Currently, there is no separate power generation plant to supply the industrial zones. Low power supplies happen with the same distribution lines to share among public infrastructures, the industrial zone and residential areas. If there is a separate power station or line catered to industrial zones, it would definitely provide benefits to the local businesses.

3.3 Technology

Technology and technical advancement are also important factors to improve how to operate the businesses. One of the respondents still used the machineries from 1970s to run its business. Thus, it is important to have access to modernized machines and equipment. Both the government and banks should provide proper and sustainable financial system for the SMEs to upgrade their capacities.

3.4 Transport and Logistics

To support the development of logistics and transportation, road condition around Mandalay Region should be improved. Road improvements are currently implemented by the government and private partners under build-operate-transfer scheme. With the increasing toll fees, the SMEs have to increase their prices, which further burden the end consumers.

3.5 Labour (Training and skill development and capacity building)

Similar to most SMEs in Myanmar, workers in Mandalay Region are on-the-job trained. So, there is a need to improve their skills and capacities through vocational trainings and skill

assessments via government's enforcement. With the Ministry of Labour, Employment and Social Security's involvement with NSSA and skill assessments, providing necessary trainings and assessment will equip the general worker with the technical competencies to be a skilled worker.

Social security is also important to provide appropriate healthcare and social safety to the workers. By following the Social Security Law (2012), both the government and business owners need to collaborate to improve social security of the workers.

3.6 ICT

To connect the potential foreign buyers and suppliers, faster access to the internet and emails is essential. Therefore, upgrading telecommunication facilities is significant for the businesses to receive the updated technology know-hows from other stakeholders.

3.7 Others

Apart from the above limitations described by the respondents, there are also other infrastructure limitations such as the need for good drainage system and water treatment plants in industrial zones.

In order to attract foreign businesses to invest in potential sectors, developing the comprehensive guidebooks for respective business sector, together with the FDI law and regulations, will be helpful for the investors.

Rule of law is crucial in doing business as protection and security from the government are expected. With more thefts and crimes over the years, there is also a strong need for law enforcement by the regional government.

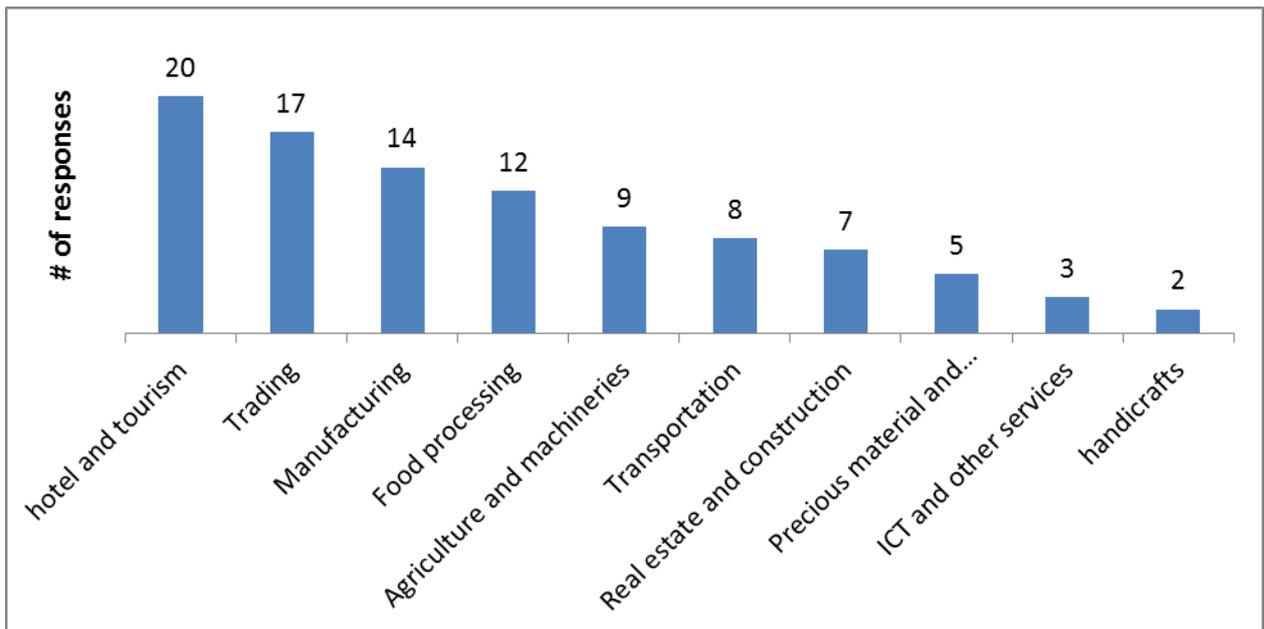
4 Potential investment opportunities in Mandalay

Mandalay is the second largest city in Myanmar and the economic hub of Upper Myanmar. It is also considered as the centre of Burmese culture. Among the various types of investment opportunities available around the region, hotel and tourism is considered the most potential business in Mandalay Region due to

- Centre for trading
- Transportation hub
- Tourist destination

Apart from hotel and tourism, trading and manufacturing sectors are also good investment opportunities, according to the respondents. These responses are important as the respondents themselves are businessmen who have invested in Mandalay Region.

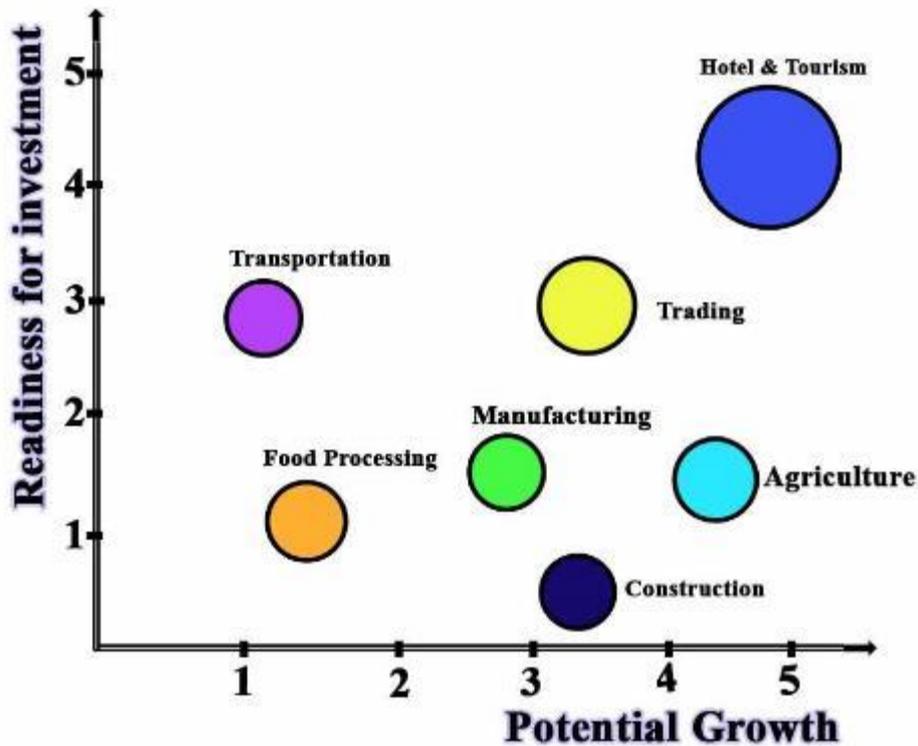
Figure 39: Predicting the potential sector of Mandalay



