

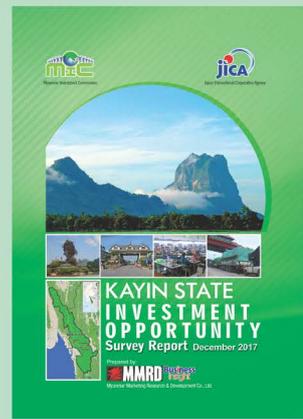


KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



KAYIN STATE INVESTMENT OPPORTUNITY

SURVEY REPORT 2017



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Preface

Kayin State offers various types of investment opportunities due to its strategic location along East West Economic Corridor (EWEC) with the Myawaddy Trade Zone which has second highest volume of trade amongst all border trade posts, key border trade route from Hpa-an to Myawaddy (150km) and a logistics hub (Yangon-Hpa-an 275km). Kayin State also has many tourist destinations for local and foreign travellers such as Hpa-an Zwegabin mountain, caves, Thandaung Gyi, Myawaddy to name a few. Therefore, there are many opportunities in various sectors including trade, tourism, manufacturing, agriculture and livestock which can generate economic development in the region.

In order to capture such potential more effectively, Kayin State Investment Opportunity Survey has been conducted by Myanmar Investment Commission (MIC) and its secretariat Directorate of Investment and Company Administration (DICA), supported by Japan International Cooperation Agency (JICA) under its technical cooperation programme with DICA and implemented by Myanmar Marketing Research and Development Ltd (MMRD) from September to November 2017 in Kayin State.

The Kayin State Investment Opportunity Survey is simultaneously conducted with the Kayin State Investment Fair, which was held on November 24-25, 2017 in Hpa-an, co-organized by MIC, JICA and Kayin State government, with the support of the Kayin State Chamber of Commerce and Industry (KSCCI), Japan External Trade Organization (JETRO) and MMRD. The Kayin State Investment Fair, which was composed of investment seminar, exhibition, business matching event, and site visit tour, attracted 730 participants and shared various untapped potential investment opportunity information. Draft outcome of the survey was presented in the investment seminar of the fair.

Investing in Kayin State would be beneficial for investors and also assist the development of the regional economy as Kayin State has great economic potential. Therefore, Myanmar Investment Commission notified that both foreign investors and local investors are welcomed to invest in (i) electric power generation, transmission and distribution, (ii) bonded warehouse, (iii) establishment of industrial estate, (iv) infrastructure for the transportation sector, (v) industry, (vi) agriculture and (vii) hotels and tourism in Kayin State.

The investment policy welcomes 8 types of business including, Agro- based industries with productivity-enhanced and value-added, and Tourism related investment, both of which exactly Kayin State has maximum potential. Furthermore, our new Myanmar Investment Law enacted on October 18, 2016 will provide potential investors with better investment climate and streamlined regulatory framework, as well as enhancing investment in less developed but developing area such as Kayin State.

We hope this Kayin State Investment Opportunity Survey Report helps investors to consider investment in Myanmar in particular Kayin State.

With best wishes,
U Aung Naing Oo
Secretary
Myanmar Investment Commission
Director-General
Directorate of Investment and Company Administration

Background of the Kayin State Investment Opportunity Survey

Investment promotion is a priority agenda for the Myanmar Investment Commission to achieve economic growth. In order to achieve national development goals, promoting foreign direct investment specific to each state and region is considered to be a key strategy implementation process to contribute to nationwide development. The Directorate of Investment and Company Administration is formed under MIC to encourage and facilitate both foreign and local investment by providing information, fostering coordination and building networks between investors and continually exploring new opportunities in Myanmar that would benefit both nation and the business community.

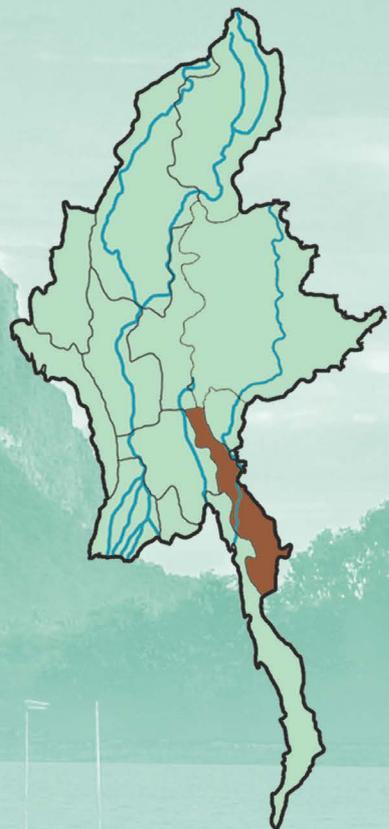
Building on the results of Mandalay Investment Opportunity Survey and Investment Fair 2015 and the Shan State Investment Opportunity Survey and Investment Fair 2017, MIC and the Japan International Cooperation Agency (JICA), jointly organized the Kayin State Investment Opportunity Survey and Investment Fair 2017.

The main objective of the survey is to promote investment opportunities in Kayin State and to connect local businesses with potential local and foreign investors. The turnout of the events has grown from year to year, which signifies the rising interest of foreign and local businesses to invest in the less developed areas of Myanmar.

Kayin state's proximity to Thailand, and its stationing on the East-West Economic Corridor, makes it a prime location for commercial activities and especially presents opportunities for border trade with the neighbouring country. With many untapped investment opportunities, there is still a need to foster the investment climate, as well as factors hindering investment that need to be mitigated.

For this purpose, Myanmar Marketing Research and Development Ltd (MMRD) was contracted by JICA and conducted the survey and fair in order to identify untapped opportunities for investment in Kayin State area with evidence. The survey and fair are intended to promote the identified investment opportunities in Kayin State for potential investors, and to enhance linkages between Kayin local business and foreign/ domestic investors.

The Kayin State Investment Opportunity Survey was conducted by MMRD from September to November 2017 in Kayin State. The initial findings of the survey were presented at a stakeholder meeting in the presence of respective government departments and members of State Development Implementation Committee of Kayin Ethnic Armed Groups, business associations and local businesspeople in Hpa-an on October 3. The summary findings of the survey were presented at the Kayin State Investment Fair held at Hpa-an on November 24. The Kayin State Investment Fair was the third event held in Myanmar with more than 700 participants attending investment seminars, exhibitions, business matching events and site visits. All participants were able to see the investment environment and opportunities in Kayin State to consider them for future investment.



Executive Summary

Kayin State is one of Myanmar's border regions that is strategically located in the south-eastern part of the country. The state has the second- biggest border trading post, which is the main border trade route between Myanmar and Thailand and offers high investment potential in trading, manufacturing, logistics and tourism. Other possible investment sectors are agriculture, livestock breeding, electricity and mineral extraction and purification.

Kayin State is home to many beautiful locations that could be used to build recreation and leisure centres, as well as resorts. However, it also has plenty of vacant land that is available for the development of industrial zones and agricultural zones.

Although Kayin State has extensive investment potential and resources that are available for business development, the area has seen limited opportunities for local and foreign investments, mostly because it was effectively off limits until Kayin armed groups signed a preliminary ceasefire in 2012. After that the Kayin State government has been trying to develop the state by focusing on upgrading the infrastructure and facilities of rural areas and urban townships. According to the Directorate of Investment and Company Administration (Hpa-an), there are three foreign direct investments in Kayin State that are registered with the Myanmar Investment Commission (MIC). Recently, an investment law was renewed to encourage more foreign investment, and all Kayin State townships are included in the Tax Free Zone (1). This zone offers up to seven years of tax exemption for companies that establish themselves in Kayin State.

Up to 36% of business owners that responded to the Kayin State investment opportunities survey in September to November 2017 stated that Kayin State is attractive for market availability but 44% noted that there is limited access to loan financing when starting a business, owing to banks' collateral requirements. Survey respondents said that Kayin State has quite good land transportation and communication networks. However, respondents rated as fair their opinions on



investment regulations, as well as macroeconomic and governance issues effect on business, regulatory frameworks, labour forces, logistics and domestic and foreign procurement. Poor gradings were given on the current state of the infrastructure at industrial estates. However, 62% of respondents were positive about the initiatives of the current government, which they believe will bring good business prospects in the next three years. Additional comments included hope of further improvements to peace and security, additional electricity supply and upgrades to infrastructure and services in the state.

Respondents also discussed the requirement to develop electricity and water supplies, labour forces, transport and logistics networks and technology. They stated that efficient electricity and sufficient water supplies are needed for industries and factories in the industrial zones. Better road transport and air transport networks were also suggested. Finally, they said training centres, skill development and technical assistance are needed to build a better and bigger workforce in Kayin State. However, for all of the above to operate as intended, respondents said better cooperation was needed between the state government, line departments and local and international associations if there is to be an improvement in services and better returns on investments for business people. The Kayin State Government is supporting businesses by providing loans needed for infrastructure development projects, providing land and granting investment permits to attract local and foreign investors. In general, it is found that investment prospects in Kayin State are strong.

10 Reasons to invest in Kayin State

1. Abundance of resources in the state
2. Tremendous potential for tourism industry
3. Having the second largest border trade zone in Myanmar
4. Linkage to the GMS East West Economic Corridor
5. Developing infrastructure
6. Investor friendly state government
7. Peacefulness in the state
8. Friendly business community in the state
9. Full tax-free incentives
10. Meaningful investment not only a business but also the valuable contribution to the socio-economic development in the state

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Abbreviations

ACTED	Agency for Technical Cooperation and Development
ADB	Asian Development Bank
AH	Asia Highway
AIF	ASEAN Infrastructure Funds
ASAN	Association of Southeast Asian Nations
B&B	Bed and Breakfast
B2B	Business-to-business
BOT	Build, Operate and Transfer
CCI	Chamber of Commerce and Industry
DUCA	Directorate of Investment and Company Administration
EWEC	East West Economic Corridor
FDI	Foreign Direct Investment
FIT	Free Individual Travellers
FTTX	Fiber-to-the-Home
FY	Fiscal year
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
ICD	Inland Container Depot
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
KII	Key Informant Interview
KNLA	Karen National Liberation Army
KNU	Karen National Union
KSCCI	Kayin State Chambers of Commerce and Industry
LPI	Logistics Performance Index
MACCS	Myanmar Automated Cargo Clearance System
MAPCO	Myanmar Agribusiness Public Corporation
MIC	Myanmar Investment Commission
MIFFA	Myanmar International Freight Forwarders' Association
MMK	Myanmar Kyat
MMRD	Myanmar Marketing Research and Development Ltd
MOA	Memorandum of Association
MOU	Memorandum of Understanding
MPT	Myanmar Posts and Telecommunications
MIF	Myanmar Rice Federation
MYEA	Myanmar Young Entrepreneurs Association
NCA	Nationwide Ceasefire Agreement
NTFC	National Trade Facilitation Committee
ODA	Official Development Assistance
PPP	Public Private Partnership
PSC	Production Sharing Contract
SDC	SME Development Centre
SME	Small and Medium Enterprises
TBH	Thai Baht
UMFCCI	The Republic of The Union of Myanmar Federation of Chambers of Commerce industry
USD	United State Dollar



KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



1

*Macroeconomic Overview
of Kayin State*

1. Macroeconomic Overview of Kayin State

This section includes the brief overview of Kayin State's geography and macroeconomic situation. The information is presented from the perspectives of government officials interviewed for this research.

1.1 Brief profile of Kayin State

Kayin State is located in the south eastern part of Myanmar. It is located in the north latitude between 15 degrees and 19 minutes, to 19 degrees and 25 minutes; and on the east longitude between 96 degrees 10 minutes and 98 degrees 55 minutes. The state occupies 11,731 square miles (30,383 square kilometres) of land, making it the 11th-largest state or region in Myanmar. At its widest east-west point Kayin State is only 70 miles (112km) across and 326 miles (522km) north-south. Kayin State borders are Mandalay Region and Shan State to the north; Kayah State to the east; Mon State to the south; and Bago Region and Mon State to the west. Kayin State shares its border with Thailand to the east and south.

Kayin State is blessed with a topographical mix of rivers and waterways, flat plains and mountainous areas covered with forest. At its lowest point above sea level, Kayin State offered covered low land about 56 feet above the sea, with the highest peak some 3,717 feet above sea level. Nat Mountain in Thandaung Gyi Township is the highest peak at 3,717 feet, with the lowest point in Hpa-an Township. Other than the Zwegabin mountain ranges that run through Hpa-an Township, the majority of the land mass is mostly flat but with many water resources.

Kayin State has many rivers, which mostly flow from the north to the south. The Than Lwin river is the most prominent river in Kayin State and passes through near Hpa-an and Pharpon townships. The Gyaing river is one east-west flowing river that feeds into the Than Lwin river. Most of the main waterways and including the Gyaing, Attaran and Thaung Yin rivers are mostly freshwater that can be utilized for agriculture and drinking purposes. During the summer, the Than Lwin river falls to only 3 feet of depth (less than 1 metre), making it suitable only for small boats (used for inland waterways) to pass. The Thaung Yin river flows from south-to-north and passes through near Myawaddy Township.

There are four districts in Kayin State. The area by district is shown below: -

Table 1: Area of districts in Kayin State

No.	District	Area by district (square miles)	Total city and town area by district (square miles)
1	Hpa-an	4,204.73	1,256.87
2	Kawkareik	3,719.69	2,485.98
3	Myawaddy	1,210.86	496.35
4	Pharpon	2,595.57	467.80
Total		11,730.85	4,707.00

Source: Kayin State government

Figure 1: Map of the location of Kayin State in Myanmar



Source: MMRD Business Insight

1.2 Administrative status

Kayin State previously lacked regional stability and the region was presented as a “brown” area (partially stabilized areas - meaning there was active conflict between the Myanmar army and the ethnic armed groups). After 2012, when ethnic armed groups entered into a ceased fire agreement, the region began stabilizing and was reclassified as a “white” area, characterised as being devoid of conflict either because the government controls it or, as in Hpa-an, there is an arrangement between the non-state actors (e.g. KNU - Karen National Union) and military. The makings of peace processes in Kayin State are developing in the present government period along with 21st Century Panglong Conference. Implementation Committee of Kayin Ethnic Armed Groups for the Development of Kayin State is formed to maintain good relationship between government authorities and Kayin ethnic armed groups and both parties cooperate together for the Development of Kayin State.

As in June 2017, Kayin State has 4 districts, 7 townships, 18 towns, 86 wards, 376 village tracts and 2,097 villages. The capital city is Hpa-an. The total population of Kayin State is 1,574,079 according to the 2014 census, with overall population density of 130 people per square mile.

Kayin State’s ethnic mix is: Kayin (60%), Bamar (16%), Mon (11%), Shan and Pa-O (8%) and others (5%). Of the Kayin races, Poe Kayin (east/west), Sakaw Kayin, Palay Chee Palay Kee, Talaypwa Kayin, Paku Kayin, Bwe Kayin, Mawnaypwa Kayin, Mopwa Kayin, Kayin Phyu and Hto Kalibaung are considered ethnic minorities.

Table 2: List of districts, townships and villages

No.	District	Townships	Towns	Wards	Village tracts	Villages
1	Hpa-an	3	8	41	222	1,189
2	Kawkareik	2	5	27	104	546
3	Myawaddy	1	3	10	17	57
4	Pharpon	1	2	8	33	305
	Total	7	18	86	376	2,097

Source: Kayin State Government

1.3 Economy

Kayin State is located in eastern Myanmar and while it is not an economic hub, its border with Thailand makes its potential for border trade and other trade-related businesses quite high. The economy of Kayin State is primarily based on agriculture. However, efficiency rates are quite low because of areas of mountainous terrain, as well as a general lack of modern agricultural technology and financial investment. These factors combine to lower yields from agricultural production.

The major transportation mode in Kayin to other regions is by road. The main high ways, linking Myawaddy-Kawkareik-Hpa-an and Yangon are quite good. Furthermore, Kayin State is a focal point on the planned Asian Highway (AH1) and East-West Economic Corridor (EWEC).

Rice is the major agricultural output of Kayin State but the region produces only a minimal surplus in comparison with the region’s sufficiency. Kayin farmers also produce other crops such as varieties of beans and pulses, bamboo, cane, djenkol, cardamom, pepper and garden species.

Kayin State is mineral rich, boasting resources such as antimony, limestone and gypsum, which are being extracted on an industrial scale.

The state has two dedicated economic hubs, the Hpa-an Industrial Zone and the Myawaddy Economic Zone. These are both intended to support regional development and encourage businesses to establish in Kayin State. Myawaddy Trade Zone is the second-largest border trade zone in Myanmar. It is about 272 miles (435km) from Yangon and about 93 miles (149km) from Hpa-an. The trade zone handles about 12% of Myanmar’s total border trade and some 4% of its total foreign trade, with approximately 1 billion USD in trade volume annually. With time Kayin State’s industrial sector is expected to flourish, with tourism industry and other service sectors likely to further support regional development.

In terms of sector development, the Kayin State government has prioritised agriculture, with transportation and construction following next. Although the agricultural sector is the first development priority, the government admits it is a long-term plan, with considerable needs in terms of technological and financial support.

Table 3: Priority implementation sectors in Kayin State

Priority	Sector
First	Agriculture
Second	Transportation
Third	Construction
Fourth	Rental fees and other services
Fifth	Communication
Sixth	Industrial
Seventh	Electrical Power

Source: Planning Department, Ministry of Planning and Finance

In the 2016-17 fiscal year, the GDP of Kayin State was 1,441 billion kyats (1.2 billion USD) and it contributed 2% the country’s GDP. The GDP growth rate for the year was 6.9%.

Of the four townships in Kayin State, Hpa-an District earned most of the state’s GDP, claiming 56.0% of the total; Kawkareik followed with 27.8%; while Myawaddy contributed 12.6 %; and Pharpon some 3.6%

Broken down by sector, agriculture is the major contributor, earning 25% of Kayin State’s GDP.

However, the livestock and fisheries sector can be counted as having high potential. After agriculture, the second-most promising sector is the service industry, where a huge amount of the trade value is being earned. The development of road infrastructure and increased stability in Kayin State can lead not only to an increase in trade values but also bringing ever more tourists to the state. The number of hotels is growing and plenty more are still under construction, especially in Hpa-an, which is both the state capital and tourism hub.

Exploration and exploitation of Kayin State’s mineral resources is also promising, with some deposits of gold waiting to be explored. However, only when full regional stability is attained will some of the more remote mines become accessible.

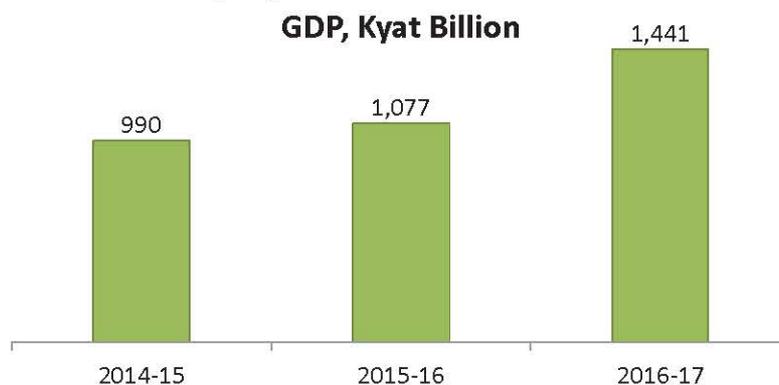
As the Asian Highway is now operational, access to Myawaddy has greatly improved and made trade flow faster and more efficiently. The region presents as a central point where international communication roads such as the ASEAN Highway, Asian Highway, GMS¹ Economic Corridors, East-West Economic Corridor, Southern Economic Corridor, Northern Economic Corridor and India-Myanmar-Thai Trilateral Highway are being implemented.

Table 4: Contribution of Kayin State in country GDP

Fiscal year	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Contribution to Myanmar’s GDP (percentage in current prices)	1.3	1.7	1.7	1.9	1.9

Source: Department of Planning, Ministry of Planning and Finance

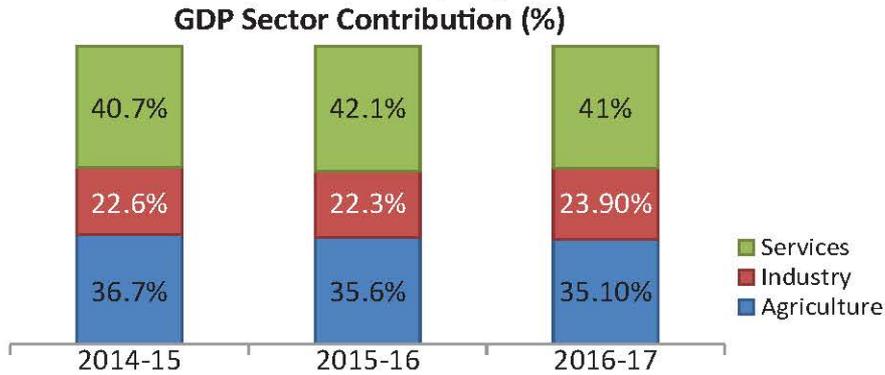
Figure 2: Illustration of Kayin State’s GDP value



Source: Ministry of Planning and Finance

¹ GMS - Greater Mekong Sub-region

Figure 3: GDP sector contribution of Kayin State

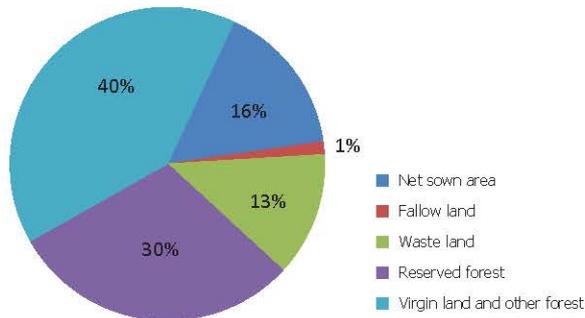


Source: Ministry of Planning and Finance

1.4 Land utilization

There are five types of land classification in Kayin State: net sown area, fallow land, cultivated wasteland, reserved forest and other forest. The total net cultivated area in Kayin State is about 1.19 million acres. Arable land is about 1.06 million acres and virgin land and other forest is about 3 million acres.

Figure 4: Land utilization in Kayin State



Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Table 5: Land utilization of Kayin State (Acre)

No.	Type of land	Area (acres)
1	Net sown area	1,186,106
2	Fallow land	98,842
3	Waste land	963,711
4	Reserved forest	2,248,659
5	Virgin land and other forest	3,014,686
Total		7,512,004

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Table 6: Virgin land and other forest areas in Kayin State

No.	Type of land	Area (acres)
1.	Hpa-an	595,324
2.	Kawkareik	1,200,213
3.	Myawaddy	205,387
4.	Pharpon	1,013,762
Total		3,014,686

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

1.5 Agriculture

Kayin State possesses fertile soil and the water supply is good enough for agriculture production. Of the total land area of 7,512,004 acres, there is only 16% of net cultivated areas (i.e. 1,186,106 acres). Much of the wild and plain lands are left uncultivated.

Monsoon crops are paddy, maize, peanut, sesame, pigeon pea, other beans and pulses, coffee, tea leaves, pepper, cassava, chilli, rubber and other vegetables. It is estimated that 1,730 acres are needed to establish a high quality monsoon paddy zone, with 1,370 acres planned for Hpa-an District and another 260 acres at Kawkareik District.

The Cultivation processes are being implemented under Myanmar GAP² Protocol. The Department of Agriculture estimated that 227,730 acres of land, across 286 village tracts, were cultivated by 44,924 farmers in the 2017-18 fiscal year. Myanmar GAP Protocol is allied with four modules of food safety: produce quality, environmental management, worker health and social welfare. It was reported that during the 2016-17 fiscal year, 407 technical training sessions and workshops were conducted in 715 village tracts, reaching 73,997 farmers. The major crops in Kayin State are described below in Table 7.

Although the agriculture sector is defined as the major priority in Kayin State, since the state is abundant with vacant and virgin lands and cultivable lands, the technological support and investment needs are huge. As an example, the Department of Agriculture plans to cultivate an additional 71,345 acres in the 2017-18 fiscal year and will offer MMK 10,426 million in agriculture loans to assist farmers.

² *Good Agricultural Practice*

Table 7: Major crops in Kayin State in the 2016-17 fiscal year

No.	Name of Crops		2016-2017				
			Cultivated (acres)	Harvest (acres)	Yield (basket/ acres)	Production (baskets)	Production (tons)
1	Paddy	Summer	114,598	114,598	76.95	8,735,670	201,255
		Monsoon	467,766	467,766	68.32	31,950,046	736,074
2	Maize	Monsoon	51,069	51,069	87.95	4,491,007	123,267
		Winter	624	624	69.39	43,300	1,188
3	Peanut	Monsoon	5,501	5,501	41.70	229,374	2,882
		Winter	31,038	31,038	76.41	1,911,888	24,025
4	Sesame	Monsoon	3,462	3,462	10.28	35,586	961
		Winter	39,040	39,040	13.39	509,430	13,758
		Summer	890	890	15.90	8,270	223
5	Sunflower		581	581	24.85	14,440	231
6	Black gram		2,786	2,786	14.82	41,296	1,489
7	Green gram	Monsoon	50,276	50,276	17.78	894,127	32,229
		Winter	15,081	15,081	17.48	263,568	9,500
8	Pigeon pea		499	499	12.91	6,443	232
9	Sugarcane		8,145	8,145	(Ton/acre) 23.99		195,374

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Although some of the crops are common to all townships in Kayin State, different varieties are grown from township to township. Rice is mainly grown and exported to Mon State. But paddy plants cannot be grown by the transplant method, with most farmers mostly relying on the broadcasting method instead. The reason for this is a shortage of labour. During the 2016-17 fiscal year Kayin State produced about 32 million baskets of monsoon paddy (a yield of 68% per acre) and 8.8 million baskets of summer paddy (a 77% yield). The state's population in FY 2016-17 was about 1.5 million and actual rice demand was only 29 million baskets, leaving rice sufficiency at 136.23%. The second-most grown crop is maize, with about 50,000 acres of land used to grow maize and more than 2,600 acres to grow corn. This level of cultivation presents a good opportunity to build an animal feed factory.

