

GOVERNMENT OF THE REPUBLIC OF THE UNION OF MYANMAR
MYANMAR INVESTMENT COMMISSION

MYANMAR INVESTMENT PROMOTION PLAN



2018



Myanmar Investment Promotion Plan

2016/17 - 2035/36



2018

MYANMAR INVESTMENT COMMISSION



Executive Summary of the Myanmar Investment Promotion Plan

Background

The Government of the Republic of the Union of Myanmar (Government of Myanmar) formulated the Foreign Direct Investment Promotion Plan in Myanmar (FDIPP) in 2014. More recently, the FDIPP was reviewed in terms of the following needs:

- Conformity to the Investment Policy announced in 2016 and new investment regime of Myanmar under the Myanmar Investment Law and Special Economic Zone (SEZ) Law
- Further improvement of Myanmar's business environment
- Promoting both foreign and domestic investment
- Responsible and quality investment according to the Investment Policy of 2016
- Responding to the recent increases in FDI into Myanmar
- Proposing further actions for the long-term agenda of investment promotion

On the basis of the review, the FDIPP was updated and renamed the **Myanmar Investment Promotion Plan (MIPP)**, integrating domestic investment promotion and foreign investment promotion into one plan in line with the directions of the National Comprehensive Development Plan 2011-30 and the Investment Policy of 2016.

Vision and Objectives of MIPP

Vision

To attain dynamic and harmonious growth of Myanmar and create a fair and prosperous society by promoting responsible and quality investment

Objective

To realize the responsible and quality investments necessary for Myanmar to become a middle-income country by 2030 and for pursuing subsequent further growth until 2035, through fundamental improvement of the business environment:

- 1 Fair and transparent investment regime
- 2 Institutional development for investment promotion
- 3 Infrastructure development
- 4 Supportive business-associated systems
- 5 Competitive industrial linkage and human resources

Goal

Targets for Investment during the MIPP

The amounts of private investment targeted during the MIPP period are shown in the following table.

	2016/17 - 2020/21	2021/22 - 2025/26	2026/27 - 2030/31	2031/32 - 2035/36	Share of Investment (2016/17 -2035/36)
In the Last Year of 5-Year Period					
Population (Million People)	54.8	57.2	59.4	61.3	
GDP (Trillion Kyats)	105,998	152,174	218,466	313,636	
Per capita GDP (US\$)	1,664	2,290	3,165	4,400	

Annual Average for 5-Year Period						
Gross Capital Formation/GDP (%)		34.1%	34.9%	34.9%	34.9%	34.8%
Investment Amount (Billion US\$)	Public Investment	5.6	6.8	9.8	14.1	17%
	Private Investment (Domestic)	15.6	21.0	30.1	43.2	53%
	Private Investment (FDI)	8.1	11.9	17.2	24.7	30%
	Total	29.3	39.7	57.0	81.9	100%
Reference	FDI on BOP basis	5.8	8.5	12.3	17.6	

Note: Figures of the base case. At constant prices of 2015/16. The figures of 2016/17 are based on the data from the Department of Planning.

Targets for Improving Myanmar's Business Environment

The MIPP will pursue the improvement of the business environment with the target of increasing Myanmar's rank in the World Bank's Doing Business ranking, to be **within 100 by 2020** and **within 40 by 2035**.

Scenarios for Investment Promotion

Myanmar has the following advantages for investment promotion in terms of strengths and opportunities.

Strengths	Opportunities
<ul style="list-style-type: none"> ■ Ongoing economic reforms and open foreign investment policy ■ Progress of democratization ■ Strategic geographical location ■ Growing linkage with regional economy ■ Inexpensive and high quality young labor force ■ Potential domestic market ■ Abundant natural resources 	<ul style="list-style-type: none"> ■ Increase in production costs of neighboring countries, such as China and advanced ASEAN countries. ■ Formation of ASEAN Economic Community ■ Progress of information and communication technology (ICT) and globalization

Consequently, the following four paths of investment growth have been identified as scenarios for planning of long-term investment promotion.

Growth Path 1:	Investment in export-oriented industries	Promote export-oriented industries focusing on abundant labor, available natural resources and cost increase in the advanced Asian countries
Growth Path 2:	Investment in domestic market-oriented industries	Promote industries that mostly target the Myanmar market, focusing on the size of the domestic market and underdeveloped local industries (including infrastructure)
Growth Path 3:	Investment in resource-based industries	Promote industries that process local resources such as agriculture, mineral, forestry, fishery, etc.
Growth Path 4:	Investment in knowledge-intensive industries	Promote service industries that provide new services based on particular expertise, e.g. ICT, etc.

Bottlenecks in Investment Promotion for Myanmar

Myanmar is faced with the following disadvantages for investment promotion that must be addressed in the MIPP to improve the business environment and increase the attractiveness of Myanmar as an investment destination.

Weaknesses	Threats
<ul style="list-style-type: none"> ■ Investors’ concern about political risk ■ Weak macroeconomic conditions ■ Undeveloped business regulatory systems ■ Residual investment restrictions ■ Uncertain investment approval procedures ■ Weak investment promotion ■ Underdeveloped infrastructure ■ Underdeveloped business ecosystems ■ Weak financial sector ■ Underdevelopment of local industries ■ Insufficient skilled human resources 	<ul style="list-style-type: none"> ■ Uncertain world political situation ■ Competition with other ASEAN countries under AEC for investment attraction ■ World economic cycle and fluctuation of demand ■ Cyclical weather conditions and potential climate change for agriculture

The bottlenecks of investment promotion can be classified into the following five categories for improvement:

- 1 Investment-related policies and regulations (determined commitment to an open investment policy, sound macroeconomic policies, etc.);
- 2 Institutional development for Investment Promotion (investor protection, clear rules of investment regulations and approval procedures, investment promotion activities, investor support, etc.);
- 3 Infrastructure development;
- 4 Business-related systems (business systems, financial sector development, etc.); and
- 5 Local Industries and human resources.

Strategies for Investment Promotion

The Government of Myanmar formulate strategies and strategic actions with the purpose of addressing the critical bottlenecks of investment promotion. The Government of Myanmar will implement the strategies to promote responsible and quality investments, in which investors will act as partners for Myanmar’s national development, with the following principles of investment promotion.

To welcome responsible, quality and compliance-based investment
To protect investors
To support investors with a fair, clear and predictable regulatory environment

Category 1

Investment-related policies and regulations

Realize an attractive business environment by implementing investor-friendly policies and regulations.

Continuation of sound macroeconomic policies

This strategy aims to maintain sound macroeconomic management for an attractive investment environment and prepare necessary policy measures by developing the capability of policy makers and the provision of investment-related statistics.

- 1) Implement balanced macroeconomic policy for economic growth
- 2) Strengthen capability of macroeconomic policy formulation
- 3) Improve the provision of investment statistics

Determined commitment to open investment policy and an improved business environment

This strategy aims to establish an open investment policy, promote investment liberalization and regulate acts that violate investment and environmental protection, to build investors' confidence in Myanmar's investment regime.

- 1) Establish and disseminate the principles of the investment policy
- 2) Promote the coordination of investment-related policies by relevant ministries using the principles of the investment policy
- 3) Promote investment liberalization in multilateral frameworks
- 4) Prepare a legal framework for business environment improvement and promote deregulation
- 5) Regularly review the relevance of the investment policy
- 6) Regulate fairly and rigorously against acts violating investment and environmental protection on investment projects

Formulation of industrial policies for investment promotion

This strategy aims to prepare industry-specific policies, regulations and incentives to improve the business environment.

- 1) Create investment opportunities in line with industrial development
- 2) Examine new incentives for targeted investments

Category 2

Institutional development for investment promotion

Provide systematic and integrated investment promotion services according to an investment cycle

Investment promotion using nation branding

This strategy aims to implement effective promotional activities for investment promotion using nation branding. Promotional activities need to be enhanced both at country and region level.

- 1) Prepare investment promotion using nation branding
- 2) Implement investment promotion using nation branding

Diligent administration of investment-related regulations and strengthening of investor protection

This strategy aims to identify problems of investment-related regulations and take necessary measures to establish clear regulations. It also aims to enhance investor protection.

- 1) Ensure effective implementation of legal and regulatory framework
- 2) Strengthen investor protection

Establishment of clear application procedures and an organization for handling applications

This strategy aims to realize the smooth handling of investment applications and establish an effective organization for handling them.