Source: Mandalay Investment Opportunity Survey

Hotel and tourism is considered as high growth industry (increasing tourists, more international flights and many nearby tourist attractions) as well as readiness for investment (policy support by the government, ease of regulation by the Ministry of Hotel and Tourism and other basic infrastructures) compared to other sectors as shown in the figure below. For agriculture, although it has strong potential, it is less ready for investment as farming needs land which is harder for foreigner to obtain. From the figure below, the larger the circle is the higher the potential to the investors.

Figure 40: Potential sectors of Mandalay Region

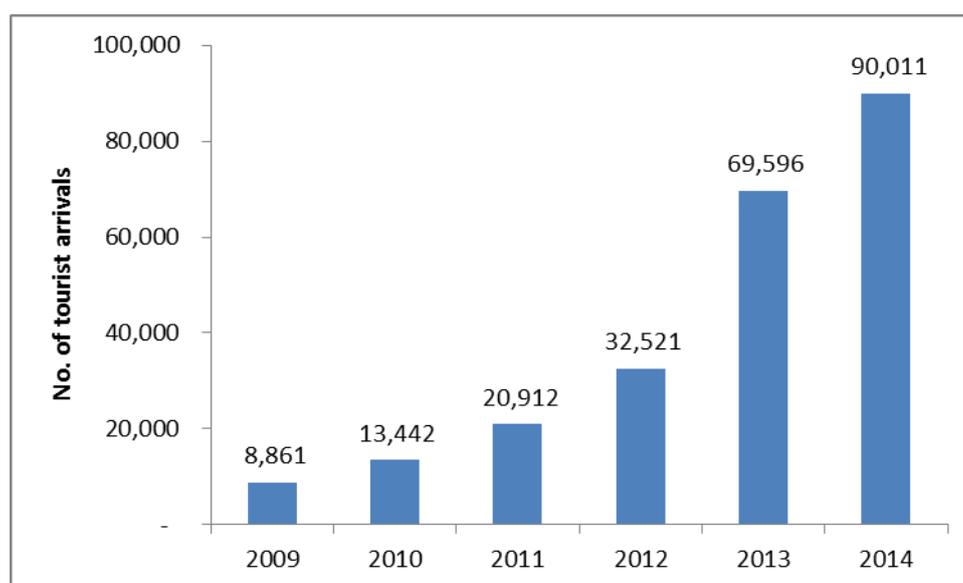


Source: MMRD

Hotel and tourism

Apart from being located in central Myanmar, Mandalay is strategically situated on important river and land routes from India and China, Thailand and other parts of Southeast Asia. It also has many historical and Myanmar cultural heritage. During the 19th century, Mandalay was the capital of Myanmar's last independent kingdom. With the former capitals of Ava and Amarapura are a short drive to the south, Mandalay is one of the country's most popular destinations for both local and foreigners.

The tourist arrivals to Mandalay have increased tremendously since 2011. Mandalay International Airport has direct international flights from Bangkok, Singapore and Kunming. 8 domestic airlines also connect Mandalay to Nay Pyi Taw, Yangon, Bagan and other domestic destinations. The figure below shows the increasing number of tourist arrivals by Mandalay International Airport.

Figure 41: Tourist arrivals in Mandalay

Source: Ministry of Hotel and Tourism

Currently, Mandalay has 158 hotels with 6,432 rooms for visitors. Although the number of tourist arrival doubled from 2012 to 2013, the rooms available for them increased by 31% only. This shows a huge opportunity for the hoteliers to invest in Mandalay.

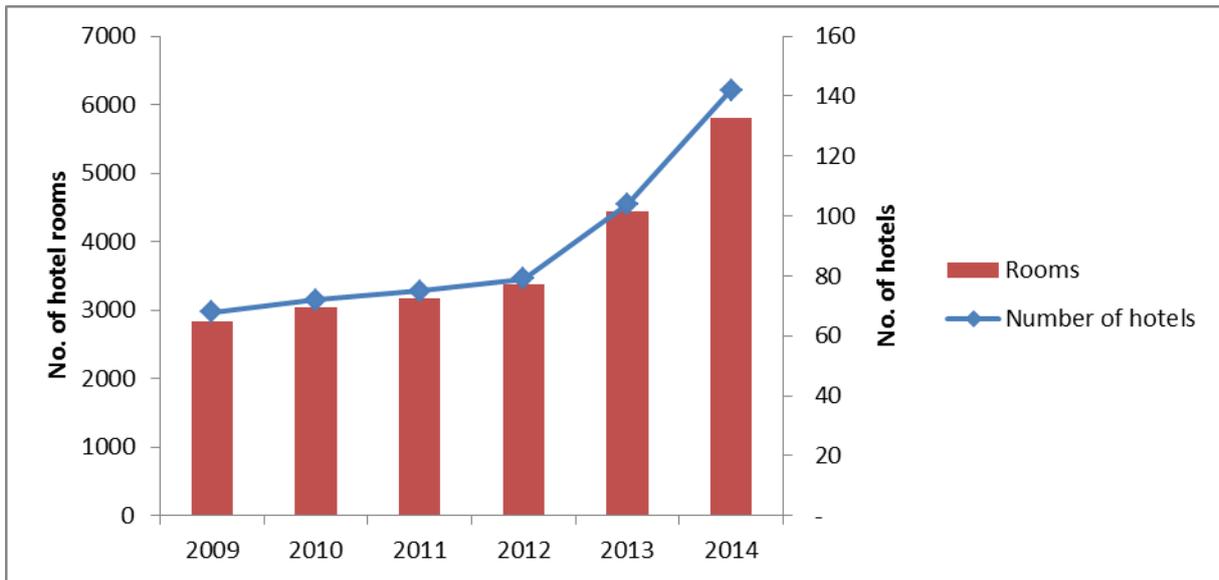
Table 12: Current hotels in Mandalay

No.	Type of Hotel	Number of Hotels	Number of Rooms
1	(1) to (20) Rooms Hotels	34	533
2	(21) to (50) Room Hotels	94	3,227
3	(51) to (100) Rooms Hotels	23	1,564
4	Above (101) Rooms Hotels	7	1,108
Total		158	6,432

Source: Ministry of Hotel and Tourism

In order to accommodate the increasing arrivals of both business and leisure travellers, 23 new more hotels will come to the market in a few years.