The following table shows perennial crop cultivations in Kayin State.

Table 8: Production of major crops in 2016-17

Types of perennial plant	Perennial plants cultivated area (acres)				
	Hpa-an	Kawkareik	Myawaddy	Pharpon	Total
Rubber	102,697	152,022	5,646	7,909	268,274
Agarwood	-	191	41	-	232
Coffee	9,665	114	35	3	9,817
Orange	-	8,466	36	-	8,502
Mango	-	1,956	399	-	2,355
Pomelo/Sweet lime	-	1,931	-	-	1,931
Cashew nut	-	2,361	272	-	2,633
Pepper	6,306	-	-	-	6,306
Banana	-	179	-	416	595
Tea	1,112	-	-	25	1,137
Coconut	7,729	-	-	218	7,947
Areca nut/Betel leaf	7,010	-	-	665	7,675
Fruits	5,730	-	-	2,863	8,593

Source: Department of Agriculture, Ministry of Agriculture, Livestock and Irrigation

Department of Agriculture shows that rubber occupies the most land for cultivation among perennial plants in Kayin State. Rubber is mostly grown in Kawkareik District (more than 152,000 acres), with a further 103,000 acres in Hpa-an, making a total of more than 260,000 acres. The majority of this rubber cultivation, about 150,000 acres, is considered tapping acres.

In 2016, two Singapore-based groups that were interested in rubber cultivation visited Kayin State, invested and gave technical support.

Coffee is grown in small quantities in Thandaung Gyi Township in Hpa-an District. Thandaung coffee is world-class quality and has excellent export potential. Farmers are being encouraged to grow other marketable fruits such as durian, rambutan, pineapple, mango, pomelo, lychee and more. In Thandaung Gyi Township, organic fruits such as pomelo, purple mangosteen, durian, jackfruit, banana, and sacha inchi are specifically being grown. Cardamom and areca nut and are also being grown in Thandaung Gyi. Cardamom is exported to China at a price of 68 Chinese Yuan (about MMK 25,000) per kilogram. It has been observed that Chinese traders repackage and resell the cardamom at MMK 50,000 per kilogram, indicating that there is potential for Myanmar farmers and traders to do the same thing. Sacha Inchi is being tested in Myawaddy and Pharpon.

In order to develop the seed sector, the Ministry of Agriculture, Livestock and Irrigation is considering a Public Private Partnership (PPP). The Seed Industry Development Plan was launched by the Ministry of Agriculture Livestock and Irrigation and it is also considering developing a Seed Growers Association and Joint Venture Private Quality Seed Production Companies.

1.6 Water resources

In Kayin State, water from irrigation canals, self-built dams by citizens, dam projects, embankments and shutters built by the government have been used for agricultural purposes. In Hpa-an District, there are five dam projects that support 4,700 acres of agricultural land. Water resources in Kayin State are rivers and creeks connecting to the Than Lwin, Gyaing, Hlaingbwe, Haungthayaw and Zami rivers, and the Phaon, Phekatar and Donthami creeks. The sources maintained by the Department of Irrigation are two dams, five dam gates, three reservoirs/ diversion weirs, seven drainages, seven silt canals and two embankments.

There are 2,266 acres of irrigated land with 15,608 acres of flood protection area. Resources maintained by villages include 71 dam gates, seven embankments, eight dike chasms and 100 drainages. During the 2017-18 fiscal year, there are plan to build one dike chasm for drinking and irrigation water in Myawaddy and 11 shutters/tanks in Hpa-an, Hlaingbwe, Kawkareik and Kyarinseikkyi. Moreover, 23 silt canals/drainages will be built in the above township. There are also plans to develop barricades in creeks, canals and temporary sand bag barricades to conserve water.

Table 9: Irrigation canals, embankments and irrigated area in Kayin State

No.	Name	Unit	Irrigated area (acres)	Unit	Flood protection area (acres)
(A) Maintained by the department					
1	Dam	2	1,557	-	-
2	Dam Gate	5	249	-	-
3	Reservoirs/Diversion Weirs	3	460	-	-
4	Drainage	-	-	7	8,461
5	Silt Canal	-	-	7	4,775
6	Embankment	-	-	2	2,372
Total		10	2,266	16	15,608
(B) Maintained by the villages					
1	Dam Gate	71	31,066	-	-
2	Embankment	-	-	7	3,338
3	Dike Chasm	8	100	-	-
4	Drainage	-	-	100	58,307
5	Silt Canal	-	-	18	21,542
6	Excavated as canal or road	-	-	4	925
Total		79	31,166	129	84,112
Total districts		89	33,432	145	99,720

Source: Irrigation Department, Ministry of Agriculture, Livestock and Irrigation

1.7 Livestock

Kayin State offers good potential as a livestock breeding area. Similarly, it has plenty of potential to dig and develop fish and prawn farms, where the state's freshwater resources can be utilized. There is the possibility of farming chicken and pigs for the domestic market in Kayin State, while developing buffalo, cattle and goat farms for export.

It is difficult to compete regionally in poultry and egg production but there is a steady domestic demand for these products. In contrast, buffalo, cattle and goat can be competitive in foreign markets and there is also demand. However, goats breed in upper Myanmar, usually defined as Mandalay Region and north, face high mortality risks through unsuitable water, land and weather. To mitigate this risk, the Ministry of Agriculture plans to crossbreed goats with those from abroad to encourage more hardy animals. Breeding pigs is also a challenging enterprise because foreign competitors are strong and many nations, including Thailand, have rigorous inspection programs for imported livestock, including pigs and poultry the following table shows the status of livestock breeding in Kayin State.

Table 10: Livestock breeding in Kayin State in 2015-16 (Head)

No.	Type of animal	Hpa-an	Kawkareik	Myawaddy	Pharpon	Total
1	Buffalo	57,697	38,585	3,749	5,803	105,834
2	Cow	231,195	139,829	12,053	11,089	394,166
3	Pig	317,576	147,483	31,377	15,757	512,193
4	Sheep/Goat	64,967	39,334	7,080	2,925	114,306
5	Chicken	4,265,952	1,656,819	298,547	161,282	6,382,600
6	Duck	264,509	117,206	40,470	16,688	438,873
7	Turkey/Goose	-	9,937	-	-	9,937

*Source: Livestock Breeding & Veterinary Department,
Ministry of Agriculture, Livestock and Irrigation*

In Kayin State, livestock breeding zones are being implemented to further develop the livestock sector. There are eight livestock breeding zones in Kayin State. These zones breed cows, goats, pigs, chickens and ducks. Kayin State's livestock breeding status in the zones across the districts are stated in the following table.

Table 11: Kayin State livestock breeding zones status (Head)

No.	District	No. of zones	Livestock types and heads				
			Cow	Goat	Pig	Chicken	Duck
1	Hpa-an	3	33	200	327	37,100	-
2	Kawkareik	2	49	14	100	1,600	-
3	Myawaddy	2	86	174	151	873	138
4	Pharpon	1	14	16	10	-	-
Total		8	182	404	588	39,573	138

*Source: Livestock Breeding & Veterinary Department,
Ministry of Agriculture, Livestock and Irrigation*

The Kayin State government has provided funding and support to the families of ethnic armed groups that signed ceasefires with the Myanmar government, with the aim of fostering peace and stability through development. This assistance began in the 2014-15 fiscal year. The government arranged five training programs to educate families on livestock farming in the 2016-17 fiscal year. The government also provided animal husbandry services to farmers. In terms of financial assistance, the state government provided loans totalling MMK 315 million for six townships in Kayin State. These funds included a loan of MMK 29 million from the Rural Development Bank. The most pressing needs for further development of Kayin State's meat sector are to protect and control transmissible diseases; move from traditional breeding to systematic breeding practices; provide capital and technological support to farmers; produce feed locally reduce prices; create pastureland for buffalo, cow, sheep and goat breeding; take effective legal action against illegal animal import/export with the support of related departments and peace organizations; and provide additional support for the development of livestock breeding industries.

The building of Fusion Food Factory is planned with the collaboration with Kayin Armed Group on the Kawkareik-Myawaddy Asia Highway Road. This project's budget will be about MMK 250 million but the start of work is pending approval for debt financing.

Table 12: Kayin State fisheries status

No.	District	Fish			Prawn		
		No. of auctions	No. of businesses	Production (Tons)	No. of auctions	No. of businesses	Production (Tons)
1	Hpa-an	54	3	14,631.00	54	3	206.00
2	Kawkareik	5	200	4,357.79	5	150	86.94
3	Myawaddy	-	1	338.26	-	-	-
4	Pharpon	-	50	262.38	-	50	5.35
Total		59	254	19,589.43	59	203	298.29

Source: Livestock Breeding & Veterinary Department, Ministry of Agriculture, Livestock and Irrigation

To meet fish supply requirements in Kayin State, reduce pressure on wild stocks and improve local fish production, the government is working to develop fish farms. Kayin State has about 254.5 acres of fish farm in 65 villages and across seven townships. Hpa-an has the farming area at 104 acres while Pharpon has only 13 acres. The government provided 15 tons bags of fish meal to those villages. In the 2016-17 fiscal year, the government also distributed 3.4 million fingerlings, including 1.3 million rohu, 0.6 million golden mrigal, 0.1 million tilapia and 1.2 million barbus fish. However, Kayin State's Department of Fisheries has stated that it remains unable to do seed production for prawns, which are needed to supply the 130 acres of prawn farms. Total fisheries production in the 2016-17 fiscal year included 1,496 tons of farmed fish, 83 tons of farmed prawn, 4,015 tons of wild fish caught in lakes and a further 17,205 tons of fish caught in rivers and creeks, according to the department's report. Additional technological support and investment are required to boost aquaculture production in Kayin State. Indeed, fish grown at fish farms does not meet local demand and the deficit is imported from Yangon Region. Consumers also import fish and prawn, as well as frozen meat and eggs, from Thailand.

Kayin State's government does levy taxes on fish production, fish farming, tender fees, fishing equipment licenses and fisheries products purchase and collection licenses. Farmers must also go through an 18-month bureaucratic process to empty their own farms; failing to do so means the government can confiscate the land from the farmer.

1.8 Mining

There are four types of mineral resources in Myanmar: metallic ore minerals, industrial minerals and non-metallic raw materials, precious and semi-precious gemstones and fuel minerals. Of the 63 mineral commodities known to be found in Myanmar, 22 can be mined in Kayin State. These include alum shale, antimony, barite, coal, copper, clay, decorative stone, dolomite, garnet, gold, gypsum, iron, lead, limestone, mica, oil shale, quartz, phosphate, precious stone, tin-tungsten, granite, and zinc. The key minerals that are mined in Kayin State are antimony, gypsum, limestone, coal, gold, iron, tin-tungsten and zinc.

Antimony exploration is taking place in Makatha, Tha Pyu, Kyeik, Phayarthonezu sub-township and Kyarinseikkyi Township. Gypsum, an industrial mineral resource, is being sought in Hlaingbwe Township, at Shan Ywar Thit Kywee Lay area, Naung Tai, Kaloun Kyaw and the Methamu area. Limestone exploration is being undertaken in Myaing Kalay area mainly but a host of other areas too. May Flower Co Ltd used to produce zinc at Myawaddy but has suspended production. Granite is mined in Thandaung Gyi Township and then used in the construction sector as a decoration. Kyaw Hlwan Moe Co Ltd is testing the mining and manufacture of iron, while other companies are doing similar testing at Leiktho-Sale' village in Thandaung Township.

The Ministry of Natural Resources and Environmental Conservation has licensed existing mines and large deposits to local investors to allow them to invest in the mining sector. Myanmar uses production sharing contracts (P.S.C) to explore and exploit its mineral reserves. In the production sharing agreement, investor must contribute 100% of the investment in return for the right to access the land. It should any minerals be mined, production is shared between the two parties on a pre-agreed basis. There are five types of permits required by the government to allow companies to work in mineral production. These are: prospecting permit, exploration permit, small scale mining permit, large scale mining permit and subsistence mining permit.

Mining companies are prospecting for white clay - used in making porcelain, pottery and beauty products/cosmetics - with the intention to produce goods in Myawaddy; production is expected to start soon. Clay is extracted in Myaing Kalay area and used as raw material by Myanmar Economic Corporation's cement factory. Gold is mined in Mae Paing area in Pharpon Township but it has proven difficult to perform proper surveys due to security concerns, as well as some restricted areas. The Ministry of Commerce granted Tha Pyu Company to export antimony to Thailand but all other producers only have the right to sell the product domestically. Gypsum stone is used in the production of gypsum boards and is also useful as an ingredient in fertilizer. However, businesspeople have reported a number of problems that will hamper the sector's future development. These include little business interest in the mining sector, the modest performance of mining engineers and geologists in production and a shortage of labour, especially skilled workers. Providing adequate occupational and training services to build up a skilled workforce, ensure proper safety measures are in place at mining operations, as well as peace and stability in mining areas to allow exploration are all required to boost the sector. Additional needs are more modern technology to locate and extract and process antimony, ore and other minerals. Miners also need assistance to promote and export their products.

Previous and long-running armed conflicts prevented the full geological mapping and preliminary mineral exploration in Kayin State. This has resulted in a limited mineral data base and much more exploration and mapping work is required in future. However, Kayin State possesses a large bank of virgin land and has vast mineral exploration and production potential that could aid not only the state but the whole country. The most promising minerals sought in Kayin State are limestone, coal, gypsum, antimony, gold and iron.

There are no environmental issues while conducting prospecting, exploration and feasibility studies for any kinds of minerals in Kayin State. Foreign companies or investors must start at the grassroots level to explore potential deposits. Mineral resources are greatly under-utilized and there is huge potential in mineral exploration and production.

Table 13: Kayin State mineral production status (2016-2017)

No.	Types of mineral	Productivity (metric tons)
1	Antimony ore	950
2	Purified antimony	700
3	Granite	309
4	Limestone	201,500
5	Gypsum	18,128
6	Clay	50,000

Source: Department of Mines, Ministry of Natural Resources and Environmental Conservation

1.9 Forestry

Kayin State is a woody and mountainous region. Common trees that grow naturally in Kayin State are teak, pyinkado (iron wood), other hard woods, many varieties of bamboo and rattan. Nearly 40% of Kayin State is covered by forest, with nearly 2 million acres set aside as protected reserve or public forest in a total of 86 reserved forests. Statistical data produced before and during 2013 uncovered that people live illegally in reserved forest areas population in settlements increases, which resulted in damage to 30,594 acres of forest in Kayin State. The heaviest damage was inflicted in Hlaingbwe and Myawaddy townships, where 21,360 acres of forest was damaged. In other forests, it was found that valuable and precious tree species are becoming scarce.

More than 1 million acres of reserved and protected forests are being maintained for environmental conservation by the government. State-owned commercial plantations (10,132 acres), private plantations (25,754 acres) and village-owned wood plantations (743 acres) have been established to meet timber needs and reduce pressure on forests.

In Hpa-an District, 391 companies are growing 26,620 acres of commercial forest.

Table 14: Kayin State forest status

No.	District	Reserved forest (acres)	Protected public forest (acres)	Total acres	Varieties of plants	Villages
1	Hpa-an	182,871	368,737	551,608	9 Species	1,189
2	Kawkareik	394,549	271,914	666,463	15 Species	546
3	Myawaddy	383,338	136,308	519,646	12 Species	57
4	Pharpon	151,761	331,025	482,786	17 Species	305
Total		1,112,519	1,107,984	2,220,503		2,097

Source: Forest Department



KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



2

Infrastructure

2. Infrastructure

Sustainable infrastructure development in Kayin State is important to contribute effectively to the country's development. Currently, both government and private sectors are participating in various projects to improve infrastructure in the region. The Kayin State government has detailed plans for regional development to reduce the gaps between regions and improve the overall living standards of the people.

2.1 Road

2.1.1 Road conditions in Kayin State

The road length managed by the union government in Kayin State is 595 miles (952km), while the state government manages 662 miles (1,059km). By the 31st of March 2017, there were 2,942 bridges in Kayin, comprising 1,288 concrete bridges, 1,457 culverts, 137 wooden bridges and 60 bailey bridges. There is also a 103-mile-long (165km) stretch of the Asian Highway in Kayin State, starting at the Donthami Bridge on the Mon and Kayin border, across Kawkareik Township and ending in Myawaddy Township.

Table 15: Number of roads and distance in 2016-17

No.	District	Total number of roads	Distance (miles)
1	Hpa-an	15	272
2	Kawkareik	16	364
3	Myawaddy	7	129
4	Pharpon	5	206
Total		43	971

Source: Department of Highway, Ministry of Construction

There is a plan to upgrade and extend township-to-township roads such as those connecting Kyawtywa-WinSein-Dawlan-Nabu, Zartapyin-Kyarkalay, Eindu-Zartapyin, Hlaingbwe-Shan Ywa Thit-Thandaung-Thandaung Gyi, Mudon-Myawaddy (Methyaw-Hlaingwe region), Htilon-Thapaung-Pata-Nabu-Tadarkyoe, Myawaddy- Waw Lay, Kyarinseikkyi-Tagay-Gotekwor-Kyaikdon, Kyarinseikkyi-Chaungzon (Phayarthonezu), Pharpon-Kamamaung Road and Bilin-Natgyi-Pharpon.

Table 16: Number of township-to-township roads in 2016-17

No.	District	Total roads	Length (miles)
1	Hpa-an	4	53
2	Kawkareik	20	545
3	Myawaddy	7	107
4	Pharpon	5	217
Total		36	922

Source: Department of Highway, Ministry of Construction

The main river crossing bridges in Kayin State are the Than Lwin Bridge in Hpa-an, Gyaing Bridge in Kawkareik and the Naung Lon Bridge in Hpa-an. There are 24 bridges whose spans exceed 180 feet (54 metres) in Kayin State, as well as 1,935 that are shorter than 180 feet.

The Than Lwin Bridge (Hpa-an)

The Than Lwin Bridge is 2,252 feet long (676m) and is a steel truss-type, with a maximum capacity of 60 ton. The bridge is 6 miles (9.6km) outside Hpa-an city.

Figure 5: Than Lwin Bridge (Hpa-an)



Gyaing Bridge (Kawkareik)

The Gyaing River Bridge is near Eindu village and bailey bridge that measures 2,900 feet (870m). Heavy trucks with 10-12 wheels are not allowed onto the bridge but smaller 6-wheel trucks can use the bridge if they do not weigh more than 20 tons. Heavy cargo trucks are obliged to cross by pontoon bridge.

Figure 6: Gyaing Bridge (Kawkareik)



Figure 7: Gyaing Pontoon Bridge



Myanmar-Thailand Friendship Bridge (1)

The Myanmar-Thailand Friendship bridge is about 1,399 feet long (420m) and 43 feet wide (13m) and cross the Moei river, linking Thailand's town of Mae Sot with Myawaddy in Myanmar. The bridge, which was officially opened on August 15, 1997, has played a key role in boosting border trade and tourism.

Figure 8: Myanmar-Thailand Friendship Bridge (1)



Myanmar-Thailand Friendship Bridge No (2)

The second friendship bridge is now under construction. According to a Ministry of Construction report dated 29-8-2017, the overall construction progress for both Thai and Myanmar sides stands at nearly 74%, with completion scheduled for 2018. The project cost is estimated to be 2.6 billion THB on the Thai side and 1 billion THB from Myanmar's side, with a further 300 million THB needed for supervision. The total overall cost is expected to 3.9 billion THB.

There are 24 bridges longer than 180 feet in Kayin State and a further 1,935 shorter than 180 feet

Figure 9: Myanmar-Thailand Friendship Bridge (2)



Table 17: Over 180-foot bridges in Kayin State in 2016-2017

No.	District	Total bridges from 180 feet to 500 feet
1	Hpa-an	7
2	Kawkareik	9
3	Myawaddy	4
4	Pharpon	4
Total		24

Source: Department of Highway, Ministry of Construction

Myanmar shares borders with Bangladesh, China, India, Laos PDR and Thailand; it is strategically located at the crossroads of China, South Asia and Southeast Asia. Kayin State is in the south-eastern part of Myanmar and is passed through by Asian Highway 1 (AH1) and the East–West Economic Corridor (EWEC).

Asian Highway 1 (AH1)

This highway starts at Myawaddy in Kayin State, beginning at the Thai border, then continues west across Myanmar and crossing Tamu in Sagaing Region before continuing to India. This road is a key trade route between India and Thailand.

East-West Economic Corridor (EWEC)

The EWEC is a key road network within the Greater Mekong Sub-region and also crosses Kayin State. Some 18 kilometres of road between Myawaddy- Thingan Nyi Naung, as well as 40km linking Thingan Nyi Naung to Kawkareik were built with the assistance of Thailand’s government. The Asian Development Bank (ADB) also played a role in developing these roads through the ASEAN Level 2 improvement project targeting the Eindu-Kawkareik section on AH1, as well as the EWEC, both of which received ADB funding. The combined length of this project was 66.4 miles (106km). This project received 100 million USD in funding from the ADB, 20 million USD from the ASEAN Infrastructure Funds (AIF) and 1.8 million USD from the Myanmar government, a total of 121.8 million USD. The expected completion date of the project will be December 2019. This road project is being supervised by Pyunghwa Engineering Consultants Ltd (PEC) as a representative of the Myanmar Ministry of Construction, while China Road and Bridge Corporation (CRBC) will take responsibility for construction as the main contractor. CRBC is engaged up to four subcontractors to work on the project as well.

Figure 10: Kawkareik-Myawaddy road (EWEC, AH1)



Figure 11: Ground breaking ceremony for the Eindu-Kawkareik Road improvement project



Source: Ministry of Construction

Figure 12: Asian highway routes in Myanmar



Source: Asia Highway Routes

Figure 13: East-West Economic Corridor in Myanmar



2.1.2 Waterways in Kayin State

The Than Lwin River passes through Kayin State. Waterways along the Than Lwin and Gyaing river were mainly used for transportation when the road infrastructure was not developed. Now, travel by waterway is significantly reduced because travel by road is faster. Nevertheless, it is known that Toyo Thai Co Ltd is planning to deliver the imported coal to the plant site by using Than Lwin river when the coal-fired power plant project is successfully implemented. Myaing Kalay Cement Factory also intends to use Than Lwin river for cement transport. In addition, the usage of waterways could be increased after the implementation of Hpa Kat Jetty. The conditions and distances of waterways and ports in Kayin State are shown in the following table.

Table 18: Waterway condition in Kayin State

No.	District	Total waterways	Total miles	No. of jetties
1	Hpa-an	1	20	1
2	Kawkareik	5	186	4
3	Myawaddy	-	-	-
4	Pharpon	1	37	2
Total		7	243	7

Source: Department of Marine Administration, Ministry of Transportation and Communications

2.1.3 Transport and logistics in Kayin State

Kayin State has 19 local bus lines in operation only in the state, with a further 29 bus lines running from Kayin State to other states/regions, and 46 bus lines running from other states/regions into Kayin State. The registration of buses under the Road Transport Administration Department is increasing yearly, with more than 4,820 new registrations added each year.

Table 19: Bus line overview: Kayin State

No.	District	Total bus lines	Routes	Total number of buses
1	Hpa-an	17	9	140
2	Kawkareik	13	13	40
3	Myawaddy	56	15	459
4	Pharpon	4	5	61
Total		90	42	700

Source: Road Transport Administration Department, Ministry of Transportation and Communications

In recent years there has been a dramatic increase in the volume of trade through Myawaddy. According to the World Bank's Logistics Performance Index (LPI) of 2016, Myanmar was ranked 113 with an overall score of 2.46. Only two years earlier, Myanmar occupied 145th place and had a score of 2.25. According to GMS Transport Sector Strategy (2006-2015), there are five stages in the transformation of a transport corridor to an economic corridor: (1) transport corridor; (2) transport and trade facilitation corridor; (3) logistics corridor; (4) urban development corridor; and (5) economic corridor. Myanmar had mostly been at stage 1 in the recent past. But now it is transitioning to stage 2 as trade facilitation has started taking place in many areas. Stages 3 and 4 will arrive in due course before many roads reach stage 5 and can be classed as economic corridors. However, every single improvement requires significant investment, especially in Kayin State, which acts as Myanmar's eastern border gate. The government founded the National Trade Facilitation Committee (NTFC) to facilitate trade and transport. A new and improved custom's system (Myanmar Automatic Custom Clearance System or MACCS) was delivered by JICA and successfully launched at Yangon Port in 2016. This system will be expanded to Myawaddy in 2018, with JICA experts already conducting MACCS system awareness training in the town.

Using a cost-time comparison it is clear that the total cost of trucking and sea freight are nearly the same. However, the lead time is totally different, with the latter requiring almost two weeks between Bangkok and Yangon. This demonstrates that Kayin State has good logistics potential. The comparison is stated in the following table.

