Republic of the Union of Myanmar

Directorate of Investment and Company Administration (DICA)

The Study on Long-term Foreign Direct Investment Promotion Plan in Myanmar

Final Report

March 2014

Japan International Cooperation Agency

ALMEC Corporation

International Development Centre of Japan

Daiwa Institute of Research Ltd.

IL
JR
14-049

Exchange Rate Used in this Report

US$1.0 = 970 Myanmar Kyat

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ABBREVIATIONS

ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement on Services
ASEAN	Association of Southeast Asian Nations
BIA	Bilateral Investment Agreements
BOT	Build-Operate-Transfer
CBD	Central Business District
CEPT	Common Effective Preferential Tariff
CMP	Cutting, Making and Packing
DB	Doing Business
DICA	Directorate of Investment and Company Administration
EPA	Economic Partnership Agreement
ERIA	Economic Research Institute of ASEAN and East Asia
EU	European Union
FDI	Foreign Direct Investment
FDIPP	Foreign Direct Investment Promotion Plan
FESR	Framework for Economic and Social Reform
FIE	Foreign Invested Enterprise
FIL	Foreign Investment Law
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GMS	Greater Mekong Subregion
GOM	Government of Myanmar
GSC	Global Supply Chain
GSP	Generalized System of Preferences
HRD	Human Resource Development
ICOR	Incremental Capital-Output Ratio
ICT	Information Communication Technology
IFC	International Finance Corporation
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPR	Investment Promotion Report
IPR	Intellectual Property Rights
IT	Information Technology
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JV	Joint Venture
LPI	Logistics Performance Index
MCA	Myanmar Companies Act
MCDV	Myanmar Comprehensive Development Vision

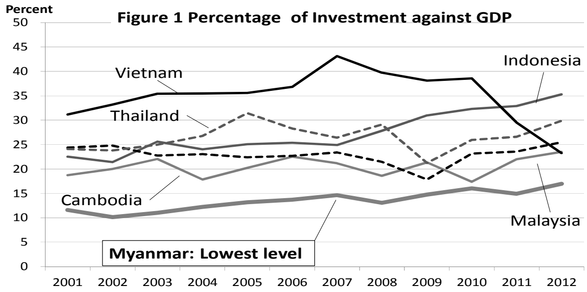
MIC	Myanmar Investment Commission
MICL	Myanmar Citizens Investment Law
MNPED	Ministry of National Planning and Economic Development
MOFR	Ministry of Finance & Revenue
MOHT	Ministry of Hotels and Tourism
MYT-PLAN	National Transport Master Plan
NCDP	National Comprehensive Development Plan
NT	National Treatment
OECD	Organisation for Economic Co-operation and Development
OSS	One Stop Service
PAT	Project Assessment Team
PFI	Policy Framework for Investment
PFI	Private Finance Initiative
PIP	Public Investment Program
PPP	Public Private Partnership
PTT	Permit to Trade
R&D	Research & Development
RRI	Regulatory Restrictiveness Index
SEE	State-owned Economic Enterprise
SEZ	Special Economic Zone
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
UMFCCI	Union of Myanmar Chamber of Commerce and Industry
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
VFVL	Vacant, Fallow, Virgin Lands
WTO	World Trade Organisation

Executive Summary

1. BACKGROUND

1.1 Critical role of FDI

After launching economic and social reforms in Myanmar, foreign investors started to intensely look at Myanmar because of its high growth potential deriving from territorial and population size, geographical location, rich natural resources, and future economic integration with neighbouring countries. The new trend of Foreign Direct Investment (FDI), i.e. a shift from investments on natural and energy resources sector to manufacturing sector, has been recently acknowledged; however, Myanmar's FDI growth has not been satisfactory compared to neighbouring countries. This is underpinned by the fact that Myanmar's investment share in Gross Domestic Product (GDP) is considerably lower than that of neighbouring countries (Figure 1). Also, the current status of inward FDI stock in Myanmar is also much lower than that of neighbouring countries (Table 1).



Source: IMF World Economic Outlook Database, April 2013

Table 1 FDI Inward Stock (Million US$)

	2011	2012
Myanmar	**9,123**	**11,910**
Thailand	139,735	159,125
Vietnam	72,778	72,530
Cambodia	6,850	8,413

Source: UNCTAD World Investment Report 2012 and 2013

The ASEAN Economic Community (AEC) will result in Association of Southeast Asian Nations (ASEAN) becoming a key investment destination, but it will increase competition within ASEAN countries. FDI plays significant roles in bridging the gap between investment needs and national savings, and bringing management know-how, advanced technologies, direct employment, and positive spill overs to domestic suppliers. The Government of Myanmar (GOM) needs to take full advantage of recent attention of FDI for further reforms to actual increase in various investments to materialise the diversified and sustainable economic development. In spite of current economic boom, many challenges remain unresolved in legal and administrative framework to further attract FDI. The improvement of investment climate is, thus, a matter of great urgency in Myanmar.

The Directorate of Investment and Company Administration (DICA), under the Ministry of National Planning and Economic Development (MNPED), is the primary organisation serving as an investment promotion agency of the country which is responsible for investment promotion and facilitation besides all other important tasks of the department. DICA currently engages in reforming the investment policy to improve the investment climate and to increase both the quality and quantity of investment from domestic and foreign investors. Further, the GOM also recognizes the significance of quality investment as it has following features

- Sustainable employment opportunities
- Values and efficiency in national production
- Generation of further capital flow
- Technology transfer of knowledge and skills
- Preservation of sustainable environment

The needs for long-term strategic plan have been advocated to streamline the various commitments to share the same vision among stakeholders. On the basis of above, a draft Long Term FDI Promotion Plan (FDIPP) has been outlined under the assistance of Japan International Cooperation Agency (JICA) and will be finalized in further consultation with and among the relevant Ministries and stakeholders.

1.2 Objective

The objective of the FDIPP is to set out the Myanmar's first comprehensive policy direction of FDI promotion, and to outline its transparent roadmap to reach its overall goal, contributing to Myanmar's further development and integration into the global community. FDIPP also aims to streamline the vision, goals and strategies with a framework corresponding to that of the National Comprehensive Development Plan 2011-30 (NCDP) prepared under the Ministry of National Planning and Economic Development.

2. Vision and Goals

In order to envisage the preferable FDI, the vision and goals have been drafted in the FDIPP. Since the NCDP sets a band of GDP growth of between 6 ~ 9% during the planning period which aims to place Myanmar into the global classification of a middle income country by 2032; the GDP per capita between US$3,000 to US$5,000. Target amount of FDI was estimated based on the framework utilised in the National Transport Development Plan. The total inflow of FDI by 2030 is targeted at US$140 billion. This indicative target figure is defined as the benchmark of dynamic economic growth and reflected in the following Vision. The Short-, Mid-, and Long- term Goals are drafted to explore how growth can be attained with the indicative target FDI amount per year.

Vision :
Dynamic economic growth led by FDI worth US$ 140 billion during the period of 2014 to 2030

Short-term Goal (2015): Increase of FDI to achieve access to the Global Supply Chain (GSC) for Myanmar's economy and to contribute to the development of the domestic market as well as to export.

Target FDI Amount : US$ 4 billion / year

Mid-Term Goal (2016-2020): Achievement of comparative advantage in the AEC with an internationally-recognized reputation and realization of domestic industrial diversification.

Target FDI Amount : US$ 6 billion / year

Long-term Goal (2021-2030): Development of industrial agglomeration through continuous FDI-led industrial development with sophisticated infrastructure and multi-layered supporting industries thus contributing as the core driver of Myanmar's sustainable economic growth.

Target FDI Amount : US$ 8 billion / year (2021 - 2025), US$ 11 billion / year (2026 - 2030)

3. Issues to be Addressed

3.1 Legal Foundation

(1) Restrictive Provisions for FDI:

The Joint Venture requirements and restrictive business permit requirements under Foreign Investment Law (FIL) for economic activities of FDI listed in the notification (Notification 1/2013, Classification of Types of Economic Activities) by Myanmar Investment Commission (MIC) leave certain ambiguities. The FIL states that FDI may be allowed even in prohibited sectors if the MIC allows. These provisions leaves uncertainty as the criteria of MIC were not clearly defined. There is strong recommendation from the business community to employ international coding system such as ISIC (industry) and GATS W/120 (service) for classification of economic activities.

(2) Inconsistent and Unclear Provisions:

The structure of two investment laws; FIL and Myanmar Citizens Investment Law (MCIL) provides complexity in overall investment climate.

- Inconsistency in provisions between FIL and sector business permits, regulations under other ministries to avoid inconsistency. (e.g. land lease permit for agriculture and hotels.)
- Unclear provisions of investment related laws/regulations and their weak enforcement, including those related to business operation. (e.g. capital requirement).

(3) Limited Transparency and Efficiency in Implementation of Registration Procedures in FIL:

Due to inefficient operation of the current One Stop Service (OSS) system in coordination with business permits of the individual authorities (Ministries), procedures of registrations of FIL are resulted in limited transparency.

3.2 Investment Facilitation Measures

FDI promotion strategies based on their actual investment requirements are still limited. It is important to introduce appropriate investment management for attracting quality investment.

(1) Costly Establishment and Operation

Besides cost for time and manpower needed in the registration process, one of the most significant problems for foreign investors is rental fee of office and factories, and existing dual pricing systems for foreigners, which obliged to pay higher price for utility service

(2) Vulnerable Domestic Business Support:

Weak logistics, parts/services local supply and technical support

Limited logistics is a huge obstacle for promoting any industry. Technical support to research activities for a particular industry promotes to further develop industries. Although these logistics support and technical support will play great roles in attracting FDI, these business supports is rarely available in the country

Limited policy support for the development of higher value-added industry

"Business applying high technology" is stated as applicable economic activities under FIL. In addition, the investment which does not utilise high technology, but conduct traditional farming or livestock industry is not allowed in agriculture as well as livestock sectors. Without high technology, it is anticipated to have approval of MIC and a relevant ministry seems to be difficult, but criteria are not so clear. Support for higher value-added industry is, not well stipulated in FIL.

(3) Limited Infrastructure (hard / soft) :

Power/communication/ road/railway/bridge/port, / regional development

It is still huge obstacle to attract investment especially in manufacturing due to insufficient power / communication/ road / railway /bridge / port, etc. Even factories located in Industrial Zones of Yangon City experienced rolling blackouts in the dry season. Yangon and Mandalay which are 1st and 2nd cities in terms of population and accumulation of companies continue to attract new investments. It is highly likely that economic activity at Yangon will spread out Bago and Thilawa Special Economic Zone (SEZ). The other attractive area is border area which could be connected to Thailand by road. As the condition of the Greater Mekong Sub-region (GMS) East-West Economic Corridor and Three Pagoda Pass Road are improved and labour cost in Thailand rises, labour-intensive industry would be further relocated to Myanmar side. However, the current infrastructures in these attractive locations for investors are still limited.

Difficulty to procure funds from local financial system

Remittance of foreign currency for trade settlement, dividend payment, so-called "parent-subsidiary loan" has been relaxed after the new FIL in 2012. However, investors have been facing difficulties for taking out loans for business operation from domestic banks under the current financial framework, and need to obtain loans from overseas. This is a cumbersome procedure which incurs considerable costs to foreign investors.

(4) Inadequate Human Resources:

Investors reiterate lack of managerial level human resources and weak capacity of vocational and higher education to meet the demand of FDI. Human resource development (HRD) policies in response to the vast demand from business sectors are not yet well considered in Myanmar. Interaction among industry, government and educational and training institutions is not well functioning yet.

3.3 Limited Options on Investment Opportunities

Due to absence of appropriate regulations such as Public Private Partnership (PPP) / concession laws, there are few opportunities to participate in large-scale construction projects, e.g. construction in SEZ, under the current legislation.

Dialogues between the private sector and the government at various levels to substantiate further business opportunities in public sectors are still insufficient.

4. STRATEGIES

The following three FDI promotion strategies are drafted in order to overcome the issues of legal system, to improve investment climate and industrial development policies, and to widen investment opportunities in public sectors. These strategies need to be implemented jointly among ministries concerned. DICA will take initiative to set up a FDIPP Task Force at working level among line-Ministries and related authorities in order to implement FDIPP into actions. The function and duties of the FDIPP Task Force is to implement FDIPP including monitoring and evaluation of the progress. In order to ensure its efficient conduct of duties, it should have an appropriate authority to represent the consensus of the GOM on FDIPP issues. In this respect, it is to be considered the Task Force may well be located under a higher authority

Strategy 1: "Strategies for Strengthening of the Legal Foundation"

i) Relaxing the Restrictive Provisions

In pursuance of a more open investment climate, where relevant, the restrictive provisions are to be reviewed including those of the economic activities requiring Joint Venture and/or business permits/conditions (e.g. Notification No1/2013). The conformity of those provisions also needs to be reviewed with principles of international agreements such as World Trade Organisation (WTO) and Bilateral Investment Agreements.

ii) Improvement of Legal Provisional Consistency

a) Coordination between FIL and individual business laws,

In order to preserve clear consistency between FIL and business laws, the conditions of both side is to be reviewed and necessary amendments are to be prepared, where relevant.

b) Review of legal structure between FIL and MCIL,

In order to improve overall investment climate, the consistency of provisions is to be reviewed between FIL and MCIL primarily for ensuring the principle of national treatment. The further consideration can be taken, when relevant, for the integration of the two laws for the better investment climate.

iii) Improvement of Transparency and Efficiency in Law enforcement

Responding to the needs of Foreign Investment Enterprises (FIEs), focus areas in enforcing laws/regulations of FIL registration and other business permits of relevant ministries are to be highlighted for improving transparency and efficiency

Strategy 2: "Strategies for Investment Facilitation for Industrial Development"

i) Facilitation of FDI's Portfolio Needs for the Global Supply Chain(GSC)

As seen from the experiences of the FDI promotion policies in neighbouring countries, the sectoral priority set by FDI recipient countries to attract FDI is not always effective. Certain FDI behaviour is observed to be affected more by the portfolio needs, i.e. alternative production for risk hedge in its GSC. Given that the relevant facilitation such as joint research/analysis of investors' portfolio strategy and possible supporting measures, FDI will realize its objectives in favourable condition while Myanmar can extend the linkage with GSC through FDI (e.g.Thailand+one, China+one for the case of Japanese investors)"

ii) Facilitation of FDI for Diversification of Industry

It is essential to coordinate the FDI promotion policy with the industrial development policy. The GOM needs to prepare appropriate strategies to balance the structure of industry after concentration of initial FDI in-flow to labour-intensive/foot-loose industries which industrial development policy may address. At this respect, the FDI promotion policies are to assist the industrial development policy by attracting higher value-added industry and / or any industry which may accompany subsidiary supporting industries. As a part of FDI attraction, the FDI promotion policy may well include the aspects of bridging FIE with domestic industry which can provide FIE with operational supplies/services at the initial stage. Domestic small and medium enterprises (SMEs) may have potential significant roles in this respect. FIE's activities have potentials to widen the domestic inter-industry relations, and contribute to diversification of industry as well as exports.

iii) Facilitation of Infrastructure (hard and soft) Development

Infrastructure development needs to be accelerated in the area of on-going and prospective industrial agglomeration including SEZs. Prioritisation has to be considered in terms of the needs of FDI as well as regional development.

iv) Facilitation of Technology Transfer and Human Resource Development

The GOM will take necessary actions to encourage more technology transfer, initially on up-grading skills and technical knowledge of their employees through implementation of provisions of FIL. It is also important to promote further human resource development to meet investors' employment needs, and to facilitate technology transfer, and to prepare further efficient system for its employment by connecting vocational / higher educational institutions and FIEs.

Strategy 3: "Strategies for Widening Investment Opportunities"

i) Wider opportunities for FDI in public sectors

The GOM designates appropriate projects, especially large-scale infrastructure development, regional development, privatization and /or JV with public enterprises, etc. to attract FDI. The GOM also encourages private sector initiatives by introducing PPP and/or concession on regional development projects and/or public works to make it available for FDI.

ii) Extensive dialogues among stakeholders

The GOM promotes further dialogues on opportunities of interest and conducts necessary coordination among stakeholders proactively and interactively towards solutions to the FDI needs.

DICA takes initiative to promote dialogue on opportunities of interest and necessary coordination among stakeholders for proactive and interactive coordination towards solutions to the FDI needs. Special attentions are required to develop network with region/state governments. For the business location and information on local business, investors need to discuss with local governments and local business associations. It is ideal for DICA to provide upfront basic information of the local business and facilitate dialogue with local governments. For this purpose, establishing a good network with regional/state government is a prerequisite.

End of Executive Summary

Part I Overview of Myanmar's Investment Climate

1. Project Background

1.1 Project Background

1. After the establishment of the new government in March 2011, Myanmar has moved from decades of isolation to an era of active re-engagement with the global economy. The government has laid down economic policy objectives with four pillars for reforms: 1) sustaining agriculture development towards industrialisation and all-round development, 2) balanced and proportionate development among regions and states, 3) inclusive economic growth for the entire population, and 4) quality statistics and statistical systems.

2. Based on the given policy framework, the first five-year plan (2011-15) targets 'People Centred Development' and the long-term National Comprehensive Development Plan (NCDP 2011-2030) is being drafted. Myanmar currently lacks a well-defined vision and framework for implementing different policies under the current government structure. In accordance with the government's mid-term and long-term reforms, a practical investment promotion strategy is required to ensure the creation of an investment-friendly climate and to catch up with Association of Southeast Asian Nations（ASEAN) and global standards.

3. The Directorate of Investment and Company Administration (DICA), under the Ministry of National Planning and Economic Development (MNPED), is the primary organisation serving as an Investment Promotion Agency (IPA) of the country and it is responsible for investment promotion and facilitation measures in addition to all the other important tasks of the Directorate. DICA is currently engaged in formulating the investment policy in order to improve the investment climate to increase investment both from domestic and foreign investors.

1.2 Objective and Study Methodology

4. The Long-term Foreign Direct Investment Promotion Plan (FDIPP) has been drafted in order to promote Foreign Direct Investment (FDI) as well as to address the issues which face investors. Also, it aims to streamline the vision and respective strategies with a framework corresponding to that of the NCDP. Integrated priority action plans coinciding with the 1st Five Year Development Plan (2011-2015) are defined and considerations for goals beyond 2016 are elaborated.

5. For a pragmatic approach to promote investment, vision and goals, strategies and actions were clarified. Actions to be taken were reflected in a roadmap which will lead to inter-sectoral coordination, regional coordination and ultimately to improving business enabling environment for both domestic and foreign investment. The following steps were taken to define the Vision, Goal and Strategy:

   - Successive discussions with DICA, the primary organisation serving as an IPA of the country and relevant ministries, and the NCDP drafting secretariat were conducted.
   - Utilisation of existing documents and sector survey outputs conducted by the Japan International Cooperation Agency (JICA) study team.
   - Analysis of current industry, investment trends, and experiences of neighbouring countries

2. Current Status and Prospects of Myanmar's Economic Development

2.1 Myanmar's Economy

(1) Socio Economic Situation

6. Myanmar has attracted attention from all over the world as a country of last development opportunities in South-East Asia since the country accelerated its economic and social reform in 2010, followed by subsequent easing of economic sanctions by the United States and EU countries.

7. As indicated in the 3rd column of Table I.2.1 the population of Myanmar accounts for 60 million and ranked 5th in ASEAN. The term "Myanmar as the last frontier in Asia," primarily refers to an abundant and cheap labour supply. Myanmar's Gross Domestic Product (GDP) per capita recorded US$ 875 in 2011 and it is the lowest level in ASEAN. The other countries' GDP per capita had already exceeded US$ 1,000 at that time excluding Cambodia.