Figure 42: Hotel rooms in Mandalay over 6 years



Source: Ministry of Hotel and Tourism

However, there are not many newly established high-end and business hotels although Mandalay is the second biggest city and transport hub of the Upper Myanmar. Apart from international brands such as Best Western and upcoming Pullman Mandalay, Mandalay only offered two premier accommodations namely Sedona Mandalay and Mandalay Hill Resort. With more foreign investments in the Mandalay Region, more expatriates will likely to live in the city. However, there is no serviced apartment for them. With huge potential for hotel and tourism, potential vocational trainings such as technical training school with international service standard will be beneficial for the local community. Training tour guides is essential but there are other supplier skills gaps in the industry. Too much concentration is focusing on hospitality training and there is no support for tour operator/Tourism Management trainings.

Potential products: High-end hotels/ serviced apartments, restaurants, river cruising

Trading

Mandalay is located in central Myanmar and it is considered as the trading hub for upper Myanmar market. Furthermore, it has prosperous border trade with China and India. The majority of the businesses in Mandalay are still dependent on agriculture with main products include rice, sugar, and beans, and pulses. These commodities are generally trade to resellers in Yangon or export to China or India. Wholesaling, warehousing, retailing and transporting goods are potential businesses in this city.

Current export market is mainly towards the China border. With more air transportation with other international cities, there is a huge potential to diversify to newer export markets via Bangkok and Singapore. Therefore, it is important to provide quality products in order to export from and import to Mandalay Region.

Potential export products: Kitchen crops, fruits, Sesame, beans, Sugar

Potential import products: Yarn, Agri machineries, Motorcycle parts, Plastic ware

Manufacturing

Mandalay is an industrial hub for Upper Myanmar. Mandalay Region alone has over 7,000 firms and Mandalay industrial zone has over 1,200 registered industries including wood-based production, textile, concrete and cement manufacturing. Manufacturing creates job opportunities for the local community and gives small and medium enterprises a chance to be suppliers for raw materials to semi-finished goods.

Table 13: Type of industries in Mandalay industrial zone

Sr.	Type of Industry	Number of firms
1	Food products	189
2	Apparel	32
3	Products for living	45
4	Consumer products	54
5	Household products	15
6	Arts and literature	3
7	Raw Materials	40
8	Metal processing	220
9	Agricultural tools	4
10	Machinery and tools	1
11	Vehicles for transportation	25
12	Electrical products	12
13	General industries	654
	Total	1,294

Source: MRCCI

Although Mandalay Region may not provide technical and experienced human resource and other infrastructures for manufacturing of modern state-of-the-art electronic products and appliances, investors can start with developing electric products, especially related to home and household appliances. With Mandalay International Airport connecting to other overseas capitals such as Bangkok and Singapore, air freight can be used for the investors to transport raw materials or finished goods. Mandalay Myotha Industrial Zone is just one-hour

plus drive from the airport and it could provide the potential investors with the basic infrastructures, such as land, electricity and water supply, needed for manufacturing.

Vietnam alone could export 20% of Samsung products out of its country; so hopefully, Myanmar could start persuading the foreign investor to start such large-scaled manufacturing plants. Manufacturing electric/electronic products also promotes the dissemination of technology to the local firms, enhancing innovation and productivity growth. However, there are some infrastructure limitations such as land and electricity which deter investors from starting up the business. Regardless of such limitations, manufacturing in Mandalay still provides potential to the potential investors.

Potential products: Plastic, Electrical and Electronic Products, Fertilizer, Packaging

Textile

Domestically, Mandalay Region is famed for its textile and clothing. Weaving industry has flourished over the centuries, with Amarapura synonymous with quality silk ware. With such experiences, textile industry is considered potential for those investors who want to provide technical expertise to the local businesses. Myanmar grows cotton for domestic consumption in the dry zone, which includes Mandalay Region. However, lack of modern technology and methods have made the businesses rely on Chinese yarn to produce clothes. Furthermore, the dyeing industry has not fully developed to support the domestic and potential international garment supply. Therefore, foreign investments to cotton processing and dyeing of textiles are needed in Mandalay Region.

Potential services: cotton processing, dyeing industry

Agriculture

Although its contribution to the economy is getting lessen throughout the decade, agriculture still is one of the major contributors to the region and still accounts for over 28% of overall GDP. According to Mandalay Regional Government, the government plans to grow more major crops such as rice, maize, sesame, sunflower, pulses and beans, sugarcane and cotton. In 2015, Mandalay Region uses over 40% of its land for cultivation of crops.

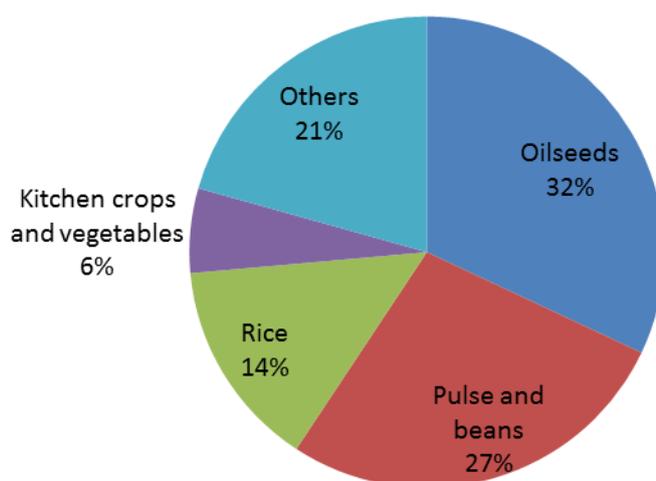
Table 14: land utilization of Mandalay Region in 2015

Type of land	Total Area (in acres)
Net area sown	3,320,579
Cultivable waste land	67,980
Reserved forest	1,553,619
Fallow land	619,151
Other land	2,071,283
Total	7,632,612

Source: Ministry of Agriculture and Irrigation

Being located in the dry zone of Myanmar, oilseeds, pulse and beans account for over 50% of overall net area sown in Mandalay Region.

Figure 43: Total sown areas in Mandalay Region by type of crops



Source: Ministry of Agriculture and Irrigation

To improve livelihood of the farmers and income, there is a need to conduct continuous research and development on agriculture sector, provide quality seeds and train newer methods of agriculture. Department of Agriculture, under the Ministry of Agriculture and Irrigation, has teamed up with private companies and consultants to educate the farmers with technical trainings and field days. At Htone Bo, Post-harvest Technology Training Centre was set up with the support of KOICA in 2014. So far, altogether 472 candidates have been trained out of 16 trainings. Wholesales market, which will enable the strong local and foreign markets and auction system, has been under planning in Sint Kaing Township.

Potential investor could participate in agriculture sector by importing agricultural machineries such as tractor, plough and harvester, quality seeds and fertilizers.