Table 20: Comparison of three different ways of importing goods into Myanmar

No.	Description	Location	Cost (USD)	No. of days
Trucking - Trailer Swapping (bonded cargo)				
1	Trucking	Bangkok - Mae Sot	870	1.0
2	Export CC	Mae Sot	150	0.1
3	Import CC	Myawaddy	400	0.1
4	Trucking	Myawaddy - Thilawa	1,100	1.0
			2,520	2.2
Trucking - Transloading (non-bonded cargo)				
1	Trucking	Bangkok - Mae Sot	820	1.0
2	Export CC	Mae Sot	200	0.1
3	Trans loading	Myawaddy	100	0.2
4	Import CC	Myawaddy	290	2.0
5	Trucking	Myawaddy - Thilawa	1,100	1.0
			2,510	4.3
Sea Freight				
1	Trucking	Factory to Bangkok Port	300	0.2
2	Export CC	Thai Port	300	3.0
3	Ocean Freight	Thailand - Yangon	1,500	10.0
4	Import CC	Yangon	250	4.0
5	Tracking	Yangon Port - Thilawa	180	0.2
			2,530	17.4

Source: Myanmar International Freight Forwarder's Association (MIFFA)

In order to enhance the cross border logistics between Myawaddy and Mae Sot, the Ministry of Transport and Myanmar International Freight Forwarders' Association (MIFFA) will implement two projects. The projects, part of the National Logistics Master Plan Study, will be launched in 2018 and relate to road corridors, especially in Kayin State. They cover the improvement of laws and regulations for logistics, specifically truck transport (foreign cargo handling, other than MACCS); container switching station/ yard development at the Myawaddy Trade Zone and Three Pagoda Pass; establishment of a Kayin Multi-modal Logistics Complex project, including Inland Container Depot (ICD); and Local Truck Terminal Development Project at six local cities (including Mawlamyine). These projects require a huge amount of logistics-related infrastructure and investment along the road. But with private involvement, government facilitation, it is possible to transform the transport and trade facilitation corridors in Kayin State into an economic corridor.

2.2 Airport

Although there is an airport in Hpa-an, passenger planes have not landed there since 2006. Owing to some major hurdles in upgrading Hpa-an Airport, the government plans instead to build a new airport in Kawkareik.

Figure 14: Hpa-an Airport



2.3 Electricity

More than 200,000 Kayin households are already connected to the national electricity grid, just a bit more than 31% of the state's population. Kayin State needs 92,134kW of electricity supply but only 63,627kW are supplied by the national grid; the remainder is met by purchasing power from Thailand or by running private generators. The national grid line can distribute electricity only to three towns – Hpa-an, Hlaingbwe and Thandaung.

Kayin State still cannot produce large capacity electric power plants. The state government maintains just one hydroelectric power plant, and there are 10 private power plants in Pharpon Township. State-owned power plant can generate 624kW and the 10 private power plants generate 234kW in total. These outputs are insufficient to power even one township. Diesel-powered generators are used to supply electricity in Pharpon and Kawkareik districts. Of the more-than 2,000 villages in Kayin State, 248 villages are electrified through the national grid, 57 from mini hydro plants, three from rice husk-burning generators, 105 from diesel generators, 381 from solar power and eight villages import power from Thailand. More than 1,000 villages remain without electricity in Kayin State.

Table 21: Electrified households according to districts in Kayin State

No.	District	Households	Electrified households	Remaining households	Electrified households (%)
1	Hpa-an	154,861	56,993	97,868	36.80
2	Kawkareik	21,594	4,821	16,773	22.33
3	Myawaddy	23,272	-	-	
Total		199,727	61,814	114,641	31.02

Source: Electricity Supply Enterprise, Ministry of Electricity and Energy

Myawaddy Township is electrified by a 22kV distribution line from Thailand Power System and Shwe Myit Thaug Yinn Co Ltd is responsible for power distribution in Myawaddy. Electricity charges for one unit are MMK 124 (3 THB) for government facilities, MMK 174 (4.2 THB) for domestic use and MMK 248 (6 THB) for industrial use. However, businesses at the trade zone on the outskirts of town pay MMK 331 (8 THB) because of its distance involved. Also, all bills must be paid before the 17th of the following month. The generated electric power is 6MW in the daytime and 8MW at night.

Plans are being implemented to be able to distribute electricity within 2 miles (3.2km) of the national grid starting from the 2015-16 fiscal year, with that distance to be extended to 4 miles (6.4km) in 2019-20. Villages along the Myawaddy-Mae Sot border area are trying to build solar power networks to supply lighting for homes. The state's 11kV grid lines and power substations are being built using the state government's budget. The national grid is providing electricity for the Hpa-an Industrial Zone. Various medium voltage and low voltage lines are being installed in Kayin State by the end of August 2017. These include 80 miles (128km) of 66kV line, 73 miles (117km) of 33kV line, 337 miles (539km) of 11kV line and 508 miles (813km) of 400V line.

Figure 15: Mawlamyine-Myawaddy 230kV single circuit transmission line project map

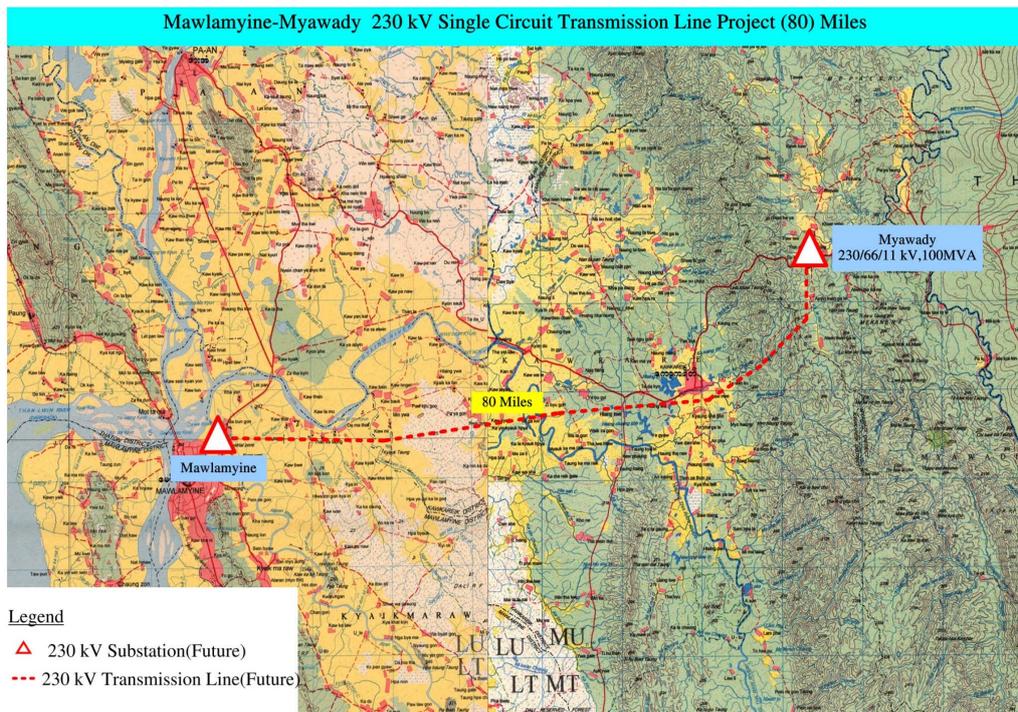


Table 22: List of substations in Kayin State (August, 2017)

Region/ State	66kV		33kV	
	No. of substation	Rating (MVA)	No. of substations	Rating (MVA)
Kayin State	-	-	-	-
(A) Electricity Supply Enterprise	2	39	4	17.0
(B) Industrial Zone	1	20		
(C) Myanmar Economic Corporation	3	50	1	10.5
Total	6	109	5	27.5

Source: Electricity Supply Enterprise, Ministry of Electricity and Energy

Four electrical transmission line projects have been completed with JICA-funded loans. These are the Hpa-an (Industrial) – Hlaingbwe 66kV line, the Hlaingbwe-Myaing Gyi Ngu 33kV line, the Myaing Gyi Ngu 33/11kV 5MVA S/s and the Leiktho 33/11kV 5MVA S/s. The following table shows the four-year plan projects funded by the Asian Development Bank (ADB).

Table 23: List of substations and distribution lines proposed in the power distribution system improvement project in Kayin State funded by ADB loan from the 2018-19 fiscal year to the 2021-22 fiscal year.

No	Township	Name of projects
1	Kamamaung	Construction of 66/11kV 5MVA S/s in Kamamaung and 66kV line 35 miles (56km) from Kamamaung to Thaton factory
2	Kataingti	Construction of 66/33kV 10MVA S/s in Kataingti and 66kV line 23 miles (37km) from Kamamaung to Kataingti
3	Pharpon	Construction of 33kV line 33 miles (53km) to Pharpon from Kataingti 66/33kV S/s and 33/11kV 10MVA S/s in Pharpon
4	Hpa-an	Construction of 66 kV Double Circuit Line 1 mile (1.6km) from 66kV Thaton-Wabotaw-Kamamaung Line to Nyaung Kone and Construction of 66/11kV 10MVA S/s in Hpa-an (Nyaung Kone)
5	Hpa-an	Construction of 66kV Double Circuit Line 1 mile (1.6km) from 66kV Thaton-Wabotaw-Kamamaung Line and Construction of 66/11kV 5MVA S/s in Hpa-an (Wabotaw)
6	Kyarinseikkyi	Construction of 66kV Line 41 miles (66km) from 66kV Mudon S/s to Chaung Nha Khwa-Kyarinseikkyi and 66/11kV 10MVA S/s in Kyarinseikkyi
7	Hpa-an	Construction of 66 kV Line 12 miles (19km) from Hpa-an Phayar Kone S/s to Eindu, 66/11kV 5MVA S/s in Hpa-an (Eindu) and 66kV Switch Bay (1) set in Phayar Kone S/s
8	Hpa-an	Construction of 66kV Mawlamyine-Phayar Kone Line , 66kV Double Circuit Line 0.6 mile (1km) and 66/11kV 5MVA S/s in Zar Tha Pyin
9	Paing Kyone	Construction of 33kV Line 11 miles (17km) from Paing Kyone 33/11kV S/s to Pawn Village and 33/11kV 5MVA S/s/ in Paing Kyon (Pawn village)

Source: Electricity Supply Enterprise, Ministry of Electricity and Energy

Electricity demands, distribution and consumption by districts in Kayin State are as follows:

Table 24: Kayin State electricity usage status

No.	District	Demand (kW)	Distribution (kW)	Consumption (kW)
1	Hpa-an	52,300	52,300	52,300
2	Kawkareik	6,784	4,564	2,526
3	Myawaddy	32,400	8,164	8,164
4	Pharpon	650	642	637
Total		92,134	65,670	63,627

Source: Electricity Supply Enterprise, Ministry of Electricity and Energy

To supply electricity to Kayin State, 230kV of electricity is diverted from the Mawlamyine sub-power station in Mon State and fed through the 50MPA sub-power station at Thingan Nyi Naung. Only transmission towers and cables still need to be installed in order to boost the supply of electricity to Kayin State, all of which are expected to be finished in 2018. The Kayin State government is planning to build a 1,280MW coal-fired power plant at Wutgyi village, Hpa-an Township. It is hoped that the plant will be ready in the 2019-20 financial year. Myanmar Electricity Supply Enterprise has stated that this project will be undertaken by a Japanese-Thai joint-venture company - Toyo Thai Co Ltd.

2.4 Telecommunication

The telecommunication sector in Kayin State is developing fast. About 30% of the state's 1.5 million population already has a telephone (294,016 phone connections).

Additional projects to upgrade and extend the network are also underway or at the planning stage. Myanmar's three telecom operators – MPT, Telenor and Ooredoo – all offer coverage in Kayin State. And anyone living in Myawaddy can also piggyback on Thailand's carriers, which operate in the area too. Within the 2017-18 financial year, MPT plans to launch 163 telecommunication towers in Kayin State, while Telenor will add 214 and Ooredoo a further 47. MPT has rolled out its 4G LTE network in Myawaddy and Hpa-an in August 2017. High-speed mobile data is now accessible in Kayin State.

MPT is implementing an internet line distribution project to the homes of the big cities through its Fiber-to-the-Home (FTTH) program, which will be launched in Kayin State in 2018. New exchange lines will be installed and the exchange lines from Myawaddy, Kawkareik and Hlaingbwe will be upgraded within 2017. This will be extended to Hpa-an in 2018. Kayin State's telecommunication sector is already developed but has plenty of room to expand and improve yet.

Table 25: Status of telecommunication in Kayin State

No	District	Post office	Telegram	No. of telephones			No. of internet users
				Auto phone	IP star	Mobile	
1	Hpa-an	23	9	2,756	10	421,154	322,769
2	Kawkareik	7	5	890	7	51,000	31,065
3	Myawaddy	63	3	1,489	-	61,187	57,863
4	Pharpon	2	1	58	-	19,350	56,500
Total		95	18	5,193	17	552,691	468,197

Source: Myanmar Post and Telecommunication

2.5 Public investment (Government Project)

The Kayin State government has been focusing on the development of rural areas while upgrading the infrastructure and facilities of urban townships so that inclusive development will be achieved within the region. The Kayin State government is focused on providing enough electricity and meeting transportation, education, health and rural area development needs. The government has also implemented rural electrification projects in all districts.

2.6 Private Investment

Peace and security in the region have been achieved after 2012 and more investments have flowed in because of better transportation. There are three foreign companies operating under the Foreign Investment Law and nine businesses approved under the Myanmar Citizen Investment Law in Kayin State, according to the statistical data compiled until November 2017. Directorate of Investment and Company Administration (DICA) data shows that 32 Myanmar companies and three foreign companies including (one each from Malaysia, Thailand and China) are registered in Kayin State. To further boost investment, the Kayin State government formed an investment promotion committee on July 7, 2017. The state's chief minister is the committee chairman, four economic ministers are members and the director of DICA's Hpa-an branch is its secretary.

The companies operating under Foreign Investment Law in Kayin State are: -

- (1) SNOG Pte Ltd and United Petroleum Resources Pte Ltd (Singapore). The company is looking to produce oil from oil shale;
- (2) Fulltex Co Ltd from Hong Kong. This firm is a garment manufacturing operation (sweaters and clothing), working under the under Cut-Make-Pack system (CMP);
- (3) Apex Rubber International Co Ltd (Thailand), which makes footwear, again using the CMP model.

Table 26: Foreign direct investment in Kayin State

No	Permitted date	Company name	Type of business	Investment amount (Million USD)	By sector
1	18-1-2011	SNOG Pte Ltd and United Petroleum Resources Pte Ltd. (Singapore)	Shale Oil produced from Oil Shale	186	Energy
2	29-5-2015	Fulltex Co Ltd (Hong Kong)	Manufacturing of sweaters and knitted wears on CMP basis	37	Industry
3	20-8-2017	Apex Rubber International Co Ltd (Thailand)	Manufacturing of footwear on CMP basic	5	Industry

Source: DICA, Hpa-an

There are nine industries in total operating under the Myanmar Citizen Investment Law: zinc ore mining, antimony ore mining, granite decorative stone production, road construction under BOT system and collecting toll charges for bridges and roads, hotel services industry and land excavation for development of the Myawaddy Economic Zone.

Table 27: Business in Kayin State

No.	Particulars	Numbers
1	Business associations	14
2	Firms under Foreign Investment Law	3
3	Firms under Myanmar Citizen Investment Law	9
4	Locally registered companies	979
5	MOU/MOA (Memorandum of Understanding/ Memorandum of Association) registered companies	2

Source: DICA, Hpa-an

In order to develop the domestic and foreign investment sector in Myanmar, existing laws are being updated and new laws drafted. According to the new Foreign Investment Law a tax exemption will be allowed but dividing into three zones³. All the townships in Kayin State are in tax-free zone (1). Foreign direct investment in Kayin State stands at 12th place against all other states and regions in Myanmar.

³ Zone (1)-7-year tax exemption for investment in least developed/dense populated area

Zone (2)-5-year tax exemption for investment in the area with moderate GDP

Zone (3)-3-year tax exemption for investment in the area which is already in progressing in development stage.

Table 28: List of income tax free zones in Kayin State

No.	District	No.	Township	Tax free zone		
				Zone (1)	Zone (2)	Zone (3)
1.	Hpa-an	1	Hpa-an	√		
		2	Thandaung	√		
		3	Hlaingbwe	√		
2.	Myawaddy	4	Myawaddy	√		
3.	Kawkareik	5	Kawkareik	√		
		6	Kyarinseikkyi	√		
4.	Pharpon	7	Pharpon	√		

Source: Promoted Sector Notification (No. 13/2017) issued by Myanmar Investment Commission

There are three foreign direct investment projects in Kayin State.

Table 29: Foreign direct investment in Kayin State and other states and regions from 1988-89 to August 31, 2017

No.	State/Region	No. of investment projects	Investment amount (million USD)	Percentage (%)
1	Yangon	781	19,402.49	30.667
2	Kachin	4	12,608.80	19.929
3	Rakhine	29	10,574.98	16.715
4	Mon	28	6,512.36	10.293
5	Tanintharyi	38	4,989.57	7.886
6	Mandalay	54	2,896.10	4.578
7	Sagaing	17	2,637.04	4.168
8	Bago	68	1,346.38	2.128
9	Shan	17	948.40	1.499
10	Magway	14	740.53	1.170
11	Ayeyarwaddy	23	346.49	0.548
12	Kayin	3	228.20	0.361
13	Nay Pyi Taw	5	34.15	0.054
14	Kayah	1	2.43	0.004
Total		1,082	63,267.92	100.000

Source: DICA, Ministry of Planning and Finance

There are nine Myanmar citizen investment projects in Kayin State, leaving it ranked 14th against the other states and regions.

Table 30: Myanmar citizen investment projects in Kayin State and other states and regions that have been approved by Myanmar Investment Commission from 1988-89 to August 31, 2017

No.	State/Region	No. of investment projects	Investment value (million MMK)	Percentage (%)
1	Yangon	571	6,983,100.82	51.37
2	Mandalay	137	2,600,545.80	19.13
3	Bago	37	880,342.41	6.48
4	Mon	27	770,125.12	5.67
5	Shan	60	691,120.01	5.08
6	Nay Pyi Taw	22	562,301.03	4.14
7	Ayeyarwaddy	24	259,943.73	1.91
8	Rakhine	19	233,347.92	1.72
9	Tanintharyi	42	199,951.95	1.47
10	Kayah	3	181,201.89	1.33
11	Sagaing	24	130,376.91	0.96
12	Magway	8	46,898.40	0.35
13	Kachin	13	40,174.67	0.30
14	Kayin	9	13,672.80	0.10
Total		996	13,593,103.46	100.00

Source: DICA, Ministry of Planning and Finance

2.6.1 Private investments in Kayin State

Key private projects in Kayin State include:

- 1) Shwe Hpar Si Estate project (1) (UHM) Hpa-an Township (64 rooms)
- 2) Shwe Hpar Si Estate project (2) (UHM) Hpa-an Township (280 rooms)
- 3) Hpa-an City Strand Road development project (UHM)
- 4) Zwegabin mountain cable car project (Myanmar Native Land Public Co Ltd)
- 5) Hpa Kat Jetty (4000 Ton Loading) (Kyaw Hlwan Moe Co Ltd)
- 6) Myawaddy Economic Zone (Nyi Naung Oo Co Ltd)

(1) Shwe Hpar Si Estate project - 1

The construction of Shwe Hpar Si Estate project, which comprises four-storey buildings with four rooms on each floor, was implemented by the Kayin State government in cooperation with UHM Development Company. The project has 64 apartments in total; 32 rooms were sold to government employees at a low price and with no interest on 18-month instalment plans. The remaining 32 rooms were sold to the public; all units are sold out.

Figure 16: Shwe Hpar Si Estate project (1)



Source: UMH Development Co., Ltd.

(2) Shwe Hpar Si Estate project - 2

The location of this project is in No (5) Block, Hpa-an Township. The total area is more than 15 acres, of which 6 acres will be used to construct apartments for government employees. The other areas will be sold to the public. House prices will be between MMK 13.5 million to MMK 17.5 million. Variable length payment plans will be available where a 30% down payment is made. There will be 14 buildings with a total of 280 rooms.

Figure 17: Shwe Hpar Si Estate project (2)



Source: UMH Development Co., Ltd.

(3) Hpa-an City Strand Road development project

The Hpa-an City Strand Road extension project is being implemented by UHM Development Co Ltd. The road was widened to 34 feet (10m). On the river side of the road, a retaining wall was built, adding 10 feet (3m) to the platform and leaving space to plant greenery. The project was started on October 30, 2017.

Figure 18: Hpa-an City Strand Road development project (UHM)



Source: UMH Development Co., Ltd.

(4) Zwegabin mountain cable car project

It takes pilgrims three to four hours on foot to climb up and down to the pagoda at the top of the Mt Zwegabin. A project to make it an accessible tourist destination was launched in July 2017. The construction of the project involves cable cars that ferry 50 passengers up and down the mountain. The project construction is being implemented by Myanmar Native Land Public Co Ltd with the help of experts from Malaysia and Switzerland and investment from Chit Linn Myaing Toyota Co Ltd. The project is fully funded by donations.

Figure 19: Zwegabin mountain cable car project



(5) Hpa Kat Jetty

The construction of Hpa Kat Jetty project with a loading capacity of 4,000 tons has been sanctioned by the Kayin State government and will be implemented by Kyaw Hlwan Moe Co Ltd near Hpa Kat Village.

Figure 20: Hpa Kat Jetty Project model



2.7 Manufacturing sector

There are 989 registered private industries or enterprises in Kayin State. These include 88 large-sized enterprises, 141 medium-sized operations and 760 small-sized industries. All are located in either the southern or northern parts of the state. A new definition of SMEs was introduced by the SME Development Centre (SDC), within the Small and Medium Enterprise Law (Pyidaungsu Hluttaw Law No. 23, 2015). This new law was approved by the Parliament in March 2015 and is currently being enforced. The new definition is stated in the following table:

**Table 31: Revised definition of SMEs in Myanmar
(Pyidaungsu Hluttaw Law No.23, 2015)**

	Sector	Number of employees	Capital (million MMK)	Turnover (million MMK)
Small	Manufacturing sector	Up to 50	Up to 500	
	Labour intensive manufacturing sector	Up to 300	Up to 500	
	Wholesales business	Up to 30		Up to 100
	Retail business	Up to 30		Up to 50
	Servicing business	Up to 30		Up to 100
	Other	Up to 30		Up to 50
Medium	Manufacturing sector	51-300	500-1,000	
	Labour intensive manufacturing sector	301-600	500-1,000	
	Wholesales business	31-60		100-300
	Retail business	31-60		50-100
	Servicing business	31-100		100-200
	Other	31-60		50-100

Source: Central Department of SME Development

2.7.1 Private industries in Kayin State

**Table 32: Registered private industries in industrial areas in Kayin State
(2016-17)**

No.	District/Township	No. of industries			
		Large	Medium	Small	Total
1	Food and beverages	23	24	355	402
2	Clothing apparel	2	21	2	25
3	Construction materials/ shelter	44	43	67	154
4	Personal goods	6	13	16	35
5	Raw materials	1	1		2
6	Minerals	5	18	141	164
7	Agricultural equipment		5		5
8	Transport vehicles	2			2
9	Miscellaneous	5	16	179	200
Total		88	141	760	989

Source: Directorate of Industrial Supervision and Inspection (DISI)

(1) Implementation of the Hpa-an Industrial Zone

Myanmar is striving to develop its own industrial core and is working hard to establish industrial zones all around the country, with oversight from the Myanmar Industrial Development Committee. This committee oversaw the planning and construction of the Hpa-an Industrial Zone in Kayin State.

Hpa-an Industrial Zone is located 7 miles (11km) east of Hpa-an, the state capital city, beside Hpa-an-Hlaingbwe Highway, in Kawt Htaw village tract, between Sanpayee and Mizan villages. The zone was built under the management of Than Lwin Ayeyar Co Ltd, beginning in September 2011. The zone covers 969 acres and it is divided into four zones, as described in Table 33.

The zone has 646 plots covering a total of 756.65 acres of land. The remaining 212.35 acres are occupied by administrative plots, roads, flat land and valleys. In total, there are nearly 65,000 feet (19.8km) of asphalt road and 59 small bridges within the industrial zone.

Table 33: Allocation of Hpa-an Industrial Zone and the situation of land utilization (3.10.2017)

No.	Name of industrial zones in Kayin State	Explored plot	Explored land area (acres)	Total allocated plots	Unallocated plots
1	Zone (1)	59	134.49	50	9
2	Zone (2)	191	470.31	50	141
3	Zone (3)	69	90.81	32	37
4	Zone (4)	327	61.04	247	80
Total		646	756.65	379	267

Source: Directorate of Industrial Supervision and Inspection (DISI)

The zone is fed electricity through a 66/11kV grid line and 20-MVA power substation. Power supply within the zone is through 66kV lines.