Table I.2.1 Area, Population, GDP Growth Rate and GDP per Capita of ASEAN Member States

Name of country	Area (km^2)	Population in 2011 (000 persons)	GDP growth rate 2004-11 (%)	GDP per capita in 2011 (US$)
Brunei	5,765	423	0.8	38,703
Cambodia	181,035	14,521	7.6	879
Indonesia	1,860,360	237,651	5.8	3,563
Lao PDR	236,800	6,385	9.9*	1,279
Malaysia	330,252	28,964	7.5	9,941
Myanmar	**676,577**	**60,384**	**5.1*** **	**875**
Philippine	300,000	95,834	4.2**	2,341
Singapore	714	5,184	6.4	50,130
Thailand	513,120	67,597	3.2	5,116
Vietnam	331,051	87,840	7.1	1,403
Total	4,435,674	604,803	5.7	3,601

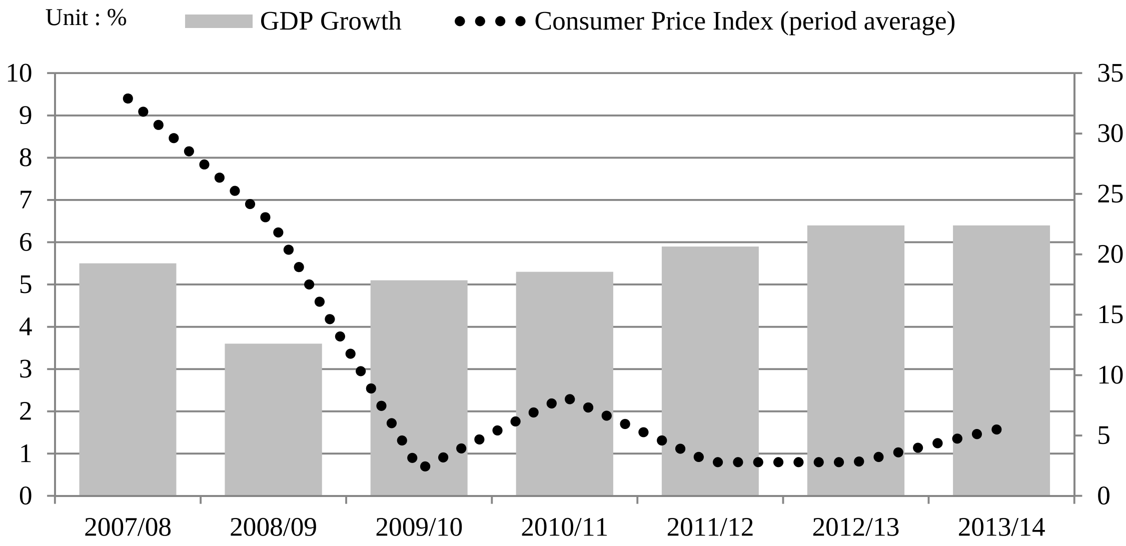
Note: * 2006-11, ** 2008-11; *** Calculated from Article IV Consultation Reports

Source: ASEAN Statistical Yearbook 2012; Article IV Consultation Reports (2012 and 2013), IMF

8. Myanmar's national area is the 2nd largest in ASEAN and the national territory stretches from north to south similar to Thailand. Myanmar also has more than 2,000 kilometres of shorelines. It lies in the monsoon region of Asia, with a wide range of rainfall from 5,000mm to less than 1,000mm. The country has rich mineral resources such as gems, copper and nickel, and oil and gas reserves are also available both onshore and offshore. The national territory of Myanmar also has a long history since the 11th century and abundant historical and cultural tourism resources are available.

9. Myanmar's geographic location at the junction connecting three large economic nations, China, India and Thailand, is considered to have a strategic importance. These countries have large scale markets, and goods and services produced by Myanmar have the potential to occupy a certain level of market share.

10. A glance at the macro-economic performance of Myanmar since 2007/08 shows a very high inflation rate at 32.9% in 2007/08 and at 22.5% in 2008/09, however it has settled since 2009/10 with GDP growth rate rising gradually (Figure I.2.1). Whilst GDP growth rate is still under 7% it is expected to double in the next 10 years. Therefore, the current economic boom in Myanmar implies an "expectation for future rapid growth."



Source: Article IV Consultation Reports (2012 and 2013), IMF

Figure I.2.1 Changes of GDP Growth Rate and Inflation Rate in Recent Years

(2) Current Status of Industry

11. Table I.2.2 shows the cumulative amount of domestic investment from 1994 to October 2013, which was 3,609,733 million Kyat, approximately US$ 3,700 million. The largest investment is in the manufacturing sector, followed by construction, and hotel and tourism. The data up to October 2010 gives the total accumulated investment amount at US$ 1,050 million with the largest investment in construction which constitutes more than 50% of the total investment. This is an indication that investment in the manufacturing sector has increased significantly within a period of three years. In addition, investment in industrial estates increased owing to the demand from the manufacturing sector. Diversification of the investment sector in recent years is significant in the domestic investment.

Table I.2.2 Domestic Investment by Sector from 1994 to October 2010 and October 2013

	Accumulated amount as of 2010		Accumulated amount as of 2013	
Sector	Approved Amount (Million Kyat)	%	Approved Amount (Million Kyat)	%
Manufacturing	88,314	8.41	892,954	24.74
Construction	553,619	52.72	733,314	20.13
Others	61,537	5.86	473,079	13.11
Hotel and Tourism	6,931	0.66	433,298	12.00
Transport	64,477	6.14	306,728	8.50
Power	218,003	20.76	290,484	8.05
Industrial Estate	-	-	249,213	6.90
Real Estate Development	30,033	2.86	195,082	5.40
Livestock & Fisheries	14,387	1.37	22,025	0.61
Mining	12,181	1.16	13,008	0.36
Agriculture	525	0.05	548	0.02
Total	**1,050,111**	**100.00**	**3,609,733**	**100.00**

Source: DICA

12. Investment is a significant driving force for economic development, and both domestic and foreign investment play significant roles. However, this FDIPP focuses on FDI as FDI is considered to bring more technologies and employment, thereby generating a higher economic growth, and contributing to government revenue, which is considered insufficient for achievement of the planned economic growth target. The detail of economic growth scenario and target is found in the appendix.

13. The Myanmar Investment Guide[1] prepared by DICA identified promising investment opportunities in eight sectors: 1) Agriculture, 2) Forestry, 3) Mining, 4) Livestock / Fisheries, 5) Transport, 6) Hydropower, 7) Oil and Gas, and 8) Hotel and Tourism. Through discussions with DICA, as part of the FDIPP study, a sector study focusing on 1) Manufacturing, 2) Agriculture, and 3) Service sectors, which are expected to have a large employment and regional development impact, was conducted.

14. For the manufacturing sector, taking comparative advantage of connectivity with economic giants such as China, Thailand and India, there are many possibilities for Myanmar to gain opportunities of producing hubs of light industry and to enter the global supply chain for manufacturing, and thus expand to export growth. On the other hand, there are a large number of State own Economic Enterprises (SEE) which are required to reform in order to achieve sound economic growth. In the full report of the sector, which will be found in the appendix, a detailed study on textiles and automobiles is indicated.

15. Agriculture is a priority sector in the national development plan and an optimal investment allocation between domestic investment and foreign investment is required. However, the share of agriculture (crops) in approved foreign investment is limited to 0.44% and the share of livestock and fisheries is also limited to 0.79% according to the DICA data. The reasons for this low investment are due to various factors including current land legislation, customary land tenure rights, rice first policies which prohibit free choice of crops, lack of safeguards of granting large land areas and transparent selection criteria, etc. which are elaborated in the Organisation for Economic Co-operation and Development (OECD) Investment Policy Review (IPR).

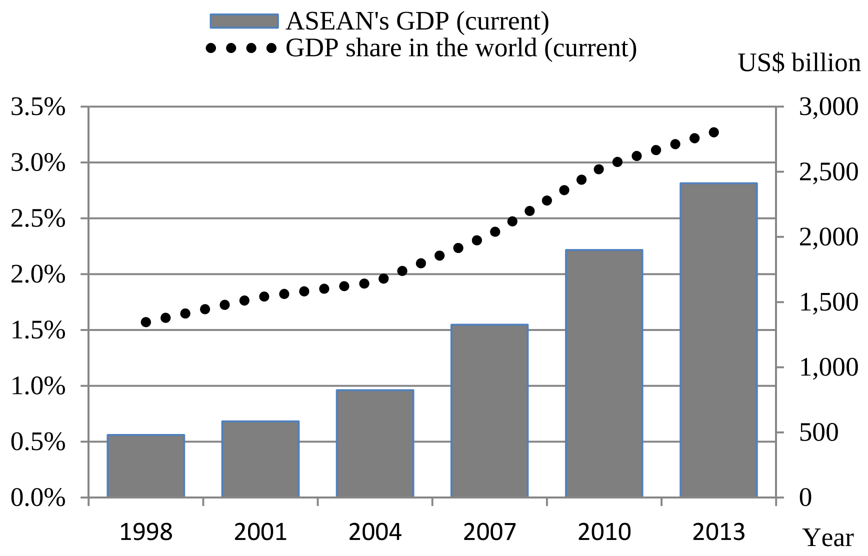
16. Myanmar has identified tourism as one of the strategic sectors that significantly contributes to national employment and income generation. The country has become an emerging tourist destination for international travellers. The Ministry of Hotels and Tourism (MOHT) has created and published ‘the Myanmar Tourism Master Plan (2013-2020)’ in close collaboration and cooperation with Norway and Asian Development Bank (ADB). This Master Plan is to be ‘used as a roadmap to shape the future of tourism in Myanmar’. All the tourism-related policies and efforts shall be designed to contribute to the full implementation of the Master Plan. FDI in the tourism sector should also be discussed and assessed in this context.

17. Although FDIPP does not give priority to the industrial sector for FDI direction, DICA as the Myanmar’s IPA needs to understand the strategy of each sector. DICA will coordinate the interaction between potential investors and the concerned ministry, and will also provide the sector strategy to potential investors. The detail of the study on the sectors is found in the appendix.

(3) Rapid Economic Development of ASEAN Countries

18. The ASEAN economy experienced rapid economic growth in the last 15 years. Figure I.2.2 shows that ASEAN GDP and the GDP share in the world during the period 1998-2013. ASEAN’s GDP has increased five times in 15 years from 1998 to 2013, and the GDP share in the world economy has increased from 1.6% to 3.3%.

[1] Available from the following website ; http://www.dica.gov.mm/Investment%20Guide.htm



Source: World Economic Outlook Database October 2013, IMF

Figure I.2.2 GDP in ASEAN and the GDP share in the World

19. In accordance with the rapid economic growth, the trade volume has also increased very quickly. As indicated in Table I.2.3, the trade volume of ASEAN has increased 2.2 times from US$ 1.1 trillion in 2004 to US$ 2.4 trillion in 2011. Trade within the ASEAN member states has also increased 2.3 times from US$ 260 billion to US$ 598 billion. The proportion of intra-ASEAN trade to the total ASEAN trade has increased from 24% to 25% during this period.

Table I.2.3 Change of Trade Volume in ASEAN

Unit: US$ million

	2004	2011
Total trade	1,071,848	2,388,592
Trade within ASEAN members	260,941	598,242
Trade with external countries	810,907	1,790,350

Source: ASEAN Statistics in 2012

(4) Integration of ASEAN economy

20. One of the most important issues for the ASEAN member states is the formulation of the “ASEAN Economic Community (AEC)” in 2015. After completion of the Common Effective Preferential Tariff (CEPT) scheme by six advanced countries (Thailand, Malaysia, Indonesia, Singapore, Philippines and Brunei) in 2002, all members decided to aim at a more integrated economy beyond the free trade agreement in the region. The formulation of AEC is one of the most important milestones towards formulating the “ASEAN Community” in the future.

21. AEC covers not only the free movement of goods but also the free movement of services, investment and labour force towards formulation of a single market. Therefore, the following three areas are positioned as priority integration sectors:

- ASEAN Free Trade Area (AFTA): Aims for free merchandise trade in ASEAN (elimination of tariffs) by 2015

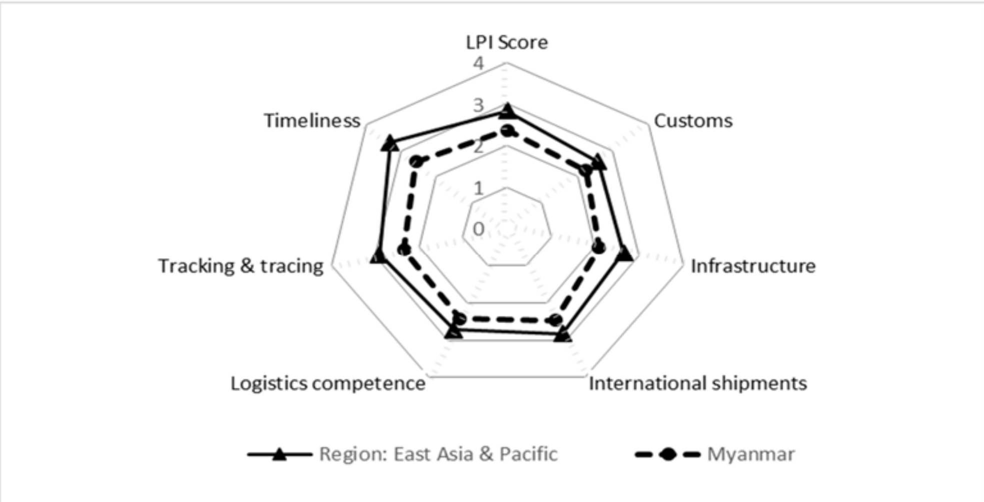
- ASEAN Framework Agreement on Services (AFAS): Aims for free service trade in ASEAN by 2015
- ASEAN Comprehensive Investment Agreement (ACIA): Free investment on manufacturing industry from member countries to member countries has already been achieved in 2003. Aims for free investment in the manufacturing industry from external countries (excluding sensitive sector) by 2015.

22. Since Myanmar is not an original member country of ASEAN, it has a longer moratorium to achieve these targets than the original members of ASEAN. The major objectives of the AEC are to create (1) a single market and production base, (2) a highly competitive economic region, (3) a region of equitable economic development and (4) a region fully integrated into the global economy.

23. The trend of fragmentation has also accelerated the recent change of investment destinations by foreign investors. It is important for DICA to analyse the portfolio strategy of foreign investors and take necessary action for investment promotion.

(5) Infrastructural Development

24. Logistic infrastructure is one of the important factors for investment. Unfortunately Myanmar's current logistic infrastructure is evaluated as poor (Figure I.2.3). Myanmar ranked at 129 out of 155 in the Logistics Performance Index (LPI) 2012 (Table I.2.4)



Source:http://lpisurvey.worldbank.org/international/scorecard/radar/254/C/MMR/2012/R/EAP/2012/I/LIC/2012

Figure I.2.3 Logistical Performance Index of Myanmar, 2012

Table I.2.4 Country Score Card of LPI 2012

	Rank		Customs		Infrastructure		International Shipment		Logistics quality and competence		Tracking and Tracing		Timeliness	
	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012
Thailand	31	38	3.03	2.96	3.16	3.08	3.24	3.21	3.31	2.98	3.25	3.18	3.91	3.63
Vietnam	53	53	2.89	2.65	2.5	2.68	3	3.14	2.8	2.68	2.9	3.16	3.22	3.64
Cambodia	81	101	2.19	2.3	2.3	2.2	2.47	2.61	2.47	2.5	2.53	2.77	3.05	2.95
Myanmar	**147**	**129**	**2.07**	**2.24**	**1.69**	**2.1**	**1.73**	**2.47**	**2**	**2.42**	**1.57**	**2.34**	**2.08**	**2.59**

Source: LPI Result 2013, World Bank

25. The logistical performance index (LPI)[2] conducted in 2012 for Myanmar shows that exporting goods is relatively difficult compared to East Asia-Pacific countries, as shown in the figure below. The overall LPI score for Myanmar in 2012 was 2.37, equal to the average for low-income countries and lower than the average for East Asia-Pacific countries.

26. The relatively low logistics performance, in all the six variables specified in the LPI, translates into relatively high trade costs, which is an obstacle to Myanmar benefitting from its export potential. Prerequisites to bringing down trade costs include reforms in custom procedures and the regulatory framework.

27. From the viewpoint of private investors, infrastructure is also one of the major investment targets. Currently, the infrastructure service is weak; however, demand on infrastructure is increasing rapidly. Limited infrastructure capacity is also one of the major issues hindering the promotion of industrial activities in Myanmar. So far, almost all private-finance projects were limited to the transport and electric power sectors. Investment in transport infrastructure such as airlines and seaports was observed in the 1990s, however no further investments were made in this sector after the 1990s. In the electric power sector, there were six existing investment projects as of October 2013. The government has stepped forward to invite private finance, including foreign capital, for the infrastructure service. In 2013, the Myanmar government selected concessionaires of the three international airports (Hanthawaddy International Airport, Yangon International Airport and Mandalay International Airport) and two cellular phone licenses.

28. Currently, the shortage of infrastructure in Myanmar is an important obstacle to meeting the needs of society and to enterprise and economic development. Access to infrastructure assets is currently one of the weakest in the region. With almost 70% of the population living in rural areas, infrastructure investment connecting rural areas to cities and townships can also play an important role in raising the standards of living of a large segment of the population.

29. Myanmar is one of the countries with the most limited infrastructure networks in the region, particularly in Information Communication Technology (ICT), electricity and transport (TableI.2.5 through Table I.2.6). The transport sector is also underdeveloped, especially from the road network point of view (Table I.2.7). Although the core road network is in relatively good condition, with about 48% of it adequately paved, only 8% of the non-core secondary and local road network is in adequate condition. The poor condition of transport infrastructure explains Myanmar's weak performance in the World Bank's 2012 Logistics Performance Index, ranked 129 out of 155 countries as shown in Table I. 2.4.

2 The overall LPI index reflects the perception of a country's logistics environment based on about 1,000 responses to a survey of logistics performance evaluated from six key criteria. These subcategories are: (a) efficiency of the customs clearance process; (b) quality of transport and transport-related infrastructure; (c) ease of arranging competitively priced shipments and competence; (d) quality of logistics services; (e) tracking ability; and (f) timeliness of shipments. The value of the index ranges from 1 to 5, with a higher score representing a better performance. The overall international LPI was calculated using standard statistical techniques for aggregation, and approximates the simple average of the scores of the six subcategories.

Table I.2.5 Electric Power Consumption and Electrification

Country	Electric Power Consumption (per capita kWh)		Household Electrification Rate (% of households)			
	1990	2010	Earliest Year		Latest Year	
Myanmar	**46.0**	**131.0**	**n.a.**		**47.0**	**2002**
Vietnam	98.0	1,035.0	78.4	1997	96.1	2005
Thailand	703.0	2,243.0	n.a.		n.a,	
Cambodia	13.0	146.0	16.6	2000	31.1	2010
Lao PDR	64.0	103.0	n.a.		46.3	2002

Source: Key Indicators for Asia and the Pacific 2013, ADB

Table I.2.6 Telephone and Internet Subscriptions

Country	Fixed Telephone Lines (thousands)		Mobile Cellular Phone (thousands)		Fixed Broadband Internet (thousands)	
	2000	2012	2000	2012	2000	2012
Myanmar	**271.4**	**555.6**	**13.4**	**5,440.0**	**0.2**	**5.4**
Vietnam	2,542.7	10,191.0	788.6	134,066.0	1.1	4,446.6
Thailand	5,591.1	6,391.0	3,056.0	84,075.0	1.6	4,357.4
Cambodia	30.9	584.5	130.5	19,105.1	0.1	29.7
Lao PDR	40.9	112.0	12.7	6,492.0	0.0	93.2

Source: Key Indicators for Asia and the Pacific 2013, ADB

Table I.2.7 Road Network

Country	Road Network (000km)			Road Density (km/000 ㎢)			Paved Road (% of total roads)			Access to All-Season Road (% of rural population)	
	1990	Latest Year		1990	Latest Year		1990	Latest Year		Latest Year	
Myanmar	**25.0**	**27.0**	**2005**	**38.3**	**41.3**	**2005**	**10.9**	**11.9**	**2005**	**n.a.**	
Vietnam	96.1	160.1	2007	295.2	516.3	2007	23.5	47.6	2007	83.5	2004
Thailand	72.2	180.1	2006	141.3	352.4	2006	55.3	98.5	2000	n.a.	
Cambodia	35.8	38.3	2004	202.8	216.7	2004	7.5	6.3	2004	80.7	2003
Lao PDR	14.0	39.6	2009	n.a.	171.4	2009	24.0	13.7	2009	64.4	2002

Source: Key Indicators for Asia ad the Pacific 2013, ADB

30. Inland waterways are also the important transport mode and the network is 43% larger (5 000 km in total) than the extension of the railroad network, and in 2011 it transported approximately 66% more tonnes of freight (5 million tonnes in total). The primary inland waterway routes are about 2 400 km[3]. However, infrastructure is poor with very few river ports containing cargo handling facilities and many have limited capacity for larger vessels. The eight existing coastal ports are also only equipped with basic facilities.

[3] THOMSEN, S and PFISTER, M (2013) "Investment Policy Review of Myanmar", OECD

31. Access to electricity in 2009 was limited to 13% of the population, which is among the lowest in the region. Power supply shortages are also frequent in the country, notably in Yangon. Myanmar has the lowest rates of telephone and internet penetration in Southeast Asia - only 2.6 people in 100 have access to mobile telephones, 1.08 have access to fixed telephone lines and 0.06 have broadband internet subscriptions. The poor quality of internet infrastructure, limited to one access to the global fibre optic network and 1GB per second of bandwidth until recently, is also a concern for foreign investors.

2.2 National Development Policy Framework

(1) National Development Policy

32. The short-term four or five year-national plans were drafted from 1992/93 – 1995/96 as the first and followed by the 1996/97 - 2000/01 plan, the 2001/02 - 2005/06 plan, and the 2006/07 - 2010/11 plan. The current plan, 2011/12- 2014/15 has been published as the "Framework for Economic and Social Reforms (FESR)", which was presented at the donor meeting in January 2013 and is considered as the essential policy tool of the government to realize both the short-term and long-term potential of Myanmar. First, it provides a bridge linking the on-going programs of government to NCDP. Secondly, FESR serves as a required reference for various entities of the government to develop more detailed sectoral and regional plans. Third, it can serve as a guide for building lasting cooperation with development partners to obtain mutual benefits.