Potential products: Importing agricultural machinery, quality seeds

Food processing

Food processing industry is related to agriculture. If the agriculture offers quality products, the food processing industry could grow by providing quality goods for end consumers. Mandalay Region has abundant raw materials for food processing industries, from oilseeds, crops to kitchen crops and fruits. Kitchen crops, vegetables and long-termed fruits account for around 20% of cultivated areas of Mandalay Region.

Major fruits such as mango, watermelon, honeydew, grapes and papaya are grown not only for domestic consumption but also for overseas exports. Mango is considered the most potential fruit as it can be consumed differently, from fresh to dried fruits. Furthermore, Mango is now being planted with a group effort so that it could not only be consumed domestically but also to be exported to overseas market such as Singapore. Apart from exporting fresh fruits, mango could be further processed into juice and dried fruits. Since Mandalay is border with Shan State, the investors can also have easy access to fresh vegetables and fruits which can be used to value-add to high quality dried or processed food.

Potential products: Canning/ dried fruits, dairy products, sesame oil

Transportation

Mandalay is an important transshipment point for trade with China and India as well as for Myanmar's Northern States and Regions. Cold chain logistics is crucial for providing quality fruits and vegetables to consumers. Currently, there isn't much cold chain logistics and storage in the region. The exporters even use normal trucks to transport fruits to China border. Thus, it would be considered as an opportunity for some investors with logistics and transportation background.

Potential products/services: Cold chain logistics

Real estate and infrastructure

Investing in infrastructure is important to enhance the development of a region. Mandalay has so many ongoing and planned infrastructure construction projects. A foreign investor could participate by build-operate-transfer of infrastructure projects with the regional government in order to develop the region.

Potential products/services: Mandalay Development Master Plan- infrastructure projects, Trade and Industrial Centre Project and New Industrial zone project

5 Recommendation and action plan to improve business environment and investment promotion

Overall Mandalay investment climate is good, according to the respondents of Mandalay investment Opportunity Survey. Both government and private firms are implementing various infrastructure development programs to improve the business environment in Mandalay Region.

Mandalay Region provides great potential with various investment opportunities for investors. Hotel and tourism, trading and manufacturing are some of the most potential sectors. With various tourist attractions located in the region, hotel and tourism sector could be the most potential for many investors. Central location in Myanmar makes Mandalay attractive trading venue to start trading and logistics businesses. Improved quality of various manufactured products could go far beyond China's border market, to other untapped markets such as Singapore, Japan and even Europe.

However, Mandalay also faces several challenges, from institutional to infrastructure needs. There are a number of things for all stakeholders to initiate:

1) Handling land prices

Although many foreigner investors visited Mandalay for potential opportunities, their business plans were not implemented mainly due to the challenges imposed by the real estate limitation. As for example, foreign investors would prefer to lease between 15-30 years for long-termed investment. However, the land plots in Mandalay industrial zones have been granted by MCDC for 30-year since 1995. Thus, the valid period is only 10 years, which is harder to make long-termed investment for foreign businesses.

The regional government should set appropriate policies in order to stop speculation such as the time limit to start a factory or business after receiving land permit from the government and promote industrialization in the region with concrete incentives. Apart from setting the policies, the government and officials should educate the businesses, including speculators, to move forwards to inclusive growth rather than increasing individual's prosperity.

2) Upgrading electricity, water, transportation and other infrastructure

Infrastructure is one critical factor for every investor to consider when starting a business. Although the basic infrastructure is considered fair to the local businesses, it may not be the same for the potential investors which need better infrastructure and services to operate their businesses.

Both the government and private firms have been actively participating in improving all the basic infrastructure, including road, electricity, water supply and telecommunication. Apart from the regional government and Mandalay City Development Committee, foreign investors are also invited to participate in upgrading infrastructure in Mandalay Region.

3) Providing skilled workforce

Mandalay Region is the second largest urban area and third most populated region in Myanmar. It is easier to find unskilled and general labour although skilled workforce is harder. Furthermore, there is also a case of brain drain, with more skilled workers frequently leaving for higher wages in Yangon or neighbouring countries. Since the majority of businesses are small and medium enterprises, on-the-job training is mainly focus and there is also lack of familiarity with training and modern business practices.

Myanmar-Japan Center for Human Resources Development, supported by JICA, provides a series of trainings and courses to middle management and aspiring entrepreneurs in both Yangon and Mandalay in association with UMFCCI and MRCCI respectively. Supervised by the Ministry of Commerce, the courses include business plan development, strategic marketing, human resource management, quality control, financial and project management.

Mandalay Region should consider creating partnership with international institutions such as Japan International Cooperation Agency (JICA) and The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) to develop tailored trainings and workshops to upgrade skills and capacity of the workers. The government has set up National Skills Standard Authority (NSSA) under the Ministry of Labour, Employment and Social Security (MoLES) to improve competency standards of semi-skilled and skilled workers and NSSA awarded certificates to skilled workers of 6 occupations in February 2015. Thus, the involvement and commitment from Mandalay Region Chamber of Commerce and Industry (MRCCI) and MoLES as well as support from the regional government and international agencies are needed to build capacity and improve specific technical skills of the workforce in Mandalay.

4) Departments' supports for new investments

To improve overall business environment of Mandalay, the strong supports by government and relevant departments are essential. According to the respondents, government support's on investment regulations as well as effectiveness of government procedures are rated low. Also based on the two foreign investors among the respondents, they faced high rental prices for land and buildings and slow procedures for permits and licenses for business setup. With the new established Directorate of Investment and Company

Administration (DICA) office in Mandalay, it is expected for future businesses to receive benefits and supports by the government.

5.1 Action plans for the DICA Mandalay

Directorate of Investment and Company Administration (DICA) office in Mandalay is relatively new. Therefore, it is important to improve capacities and skills of the team in order to serve the clients with best efforts. Effective capacity building benefits both the organization and other stakeholders in strengthening trust and building commitment.

1) Functional capacity building

Firstly, there is an importance to build functional capacities. These are the management capacities that are needed to formulate, implement and review core strategies, programs and projects by DICA Mandalay. Since functional capacity building focuses on 'getting things done', most organizations are likely to focus on these capacities. DICA Mandalay should follow the followings:

- **Engage business communities**

DICA Mandalay acts as the intermediary between the government and businesses. It also focuses on supporting business associations and developing as the coordinating body between the government and other stakeholders. Thus, engaging the business communities would build trust and understanding among different stakeholders. By understanding the constructive feedback by the communities, the DICA Mandalay could provide better services to the potential investors.

- **Formulate policies and strategies**

Upon understanding the needs and requirements by multiple stakeholders, the DICA Mandalay can initiate the appropriate policies to attract domestic and foreign investments in the region. Technical skillsets such as strategic thinking, operational planning and feasibility analysis are needed. Therefore, collaboration between the department and international institutions will be essential to develop skills and capacities.