- 1) Produce clear and transparent procedures for investment applications
- 2) Establish an organization to systematically manage applications according to procedure
- 3) Enhance the One-Stop Service Center’s (OSSC) functions through increased authority
- 4) Establish post-investment monitoring mechanism under Myanmar Investment Law (MIL)

Promotion of systematic investor support

This strategy aims to provide support to investors at the post-investment stage. They will provide information, consultation and under some circumstances makes arrangements for investors, to maximize success of their operations. The investment support will be also enhanced at regional level.

- 1) Design a systematic investor support mechanism
- 2) Provide systematic investor support at the Department of Investment and Company Administration(DICA) and OSSC in collaboration with related ministries
- 3) Monitor the needs and satisfaction levels of investors regarding investor support
- 4) Promote and support the business diversification and re-investment of existing investors

Establishment of an independent investment promotion agency (IPA)

This strategy aims to establish an independent IPA in order to realize investor-oriented and business-focused investment promotion services.

- 1) Plan the establishment of an independent IPA
- 2) Establish an independent IPA and implement institutional development

Category 3	Infrastructure development	Promote investment in infrastructure - crucial for investment promotion
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Improvement of infrastructure development planning for investment promotion

This strategy aims to facilitate the development of investment-related infrastructure through the preparation of a consolidated infrastructure development plan for investment promotion.

- 1) Prepare a consolidated infrastructure development plan for investment promotion
- 2) Enhance planning and implementation capability for infrastructure projects

Promotion of investment in industrial zones and SEZs

This strategy aims to improve the administration of industrial zones and SEZs, upgrade the existing industrial zones and SEZs, and promote new investment in industrial zones and SEZs.

- 1) Improve administration policies for industrial zones and SEZs
- 2) Expand and upgrade existing industrial zones and SEZs
- 3) Promote new investment in industrial zones and SEZs

Establishment of a Public Private Partnership(PPP) framework and promotion of PPP projects

This strategy aims to promote investments for infrastructure construction and management by establishing financial mechanisms for PPPs in Myanmar and promoting PPP projects.

- 1) Formulate a PPP Master Plan

- 2) Prepare a PPP framework and implement capacity development
- 3) Implement PPP transactions

Category 4	Business-related Systems	Establish the business-related systems that are essential for a reliable and supportive business environment
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Formulation of regulations for business-related systems

This strategy aims to formulate regulations for business-related systems, such as intellectual property rights and product standards that are needed for a supportive business environment.

- 1) Construct robust protection for intellectual property
- 2) Establish national product standards

Enhancement of the financial sector

This strategy aims to expand financing for capital investment by enhancing the financial sector and developing financial schemes for both capital investment and working capital of small and medium enterprises (SMEs) and entrepreneurs.

- 1) Increase financial sector capacity for capital investment financing
- 2) Enhance financing for SMEs and entrepreneurs

Category 5	Local Industries and Human Resources	Develop local industries for industrial linkage and develop human resources to cater for industry needs.
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Promotion of industrial linkage

This strategy aims to formulate and implement policies for developing linkage industries and supply chain to expand and diversify Myanmar's industrial structure.

- 1) Formulate and implement plans for the development of industrial linkage and cluster development
- 2) Strengthen industrial linkages according to plans
- 3) Implement measures for building advanced industrial clusters

Capacity development of local industries

This strategy aims to increase the capacity of local industries to invest in production for export and the domestic market, and in resource-based production.

- 1) Provide comprehensive support to local SMEs for improved competitiveness
- 2) Facilitate technology transfer and productivity improvement

Establish entrepreneur support

This strategy aims to formulate and implement assistance for entrepreneurs, to create a supportive business environment.

- 1) Create business incubation opportunities in knowledge intensive service sectors
- 2) Provide support to start-ups

Improvement of human resources development for industry

This strategy aims to develop human resources for industry by formulating a development plan and enhancing education and training institutions through collaboration with the private sector.

- 1) Formulate a plan for human resources development for industry

- 2) Enhance workforce education and training for industry
- 3) Collaborate with the private sector on human resources development for industry

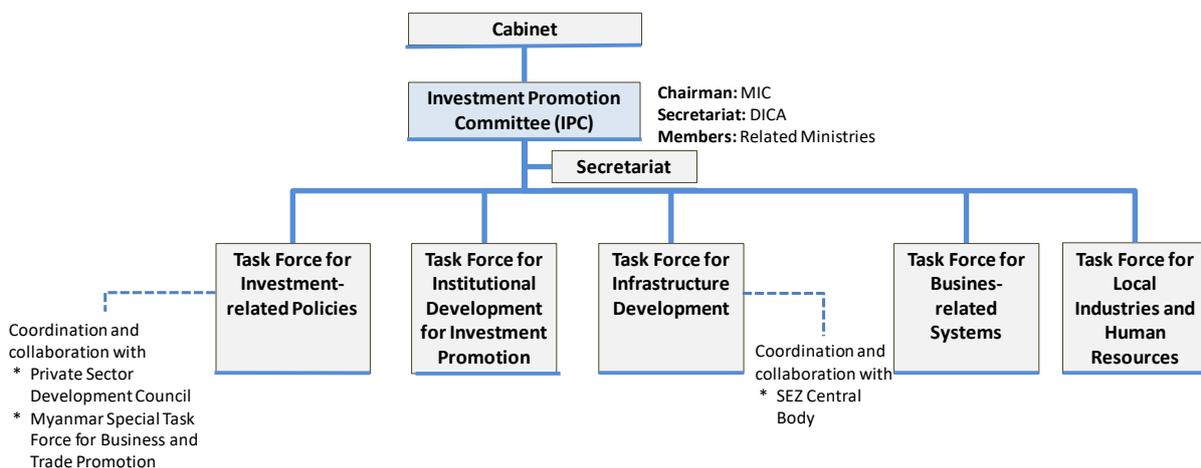
Organization for Implementation

Organization Structure for Implementation of the MIPP

A cross-ministerial organization, the Investment Promotion Committee (IPC) will be established to facilitate the implementation of the MIPP. The structure of the IPC organization has been designed to incorporate the following capabilities:

- High status with sufficient authority to plan, coordinate and monitor the activities of the MIPP
- Involve relevant union ministries and region/state governments
- Attach task forces that engage in specific tasks for the MIPP

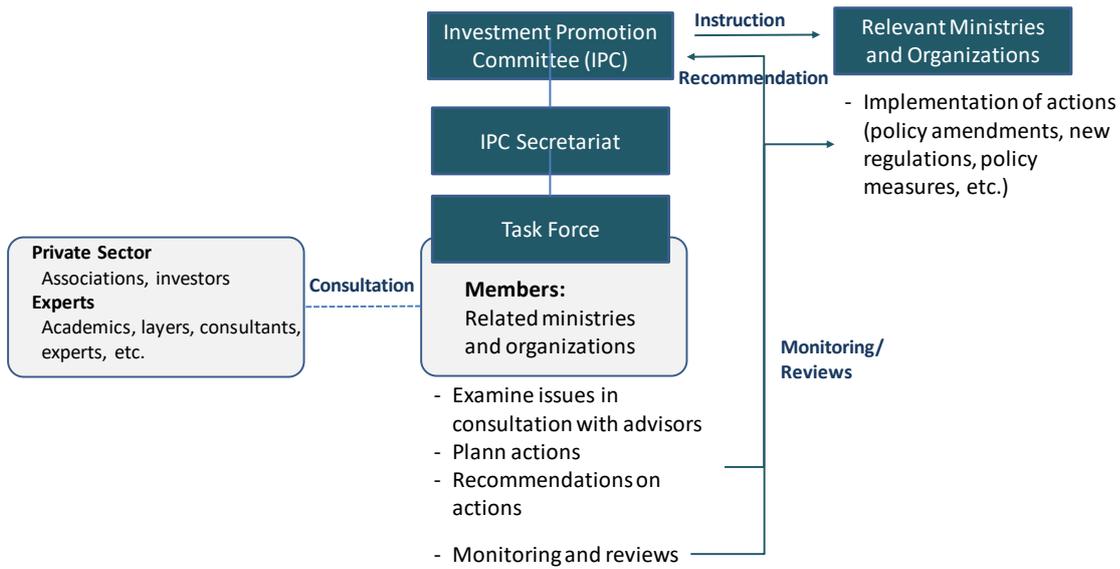
The IPC is chaired by the Union Minister of Planning and Finance. The Department of Investment and Company Administration serves as the Secretariat of the IPC. The members of the IPC are ministers/permanent secretaries of relevant ministries.