33. FESR sets Myanmar's vision "to become a modern developed nation that meets aspirations of its people for a better life; and to achieve greater integration with the international community by 2020," and describes necessary reforms in economic policies and social systems. With regard to investment liberalisation, the Government of Myanmar (GOM) articulated to reform relevant laws, to improve transparency by building capacity among the domestic judiciary and to conduct a comprehensive investment climate assessment to determine the full spectrum and magnitude of constraints to private sector development.

34. Under the FESR, GOM also stated the importance of SEZ to attract FDI and lead to increased exports by overcoming both soft and hard infrastructure bottlenecks. In addition, GOM is determined to encourage domestic firms by reducing burdensome regulations, and removing restrictive and unnecessary government controls in the same manner as for foreign investors.

(2) Economic development strategy described in other existing national plans

a) First Five-Year Plan (2011-15) and NCDP

35. It is said that preparation of the first Five -year plan (2011-15) has already been completed and would be discussed in the Parliament. The detailed contents of the plan have not been presented yet, but the following targets are expected to be included.

- GOM strives to achieve an average annual GDP growth rate of 7.7%
- Structural change of industry share from 26% to 32% together with an increase in the service sector, reducing the currently high share of agriculture
- Per capita GDP growth will increase between 30 – 40% from the base year of 2010

36. NCDP is prepared based on the various kinds of inputs from the line ministries and local governments. In this regard, FDIPP is also an input for the NCDP.

b) Myanmar Comprehensive Development Vision (MCDV)

37. In the 3rd Mekong-Japan Summit[4], the leaders agreed to formulate the Myanmar Comprehensive Development Vision (MCDV) to support Myanmar's long-term development, and to be initiated by Economic Research Institute of ASEAN and East Asia (ERIA). MCDV was a long-term development aspiration and a set of growth strategies, which provided the foundation for a comprehensive and consistent set of economic policies, infrastructure and human resource development plans, industrial sector-wise growth paths, Region and State development master plans and so forth. MCDV envisaged Myanmar's development over 20 years, and also could be a comprehensive reference material of Myanmar economy for the present and future. The essence of the MCDV could be compiled into the following five strategies shown in Table I.2.8.

Table I.2.8 Five Strategies of MCDV and those Main Messages

Strategies	Main messages
Agriculture Plus Plus	- Importance of increase productivity by use of irrigation, fertilizer, agriculture machine and credit system for agriculture (Plus one) - Expanding economic functions of agriculture along its value chain: R&D, qualified seed, crop choice at the upstream side, and post harvesting, processing marketing, exporting and branding at the downstream side (The other plus one)
Export-oriented growth	- Difference of garment export, electric, and electric and electronics products with Myanmar since 1990s - Necessity to diversify export goods (from raw material only to diversified manufactured goods)
FDI-driven growth	- FDI promotion is a key to promote export-oriented growth. - Not crowding out but crowding in domestic investment - Spill over effect from foreign companies or joint-venture companies to domestic firms - Entering into Asian production system through "export-oriented growth" and "FDI-driven growth"
Two-polar growth	- Concentrating investments into developed industrial bases in Myanmar: Yangon and Mandalay - Two-polar growth will contribute to balanced national development through poverty reduction at Mandalay Region (acceleration of economic development at Mandalay) and delta area (acceleration of economic development at Yangon).
Development of domestic economic corridors	- Necessity of border area development (national border with Thailand, China and India) - Four economic corridors (north-south, east-west, right sash and left sash corridors) make Myanmar a "connecting node" or "land bridge" between Thailand, Laos, China, India, Bangladesh and the Indian Ocean

Source: Compiled by JICA Study Team

(3) Targeted Goals 2030 drafted in NCDP

38. The NCDP serves to guide Myanmar's development by providing a comprehensive and coherent strategic framework and substantive directions for aligning policy planning and investment decisions. The NCDP reflects a new development paradigm intended to move Myanmar from dependence upon the export of natural resources and basic agricultural commodities to higher stages of development that combine increasingly sophisticated technology and knowledge.

39. The 2030 vision for Myanmar is "a developed nation that is integrated into the global community" which is to be achieved through the realization of two long-term goals:

Goal 1: To build a growing diversified and sustainable economy

Goal 2: To ensure people-centred inclusive growth and development

40. The strategic framework of NCDP is based upon the achievement of these two long-term goals that are explicitly linked through the implementation of seven strategic thrusts. Although the government does

[4] November 2012

not prioritize the implementation or sequencing of the identified strategic thrusts, it places institutional development at the centre of the strategy, acknowledging both challenges that is one side in the context of institutional capacity and also the need for effective democratic institutions to support sustainable and equitable growth for all the citizens of Myanmar.

41. Seven Strategic Thrusts:

Strategic thrusts identified within the NCDP are:

(1) Strengthen the governance and public institutions,
(2) Create an enabling business environment and strong enterprise base,
(3) Expand domestic and global connectivity and economic integration,
(4) Foster internationally competitive sectors,
(5) Develop local economic potential,
(6) Promote human development and reduce poverty, and
(7) Conserve and protect the natural resource base

42. Accelerating and Transforming Myanmar's Economic Development;

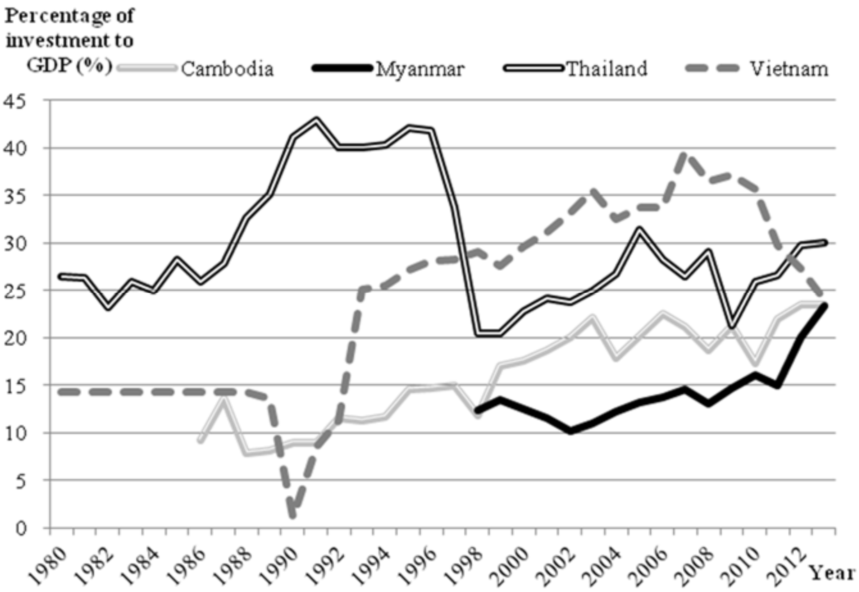
The NCDP provides an over-arching policy framework to support the rapid development and transformation of Myanmar's economy which aims to place the country into the global middle income classification by 2032 that boasts a GDP per capita of between US$3,000 and US$5,000 at current prices. To achieve this feasible, the Government acknowledges that a quick transformation of the economy in terms of its structure must be realized, and that a constant growth between 6% and 9% needs to be attained.

3. FDI situation and issues for the Myanmar's Economic Development

3.1 Current FDI situation

(1) Trend of Investment in Recent Years

43. The ratio of investment to GDP in Myanmar is the lowest in comparison to neighbouring countries such as Cambodia, Thailand and Vietnam in the 2000s. Figure I.3.1 indicates the percentage in the four countries since 1980. In the 2000s, the percentage was 30% to 40% in Vietnam, 20% to 30% in Thailand and 15% to 25% in Cambodia. Thailand experienced the highest percentages, with more than 40% of investment ratio to GDP in the 1990s. After the Asian Financial Crisis, the ratio dropped to 20% in 1998 and recorded 20% to 30% after year 2000.



Note: Myanmar's data before 1998 is not available.

Source: World Economic Outlook

Figure I.3.1 Ratio of Investment to GDP in Myanmar and Neighbouring Countries

44. Vietnam and Thailand, which recorded a high level of investment ratio to GDP, also achieved a high level of savings ratio to GDP (around 30%). Saving is the main factor for the investment and therefore, it is necessary for Myanmar to raise the savings ratio. The average percentage of savings from 2009 to 2013 of Myanmar was 21%. A 10% increase is needed to catch up with the level of Thailand and Vietnam.

3.2 Overview of FDI

45. DICA is compiling FDI statistics in terms of the number of investment projects and investment amount in the three categories: permitted investment, existing investment and terminated investment. All compiled data is on an application basis. Table I.3.1 tabulates permitted, existing and terminated projects by economic sectors, and Table I.3.2 shows such projects by major countries of origin.

Table I.3.1 Permitted, Existing and Terminated FDI Projects by Sectors

Unit: US$ million

Sectors	Permitted Investment		Existing Investment		Terminated Investment	
	No.	Approved amount	No.	Approved amount	No.	Approved amount
Power	7	19,284	6	13,254	1	6,030
Oil and Gas	115	14,372	64	13,630	51	902
Manufacturing	287	3,456	198	2,254	89	835
Mining	68	2,834	10	2,309	58	209
Hotel and Tourism	50	1,600	35	1,349	15	169
Real Estate	22	1,229	10	448	12	587
Livestock & Fisheries	26	347	8	88	18	21
Transport & Communication	16	314	7	138	9	113
Industrial Estate	3	193	2	179	1	14
Agriculture	12	192	9	163	3	29
Other Services	12	42	10	25	2	17
Construction	2	38	–	–	2	38
Total	620	43,902	359	33,837	261	8,963

Note: Accumulation from 1988/89 to October of 2013/14

Source: DICA

Table I. 3.2 Permitted, Existing and Terminated Investment Projects by Major Countries of Origin

Unit: US$ million

Major Countries of Origin	Permitted Investment		Existing Investment		Terminated Investment	
	No.	Approved amount	No.	Approved amount	No.	Approved amount
Australia	14	99	1	23	13	39
China	51	14,193	31	14,115	20	72
Hong Kong	61	6,459	44	6,366	17	53
Japan	40	292	29	190	11	120
Malaysia	46	1,626	19	1,028	27	398
Republic of Korea	84	3,045	71	2,973	13	86
Singapore	96	2,584	60	2,247	36	245
Thailand	69	9,984	33	2,876	36	6,750
U.K *	62	3,056	30	2,503	32	530
U.S.A	15	244	-	-	15	318
Total of Major Countries	538	41,581	318	32,322	220	8,612
Total	620	43,902	359	33,837	261	8,963

Note: Accumulation from 1988/89 to October of 2013/14

Source: DICA

46. Most of the FDI projects are in the power sector and oil gas sector dominated by China and Thailand in the 2000s. However, FDI in the manufacturing sector, hotel and tourism and real estate sector has been increasing in recent years. Table I.3.3 indicates the average permitted investment amount per year during the period of fiscal year 2001 to 2011, the permitted investment amount of fiscal year 2012,

and the permitted investment amount of fiscal year 2013 up to December 2013[5]. The figures increase substantially in manufacturing (US$17 million to over US$ 1,400 million), hotel and tourism (US$ 3 million to over US$ 400 million) and real estate (zero to US$172 million). On the other hand, the figures dropped in mining (US$208 million to US$ 4 million), power (US$1, 716 million to US$46 million) and oil and gas (US$1, 064 million to zero).

Table I 3.3 Current FDI Trend of Diversification by Permitted Investment Amount

Unit: US$ million

Sectors	Average Permitted Investment Amount per fiscal year in 2001/02 - 2011/12	Permitted Investment Amount in fiscal year 2012/2013	Permitted Investment Amount in April to December 2013
Agriculture	13	9.65	9.21
Livestock & Fisheries	4	5.60	36.02
Mining	208	15.33	4.04
Manufacturing	17	400.72	1,438.25
Power	1,716	364.20	46.51
Oil and Gas	1,064	309.20	0
Construction	0	0	0
Transport & Communication	3	0	0
Hotel and Tourism	3	300.00	433.11
Real Estate	0	0	172.70
Other Services	0	14.77	15.94
Total	3,028	1,419.47	2,155.77

Source: DICA

47. In parallel with the change of investment amount by sectors, the trend of the number of projects has also changed from 2012/13. During the period 2007/08 and 2011/13, there were between 5 and 24 projects; however, it increased to 94 in 2012/13. In 2013/14, there will be around 95 projects if the current pace of FDI application figures are kept (Table I.3.44).

Table I.3.4 Change of Number of Permitted Projects

Fiscal Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Number of Projects	8	5	7	24	13	94	81

The permitted investment amount in 2013/14 is estimated until December.

Source: DICA

48. With regard to the trend of FDI, the majority of FDI was concentrated in resource and energy sector such as Power, Oil and Gas, and Mining during the period of 2001 - 2011. These investments mainly came from the neighbouring countries, such as China and Thailand (Table I.3.5).

[5] Myanmar fiscal year starts from April and ends in March following year.

Table I 3.5 Comparison of the number of permitted FDI in Myanmar between 2001/2011and 2012/2013

Sector	Power		Manufacturing		Mining		Oil and Gas		Livestock & Fisheries		Construction		Hotel & Tourism		Transport & Communication		Other Service	
	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013	2001 /2011	2012/ 2013
China	5		3	7	5		6											
Japan			3	8				1										1
Korea			2	11					1									
Malaysia			2	1					1									
Singapore		1	1	5					1	1								2
Thailand	1		3	2	1		1				1		2					
UK				1			1	1							1			
Vietnam			1	1	1		1											
Others	1		5	8	5		13	2	1						1			
Total	7	1	20	44	12		22	4	4	1	1		2		2			3

Source of Table : Foreign Direct Investment Companies in Myanmar by Myanmar Survey Research (April, 2013)

49. The most remarkable change appeared in the manufacturing sector. Almost all investments in the manufacturing sector are contract manufacturing[6] of garments which has been booming since 2012/13. The major countries of origin are China, Hong Kong, Japan and Republic of Korea (Table I.3.7).

Table I 3.6 The number of Investment in Manufacturing Sector (2012-2013 March)

	China	Japan	Korea	Malaysia	Singapore	Thailand	UK	Vietnam	Others
CMP*	3	3	11			2			7
Automobile	1	1							
Medicine		2						1	
Cigarettes		1			1				
Beverage					3				
Wood					1				
Others	3	1		1			1		1
Total	7	8	11	1	5	2	1	1	8

Note : CMP - cutting, making and packing

Source : Foreign Direct Investment Companies in Myanmar by Myanmar Survey Research (April, 2013)

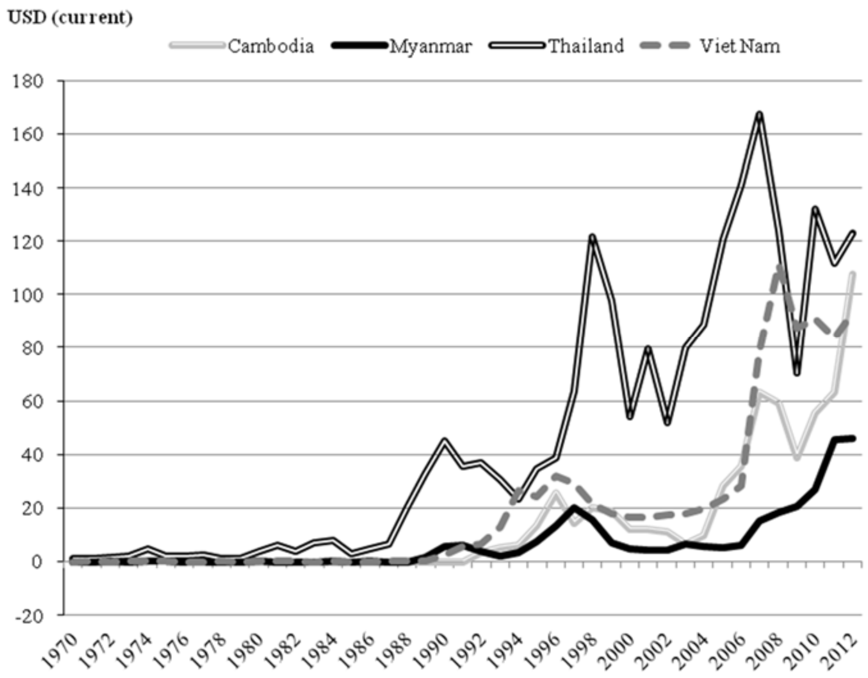
50. As explained above, the volume of investment in the manufacturing sector has increased since 2012; however, further diversification of the investment is imperative to achieve sustainable industrial development. Also, it is important for the Myanmar government to attract quality investment,[7] which can contribute to economic as well as human resource development.

[6] In Myanmar, contract manufacturing is called CMP (cutting, making and packing). Companies that conduct CMP business receive exemption of import tax for materials if the company receives permission of CMP from MIC.

[7] Quality investment is the investment that accompanies expected benefit of FDI such as; 1)creation of employment, technical transfer of efficiency in production, additional investment, technical transfer of knowledge and technique and environmentally sustainably development

(2) FDI Statistics by UNCTAD[8]

51. Processed graphs of FDI inflow of Myanmar and the three neighbouring countries (Thailand, Cambodia and Vietnam) since 1970 and FDI stock of the four countries since 1980 are shown in Figure I.3.2 through I.3.4.



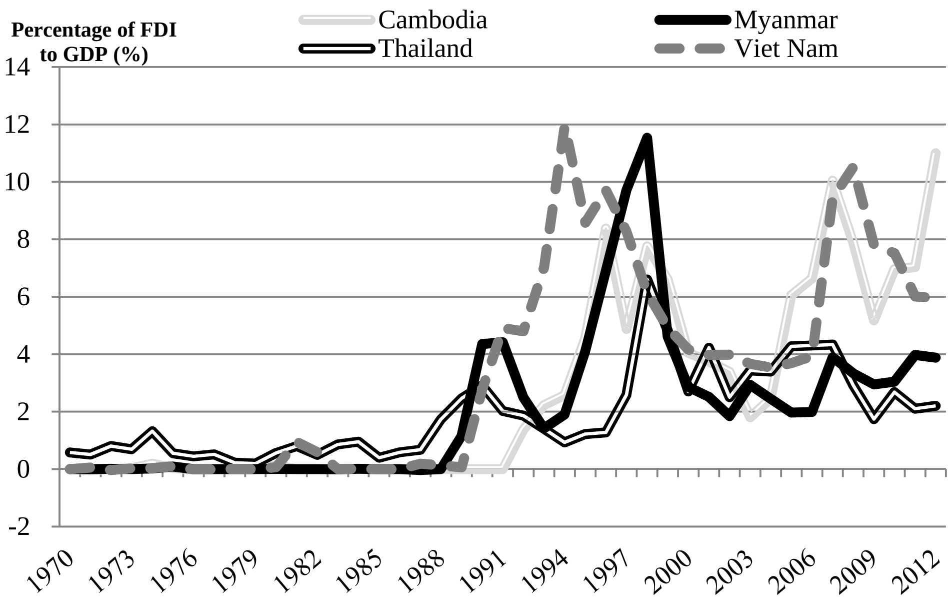
Source: UNCTADSTAT (http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx)

Figure I 3.2 FDI Inflow per Capita

52. As indicated in Figure I.3.2, FDI inflow per capita for Myanmar is the lowest among the four countries. Cambodia and Vietnam experienced similar FDI inflow in the 1990s and in the beginning of the 2000s. However, Vietnam experienced a rapid increase (US$24 to US$114) during 2005-2008, and Cambodia also experienced a significant rise (US$10 to US$108) during 2004 -2012. So far Myanmar has not shown such a rapid increase.

53. Figure I.3.3 shows the proportion of FDI to GDP. Cambodia and Vietnam experienced waves of high percentage of FDI inflow to GDP twice. The first wave occurred in both countries in the 1990s when they opened the door to foreign investors. The second wave occurred in the second half of the 2000s. Cambodia's percentage has dropped after the Lehman Shock, however the percentage appears to have recovered in 2012. Myanmar experienced the same wave in the second half of the 1990s but has yet to experience a second wave. There is a large difference between Myanmar and the above two countries in terms of FDI inflow to GDP.