- **Monitor and evaluate**

The department should monitor, gather information and analyze data related to upcoming and potential industries. With such data available, DICA Mandalay could provide evaluation and recommendation to prospective investors.

2) Technical capacity building

Apart from the functional capacities, technical capacities are also important to improve the skills of the staff. They tend to be acquired through more formalized instruction, study and practical training. Technical capacity building focuses on building technical expertise of DICA Mandalay.

- **Provide technical trainings to DICA Mandalay staff**

Upgrading the technical skills of the DICA Mandalay staff is crucial to provide outstanding services to the investors. Thus, there is a need to have collaboration between the department and domestic/ international institutions to develop tailored curricula to enhance the skills and capacities of the staff. Although in-house training could be easily established, private-public partnerships with international organizations could benefit to provide specific technical skill trainings.

6. Feedbacks from Stakeholder's Meeting about the Mandalay Investment Fair

Stakeholders' meeting for upcoming Mandalay Investment Fair was held at Mandalay Region Chamber of Commerce and Industry Training Hall, Mandalay on 28 August 2015. A total of 72 participants attended this meeting, including H.E. U Aung Zan, Union Minister for Planning and Economics in Mandalay Region and U Aung Naing Oo, Secretary of Myanmar Investment Commission.

Table 15: Participants of Stakeholder's Meeting

Sr.	Participants	Numbers
1	Government departmental officials	18
2	Business Associations	18
3	Business Owners	20
4	JICA and MMRD	6
5	Media	10
Total		72

Figure 44: Stakeholders' meeting for upcoming Mandalay Investment Fair



Photo: U Aung Zan, Union Minister for Planning and Economics in Mandalay Region

Source: MMRD

Brief opening remark by U Aung Zan, Union Minister for Planning and Economics in Mandalay Region

The Mandalay Stakeholders' meeting is held to showcase Mandalay Investment Opportunity Survey, which was conducted during July and August 2015, to support the Mandalay Investment Fair, which would be supported by Mandalay Region Government. From the Mandalay Investment Fair, Mandalay Region will improve investment opportunities; create more job opportunities and more opportunities for the local SMEs to connect with both foreign and local investors to enter international markets.

Brief remarks by U Aung Naing Oo, Secretary of Myanmar Investment Commission

U Aung Naing Oo explains the objectives of holding Investment Fair in Mandalay, namely;

1. The importance of Mandalay Region as part of one polar growth stated by Two-polar Growth Strategy (Yangon polar and Mandalay polar) in Myanmar, which is defined in National Comprehensive Development Plan (2011-2031)
2. Although the GDP contributed by the Mandalay Region is one of the highest in Myanmar, there isn't much development despite lots of potential in the region
As for example, according to the foreign direct investments (FDIs) have been approved in Myanmar; the Yangon Region has the highest FDIs with 483 while Mandalay Region only has 19. Thus, there is a need to support all the investment opportunities to reach its potential in Mandalay.
3. Current situation of small and medium enterprises (SMEs) has shown the slow growth. If the local SMEs could connect with the foreign investors and develop as the supporting industries, it would bring the win-win strategy for both parties.
4. Mandalay is trade hub and provides a lot of potentials. Mandalay Investment Fair could support the potential to reach to actual developments.
5. Foreigners know Mandalay as the tourist city but not as a commerce or trade city so this Fair could provide the untapped opportunities for potential FDIs.
6. This Fair is also to overcome the technological and financial needs faced by the local businesses in Mandalay.

According to MIC, below are the some of the potential businesses in Mandalay Region

1. Textile
2. Food processing
3. Production of electronic products
4. Tourism
5. Logistics (Dry port and border trade)
6. Infrastructure

Brief remarks by U Aung Than, President of Mandalay Region Chamber of Commerce and Industry (MRCCI)

MRCCI welcomes the first ever Mandalay Investment Fair in Mandalay. MRCCI and related 27 associations are urged to support the Mandalay Investment Fair to be successful.

Brief remarks by Mr. Toru Homma, Advisor in DICA from Japan International Cooperation Agency (JICA)

This Mandalay Stakeholders' Meeting will act as an important step to deliver the facts collected from Mandalay Investment Opportunity Survey and upcoming Mandalay Investment Fair.

Presenting the findings of Mandalay Investment Opportunity Survey by U Ahkar Soe, Research Manager from MMRD

The objectives, methodology and research process are presented before delivering the findings from the Mandalay Investment Opportunity Survey, the potential investment opportunities and the needs for improvement in Mandalay Region.

Presenting the Mandalay Investment Fair Plan by U Aung Min, Research Director from MMRD

Programmes from the Mandalay Investment Fair, such as seminars, exhibition, business matching, site visit, potential guest list and participants are discussed.

Additional discussions

1. Discussion by U Tin Maung, Mandalay Region Real Estate Agent Development Association

According to the potential foreign investors, the land and property prices in Mandalay Industrial Zone are very expensive. Due to the farmland law which stated "anyone who doesn't engage agricultural process but supervise the land use of agriculture is called farmer/ agriculturist", many speculated to increase the land prices in Mandalay. One of the reasons of increasing land price is due to the published rate of the government. Thus, the government should only provide the land to those who really need to develop farms or industries.

2. Discussion by Daw Than Than Swe, Chairperson of Mango Group, Deputy Chair of Mandalay Region fruit, flower and vegetable producers association

Since 2010, Ministry of Commerce, Ministry of Agriculture, FAO and mango production group have collaborated to improve the quality of mango. Since mango is one of the major fruits from Mandalay Region, there are various opportunities for foreign investors to improve food processing technology, packaging system, cold storage system.

3. Discussion by U Win Htay, Deputy Chair of Mandalay Region Sugar and Sugarcane Association

Due to locally-made machineries, lack of raw materials and technology, Mandalay sugar refineries lost out on the quality and production by modern machineries. Previously, Mandalay accounts for over 50% of sugar processing and production in Myanmar. However, the production has dropped a lot in recent years so there is a need for investment.

4. Discussion by U Aung Kyi Soe, joint-secretary of Union of Myanmar Federation of Chambers of Commerce and Industry and EC of MRCCI

MRCCI would need the support from Myanmar Investment Commission in monitoring investment and level of potential investors so that it would facilitate the investment much easier.

Confirmation of programmes by U Aung Naing Oo, Secretary of Myanmar Investment Commission

In order to let the investors know what Myanmar is planning for future, planning department should deliver National Comprehensive Development Plan (NCDP) in the seminar. It is also important to present the brief investment law and regulations of Myanmar as well as deliver the logistics and transportation sectors in the region. Since electricity is also 2nd most important infrastructure for investment, it's critical to provide how much supply the Ministry could deliver in future. MRCCI should explain the situation of Mandalay businesses while Myotha Industrial Zone should state the potentials of its zone.