Organization Structure for Implementing MIPP

Implementation Flow of MIPP

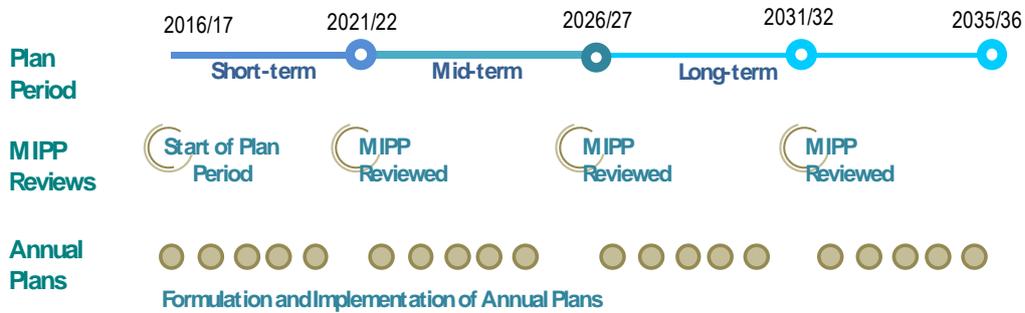
Under the IPC, five task forces will be established in order to put the strategies and actions of the MIPP into practice. The Task Forces will organize dialogues regarding management issues, plan measures for tackling issues and make recommendations for measures to the IPC. The IPC gives instructions based on the recommendations, to relevant Government ministries and organizations. Then, the Task Forces will monitor implementation of measures and provide guidance on the implementation.



Implementation Flow of MIPP

Implementation Schedule of MIPP

The MIPP will be reviewed every five years. The contents and strategies of MIPP may become obsolete in the short-term because business trends change rapidly. The life of a master plan is a maximum of five years. Therefore, the MIPP will be reviewed every five years.



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List of Abbreviations

ACFTA	ASEAN-China Free Trade Area
ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AI	artificial intelligence
AIA Council	ASEAN Investment Area Council
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
ASEAN	Association of South East Asian Nations
ASEAN CCI	ASEAN Chambers of Commerce and Industry
BDS	business development service
BKPM	Indonesia Investment Coordinating Board
BOI	Board of Investments
BOP	balance of payments
CAGR	Compound Average Growth Rate
CBM	Central Bank of Myanmar
CDC	Council for the Development of Cambodia
CLMV	Cambodia, Laos, Myanmar and Vietnam
CMP	Cut, Make and Package
DICA	Department of Investment and Company Administration
DTF	Distance to Frontier
FAQ	frequently asked questions
FDI	foreign direct investment
FDIPP	Long-term Foreign Direct Investment Promotion Plan in Myanmar
FIA Vietnam	Foreign Investment Agency Vietnam
FIL	Foreign Investment Law
FMCG	fast-moving consumer goods
FTA	free trade agreement
GCA	government contracting agency
GDP	gross domestic product
GFCF	gross fixed capital formation
ICOR	incremental capital-output ratio
ICSID	International Centre for Settlement of Investment Disputes
ICT	information and communication technology
IEAT	Industrial Estate Authority of Thailand
IMF	International Monetary Fund

IP	intellectual property
IPA	investment promotion agency
IPC	Investment Promotion Committee
IRD	Internal Revenue Department
JICA	Japan International Cooperation Agency
LDC	least developed country
MBF	Myanmar Business Forum
MCIL	Myanmar Citizens Investment Law
MGHRDC	Myanmar Garment Human Resource Development Centre
MIC	Myanmar Investment Commission
MIDA	Malaysia Investment Development Authority
MIL	Myanmar Investment Law
MIPP	Myanmar Long-term Investment Promotion Plan
MJC	Myanmar-Japan Center for Human Resources Development
MJJI	Myanmar-Japan Joint Initiative
MSTFBTP	Myanmar Special Task Force for Business and Trade Promotion
MTBPTF	Myanmar Trade and Business Promotion Task Force
MTC	Myanmar Trade Center
MTDC	Myanmar Trade Development Committee
Myantrade	Myanmar Trade Promotion Organization
NCDP	National Comprehensive Development Plan 2011-2030
NIEs	Asian newly-industrialized economies
NSDA	National Skill Development Authority
NSDS	National Strategy for Development of Statistics
NSSA	ASEAN Skill Qualification Framework. The National Skill Standard Authority
OSSC	One-Stop Service Center
PPP	public private partnership
PSDC	Private Sector Development Committee
R&D	research and development
SDD	Standards Development Division
SDGs	Sustainable Development Goals
SEZ	special economic zone
SMVTI	Singapore-Myanmar Vocational Training Institute
SOPs	standard operating procedures
TRIPS	Trade Related Aspects of Intellectual Property Rights
TVET	Technical Vocational Education and Training
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry
UNESCAP	UN Economic and Social Commission for Asia and the Pacific

WIPO	World Intellectual Property Organization
WTO	World Trade Organization
WTO TBT	World Trade Organization Technical Barriers to Trade

Chapter 1. Background

1.1 Importance of Investment Promotion for the Development of Myanmar

The Government of the Republic of the Union of Myanmar (hereinafter referred to as the Government of Myanmar) recognizes the importance of quality investment to the development of Myanmar. Investment promotion is a major cross-cutting initiative for the economic development agenda. In other words, investment promotion is a key component in each area of industrial and regional development. With inflow of capital and technology transfer, foreign direct investment (FDI) is expected to contribute to the industrialization of Myanmar that will increase value-addition, create employment and have a synergetic impact on regional development.

Investment promotion is closely related to the implementation of the Sustainable Development Goals (SDGs) in Myanmar and will be crucial to achieving them. Investment promotion will be especially important for the goals (8 and 9) of: 'sustained, inclusive and sustainable economic growth with increased economic productivity through diversification, technological upgrades and innovation'; and 'build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation'.

1.2 Formulation of the FDIPP in 2014

The Government of Myanmar has recognized investment promotion as one of the key economic policies for the national development agenda and for integration into the global community. The Government of Myanmar formulated the Long-term Foreign Direct Investment Promotion Plan in Myanmar (FDIPP), in 2014, with the assistance of the Japan International Cooperation Agency (JICA). The FDIPP was Myanmar's first comprehensive policy on FDI promotion and outlines Myanmar's roadmap for reaching its overall goal- contributing to Myanmar's development and integration into the global community, within the framework of the National Comprehensive Development Plan 2011-2030 (NCDP). The FDIPP consists of five chapters: i) background and objective; ii) vision and goals; iii) issues to be addressed for improvement of the investment environment in the FDI area; iv) strategies for the GOM; and v) actions to be taken by the Directorate of Investment and Company Administration (DICA).

1.3 Achievements of the FDIPP

The FDIPP focused on the improvement of the legal framework and enhancement of activities for investment promotion. With regards to the legal framework, the Government of Myanmar achieved steady progress leading up to the FDIPP. Examples of achievements are shown in Table 1-1. The Myanmar Citizens Investment Law (MCIL) and Foreign Investment Law (FIL) was integrated into the Myanmar Investment Law (MIL) in 2016. The MIL and Myanmar Investment Rules are designed to realize clear and transparent investment approval, streamlined application procedures, and increased opportunities for investment. The Myanmar Companies Law was enacted in 2017. The

Thilawa SEZ Committee has issued notifications to manage the Thilawa SEZ according to the SEZ laws and rules. The One-Stop Service Center (OSSC) was set up at DICA and provides one-stop service to investors. As for promotional activities, the cross-ministerial PPP Task Force has been established to promote PPP-related actions outlined in the FDIPP. With the assistance of JICA, the Task Force conducted a series of discussions on PPP as well as site visits to the neighboring countries, and prepared templates for PPP projects. The Government of Myanmar holds dialogues with the private sector on business environment improvement at events such as the Myanmar Business Forum and the Myanmar-Japan Joint Initiative. DICA has enhanced its investment promotion activities, for example with investment guidebooks, regional investment promotion seminars and its website.