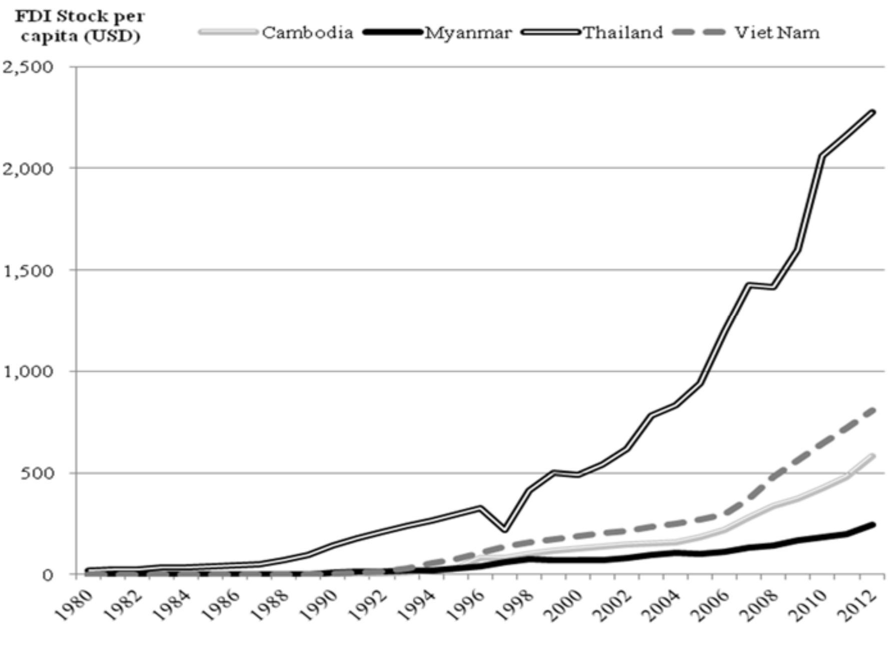
[8] United Nations Conference on Trade and Development



Source: UNCTADSTAT (http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx)

Figure I.3.3 Percentage of FDI Inflow to GDP

54. Figure I.3.4 shows FDI stock per capita. Due to limited FDI inflow per capita, Myanmar's FDI stock per capita is also the lowest among the four countries. Until the beginning of 1992, FDI stock per capita was less than US$10 in Myanmar, Cambodia and Vietnam. In 2012, the amounts were US$840 for Vietnam, US$581 for Cambodia and US$244 for Myanmar. Whilst the pace of accumulation in Cambodia and Vietnam had accelerated in the second half of 2000s, it is not as quick in Myanmar.



Source: UNCTADSTAT (http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx)

Figure I.3.4 FDI Stock per Capita

3.3 Future Perspective on Development Framework

(1) Socio-Economic Development and GDP Growth Scenario

55. As observed in Figure I.3.3 and Figure I.3.4, Myanmar's FDI is still below the levels of Cambodia and Vietnam in terms of inflow and stock. Apart from that, the economic boom has arrived following the country's economic and social reforms and the high economic growth target set by the government.

56. The JICA Study Team for the "National Transport Master Plan Project (MYT-PLAN)" prepared the population framework and GDP growth framework until 2035, which was approved by the steering committee meeting, the members of which consist of the relevant ministries. These frameworks are employed in this analysis. The ADB report entitled "Myanmar in Transition," which suggests that, "Myanmar could grow at 7%–8% per year for a decade or more and raise its per capita income to US$2,000– US$3,000 by 2030." In addition to the ADB report, Myanmar President U Thein Sein has set the target for annual GDP growth rate at 7.7% in the current five-year development plan[9].

57. In order to estimate Myanmar's future Gross Domestic Product, MYT-PLAN considered following three alternative economic growth scenarios.

- Scenario 1 – High Growth: Based on the growth target identified by President U Thein Sein, which seeks to achieve long-term annual GDP growth rates of at least 7.7%. The scenario assumes that annual growth will reach 7.7% by 2015 and continue growing at the same rate to 2035. New and on-going FDI, public and private investment in infrastructure and additional future private investment, will help sustain this growth. In this scenario, Myanmar's GDP will increase by about six times by 2035.
- Scenario 2 – Medium Growth: The GDP growth rate will increase to 7.2% by 2015, 0.5% lower than the High Growth scenario, and is sustained at this level from 2014 to 2035. At this rate of growth, GDP will double every 10 years, but will fall slightly short of the six-fold growth experienced in some peer countries.
- Scenario 3 – Low Growth: This scenario follows the IMF's debt sustainability analysis of Myanmar in 2011. In this analysis, annual GDP growth rates from 2014 to 2031 are set at 6.0%. As 6.0% future annual growth is roughly similar to the economic growth since 2010, the scenario can also be considered the "trend line" scenario.

58. MYT-PLAN selected the Scenario 2 for the study, which was also approved by the steering committee meeting, then calculated the necessary amount of investment[10] to achieve the GDP growth targeted in each scenario. Table I.3.7 tabulates GDP, share of investment to GDP and investment amount in 2015, 2020, 2025 and 2030. Percentages of investment to GDP which are estimated as 23.3% in 2013 will increase to 29% in scenario 1 and 27% in scenario 2 in 2020.

[9] The figure of 7.7% growth was presented in June 2010. According to latest information, the GDP growth target is raised to 7.9%.

[10] Investment mentioned here includes both private sector and public sectors (public investment, investment in plant and equipment, housing investment, etc.)

Table I.3.7 GDP and Investment Amount in 2015, 2020, 2025 and 2030

Unit: Billion Kyat in 2010

Year	Scenario 1			Scenario 2			Scenario 3		
	GDP	Share of investment	Investment	GDP	Share of investment	Investment	GDP	Share of investment	Investment
2010	42,229	- -	- -	42,229	- -	- -	42,229	- -	- -
2015	56,565	26.3	14,857	56,565	24.6	13,891.9	55,982	20.5	11,457
2020	81,964	28.9	23,688	80,079	27.0	21,640.0	74,916	22.5	16,871
2025	118,769	31.8	37,768	113,369	29.7	33,709.5	100,255	24.8	24,842
2030	172,100	35.0	60,217	160,497	32.7	52,510.7	134,164	27.3	36,579

Source: JICA Study team

(2) Estimation of Annual FDI Inflow

59. The MYT-PLAN selected Scenario 2 as the most appropriate GDP growth scenario from the assessment of investment amounts up to 2035, and future population growth which will peak around 2040. Following the selected Scenario 2, annual changes of investment amount (total investment, and FDI) from 2014 to 2030 were calculated in US$ and summarized in Table I.3.8. The accumulated amount of all investment will be US$ 495 billion, and the accumulated amount of FDI will be US$138 billion during 2014 and 2030.

Table I.3.8 GDP, Necessary Amount of Investment and FDI

Unit: US$ million

Year and Period	GDP	Total of Investment	FDI
2014	54,704	11,899	3,282
2015	58,260	14,308	4,661
2016-20 Average	70,021	20,558	6,306
2021-25 Average	99,129	32,025	8,120
2026-30 Average	140,338	49,886	11,405
Total		495,091	138,429

Source: JICA Study Team

60. In this study, it is decided to follow the scenario and investment amount calculated by MYT-PLAN as it is the only available government approved long-term economic forecast scenario.

(3) Spatial Development and Economic Corridors in View of Investment Destination

61. The Spatial development plan is also important for the Myanmar government to understand the geographical location of major destinations. This would help the government to visualise the needs of infrastructure development such as road networks, which may link the infrastructure development in the national plan.

62. Currently, the Myanmar government has drafted the National Spatial Development Planning Act[11]

[11] Ministry of Construction of Myanmar, An Overview of Spatial Policy in Asian and European Countries, Ministry of Land, Infrastructure, Transport and Tourism, JAPAN (MLIT) http://www.mlit.go.jp/kokudokeikaku/international/spw/general/myanmar/index_e.html

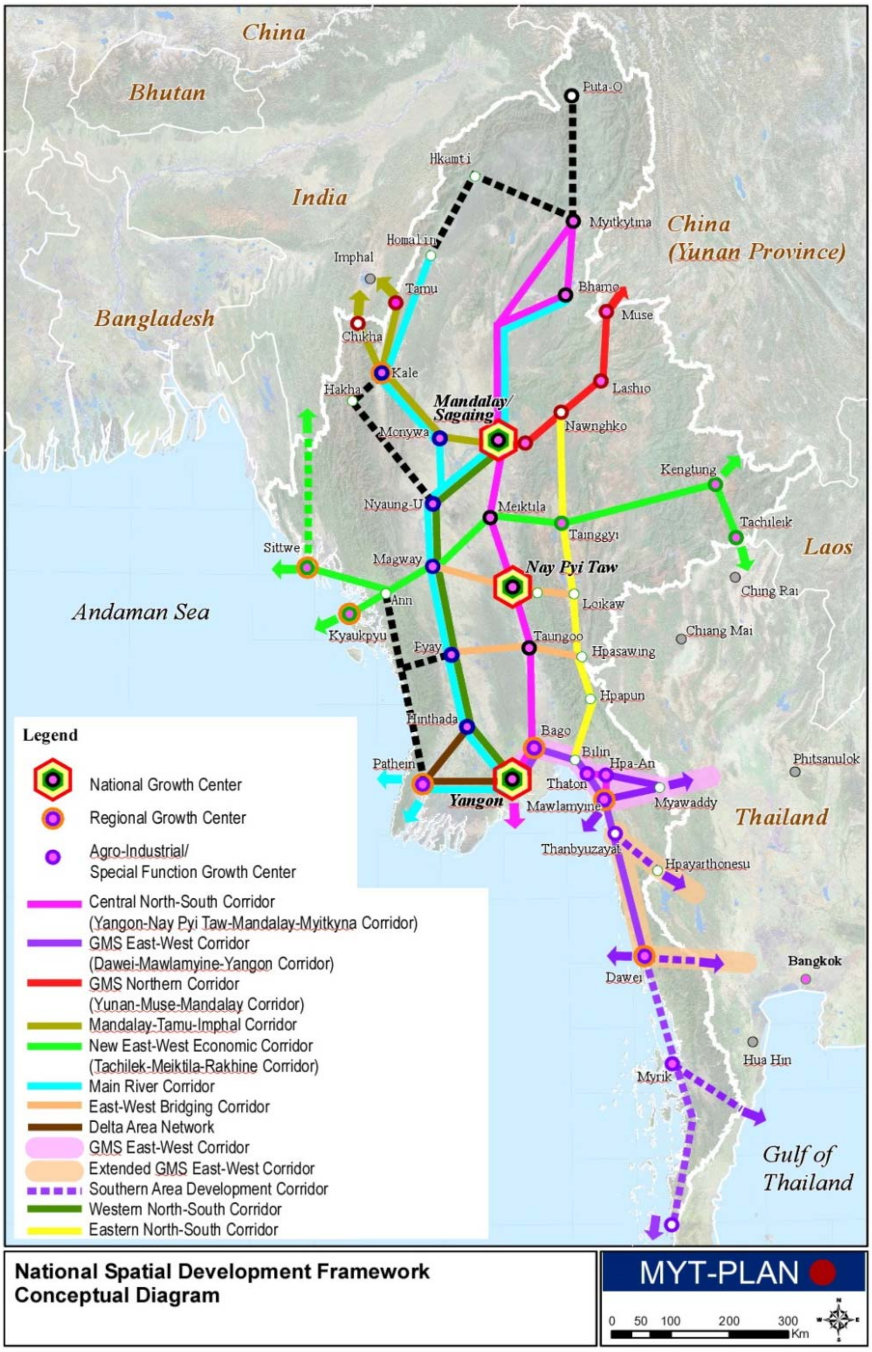
which includes: spatial planning policy for three spatial levels (national, regional (region/state) and township), land use regulations, and development permission criteria. It proposes to give roles to districts, which are at the administrative level between region/state and township, of putting township plans together, but has not prepared a spatial development plan which shows the hierarchy of cities/towns and the network relation between the cities/towns. Ministry of Construction has a vision of integrating the Spatial Planning system with the system of NCDP which MNPED establishes. The JICA Study Team for the MYT-PLAN prepared a preliminary national spatial development framework conceptual diagram specified in Figure I 3.6.

63. From the point of view of economic activities of foreign companies, FDI will be concentrated on the following destinations: Yangon, Mandalay, Bago, Special Economic Zone (SEZ) such as Thilawa, Dawei, and Kyaupyu, and towns along the Greater Mekong Subregion (GMS) East-West Economic Corridor. Yangon and Mandalay, which are first and second cities in terms of population and accumulation of companies, continue to attract new investments. It is highly likely that economic activity in Yangon will spread out to Bago and Thilawa SEZ. The other attractive area is the border area which could be connected to Thailand by road. As the condition of the GMS East-West Economic Corridor is improved and labour cost in Thailand rises, labour-intensive industry would be further relocated to the Myanmar side.

64. Industrial Zones in Yangon receive the most FDI inflow which spills over to Bago, the area between National Road No.1 and the expressway. Mandalay is expected to be the second destination for foreign companies as an industrial and service sector base, and gateway to tourist destinations such as Bagan and Inle Lake. It is necessary to enhance and improve the connection between both cities by National Road No.1, expressway and Yangon-Mandalay Railway.

65. As improvement of the road network in the south-eastern provinces (Mon and Kayin States) proceeds, Thai companies would invest in border towns such as Hpa An and Myawadi. In 2012, there were 400 garment factories located at Mae Sot, the border town in Thailand, with 20,000 Myanmar immigrants working in the factories. If the road network between Kawkareik and Myawadi and electricity supply were improved, these companies would shift to Myawadi and Hpa An to utilize Generalized System of Preferences (GSP).

66. SEZs also accommodate investment from foreign countries. Thilawa SEZ, which is expected to be developed first, would be a part of Yangon's industrial cluster. Expected industries at SEZs are not contract manufacturing industry such as garment manufacturing, but industries producing component parts for vehicle and electrical and electric equipment because contract manufacturing, which requires lower initial investment, cannot afford it.



Source: JICA Study Team on "National Transport Master Plan Project"

Figure I.3.6 Preliminary National Spatial Development Framework Conceptual Diagram

(4) Legal Framework for Public-Private Partnership

67. As mentioned in the previous section, the Myanmar government started to tender for concession projects. However, those private-financed projects were started without a legal framework such as public finance initiative (PFI), public private partnership (PPP) and concession laws. As FESR describes, it is important and necessary to develop a legal framework outlining rules and regulations before new PFI/PPP projects are started. When introducing rules and regulations, demarcation of project risk between public sector and private sector has to be clearly defined, and the roles of the regulator and implementer within the government sector have to be separated. In addition, a specific institutional design should be prepared

by each infrastructure, for example, separation of power production from power distribution and transmission in power supply sector.

68. When introducing private companies to infrastructure service, it is also necessary to consider three kinds of infrastructure services: (1) infrastructure services applicable to foreign companies, (2) infrastructure services applicable to domestic companies and (3) infrastructure services the government should provide. Seaport and Airport falls under category (1), because infrastructure service providers receive foreign currency from beneficiaries. Independent power producing projects are also included in category (1). The unit cost of power purchase is in foreign currency. Since these projects operate in foreign currency, foreign companies can avoid currency risk in these projects.

69. Foreign companies will nevertheless face currency risk in toll-road projects, domestic airport projects and river-port projects. Domestic companies appear to be more appropriate to undertake these projects. It seems to be difficult for the private sector to undertake both construction and services projects under infrastructure service, which is more strongly associated with people's daily lives in areas such as water and sanitation. The reason for this is because initial investment is directly reflected in the tariff level. In most cases people cannot pay the tariff fixed by private companies based on cost recovery. In this sector, the government should have more responsibility in infrastructure services. The notion that the public sector is responsible for facility development and the private sector is responsible for efficient operation of the facility, is a practical one in this sector.

4. Improvement of FDI climate for the Myanmar's Economic Development

4.1 Investment Regulatory Framework

(1) Investment Authority

70. The Myanmar Investment Commission (MIC) and the Directorate of Investment and Company Administration (DICA) are the National Investment Promotion Agency

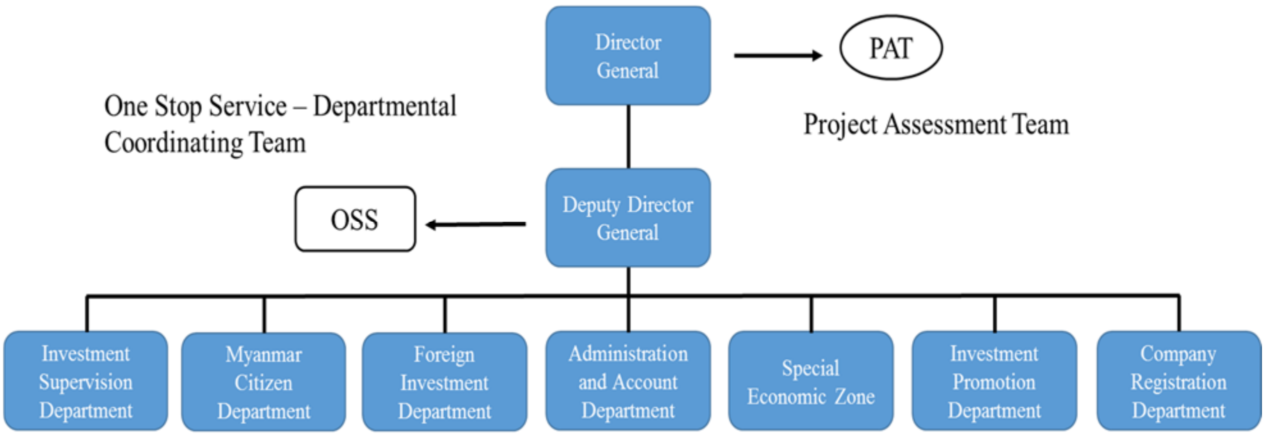
71. MIC consists of suitable persons from the Union level as

Chairman, experts and suitable persons from the relevant Union Ministries, Government departments, Government organisations and non-Governmental organisations as members.

72. DICA was established in 1993 under the Ministry of National Planning and Economic Development, as an agency to be responsible for investment promotion and to streamline the regulations and investment procedures. The objectives of DICA are:

- To increase investments (local investment & foreign investment)
- To encourage private entrepreneurship
- To take part in regional and international economic cooperation
- To develop institutional frames

73. DICA has two functions: investment promotion and investment administration as the Secretariat of MIC. It aims to provide necessary information for investors to prepare investment application through DICA's website. DICA consists of seven sections with 225 staff as of January 2014, and it plans to increase up to 415 staff by 2016 and assigned more officials in the regional branch offices (Figure I.4.1).



Source: DICA

Figure I.4.1 DICA Organisation Chart

74. To meet the growing number of investment applications and the demand for investment information by investors, DICA has expanded its department and increased its staff. In June, 2013, DICA opened its Yangon office with the One Stop Service (OSS) function and is planning to open three other new offices shortly starting from Mandalay.

75. The government has received advice from international organizations for the reform, and in partnership with the ASEAN Secretariat, OECD has conducted the first Investment Policy Review of Myanmar in 2013. The review covers all 10 policy areas in the Policy Framework for Investment (PFI). The assessment covered in the review can be used to build consensus and capacity within the government and to foster a whole-of-government approach to investment climate reform.

76. OECD is also conducting the Development Pathways study on Myanmar, which is a new series that looks at multiple development objectives. The government is trying to achieve economic, social and environmental objectives, with the understanding of the constraints they face, and to develop comprehensive and well-sequenced strategies for reform. A multi-dimensional country review (MDCR) aims to help developing countries to identify binding constraints by taking a crosscutting, rather than a sectoral perspective. Several reports on recent studies other than those of OECD recognized the investment climate in Myanmar, and the areas that are required to improve/develop further. PFI is especially helpful to understand the strength and the weakness of the investment promotion agency.

(2) Laws and Regulations

- Recent reform and future plans for further improvement of investment climate
- Regulation and Laws Related to Foreign Direct Investment and DICA's operation

77. The laws related to DICA's operation are as follows:[12.]

1) Myanmar Company Act (1914) aims to facilitate the development of the private sector by encouraging business investments, providing both local and foreign investors incentives to businesses (e.g. tax breaks and land leasing) and by regulating business activities in Myanmar.

2) Myanmar Citizen's investment Law (1994) provides a level playing field for both domestic investors and foreign investors.

3) New Foreign Investment Law (2012) provides more generous concessions to foreign investors such as (tax breaks and land leasing rights).

4) The Myanmar Special Economic Zone Law (2011) aims to provide the necessary policy support to the developing economic zones (SEZs) in Myanmar. This SEZ Law was amended and promulgated in 2013 /14.

78. Myanmar is the only country among the ASEAN member countries which has separate investment laws, namely, the Foreign Investment Law and Myanmar Citizens Investment Law[13]. GOM will merge the two laws before the advent of the ASEAN Economic Community by 2015 and to secure the National Treatment for FDI

4.2 Improvement of Investment Opportunities

(1) Improving investment opportunities – two-way approach

79. FDI plays a significant role in upgrading export and domestic markets by bringing in capital, technology and employment. DICA already confirmed it would take initiatives to improve investment opportunities by a two-way approach: through 1) capacity buildings by international agencies such as OECD, UNCTAD, UNDP[14], IFC[15] and other bilateral development partners such as JICA, and 2) strengthening bilateral economic relations with important business partners.