Summary of meeting by U Aung Min, Research Director from MMRD

The followings are discussed:

- 1) Invitation to other CCIs from Sagaing, Magway and Lashio as well as chili production association from Kyauk-Se
- 2) 7 presentations in Mandalay Investment Fair and presentation slides should be sent by 20 September 2015 in English language
- 3) Selecting one panelist by MRCCI and inform the organizers
- 4) 5 remaining exhibition booths to be selected by MRCCI (apart from logistics, trade promotion, hotel association and ministry, Myotha and Mingalar Mandalay)

- 5) Setting up business matching by sector such as agriculture, food processing, electronics, and etc.

There is an urgency to deliver exhibition and business matching lists to the organizers to be conveyed to investors. The meeting was successfully concluded with the conclusion remarks by U Aung Than, Chairman of the Mandalay Region Chamber of Commerce and Industry.

7. Feedbacks from Mandalay Investment Fair

Mandalay Investment Fair was held at Mandalay Hill Resort Hotel Grand Ballroom, Mandalay on 30 September 2015 to promote the investments in Mandalay area and to link potential investors to local business partners. A total of 406 participants attended Mandalay Investment Fair, including Union Minister H.E. U Zay Yar Aung, Chairman of Myanmar Investment Commission, H.E. U Ye Myint, Chief Minister of Mandalay Region Government, Daw Lei Lei Thein, Deputy Minister of Ministry of National Planning and Economic Development and ministers of Mandalay Region Government as well as departmental officials, embassies and international organizations, foreign investors, business associations and local businesses from Mandalay.

Table 16: Participants of Mandalay Investment Fair

Sr.	Participants	Numbers
1	Seminar	318
2	Exhibitors	30
3	Organizers	38
4	Media	20
Total		406

Table 17: Participants of Mandalay Investment Seminar

Sr.	Participants	Numbers
1	VIPs	12
2	Panels and speakers	13
3	State/Region government	6
4	Government officials	36
5	Embassy and international organizations	35
6	Foreign investors	76
7	UMFCCI and chambers	4
8	MRCCI	20
9	Affiliated Associations	50
10	Local business	31
11	Business participants	35
Total		318

Table 18: Agenda of Investment Fair seminar and business matching

Mandalay Investment Fair Agenda (30 Sept 2015)		
09:00 – 09:30	Registration	
09:30 – 10:00	Opening Ceremony	Mandalay Investment Fair Exhibition officially opened by guests of honour (Exhibition continues until 16:00)
Seminar		
10:00 – 10:10	Keynote Speech	<i>H.E. U Ye Myint, Chief Minister, Mandalay Region Government</i>
10:10 – 10:25	Opening Speeches	<i>U Aung Than, President, MRCCI</i> <i>Embassy of Japan</i>
10:25 – 10:40	Keynote Remarks	<i>H.E. U Zay Yar Aung, Chairman of Myanmar Investment Commission (MIC) and Union Minister of Energy and Union Minister of Communications and Information Technology</i>
10:40 – 11:00	Photo Session and Coffee Break	
11:00 – 11:10	Presentation 1: “National Comprehensive Development Plan”	
		<i>Daw Thwe Thwe Chit, Deputy Director General, Planning Department, Ministry of National Planning and Economic Development</i>
11:10 – 11:20	Presentation 2: “Investment in region: Regulatory framework updates”	
		<i>U Aung Naing Oo, Secretary of MIC and Director General of Directorate of Investment and Company Administration (DICA)</i>
11:20 – 11:35	Presentation 3: “Summary of Mandalay Investment Opportunity Survey”	
		- <i>Mr. Toru Homma, JICA Advisor, DICA</i> - <i>U Aung Min, Research Director, MMRD</i>
11:35 – 11:45	Presentation 4: “Transport and logistics development: Mandalay”	
		- <i>U Aung Ye Tun, Director, Ministry of Transport</i> - <i>Daw Ohmar Maw, Myanmar International Freight Forwarders’ Association (MIFFA)</i>
11:45 – 11:55	Presentation 5: “Development of electric power in and around Mandalay”	
		<i>U Aung Kyaw Htoo, Assistant Chief Engineer, Ministry of Electric Power</i>
11:55 – 12:05	Presentation 6: “Business in Mandalay: Local private sector’s view”	
		<i>Dr. Maung Maung, Secretary General, MRCCI</i>
12:05 – 12:15	Presentation 7: “Development of Mandalay Myotha Industrial Park”	
		<i>Dr. Tun Tun Aung, Managing Director, Mandalay Myotha Industrial Development (MMID)</i>

12:15 – 12:40	Panel Discussion: “Invest in Attractive Mandalay”
	<p>Moderator: Prof. Dr. Aung Tun Thet, President's Economic Advisor, Vice Chairman of National Economic and Social Advisory Council (NESAC) and Member of MIC</p> <p>Panelists: U Aung Naing Oo (MIC Secretary), Mr. Marvin Yeo (Corporate Strategy Advisor, New Star Light Construction), U Aung Win Khaing (Chairman, MMID) and U Bo Bo Wai Maung (Financial Specialist)</p>
12:40 – 12:55	Floor Q & A Session
13:00 – 14:00	Networking Lunch hosted by organizers
14:00 – 16:00	Business Matching (in 10 groups as below)
	(1) Agriculture, (2) Food processing, (3) Manufacturing, (4) Electronics, (5) Textile,
	(6) Sugar, (7) Iron/metal/shipyard, (8) Infrastructure, (9) Hotel & tourism, (10) Others

Table 19: Agenda of Investment Fair optional site visit Tour

Optional Site Visit Tour (1 Oct 2015)	
08:00	Participants depart from Mandalay Hill Resort Hotel by bus
08:30 – 09:00	Mingalar Mandalay Development Project (Participants can also join here at Information Centre)
10:30 – 11:30	Myotha Mandalay Industrial Park (Presentation in office)
11:30 – 12:00	Myotha Mandalay Industrial Park (Site observation)
13:00 – 13:45	Lunch at Semeikhon Port
13:45 – 14:30	Semeikhon Port (Presentation and site observation)
16:00	Arrive at Mandalay Airport for departure (and then Mandalay City)

Figure 45: Keynote speech by H.E. U Ye Myint, Chief Minister, Mandalay Region Government



Photo: H.E. U Ye Myint, Chief Minister of Mandalay Region Government

Source: MMRD

Brief keynote speech by H.E. U Ye Myint, Chief Minister of Mandalay Region Government

Located in the central part of Upper Myanmar, Mandalay lies along the border trade route to China, India and Thailand and has huge potential business opportunities. In order to implement such business opportunities, there is a need for collaboration and cooperation by local and foreign investments as well as supports by international organizations. Mandalay Region Government will work together to support all the businesses who want to invest in Mandalay Region while trying its best to improve the infrastructure.