To supply adequate water supplies, four closed chasm dams were built in the surrounding area. To distribute water to all areas within the Hpa-an Industrial Zone, water is brought from Dam 1 and 2 and the Than Lwin river. Six industries are provided water. The area and capacity of the dams are stated in the following table:

Table 34: Area and capacity of closed chasm dams

No	Close chasm dam	Area (acres)	Water storage amount (million gallons)
1	No (1)	610	165
2	No (2)	867	236
3	No (3)	69	19
4	No (4)	264	72

Source: Hpa-an Industrial Zone Management Committee

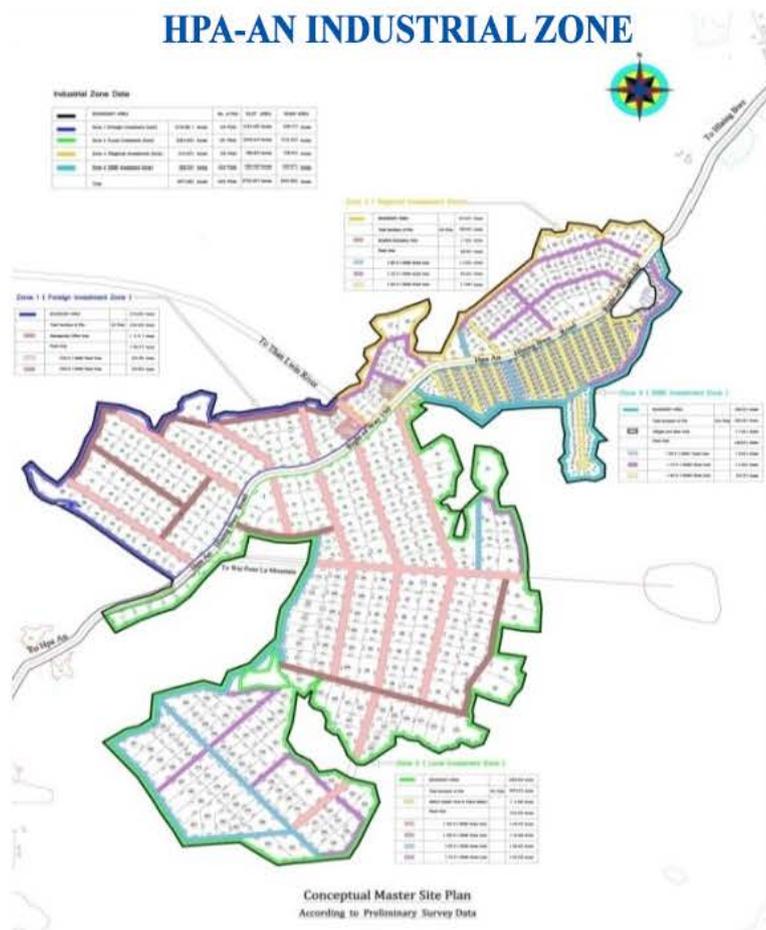
The land plots in the industrial zone are classified as first class, second class or third class, depending on the distance from the main road. The prices of the land for each zone are described in the following table:

Table 35: Land price in the Hpa-an Industrial Zone (million MMK/ acre)

No.	Class	Zone (1)	Zone (2)	Zone (3)	Zone (4)
1	First class	45	30	25	27
2	Second class	40	25	23	24
3	Third class	38	20	20	22

Source: Hpa-an Industrial Zone Management Committee

Figure 21: Hpa-an Industrial Zone



Source: Directorate of Industrial Supervision and Inspection (DISI)

The production of Hpa-an Industrial Zone

There are 11 factories operating in the Hpa-an Industrial Zone in Zones 2, 3 and 4. These include 666 Plastic Seed Production Industry, Htait Tan Crushed Stone Powder, ACC Saw Ngaman Concrete Pillar Co Ltd, San April Garment Industry, Mya Linn Finishing Wood Production, SHM Concrete Brick Industry, Win Win Candle Light Production, Han Thar Star Plastic Industry, U Pan Hlaing Crushed Stone Powder, Latzabu Garment Industry and Htoo Concrete Enterprise. There are 16 enterprises under construction and preparing to operate in the industrial zone.

Table 36: Registered and operating industries in Hpa-an Industrial Zone

No.	Types	Registered industries				Operating
		Large	Medium	Small	Total	
1	Food & beverages	4			4	
2	Clothing apparel	1	1		2	2
3	Construction	3	4		7	5
4	Personal goods	4			4	
5	Raw materials		1		1	1
6	Mineral	4			4	
7	Transport vehicles	1			1	
8	Miscellaneous	1	3		4	3
Total		18	9		27	11

Source: Hpa-an Industrial Zone Management Committee

(2) Myawaddy Economic Zone Plan

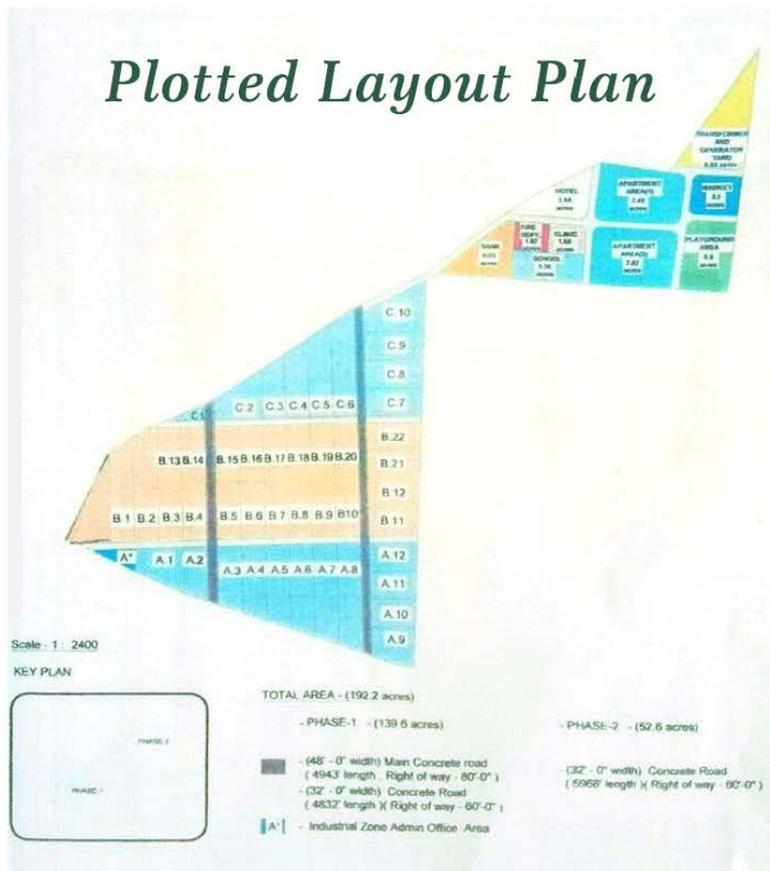
The land that houses the Myawaddy Economic Zone is reserved forest land under the management of the Department of Forestry that was then transferred to the Kayin State government. The zone covers 201 acres of land in Myawaddy Township, 7 miles (11km) west of Myawaddy on the northern part of the Myawaddy-Thingan Nyi Naung Road. The Myawaddy Trade Zone is located close by. Land identification services for the construction of the Myawaddy Economic Zone were implemented in April 2015, under the management of Nyi Naung Oo Company.

The exploration process for Myawaddy Economic Zone Project is divided into two phases: 141.6 acres in phase 1 and 59.4 acres in phase 2. The project is expected to be completed with 24 months. Land reclamation of phase 1, which includes 47 plots (13 - type A, 22 - type B, 10 - type C and 2 - type D) with the intention to house 13 different types of industries and workshops. Phase 2 planning also incorporates hotels, banks, housing, markets, nursery schools, clinics and a fire station.

To ensure smooth access to and through the zone two roads measuring 48 feet wide (14m) and nearly 5,000 feet (1.52km) long, and 32-foot wide (9.6m) and 4,832 feet long (1.47km) have been built into the zone.

Business owners are sourcing their own water from underground sources at the Myawaddy Economic Zone. Electricity can be obtained from Thingan Nyi Naung village in Myawaddy, where a 230kV power substation is under construction. . At present, business owners are buying power from Thailand. Until now, 22 business owners have submitted proposals to build factories at the Myawaddy Economic Zone. These proposals include offices and guesthouses, Shwe Myint Thaung Yinn Finishing Wood Industry, Apex World Footwear Making Industry, Galvanized Iron Sheet Industry, Yam Tuber Industry and Sabal Oo Purified Drinking Water Industry.

Figure 22: Myawaddy Economic Zone Plan



Source: Nyi Naung Oo Co Ltd

(3) Phayarthonezu Industrial Zone Plan

About 2,000 acres of land have been earmarked to build the Phayarthonezu Industrial Zone in Kyarinseikkyi Township when the opportunity arises.

2.8 Hotels and Tourism

There are 23 licensed hotels operating in Kayin State, including 18 in Hpa-an and five in Myawaddy. These hotels cover 841 rooms in total. Proposals to build a further seven hotels have been submitted to the state government, which will add another 360 rooms. A further 10 hotels are being built without submitting proposals to the Directorate of Hotels and Tourism. There are five travel agencies in Hpa-an and eight travel agencies in Myawaddy.

Table 37: Licensed Hotels, guesthouses, bed and breakfast service (B&B) and visitors in Kayin State (2016-17)

No.	Kayin State	Hotels and guesthouses	Rooms	Hotels under construction
1	Hpa-an District	18	616	17
2	Myawaddy District	5	225	2
Total		23	841	19
Bed and Breakfast service				
3	Thandaung Gyi	7	38	

Source: Directorate of Hotels and Tourism

Tourist arrivals to Kayin State are increasing fast since the ceasefire was agreed between armed ethnic groups and the government in 2012. The number of tourist arrivals recorded in 2015 was, rising sharply 159,749 in 2016 and hitting 171,281 by the end of September 2017. Licenses are being granted to tourist guides in Kayin State and most of the tour guides work with hotels. Package tours are limited in Kayin State, meaning most visitors are Free Independent Travellers (FITs). Greater regional security and stability, as well as better transport, will open up new areas of Kayin State to tourists, both domestic and foreign. The Than Lwin river presents great tourism potential but at present there are no businesses operating there in the tourism sector.

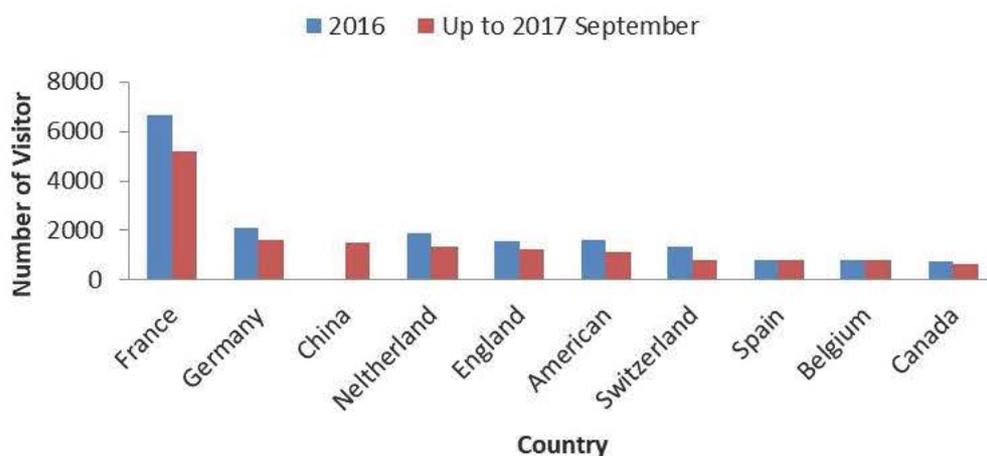
Table 38: List of local and foreign visitors to Kayin State (2016-17)

No	Region	Local		Tourist		Categories	
		2016 Sept;	2017 Sept;	2016 Sept;	2017 Sept;	2016 Sept;	2017 Sept;
1	Hpa-an	23,221	31,300	17,439	19,767		
2	Myawaddy	567,325	425,949	99,349	151,424	Visa (27,584) Day Return (71,765) Caravan (65) Caravan Traveller (520)	Visa (27,490) Day Return (12,934) Caravan (58) Caravan Traveller (471)
3	Thandaung Gyi	570	1837	44	90		
Total		591,116	459,086	116,832	171281		

Source: Immigration Department

The tourist arrivals by country to Kayin State in 2016 and 2017 (up to September) are showed in the following figure 23. French people come and visit most to Kayin State according to the data of the Ministry of Hotels and Tourism. It is found that more Chinese significantly visit to Kayin in 2017 (1,705 people) compared with 2016 (only 9 people).

Figure 23: Comparison of tourist arrivals by country to Kayin State in 2016 and 2017 (up to September)



Source: Ministry of Hotels and Tourism

With Kayin State showing high potential for growth in the tourism sector, more rooms and hotels are under construction.

2.8.1 Investment in hotels and the tourism industry

Foreign companies have also made foreign investments in Kayin State's tourism sector. The list of countries and investment amounts by each nation for the whole Myanmar is stated in the following table:

Table 39: Foreign investment in hotels and commercial complexes by country in Myanmar

No.	Country	Hotel/ service apartment	Investment (million USD)
1.	Singapore	32	2,720
2.	Thailand	12	486
3.	Vietnam	1	440
4.	Hong Kong	5	188
5.	Korea	1	100
6.	Japan	6	394
7.	Malaysia	3	23
8.	United Kingdom	3	15
9.	Luxembourg	1	5
Total		64	4,371

Source: Ministry of Hotels and Tourism

Kayin State has plenty of natural caves, natural forests and mountains for tourists to visit. The main tourist destinations in Kayin State are as follows:

Table 40: Tourism destinations in Kayin State

No.	Place to visit	Location
1.	Bayin Nyi cave	Near Kyarin village, Hpa-an
2.	Kawkun cave	Near Kawkun village, Hpa-an
3.	Yathaypyan cave	Near Yathaypyan village, Hpa-an
4.	Mount Zwegabin	Near Khalauknoh village, Hpa-an
5.	Shwe Yin Myaw Pyi Taw Aye Pagoda	Hpa-an
6.	Kyauk Ka Latt Pagoda	Near Tawpon village, Hpa-an
7.	Kaw Ka Thawng cave	Near Kaw Ka Thawng village, Hpa-an
8.	Saddan cave	Near Kaw War Su village, Hpa-an
9.	City and border tour	Myawaddy
10.	Naw Bu Baw Prayer Mountain	Thandaung Gyi

Source: Planning Department

Bayin Nyi cave

Bayin Nyi cave is located 12 miles (19km) from Hpa-an. It is situated near Naung Kyan village on the east side of Than Lwin river.

Bayin Nyi cave is on a hill and there is a brick staircase running up the side that allows visitors to climb to the top. There are 28 Buddha images ranged along the hillside. Visitors can pay obeisance at the ancient pagodas inside the cave.

At the foot of the Bayin Nyi cave, there are natural hot springs. Bayin Nyi is a mix of historical culture and religion, where visitors can see Many pagodas and Buddha images are carved out of laterite. The cave is also home to four species of bats and different species of invertebrates.

Figure 24: Bayin Nyi cave



Kawkun cave

Kawkun Cave is a natural limestone cave near Kawkun village in Hpa-an Township, Kayin State. It is situated on the west side of the Than Lwin River and is 116 feet above sea level.

Kawkun cave houses a collection of clay Buddha images on its walls, as well as other figures and statues carved out of limestone, Buddhist sculptures carved out of sandstone, mural paintings, as well as ink, stone and old Mon inscriptions.

These cultural heritage relics date as far back as the late Bagan Era (AD 13th century).

Figure 25: Kawkun cave



Yathaypyan cave

Yathaypyan cave is 9 miles (14km) from Hpa-an, on the west side of the Than Lwin River, and 3 miles (5km) from Hpa Kat village.

Yathaypyan cave is located at the most southern part of Mount Yathaypyan and is 150 feet high (45m). The cave is formed in natural limestone which has multiple exits, allowing visitors to walk all the way through and stop on the way to examine the multiple stupas inside.

The combination of pagoda stupas and Buddha images within a cave are mostly confined to Yathaypyan and Saddan caves in Kayin State.

There are Bagan, Innwa, Toungoo and Konbaung contemporary Hindu-style Buddha images inside the Yathaypyan cave. There are a variety of Buddha images in different sizes and positions, with some made from clay and wood. The Buddha images point to a Buddhist tradition in the area dating back as far as 1,500 years.

Mount Zwegabin

Mount Zwegabin is one of Kayin State's most famous landmarks. Located about 7 miles (11km) from Hpa-an and near Khalauknoh village, Zwegabin rises 2,372 feet above sea level, rising from the generally flat plain where Hpa-an lies.

It takes three hours to climb the mountain but those who brave the thousands of steps are rewarded with a glorious, scenic view of Kayin State. The pagoda at the tip of the mountain reportedly houses one of the Buddha's hairs.

The pagoda hosts a pagoda festival on the full moon day of Tabaung in late March.

Figure26: Mount Zwegabin



Shwe Yin Myaw Pagoda

Shwe Yin Myaw Pagoda sits alongside the Than Lwin river in Hpa-an. It is a famous pagoda and tourist attraction in Hpa-an. There, visitors can see ancient cultural relics and artworks, while observing the beautiful scenery the Than Lwin River nearby and the Hpa-pu Mountain in the distance.

Kyauk Ka Latt Pagoda

Kyauk Ka Latt Pagoda is formed at the peak of a decaying limestone karst that rises from surrounding paddy field, and is surrounded by a manmade pond. It is located at 7 miles (11km) from Hpa-an, near Tawpon village at the west side of the Than Lwin river.

From the rocky mountain a scenic view of Mt Zwegabin unfolds and is a gorgeous place to view the sunset.

The area surrounding Kyauk Ka Latt Pagoda is strictly vegetarian and the temple nearest the pagoda offers vegetarian meals to visitors every day.

Figure27: Kyauk Ka Latt Pagoda



Saddan/Saddar cave

Saddan cave is part of Saddan Mountain, near the south part of the Zwegabin Mountain range, to the eastern side of the Than Lwin river and near Kaw-waa-su village. It is about 20 miles (32km) from Hpa-an and right alongside Saddan lake.

Saddan cave is the longest cave in Kayin State, measuring 107m long and 40m wide at its broadest point. The cave is about 30 feet (10m) above ground level and visitors can walk from one end to the other in about 10 minutes.

Along the way they can view artworks and cultural artefacts, as well as several Buddha images and stupas, before exiting at the other end and riding a boat back across Saddan lake. A pagoda festival is held on the fourth day of Thingyan (the last day of Myanmar's water festival) in April every year.

The cave is also home to seven species of bats, totalling 50,000 in all.

Figure 27: Saddan cave



Kaw Ka Thawng cave

Kaw Ka Thawng cave is 7 miles (11km) to the south of Hpa-an and 2 miles (3km) east of Mt Zwegabin. Kaw Ka Thawng cave is a roughly round and mostly open cave about 100 feet (33m) wide. The cave contains 28 Buddha images in various positions and styles.

Also found within the cave are terracotta votive tablets and beautiful stalactites and stalagmites. The height of the cave is about 8 feet.

Kaw Ka Thawng Cave is located on the higher part of the mountain and there are other small caves on the lower sides that also connect to Kaw Ka Thawng cave. The cave hosts a pagoda festival on the second and third day of Myanmar's New Year in late April.

Figure 29: Kaw Ka Thawng cave



Other popular places in Kayin State

There are other popular and good places to be visited in Kayin State, such as the Lynn Noe cave (bat cave), other limestone caves such as Kywe Min cave and Taung Ka Lay cave, the Taung Wyne mount, as well as a handful of beautiful waterfalls that include Lun Nya, Kyone Htaw, Myaing Gyi Ngu, Hlaingbwe and Pray Kyay To.

Figure30: Lynn Noe cave (Bat cave) near Tan Lwin Bridge



Popular festivals in Kayin State

There are some popular and famous festivals and ceremonies in Kayin State. They are Kayin State Day on November 7; Tie Thread festival (Wa-khaung) in July; Mt Zwegabin festival (Tabaung full moon day) in March; Bon-fire festival, Kyone-Done (Taboetwe full moon day) in February; Karen New Year festival; Pyatho Waxing Day; Homage to Paddy Angel; and New Rice festival.

Human resources development

There is a need for training centres to develop talent in the tourism and hospitality sector improve service delivery to tourists visiting Kayin State.

2.9 Labour

In 2016-17 fiscal year a total of 154 people (77 men and 77 women) gained new employment in government departments and 1,125 people (544 men and 581 women) were employed in private enterprises. Kayin State's labour office shows existing employment during the same year of 4,821 people - 2,690 men and 2,131 women.

Disputes between employers and workers are rare in Kayin State. The average working day is eight working hours; the national minimum wage is MMK 3,600 a day. Up to 20 hours a week of overtime is legal, the Factory and General Labour Laws Inspection Department has state. Other benefits, including ferries, bedrooms, food supplication and others can be provided by employers. For the purpose of social security, employers are supposed to pay the equivalent of 3% of an employee’s salary to a social security fund held by the government, with employees mandated to pay an additional 2%. Social security offers healthcare facilities and other services under the social security law. In Kayin State, companies have agreed to pay a daily wage of MMK 5,000 in minimum to employees, significantly above the union-government mandate minimum wage of MMK 3,600 per day.

In Myawaddy, 80 labourers have received training in bike maintenance, fertilizer-making, carpentry, tiling and commercial cooking, as part of a program jointly run by Department of Labour under Ministry of Labour, Employment and Immigration of Myanmar and Department of Skill Development, Ministry of Labour of Thailand.

Workers returning from Thailand are being provided jobs and housing in Kyauklonegyi region. As a wool factory and clothing factories are being built in Hpa-an Industrial Zone, basic sewing training (motorised), automobile maintenance training and tour guide trainings will soon be offered again.

Table 41: Number of department and employees in Kayin State in 2015-16

No.	Region name	Organization					Number of labour (domestic/foreign)				
		Gov’t ⁴	Co-op ⁵	Private	JV ⁶	Total	Gov’t	Co-op	Private	JV	Total
1	Hpa-an	1,302	1	2,317	1	3,621	17,827	6	10,648	28	28,509
2	Pharpon	129	-	256	-	385	1,176	-	866	-	2,041
3	Myawaddy	182	5	1,197	5	1,389	2,500	15	5,045	92	7,652
4	Kawkareik	433	4	975	-	1,412	4,446	9	4,003	-	8,458
	Total	2,046	10	4,745	6	6,807	25,949	30	20,562	120	46,661

^{4 5 6} Source: Department of Labour (Hpa-an office), Ministry of Labour, Immigration and Population

4 Gov’t - Government

5 Co-op - Cooperative

6 JV - Joint Venture



KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



3

*Understanding Businesses
in Kayin State
(Business Owners' Perspectives)*

3. Understanding businesses in Kayin State (Business Owners' Perspectives)

To understand the investment climate in Kayin State and identify business opportunities, 62 businesses were interviewed in Hpa-an, Myawaddy and Kawkaik district. Additionally, key informant interviews were conducted with officials from regional ministries and the Kayin State Development Committee, the Kayin State Chamber of Commerce and Industries to obtain meaningful contextual information.

3.1 Methodology

MMRD first conducted a secondary data collection (desk research) to identify possible industries for the study, as well as the rules and regulations to set up and operate a business.

The second stage of research was primary data collection (field research), where MMRD conducted business-to-business interviews in selected local industries such as agriculture, manufacturing, food processing, hotels and tourism and small-and medium-sized enterprises (SMEs) to obtain data on the company, the business setup, operations and future business development. Interviews were conducted with owners and management of the companies, manufacturers and distributors. A total of 62 interviews were conducted in seven sectors in Kayin State. The quantitative data was contextualized using qualitative information obtained through key informant interviews (KIIs) with state authorities and business associations. The topics discussed included the investment climate, insights on the economy of the three regions in Kayin State, and infrastructure development.

**Table 42: Sample allocation of key informant interview (KII)
(government official and associations)**

No.	Type of respondents	Hpa-an	Mya waddy	Kaw kareik	Total
1	Related administrators under Kayin State Government	3	1	1	4
State and district level departments					
2	Planning Department	1	1	1	3
3	Ministry of Commerce, Myawaddy Border Trade Zone		1		1
4	Department of Consumer Affairs	1			1
5	Department of Agriculture	3	1		4
6	Directorate of Hotels and Tourism	1	1		2
7	Directorate of Industry, Supervision and Inspection	1			1
8	Hpa-an Industrial Zone Management Committee	1			1
9	Directorate of Labour	1	1		2
10	Regional Office of Electrical Supply Enterprise	1	1		2
11	MIC/DICA Hpa-an office	1			1
12	Myanmar Posts and Telecommunications	1	1		2
13	Regional Development Committee	1	1		2
14	Immigration Department	1	1		2
15	Road Transport Administration Department	1			1
16	Directorate of Mines	1			1
17	Directorate of Livestock and Therapy	1	1		2
18	Other departments	5	4		9
Other related associations					
19	Chamber of Commerce and Industry	1	1		2
20	Agricultural and Livestock Association	9	1	1	11
21	Transportation Services Association	2			2
22	Hotelier Association	1			1
23	Other associations	4			4
Total		42	17	3	62

Source: MMRD

Table 43: Sample allocation of B2B interview

No.	Respondent	Hpa-an District	Myawaddy District	Kawkareik District	Total
1	Agriculture	6	3	3	12
2	Manufacturing	11	3	1	15
3	Hotels and Tourism	4	4		8
4	Food processing	3	2	3	8
5	Trading		3		3
6	Livestock	2	1		3
7	Construction	1			1
	Total	27	16	7	50

Source: MMRD

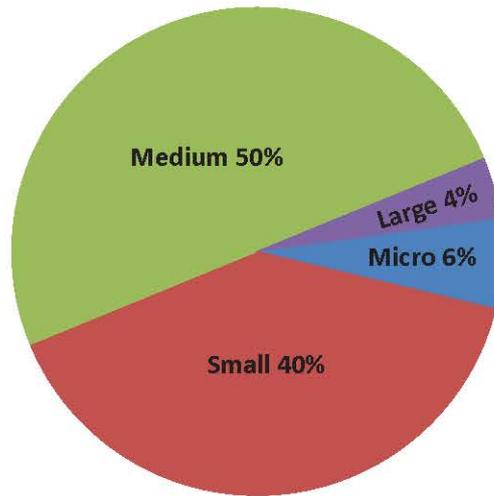
3.2 Business Profile

The study revealed that 86% of the registered firms in Kayin State are SMEs and only 14% are large firms. Among the firms that participated in the study conducted by MMRD, 82% of the businesses were considered SMEs⁷ and 18% were considered large firms. Of the 50 businesses interviewed, 48 were locally owned, while 2 were foreign owned.