(2) Roadmap for improving investment climate

80. DICA currently discusses the road map of FDI with the following directions:

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12 OECD (2013) Multi-Dimensional Review of Myanmar, Volume 1. Initial Assessment, OECD Development Pathways, OECD Publishing

13 THOMSEN, S and PFISTER, M (2013) "Investment Policy Review of Myanmar", OECD

14 United Nations Development Programme

15 International Finance Corporation

1) Short-term focus on Labour intensive manufacturing – garment, shoes, etc.
2) Mid-term focus on value added industry – upgrading agriculture, introducing more manufacturing, and advanced and new service industry
3) Long-term focus on introducing heavy industry

For the realization of these directions, the two-way approach to facilitate diversification and upgrading of FDI, and strengthening of the bilateral economic relations with potential investors with contracting bilateral investment agreements, is considered.

Despite the discussion among policy makers to improve the investment climate, FDI may be wrongly interpreted as a threat. GOM continuously coordinates with domestic business communities to collaborate more with foreign partners and facilitate to increase FDI.

PART II Draft Long-term Foreign Direct Investment Promotion Plan

1. Given the situation and prospects of Myanmar economic development through FDI discussed in Part I, the following section is drafted as the integral part of the final report of the project but also forms the draft Long-term FDI Promotion Plan (FDIPP) by itself for further finalization among the relevant Ministries and stakeholders.

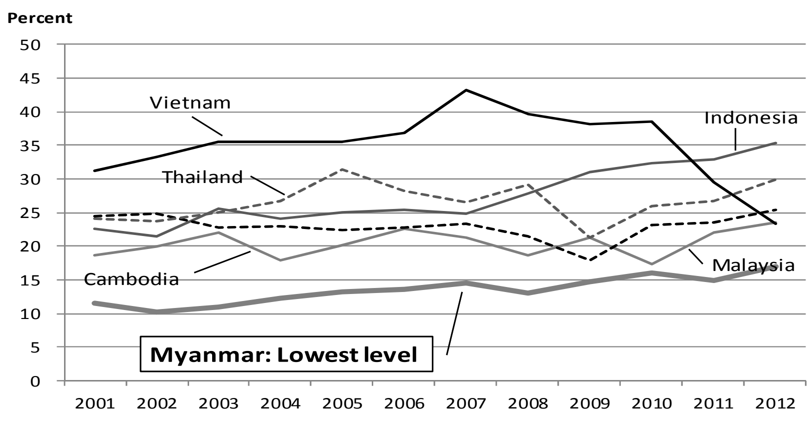
2. FDIPP is under preparation as a government policy paper to improve the investment climate in Myanmar by addressing issues that hinder higher FDI inflow. FDIPP is expected to benefit investors and continuously improve the investment climate as a roadmap. FDIPP will be included in the National Comprehensive Development Plan (NCDP), a 20-year long-term development plan for Myanmar. It will be shared with concerned ministries to ensure coordinated actions once approved by Ministry of Planning and Economic Development (MNPED) and the Cabinet, and presented in the DICA's website.

3. Following Chapter 1 -Background, Chapter 2 elaborates the vision and goals of FDIPP. Chapter 3 discusses issues to be addressed for FDI promotion, and Chapter 4 elaborates the strategies that underpin the vision and goals. The last Chapter 5 outlines the necessary actions required of DICA for effective coordination and acceptable policy implementation which will propel the country towards dynamic economic growth.

1. Background and Objective of the Long-term FDI Promotion Plan

1.1 Critical role of FDI

4. After launching economic and social reforms in Myanmar, foreign investors started to intensely look at Myanmar because of its high growth potential deriving from territorial and population size, geographical location, rich natural resources, and future economic integration with neighbouring countries. The new trend of FDI, i.e. a shift from investments on natural and energy resources sector to manufacturing sector, has been recently acknowledged; however, Myanmar's FDI growth has not been satisfactory compared to neighbouring countries. This is underpinned by the fact that Myanmar's investment share in GDP is considerably lower than that of neighbouring countries (Figure II.1.1). Also, the current status of inward FDI stock in Myanmar is also much lower than that of neighbouring countries (Table II. 1.1).



Source: IMF World Economic Outlook Database, April 2013

Figure II.1.1 Percentage of Investment against GDP

Table II.1.1 FDI Inward Stock (Million US$)

	2011	2012
Myanmar	9,123	11,910
Thailand	139,735	159,125
Vietnam	72,778	72,530
Cambodia	6,850	8,413

Source: UNCTAD World Investment Report 2012, 2013

5. Myanmar's percentages of investment and savings to GDP are 10% lower than neighbouring countries such as Thailand, Cambodia and Vietnam. In order to accelerate economic growth and catch up with these countries, it is necessary to raise saving and investment ratio. FDI plays significant roles for accelerating economic growth by way of bridging the gap between investment needs and national savings, and bringing management know-how, advanced technologies and techniques and market opportunity.

6. The ASEAN Economic Community (AEC) will result in ASEAN becoming a key investment destination, but it will increase competition within ASEAN countries. FDI plays significant roles in bridging the gap between investment needs and national savings, and bringing management know-how, advanced technologies, direct employment, and positive spill overs to domestic suppliers. The Government of Myanmar (GOM) needs to take full advantage of recent attention of FDI for further reforms to actual increase in various investments to materialise the diversified and sustainable economic development. In spite of current economic boom, many challenges remain unresolved in legal and administrative framework to further attract FDI. The improvement of investment climate is, thus, a matter of great urgency in Myanmar.

7. The Directorate of Investment and Company Administration (DICA), under MNPED, is the primary organisation serving as an investment promotion agency of the country which is responsible for investment promotion and facilitation besides all other important tasks of the department. DICA currently engages in reforming the investment policy to improve the investment climate and to increase both the quality and quantity of investment from domestic and foreign investors. Further, the GOM also recognizes the significance of quality investment as it has following features

   - Sustainable employment opportunities
   - Values and efficiency in national production
   - Generation of further capital flow
   - Technology transfer of knowledge and skills
   - Preservation of sustainable environment

8. There are challenges identified by various assessments done by international communities. The World Bank's "Doing Business Report" ranks 189 countries in 10 categories indicated in the following Table II.1.2 that measures the ease of doing business for a local entrepreneur. Myanmar was ranked 182nd overall from 189 countries in the Doing Business (DB) report in 2014. Myanmar ranked 189th in "Starting a business" due to long registration process (72 days) and large amount of minimum capital required. This is the first time for Myanmar to be included in the ranking with rather far too low ranking compared to neighbouring countries. Singapore ranked 1st, followed by Malaysia at 6th, Thailand at 18th, Vietnam at 99th, and Cambodia at 137th. President U Thein Sein instructed concerned ministers to improve the investment climate right after the DB report was published in October 2013.

Table II.1.2 How Myanmar and neighbouring countries rank under the Doing Business 10 Topics

Category	**Myanmar**	Cambodia	Vietnam	Thailand
Starting a business	**189**	184	109	91
Dealing with construction permits	**150**	161	29	14
Getting electricity	**126**	134	156	12
Registering property	**154**	118	51	29
Getting credit	**170**	42	42	73
Protecting investors	**182**	80	157	12
Paying taxes	**107**	65	149	70
Trading across borders	**113**	114	65	24
Enforcing contracts	**188**	162	46	22
Resolving insolvency	**155**	163	149	58
Total Ranking	**182**	137	99	18

Source：Doing Business 2014, Doing Business 2014 Economy Profile: Myanmar

9. The OECD FDI Regulatory Restrictiveness Index (RRI) seeks to gauge the restrictiveness of a country’s FDI rules based on the elements such as 1) foreign equity permitted, 2) screening and approval procedure, 3) restrictions on key foreign personnel, 4) land ownership, etc. In 2012 FDI RRI scored Myanmar as the second most restrictive economy for foreign investment out of 57 countries.

10. According to the survey report on overseas business operations by Japanese manufacturing companies, published by JBIC in 2013 and 2014, Myanmar ranking had improved from 10th in 2012 to 8th in 2013 by increasing the number of respondents which designated Myanmar as a promising country for overseas business from 51 to 64. As reasons for this, three major elements namely, inexpensive source of labour, future growth potential of local market, and risk diversification to other countries as a manufacturing base are mentioned by respondents in the survey of 2013. However, several concerns are also expressed by respondents in the survey. Among those, underdeveloped infrastructure, weak legal system, and lack of information on the country are highlighted by respondents in accordance with the degree of concerns, which is the same as the survey in 2012.

11. The following points are to be focused to bring out the main message to address “the significance of the emerging stage for Myanmar to introduce a concrete direction in its FDI promotion policy.”

i) the market opening along with the political shift, economic growth

ii) the drafting stage of NCDP and other governmental policies to be aligned with,

iii) the on-going process of constructing the foundation to support national development (legal foundation as well as hard infrastructures) under uncertainty of a set national policy,

iv) the issues raised for the investment climate (especially in FDI area) in the booming trend of FDI,

v) the necessity for introduction of the FDI policy even prior to the NCDP to sustain the momentum and capture opportunities created by FDI

12. The needs for long-term strategic plan have been advocated to streamline the various commitments to share the same vision among stakeholders. On the basis of above, a draft Long Term FDI Promotion Plan (FDIPP) has been outlined under the assistance of Japan International

Cooperation Agency (JICA) and will be finalized in further consultation with and among the relevant Ministries and stakeholders.

1.2 Objective

13. The objective of the FDIPP is to set out Myanmar's first comprehensive policy direction of FDI promotion, and to outline its transparent roadmap and consistent approaches with national/regional development plans to reach its overall goal, contributing to Myanmar's further development and integration into the global community. FDIPP also aims to streamline the vision, goals and strategies with a framework corresponding to that of the National Comprehensive Development Plan 2011-30 (NCDP).

2. Vision and Goals

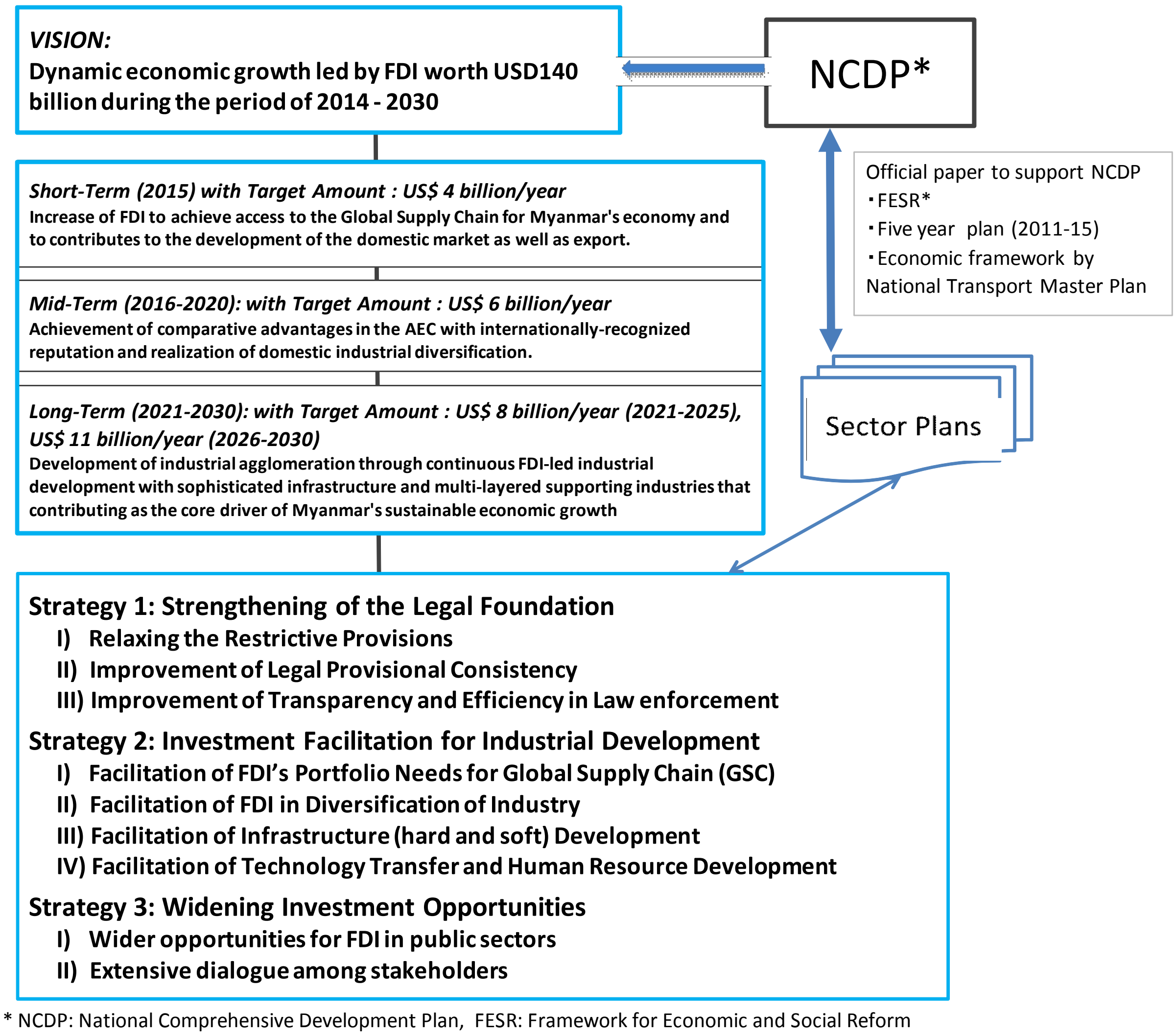
14. FDIPP's goals are basically set in line with the four successive 5-year Development Plans under the "National Comprehensive Development Plan" (NCDP) being finalized. The first 5-year was set from 2011 to 2015, second; from 2016 to 2020, third; 2021 to 2025, and the last period; 2026 to 2030. In the NCDP drafting, the following implementation structure is being discussed at the 2nd Myanmar Development Cooperation Forum in January 2014;

Stage 1:	Five Year Plan (2011-2015): "quick win" implementation
Stage 2:	Five Year Plan (2016-2020): Strengthen economic and investment base to reduce poverty
Stage 3:	Five Year Plan (2021-2025): Implementation of Mega Projects, Strengthening connectivity
Stage 4:	Five Year Plan (2026-2030): Higher level of diversification and upgrade of production base

Source: MNPED

15. FDIPP is required to be formulated even prior to NCDP in order to meet the momentum of foreign investors' expectations and opportunities. In order to envisage the preferable FDI, the vision and goals have been drafted in the FDIPP. Since the NCDP sets a band of GDP growth of between 6 ~ 9% during the planning period which aims to place Myanmar into the global classification of a middle income country by 2032; the GDP per capita between US$3,000 to US$5,000.

16. The FDIPP's vision is "Dynamic economic growth led by FDI worth US$ 140 billion during the period of 2014-2030" based on the FDI volume required to achieve NCDP's goal. Under this vision, the FDIPP's goals are set in short-, mid- and long- term basis with annual FDI target volume to attract. In short-term goal, it aims to increase FDI volume in order to achieve access to the Global Supply Chain (GSC) and to contribute to the development of the domestic and export market. In the mid-term goal, Myanmar targets to achieve comparative advantage in the AEC with an internationally-recognized reputation and realization of domestic industrial diversification. Finally, in the long-term goal, the development of industrial agglomeration is achieved through continuous FDI-led industrial development with sophisticated infrastructure and multi-layered supporting industries which become as the core driver of Myanmar's sustainable economic growth (Figure II.2.1).



Note: * NCDP: National Comprehensive Development Plan, FESR: Framework for Economic and Social Reform

Figure II.2.1 Framework of Long Term FDI Promotion Plan (FDIPP)

17. Target amount of FDI will increase in line with improved investment climate. In short term, increase by quantity will be focused. This increase will be materialised by active investment by the various types of multinational companies. These investments will eventually expand domestic markets as well as ensure products to have export quality. If the investment will increase by US$6 billion / year, Myanmar would be able to succeed in industry diversification to certain extent. In the long-term, agglomeration with infrastructure and industry will further improve investment climate in Myanmar and lead solid growth.

3. Issues to be addressed for Improvement of Investment Climate in the FDI area

18. The challenges addressed in the previous section are observed in various levels of investment activities. Among them, the following section will focus on major prior three areas, i) legal foundation, ii) facilitation measures, iii) further opportunities, and highlights issues raised in the recent development of investment climate.

3.1 Legal Foundation

19. While Myanmar is increasingly attracting the interests of foreign investors in recent development, it is also observed that the actual commitments for investment tend to demonstrate their hesitation in some areas. One of the major reasons for this is confusion in the current legal structure and law implementation in investment related areas. In the area of FDI, it is also observed that the relatively restrictive regime of FIL could be recognized as obstacles for foreign investors. In overall investment registration procedures, the inconsistencies among law provisions are creating confusion (namely the law prerequisites for registration), and there is a general concern among investors over capacity of law implementing authorities to facilitate them under the current legal system. The GOM is progressively carrying out reforms of various laws to meet the demands of domestic and international business communities starting from reviewing FIL, SEZ Law. The GOM also has plans to revise the 100 year-old Myanmar Companies Act (MCA) to update registration procedures, and to integrate the FIL and MCIL. Despite all these undertakings for improvement, it is true that there still remain a number of uncertainties in terms of a transparent and foreseeable investment climate.

(1) Restrictive Provisions for FDI:

20. The Joint Venture requirements and restrictive business permit requirements under Foreign Investment Law (FIL) for economic activities of FDI listed in the notification (Notification 1/2013, Classification of Types of Economic Activities) by Myanmar Investment Commission (MIC) leave certain ambiguities. The scope of the three restricted and prohibited categories, i.e. 1) prohibited business areas, 2) Economic activities to be allowed in the form of joint venture, and 3) Economic activities to be approved on special conditions, are detailed in Notifications 1/2013 and 11/2013. The listed sectors prohibited to foreign investors in both Notifications 1/2013 and 11/2013 are 1) national security environment, 2) forestry, 3) mining, 4) agriculture, 5) electricity, 6) transport, 7) media, 8) fishing, 9) health, and other communications, and 10) finance as well as those sectors which remain a monopoly of the state under the State-Owned Economic Enterprises Law (1989). The sectors requiring a joint venture is further described in 42 categories with specific conditions imposed.

21. The FIL states that FDI may be allowed even in prohibited sectors if the MIC allows. On the other hand, there were cases which were not approved by MIC despite the fact that FIL does not specifically prohibit the applied sectors. These provisions leave uncertainty as the criteria of MIC were not clearly defined. There is strong recommendation from the business community to employ international coding system such as ISIC (industry) and GATS W/120 (service) for classification of economic activities.

22. Due to limited business standard guideline for responsible business in the country which can be applied for MIC criteria, screening and approval process for FDI application may lead to improper FDI. If the Project Assessment Team (PAT) has capacity to enforce some guidelines for responsible business, safe-guard mechanism is built in the process. This would lessen concern over 100% FDI[1] At this moment, there are a number of sectors where it is hard to find JV partners. For small and medium enterprises (SMEs) who have limited information about the local partners, these requirements of JV is the practical restrictions which is hard to overcome in the short-run.

(2) Inconsistent and Unclear Provisions:

23. The structure of two investment laws; FIL and Myanmar Citizens Investment Law (MCIL) provides complexity in overall investment climate. While equal treatment between national and foreign companies is stipulated in some Bilateral Investment Agreements (BIA)[2], the existing two investment laws define the difference between foreign investment and Myanmar citizens' investment. According to the Myanmar Companies Act, a Myanmar company is defined as one whose capital share is owned entirely by Myanmar citizens. Under this term, a company which has a mere one per cent of foreign capital share is regarded as a foreign company. In this situation, a foreign company cannot enjoy the same treatment as a Myanmar company since foreign companies 1) have to pay more for various public services (dual pricing system), 2) are not allowed to purchase and possess properties nor cars, 3) are not allowed to export agricultural products, etc., which causes difficulties for invested foreign companies as well as domestic companies who are willing to collaborate with foreign companies. National Treatment (NT) is still not confirmed, and remains a challenge. This issue has been reiterated by foreign investors as well as foreign governments. The effect of the National Treatment standard is to create a level-playing-field between foreign and domestic investors in concerned markets.

24. Inconsistency in provisions between FIL and sector business permits regulations under other ministries remains substantially. For example, the period of the land use right by the FDI law is said to be initially 50 years. While under the Virgin, Fallow and Vacant Lands (VFVL) law, it is initial 30 years period of land use. In setting up the agro-based industry, raw material processing plants and field crops production should be parallel procedure, but not well coordinated in reality.

25. To obtain special permission from the Ministry of Hotel and Tourism (MOHT) is prerequisite for the sector when they apply for MIC approval. In fact, MIC approval requires the land lease permits, while consultation from MOHT needs to be done well before land lease permit. Investment required for hotel / tourism business need to comply with laws and regulations under MOHT. The authorisation of MOHT is more important than approval under the MIC which

[1] Under the section 108 of FDI rule, it is stated that the investor is allowed in contracting farming on the farm land by forming the joint venture. In the case of natural rubber processing, the role of foreign investor could not only pursue rubber processing business but also procure the natural rubber raw products from growers on contractual basis. Since natural rubber industry consists of 90 % of small holders (less than 50 acres), rubber plantation could be encouraged and promoted for the small holders while foreign investors should be encouraged in playing the role of upstream and downstream commercial activities. This case might not be obliged for foreign investors to find local partners for JV required under the current rules. It might be too realistic to find native companies to conduct upstream and downstream commercial activities which are not fully developed yet in the country. FDI rules should not exclude responsible foreign investors who plan to conduct contract farming to attempt to its upgrading the quality products and processing. The current restrictive provisions can be further reviewed in order to encourage highly value industry to be attracted.