Table 1-1: Achievements of the FDIPP

Actions Proposed in the FDIPP		Actions Achieved
1	Strengthen the functions of the One-Stop Service (OSS)	The OSS has been established within the DICA.
2	Integrate FIL and MCIL	Myanmar Investment Law was promulgated in 2016.
3	Review Myanmar Companies Act (MCA)	The Myanmar Companies Law was enacted in 2017.
4	Implement SEZ law effectively	SEZ Law has been applied to Thilawa SEZ, with issuance of required notifications.
5	Provide further investment opportunities - strengthening establishment of PPPs	PPP Task Force has been established to promote PPPs at the inter-ministry level.
6	Promote dialogues between stakeholders to identify solutions for FDI issues	Several dialogues have been initiated and key issues of investment are discussed.
7	Enhance DICA investment promotion	Investment promotion such as investment guides, investment promotion seminars in regions, website and Japan Desk has been enhanced.

Source: DICA

1.4 Why Revision of the FDIPP Is Necessary

Years have passed since the formulation of the FDIPP in 2014, and the Government of Myanmar and the private sector currently recognize the necessity of revising it for the following reasons.

Conformity with the new investment regime of Myanmar

The Government of Myanmar announced a new investment policy in November 2016. The Investment Policy of 2016 presents a basic stance towards investment and the types of businesses to be welcomed. The MIL enacted in October 2016 has started to impose a new investment administration. Therefore, the FDIPP needs to be reviewed from the viewpoint of conformity with this new investment regime of Myanmar.

In April 2016, Myanmar entered a fresh phase of economic transition under the new Government. The Government of Myanmar continues its efforts in macroeconomic reforms and the legal framework of the business environment. In July 2016, the Government announced a 12-point economic policy, with the purpose of national reconciliation, democratization, regional development and effective economic systems.

Table 1-2: Targets of the Myanmar Economic Policy

1	Establish fiscal prudence and macroeconomic stability through strengthening public finance management
2	Reform and privatize state owned enterprises (SOEs) and assist SMEs as generators of employment and growth
3	Foster human capital through improving technical and vocational education
4	Prioritize rapid development of fundamental infrastructure and establishment of e-Government system
5	Create employment opportunities by prioritizing higher value-added job opportunities
6	Ensure balanced development of the agricultural sector and industrial sector to enable inclusive growth, enhanced food security and export.
7	Assert the right of individuals to freely pursue economic opportunities in a market framework and formulate policies to increase foreign investments and enhance patent rights and law enforcement
8	Achieve monetary and financial stability and create a financial system that supports long-term development of businesses, farmers and households.
9	Establish environmentally sustainable cities, upgrade public services, reinvigorate public spaces and conserve heritage.
10	Construct a fair and efficient taxation system and protect the rights of the people
11	Promote innovation and technology by establishing regulations, procedures and intellectual property rights
12	Ensure stronger business links and foundations within the fast-changing ASEAN region and beyond

Source: DICA

In order to support the economic policy, the Myanmar Investment Commission (MIC) announced an investment policy for the encouragement of foreign investments on November 15, 2016.

Table 1-3: Investment Policy of Myanmar

1	Responsible and mutually beneficial foreign investments are welcomed.
2	The Myanmar Investment Commission and the relevant Government organizations will facilitate foreign investments through transparent, clear and expeditious procedures.
3	A supportive environment for all investors will be created, with a well-functioning economic infrastructure, through macroeconomic stability, the rule of law, credible dispute settlement procedures and reliable financial systems.
4	As foreign investment is crucial for national development, the Government will: <ul style="list-style-type: none"> (a) establish a predictable regulatory environment with nondiscriminatory treatment between foreign and local businesses; (b) protect businesses from seizures that are likely to be in dispute; (c) protect the right to transfer profits and other remittances in accordance with the law, after payment of taxes and duties and other payment obligations; (d) provide the right to long-term land lease in accordance with the law for approved investments.
5	Local and foreign investors shall comply with the principles for responsible investment and business conduct, including environmental and natural resource matters, on an equal basis and in a non-discriminatory manner at all times.
6	Foreigners are not permitted to conduct certain businesses relating to national security, culture and social affairs. Details of these restricted businesses will be made publicly available.
7	Investment businesses that incorporate the following attributes are welcomed and encouraged: <ul style="list-style-type: none"> (a) Support productivity-enhancing and value-added agro-based industries with linkages to regional and global supply chains; (b) Enable technology transfer and domestic production to be economically beneficial; (c) Enable support for the development of small and medium-sized enterprises; (d) Rapid development of infrastructure; (e) Create job opportunities and provide vocational education and training, to increase skills and develop human resources;

- (f) Invest in economically less developed regions;
- (g) Enable development of industrial cities and special economic industrial clusters;
- (h) Operate in the tourism sector.

Source: DICA

For the legal framework for investment, the MIL was promulgated on October 18, 2016, integrating the MCIL and FIL to streamline investment procedures, open up more sectors to investors and promote regional development.

Under the MIL, any investor who is not required to submit an investment proposal but who wishes to obtain permission to enter into long-term lease agreements or tax incentives may submit an application for an endorsement. The MIC delegates the assessment of tax incentives to a State or Regional Committee if the value of the investment is less than US \$5 million. The notifications of the MIC clarified promoted sectors for investment and give a longer period of income tax incentive to less-developed areas.

Need for further improvement of Myanmar's business environment

The business environment of Myanmar is still unfavorable compared with neighboring countries. According to major global indices, Myanmar is ranked 131 out of 140 countries in the Global Competitiveness Index, 170 of 190 for Ease of Doing Business, and 136 of 176 in the Corruption Perceptions Index. Although the scores of Myanmar have been improving, its position is still much lower than Indonesia and Vietnam and at the same level as Bangladesh.

Table 1-4: Ranking in Global Indices

	Myanmar	Malaysia	Thailand	Indonesia	Vietnam	India	Bangladesh
Global Competitiveness *	131	18	32	37	56	55	107
Ease of Doing Business **	170	23	46	91	82	130	176
Corruption Perceptions Index ***	136	55	101	90	113	79	145

Source: * World Economic Forum "Global Competitiveness Report 2015 - 2016", 2015, **World Bank "Doing Business 2017", October 2016, *** Transparency International "Corruption Perceptions Index 2016," 2017

With regards to the areas of evaluation for the Global Competitiveness Index, Myanmar is ranked particularly low for institutions (legal and administrative framework), infrastructure, higher education and training, goods market efficiency, financial market development, technological readiness, business sophistication and innovation. These problem areas increase the cost of doing business in Myanmar. Poor infrastructure and insufficient higher education are also constraints for attracting investment.

Myanmar's rank of 170 for the World Bank's Ease of Doing Business Index in 2017 illustrates that many constraints and restrictions remain for investors.

Table 1-5: World Ranking of Ease of Doing Business

Rank	Country	DTF Score
2	Singapore	84.57
24	Malaysia	78.43
26	Thailand	77.44
68	Vietnam	67.93
72	Indonesia	66.47
113	Philippines	58.74
135	Cambodia	54.47
141	LaoPDR	53.01
170	Myanmar	44.21

Note: Distance to Frontier (DTF) measures the distance of each economy to the “frontier,” which represents the best performance observed across all economies.

Source: World Bank, “Doing Business 2018”, 2017



Note: Distance to Frontier (DTF) measures the distance of each economy to the “frontier,” which represents the best performance observed across all economies.

Source: World Bank, “Doing Business 2018”, 2017

Figure 1-1: Distance to Frontier Scores of Myanmar for Ease of Doing Business

Among the indicators for the Ease of Doing Business Index, Myanmar has gained relatively favorable scores for ‘starting business’ and ‘dealing with construction permits’. However, scores such as ‘getting credit’, ‘resolving insolvency’ and ‘enforcing contracts’ are very low. The country has shown a significant improvement only for the category of ‘starting a business’, where its ranking improved from 160 in 2016 to 146 in 2017, coming higher than Indonesia and the Philippines.

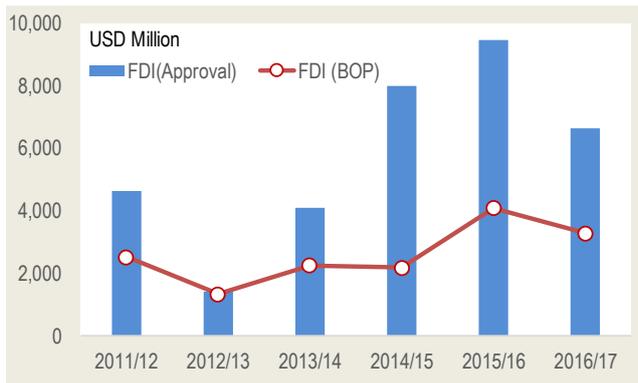
Although Myanmar has improved in some rankings, there remain a number of obstacles and barriers to doing business in Myanmar. The unreliable electricity supply and the underdevelopment of transportation infrastructure are serious constraints on the productivity of business operations. Moreover, there are strong demands among potential investors for further liberalization of business and improvement of business-related laws and regulations to allow them to take advantage of current opportunities in Myanmar.