Opening speeches by U Aung Than, President of Mandalay Region Chamber of Commerce and Industry (MRCCI) and Mr. Hideaki Matsuo, Economic Counsellor, Embassy of Japan

Opening speech by U Aung Than

Mandalay Investment Fair is meant for promoting the business cooperation among the domestic and foreign investors and improving economic growth. Not only it has great potential to start the investment market but Mandalay Region is a region through which trade links with China and India and Thailand.

Opening speech by Mr. Hideaki Matsuo

Both Japanese government and corporations have demonstrated strongest commitment and passion towards Myanmar's development and inclusive growth, one of which is the Thilawa Special Economic Zone; Myanmar first SEZ which was operational in September 2015 and attracted to substantial foreign investments. Japanese government has also contributed in critical infrastructure of Mandalay, including upgrading Yangon-Mandalay Railway, improving ICT networks along Yangon, Nay Pyi Taw and Mandalay. Apart from infrastructure, Japan also contributed in conceptualization of the future of Myanmar such as involvement in Myanmar Industrial Development Vision (MIDV) which aims for simultaneous development of both urban industries and rural agro forestry. Increasing number of Japanese companies are interested in doing business in Myanmar, especially in Mandalay so Embassy of Japan wishes success of Mandalay Investment Fair and future of Mandalay.

Keynote Remarks by H.E. U Zay Yar Aung, Chairman of Myanmar Investment Commission (MIC)

Mandalay is the second largest city in Myanmar in terms of physical and transport infrastructure, dense population and economic scale compared to other parts of Myanmar with a vast potential for development and investment including agriculture, agro/food processing, manufacturing and other type of business.

Four important points are being raised. Firstly, this Investment Fair is the very first attempt and it is also the very first international event focusing on Mandalay. Secondly, this "investment fair" consists of four (4) useful events, namely seminar, exhibition, business matching and site visit tour. Thirdly, the comprehensive long-term policy planning guidance "National Comprehensive Development Plan (NCDP)" presents Mandalay as one of the most significant ideas, "Two Polar Growth Model". Finally, Mandalay has vast potential for investment; the second largest urban area with 1.2 million urban populations. Considering business in Mandalay contribute to the development of Mandalay, development of Myanmar and win-win partnership between the investors and the nation.

Presentations

There are 7 presentations by various industries such as

1. "National Comprehensive Development Plan" by Daw Tin Tin Myint, Director of Planning Department, Ministry of National Planning and Economic Development
2. "Investment in region: Regulatory framework updates" by U Aung Naing Oo, Secretary of MIC and Director General, Directorate of Investment and Company Administration (DICA)
3. "Tentative summary of Mandalay Investment Opportunity Survey"" by Mr. Toru Homma, JICA Advisor for DICA and U Aung Min, Research Director, MMRD
4. "Transport and logistics development: Mandalay" by U Aung Ye Tun, Director, Ministry of Transport and Daw Hla Hla Yee, Secretary, Myanmar International Freight Forwarders' Association (MIFFA)
5. "Development of electric power in and around Mandalay" by U Aung Kyaw Htoo, Assistant Chief Engineer from Ministry of Electric Power
6. "Business in Mandalay: Local private sector's view" by Dr. Maung Maung, Secretary General of MRCCI
7. "Development of Mandalay Myotha Industrial Park" by Dr. Tun Tun Aung, Managing Director of Mandalay Myotha Industrial Development (MMID)

Figure 46: Mandalay Investment Fair Seminar



Photo: U Aung Naing Oo, Secretary of MIC

Source: MMRD

Panel Discussion "Invest in Attractive Mandalay"

"Invest in Attractive Mandalay" is discussed by 4 panelists and moderated by Dr. Aung Tun Thet, President's Economic Advisor, Vice Chairman of National Economic and Social Advisory Council (NESAC) and Member of MIC. Panelists are U Aung Naing Oo (Secretary of MIC), Mr. Marvin Yeo (Corporate Strategy Advisor, New Star Light Construction), U Aung Win Khaing (Chairman, MMID) and U Bo Bo Wai Maung (Financial Specialist).

According to bi-polar growth economic development strategy, Mandalay will be one of the important contributors for the economic development of Myanmar. It also has the highest potential for development such as location, resources, and attractiveness to foreign investors in the country. Within a 600 mile radius of Mandalay, there is a population of 600 million people connected by land, which is the size of Southeast Asia. With continuing investments in infrastructure, Mandalay can become a large logistic and trading hub in the world with upcoming AEC 2015 and ASEAN-China FTA.

Based on the potential of Mandalay, there are many main areas for investment. The first is electronic assembly business. With a better supply of younger generation in Mandalay region, electronic assembly businesses would be potential for the country. Number two is food processing as Mandalay has a lot of potential to promote food procession businesses. Number three is textile industry. Mandalay has a lot of potential for the development of the textile industry in Myanmar. All local textile producers are in Mandalay and provide huge opportunity for textile industry. Those are the three key industry sectors for potential investment or FDI in Mandalay. Number four is logistics. The tourist arrival goes from 700,000 in 2010 to over 3 million in 2014 and 80-90% of tourist comes to Mandalay, thus, tourism business is important and high potential market. The industrial productions and mechanic type of manufacturing and services also have business opportunity in Mandalay as well as servicing all the heavy trucks. Mandalay is the main second hand car maker for the whole country with very good mechanics, and technology surveyed mechanics and service providers.

According to the MIC, what Myanmar provides will be equal, if not better to all the other neighboring countries. However, Myanmar focuses on responsible investment, ensuring that foreign investors who come to Myanmar also focus on social responsibility. Once the firm gets MIC permission, it must be a member of UN global compact, the largest CSR in the world that combats human rights, labor rights, environment and anti-corruption in Myanmar.

Practical information and data are important for the investors which to make business decision not only in Mandalay but in Myanmar. The MRCCI could provide more information such as logistics, labor, construction, transportation in Mandalay. DICA also will upload useful information to be available to all investors on www.dica.gov.mm.

Regarding about FDI promotion plan, Myanmar and MIC has 20-year plan, which includes China+1 and Thailand+1 policy as many investors are thinking of relocating from China to a third country. A survey done by the World Bank in Myanmar for investment climate assessment highlights the four keys by surveying local SME: finance, land acquisition, electric power, and skill level. The government is trying its best to overcome those constraints. The financial system is lacking for all of Myanmar, in Yangon some progress can be seen but Mandalay is still far behind. For human capital, Myanmar has talented people but all the returnees come to Yangon, with very few come back to Mandalay. Thus, Mandalay needs the investment first followed by the technology and skillset. For both technology transfer and investment, Mandalay needs FDI. Foreign investors bring in 4 things: finances, technology, market or access to market, and a new management culture which Myanmar needs. Local people provide invaluable and priceless local knowledge of local market, behavior, and attitudes. Both local businesses and foreign investors have something each other need to set up cooperation.