[2] For example, Article 2 National Treatment of the BIA with Japan stipulates; Each Contracting Party shall in its Area accord to investors of the other Contracting Party and to their investments treatment no less favorable than the treatment it accords in like circumstances to its own investors and to their investments with respect to investment activities.

leaves inconsistency from FIL.

26. Under the new FIL, foreign investment takes place in one of the following forms:

- A foreign entity can invest 100 percent in the businesses that are open to foreign investment as prescribed by the MIC.
- A foreign entity can form a joint venture with citizens or governmental departments or organisations. In all joint ventures, the minimum shareholding of the foreign party is 35% of the total equity capital. For sectors that are not allowed for 100% foreign investment, the investment ratio for foreign investor is up to 80%.
- A foreign entity also forms certain business arrangement or contract.

27. In reality however, MIC criteria on capital requirement is not clearly written. Some foreign companies which received approval of MIC under the form of JV, were requested for their local partners to increase investment capital ratio more without initial indication or written instruction. There is no stipulation on what percentage of the capital contribution is appropriate for foreign and local partners. The basis of FDI related restriction is regarded as practice which does not have sufficient legal basis. With regard to investment application, there was a case where MIC requested the firm to include in the capital the loan from its parent company which the firm was supposed to utilize. This was not stipulated in the rules and regulations. Further, the profit remittance regulations are not clearly defined and subject to approval of authorities. These rules or practices leaves uncertainty and inconsistency, and prolongs the procedure for approval.

(3) Limited Transparency and Efficiency in Implementation of Registration Procedures in FIL:

28. Due to inefficient coordination with business permits of the individual authorities (Ministries), procedures for registrations of FIL have resulted in limited transparency. Further, due to drastic increase of FDI applications[3,] it is necessary to improve efficiency in registration procedures.

1) Consultation with relevant ministries or regional/state governments without deadline of approval

29. It is limited that relevant Ministries' concerned business operation stipulates rules and requirements for their approval. The deadline for approval from the submission of necessary documents from relevant ministries is not stipulated, thus it is unpredictable and inefficient for investors to prepare a more practical business plan. In many activities are required to obtain the approval of relevant ministries before the project proposal is submitted to the MIC, this requirement is not specified thoroughly in FIL. Approval procedure of relevant ministries causes some confusion among investors. For example, a company was about to start manufacturing products, having obtained business operation permission from DICA. However, it appeared additional approval from the relevant Ministry was needed for sales. It took another several months for the approval as the Ministry demanded additional documents. The relevant regulation does not define the deadline of the approval for this procedure.

2) FDI statistical management for improving efficiency and transparency

30. The limited accuracy in statistics data has been a crucial problem in all sectors for investors to prepare business plans. Challenges remain largely in tracking the process of registration, managing the monitoring information, and data management.

[3] As shown in the Table I.3.4 Change of Number of Permitted Projects, the permitted FDI projects has been drastically increased from 13 approvals in 2011 to 94 approvals in 2012. It will be expected to be more than 100 approvals in 2013.

3.2 Investment Facilitation Measures

31. FDI promotion strategies based on their actual investment requirements are still limited. It is important to introduce appropriate investment management for attracting quality investment.

(1) Costly Establishment and Operation

1) Limited infrastructure for establishing office and factories

32. Besides cost for time and manpower needed in the registration process, one of the most significant problems for foreign investors is the cost of office and land for factories as shown in Table II.3.1. According to the interview survey by the JICA study team November – December 2013, the monthly office rent in the central business district (CBD) area in Yangon doubled in one year and now hovers around US$ 70~100 per square meter, which is around the same rate as office building in the CBD area in Singapore[4]. The rental fee in industrial zones in Yangon also doubled and tripled compared with a year ago. It is believed that the development of the Thilawa SEZ will considerably contribute to lower the price, but it will not be short-term solution as Thilawa starts operation only after year 2015. It is also believed that land prices are soaring due to speculative transactions among a few politically affiliated business entities. The rules and regulations relating to land property ownership/transaction need to be implemented transparently. In addition, foreign companies are levied much higher fees for utilities.

Table II. 3.1 Comparison of investment related costs among major cities in neighbouring countries

Unit: US$

Item		Phnom Penh	Bangkok	Manila	Hanoi	Ho Chi Minh	Yangon
Wage (Manufacturing)	Worker	74.0	345.0	301.0	145.0	148.0	**53.0**
	Engineer	298.0	698.0	452.0	342.0	297.0	**138.0**
	Management	563.0	1,574.0	1,070.0	787.0	653.0	**433.0**
Rent	Monthly Rent / m^2(Industrial Park)	0.10-0.11	6.90-7.22	3.67-6.60	0.2	0.10-0.28	**0.21-0.50**
	Monthly Rent / m^2 (Office)	24.0	21.0	20.0	17-25	34-36	**95.0**
Utility Bill	Electricity Rate / kWh	*0.19 - 0.28	0.2	0.14-0.17	0.04-0.18	0.04-0.18	**0.12 for foreigners 75 Kyat (around US$0.08) for Myanmar**
	Water Tariff / m^3	*0.3	0.31-0.53	1.84-2.23	0.34-0.58	0.46-0.81	**0.9**

* Referring to the rate of industrial park: Survey Period: 2012 Dec-2013 Jan
Source: JETRO "Comparison of Investment Cost" (http://www.jetro.go.jp/world/search/cost/)

2) Limited policy strategies to attract FDI meeting with their actual needs

33. The government support to business sectors is perceived as very much limited by Foreign Invested Enterprises (FIE) as well as local companies. The government formed “delivery unit” which is led by senior officials to solve urgent problems for business communities. However, there are neither policies nor roadmaps to serve as countermeasures against skyrocketing land price and poor infrastructure, nor there appropriate industry policies.

[4] Based on the Appendix, B.1.2.2 Specific and detailed concerns, of B. Needs and Gap Analysis from the Perspective of Japanese Companies

34. There is a number of business promotion elements stipulated under the FIL[5]. However, special support or incentives for developing these businesses are not clearly mentioned, and not available from governmental agencies. Although finding partners is a prerequisite for many sectors based on the rules of economic activities allowed under the FIL, it is hard to find comprehensive information on local partners. In addition, investors pointed out that there are no organisations to provide credit history of local companies while it is a vital procedure to verify the potential partners' financial position before making any commitment. Information on local suppliers and markets is also scattered not only due to limited data but also due to the absence of systematic data storage. Difficulty to access various information and statistics for business operation has to be overcome with support from the various ministries of the GOM.

(2) Vulnerable Domestic Business Support

1) Weak logistics, parts/services local supply and technical support

35. Limited logistics is a huge obstacle for promoting any industry. Technical support to research activities for a particular industry is also promoted to further develop industries. Improving higher education institutes or research institutes under relevant ministries is not well addressed, although, this will play an important roles in attracting FDI. Such business supports is rarely available in the country.

36. Development of basic logistics requires substantial cost, and normally a company or an industry cannot manage by itself a huge infrastructure development associated with its business. It is primarily the government's responsibility.

37. In order to develop sound business, infrastructure is prerequisite. However, past government funding was not sufficiently provided for infrastructure for business needs. Food processing and agro-industry sectors in Myanmar are considered having high potential. Poor logistics such as lack of cold chain, restriction on truck transport on highway, etc. are disincentives for development. For example, investors in palm oil business in Tanintharyi region will require a complete set of palm oil estates, assets, full set of machineries for infrastructural development, refinery, jetty, and ships for transport, bridge construction and feeder road networking, land development, and supply chains. It has been too risky for foreigners to invest in Greenfield investment unless there is strong support from the government. Further, developing value added products of palm oil has not been well explored due to limited funding from private sectors.

2) Limited policy support for the development of higher value-added industry

38. "Business applying high technology" is stated as applicable economic activities under FIL. In addition, the investment which does not utilise high technology, but conduct traditional farming or livestock industry is not allowed in agriculture as well as livestock sectors. Without high

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[5] Promoting business stipulated are; 1) Supporting the main objectives of the economic development plan, business which cannot be affordable and which are financially and technologically insufficiency by the Union and its citizen; , 2) Development of employment opportunities , 3) Promotion and expansion of exports; 4) Production of import substituted goods; 5) Production of products which require mass investment; 6) Acquisition of high technology and development of manufacturing business by high technology; 7) Supporting the business of production and services involving large capital; 8) Bringing out of business which would save energy consumption; 9) Regional development; 10) Exploration and extraction of new energy and the emergence of renewable energy sources such as bio - basic new energy; 11) Development of modern industry; 12) Protection and conservation of environment; 13) Causing to support for enabling to exchange the information and technology; 14) Not affecting the sovereign power and the public security; 15) Intellectual enhancement of citizens; 16) Development of bank and banking in accordance with the international standards; 17) Emergence of the modern services required for the Union and citizens; 18) Causing to be sufficient the local consumption of the energy and resources of the Union in terms of short term and long term period;

technology, it seems difficult to have approval of MIC and a relevant ministry, but criteria are not so clear. Support for higher value-added industry is, not well stipulated in FIL. Many foreign companies that can transfer highly valued technology express concerns over the fact that legally binding intellectual property right is still weak in Myanmar, which makes it difficult for them to commit to investment.

3) Lack of transparency in land management

39. Agriculture sector investment relies on available land. However, due to the fact that quite a few land stocks are in the hands of limited speculators, there are limited land-based FDI flow in agriculture sector regardless of the liberalization of FDI rules and promotion effort of DICA. The land availability, application and concession of VFVL are under the control of the concerned authorities. In looking at the government monitoring report about the actual implementation on the assigned lands by the agri-business companies, the extent of the land development and plantation are not exceeding 20 to 25 percent of the total land even for more than ten years after land concession[6]. After change of democratic government, several protests by farmers broke out widely for the cases of land confiscation, and displaced settlement from the sites of massive land concession. Due to such weak transparency in land management, many investors in agriculture sectors end up “wait and see”. This is reflected in the FDI inflow in the agriculture sector with an extraordinarily low representation of 0.45 percent of the total of FDI value in the country.

(3) Limited Infrastructure (soft/hard)

1) Power/communication/road/railway/bridge/port/regional development

40. Myanmar faces most limited infrastructure among ASEAN countries, especially in ICT, electricity and transport. It is still a huge obstacle to attract investment especially in manufacturing due to insufficient power / communication/ road / railway /bridge / port, etc. A stable power supply is a must and prerequisite especially for manufacturing, such as a precision industry, while factories in the light industry manage to cope with short periods of blackouts using self-installed generators. In any case, the usage of generators pushes up operation costs. Even factories located in the Industrial Zones of Yangon City experience rolling blackouts in the dry season. Investments in manufacturing sectors are expected to increase only after the required level of power and water supply is reached at a competitive cost, and adequate and efficient transport system is available.

41. Yangon and Mandalay which are 1st and 2nd cities in terms of population and accumulation of companies continue, to attract new investments. It is highly likely that economic activity at Yangon will spread out to Bago and Thilawa SEZ. The other attractive area is border area which could be connected to Thailand by road. As the condition of the GMS East-West Economic Corridor and Three Pagoda Pass Road are improved and labour cost in Thailand rises, labour-intensive industries would be further relocated to Myanmar side. However, the current infrastructures in these attractive locations for investors are still limited.

2) Financial mechanism for business enabling environment

42. GOM has been reforming important monetary and financial policies starting from unification of exchange rates, removing exchange restrictions and establishing an autonomous central bank. Remittance of foreign currency for trade settlement, dividend payment, so-called

[6] Based on the sector paper prepared for the FDIPP, see Appendix C.1 Agricultural Sector “Issues and Barriers in Farmland –Based Investment and Suggested Strategies for FDI Promotion in Agriculture Sector in Myanmar “

"parent-subsidiary loan" has been relaxed after the new FIL in 2012. However, investors have been facing difficulties for taking out loans for business operation from domestic banks under the current financial framework, and need to obtain loans from overseas. This is a cumbersome procedure which incurs considerable costs to foreign investors.

(4) Inadequate Human Resources

43. Investors reiterate the lack of managerial level human resources and weak capacity of vocational and higher education to meet the demand of FDI. It may well be considered difficult to hire manager-class employees who possess a reasonable command of English and management skills.

44. Human resource development (HRD) policies in response to the vast demand from business sectors are not yet well considered in Myanmar. Interaction among industry, government and educational and training institutions is not well functioning yet.

45. Human resources with vocational and tertiary education are prerequisites to attract quality investments and to lead to industrial development.

46. In the ICT sector, for example, there are over 6,000 graduates of ICT universities or colleges per year. However, this figure is not regarded as sufficient, as once a giant IT company invests, it employs more or less 1,000 employees.

47. A significant number of Myanmar trained workers or Myanmar educated left for neighbouring countries. While it is difficult to differentiate those with higher education from those without, it is estimated that more than two to four million are working in Thailand, 150 to 500 thousand in Malaysia, 100 to 200 thousand in Singapore, and 7 to 15 thousand in Japan[7]. Myanmar's brain drain is a severe bottleneck for inviting highly valued industry.

3.3 Limited Options on Investment Opportunities

48. There are limited opportunities to participate in large-scale construction projects or public works for foreign investors. Ministry of Transport, for example, consider that BOT and JV system are desirable to materialise massive investment requirements in line with the provisions of FIL, MCIL, SEZ Laws. Under the current legislation, however, due to the absence of appropriate regulations such as Public Private Partnership (PPP)/concession laws, there is limited sound financial framework for foreign investors to participate in large-scale construction projects, e.g. construction in Special Economic Zone (SEZ), under the current legislation[8].

49. Private sector participation in infrastructure requires capacity to properly assess the project's cost and benefits and institutional framework in relevant government bodies to prioritise and implement based on sound assessment. In order to institutionalise credible government body to pursue private participations, coordination between public and private sectors in Myanmar has not been formalised yet. Dialogues between the private sector and the government at various levels to substantiate further business opportunities in public sectors are still insufficient. While PPP projects must be selected and prepared with substantial care to ensure that they are sustainable and beneficial to the public, the current both public and private sectors' experiences are limited to introducing PPP system.

[7] Myanmar comprehensive education sector review Phase 1:Rapid Assessment Technical Annex on the Higher Education Subsector, 2013.

[8] Granting concessions for three international airports and cellular phone license, etc. has started recent years without solid legal basis applicable to public private partnership (PPP).

4. Strategies for GOM

50. Corresponding to the issues and challenges pointed out by various papers and through bilateral consultations elaborated in the previous chapter, the GOM as a whole should specify the directions, then elaborate actions in order to present the GOM's commitment to improve investment climate towards domestic stakeholders as well as foreign investors. It is necessary, therefore, to draft strategies which substantiate the vision and goals stated in the Chapter 2 of this Part II.

51. In order to implement strategies into actions, specific institutional framework is required. DICA will take initiative to set up a FDIPP Task Force at working level among line-Ministries and related authorities in order to implement FDIPP into actions. The function and duties of the FDIPP Task Force are to implement FDIPP including monitoring and evaluation of the progress. In order to ensure its efficient conduct of duties, it should have an appropriate authority to represent the consensus of the GOM on FDIPP issues. In this respect, it is to be considered the Task Force may well be located under a higher authority.

4.1 Strategy 1: Strengthening of the Legal Foundation

52. The GOM will conduct more open and transparent/efficient supporting measures through accelerating improvement of investment climate responding to FDI needs. Legal system is the very base of it and, thus, required to be strengthened in the following way.

(1) Relaxing the Restrictive Provisions

53. In pursuance of a more open investment climate, where relevant, the restrictive provisions are to be reviewed including those of the economic activities requiring Joint Venture and/or business permits/conditions (e.g. Notification No1/2013). The conformity of those provisions also needs to be reviewed with principles of international agreements such as World Trade Organisation (WTO) and Bilateral Investment Agreements (BIAs). The reviews are for relaxation, simplification and preservation of consistency with FIL; namely on "List of Economic Activities to be allowed only in the form of Joint Venture with Myanmar Citizens" and "List of Economic Activities Permitted with the specific condition". There are many concerns expressed by investors about the definition and criteria of approval of relevant sectors.

Relevant ministries: The 13 ministries[9] which participate in the OSS and the Ministry of Tourism and the Ministry of Construction.*

(2) Improvement of Legal Provisional Consistency

1) Coordination between FIL and individual business laws

54. In order to preserve clear consistency between FIL and business laws, the conditions of both sides are to be reviewed and necessary amendments are to be prepared, where relevant. The procedures for business permits required for FIL registration are to be simplified and to be coordinated with FIL registration procedure in terms of consistency of the provisions.

2) Review of legal structure between FIL and MCIL

55. In order to improve overall investment climate, the consistency of provisions is to be reviewed

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[9] *) List of the 13 Ministries1.Ministry of Agriculture and Irrigation(MOAI), 2.Ministry of Mining(MOM), 3.Ministry of Livestock and Fisheries(MLF), 4.Central Bank, 5.Ministry of Environmental Conservation and Forestry(MOECF), 6.Ministry of Electrical Power (MEP) ,7.Ministry of Industry(MOI),8.Ministry of Immigration and Population, 9.Ministry of Labor, Employment and Social Security(MOLESS), 10.Custom Department (Ministry of Finance and Revenue), 11.International Revenue Department (Ministry of Finance and Revenue), 12.Ministry of Commerce(MoC), 13. Directorate of Investment and Company Administration (Ministry of National Planning and Economic Development /MNPED)

between FIL and MCIL primarily for ensuring the principle of national treatment. The further consideration can be taken, when relevant to integrate the two laws for the better investment climate. On-going undertakings for integration of FIL and MCIL, and reviews on MCA are to be accelerated. These processes are to be shared efficiently with line-Ministries where relevant.

Relevant ministries: The 13 ministries which participate in the OSS and the Ministry of Tourism and the Ministry of Construction.

(3) Improvement of Transparency and Efficiency in Law enforcement

56. Responding to the needs of Foreign Invested Enterprises (FIEs), focus areas in enforcing laws/regulations of FIL registration and other business permits of relevant ministries are to be highlighted for improving transparency and efficiency of implementation of laws and regulation. Sharing information with relevant ministerial organisations is required for providing relevant business permits. In order to shorten the time required for registration system, online system connected with relevant organisations is to be developed

1) Upgrading FDI database for further transparent management

57. Information sharing among relevant ministries and DICA internally is not functioning well under the current paper-applications system of FDI. A framework to maintain transparency and efficiency is still not established among concerned ministries. Since applications are still not digitalised, DICA cannot access the status of the other ministries' approval status as well as MIC approval status promptly. The approval of the registration, business permits are still largely unpredictable.

2) Improving OSS by strengthening collaboration mechanism with relevant ministries and regional / state governments

58. Investment application procedure for foreign investors through the establishment of one-stop service (OSS) started in June 2013 improved convenience of investors; Investors do not have to travel to Nay Pyi Taw for collecting information and submitting application forms. Currently, there are two OSS centres in Yangon and Nay Pyi Taw and an additional DICA Office is expected to be opened in Mandalay in 2014, and expected to have functions of OSS later on. An increase in the number of OSS is expected to significantly reduce the burden on foreign investors as it saves transaction cost and time because it eliminates the need for investors to communicate with concerned ministries and agencies. However, in order for investors to benefit from OSS services, the operation of OSS needs to become more investor-friendly; First, the collaboration mechanism with other ministries and regional / state governments needs to be strengthened. For some reasons, there are remaining cases which investors need to consult the ministries in Nay Pyi Taw This has to be improved by way of strengthening networking system whereby OSS Yangon Office can facilitate all. There are limited existing sector master plans; tourism, ICT, at this moment. Issues of FDI have not been incorporated very much in those plans.

59. Clear visions and strategies of FDI are to be set in relevant ministries in accordance with FDIPP and NCDP. DICA, together with the Planning department of MNPED, is to coordinate and consolidate them for FDI's disposal to meet their requirements.

Relevant ministries: The 13 ministries which participate in the OSS and the Ministry of Tourism and the Ministry of Construction.

4.2 Strategy 2: Investment Facilitation for Industrial Development

60. In order to pursue the FDI-led development highlighted in Part I, the "win-win" scenario is essential for providing benefit to FDI while expecting advantages from them. Following facilitations is required for more FDI supportive arrangements in promoting FDI-led development

(1) Facilitation of FDI's Portfolio Needs for Global Supply Chain (GSC)

61. Strengthen the promotion activity to further attract manufacturing industry by grasping the FDI needs not only through business missions to Myanmar, but also through the embassies located in various countries. The importance of initial consultation, monitoring and aftercare of the discussion needs to be addressed.