Almost 82% of all firms were interviewed in their head offices while the remaining 18% were interviewed in branch offices or factories. From the 50 businesses interviewed, 18% operated in the industrial zone, 44% outside of the industrial zone and 38% operated in residential areas. There is only one industrial zone in Kayin State - the Hpa-an Industrial Zone - which has limited operations.

⁷ The definition of SMEs for our survey is based on World Bank Enterprise Survey Standard: -Under 5 employees - micro; 5-19 employees - small; 20-99 employees - medium; and over 100 - large.

Figure 31: Size of the business

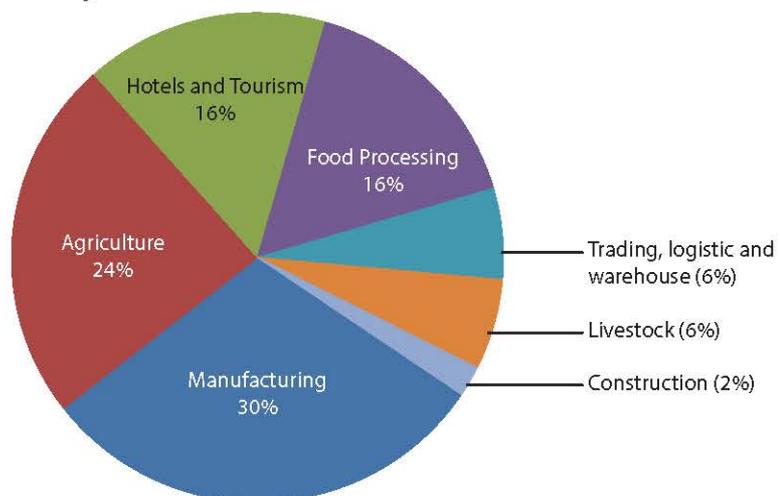


Source: Kayin State Investment Opportunity Survey

The businesses interviewed belonged to diverse sectors such as food processing, manufacturing, agribusiness, hotels and tourism, trading, logistics and warehousing, livestock and construction product suppliers. Out of all 50 respondents, 30% were from manufacturing and 24% from the agriculture sector.

The businesses interviewed belonged to diverse sectors such as food processing, manufacturing, agribusiness, hotels and tourism, trading, logistics and warehousing, livestock and construction product suppliers. Out of all 50 respondents, 30% were from manufacturing and 24% from the agriculture sector.

Figure 32: Businesses by sector

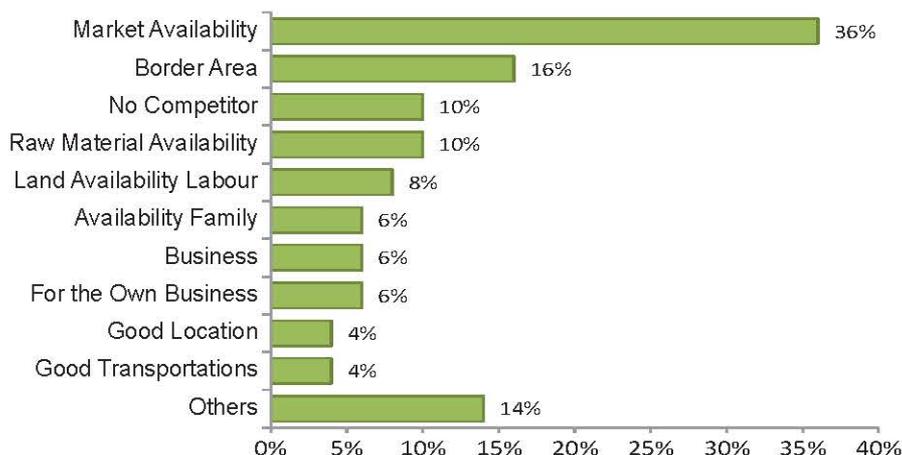


Source: Kayin State Investment Opportunity Survey

3.3 Setting up a business

From the businesses interviewed, 36% said that the reason they chose Kayin State to set up their business was market availability. The second-most cited reason for setting up a business in Kayin State is the proximity to the Thai border, which indicates that there is a good foundation in place for growth in Kayin State.

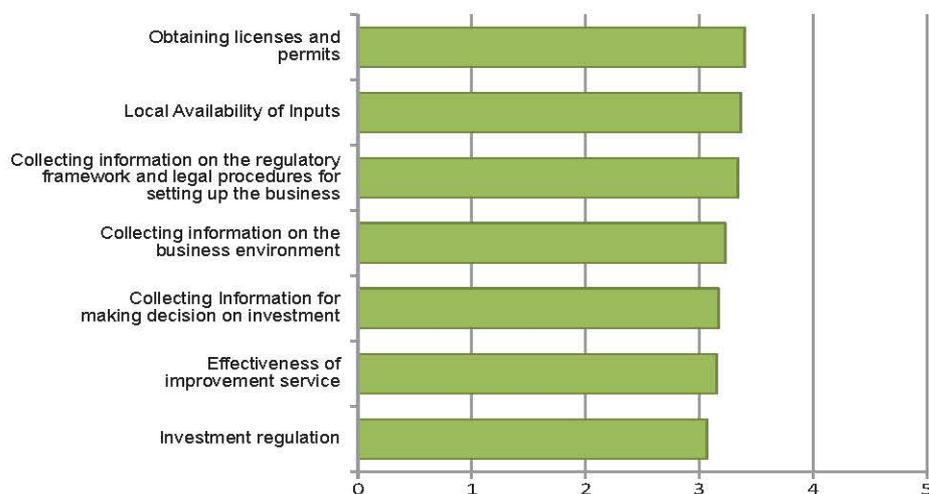
Figure 33: The reason for starting a business in Kayin State



Source: Kayin State Investment Opportunity Survey

Participants of the study were asked to rate the obstacles setting up a business on a scale of 1 to 5, where 1 is very poor, 2 is poor, 3 is fair, 4 is good and 5 is excellent.

Figure 34: Obstacles to business setup in Kayin State

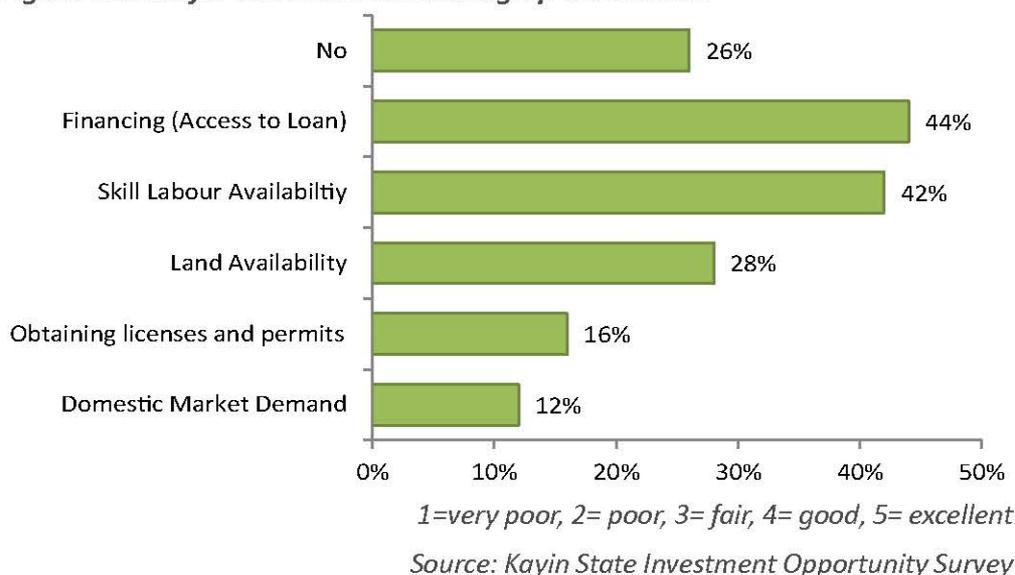


1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

Overall, businesses in Kayin answered that investment regulations are fair. Respondents also rated the effectiveness of services in processing investment proposals from the respective government departments as fair. It becomes easier to access, collect and organize the business information in Kayin State because of its development in telecommunication sector.

Figure 35: Major obstacles in starting up a business

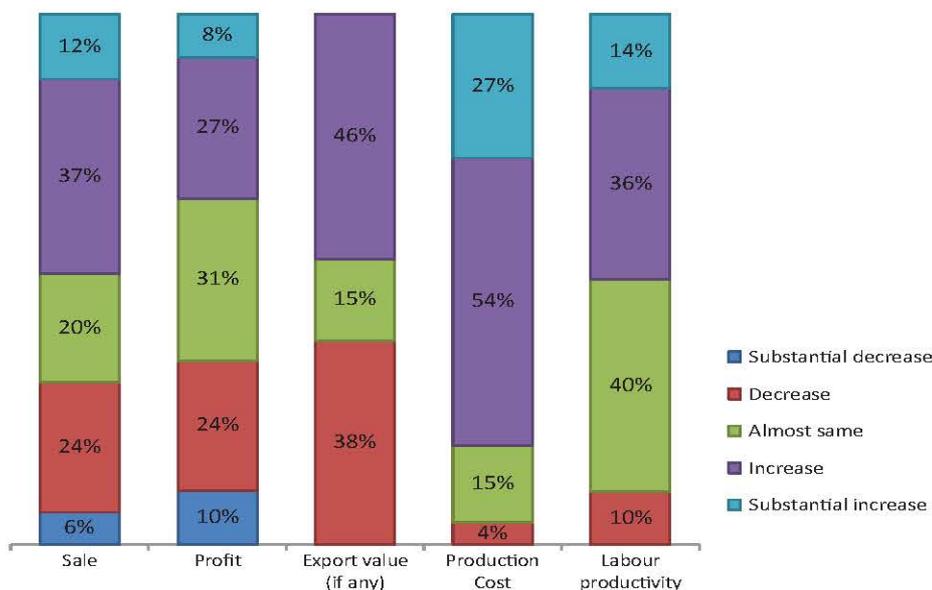


Nearly 26% of respondents stated that there was no obstacle in setting up their business. However, the difficulties for the rest of the 44% of businesses were insufficiency of financing and limited access to loan financing because they had no property they could offer as collateral. The second most cited obstacle is the scarcity of skilled labour. The third most stated concern was high land prices and the lack of available land.

3.4 Operating the business

Compared to 2015, 49% of the businesses increased in revenue but only 35% of the businesses enjoyed improvements in profits. The survey found that 81% of the businesses incurred higher production costs due to rises in raw material prices. Labour productivity stayed the same for 40% of respondents, while 50% said they had noted an increase in productivity over the past year.

Figure 36: Business operation

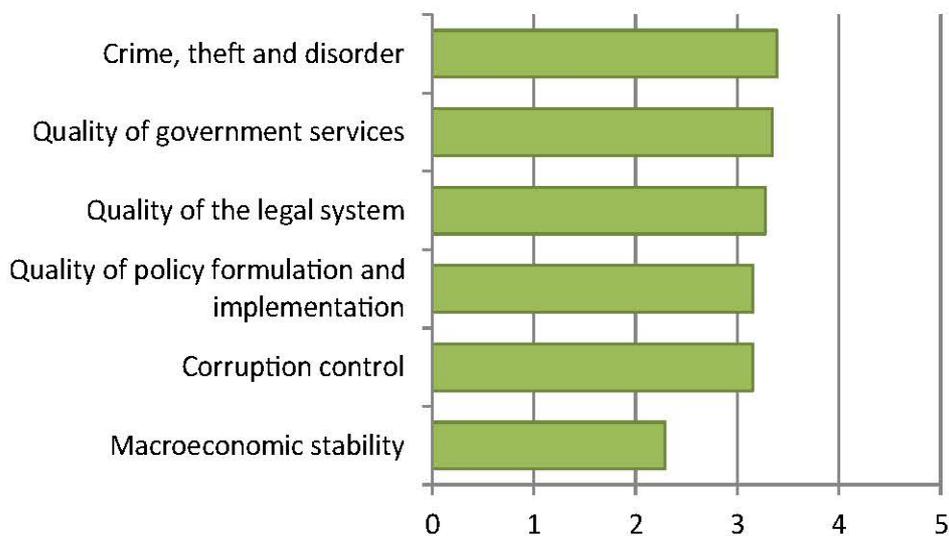


Source: Kayin State Investment Opportunity Survey

3.4.1 Microeconomic overview and regulatory framework

Businesses surveyed rated the quality of administration and services provided by the line departments and administrative body as fair.

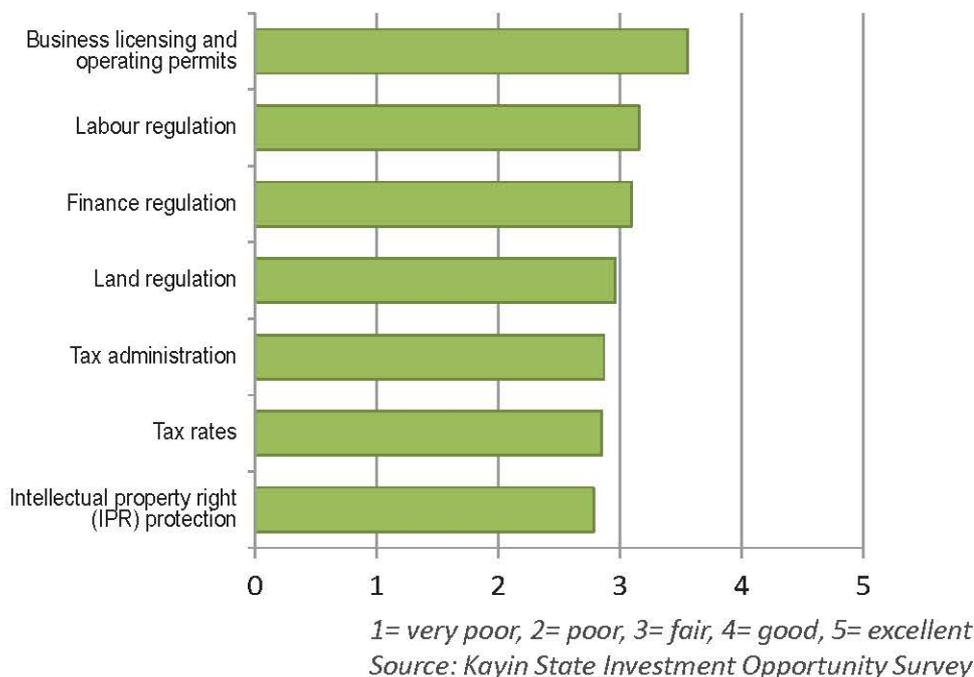
Figure 37: Macroeconomic and governance issues that seriously affect the business environment



1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

Figure 38: Regulatory framework

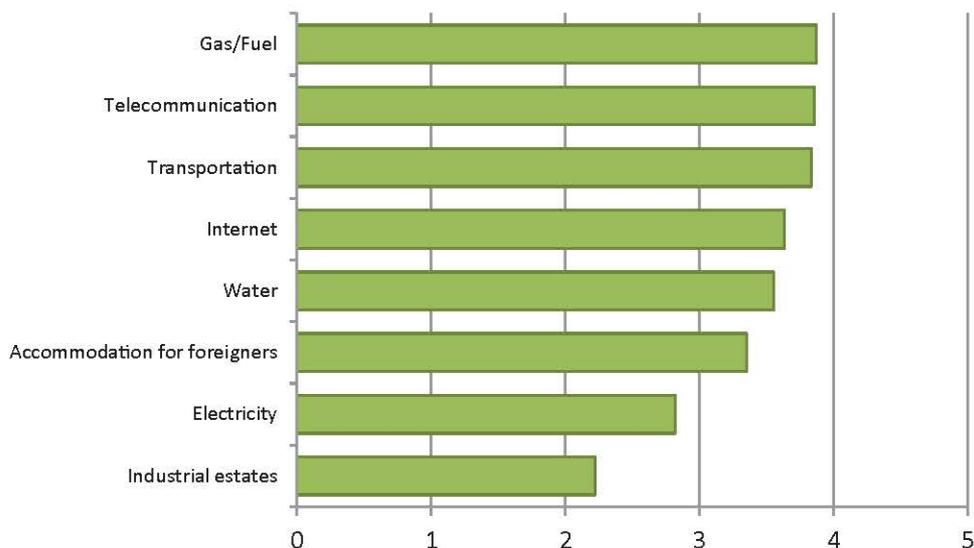


Survey respondents said it is relatively easy to obtain licenses and permits to start businesses. And although there are few employer-employee disputes, it is difficult to attract and retain labour, they said. Respondents said the main labour issue is that the daily wage in Thailand is higher than in Kayin State, which encouraged workers to travel to Thailand instead. Respondents said the daily minimum wage in Kayin State is increased to MMK 5,000 and it is much lower than minimum wage of Thailand with 300 THB (MMK 12,500). Respondents also reported that the taxes levied on business are high relative to the low incomes the owners generate from their businesses.

3.4.2 The need for infrastructure

Survey respondents responded that the availability of fuel, transportation networks and telecommunications are quite good in Kayin State. However, water supplies are only taken from privately dug tube wells or creeks and it is insufficient. Respondents suggested that supplying water from the Than Lwin river should be implemented. Additional concerns are that while there are hotels for foreigner guests, there are relatively few high quality restaurants. Respondents added that infrastructure development (water and electricity) is needed to develop better industries. Finally, electricity supply is insufficient, which leaves businesses to generate their own power or buy from Thailand, both of which are expensive.

Figure 39: Current infrastructure situation in Kayin State



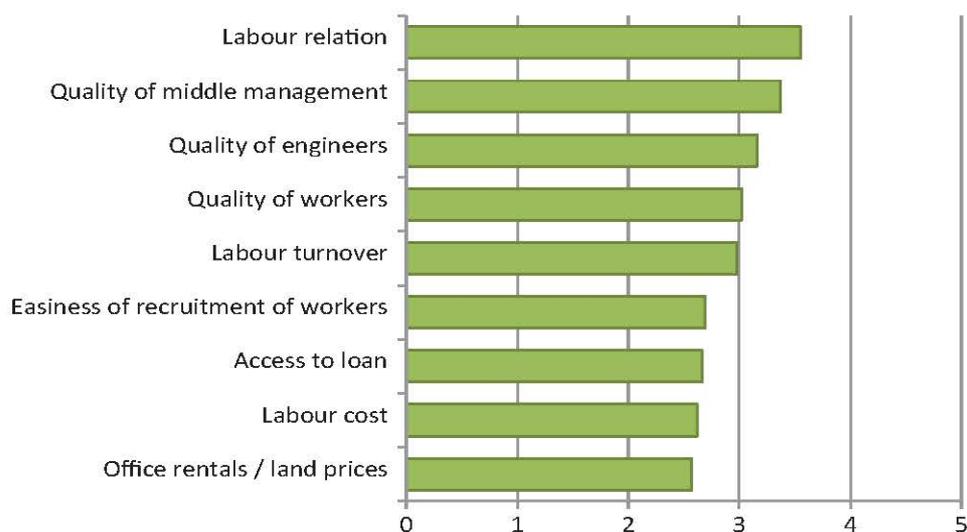
1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

3.4.3 Labour, land and finance

Although there are no labour disputes between the business owners and employees, the skill level of labour is just fair. The labour cost in Kayin State is higher compared to other states and regions in Myanmar in order to be competitive against the labour market in Thailand. However, it is still difficult to attract and retain labour due to migration due to the higher wages on offer in Thailand. Most employees in Kayin State are migrant labourers who travel from the middle of Myanmar and the Ayeyarwaddy delta region, where there are few jobs available. Further concerns include limited access to finance and few lenders willing to provide capital because there are some difficulties in providing collateral (property or other assets) to lenders in Kayin State.

Figure 40: Assessment of the labour force in Kayin State regarding key issues that affect business



1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

3.4.4 Labour cost in Kayin State

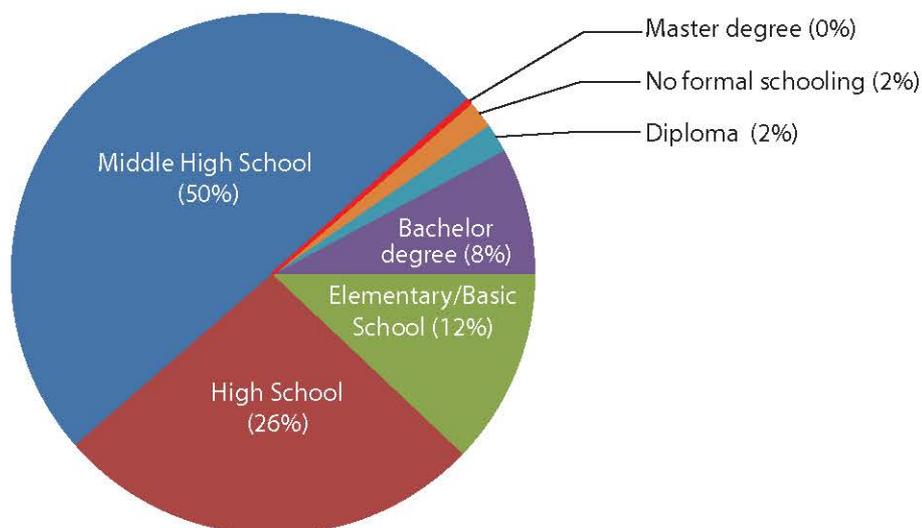
The average wage rate for worker and skilled labour is high compared to other states and regions. The average wage for semi-skilled workers is MMK 150,000 per month, rising to MMK 280,000 for staff level employees. Managers and engineers command salaries of around MMK 500,000 per month on average. Local businesses perceive the national minimum wage of MMK 3,600 to be low. Respondents suggested that the rate should be set at MMK 5,000. Although labourers in the garment industry are provided with training and a salary, they frequently migrate to Thailand when their skill level rises, which results in a high turnover rate in the industry.

Table 44: Average wages in Kayin State

No.	Particulars	Response	Average salary (MMK)	
			Maximum	Minimum
1	Semi-skilled worker	50	300,000	70,000
2	Staff	12	500,000	120,000
3	Supervisor	12	700,000	150,000
4	Mid-management	13	1,000,000	200,000
5	Engineer	3	500,000	200,000

Source: Kayin State Investment Opportunity Survey

Figure 41: Educational background of employees in Kayin State

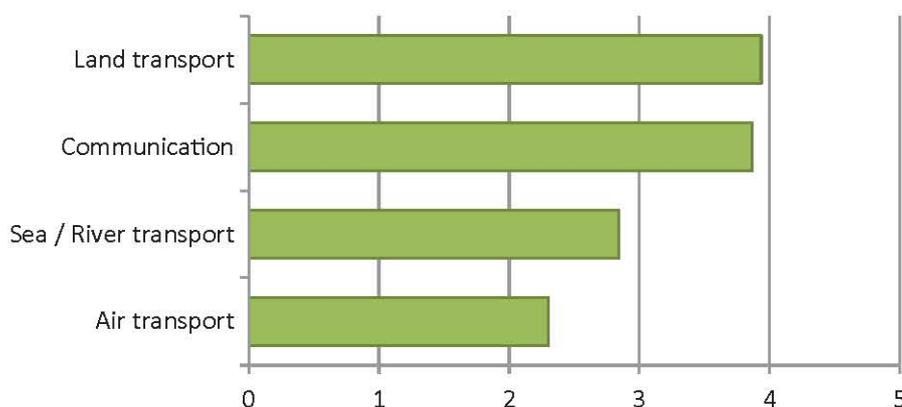


Source: Kayin State Investment Opportunity Survey

3.5 Logistics and markets

According to respondents, businesses in Kayin State focus mostly on the domestic market within Kayin State. As neither passenger nor cargo planes can be landed in Kayin State, the response is poor for air transport.

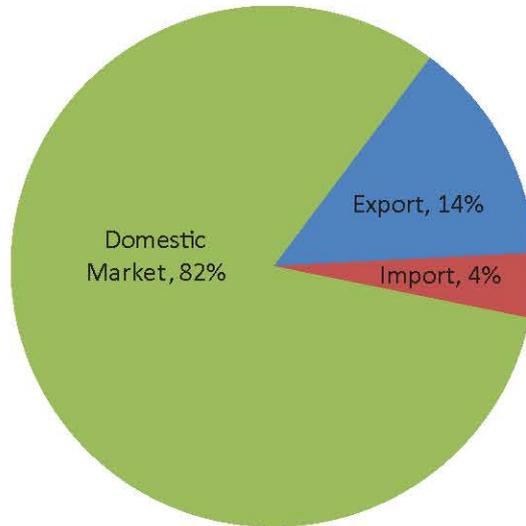
Figure 42: Reliability of transportation and communication



1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

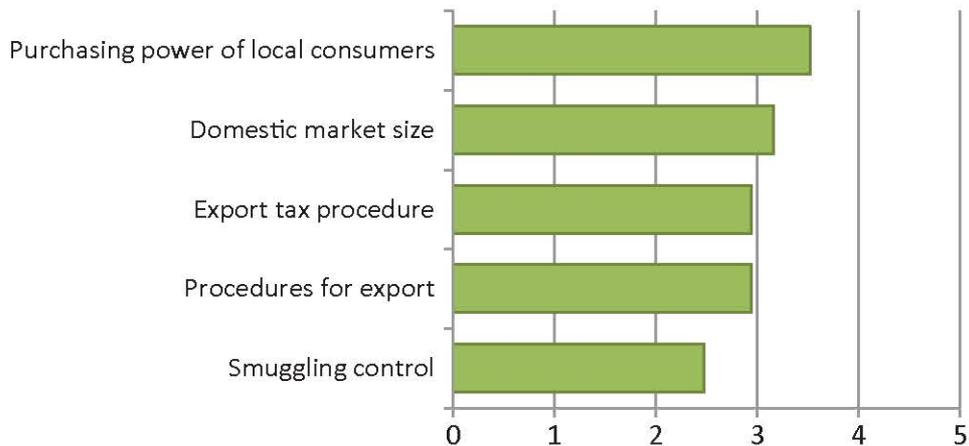
Figure 43: Type of trade by respondents



Source: Kayin State Investment Opportunity Survey

The domestic market size is quite good and consumer purchasing power is good, respondents said. Most exports from Kayin State rely on border trade. However, respondents noted that there is some weakness in smuggling controls, which affects businesses that run through normal trade.