The Government of Myanmar has started to address major issues affecting the business environment in collaboration with the private sector. An investment promotion plan should additionally incorporate those efforts for business environment improvement.

Need for responding to recent trend of FDI into Myanmar

FDI into Myanmar has increased in recent years with the growing interest of investors, because of a progress of democratization, a series of legal reforms and widened business opportunities. The approval of foreign direct investment (FDI) into Myanmar showed a significant growth in 2014/15¹ and 2015/16 although FDI in 2016/17 dropped to US \$6.6 billion from US\$9.5 billion in 2015/16.

¹Myanmar’s fiscal year started on April 1 every year and ends on March 31 the following year until 2016/17. Fiscal year 2017/18 is from April 1, 2017 until September 30, 2018. Since 2018/19, the fiscal year is from October 1 until September 30 of the following year.

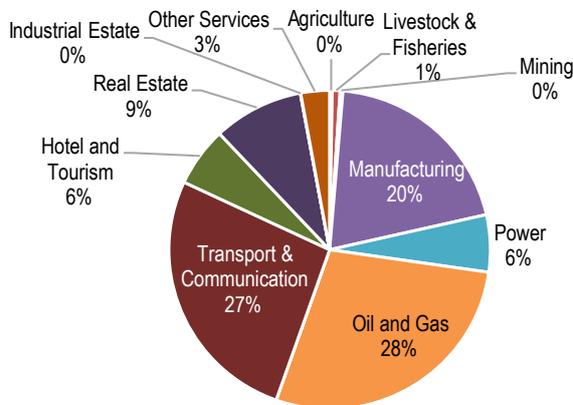


Note: The figure of FDI approval does not include FDI in the ThilawaSEZ. The figure of FDI on a balance of payment basis is a projection by IMF.

Source: IMF "International Financial Statistics" 2017 and DICA

Figure 1-2: Amount of FDI Inflow to Myanmar

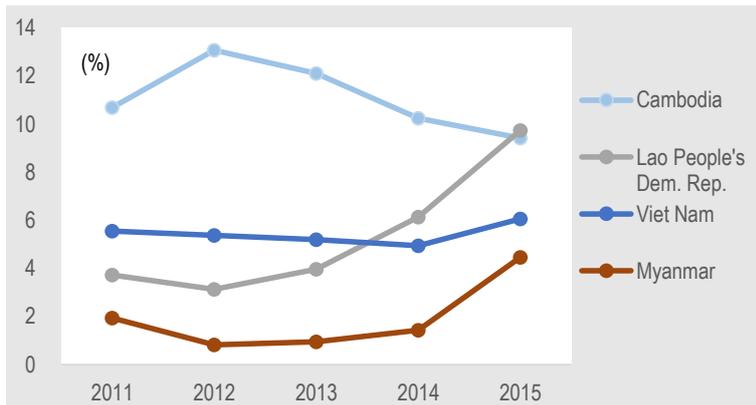
The areas of FDI are steadily diversifying from extractive industries to the manufacturing sector, targeting both export and the domestic market, and to various service sectors. This is expected to contribute to the national agenda of upgrading economic structures, creation of jobs and income generation. Among the total amount of FDI approval during the five-year period from 2012/13 - 2016/17, oil & gas accounted for the largest share by sector of 28%, followed by the transport & communication sector (27%) and the manufacturing sector (20%).



Source: DICA

Figure 1-3: Sector Share of FDI Approval (2012/13 - 2016/17)

However, the size of FDI into Myanmar still compares unfavorably even with other CLVM countries. It is therefore necessary to take steps to further expand inflows of FDI to Myanmar. FDI brings in technology, funds and markets that are needed, so it is critical to steer investment in the direction of the nation's development needs. Under these circumstances, it is worth reviewing the recent FDI trend.



Note: The figure is on balance of payment basis

Source: UNCTAD, "FDI Statistics" (<http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics.aspx>)

Figure 1-4: Percentage of FDI (Net Inflow of FDI) to GDP

Necessity of proposing more actions for long-term agenda of investment promotion

The current FDIPP proposes actions for investment promotion but they are mostly short-term, especially the reform of the legal framework. A basic legal framework for investment promotion has been prepared through the introduction of MIL.

Investment promotion of Myanmar has moved to the implementation stage. Therefore, it is necessary to examine further investment promotion measures from long-term perspective, according to investment promotion scenarios and strategies to supplement the FDIPP.

Necessity of promoting both foreign and domestic investment

As the name suggests, the FDIPP targets promotion of foreign investment. However, both domestic investment and foreign investment are equally indispensable for the development of Myanmar. In 2016, the FIL and the MCIL were integrated into the MIL.

Private sector development including SMEs is an obviously important avenue for long-term development of Myanmar. Preparing a supportive business environment and promoting investment can contribute significantly to the revitalization of the private sector. Therefore, any long-term investment promotion plan addressing the national development agenda should target both foreign and domestic investment.

1.5 Formulation of the Myanmar Long-term Investment Promotion Plan

The objective of the FDIPP was to set out Myanmar's first comprehensive policy direction and roadmap for FDI promotion. The FDIPP was updated as the Myanmar Long-term Investment Promotion Plan, integrating domestic investment promotion and foreign investment promotion into one plan and reflecting recent economic and investment trends of Myanmar.

This MIPP is therefore formulated to act as a roadmap for how to achieve targets of both domestic and foreign investments, that are needed for socio-economic development of Myanmar in accordance with the directions of the National Comprehensive Development Plan 2011-30 and the Investment Policy of 2016.

Chapter 2. Vision and Objective of the MIPP

2.1 Vision of the MIPP

A vision for the MIPP was explored and decided upon using the experience gained from the FDIPP.

The vision of the MIPP is set to be as follows:

Vision of the MIPP

To attain dynamic and harmonious growth of Myanmar and create a fair and prosperous society by promoting responsible and quality investment²

With this vision, the Government of Myanmar commits to building an open and reliable business foundation which offers maximum opportunities to both domestic and foreign investors. Equally, the Government of Myanmar welcomes responsible and quality investments that respect the value, culture and natural environment of Myanmar and act as partners for the country’s national development.

The Government of Myanmar affirms the following principles which lie behind this vision of MIPP.

- The Government of Myanmar will welcome responsible and quality businesses which benefit both investors and Myanmar for quick win.
- The Government of Myanmar will pursue policies that support macroeconomic stability, encouraging and reliable laws and regulations, and reliable financial systems, in order to build an effective economic infrastructure.
- The Government of Myanmar will establish simplified, fast and clear investment processes through the MIC and other related Governmental organizations.
- The Government of Myanmar will take responsibility of improving the investment environment, enhancing fair treatment for local and foreign investors and assuring investor protection.
- The Government of Myanmar will ensure that both local and foreign investors follow the rules and regulations covering responsibilities for society, environment and natural resource.

2.2 Objective of the MIPP

Investment is a key driver of economic development and investment promotion is a vital component of economic policy. The Government of Myanmar commits to an open, fair and clear investment

²Responsible and quality investment means an investment project that has the following features:

- Creates sustainable employment opportunities;
- Increases value and improves the productivity of the national economy;
- Generates capital flow;
- Realizes technology transfer with advanced technology;
- Is compliant with the laws and rules of Myanmar and international best practice; and
- Observes with sustainable environmental and social standards.

policy. Investments to be targeted should adequately contribute to the balanced and sustainable development of Myanmar. The MIPP particularly notes that these investments must be responsible, comply with the principles of business conduct, and meet an international level of standards. Therefore, the MIPP will carefully consider social, cultural and environmental impacts of any proposed investments.

Based on these expectations, the MIPP sets its objective as follows:

Objective of the MIPP

To realize the responsible and quality investments necessary for Myanmar to become a middle-income country by 2032 and for pursuing subsequent further growth until 2035 through fundamental improvement of the business environment, as follows:

- ✓ *fair and transparent investment regime*
- ✓ *institutional development for investment promotion*
- ✓ *Improved infrastructure*
- ✓ *supportive business-related systems*
- ✓ *competitive industrial linkage and human resources*

The MIPP’s objectives will be attained by the following key strategic drives:

■ **Establishment of a fair and transparent regulatory regime for investment**

The Government of Myanmar will regularly review the investment policy to reflect recent trends and needs for investment promotion, and to establish a fair and clear legal framework for investment promotion.