The Mandalay Investment Fair Seminar was successfully concluded at 13:30pm, which was followed by business matching session between local businesses and foreign investors until 16:00pm on 30 September 2015 and site visit tour on 1 October 2015. A total number of 120 participants attended site visit tour which included a visit to Mingalar Mandalay, Myotha Industrial Park and Semeikhon Port.

Figure 47: Mandalay Investment Fair Panel Discussion



Source: MMRD

Business Matching

Foreign investors participated in the Mandalay Investment Fair and the Mandalay business community including 52 local companies had the opportunity to connect in the prospect of future partnerships.

- 1) Agriculture
- 2) Food processing
- 3) Manufacturing
- 4) Electronics/Electric
- 5) Textile
- 6) Sugar
- 7) Iron/ Metal/ Shipyards
- 8) Infrastructure
- 9) Hotel and Tourism
- 10) Others (IT & Telecom and services)

Figure 48: Business Matching



Exhibition

Booths of ministries, industrial parks, local industries and development project are displayed for potential investors. List of exhibitors are as follows;

Booth No.	Sector	Participants of Exhibition boots
1	Transportation	Department of Transport & MIFFA
2	Trade Promotion	Department of Trade Promotion and Consumer Protection
3	Hotel and Tourism	Directorate of Hotel and Tourism
4	Industry	Ministry of Industry
5	Myotha Industrial Zone Project	MMID
6	Mingalar Mandalay (MCC, MITC)	New Star Light & C.A.D
7	Fruits (Mango)	Mango Group (Daw Than Than Swe)
8	Construction Group	1. Construction Association 2. Mandalay Green City Public Co., Ltd.
9	Textile/ training schools	1. Taw win nadi silkware 2. Mya Gabar Soe Textile 3. Mandalay Region Private school associations
10	Printing	Mandalay Region Printing and Publishing Association
11	Wood, plywood and furniture	1. Sein and Mya mattress and furniture
12	Sugar	1. Myanmar Sugar Development Public Company 2. Lamin Thazin Company Limited
13	Gems and Jewellery	1. Gems and Jewellery Entrepreneur Association
14	Hotel and Tourism	1. Mandalay Hotelier Association 2. Mandalay Tourist Guide Association 3. Mandalay Travel Association

Figure 49: H.E. U Zay Yar Aung, Chairman of Myanmar Investment Commission (MIC) and and H.E. U Ye Myint, Chief Minister, Mandalay Region Government visited booths at the Exhibition



Figure 50: Booth at the Exhibition



Site Visit (Optional)

A tour was planned to visit Mingalar Mandalay, Myotha industrial parks and other development projects on 01 October 2015. A total of over 120 foreign dignitaries, investors and local business communities joined one-day trip to these development projects.

Figure 51: Mingalar Mandalay Project



Figure 52: Myotha Industrial Park Project



Annex

Table (1) Respondent Lists of Business interviews

Sr. No.	Respondent Company	Sector	Type of business
1	Company A	Hotels and Tourism	Hotel
2	Company B	Food Processing	Oil Mill
3	Company C	Agriculture	Agri-Machinery
4	Company D	Food Processing	wheat mill
5	Company E	Food Processing	Oil Mill
6	Company F	Food Processing	biscuit
7	Company G	Food Processing	Jam
8	Company H	Food Processing	Oil Mill
9	Company I	Agriculture	Agri-Machinery
10	Company J	Manufacturing	Stone Crushing Machine
11	Company K	SMEs	Tapestry
12	Company L	Food Processing	Sugar Mill
13	Company M	SMEs	bronze statue
14	Company N	Food Processing	Drinking Water
15	Company O	Manufacturing	Cement
16	Company P	Trading, Logistic and warehousing	Logistic Services
17	Company Q	Hotels and Tourism	Hotel
18	Company R	Food Processing	Pulse and bean Processing
19	Company S	Agriculture	Coffee Plantation
20	Company T	Agriculture	Agri-Machinery
21	Company U	Food Processing	Jerry
22	Company V	Hotels and Tourism	Tours Ship
23	Company W	Manufacturing	PP Woven Bag
24	Company X	Manufacturing	Iron casting
25	Company Y	Manufacturing	Tyre Factory
26	Company Z	Agriculture	Compound Fertilizer
27	Company AA	Food Processing	Pulse and bean Processing
28	Company AB	Trading, Logistic and warehousing	Cargo shipping
29	Company AC	Manufacturing	Iron casting
30	Company AD	Manufacturing	Plywood
31	Company AE	Infrastructure (construction companies , Real Estate)	Construction Company
32	Company AF	Manufacturing	Wood based industries
33	Company AG	Manufacturing	Lather
34	Company AH	Infrastructure (construction companies , Real Estate)	Construction Company
35	Company AI	SMEs	Textile (Variety of Silk Ware)
36	Company AJ	SMEs	Wood Carving

			(Myanmar Handicraft)
37	Company AK	Hotels and Tourism	Travel & Tour
38	Company AL	Trading, Logistic and warehousing	Cargo Transport
39	Company AM	Trading, Logistic and warehousing	Trading
40	Company AN	Trading, Logistic and warehousing	Cargo Transport
41	Company A	Hotels and Tourism	Travel & Tour
42	Company A	Manufacturing	Machinery

Table (2) Useful Contacts

No.	Name	Contact
1	Mandalay Region Government	64 Street, Between 24 and 25 Streets, Aung Myay TharZan Township Mandalay, Myanmar Tel: +95 2 36923 Website: www.mdyregion.gov.mm
2	Myanmar Investment Commission Secretariat/ Directorate of Investment and Company Administration (DICA) (Yangon Office)	No.1 Thitsar Road, Yankin Township Yangon, Myanmar Tel: +95 1 657891 Fax: +95 1 657825 Website: www.dica.gov.mm
3	Myanmar Investment Commission Secretariat/ Directorate of Investment and Company Administration (DICA) (Mandalay Office)	3rd Floor, Zecho East Apartments 84 Street, Between 26 and 27 Streets, Chan Aye TharZan Township Mandalay, Myanmar Tel: +95 2 86661 Fax: +95 2 86660 Website: www.dica.gov.mm
4	Mandalay Region Chamber of Commerce and Industry (MRCCI)	4th Floor, Yadanarbon Super Center Corner of 78 and 34 Street Mandalay, Myanmar Tel: +95 2 69326 Fax: +95 2 69311 Website: www.mrcci.org.mm
5	Mandalay City Development Committee (MCDC)	26 th & 72 nd St, Mandalay, Myanmar Tel: +95 2 36170 Fax: +95 2 35928
6	Mandalay Industrial Zone Management Committee	Kanaung Hall, Pyigyitagon Township, Mandalay, Myanmar Tel: +95 2 5154656 +95 2 5154673 Fax: +95 2 5154614