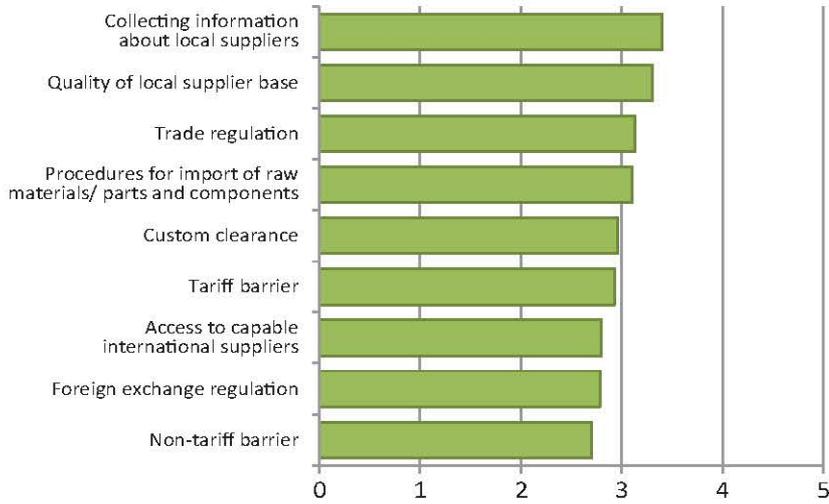
Figure 44: Rating logistics in Kayin State



1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

Figure 45: Rating domestic and foreign procurement in Kayin State



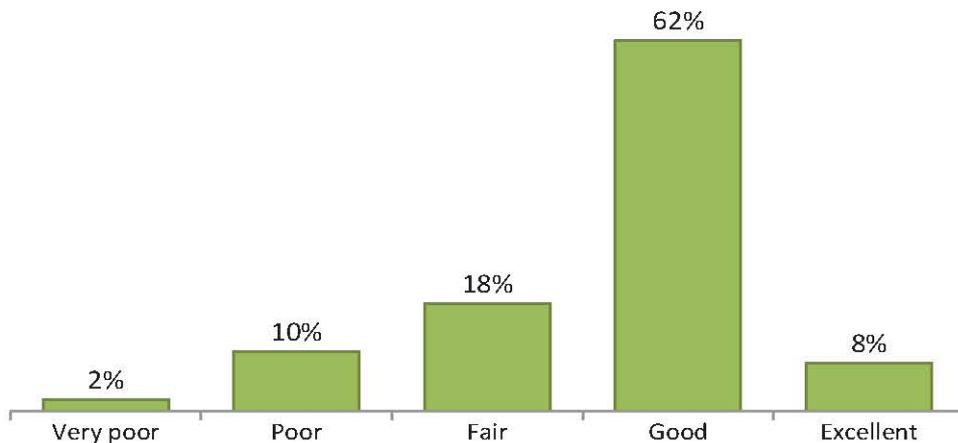
1= very poor, 2= poor, 3= fair, 4= good, 5= excellent

Source: Kayin State Investment Opportunity Survey

3.6 Future business development

Almost 70% of respondents expected that prospects would be good or excellent in the next three years. They also commented on an improvement in peace and security in the region, higher market demand, improvement in electricity supply, and improved infrastructure and services as positive factors affecting their future businesses. With the initiatives of the current government, there is an expectation that peace and security will further improve in the future.

Figure 46: Predicting the future of industry in next three years



Source: Kayin State Investment Opportunity Survey



KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



4

*Obstacles and Limitations
of Doing Business
in Kayin State*

4. Obstacles and limitations of doing business in Kayin State

During the study, respondents discussed limitations such as electricity, water, labour, transportation and logistics, technology, as some of the key obstacles to doing business in Kayin State.

4.1 Electricity

Only three towns (Hpa-an, Hlaingbwe and Thandaung) receive electricity from the national grid. Greater electricity supply from the national grid needs to be provided and the number of settlements connected to the grid must also be expanded, respondents said. A comparison of electricity charges in Myawaddy shows that power supplied by the Myanmar government costs MMK75-150 per unit, while power bought from Thailand costs MMK124-331.

4.2 Water

Respondents noted that water supplies in Kayin State are insufficient and they must rely on drilling wells for both industrial and residential use.

4.3 Labour (Training, Skill Development and Capacity Building)

Vocational and skill training programs are required to increase the number of skilled workers, while work is required to define standard wages for skilled workers, who might otherwise migrate to Thailand. Vocational training programs are needed to boost skill sets in manufacturing, rubber plantations, livestock farming and the hotels and tourism sectors. Social security networks must also be further developed.

4.4 Transport and logistics

Road conditions need to be further improved, say respondents, adding that road tolls need to be lowered and wheel tax should not be collected in all townships. Respondents said the number of security check points along Hpa-an to Myawaddy Road which are affected smooth transportation need to be reduced.

4.5 Technology

Technological and technical advancements are important to improve business operations in Kayin State, such as by providing access to modernized machines and equipment for manufacturing. The government and financial providers like banks should develop a sustainable financial system for SMEs to upgrade their capacities, survey respondents said.

Higher technology needs to be introduced for agriculture, such as a water drop system, high yield seeds and value-added fruit production, they reported.

4.6 Market Competition

At the present situation, Thai commodities such as meat, fish, vegetables, fruits, household goods, fishery goods and construction materials get a large share in the market. In addition, agricultural inputs like fertilizers and pesticides are also widely imported from Thailand. To be able to compete with this Thai market, it is needed to provide support to produce quality products with cheaper prices than Thai goods.





KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



5

*Potential Investment
Opportunities in Kayin State*

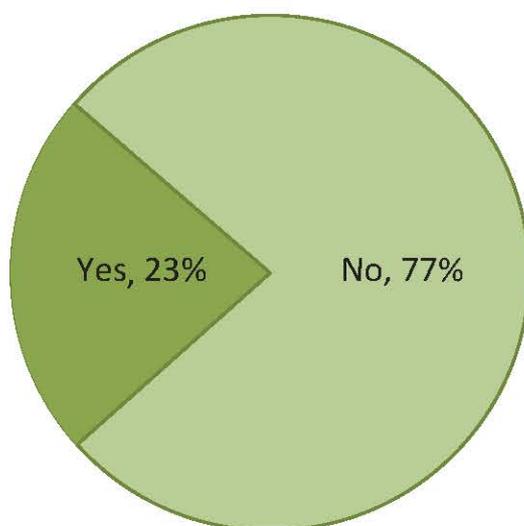
5. Potential investment opportunities in Kayin State

Almost 77% of the respondents have the opinion that the existing investment incentives are not attractive enough to potential investors.

Incentives that would be attractive include:

- 1) Tax privileges and government incentives
- 2) Accessibility to lease land at a reasonable price
- 3) More support to obtain suitable land for a reasonable rental fee
- 4) Access to bank loans at low interest rates (the interest rate in Thailand is only 1.3%)
- 5) Good infrastructure (electricity and water supply)

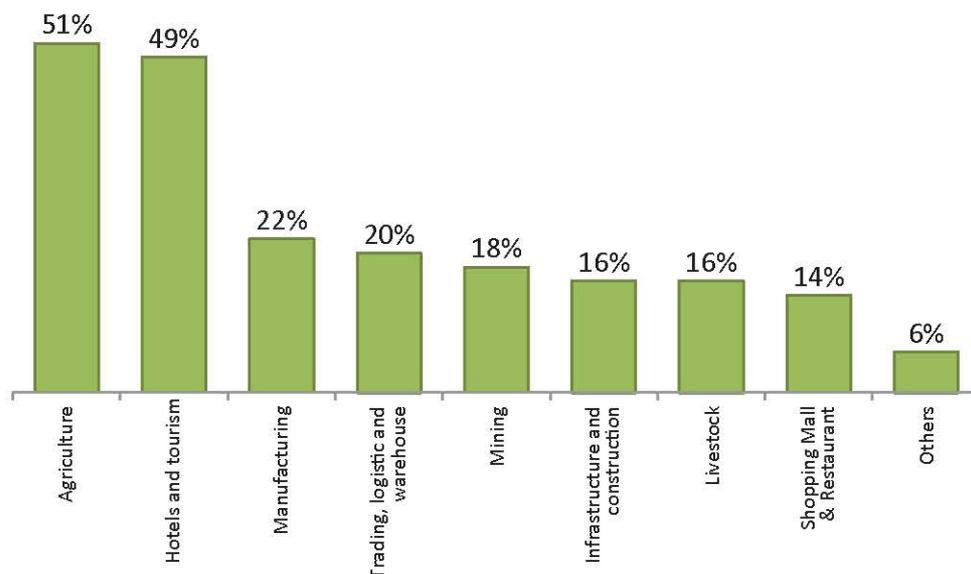
Figure 47: Attractiveness of investment incentives



Source: Kayin State Investment Opportunity Survey

Businesses that offer the highest investment potential in Kayin State are in the agriculture and agro-based sector and the hotels and tourism sector. The weather and soil is of good quality and suitable for agriculture, respondents reported.

Figure 48: High potential investment sectors or industries in Kayin State



Source: Kayin State Investment Opportunity Survey

5.1 Agriculture and agro-based sector

Potential fruits and vegetable crops in Kayin State include cardamom, pepper, coffee, rubber, tea, agarwood and maize. In terms of input industries, seed, fertilizer and pesticide makers, as well as machinery sellers and irrigation companies, offer the highest potential in Kayin State. Similarly, the production and processing sector, crop production, processing and research and development should also be considered. Wholesale markets also represent an investment opportunity. In terms of competitive supply chain drivers, potential exists in agricultural cooperatives, credit and insurance, quality and food safety institutions, and consumer institutions.

5.2 Tourism sector

Natural tourist attractions in Kayin State include caves, waterfalls and pagodas. In terms of tours, there is a package tour that operates from the Myawaddy Border Gate to Kayin State and then into Mon State.

5.3 Manufacturing sector

Businesses with high potential in the manufacturing sector are Cut, Make and Package (CMP) garment operations, footwear and bags and manufacturing companies targeting both export and domestic markets (e.g. parts and components suppliers), as well as rice and rubber mills.

5.4 Electricity sector

Electrical power generation has significant potential in Kayin State because the state has a large electricity deficit.

5.5 Livestock and fisheries sector

There are opportunities in farming prawns, fish, cows, goat and pigs for export.

5.6 Others

Others potential business opportunities exist in mineral extraction and purification, as well as animal feed production.



KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



6

*Recommendations
and Action Plan to Improve
the Business Environment
and Promote Investment*

6. Recommendations and action plan to improve the business environment and promote investment

Based on the study findings, a series of recommendations and action points have been outlined below:

Kayin State has abundant natural resources with many arable areas for the agriculture sector and mineral extraction. There is also tremendous potential in the tourism sector to promote the state's culture, religious sites, adventure sites and its wonderful natural. Trading also offers healthy potential, especially by further developing trade through the Myawaddy Border Trade Zone and by linking into the GMS East-West Economic Corridor. Potential investors for the Kayin State would be businesses from Thailand, Vietnam and Japan, all of which operate in one form or another along the corridor. Moreover, developing infrastructure, an investor friendly state government and business community, and improving peace and stability in the state are all seen as attractive to investors. Moreover, all townships of Kayin State are included in Zone 1 in terms of tax holidays offered under the latest Foreign Investment Law. Investing in Kayin State also has the real possibility of alleviating poverty, accelerating rural development and helping to build peace and stability in Myanmar.

According to the survey findings, the most common reason to choose Kayin State to set up a business is access to the market. Respondents said it is easy to obtain licenses and permits when setting up a business in Kayin State. They say the current investment environment in Kayin State is fair but needs improved incentives. Suggested incentives include tax breaks, easy access to land, cheaper and more plentiful finance and improved infrastructure. Survey respondents said the current business climate is quite slow but 70% of them expect better prospects in the next three years because of improving peace and stability, higher market demand, increased electricity supply and better government services in Kayin State.

The Myanmar Investment Commission (MIC) has been holding investment fairs, moving to a new state or region yearly, to promote and invite investment for balanced economic development. This year's investment fair was held on November 24 in Hpa-an Township, Kayin State. Investing in Kayin State offers potential profits and will also assist the development of the regional economy as Kayin. MIC has officially invited both foreign and Myanmar businesses to invest in Kayin State in the areas of electric power generation, transmission and distribution, bonded warehousing, building industrial estates, transport infrastructure, industry, agriculture and hotels and tourism.

6.1 Action plan from institutional to infrastructure needs

Kayin State needs support and contributions from all stakeholders to fulfil its infrastructure and institutional requirements, mainly in terms of upgrading electricity supply, water and other infrastructure and training skilled workers.

(1) Upgrading electricity, water and other infrastructure

One of the major factors to consider for investors when starting a business is basic infrastructure. Electricity comes first when considering infrastructure for factories. Although electricity is lighting up more houses every year, more electricity and better distribution infrastructure is needed to encourage businesses to set up in Kayin State. It is also important to provide water and prepare good drainage systems at industrial zones. Road transportation has been improved a lot recently in Kayin State but air transport is non-existent and a new airport is needed to offer both passenger and cargo flights.

Although both the government and private sectors have been actively participating in improving all the basic infrastructure, more investment is needed to upgrade infrastructure and services.

(2) Providing a skilled workforce

The labour force in Kayin State is more likely to move to Thailand when they have sufficient experience and skills because they can earn more in that country, which results in a steady brain drain. According to the Minimum Wage Law 2013, Ministry of Labour has to review and set a new daily minimum wage once every two years. However, it failed to carry out this mandate and workers staged a protest to seek a better minimum pay for them. To prevent workers from staging such demonstrations and retain them, regular review on minimum wage should be applied. Other ways to reduce brain drain are to improve the quality of colleges and universities and increase the number of good-paying jobs in the state. For the existing unskilled and general labour workforce, it would be a good solution to launch workforce development programs with the help of government and provide training from educational institutions.

The Agency for Technical Cooperation and Development (ACTED) provides vocational training support to government technical high schools and technical institutes under the Ministry of Education by developing short courses cum internships that meet the demands of the local market for semi-skilled and skilled workers. This model has been implemented in Kayin State through the Hpa-an Technical School. Additional similar training programs should be provided in the state to create the required skilled workforce.

(3) Government departments' support for new investments

To prepare for new investment, government departments, especially those relating to infrastructure development and logistics, need to be ready and able to assist investors. In this mission, the strong support of government and the relevant ministries and departments is essential. Kayin State's government has enthusiastically supported MIC's Investment Fair. And with the newly established Directorate of Investment and Company Administration (DICA) office in Hpa-an, more government support for businesses in Kayin State is expected.

6.2 Action plan for DICA Hpa-an

The DICA office in Hpa-an is relatively new. DICA Hpa-an acts as the intermediary between the government and businesses. Engaging the business community builds trust and understanding among stakeholders and by understanding the constructive feedback, DICA Hpa-an can provide better services to potential investors. It is important for DICA Hpa-an to be where there are investors and keep in touch with them to provide more information and knowledge about the state, which helps to inform investment decisions. The department should monitor markets, gather information and analyse data related to upcoming and potential industries. Then, it can provide evaluations and recommendations to prospective investors and show them the relevant data.

The new Myanmar Investment Law was passed into law in October 2016 and this law will make it easier for foreign investors to do business in Myanmar. DICA Hpa-an is responsible for sharing this information and educating local businesses by running seminars so that local companies could cooperate with foreign investors and develop their businesses. In these campaigns, the benefits of being an investor in Kayin State should be explained to local businesspeople by members of Myanmar Investment Commission (MIC) and encourage them to participate in the development of the state. The Myanmar Investment Commission will provide necessary assistance to investors and scrutinize business proposals promptly.

6.3 Priority implementation plan

The following issues should be prioritized to create a better investment environment and investment promotion:

- a) Improvement of the regional peace and security situation
- b) Sufficient electricity supply
- c) Provision of better services from government departments
- d) Provision of vocational training programs to develop skilled labour
- e) Modern equipment and technology requirements
- f) To provide financial support for Small and Medium Enterprises



KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



7

*Feedback from
Stakeholders' Meeting for the
Kayin State Investment Fair*

7. Feedback from stakeholders' meeting for the Kayin State Investment Fair

A stakeholders' meeting for the preparation of Kayin State Investment Fair was held at Taw Win Yadanar Hotel, Hpa-an on October 3, 2017. A total of 93 participants attended this meeting, including H.E. U Than Naing, Minister for Planning, Finance and City Development in Kayin State.

Table 45: Participants of Stakeholders' Meeting

No.	Participants	Numbers
1	Government departmental officials	29
2	Business associations	12
3	Kayin State ethnic armed groups	19
4	Business owners	22
5	JICA and MMRD	6
6	Media	5
Total		93

Source: MMRD

Figure 49: Stakeholders' meeting for preparation of Kayin State Investment Fair



Brief opening remarks by U Than Naing, Minister for Planning, Finance and Development in Kayin State

The minister firstly expressed that the Kayin State government welcomes the Kayin State Investment Fair, which was organized jointly with the Myanmar Investment Commission and Japan International Co-operation Agency (JICA). The fair's objective is to promote investment and cooperation between regional businesses and local and foreign investors. In order to support the successful implementation of the fair, the stakeholders' meeting was held ahead of the fair and was also used to discuss the findings from the Kayin State Investment Opportunity Survey.

On behalf of the State Government, the minister expressed gratitude to department officials, associations and companies in Kayin State for participating in the survey conducted by MMRD. He continued that Kayin State has a good foundation for development, including plenty of natural resources. The state also has much vacant and cultivable land. The minister noted there is great potential for development in Kayin State but it needs technical and investment support. He said regional security concerns in the past had held back the development of the state but added that peace and stability have now prevailed. This has already led to significant improvement of the infrastructure, which has generated more interest from local and foreign investors to invest in Kayin State.

In order to expedite the investment procedures, Kayin State Investment Committee was formed on July 7, 2017, which means that for some investors there is no need to apply to MIC in order to invest in the state. He added that a DICA branch office was opened in Hpa-an in 2016. The minister encouraged businesspeople who attended the event to contact DICA's Hpa-an office to acquire investment information or register their companies there.

As a result of the Kayin State Investment Fair, investment opportunities in Kayin State will be promoted and more jobs will be created. Moreover, the fair can improve connections between Kayin local businesses and investors from other parts of Myanmar and abroad. He added that local businesses could make contact with foreign investors to open opportunities in international markets. He concluded the opening remarks by requesting everyone to support the successful organizing of the Kayin State Investment Fair.

Figure 50: Brief opening remark by U Than Naing, Minister for Planning, Finance and Development in Kayin State



Brief opening remark by U Saw Han Aye, Chairman, Kayin State Chamber of Commerce and Industry

KSCCI chairman U Saw Han Aye said three KSCCI attendees at the Shan State Investment Fair in February 2017. Since that event, he had expressed his wish to conduct a similar fair in Kayin State. He was pleased to hear that within three months of the Shan State Investment Fair, the KSCCI had received plans to conduct the Kayin State Investment Fair from the state's chief minister.

There are many opportunities in Kayin State for investment but he noted that foreign direct investment had been concentrated in the hotels and tourism sector, with no major foreign investments in Kayin State at the moment. He said he hoped the investment fair would increase awareness of the opportunities and sectors with high potential and encourage foreign investors to set up businesses in Kayin State. MMRD has conducted research on the opportunities and the final findings will be discussed in the fair, he added. The KSCCI chairman welcomed local businesspeople to discuss their requirements, as well as the advantages and disadvantages of investing in Kayin State.

In order to encourage foreign investment, the climate needs to be favourable for them. Therefore, the natural resources, infrastructure development and weaknesses of the state need to be showcased to potential investors in the hope that they can cooperate with the government and local businesspeople to improve and develop the state's economy. He stated that he believes ethnic peace groups and local businesses can come together to find solutions for further development. And only then will more foreign investors flow into Kayin State and make major investments.

He added that due to Kayin State's proximity to Thailand there are significant advantages for traders, who should capitalise on this. He finished by encouraging local businesspeople to discuss the advantages of working in Kayin State, as well as what needs to be improved, so that they can find the best ways to develop further.

**Figure S1: Brief opening remark by U Saw Han Aye, Chairman,
Kayin State Chamber of Commerce and Industry**



Brief remarks by Mr Takafumi Ueda, Advisor at DICA from Japan International Cooperation Agency (JICA)

Mr Ueda expressed that he is very proud to be able to make comments at this significant event. Before he came to Myanmar in March 2017, he was a senior advisor at JICA's head office in Tokyo. There, his specialty was private sector development and he worked to support JICA projects and programs worldwide. According to his experience, he said he understands that two strategies can be implemented to develop Kayin State. The first approach is to invite local and foreign investors to invest in the state. The second strategy is to encourage local businesses in Kayin State to expand. If the two strategies are implemented effectively, it will bring benefits for both Kayin State and the business owners, he said. He added that it is also necessary to get support from the locals to achieve this result, and he was heartened to see many Kayin State government officials visit the meeting. Such high attendance is evidence that senior officials are enthusiastic about regional development and socio-economic development of Kayin State. However, Mr Ueda said it is not easy to implement both of strategies because it's more difficult to promote investments in smaller cities and rural areas. He added that all possible advantages need to be exploited, the shortcomings overcome and any possible threats reduced.

Mr Ueda said the objective of conducting the Kayin Investment Opportunity Survey is to give an opportunity to stakeholders to understand where the state is now and show what needs to be done next. He said there are many challenges to promote investment in Kayin State, just as there is everywhere. However, if the challenges are known and steps are being taken to resolve them there will be higher chance of promoting investment in Kayin State. On behalf of JICA, Mr Ueda expressed thanks to the meeting attendees and said he was very proud to be able to support the Kayin State Investment Opportunity Survey and the Investment Fair.

He hoped that the meeting would be a major milestone in successfully implementing the Kayin State Investment Fair, which he hoped would greatly benefit Kayin State residents and businesses.

Figure 52: Brief remarks by Mr Takafumi Ueda, Advisor at DICA from Japan International Cooperation Agency (JICA)



Brief remarks by Dr Marlar Myo Nyunt, Director of the Directorate of Investment and Company Administration

Dr Marlar Myo Nyunt said Kayin State has major advantages in agriculture, tourism and trading sectors, adding that because this was an investment fair and the state's potential was being displayed, rather than its home-grown products. For the investment seminar, eight presentations had been selected to be shown to attendees, including the director general of DICA U Aung Naing Oo's presentation, "Why Kayin State". The moderator for the panel discussion is to be chosen but panellists include U Aung Naing Oo, as well as one from the banking industry, one from a Kayin peace groups and one Kayin business owner, all of whom would be chosen by the attendees of the stakeholders' meeting.

The key sectors for development in Kayin State are agriculture, manufacturing, infrastructure and services, which include education and health said Dr Marlar Myo Nyunt. In the 2017-18 fiscal year, Myanmar received more than 4 billion USD in investment nationwide. The contribution of oil and gas sector has decreased and no new investments were made in the mining sector. Three major foreign direct investments to Kayin state were made in 2017-18, with two in the manufacturing sector and one in the energy sector, amounting to 223 million USD. However, Kayin State stands in 12th place in the regional ranking of FDI, with much room for improvement, Dr Marlar Myo Nyunt said.

Figure 53: Brief remarks by Dr Marlar Myo Nyunt, DICA Director



Presenting the initial findings of the Kayin State Investment Survey by U Phyo Kyaw Thu, MMRD Project Manager

U Phyo Kyaw Thu presented background information regarding the study, including objectives of the study, the research process and methodology, Kayin State information including its infrastructure and businesses in Kayin State and potential investment opportunities in Kayin State. Then he presented the initial findings of the survey. The full results will be presented at the fair.

Figure 54: Presenting the initial findings of the Kayin State Investment Survey by U Phyo Kyaw Thu, MMRD Project Manager



Open Discussion

1) Discussion by U Soe Thein, Vice Chairman of the Kayin State Chamber of Commerce and Industry

I would like to introduce myself as the vice chairman of the Kayin State Chamber of Commerce and Industry, vice chairman of the Association of Livestock Businesses and the chairman of the Seed Producers Association of Kayin State. There is potential to export cows and goats but it is difficult to transport locally. The issue was presented to the Union Minister for Planning and Finance and it is expected that permission will be granted soon. Myanmar Rice Millers Association, Myanmar Agribusiness Public Corporation (MAPCO) and CITRIC (China) will be jointly implementing a project worth 12 million USD to develop a whole supply chain from seed to rice and will include Kayin state. The wholesale fish market has a turnover of more than 20,000 viss (32 tons) of fish a day and the fisheries sector offers good potential for investment, which is likely to improve if peace continues in the region. The Myanmar Fisheries Federation has been conducting breeding training with a guaranteed salary of MMK 300,000 for graduates and MMK200,000 for general workers. Those who are interested to attend can contact the KSCCI, he said. He added that Kayin State imports fish, poultry and frozen meats from Thailand, which he said could be supplied by local businesses instead.