■ **Enhancement of institutions for investment promotion**

The Government of Myanmar will enhance the structure and functions of relevant Government organizations, especially the MIC and DICA at the country and region/state level, to enable comprehensive activities of investment promotion.

■ **Infrastructure improvement**

The Government of Myanmar will promote the development of investment-related infrastructure that is critical for investment, such as power, transportation and industrial zones/SEZs.

■ **Establishment of supportive business-related systems**

The Government of Myanmar will develop supportive business-related systems, such as for intellectual property rights, fair competition, a reliable financial sector and make new business

opportunities available for investors.

■ **Establishment of competitive industrial linkage and improved human resources**

The Government of Myanmar will develop the linkage industries and human resources that are necessary for strengthening the industrial network and improving the productivity of investors.

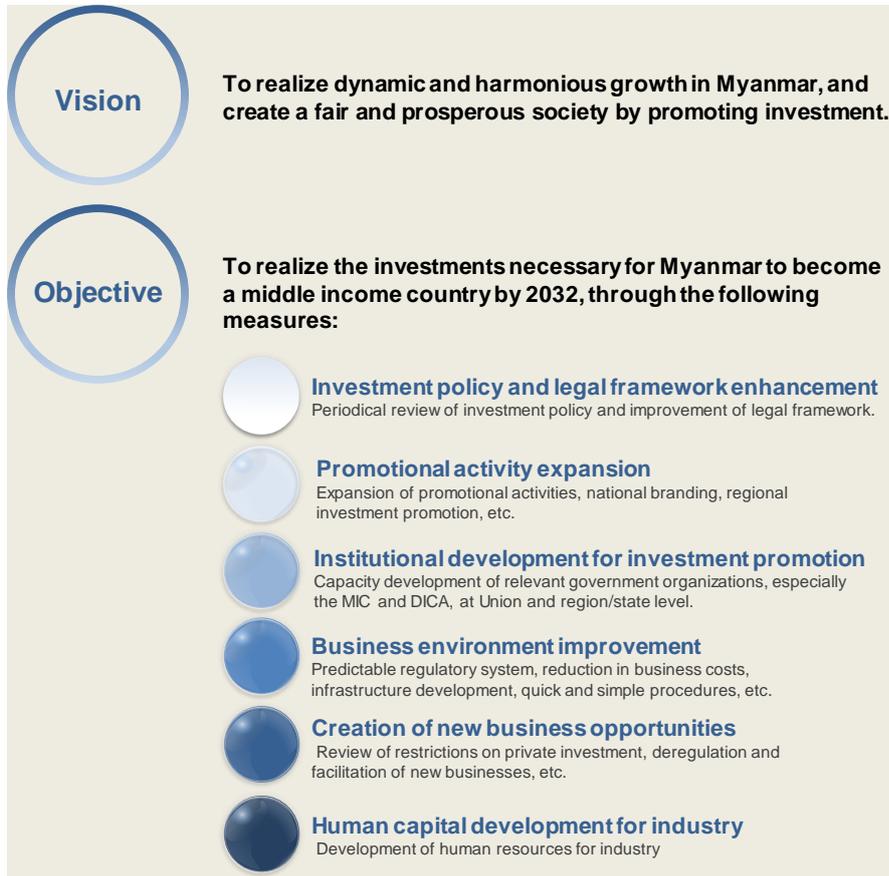


Figure 2-1: Vision and Objective of the MIPP

2.3 MIPP Investment Targets

2.3.1 MIPP Timeframe

The timeframe for the FDIPP was set as the period from 2011/12 until 2030/31, in accordance with that of the NCDP that is divided into four 5-year plans. The MIPP supersedes the period from the rest of three 5-year periods (2016/17 - 2030/31) of the NCDP and includes an additional 5-year period from 2031/32 - 2035/36. Therefore, the MIPP spans 20 years from 2016/17 until 2035/36.

Table 2-1: Target Period of Plan

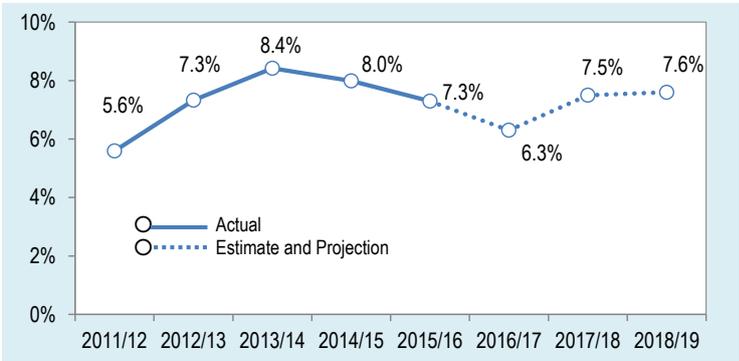
Foreign Direct Investment Promotion Plan (FDIPP)	➔	Myanmar Investment Promotion Plan (MIPP)
Target Period: 2011/12 - 2030/31		Target Period: 2016/17 - 2035/36

The plan period is further divided into three stages:

- Short-Term:** 5 years from 2016/17 until 2020/21
- Mid-Term:** 5 years from 2021/22 until 2025/26
- Long-Term:** 10 years from 2026/27 until 2035/36

2.3.2 GDP Growth Projection

Myanmar’s economy has shown an average annual growth rate of 7.3% in constant prices during the period from 2011/12 until 2015/16, the first 5-year period of NCDP. International organizations³ estimate that Myanmar’s economy will grow by 7-8% annually both in the short and in the medium term.



Source: Central Statistics Organization and IMF “Staff Report for the 2016 Article IV Consultation,” December 29, 2016,

Figure 2-2: Annual Growth of Real GDP

With regards to Myanmar’s existing economic base and current economic conditions, an annual average growth rate of 7.5% is set for a base scenario of economic growth for the period of the MIPP. In addition to the base case, two scenarios - a high growth case and a low growth case - are assumed for the purpose of estimating and setting the MIPP’s goals. As a result, three scenarios of economic growth (average growth rate of real GDP during 2016/17 – 2035/36) have been formulated for the MIPP:

High growth case	8.2%
Base case	7.5%
Low growth case	6.7%

The International Monetary Fund (IMF) estimates that Myanmar can achieve 7 - 8% growth in the long term (Staff Report of for the 2016 Article IV Consultation). The base case adopts the middle of this rate, 7.5%. A higher growth case is 0.7% higher than the base case and a low growth case is 0.8%

³ According to Asian Development Outlook 2017, the Asian Development Bank (ADB) estimates that Myanmar’s GDP growth will be 7.7% in 2017 and 8.0% in 2018. According to the Staff Report for the 2016 Article IV Consultation Report, the International Monetary Fund (IMF) estimates that Myanmar can achieve 7-8% growth in the long term.

lower than the base case.

More details of cases are explained in the following table.

Table 2-2: Scenarios for Investment Growth Projection

Scenario 1 High Growth Case:	In this scenario, a real GDP growth rate will steadily increase from 7.7% in 2018/19 to 8.4% in 2022/23. It will become stable at 8.4% per annum for the remainder of the period until 2035/36. The average growth rate of real GDP is 8.2% per annum during the MIPP period.
Scenario 2 Base Case:	A real GDP growth rate will be sustained at 7.5% on average from 2018/19 until 2035/36 in this scenario. The records of high growth periods of neighboring countries were 8.0% in Thailand for 1980 - 1996 and 7.2% in Vietnam for 1988 - 2007. These cases indicate that growth in the range of 7 - 8% is reasonable and can be sustained in the long term. With this scenario, GDP per capita in 2030/31 will be US\$ 3,165. This growth rate matches the growth target of the NCDP, namely, "GDP per capita US\$ 3,000 by 2030". In addition, the GDP growth rate for this scenario amply meets target 8.1 ⁴ of the SDGs, of at least 7.0% per annum.
Scenario 3 Low Growth Case:	This scenario follows the key macroeconomic assumptions of IMF's debt sustainability analysis of Myanmar in the IMF Staff Report for the 2016 Article IV Consultation. The real GDP annual growth rate will decrease from 7.2% in 2018/19 to 6.7% in 2021/22. After that it will be stabilize at 6.6% per annum from 2022/23 to 2035/36. This is a conservative case when considering the increasing uncertainty in the global economy.