1) Response to the practical needs of FDI - Research & Analysis of investors' portfolio strategy, global economy, neighbouring country's strategy

62. As learnt from experiences of FDI promotion policies in neighbouring countries, the sectoral priority by the FDI destined country's favour does not always directly meet the FDI requirement to be attracted. Certain FDI behaviour observed to be affected more by the portfolio needs, i.e. alternative production base for risk hedge in its GSC. Given that the relevant facilitation is provided for this requirement, FDI will realize its objectives in favourable conditions while Myanmar can extend the linkage with GSC through FDI. (Thailand+one, China+one for the case of Japanese investors)"

63. Foreign investors always compare the alternative destination. While there are many attractive attributes in Myanmar, investors regard current investment policy still insufficient regarding policies and incentives for technical training, introducing new technology, and environmental consideration. In response to the needs of investors who are looking for alternative production base, GOM needs to consolidate the governmental platform for "Invest Myanmar" under the DICA's leadership to integrate the global business communities.

2) Establishing Joint Investment Promotion Scheme

64. Although DICA is expected to promote Myanmar as a destination of investment for foreign investors, currently the plan for promotion activity has not been fully implemented. One of the reasons is that the required information of investors varies in sectors and regions. It will be desirable for DICA as IPA to grasp investment potential both in sector and region-wise, and practical business information (industrial zones, utility services, human resources, etc.), but this requires substantial collaboration among stakeholders, such as ministries, embassies, and business associations such as Union of Myanmar Chamber of Commerce and Industry (UMFCCI) including sector /regional associations.

65. In addition, it is expected that DICA will have a role facilitating the needs and requirements of Foreign Invested Enterprises (FIE) which have already established business in Myanmar. The country desk such as the JAPAN DESK, which will be established in Yangon and Nay Pyi Taw in 2014, will be expected to bridge the gap between investors and DICA, and Embassies play a pivotal role for investors as a window to the latest investment information in Myanmar. As for the office in Nay Pyi Taw, Japan-DESK is also tasked to improve operational efficiency at DICA.

3) Linking with the domestic industry

66. Further, GOM shall take the opportunity of FDI to link domestic industry with the FIE for its access to GSC, and for the prospective and possible supporting industry development. For

example, automobile industry requires components over 20,000 to 30,000. Attracting large manufacturing industry has, therefore, huge impact not only in employment, but also in developing supporting industry in the country.

4) Revise FDI Policy in response to economic environment

67. MNPED plays a major role in regional and international economic cooperation and together with other ministries. DICA is responsible for proposing necessary changes in current FDI policies in response to external economic environment. Domestic economic environment will also drastically change for years to come. The GOM needs to propose revision of relevant policies in order to cope with various changes, starting from the forthcoming AEC. First, the GOM shall form a team to analyse economic and industrial development. The team prepares periodic reports on major events in investment activities, economics and industries in Myanmar and neighbouring countries. The team starts to analyse further and propose necessary actions to revise FDI policy such as incentives, SEZ rules, and legislative matters. The reports are shared with ministries and local governments through MIC, task force and networks with local governments. Based on the analysis, if FDI policy needs to be modified, DICA will make a draft for change of FDI policy after discussion with relevant ministries and submit to the parliament.

Relevant ministries: The 13 ministries, which participate in the OSS and the Ministry of Tourism and the Ministry of Construction., DICA, UMFCCI and business associations, embassies, other countries' IPAs, int'l organizations such as the IFC, Academic sector such as Universities and research institutions

(2) Facilitation of FDI in Diversification of Industry

Coordination with priority sectors/areas designated in specific policies/strategies of authorities for FDI promotion

68. Priority sectors / areas designated in other policies should be respected in FDI promotion. It is essential to coordinate the FDI promotion policy with the industrial development policy. The GOM needs to prepare appropriate strategies to balance the structure of industry after concentration of initial FDI in-flow to labour-intensive/foot-loose industries which industrial development policy may address. At the initial stage, CMP[10] sector ignites growth, but need to facilitate to take roots in local industry by supporting local SMEs. In Cambodia, production value of garment sectors accounts for over 65% in GDP in 2012. Most of them are CMP based manufacturing, which might be relocated when GSP terminates and labour costs substantially increase. It is, thus, necessary for Myanmar to pay more attention to facilitate FDI in order to diversify domestic industry.

69. In this respect, the FDI promotion policies are to assist the industrial development policy by attracting any higher value-added industry and/or industry which may accompany subsidiary supporting industries. As a part of FDI attraction, the FDI promotion policy may well include the aspects of bridging FIE with domestic industry which can provide FIE with operational supplies/services at the initial stage. FIE's activities have potentials to enhance the industry linkage in Myanmar. Necessary actions will be taken in the promotion of domestic small and medium enterprises (SMEs). Comprehensive industrial development policy in line with FDI promotion needs to be drafted.

[10] Cutting, Making and Packing. In Myanmar, contract manufacturing is called CMP. It means cutting, making and packing. Companies that conduct CMP business receive exemption of import tax for materials in case the company receives a permission of CMP from MIC.

70. By attracting FDI, assist various sector policies, domestic industries which leads to industry diversification - strong concerns might be shown by some stakeholders, but DICA advocates advantages of introducing FDI in various sectors for the purpose of developing domestic industry in the end. Linkages with SMEs policies are strongly required. For example, large automobile companies require various types of parts, which lead to fostering SMEs in Myanmar.

Relevant ministries: The 13 ministries which participate in the OSS and the Ministry of Tourism and the Ministry of Construction., UMFCCI and business associations, embassies,

(3) Facilitation of Infrastructure (hard and soft) Development

71. Infrastructure development needs to be accelerated in the area of on-going and prospective industrial agglomeration including SEZ.

1) Prioritise the infrastructure in order to respond to business development needs

72. Under past control regime, developing industrial zones are more based on political requests rather than market demands. The GOM will facilitate to develop first class infrastructure for SEZ and industrial zones to serve FDI through collaborating with private management companies and local governments. DICA also grasps the condition of infrastructure; development plans of potential areas to deliver the investors enhance roles of investment promoters. In order to materialise large scale regional development for strategic industrial zones and its huge economic impacts, as in the case of the Hanoi – Haiphong development in Vietnam, the eastern seaboard development in Thailand can be a good reference. Systematic and large scale overall infrastructure development is important to attract more manufacturing, highly valued industry and heavy industry.

73. As the condition of the GMS East-West Economic Corridor and Three Pagoda Pass Road are improving gradually and labour cost in Thailand rises, labour-intensive industry would be further relocated to Myanmar side. However, the current infrastructures in these attractive locations for investors are still limited. Improving the infrastructure in border areas utilising the neighbour's' resources such as power from Thailand, and international funding for increasing connectivity will facilitate more business opportunities in border areas and regional centres nearby.

2) Modernise financial scheme for activating business transaction

74. Developing the financing sector is one of the urgent issues. Various international organisations are currently supporting to modernize the financial scheme. This has to be further accelerated.

Relevant ministries: DICA, Ministry of Communication, Port and Telegraph, Ministry of Construction, Ministry of Electric Power, Ministry of Energy, Ministry of Transport, Ministry of Mines, and MOFR

(4) Facilitation of Technology Transfer and Human Resource Development

75. GOM will take necessary and relevant actions to encourage investors for technology transfer initially on up-grading skills and technical knowledge of their employees through implementation of provisions of FIL. It is also important to promote further human resource development to facilitate investors' employment needs and technology transfer support, and prepare further efficient system for its employment.

76. Human resource development should be delivered strategically, as it is a long-term process. For that, establishment of more required courses in universities/colleges, increase of number of students, and improvement of quality of curriculum (more practical training than class room

lecture), are necessary. Current weak capacity of vocational and higher education needs to be enhanced for various other sectors.

1) Promotion of technology transfer and up-grading skills and technical knowledge of their employees

77. There are no specific incentives for investors under the current legislative framework regarding technology transfer in Myanmar. Neighbouring countries such as Thailand[11] and Vietnam[12] placed emphasis on transfer of skills, supporting Research and Development (R&D), and fostering innovation by way of providing incentives such as Exemption of import duty on equipment for R&D, etc. The policies of encouraging technology transfer will promote skills, and attract quality investment. Specific policies should be drafted among stakeholders, such as providing incentives for establishing in-house training centres for a large scale investment, etc.

2) Further human resource development to facilitate FIEs' employment needs, and efficient employment

78. In addition to promoting technical training, encouraging Myanmar Diasporas to return will be effective in the short run. A significant number of Myanmar trained workers left for neighbouring countries. While it is difficult to differentiate those with higher education and those without, it is estimated that more than two to four million working in Thailand, 150 to 500 thousand in Malaysia, 100 to 200 thousand in Singapore, 7 to 15 thousand in Japan[13]. Myanmar's increasing openness, and solid economic growth will encourage new opportunities for those scholar, well-trained intellectuals to contribute to national development. China is well known to implement such foreign talent/knowledge diaspora schemes, which might be a good reference to grasp the costs and benefits of financing such a model scheme. There are strong needs for qualified workers especially in ICT sector as the domestic education system does not meet the requirement for the ICT business.

79. In the long run, GOM needs to upgrade the educational /vocational training institutions for training and facilitate business to university cooperation However, by utilizing technical assistance of various institutions and development partners, Myanmar can accelerate the increase in the number of enrolments in science and technology, engineering, and business, and investment in R&D to meet the demand of investors. Direct incentives for investing in education sector should be also well taken into account.

Relevant ministries: The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction, and Ministry of Labour, Employment and Social Security.

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[11] Additional tax incentives are offered to encourage the development of skills, science technology, and innovation under the STI (Skill, Technology and Innovation) scheme.(BOI website: http://www.boi.go.th/index.php?page=additional_incentives_under_the_skill)

[12] LAW ON TECHNOLOGY TRANSFER (No. 80/2006/QH11) (http://www.noip.gov.vn/noip/resource.nsf/vwResourceList/56EB8F7FC1A2FE554725767200205417/$FILE/Law%20on%20TecTechnol%20Transfer.pdf)

[13] Myanmar comprehensive education sector review Phase 1:Rapid Assessment Technical Annex on the Higher Education Subsector, 2013.

4.3 Strategy 3: Widening Investment Opportunities

80. Relaxing the restrictive provision contributes to wide investment opportunities, but providing more opportunities for investors will also widen further opportunities. More proactive and interactive efforts are required for widening and diversifying FDI opportunities.

(1) Wider opportunities for FDI in public sectors.

81. Public sector can be efficiently developed with private initiatives with careful coordination among stakeholders as have been seen in other countries. GOM will designate appropriate projects, especially large-scale infrastructure development, regional development, privatization and /or JV with public enterprises, etc. GOM will consider, where relevant, encouragement of private sector initiatives introducing PPP and/or concession on regional development projects and/or public works to make available for FDI. Even before formulating a legal framework for PPP or BOT, infrastructure business opportunities are widely discussed, especially, power, communication, airport, and water, so on. In order to widen investment opportunities in public projects, it is imperative for GOM to formulate relevant laws such as concession law, PPP law, etc**.,** In addition, capacity to assess the costs and benefits of infrastructure projects, or value the services or outputs of state-economic enterprises (SEEs) needs to be developed.

Relevant ministries: DICA, Ministries related infrastructure, and local governments

(2) Extensive dialogue among stakeholders

82. The GOM promotes dialogue on opportunities of interest and necessary coordination among stakeholders for proactive and interactive coordination towards solutions to the FDI needs. Dialogue with foreign private sectors for accurate analysis of current business communities is currently conducted wherever appropriate. Comprehensive dialogue with foreign business communities such as Myanmar–Japan Joint Initiative will be also effective to materialise practical outputs. The One-stop shop in Yangon started operation in June 2013, and setting up the Japan Desk in Yangon and Nay Pyi Taw in 2014 will be one of those outputs based on extensive dialogue. The dialogue and feedback system needs to be done more proactively and interactively in order to further improve investment climate for expanding the investments of existing FIEs as well as attracting new foreign investors. It is also important to facilitate networking with regional/state governments. Besides two growth poles, namely, Yangon and Mandalay, there are other growth centres in the regions / states, and border areas which are booming also attractive destination of investments. The GOM jointly coordinates with regional/state governments to attract investments by strengthening networking, gathering information on the attractiveness for investment and drafting the investment proposals.

Relevant ministries: DICA, UMFCCI, and relevant ministries

5. DICA's Actions

83. DICA is the primary organisation serving as a national Investment Promotion Agency (IPA). In order to materialise the three strategies elaborated in the previous chapter, the following actions under the respective Strategies are drafted as DICA's action plan for implementing FDIPP

84. As a broader perspective, DICA has an important mission as promoter of FDIPP, and will take the lead to coordinate the GOM as a whole to pursue the implementation of strategies. Establishing an FDIPP Task Force as the platform to build consensus for FDI promotion is urgently required. Further, DICA's respective sections will elaborate the relevant actions under their mandate. The actions of respective sections responsible for investment promotion, registration, policy formulation, need to be specified. For example, the registration section can set the numerical targets as to the days required for registration system, and can elaborate how DICA can collaborate with other relevant ministries, etc. Investment promotion section might be able to draft the target figures of investment amount by sectors, by country of origin and elaborate promotion activities by increasing overseas seminars, improving the content of DICA's website, and publishing brochures.

5.1 Actions under the Strategies 1: Strengthening of the Legal Foundation

(1) Improvement of Legal Provisional Consistency

<Drafted actions>

1) Review and possible integration of FIL & MCIL and, modernise and coordination of MCA in relations with FIL (Strategy 4.1-(2)-2)),

2) Review and concrete implementation of SEZ Laws (Strategy 4.1-(2)-1))

85. Under the Strategy 1, DICA will facilitate to strengthen overall legal system for the relevant investment management. Besides, FIL, MCIA, SEZ Law, and MCA which DICA directly manages, DICA will coordinate and harmonise with the other laws related to investment.

86. DICA takes initiatives to coordinate with relevant ministries and stakeholders to review restrictive provisions. Further, procedural provisions need to be reviewed and consider amendments where relevant in order to improve registration procedure. DICA needs to facilitate to strengthen overall legal system for the relevant investment managements. Short-term actions are required for 1) review and possible integration of FIL & MCIL and modernise and coordination of MCA in relations with FIL, and 2) concrete implementation of SEZ Laws, and so on.

<u>Drafted action 1) Review and possible integration of FIL & MCIL and, modernise and coordination of MCA in relations with FIL:</u>

87. These two actions are already committed in 2013, and international organisations, such as ADB provide technical support. When merging the two laws, it is important to ensure compliance of provisions related performance requirement with WTO and other international arrangements. When revising MCA, it is important to ensure consistency and efficient relations with FIL; it should permit incorporation without further scrutiny after investors receives MIC approval, FDI acceptance.

<u>Drafted action 2) Review and concrete implementation of SEZ Law;</u>

88. It is essential to ensure the monitoring system in the SEZ Law and accelerate to prepare necessary sub-degrees / notifications. Coordination with line ministries in order to comply with

concerned ministries.

89. In mid-and long-term, it is important to proceed with amending the provision of registration where necessary and on relevant points in accordance with the development of coordination among line ministries.

(2) Improvement of Transparency and Efficiency in Law enforcement

<Drafted actions>

1) Strengthening, registration supporting system (Strategy 4.1-(3)-2))

2) Strengthening investment management support system (Strategy 4.1-(3)-1)),

3) Strengthening FIE/Investment assistance system for registration (Strategy 4.1-(3)-2)),

4) Organise FDI statistics for investment management (Strategy 4.1-(3)-1)),

Drafted action 1) Strengthening FIL registration system:

90. DICA designs and sets forth internal plan for assisting registration improvement. Currently, the standard procedure of registration is not well documented, and not included in the website. In order to ease burden, it is important to introduce business flow to clarify the documents required and the officials in charge.

Drafted action 2) Strengthening investment management support system:

91. DICA conducts strengthening assistance system for registration, ensuring transparent / efficient law enforcement to improve the MIC approval procedure. DICA, therefore, reviews current registration process for analysing investors' opinions in coordination with relevant ministries, and tries to ensure further transparency and efficiency.

Drafted action 3) Strengthening FIE/Investment assistance system for registration:

92. In order for investors to update the information instantly, DICA introduces a system to update information related to registration issues regularly.

Drafted action 4) Organise FDI statistics for investment management and

93. In order to improve investment management such as registration improvement, DICA will take specific actions to improve the database of FDI registration to organise reliable FDI statistics. In the mid-and long-term, most needed improvement in investment management is in MIC's approval procedure with more transparent, efficient law enforcement.

5.2 Actions under the Strategies 2: Strategies for Investment Facilitation for industrial Development

(1) Facilitation of FDI's Portfolio Needs for Global Supply Chain (GSC)

<Drafted actions>

1) Build up the mechanism to grasp global FDI trends (Strategy 4.2-(1)-1)),

2) Strengthen the proactive promotion function (Strategy 4.2-(1)-2) &3)),

3) Strengthen the needs oriented policy formulation support mechanism (Strategy 4.2-(1)-4))

Drafted action 1) Build up the mechanism to grasp global FDI trends:

94. In order to facilitate foreign investors who are looking for alternative production bases, DICA

needs to build up the mechanism to grasp global FDI trends. Based on the fair understanding of FDI, and their portfolio requirements, DICA further strengthens the proactive promotion function.

95. First, DICA enhances the overall research and analysis capacity on development of global FDI in terms of their portfolio requirements in order to identify the priorities of FDI through periodic publication of outcomes, such as database, newsletters, reports, etc. and draft implementation plan for standard information compiling procedure and information dissemination through website and media.

96. DICA also prepares the guidelines or criteria for FDI management on linking to GSC by gaining the inputs and advice from relevant external organisations such as donor agencies, research institutes. Since most investors related to GSC are new to MIC, DICA needs to provide guidance to lead appropriate approval decisions.

<u>Drafted action 2) Strengthen the proactive promotion function:</u>

97. Finding suitable JV partners for investors related to GSC is also important. It will require necessary coordination among relevant ministries through the Task Force.

<u>Drafted action 3) Strengthen the needs oriented policy formulation support mechanism:</u>

98. Further, DICA strengthens the support to FIEs to provide relevant information on domestic resources and to prepare a systematic mechanism to improve the business environment responding to requests from FIEs. For example, DICA facilitates relevant ministries to establish safety standards, quality standards, etc. which apply to investors' products. DICA also facilitates relevant authorities to promote domestic industries in relation with FDI. DICA can assist in drafting and finalising SME law, Industrial zone law, or various sector plans by conveying the FDI's needs. DICA specifically strengthens the policy formulation to support MIC for appropriate policies. For example, it is essential for MIC to receive proper guidance when they receive an application which is the first of its kind and for an industry inevitably linked to GSC, such as automobile, electric appliances production.

(2) Facilitation of FDI in Diversification of Industry

<Draft actions>

1) Develop appropriate promotion tools and organize seminars to provide necessary information to overseas investors as well as promote Myanmar as an investment destination (Strategy 4.2-(1)),

2) Strengthen invested FIE support system in accordance with the industrial diversification objectives (Strategy 4.2-(2)),

3) Design mechanism to encourage relevant Authorities to promote domestic industries in relation with FDI (Strategy 4.2-(2))

<u>Drafted action 1) Develop appropriate promotion tools and organize seminars to provide necessary information to overseas investors as well as promote Myanmar as an investment destination:</u>

99. In view of the limited public budget, the capital amount of FDI has great significance on achieving the economic growth targeted by the government. While concerns are often expressed by domestic business communities over anticipated influx of foreign investors, which might reduce their market share, DICA is also expected to convince these domestic business communities and those supporting concerned ministries the importance and significance of FDI capital inflow and possible collaboration with FDI more intensively. DICA needs to set forth

inter-Ministerial forum and/or within the MIC's function in order to tackle with promotion for the linkage of domestic resources with FDI. The initial initiative needs to be taken in the areas of: potential JV partners, domestic parts/services supplying sector, SME, including assistance for drafting the SME development plan, reform SEE plan and various sector plans by conveying the FDI's needs.

100. Business events such as investment seminars and trade shows are important channels to deliver DICA's message to potential investors and to solicit their views and opinions. Potential investors' views and opinions should be used for improving legislative framework and improvement of business environment.

101. "Myanmar Investment Guide[14]" which is available as a printed brochure as well as in soft copy in the DICA website requires revision urgently. The guide needs to be improved continuously by adding appealing elements which are compiled into the presentation material and simple guidance of investment procedures. In addition to that, it is necessary for DICA to cooperate with the same kind of brochures produced by other ministries or private companies. Typical examples are brochures for tourism development, SEZ and Industrial Zones.