2) Discussion by U Saw Han Aye, Chairman, Kayin State Chamber of Commerce and Industry

The hotels and tourism sector offers the most potential for investment opportunities, with many areas to be developed, including natural resources and along the Than Lwin river, he said. However, the service sector needs to be developed as only 80% of hotel employees are trained in service provision. But he said employers have now agreed to only employ those who have attended training programs. There are still small tourism companies and if the foreign companies can work with these firms through joint agreements, it will significantly contribute to the growth of the sector, he said.

3) Discussion by U Saw Mee Phoe, Rubber Planters and Producers Association

The Township Rubber Producers Association has 1,000 members who control plantation covering 260,000 acres, with rubber extraction on 60,000 acres for now, soon expanding to 100,000 acres, he said. He added that rubber tappers are experiencing much hardship, with low individual income and low sales due to poor rubber quality. He said producers are running rubber tapping training programs and the association have designated two zones for future development, rubber factories will be built. U Saw Mee Phoe said farmers have difficulty finding tappers but added that 100 tappers were trained in two programs in September and October 2017. He said that half of the trainees came from other states and regions. Negotiations are now underway with some potential investors from Norway, who have reported that the current market price to buy rubber plantation - some MMK30 million per acre - is too high and makes it difficult to invest. He hoped that the meeting attendees would be able to discuss the current market situation and give suggestions on how to overcome the issues to further develop the sector.

4) Discussion by U Thar Aung, Vice Chairman, Rice Federation

U Thar Aung said more than 5 million acres of rice paddy are cultivated in Kayin State, with yields of up to 50 baskets (one ton) per acre. If more vacant and cultivatable land could be used, it would be possible to further expand the sector. He noted that there are not many investors in the agriculture sector, with significant weaknesses in maintenance and sales processes post-harvest. He said that a stable market is necessary for both farmers and investors. The Department of Agriculture closely supervises the industry, which has improved yields but the absence of warehouses and mills reduces the price that farmers and traders can charge.

U Thar Aung said another key issue is to increase paddy yields by providing support to farmers in the form of inputs, cultivation methods, pre-payment methods, contract farming and investment in agricultural machinery.

5) Discussion by U Tin Ye Win, Director, Myawaddy Border Trade Zone, Ministry of Commerce

U Tin Ye Win said that he had the honour to attend the Shan State Investment Fair. He said exports through border trade amounted to more than 1 million tons of rice per year in previous years but this year exports have dropped because Chinese buyers had been undercutting prices. He said rice mills should be built in areas where there is sufficient electricity, which is also possible in areas of Kayin State overseen by armed ethnic groups. However, he said investors fear that they might not be able to obtain enough paddy to make good on their investments if they go ahead and build rice mills. He added that if millers were guaranteed enough paddy it would make investors more confident in making the decision to build mills. From June 2017 it has been legally possible to export buffalos and cows. He said the Ministry of Commerce and the Animal Husbandry Department have been running a pilot project to export buffalos and cows through the Myawaddy and Muse border trade points. However, he said there is still a lack of facilities to make this possible and negotiation is still needed to achieve this aim. In comparison, tourism businesses can be started without major capital investment, he said.

6) Discussion by U Tin San, Deputy Director, Department of Consumer Affairs, Ministry of Commerce

MRF, MAPCO and Citric Highlight Company's joint project will be implemented to assist in pre- and post-harvest processes, U Tin San said. It is suggested that post-harvest should be the main focus. There are altogether eight potential investments in the rice and paddy business:

- (a) Producing good breed seeds
- (b) Leasing of agricultural machinery
- (c) Contract farming
- (d) Providing inputs (fertilizers etc)
- (e) Drying facility for fruits
- (f) Modern rice mills
- (g) Warehouses
- (h) Power generation from rice husks

Purifying various types of beans and lentils is also a good potential business, he said.

To further promote the travel and tourism sector, providing better security at waterfalls in border areas would help to encourage more visitors. In terms of education and health sector, there are no private schools or hospitals in Kayin State, he said. As the EWEC becomes better, logistics providers also need to be prepared and improve their operations. He added that investment incentives are under review and will hopefully be improved. For example, in the initial findings presented by MMRD, it was concluded that there is little help to businesses from the government to get access to land and perform other bureaucratic procedures. However, he said the Ministry of Commerce stands ready to grant permission if an investor would like to set up a rice mill in Kayin State. He encouraged businesspeople to liaise directly with relevant government departments, which are there to help investors.

Figure 55: Open discussion Stakeholders' Meeting



Source: MMRD

Presentation of Kayin Investment Survey and Investment Fair event plan by U Aung Min, MMRD Research Director

MMRD's U Aung Min detailed plans of the Kayin State Investment Fair, including the investment seminar, exhibitions, business matching and field trips, invited guests and its participant. He said that anyone keen to exhibit or participate in the fair or related events were asked to register in advance. One representative from the Kayin business community and one representative from a Kayin armed ethnic group to be nominated as panellists for a panel discussion at the fair. Meeting attendees were also invited to provide suggestions or feedback regarding the investment fair.

Figure 56: Presentation of Kayin Investment Survey and Investment Fair event plan by U Aung Min, MMRD Research Director



General Discussion

U Saw Bo Thar, an agriculture business owner from Thandaung Township, explained that cardamom and coffee is produced in the Thandaung Gyi area, with only Arabica coffee seeds produced in Myanmar. Global conglomerate Nestle has surveyed on growing coffee in the area. He said he would like to showcase his products at the investment fair in a booth and wanted to know how to go about doing this.

An official from Industrial Supervisory Department responded that the coffee grown at Thandaung Gyi is an SME business and the respective department will assist in the development. An official from the Department of Agriculture also discussed the possibility of setting up a sugar mill to process sugarcane; the rubber production chain from the plantation to high quality rubber; coffee production in Leiktho; and cardamom and yam production from Thandaung Gyi. The official said all of the above will be exhibited and requested U Saw Bo Thar to connect with the head of Agriculture Department of Thandaung Gyi to cooperate at the exhibition.

The vice chairman of the Myawaddy Township Livestock Association invited potential investors to set up an animal feed factory. He said farmers are paying high prices to buy animal feed, which hindered the development of the livestock industry. U Myint Htay from UMH Company stated that the Hpa-an Industrial Zone project should be a part of site visit itinerary. Kayin State CCI also requested that a list of foreign investors who will participate in the business matching discussions be distributed ahead of the fair. U Than Naing, Minister of Planning and Finance, said the Than Lwin river trip will take up to three hours and suggested two routes should be planned: one with a visit to caves and another to visit sites along the river. He added that a detailed schedule needs to be well planned.

Approved Decisions

- (1) Presentations - eight presentations to be done in English
- (2) Panel discussion - moderator will be nominated later. The four chosen panellists are:
 - a. U Aung Naing Oo
 - b. One from banking sector
 - c. Dr Naw Kapaw Htoo, Kayin Peace Group
 - d. U Saw Han Aye, chairman, Kayin State Chamber of Commerce and Industry
- (3) Exhibition - The Department of Agriculture will have one booth for the agriculture sector and one booth to showcase SMEs by Industrial Supervisory Department. Those who would like to show should contact the respective departments. Models, photos, posters and pamphlets are to be prepared.
- (4) Business matching - The list of foreign business attendees is to be provided ahead of the event.
- (5) Site Visit - The suggested locations for as follows:
 - a. Hpa-an Industrial Zone and UMH Industrial Park
 - b. Japan traditional medicine factory
 - c. Foot of Zwegabin Mountain
 - d. Kawkun cave
 - e. Than Lwin river Excursion

Stakeholders' Meeting for Kayin State Investment Fair was successfully concluded by 12:15





KAYIN STATE INVESTMENT OPPORTUNITY SURVEY REPORT 2017



8

*Feedback from
Kayin State Investment Fair*

8. Feedback from Kayin State Investment Fair

The Kayin State Investment Fair was held to promote the investments in Kayin State area and to link potential investors to local business partners. The event was held at Thiri Hpa-an Hotel on November 24, 2017.

Table 46: Participants of Kayin State Investment Fair

No.	Participants	Numbers
1	Seminar	629
2	Exhibitors	100
3	Organizers	36
4	Media	14

Table 47: Participants of Kayin State Investment Seminar

No.	Participants	Numbers
1	VIP	39
2	Ethnic armed groups	17
3	Speakers and panellists	12
4	Deputy director generals	7
5	Embassies	11
6	International organizations	20
7	Local and foreign banks	37
8	Department officials	59
9	Associations and CCIs	122
10	Local businesses	167
11	Foreign businesses	88
12	Organizers (JICA & MMRD)	36
13	Media	14
14	Exhibitors	100
	Total	729

Table 48: Agenda of the investment fair seminar and business matching

09:00 - 09:30	Registration	Mingalar Hpa Si Ballroom
09:30 - 10:00	Opening Ceremony	Kayin State Investment Fair Exhibition officially opened by guests of honour (Exhibition continues until 16:00)
Seminar		
10:00 - 10:10	Welcome Speech	H.E Daw Nang Khin Htwe Myint, <i>Chief Minister, Kayin State Government</i>
10:10 - 10:20	Keynote Speech	H.E U Kyaw Win, <i>Chairman of the Myanmar Investment Commission (MIC) and Union Minister for Planning and Finance</i>
10:20 - 10:50	Opening Speeches	U Saw Han Aye, <i>Chairman, Kayin State Chamber of Commerce and Industry (KSCCI)</i> Mr Masayuki Karasawa, <i>Chief representative, JICA Myanmar office</i> H.E Mr Jukr Boon-Long, <i>Ambassador, Royal Thai Embassy</i>
10:50 - 11:10	Photo Session and Coffee Break	
	Presentation 1: "The Kayin State: fertile emerging frontier"	
11:10 - 11:20		U Aung Naing Oo, <i>Secretary of MIC and director general of the Directorate of Investment and Company Administration (DICA)</i>
	Presentation 2: "Agricultural sector development in Myanmar"	
11:20 - 11:30		U Hla Myint Aung, <i>Deputy director general, Ministry of Agriculture, Livestock and Irrigation</i>
	Presentation 3: "Mineral resources and investment opportunities in Kayin State"	
11:30 - 11:40		Dr Zaw Linn Aung, <i>Director, Ministry of Natural Resources and Environmental Conservation</i>
	Presentation 4: "Explanation of the significance of electricity and energy"	
11:40 - 11:50		U Thar Soe, <i>Deputy chief engineer, Ministry of Electricity and Energy</i>
	Presentation 5: "Investment opportunities of the tourism industry in Kayin State"	
11:50 - 12:00		U Aye Maung Hlaing, <i>Deputy director, Ministry of Hotels and Tourism</i>
	Presentation 6: "Transportation and logistics development from transport corridor to economic Corridor"	
12:00 - 12:10		U Aung Khin Myint, <i>Chairman, MIFFA</i>

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	Presentation 7: “Summary of Kayin State investment opportunity survey”	
12:10 - 12:20		Mr Takafumi Ueda, <i>JICA advisor, DICA</i> U Aung Min, <i>Research Director, MMRD</i>
12:20 - 12:50	Panel Discussion: “Invest in attractive Kayin State”	
	Moderator:	U Thuta Aung, <i>MD, HamsaHub</i>
	Panellists:	U Saw Han Aye (<i>Chairman, Kayin State Chamber of Commerce and Industry (KSCCI)</i>), U Saw Bo Bo (<i>General secretary (2), Kayin Literature and Culture Association</i>), Dr Naw Ka Paw Htoo (<i>General secretary, KNU/KNLA Peace Council</i>) and U Zaw Lin Aung (<i>Managing director, SME Banking Department, KBZ Bank</i>)
12:50 - 13:00	Floor Q & A Session	
13:00 - 13:10	Closing Remarks	H.E U Than Naing, <i>Minister of Planning, Finance and Development, Kayin State Government</i>
13:10 - 14:00	Networking lunch hosted by organizers	
14:00 - 16:00	Business Matching (in nine groups as below)	
	Agriculture, food processing, manufacturing, hotels and tourism, logistics, infrastructure, construction, livestock and others	

Table 49: Agenda of investment fair optional site visit tour

Optional Site Visit Tour	
24 Nov 2017	Day (1)
16:00	Participants depart from Thiri Hpa-an Hotel by buses
16:30 - 17:00	Hpa-an Industrial Zone Briefing at Hpa-an industrial Zone management committee office Site visit around Hpa-an Industrial Zone and UMH Industrial Park
17:00 - 18:00	Kayin State Medicinal Plants Resource Centre
18:00 - 18:30	Kayin State Medicinal Plants Resource Centre to Thiri Hpa-an Hotel
25 Nov 2017	Day (2)
07:30	Participants depart from Thiri Hpa-an Hotel by buses
07:30 - 8:30	Thiri Hpa-an Hotel to Kyauk Ka Latt Pagoda
08:30 - 09:00	Kyauk Ka Latt Pagoda to jetty
09:00 - 11:30	Sightseeing tour along Than Lwin river by ship/boat
12:00 - 13:00	Lunch at Hotel Than Lwin Paradise Restaurant
13:00 - 13:30	Hpa-an to Bayin Nyi cave
13:30 - 14:30	Observe Bayin Nyi cave
14:30 - 19:30	Go Back to Yangon (Khayay Pin Junction in Mingalardon Township)

Opening Ceremony

Kayin state investment fair opening ceremony was done at 09:45. The ceremony was attended by Chairman of Myanmar Investment Commission and Union Minister of Ministry of Planning and Finance, U Kyaw Win, Chief Minister of Kayin State Government Daw Nan Khin Htwe Myint, Chief Minister of Kayah State U L Paung Sho, Chief Minister of Chin State Government U Salai Lian Luai, Chief Minister of Mon State Government Dr Aye Zan, Chief Minister of Magway Regional Government Dr Aung Moe Nyo and the Ministers from State and regional governments. It was opened by U Kyaw Win, Chairman of Myanmar Investment Commission and Union Minister of Planning and Finance, and the Chief Minister of Kayin State government Daw Nan Khin Htwe Myint by cutting the ribbons. All the authorities explored the exhibition booths afterwards.

Figure 57: Opening ceremony of the Kayin State Investment Fair



Brief welcome speech by H.E. Daw Nan Khin Htwe Myint, Chief Minister of Kayin State Government

H.E. greeted the assembled regional and union ministers, government officials and invited guests and businesspeople. She expressed appreciation to everyone who attended the Kayin State Investment Fair and taking time out from their busy schedules. She said the main reason for organizing the fair is to promote investment in Kayin State to aid development.

Kayin State has a good soil base, pleasant and beautiful rivers and mountains, ancient stupas and caves. Various minerals have also been discovered and there are many mines that have the potential to extract precious minerals. Therefore, it can be considered abundant in natural resources. It is also on the Thai-Myanmar border and on the Asian Highway network, making it a possible commerce and transportation hub. She encouraged local and foreign investors not to miss this opportunity that will benefit both Kayin State and businesses in a win-win situation.

It is well known by the public that the union government has been making legal and policy changes to promote economic development and reduce restrictions, and has also invited foreign investment. However, aside from Yangon and Mandalay regions, the other states and regions have seen little investment projects with about 95% of all investment flowing into the two commercial regions of Yangon and Mandalay. In some states, there has been no foreign investment at all. Only if the investment is spread to all regions, rather than concentrated on specific regions, will overall economic development be achieved.

In Kayin State, measures have been taken to improve the infrastructure, which combined with the peace agreements in place, means many untapped areas are now accessible. Foreign investors will benefit from tax incentives if investments are made in the least developed regions, the chief minister said. Intellectual property rights draft laws, which are sought after by businesses, have also been submitted to the parliament for approval. In order to achieve national GDP growth and to have dynamic economic growth, foreign direct investment needs to be promoted. It is a positive development that the FDI has increased year-on-year from the 2016-17 financial year to 2017-18, she said.

Kayin State, with its 1.5 million people, vast land area, natural beauty, commercial hub, huge potential for hotels and tourism, agriculture and agri-based industries, electricity generation and distribution and telecommunications, welcomes local and foreign investors alike and will cooperate with them to facilitate investments. The respective departments and industry specialists will show presentations and exhibits at their booths. She concluded by stating that the fair is a chance to see for yourself and assess the ample investment opportunities that Kayin State presents and also mingle with other businesspeople in the business matching session and optional site visit tours.

Figure 58: Welcome speech by H.E. Daw Nan Khin Htwe Myint, Chief Minister of Kayin State Government



Opening Speech of H.E U Kyaw Win, Chairman of the Myanmar Investment Commission and Union Minister of Planning and Finance

U Kyaw Win began by welcoming all the invited guests, government officials and attendees. On behalf of Myanmar Investment Commission he thanked the co-organizers, Japan International Cooperation Agency (JICA) and Kayin State government, Japan External Trade Organization (JETRO), for their support and Myanmar Marketing Research and Development (MMRD) for making the necessary preparations to hold the fair in Hpa-an.

Economic development in Kayin State cannot be achieved without sufficient electrical power, which is a critical infrastructure, he said. The government has commissioned a sub-station in Myawaddy for power distribution but it still needs cabling work. However, he said the government has already allocated finances for the project, which will be completed during the dry season. If the rest of the project can be completed within 2018, the government will be able to electrify all of Kayin State. He added that it takes about 18 months from submitting an investment proposal to distributing power. U Kyaw Win said he encouraged potential investors to invest in the power sector and have no doubt that the projects will be handled properly.

Other sectors that can be invested in are agriculture, livestock and fisheries farming, SMEs and micro SMEs, construction, infrastructure, tourism and trading. Among those sectors, the priority sectors for investment are agriculture and livestock and fisheries. In the agriculture sector, contract farming deals with farmers are supported by the government. Moreover, restrictions on special export goods have been relaxed and it is possible to ship buffalos, cows, sheep, pigs and goats abroad. He said that since the scheme has only recently been implemented there are still some restrictions that the government is working to mitigate. In the livestock and fisheries sector, efforts have been made to reduce the operation cycle to one year and to increase the frequency, especially in fish and prawn farming. He said Kayin State has many creeks, lakes and ponds that could be harnessed by businesses and provide benefits to all, if they are used efficiently. The government has arranged to provide financial assistance to livestock businesses; especially to expand agricultural businesses by buying tractors, combine harvesters, silos, grinding machinery and more.

He invited local businesses to be visionary and to cooperate with the Kayin State government in financing projects. He also thanked external agencies including JICA and JETRO from Japan, as well as their counterparts from Thailand and Vietnam, for providing financial and other necessary assistances to Myanmar.

Whether it is in Kayin State or in Myanmar, all of the nations are part of the world, he said. Achieving economic development is also developing a part of the world. As Kayin State needs to maintain peace and the tranquillity of the world with good thoughts and philosophy, we also need to take measures to develop Kayin State. This event marks a key milestone in realizing the dreams of Kayin State. In the later part of this event, local and foreign businesspeople will have the opportunity to discuss investment opportunities to co-operate with each other.

If there are any difficulties in conducting business activities, whether it is concerning the Kayin State government or the Union government, he promised that investors will be protected and supported as much as possible. He expressed that he is pleased to see the ministers of other states and regions in attendance at the event.

He also expressed his thanks to all attended, including representatives of the ethnic groups, businesses, the ambassadors of Thailand and Vietnam, the agencies that are aiding the government from Japan and potential investors. He wished everyone the best health and happiness and that he promises that Kayin State will be a peaceful and prosperous land with a good business environment.

Figure 59: Opening Speech of H.E U Kyaw Win, Chairman of the Myanmar Investment Commission and Union Minister of Planning and Finance



Opening speeches by U Saw Han Aye, Chairman of the Kayin State Chamber of Commerce and Industry (KSCCI)

He firstly greeted the Union Minister of Planning and Finance H.E. U Kyaw Win, the Chief Minister of Kayin State Daw Nan Khin Htwe Myint, ministers of the Kayin State government, chief ministers of other states and regions, ministers, department officials, local and foreign businesses, invited guests and especially the co-organizers, Japan International Cooperation Agency (JICA), the Kayin State government, the director general of DICA and Myanmar Marketing Research and Development (MMRD).

Today is a day that will go down in the history of Kayin State's development because for the first time we are conducting an event that invites foreign investment. Kayin State has so many attractions, including tranquil hills and mountains, ever flowing rivers, interesting caves, stupas and natural resources. As the state is more peaceful now, the people see the benefits of peace and expect that there will be significant growth in the state's economy.

Local businesses are ready to cooperate with the attendees of this event who are interested in doing business in Kayin State. As we are going in the trend of global market, goods from various countries are spread across the world market. It is clear that the government is taking measures to improve the infrastructure that is necessary to boost production. The state government is also prioritizing electrification as a key to development.

Just as there are many challenges, there are also many opportunities at arm's length. He concluded by stating that if everyone works together, Kayin State will reap the benefits of development in the not distant future. Apart from agriculture, livestock, hotels and tourism, it is also necessary to establish industries to produce high-grade goods. He suggested that this time should not be considered as being late, and use the lessons learned from the past to build a future together.

Figure 60: Opening speech by U Saw Han Aye, Chairman, KSCCI



Keynote remarks of JICA Myanmar office chief representative, Mr Masayuki Karazawa

Firstly, he welcomed the Chief Minister of Kayin State and dignitaries from other states and regions, government ministers, ambassadors, other dignitaries and invited guests to the Kayin State Investment Fair. The government's new economic policy was enacted in July 2016 and reflects the government's take on the economic sector and related policies. The new investment laws were enacted in November 2016 with an emphasis on the importance of foreign investment and to create a good investment climate to attract responsible investment. JICA has also dispatched an advisor to DICA to make policy reforms.

In order to contribute to Kayin State's development, projects are being implemented with JICA funding, including waste management systems and the three bridges in Mawlamyine and Kawkaareik that are on the East-West Corridor. JICA is also supporting Kayin State by trying to attract investment. On behalf of the organizers of the Kayin State Investment Fair, MIC and Co-organizers, he said he hoped that this event will be fruitful for attendees and that he wishes to contribute to the development of Kayin State and Myanmar as a whole.

**Figure 61: Opening speech by Mr Masayuki Karazawa,
Chief Representative, JICA (Myanmar Office)**



Keynote remarks of H.E Mr Jukr Boon-Long, Ambassador of Thailand to Myanmar

The ambassador began by stating that Kayin State is a place of joint development for both Myanmar and Thailand. Myawaddy-Mae Sot border pass is the highest volume of all the border trade from Myanmar; the amount of trade between Myanmar and Thailand was 730 million USD in the 2015-16 financial year, rising to 930 million USD in 2016-17. The relationship between the two nations has improved not only in trading but also in people's relations. In order to increase the flow of goods and services between the two nations, a second Thai-Myanmar Friendship Bridge has been built crossing the Moei-Thaung Yin River. Tourism is also a good potential industry to be developed. Both Myanmar and Thai governments support economic development, he said.

Moreover, the ambassador is trying to implement a visa waiver to allow Myanmar nationals to cross the border without a Thai visa. In the meantime, a visa-on-arrival scheme is to be introduced for border crossings. It was expressed that the ambassador did not come alone to this event but also brought Thai businesspeople from the private sector and associations with the intent to develop Kayin State. Thai businesspeople are responsible investors and will take the interest of the people of Myanmar in consideration in their business conduct, the ambassador said. He concluded by stating that in order to have better commercial relations between the two nations, a Thai-Myanmar business association and a commercial desk at the Thai embassy have also been set up.

Figure 62: Opening speech by H.E Mr. Jukr Boon-Long, Ambassador of Thailand to Myanmar



After the special guests made opening remarks, photographs were taken. The participants then went to a tea break for refreshments

Figure 63: Special guests at the Kayin State Investment Fair



Presentations

There were seven presentations by various industries, detailed below:

(a) “The Kayin State: fertile emerging frontier”

U Aung Naing Oo, MIC secretary and director general of DICA, presented “The Kayin State: Fertile Emerging Frontier”. His presentation covered the brief facts about Kayin State and 10 reasons to invest in Kayin State. These reasons are;

- 1) Abundance of resources in the state,
- 2) Tremendous potential for tourism industry,
- 3) Having the second largest border trade zone in Myanmar,
- 4) Linkage to the GMS East West Economic Corridor,
- 5) Developing infrastructure,
- 6) Investor friendly state government,
- 7) Peacefulness in the state,
- 8) Friendly business community in the state,
- 9) Full tax-free incentives, and
- 10) Meaningful investment (i.e. the investment is not only a business but also the valuable contribution to the socio-economic development in the state)

**Figure 64: Presentation by U Aung Naing Oo,
Secretary of MIC and Director General of DICA**



(b) “Development of agriculture sector”

U Hla Myint Aung, deputy director general of the Department of Agriculture, did his presentation on the agriculture sector development in Myanmar. The presentation detailed the important role of the agriculture sector, seed sector development, food safety and GAP, and future direction. Detailed content included the agriculture sector’s contribution to GDP, agricultural policies, land utilization, ratio of crops per type and yield rate, export ratio, seed production development plans, improving current crops, Myanmar’s GAP guide and the laws drafted for the development of the agriculture sector.

Figure 65: Presentation by U Hla Myint Aung, Deputy Director General of the Department of Agriculture presented on Agricultural Sector Development in Myanmar



(c) “Mineral resources and investment opportunities in Kayin State”

Dr Zaw Linn Aung, a director of the Ministry of Natural Resources and Environmental Conservation, lead a talk on the topic of mineral resources and investment opportunities in Kayin State. He discussed the objectives of the Ministry of Natural Resources and Environmental Conservation and its organization structure, current mineral policy, the status of geological mapping, mineral occurrences in Kayin State, mineral exploration activities, joint venture legislation, permitted business types and recommendations on future mineral exploration and mining in Kayin State.