The trends for economic growth rates by case is shown in the following table.

Table 2-3: Real GDP Growth Scenarios (2010-2030)

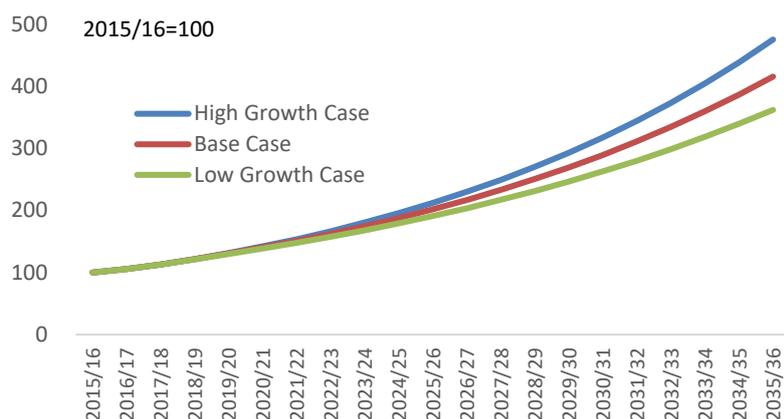
Unit: %

Scenario	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17	2017 /18	2018 /19	2019 /20	2020 /21	2021 /22	2022/23- 2030/31	2031/32 - 2035/36
High Growth Case	5.6	7.3	8.4	8.0	7.0	5.9	6.8	7.7	7.9	8.1	8.2	8.4	8.4
Base Growth Case	5.6	7.3	8.4	8.0	7.0	5.9	6.8	7.6	7.5	7.5	7.5	7.5	7.5
Low Growth Case	5.6	7.3	8.4	8.0	7.0	5.9	6.8	7.2	7.0	6.9	6.7	6.6	6.6

Source: The Department of Planning of Ministry of Planning and Finance, IMF Staff Report for the 2016 Article IV Consultation. The growth rates are set assuming the fiscal year starts on April 1 and ends on March 31 the following year.

The growth of GDP for the three cases shown in the following chart. When the size of GDP in 2015/16 is assumed to be 100, real GDP of the base case will be 416 in 2035/36, more than quadrupling. As for the high growth case in 2035/36, it will be 476, 14% larger than the base case for 2035/36. For the low growth case, it will be 362, 13% smaller than the base case for 2035/36.

⁴ Target 8.1 is "Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries" (Transforming our world: the 2030 Agenda for Sustainable Development) (United Nations, 2015).



Note: At constant price basis. GDP in 2015/16 = 100.

Source: Estimate based on the data of Department of Planning and IMF Staff Report for the 2016 Article IV Consultation

Figure 2-3: GDP Trends for Three Scenarios

The following population projection is used in the estimates, based on the reports published by the Department of Population, Ministry of Labour, Immigration and Population.

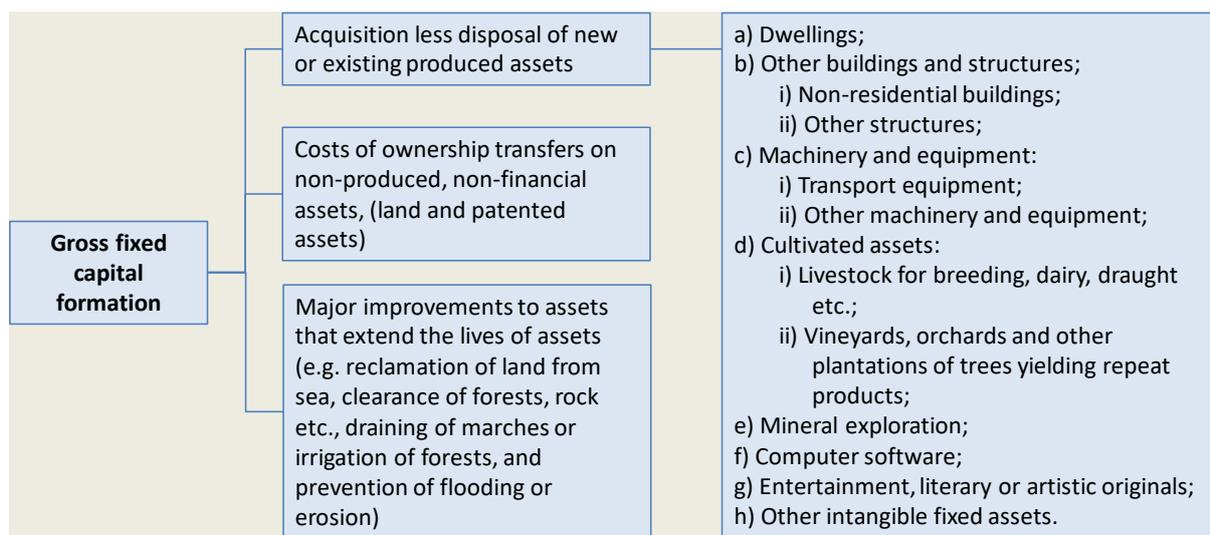
Table 2-4: Population Projection

Population (Thousand Persons)				Average Annual Population Growth Rate (%)			
Year	Low	Medium	High	Period	Low	Medium	High
2014	51,991	51,991	51,991				
2015	52,451	52,451	52,451	2015-20	0.86	0.88	0.91
2020	54,764	54,818	54,904	2020-25	0.80	0.84	0.92
2025	56,989	57,178	57,485	2025-30	0.70	0.76	0.88
2030	59,008	59,399	60,058	2030-35	0.56	0.64	0.79
2035	60,677	61,343	62,478	2035-40	0.40	0.51	0.69
2040	61,912	62,932	64,672	2040-45	0.24	0.38	0.59

Source: Department of Population, Ministry of Labour, Immigration and Population, "The 2014 Myanmar Population and Housing Census Thematic Report on Population Projections for the Union of Myanmar, States/Regions, Rural and Urban Areas, 2014 - 2050 Census Report Volume 4-F," March 2017.

2.3.3 Investment to Achieve Growth Scenarios

Investment in a national economy, i.e., gross fixed capital formation (GFCF), can be largely classified by type of investor into (i) government investment for dwellings and infrastructure, (ii) private household investment for dwellings, (iii) public company investment for machinery and equipment, and construction, (iv) private company investment for machinery and equipment, and construction. The fourth category, private company investment, consists of domestic companies and FDI.



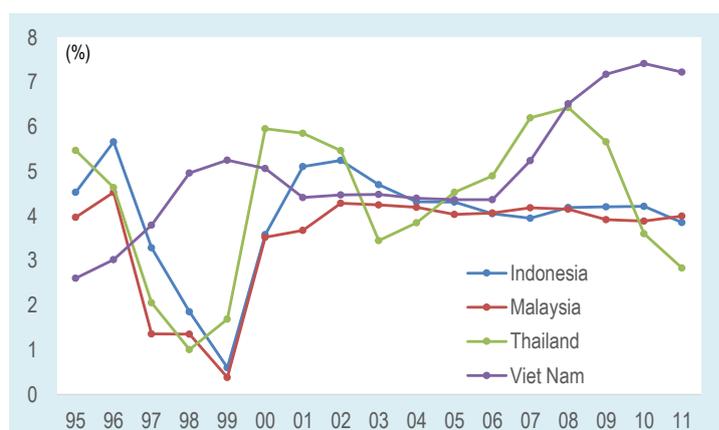
Source: United Nations, National Accounts: A Practical Introduction (2003)

Figure 2-4: Definition of Gross Fixed Capital Formation

The amount of GFCF required for achieving the GDP growth assumed in each scenario is calculated with an incremental capital-output ratio (ICOR). The ICOR is the ratio of capital investment that is necessary to generate a unit of extra production. The ICOR can be calculated using the following formula:

$$ICOR = \frac{\text{annual investment (= Gross Fixed Capital Formation)}}{\text{annual increase in GDP}}$$

The ICOR level of a developing country tends to increase gradually over time in the process of economic development due to a slowing economic growth and a decreasing efficiency of investment as the countries move on to becoming a mid-income country and then a developed country. For example, Thailand’s ICOR increased from 2.0 during 1962-66 to 7.3 during 2011-15 while Malaysia’s ICOR increased from 2.4 on average during 1962-66 to 4.3 during 2011-15⁵.