Drafted action 2) Strengthen invested FIE support system in accordance with the industrial diversification objectives:

102. DICA needs to link incoming FDI actively with existing local industries which contribute to participate in major industries. For example, FDI of automobile industry can impact on existing rubber industry. In order to response to requests from invested FIEs, a systematic mechanism to improve the business environment is necessary. Formulating standards of quality of products, safety, and environmental management, etc. will inevitably improve investment climate. Manufacturers can comply with the appropriate standard to guarantee quality products to consumers and to differentiate them from low quality products. Since such requests to improve soft infrastructures play pivotal roles for investment decision, DICA needs to address relevant issues to concerned ministries.

103. DICA needs to improve its website (http://www.dica.gov.mm) step by step. English pages are recommended to be separated with Myanmar language pages, and both language pages needs to present information on presentation material, investment procedures, incentives to investors, investment statistics in recent years, etc.

Drafted action 3) Design mechanism to encourage relevant Authorities to promote domestic industries in relation with FDI:

104. DICA also sets forth inter-Ministerial forum and/or within the MIC's function in order to tackle with promotion for the linkage of domestic resources with FDI. The initial initiative needs to be taken in the areas of: potential JV partners, domestic parts/services supplying sector, SME, including assistance for drafting the SME development plan, reform SEE plan and various sector plans by conveying the FDI's needs

(3) Facilitation of infrastructure development

<Draft actions>

1) Strengthen FIE support system to facilitate access to required level of infrastructure (Strategy 4.2-(3)-1)),

[14] http://www.dica.gov.mm/Investment%20Guide.htm

2) Design mechanism to encourage relevant Authorities to promote domestic infrastructures in relation to FDI (Strategy 4.2-(3)-2))

Draft action 1) Strengthen FIE support system to facilitate access to required level of infrastructure:

105. DICA has to grasp the urgent needs of infrastructure development of investors and facilitate with relevant ministries and state / region governments. It is important to set forth a procedure to encourage the authorities to take urgent measures to improve infrastructures in response to specific investors' needs in terms of both upgrading individual infrastructure and prioritising regional development designation where relevant. In order not to discourage investors, DICA monitors the progress of the implementation of the projects and provide the information when required.

Draft action 2) Design mechanism to encourage relevant Authorities to promote domestic infrastructures in relation to FDI:

106. DICA also strengthens the knowledge on available and planned infrastructure and expected reforms in policies of soft infrastructure, such as finance, sector related regulations for providing the appropriate information to investors. DICA regularly follows the policies of relevant ministries and update the information for delivering investors. Further, DICA compiles and provides the most updated information on available and planned infrastructure, master plans including specific states /regions. DICA needs to provide consultations on access to designated infrastructure where investors show interests and clarify the situations.

(4) Facilitation of technology transfer and human resource development

<Draft actions>

1) Strengthen FIE support system to facilitate access to human resources (Strategy 4.2-(4)),

2) Design mechanism to encourage relevant Authorities to improve and strengthen human resources in relation with FDI (Strategy 4.2-(4)-2))

Draft action 1) Strengthen FIE support system to facilitate access to human resources:

107. DICA strengthens FIE support system to facilitate access to human resources. Since limited information on vocational / educational institutions is available in the country, FIE needs support to grasp the quality and quantity of semi-skilled workers, and professionals. This will start from initial consultation during the investment promotion activities in seminars or inquires, or direct consultation through economic attachés in designated countries. Basic information on human resources, especially those who have expertise, special training are collected by DICA in order to provide information to investors when necessary. In this aspect, reliable data needs to be obtained through relevant ministries or private sectors, such as educational institutions, UMFCCI, relevant sector organisations and even from private staffing companies.

Draft action 2) Design mechanism to encourage relevant Authorities to improve and strengthen human resources in relation with FDI:

108. DICA also facilitates reform with concerned education / vocational institutions and Ministries by conveying FIE's employment needs. They also consider Human Resource Development facilities attached to SEZ and / or designated areas or sectors when designated. For example, large scale investment in automobile industry requires substantial number of semi-skilled workers; so do giant IT companies. DICA needs investors who are interested in investing in

existing training institutes or establishing training facilities to be supported by DICA and relevant ministries.

5.3 Actions under the Strategies 3: Strategies for Widening Investment Opportunities

(1) Wider opportunities for FDI in public sectors

<Draft actions>

1) Strengthen FIE support system to facilitate access to public works and/or regional development works (Strategy 4.3)

2) Design mechanism to encourage relevant Authorities to provide further investment opportunities (Strategy 4.3)

<u>Draft action 1) Strengthen FIE support system to facilitate access to public works and/or regional development works:</u>

109. Through discussion with relevant ministries and private sectors, DICA will take initiative to strengthen FIE support system to facilitate access to public works and /or regional development works which is not yet formalized. FDI shows great interests in participating in public works, but no formal organization engages in facilitation. DICA strengthens FIE support system to facilitate access to public works and / or regional development works.

<u>Draft action 2) Design mechanism to encourage relevant Authorities to provide further investment opportunities:</u>

110. DICA as a front line to consulting investors will strengthen coordinating function with line ministries for specific projects. DICA will facilitate discussions referring to the Public Investment Plan (PIP), and analyse the possibility to invite FDI. These consultations and facilitation will be further strengthened by establishing a committee for concession / PPP projects. Under the committee, DICA will facilitate not only relevant ministries, but also region/state governments to comprehend the necessity of private participation, especially foreign investors. DICA staff is required to deepen the knowledge of PPP and to learn from neighbouring countries. This can be facilitated by the development partners, such as JICA, IFC, World Bank and ADB, etc. In this regard, DICA shall play an important role in formulating concession laws and PPP laws.

(2) Extensive dialogue among stakeholders

<Draft actions>

Promotes further dialogues on opportunities of interest and conducts necessary coordination among stakeholders proactively and interactively towards solutions to the FDI needs (Strategy 4.3-(2))

111. DICA takes initiative to promote dialogue on opportunities of interest and necessary coordination among stakeholders for proactive and interactive coordination towards solutions to the FDI needs. Special attention is required to develop network with regional/state governments. For business location and information on local business, investors need to discuss with local governments and local business associations. However, unlike large business communities in bigger cities, foreign investors face difficulties to initiate business discussion with stakeholders in other locations in the different regions / states. It is ideal for DICA to provide upfront basic information of local businesses and facilitate dialogue with local governments. For this purpose, establishing a good network with regional/state government is a prerequisite.

5.4 Institutional Capacity Development Aspects

112. In addition to the actions described above, institutional capacity development aspects which cover all DICA sections are drafted in order to implement the Strategies into actions. DICA has already started to increase the number of staff, and to conduct trainings extensively utilising internal or external resources. In order to improve quality of the internal training and standardise it for further dissemination, DICA staff should seize available opportunities to the maximum to attend courses / seminars supported by various organisations for further building up of the overall capacity of staff.

113. DICA, as mentioned in Part I, has been extensively increasing staff from 165 to 225 during the year 2013, to facilitate the increased application and inquiries. In June, 2013, DICA opened its Yangon office with the One Stop Service (OSS) function and is planning to open three more new offices shortly with the first one in Mandalay. Since DICA has a plan to increase regional offices, it is their urgent requirement to increase the number of staff with improvement of its capacity to provide appropriate investment information to investors. It is crucial to provide appropriate training, including how to standardise procedure and increase efficiency, and how to correspond to investors' inquiries in an appropriate manner. Enhancing English language as well as ICT skill of DICA staff, especially at the OSS centres, is urgently required in order to handle increasing amount of investment proposals and coordinate with relevant ministries promptly.

114. Capacities to deal with and to assess FDI applications need to be improved. It is challenging to correspond on and respond to the issues promptly. Due to the fact that the project application forms of FDI have significantly increased and the procedure has been already criticised as slow, capacity building of overall DICA's staff and the Project Assessment Team (PAT) for enhancing project evaluation skills is of primary importance.

115. DICA's responsibilities are broadly divided into three categories, namely promotion, policy formulation, and registration. Under the respective strategies, actions are elaborated in time scale, namely short-term, and mid- and long-term. The DICA's section and relevant ministries for respective categories are also drafted in the following matrix, Table II.5.1 Draft DICA's Action Plan for Implementing FDIPP and summarised in the following sections.

Table II.5.1 Draft DICA's Action Plan for Implementing FDIPP

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 1: Strengthening of the Legal Foundation			
(1) Improvement of Legal Provisional Inconsistency			
Drafted Action 1) Review and possible integration of FIL & MCIL and, modernise and coordination of MCA in relations with FIL			
	Reviews on FIL: <Restrictive provisions> ・Consult relaxation of restrictive provisions for foreign direct investment including the provisions on Notification 1/2013. ・Ensure compliance of provisions related performance requirement with WTO and other international arrangements <Procedural provisions> ・Consider amendments, where relevant, for efficient registration Integration of FIL and MCIL: ・Ensure the compliance of National Treatment (NT) provisions with WTO and other international arrangements ・Reviews on MCA ・Ensure consistency and efficient relations in company registration provisions with Investment Law	Reviews of the Investment Law: ・Review the achievement of the related Laws and regulations and make a further improvement Amendment of relevant laws for digital registration: ・Proceed with amending the provisions of registration where necessary and on relevant points in accordance with the development of coordination among line Ministries/Authorities. Development of guidelines for investment management: ・Maintain sustainable capital inflow, diversification of domestic industry in line with industrial policy and regional development plan	・Investment Promotion Section (former Legal Section), SEZ Section, Myanmar Citizen Investment Section, Company Administration Section, Foreign Investment Section. ・The 13 ministries[i], which participate in the OSS and the Ministry of Tourism and the Ministry of Construction.
Drafted Action 2) Review and concrete implementation of SEZ Laws			
	Strengthening overall legal system for the relevant investment management: ・Set force the mechanism to review and reform related laws and regulations, such as those of business permits, to be consistent with the Investment Law. ・Employ international coding system such as ISIC (industry) and GATS W/120 (service) for classification of economic activities. Concrete implementation of SEZ Law: ・Ensure the surveillance mechanism in the SEZ Law and necessary sub-decrees/notifications are to be prepared for further effective implementation of provisions of the Law	Harmonise with laws related to industrial regional development policies ・Coordinate with line Ministries/Authorities to be consistent with SEZ Law and other industrial/regional development policies such as SME Law, Industry Law, and Law on industrial zone	

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 1: Strengthening of the Legal Foundation			
(2) Improvement of Transparency and Efficiency in Law Enforcement			
Drafted Action 1) Strengthening FIL registration system			
	･Review current registration process for further improvement by analysing the investors' opinions in coordination with relevant Ministries. ･Improve the process to ensure further transparency and efficiency including simplification of application documents and procedure –e.g. upgrade website to inform updated laws, regulations, notification thoroughly available in English ･Standardize the improved process both within DICA and, where relevant, with other Ministries – introduce business flow to clarify documents required and officers in charge. ･Introduce a digitalise registration system	･Review the results according to the benchmarks for improvement: ･Shorten the registration procedures in order to increase competition against neighbouring countries	･Investment Promotion Section, SEZ Section, Foreign Investment Section. Administration and Accounts Section. ･The 13 ministries, which participate in the OSS, and the Ministry of Tourism and the Ministry of Construction.
Drafted Action 2) Strengthening investment management support system			
	･Improve the registration statistics and information collection and utilization system ･Ensure transparent/efficient law enforcement to improve the MIC approval procedure	･Build a sustainable system for the reviews and renewal of the plan for registration improvement	ditto
Drafted Action 3) Strengthening FIE/Investment assistance system for registration			
	･Formulate a guideline to pursue efficient and transparent implementation of registration in order to improve OSS functions ･Introduce system (procedure) for regular updating of information related to registration issues such as obtaining business permits, contents of brochures, and leaflets related to investments	･Update and revise investment promotion tools ･Implement full-cycle promotion starting from initial consultation, assisting registration, and monitoring problem shooting and expanding business.	･Investment Promotion Section, SEZ Section ･The 13 ministries, which participate in the OSS the Ministry of Tourism and the Ministry of Construction.
Drafted Action 4) Organise FDI statistics for investment management			
	･Design a follow-up mechanism to provide FDI with assistance as required Improve the database of FDI registration and follow-ups/tracking for transparent monitoring	･Build a sustainable system for the reviews and renewal of the plan for registration improvement	･Investment Promotion Section, Foreign Investment Section.

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 2: Strategies for Investment Facilitation for Industrial Development			
(1) Facilitation of FDI's Portfolio Needs for Global Supply Chain (GSC)			
Drafted Action 1) Build up the mechanism to grasp global FDI trends			･Investment Promotion Section, Foreign Investment Section. ･The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction, Central Bank and MOFR (Ministry of Finance and Revenue Economic /research section) ･UMFCCI and business associations, embassies, other countries' IPAs, int'l organizations such as the IFC, Academic sector such as Universities and research institutions
	･Enhance the overall research and analysis capacity on development of global FDI in terms of their portfolio requirements in order to identify the priorities of FDI through periodical publication of outcomes (database, newsletters, reports, etc.) ･Introduce FDI portfolio needs collecting system including recording and tracking of inquiries, introduction of periodical needs survey, and periodical networking with international IPAs.	･Extend the plan stated in the short-term plans.	
Drafted Action 2) Strengthen the proactive promotion function			
	･Design more FDI portfolio needs oriented promotion based on the outcomes from research and analysis of DICA including strategic planning of "Top-sales" in targeted sectors and/or country. ･Improve domestic business environment in the area of targeted FDI including coordination with relevant Ministries/Authorities, regional governments/authorities, and business associations ･Increase promotion activities by developing promotion tools though seminars, website, and direct consultation in Myanmar as well as through embassy economic attaches abroad ･Plan a scheme to bridge between FDI and potential JV partners in Myanmar	･Extend the plan stated in the short-term plans.	
Drafted Action 3) Strengthen the needs oriented policy formulation support mechanism			
	･Prepare for the systematic procedures (ex. relevant recommendation process) to provide timely outputs from the research and analysis from DICA to MIC to support formulation of the appropriate policy, including designing specific facilitation measures and coordination with industrial policy	･Extend the plan stated in the short-term plans.	

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 2: Strategies for Investment Facilitation for industrial Development			
(2) Facilitation of FDI in Diversification of Industry			
Drafted Action 1) Develop appropriate promotion tools and organize seminars to provide necessary information to overseas investors as well as promote Myanmar as an investment destination			
	・Prepare a systematic mechanism to improve the business environment responding to requests from invested FIEs not limited to the domestic resources but soft infrastructures such as standards ・Improve promotion tools such as Myanmar Investment Guide and DICA website periodically and timely	・Implementation of investment management compliant with guidelines:	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction.
Drafted Action 2) Strengthen invested FIE support system in accordance with the industrial diversification objectives			
	・Provide relevant information on domestic resources and facilitate to connect with them	・Further strengthening of invested FIE support system: ・Introduce actual facilitation consulting services to invested FIEs	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction.
Drafted Action 3) Design mechanism to encourage relevant Authorities to promote domestic industries in relation with FDI			
	・Set forth inter-Ministerial forum and/or within the MIC's function in order to tackle with promotion for the linkage of domestic resources with FDI. The initial initiative needs to be taken in the areas of: potential JV partners, domestic parts/services supplying sector, SME, including assistance for drafting the SME development plan, reform SEE plan and various sector plans by conveying the FDI's needs	<u>Further initiatives in diversification:</u> ・Initiative needs to be extended to regional development and/or public works ・Utilize and strengthen the function to bridge between foreign investors and potential domestic partners	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction.

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 2: Strategies for Investment Facilitation for industrial Development			
(3) Facilitation of infrastructure development			
Drafted Action 1) Strengthen FIE support system to facilitate access to required level of infrastructure			
	・Set forth a procedure to encourage the authorities to take urgent measures to improve infrastructures in response to investors' needs in terms of both upgrading individual infrastructure and prioritising regional development designation where relevant ・Provide consulting on access to designated infrastructures	・Review the achievement of short-term plans	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction. Ministry of Transport, Ministry of Railway Transport. Ministry of Electric Power
Drafted Action 2) Design mechanism to encourage relevant Authorities to promote domestic infrastructures in relation to FDI			
	・Compile and provide the most updated information on available and planned infrastructure including specific region/location designated for the infrastructural development, and/or preferable access procedures, when designated.	・Review the achievement of short-term plans	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction. Ministry of Transport, Ministry of Railway Transport. Ministry of Electric Power

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 2: Strategies for Investment Facilitation for industrial Development			
(4) Facilitation of technology transfer and human resource development			
Drafted Action 1) Strengthen FIE support system to facilitate access to human resources			
	・Collect basic information on human resources in order to provide information to investors. Reliable data needs to be obtained through relevant ministries or private sectors	・Review the achievement of short-term plans	・Investment Promotion Section, SEZ Section ・MNPED, MOFA, MOC, MOLESS
Drafted Action 2) Design mechanism to encourage relevant Authorities to improve and strengthen human resources in relation with FDI			
	・Facilitate reform with concerned educational/vocational institutions and Ministries by conveying FIEs' employment needs ・Consider HRD facilities attached to SEZ and/or designated areas and/or sectors when designated	・Review the achievement of short-term plans	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction. Ministry of Transport, Ministry of Railway Transport. Ministry of Electric Power

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions under Strategies 3: Strategies for Widening Investment Opportunities			
(1) Wider opportunities for FDI in public sectors			
Drafted Action 1) Strengthen FIE support system to facilitate access to public works and/or regional development works			
	・Discuss with line ministries and private sectors to take initiative to strengthen FIE support system to respond to the FDI's interest in participating in public works	・Review the achievement of short-term plans	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction. Ministry of Transport, Ministry of Railway Transport. Ministry of Electric Power
Drafted Action 2) Design mechanism to encourage relevant Authorities to provide further investment opportunities			
	・Discuss with line ministries and regional governments on the projects (could be started from the projects on the PIP list) ・Facilitate to formulate concession laws and PPP laws ・Take initiatives to establish a committee for strengthening function of concession/PPP projects preparation	・Review the achievement of short-term plans	
(2) Extensive dialogue among stakeholders			
Drafted Action: Promotes further dialogues on opportunities of interest and conducts necessary coordination among stakeholders proactively and interactively towards solutions to the FDI needs			
	・Take initiative to promote dialogues and coordination among stakeholders towards solutions to the FDI needs ・Develop network with regional/state governments to provide basic information of local business and facilitate dialogue with local governments	・Review the achievement of short-term plans	・Investment Promotion Section, SEZ Section ・The 13 ministries, which participate in the OSS of DICA. Ministry of Tourism and Ministry of Construction. Ministry of Transport, Ministry of Railway Transport. Ministry of Electric Power

Action/ Strategy	Short-Term Actions (- 2015)	Mid- and Long-Term Actions (2016- 2030)	DICA's section and relevant ministries
Actions for Institutional Capacity Development Aspects for DICA			
Take initiative to set up a FDIPP Task Force at working level among line-Ministries and related authorities under the higher authority in order to implement FDIPP into actions	・The function and duties of the Task Force is to implement FDIPP including monitor and evaluate the progress. In order to ensure its efficient conduct of duties, it should have an appropriate authority to form and represent the consensus of the GOM on FDIPP issues.	Review the overall progress and results of monitoring & evaluation, and refine FDIPP based on it for the remaining years. ・Strengthen the mechanism hen the mechanism to improve the function of OSS by integrating all DICA's function: ・Introduce digital system in each DICA's function to support OSS activities (internally for DICA OSS and interactively for investors/stakeholders) ・Increase participation of other ministries such as Ministry of Tourism and Ministry of Construction in the OSS.	・Foreign Investment Section, Investment Promotion Section ・The 13 ministries, which participate in the MNPED (to negotiate with Int'l organizations for technical assistance)
Construct a mechanism to strengthen the function of OSS by integrating all DICA's function :	・Strengthen and centralize coordination function with line Ministries and other stakeholders ・Delegate clear duties and responsibilities to the relevant section for the internal coordination		
・Arrange and staff the adequate number of personnel to each section for the appropriate conducts of DICA's duties	・Conduct a thorough review of duties of DICA including operational procedures and identify the appropriate balance of human resources. ・The review and adjustment process will include the DICA's external functions such as Economic Attaché of selected countries		
・Further strengthen human resource development in each function of DICA:	Introduce periodical and systematic training programs and set out the standardized guidelines for their contents and conducts ・Conduct capacity building of Project Assessment Team (PAT) to enhance project evaluation skills		

[i] List of the 13 Ministries 1.Ministry of Agriculture and Irrigation(MOAI), 2.Ministry of Mining(MOM), 3.Ministry of Livestock and Fisheries(MLF), 4.Central Bank, 5.Ministry of Environmental Conservation and Forestry(MOECF), 6.Ministry of Electrical Power (MEP) ,7.Ministry of Industry(MOI),8.Ministry of Immigration and Population, 9.Ministry of Labor, Employment and Social Security(MOLESS), 10.Custom Department (Ministry of Finance and Revenue), 11.International Revenue Department (Ministry of Finance and Revenue), 12.Ministry of Commerce(MoC), 13. Directorate of Investment and Company Administration (Ministry of National Planning and Economic Development /MNPED)
Note: FIE Foreign Invested Enterprise