Figure 66: Presentation by Dr Zaw Linn Aung, Director of Ministry of Natural Resources and Environmental Conservation



(d) “Explanation of the significance of electricity and energy”

Ministry of Electricity and Energy deputy chief engineer U Thar Soe presented on the importance of electricity and the energy sector. He discussed substations and distribution lines in Kayin State, electrified households by districts in Kayin State, the list of electrified town and remaining towns in Kayin State. He also touched on the power distribution system improvement project, new substations and new distribution lines, new projects with JICA ODA loans, transformers and waterfalls that can be used as mini hydro power plants.

Figure 67: Presentation by Deputy Chief Engineer U Thar Soe from Ministry of Electricity and Energy



(e) "Development of hotels and tourism sector"

Deputy director of the directorate of Hotels and Tourism U Aye Maung Hlaing used his presentation to explore investment opportunities in the tourism industry in Kayin State. He discussed foreign investment in hotels and commercial complexes by country, as well as licensed hotels, guesthouses, bed and breakfast services, travel agencies, yearly tourists arrivals to Kayin State, the list of tourist arrivals by nationality, tourist attractions, seasonal events, accommodations, eateries and activities in Kayin State.

Figure 68: Presentation by U Aye Maung Hlaing, Deputy Director of Directorate of Hotels and Tourism



(f) “Transportation and logistics development”

U Nay Oo, executive director of MIFFA, talked about transport and logistics development. The topics he discussed included the logistics performance index by country, the stages from transport corridor to economic corridor, annual export-import values by border post and the National Trade Facilitation Committee implementation status. He also touched on the organizations that will incorporate MACCS System. He also discussed the Union Single Window System and upgrading the logistics system, a pilot project on the swapping of goods from semi-trailers with e-seals, progress in improving the Myawaddy - Mae Sot trading process, a comparison of cost to transport in Myanmar by mode of transport and the future plans to be implemented.

Figure 69: Presentation by U Nay Oo, the Executive Director of MIFFA presented on Transportation and Logistics Development



(g) “Summary of Kayin State Investment Opportunity Survey”

JICA expert to DICA Mr Takafumi Ueda presented on the methodology of the Kayin State Investment Survey. He said the survey started in August and September 2017, with the objective of understanding the investment climate in Kayin State. The report will be published in Myanmar and English and will be posted on JICA's website. Mr. Ueda explained the reasons for choosing Kayin State.

Figure 70: Presentation by Mr Takafumi Ueda, JICA Expert to DICA



MMRD research director U Aung Min also provided his views on the investment opportunity survey results from a business point of view. According to the results, he presented on how businesses are started in Kayin State, as well as business operations, the labour market, future market potential and investment potential.

Figure 71: Presentation by U Aung Min, Research Director, MMRD



“Invest in attractive Kayin State” Panel Discussion

A panel discussion with the topic “Invest in attractive Kayin State” was conducted by U Thuta Aung (managing director, HamsaHub Co Ltd) as moderator, with panellists including U Saw Han Aye (chairman of the Kayin State Chamber of Commerce and Industry), U Saw Bo Bo (general secretary 2 of the Kayin Literature and Culture Association), Dr Daw Naw Kapaw Htoo (general secretary, KNU/KNLA Peace Council) and U Zaw Linn Aung (managing director, SME Department, KBZ Bank).

Figure 72: Panel Discussion



Moderator U Thuta Aung introduced the panellists to the attendees, with Dr Daw Naw Kapaw Htoo saying that she appreciates and feels honoured to participate in the discussion. She added that this is a period whereby everyone in Myanmar is working to build peace and national reconciliation nationwide. In the National Peace Conference that was held recently, development issues regarding political, economic and regional development framework were discussed. Just like other state and regions, all races in Myanmar are willing to see Kayin State develop further, she said.

Kayin state has seen its gradual growth due to its geographical location, natural resources, and as a key region in trade routes. She said all stakeholders are aware that in order to accelerate the growth of Kayin state, both local and foreign investment is needed. Therefore, the government warmly welcomes local and foreign investors to come to invest in various sectors of Kayin State's economy. Kayin State sits in the 5th position compared to other state and region in terms of foreign investment with 59 projects. Foreign direct investment is a total of three projects and sits at 12th position in comparison with other regions. She added that investment promotion efforts are much needed in the state.

She said panellists had seen the detailed findings in the investment opportunity survey and investment seminar, with many investment opportunities available. There are many non-surveyed areas due to the difficulty of accessing them. But when those areas can be more easily reached, even more possibilities for investment will become. In those areas, key infrastructure projects in electricity supply, industrial development, agriculture, livestock and tourism s can be implemented.

She believes that when the natural resources, human resources and local and foreign investments come together, regional development, businesses and socio-economic development of Kayin State will become a reality.

U Saw Bo Bo made comments regarding the cultural sensitivity of the Kayin people stating that they are very proud of their culture, religion and values. They are loyal people who keep their word when they make a promise. He said the mentality of different types of Kayin people must also be understood and observed by investors.

U Saw Han Aye commented regarding the One-State One-Product cluster system that is being implemented by the KSCCI in cooperation with the UMFCCI.

U Zaw Linn Aung said KBZ Bank has shown interest in improving financial inclusion by opening seven branches in Kayin State, offering non-collateralized loan products, credit policy and underwriting process reforms supported by agencies such as JICA, as well as forming arrangements with Thai banks to do cross-currency settlements and worker remittances. As KBZ Bank has the highest capital base, it is capable of providing best services, he said.

U Thuta Aung opened the floor for a question and answer session, detailed below:

Questions and Answers Section

Question - 1

Freelance consultant Mr Felix Haas (Freelance Consultant) commented that there is likely to be limited access to information in Kayin State, which only really opened up after 2012. He said those who are interested to invest in the state should not hesitate to ask the panel regarding this information and added that he stands ready to advise free-of-charge to encourage foreign investments in Kayin State.

Question - 2

U Salai Isaaz Khen, Minister for Development, Electricity and Industry in the Chin State government, introduced himself and added that he is also the chairman of the Small-and Medium-sized Industrial Development Committee, before asked U Zaw Linn Aung if there are any plans to co-operate with the Chin State Government to develop SMEs in the region from the banking sector.

Figure 73: Question by U Salai Isaaz Khen, Minister of Development, Electricity and Industry of Chin State Government



Answer: U Zaw Linn Aung, (panellist)

KBZ Bank has been working together with the Mandalay Region government and Mandalay Region Chamber of Commerce and Industry to aid SME development by providing training on financial products, advisory and risk management. He said the bank assigns one relationship manager to each business to provide SME solutions. They also cooperate with the Myanmar Young Entrepreneurs Association and that he will make contact with the Chin State government to discuss SME development cooperation.

Question - 3

A freelance journalist asked if there is coordination between MIC, the private sector and ethnic armed groups regarding investment promotion. If so, it is enough, the journalist asked. The question was directed to Dr Daw Naw Kapaw Htoo.

Answer: Dr Daw Naw Kapaw Htoo (panellist)

As the Kayin ethnic armed groups have signed NCA agreements with the Union government, there is much less risk in doing business in Kayin State. The three parties will work together to support investors and that there is no need to worry, she said.

Answer: U Saw Bo Bo (panellist)

It is known that there is coordination between the MIC, the public sector and the ethnic armed groups, U Saw Bo Bo said.

Answer: U Zaw Linn Aung (panellist)

The stakeholders of the Kayin state are co-operating together in order to realise the development of Kayin State, he said.

Answer: U Thuta Aung (panellist)

The Union government has implemented social infrastructure such as the setting up of the DICA Hpa-an office to fulfil the need to promote investments.

Question - 4

U Salai Isaaaz Khen, Minister of Development, Electricity and Industry in the Chin State government, asked a question to U Saw Bo Bo on his opinion regarding the repatriates that have returned to Kayin State to participate in regional development.

Answer: U Saw Bo Bo

The state government is very much supportive and appreciative of repatriates who are willing to return home to contribute to development. No matter how much more they can earn abroad, their patriotism, the courage to start back from zero and being happy only where they belong all are reasons for the returnees from countries such as Singapore and USA, he said.

U Than Naing, the Minister of Planning, Finance and City Development, made closing remarks and successfully concluded the event.

He expressed his best wishes from Kayin State to all the participants of the Kayin State Investment Fair and thanked everyone for sparing time from their busy schedules to attend the event.

Following the preceding session, the invited guests and businesses would have an understanding of Kayin State's natural resources, business environment and infrastructure situations. Should there be anything that needs clarification, he invited anyone to contact government representatives either at the event or directly to the respective organization by email or phone. He said attendees had been provided with detailed information on the sectors that represent investment opportunities in Kayin State. He said the networking lunch would provide an opportunity to freely discuss matters various industries. In the business matching session in the afternoon, more formal and constructive decisions can be made to make investments in Kayin State.

On behalf of the Kayin State government U Than Naing expressed that the government will do all it could to support and facilitate investments in Kayin State. He ended by saying that he wished that attendees would capitalize on the business opportunities that Kayin State presents.

Figure 74: U Than Naing, the Minister of Planning, Finance and City Development, made closing remarks and successfully concluded the event



Business matching

In the afternoon, a business matching session was conducted with 96 participants from nine sector groups. The brief discussions in the business matching sessions are as follows:

Figure 75: Business matching



(1) Banking

Thailand-based Bangkok Bank Public Co Ltd has opened a branch in Yankin Township, Yangon. The bank would like to provide loans for livestock farming businesses. The size of loans will depend on the size of project and the bank stated that it can provide up to 90% of the project's funding with 7% interest per year. Then, Myanmar Livestock Federation asked the bank whether land ownership Form 7 can be accepted as collateral. The bank representative replied that he needed to discuss the matter with DICA and the Thai embassy in Myanmar.

Bangkok Bank Public Co Ltd also made discussions on the power sector and expressed its willingness to provide financial assistance to foreign companies that wanted to invest in power plants in Myanmar.

(2) Infrastructure

Local company Zeya and Associates Co Ltd is building substations, the supporting structures and transmission lines of the electrical grid in Myanmar. A company representative said it has about a 10% share in the market and is interested in building a natural gas-power plant and then distribute the power. At present, the work of cable line connecting is being done in Nant Kham Township, Shan State. The Zeya and Associates representative invited local company Dragon Emperor Group Pte Ltd to work together when the permit allows.

Dragon Emperor Group Pte Ltd offers services for painting (construction), power generation and hospital businesses. Now the company is working to distribute electricity to seven districts. It is conducting a physical survey for power generation, a company representative said. Moreover, the company expressed its interest in building a hospital in Mawlamyine. Singapore-based Kaltimex Energy Services Co Ltd came to the investment fair in order to introduce its firm to the local market and it has only been working in Myanmar for one year. It has ability to offer full service in terms of power generation, a company representative said.

Figure 76: Business matching, infrastructure sector



(3) Food processing

Great Shwe Myanmar Housing Development, Shwe Pyan Hlwar Cake and Bakery, HAYEAK Group, Sithar Coffee, TEAMs Engineering, Patkol Public Co Ltd and responsible persons from SME Development Division under the Department of Industry Supervision and Inspection (DISI) and a director of Kayin State Planning Department talked about this sector. Participants mainly discussed the tube ice-making machine which can be produced up to 400 pounds of ice (180kg) ice per day. The ice machine includes a showcase and its frozen rooms can store canned fish and fruit juices. Sumitomo Trading Company showed its interest in this machine. TEAMs Engineering Company would like to provide power plants, a bearing plant and agricultural machinery for food processing businesses. Especially, the company wants to import a tapioca milling machine with a capacity of 70 tons per day. The machine can also grind other cereals like maize and corn. But the price of the machine is 2.3 million USD. The director of Planning Department explained the sown acreage of tapioca and its production in Kayin State. In terms of liquid processing, participants discussed coconut water. Patkol Public Co Ltd also explained to the coffee entrepreneurs about liquid processing.

(4) Hotels and tourism

U Yin Htwe, the state manager of the Kayin State Immigration Department, asked to discuss if there are any plans to reduce red tape for foreign visitors. According to U Myint Htwe, deputy director general of the Ministry of Hotels and Tourism discussed this matter but said it only concerns the police force. The Ministry of Home Affairs is now implementing an online system to reduce time for application steps.

AMPS Service Co Ltd is now operating hotel businesses in the Kayin Hotel Zone and they mainly emphasize on Thandaung. In 2018, they have a plan to construct a hotel in the Golden Triangle too. Papaya Traveller Company suggested allowing Thais to visit to Kayin State with a border pass. The representative said the charges would not matter but it needed to be made available. They also suggested that Ministry of Hotels and Tourism should allow foreigners to stay in hostels. But deputy director general U Myint Htwe denied the suggestion, which he said would create conflict with the. He added that the border pass issue needed to be negotiated with an MOU agreement with Thailand. Currently, there are four entrances on the Myanmar-Thailand Border. He also asked companies to be responsible and share information in order to increase tourist arrivals. Hotel United's representative suggested that the respective ministry should support the Myanmar Hotelier Association, which depends on tourist arrivals. The representative also complained that Vietnam allows foreigners to stay in hostel for only 5 USD. Deputy Director General U Myint Htwe replied that it could be possible to allow foreigners to stay at hostels if region and state governments gave it approval.

Figure 77: Business matching, Hotels and Tourism



(5) Livestock

A representative from the Myanmar Livestock Federation said that Kayin State has very little in terms of shrimp farming. He said farmers need assistance and expert. A Patkol Public Co Ltd representative said the company is willing to import 2-weeks-old shrimps to Myanmar.

(6) Manufacturing

Triple Six Plastic Pellet Factory discussed that they need suppliers for raw materials and Japan-based Sumitomo Trading Co Ltd replied that they can provide raw materials for Triple Six Company.

(7) Mining

Australia based Unity Energy Company discussed that they have four work sites covering a total of 100,000 acres. But because of some changes in mining policy, the company's Memorandum of Understanding with the government has not yet been signed and it is only in the stage of making a contract. Currently, the company is carrying out an Environmental Impact Assessment and Initial Environmental Examination.

(8) Power

Myanmar Taikai Co Ltd, Shizgas (Japan), TEAMS Engineering (Beijing) and representatives from THOOLEI (KNU) discussed this sector. Myanmar Taikai Co Ltd is interested in building and investing in power generators in Kayin State. The participants also discussed about required technologies, including those powered LPG.

Figure 78: Business matching, Power Sector



(9) Textiles

A representative from the Eindu Weaving Vocational School told attendees that the school is interested in buying scrap fabrics for their raw materials.

Exhibition

All the authorities in attendance explored the exhibition booths afterwards.

A total of 15 booths were displayed from the following organizations

Table 50: Exhibition booths

No	Organization/ Companies	Booth No.	Member	Remark
1	Ministry of Commerce / Great Ever Top One Co Ltd	1	6	Myanmar Trade Centre, Ministry of Commerce distributed pamphlets and Great Ever Top One Co Ltd displayed its coffee products.
2	Directorate of Hotels and Tourism	2	1	The Directorate of Hotels and Tourism displayed the photos of Kayin sceneries, caves and Kayin ethnic groups.
3	Department of Electricity Distribution	3	2	Myanmar Electric Power Enterprise displayed and distributed the pamphlets of the electricity distribution status.
4	Department of Mines	4&5	6	The Department of Mines displayed the mineral resources recorded in Kayin State.
5	Daw Na Kayan Co Ltd (Myawaddy)	6&7	5	Daw Na Kayan Co Ltd showed Amethyst jewellery products made from gold, silver and platinum. It also displayed carved amethyst, amethyst stones and the processes of making jewellery.
6	Department of Agriculture	8	10	The Department of Agriculture distributed pamphlets detailing Kayin rubber production, sugarcane growing and production status. Roselle, cardamom, highland coffee, lowland coffee and sample sugarcane were also displayed. Both varieties of coffee were available for tasting too.
7	Nyi Naung Oo Co Ltd (Myawaddy)	9	3	Nyi Naung Oo Co Ltd distributed pamphlets containing the construction of the Myawaddy Economic Zone, its implemen- tation status and plotted its layout plan.
8	Hpa-an Silk Factory and 666 Plastic	10	5	Hpa-an Silk Factory displayed silk soap and silk. Triple Six Company displayed plastic raw materials.
9	Eindu Weaving (Loom)	11	4	Eindu Weaving (Loom) displayed Kayin traditional dresses for men, women and children. They also showed modernized and different Kayin clothing designs.

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No	Organization/ Companies	Booth No.	Member	Remark
10	SME Development Department	12&13	7	The SME Development Department demonstrated the cotton weaving process and displayed woven cotton.
11	UHM Co Ltd	14	5	UHM Company distributed pamphlets showing the project implementation status of the Strand Road development project and Shwe Hpar Si Estate project (2).
12	Department of Highways	15	7	The Department of Highways displayed maps on the Yangon - Thaton- Hpa-an - Kawkareik - Myawaddy - Mae Sot Road, the Kyarinseikkyi - Phayarthonezu - Thanbyuzayat road status, the Thaton - Hpa-an Railway, Lao-Thai (Mae Sot) - Myanmar (Mawlamyine - Kawkareik - Eindu - Zartapyin - Mawlamyine) East-West Corridor and distributed its pamphlets too.
13	UMH Co Ltd	16	4	UMH Company distributed pamphlets detailing the Hpa-an industrial park implementation status and information of other subsidiary businesses such as UPVC Window and Door Profile.
14	Min Myat Gone Development Co Ltd	17&18	6	Min Myat Gone Development Co Ltd distributed pamphlets about upcoming projects such as the Kayin Traditional Hotel project, the Zwegabin Triangle Hotel project, the Zwegabin Viewpoint Resort project and the Hpa-an Shopping Centre project. It also showed 3D videos for these projects.
15	Livestock Breeding and Veterinary Department and Department of Fisheries	19	3	The Department of Fisheries distributed pamphlets showing data of fish exports from Myanmar and the 2016-17 fisheries export status. The Livestock Breeding & Veterinary Department pamphlets contained statistics on the numbers of animal, animal products status, animal feed production status and information about state government loans for private businesses. The department also displayed honey.

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No	Organization/ Companies	Booth No.	Member	Remark
16	Apex Co Ltd	20	6	Apex Co Ltd showed a variety of shoes made by Thai technology that have ISO 14001 and ISO 9001 certificates. These shoes can be manufactured with 500 employees in Myawaddy and it is possible to produce 200,000 shoes a month.
17	AYA Bank	21	6	AYA Bank distributed pamphlets containing the information about AYA Universal credit card, AYA I Banking, AYA Demand Deposits, AYA Visa card services and other services.
18	Kyaw Hlwan Moe Co Ltd	22&23	6	Kyaw Hlwan Moe Co Ltd showed the model of its new industrial zone project.
19	Toyo Thai Co Ltd (TTCL)	Spe- cial	8	Toyo Thai Co Ltd showed the model of its 1,280 MW coal-fired power plant project. It also showed data detailing the numbers of coal-fired power plants in each country all over the world, the condition of electricity usage by states and regions in Myanmar, its environmental impact assessment study, the quality of the coal and the systematic waste disposal; such kind of information were displayed in the background. In the pamphlet, there is also some information about Toyo Thai Company, its profile, history and capital investment. It also stated that operation period and after implementing electricity distribution, it will proceed to river transportation, cement production, mirror production, rubber production, finished wood production, electricity production by biomass and consumer goods production.
Total			100	

Figure 79: Exhibition booths



Figure 80: Exhibition booths



Figure 81: Exhibition booths



Site Visit:

Site visit. At 4pm on November 24, 2017, a site visit tour was organized for the participants of the Kayin State Investment Fair showcasing the Hpa-an Industrial Zone.

The Directorate of Industrial Supervision and Inspection explained to visitors how the industrial zone was established; its size; the factories in operation; and the water and power supply systems. Visitors then viewed factories in and around the industrial zone before leaving at 6pm. There were a total of 95 foreign and local visitors at the site visit.

Figure 82: Presentation at the Hpa-an Industrial Zone Management Committee office



Site Visit. November 25, 2017, a site visit tour was organized for the participants of the Kayin State investment fair to explore the tourist attractions in Hpa-an city and along the Than Lwin river.

Visitors departed at 7:30am on November 25, aboard two buses, leaving from Thiri Hpa-an Hotel and on to Kyauk Ka Latt Pagoda. Visitors had the chance to do sightseeing Mt Zwegabin and Kyauk Ka Latt Pagoda. After that, the buses headed to the jetty on Strand Road to board the Yay Bawel (3) barge at 9am to go on a cruise along the Than Lwin river. Along the way, the tourist attractions such as Hpa-pu Mountain, Bat's cave, Shwe Yin Hmyaw Pagoda and Myaing Kalay Cement Factory were observed. The tourist guides explained the history of the locations. There was a total of 195 visitors on board the barge. By noon, the barge returned back to the jetty and visitors were then taken by bus to Hotel Than Lwin Paradise for lunch. After having lunch, those participants left for Bayin Nyi cave at 1pm for a short visit on the way back to Yangon.

Figure 83: Site Visit in Kyauk Ka Latt Pagoda



Figure 84: Site Visit in Than Lwin River



**Figure 85: Site Visit - Lunch at Than Lwin Paradise Restaurant,
Hotel Than Lwin Paradise**



Annex

Table (1) Respondent lists of business interviews

No.	District	Company Name	Sector	Type of Business
1	Hpa-an	Company 1	Construction	Construction
2	Hpa-an	Company 2	Manufacturing	Traditional Clothes
3	Hpa-an	Company 3	Agriculture	Agri Machinery Product & Agri Product
4	Hpa-an	Company 4	Manufacturing	Garment
5	Hpa-an	Company 5	Manufacturing	Garment
6	Hpa-an	Company 6	Trading	Poultry feed
7	Hpa-an	Company 7	Agriculture	Rubber
8	Hpa-an	Company 8	Agriculture	Agri, Livestock & Fisheries
9	Hpa-an	Company 9	Manufacturing	Plastic Product (Water Bottle)
10	Hpa-an	Company 10	Hotels and Tourism	Motel
11	Hpa-an	Company 11	Hotels and Tourism	Guest House
12	Hpa-an	Company 12	Manufacturing	Garment
13	Hpa-an	Company 13	Manufacturing	Purified Water
14	Hpa-an	Company 14	Manufacturing	Purified Water
15	Hpa-an	Company 15	Manufacturing	Traditional Clothes
16	Hpa-an	Company 16	Agriculture	Rice Mill
17	Hpa-an	Company 17	Agriculture	Havel Farm
18	Hpa-an	Company 18	Hotels and Tourism	Hotel
19	Hpa-an	Company 19	Wood Product	Wood Products (Lumber)
20	Hpa-an	Company 20	Wood Product	Wood Products (Lumber)
21	Hpa-an	Company 21	Manufacturing	Candle
22	Hpa-an	Company 22	Trading	Poultry feed
23	Hpa-an	Company 23	Manufacturing	Traditional Clothes
24	Hpa-an	Company 24	Agriculture	Rubber
25	Hpa-an	Company 25	Hotels and Tourism	Hotel
26	Hpa-an	Company 26	Others	Furniture
27	Hpa-an	Company 27	Agriculture	Rubber Farm
28	Kawkareik	Company 28	Construction	Construction Material (Brick, Sand, etc....)
29	Kawkareik	Company 29	Agriculture	Rubber (50 Acre)
30	Kawkareik	Company 30	Logistic	Cargo Transportation
31	Kawkareik	Company 31	Trading	Seed & Fertilizer
32	Kawkareik	Company 32	Food Processing	Bakery Product

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No.	District	Company Name	Sector	Type of Business
33	Kawkareik	Company 33	Food Processing	Food Processing (Potato & Arrow Root)
34	Kawkareik	Company 34	Manufacturing	Purified Water
35	Myawaddy	Company 35	Agriculture	Maize
36	Myawaddy	Company 36	Logistic	Transpiration
37	Myawaddy	Company 37	Food Processing	Bakery Product
38	Myawaddy	Company 38	Construction	Sun Shade & Steel
39	Myawaddy	Company 39	Hotels and Tourism	Hotel
40	Myawaddy	Company 40	Trading	Fertilizer Trading
41	Myawaddy	Company 41	Manufacturing	Purified Water
42	Myawaddy	Company 42	Agriculture	Agri Machinery Product
43	Myawaddy	Company 43	Livestock	Milk
44	Myawaddy	Company 44	Manufacturing	Plastic Product (Water Tank)
45	Myawaddy	Company 45	Hotels and Tourism	Hotel
46	Myawaddy	Company 46	Agriculture	Agri Product
47	Myawaddy	Company 47	Hotels and Tourism	Hotel
48	Myawaddy	Company 48	Others	Jewellery (Amethyst)
49	Myawaddy	Company 49	Hotels and Tourism	Travel & Tour
50	Myawaddy	Company 50	Others	LPG

Table (2) Useful Contacts

No.	Name	Contact
1	Kayin State Government	Thudanu St, Hpa-an Township, Kayin State, Myanmar Tel: +95 58 23204 Fax: +95 58 23234 Website: www.kayinstate.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	Directorate of Investment and Company Administration (DICA) (Hpa-an Office)	State Government Office, Thudanu St, Hpa-an Township, Kayin State, Myanmar Tel: +95 58 22750 Fax: +95 58 22749 Website: www.dica.gov.mm
4	Kayin State Chamber of Commerce and Industry	No (9/111), Myittar Street, No (9) Ward, Hpa-an Township, Kayin State, Myanmar Tel: +95 58 21770 Email: kscci.kayinstate@gmail.com