Source: OECD Development Centre’s calculation

Figure 2-5: ICOR of Neighboring Countries

The average ICOR of Myanmar was 4.7 for the period 2011/12 - 2015/16. Considering the

⁵ Due to constraints in available data, these ICOR figures are calculated by nominal GDP and GFCF.

experiences of neighboring countries, Myanmar’s ICOR has been at a high level, which means a low productivity of investment in Myanmar. It is assumed that Myanmar’s ICOR will be at a same level of 5.0 over the duration of the MIPP, from 2016/17 until 2035/36.

Table2-5 shows the required amount of GFCF for the three alternative scenarios for 2015/16-2035/36.

Table 2-5: GDP and Necessary GFCF Amount (2015/16 – 2035/36)

Unit: Billion Kyats

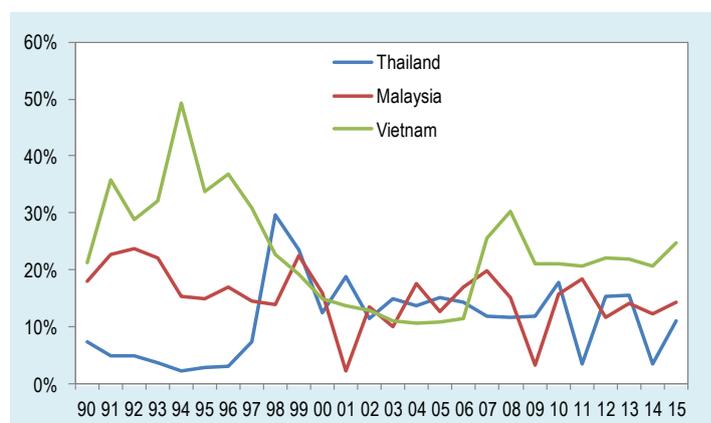
Year	Scenario 1 – High Growth			Scenario 2 – Base			Scenario 3 - Low Growth			ICOR
	GDP	GFCF	GFCF/ GDP	GDP	GFCF	GFCF/ GDP	GDP	GFCF	GFCF/ GDP	
2015/16	72,714	25,152	35%	72,714	25,152	35%	72,714	25,152	35%	5.3
2020/21	107,547	40,532	38%	105,998	36,976	35%	104,220	33,164	32%	5.0
2025/26	160,828	62,313	39%	152,174	53,084	35%	143,528	44,432	31%	5.0
2030/31	240,717	93,267	39%	218,466	76,209	35%	197,570	61,161	31%	5.0
2035/36	360,291	139,596	39%	313,636	109,408	35%	271,961	84,191	31%	5.0

Note: At constant prices of 2015/16. Actual figures are used for 2015/16 and projected figures for 2020/21 to 2035/36.

Source: Historical data from ADB’s Statistical Database System (<https://sdbs.adb.org/sdbs/>) for 2015/16

2.3.4 Estimation of Annual FDI Inflow

GFCF can be classified into i) public investment and ii) private investment. Private investment included investment by foreign investors (FDI).



Source: Historical data from ADB’s “Key Indicators for Asia and the Pacific” and UNCTAD “FDI Statistics”

Figure 2-6: Share of FDI to GFCF in Neighboring Countries

FDI means investment made to acquire lasting interest in enterprises operating outside of the economy of the investor⁶. The amount of FDI monitored by a central bank is a sum of equity capital, reinvestment of earnings and intra-company loans. The Central Bank of Myanmar (CBM) compiles data of equity acquisition and intra-company loans of foreign investors⁷.

For the calculation of the breakdown of investment, the following conditions are set:

⁶According to the definition of Balance of Payment Manual Ver. 5, IMF.

⁷According to the CBM, the amount of investments to Thilawa SEZ has not been included in figures yet. Investment projects are financed by loans not from the parent company in some cases. The amount of foreign investment projects may be larger than that of BOP statistics.

- Public investment: The percentage of public GFCF to GDP was 7.2% on average from 2011/12 to 2015/16. This ratio is projected to decrease to 5.5% in 2018/19 in the IMF 2016 Article IV Consultation Report. It is assumed that the percentage of public GFCF to GDP will remain at the level of 6.0% between 2019/20 and 2035/36.
- FDI: The percentage of net FDI on a balance of payment(BOP) basis to GDP was 5.4% on average from 2011/12 to 2015/16, and is projected to increase to 7.3% in 2021/22, according to the IMF 2016 Article IV Consultation Report. It is assumed that the average percentage of FDI to GDP will remain at 7.5% throughout 2035/36.

There is a gap between the amount of FDI on a BOP basis and the total investment amount for investment projects. The FDI figure reported to the CBM does not include loans other than from parent companies. Therefore, it is assumed that an actual FDI figure may be larger than the projected FDI amount on a BOP basis. It is presumed that this difference is 1.4 times the BOP basis.

- Private investment excluding FDI: the percentage of private GGCF (excluding FDI) to GDP is calculated by deducting the shares of public investment and FDI from the ratio of total GFCF to GDP.

Based on the above-mentioned assumptions, the composition of gross fixed capital formation by type of investment, i.e., i) public investment, ii) domestic private investment and iii) foreign private investment (FDI), are calculated as shown in Tables 2-6 and 2-7.

Table 2-6: Proportion of Gross Fixed Capital Formation in Kyats

Unit: Billion Kyats

		2016/17	2020/21	2025/26	2030/31	2035/36	2016/17-35/36	Share
High Case	Public Investment	6,452	6,453	9,650	14,443	21,617	228,230	16%
	Private (Domestic)	12,445	23,232	35,777	53,548	80,148	823,309	57%
	Private (FDI)	6,361	10,847	16,887	25,275	37,831	390,152	27%
	Total	25,257	40,532	62,313	93,267	139,596	1,441,690	100%
Base Case	Public Investment	6,452	6,360	9,130	13,108	18,818	210,860	17%
	Private (Domestic)	12,445	19,926	27,975	40,162	57,658	638,130	53%
	Private (FDI)	6,361	10,690	15,978	22,939	32,932	359,427	30%
	Total	25,257	36,976	53,084	76,209	109,408	1,208,416	100%
Low Case	Public Investment	6,452	6,253	8,612	11,854	16,318	194,599	19%
	Private (Domestic)	12,445	16,400	20,750	28,562	39,317	474,453	47%
	Private (FDI)	6,361	10,510	15,070	20,745	28,556	330,991	33%
	Total	25,257	33,164	44,432	61,161	84,191	1,000,044	100%

Note: At constant prices of 2015/16. The figures of 2016/17 are projected amounts.

Source: Estimated on the basis of IMF's Staff Report for the 2016 Article IV Consultation, December 2016, ADB's Key Indicators for Asia and the Pacific (<https://www.adb.org/publications/key-indicators-asia-and-pacific-2016>),

Table 2-7: Proportion of Gross Fixed Capital Formation in US Dollars

Unit: Billion US\$

		2016/17	2020/21	2025/26	2030/31	2035/36	2016/17-35/36	Share
High Case	Public Investment	5.6	5.6	8.3	12.4	18.6	196.4	16%
	Private (Domestic)	10.7	20.0	30.8	46.1	69.0	708.5	57%
	Private (FDI)	5.5	9.3	14.5	21.8	32.6	335.8	27%
	Total	21.7	34.9	53.6	80.3	120.1	1,240.7	100%
Base Case	Public Investment	5.6	5.5	7.9	11.3	16.2	181.5	17%
	Private (Domestic)	10.7	17.1	24.1	34.6	49.6	549.2	53%
	Private (FDI)	5.5	9.2	13.8	19.7	28.3	309.3	30%
	Total	21.7	31.8	45.7	65.6	94.2	1,039.9	100%
Low Case	Public Investment	5.6	5.4	7.4	10.2	14.0	167.5	19%
	Private (Domestic)	10.7	14.1	17.9	24.6	33.8	408.3	47%
	Private (FDI)	5.5	9.0	13.0	17.9	24.6	284.8	33%
	Total	21.7	28.5	38.2	52.6	72.5	860.6	100%

Note: At constant prices of 2015/16. The official exchange rate of 1,262 Kyats per US\$ is used from IMF's estimate in the Staff Report for the 2016 Article IV Consultation, December 29, 2016. The figures for 2016/17 are projected amounts.

Source: Estimated on the basis of IMF's Staff Report for the 2016 Article IV Consultation, December 2016, ADB's Key Indicators for Asia and the Pacific (<https://www.adb.org/publications/key-indicators-asia-and-pacific-2016>),

2.3.5 MIPP Investment Targets

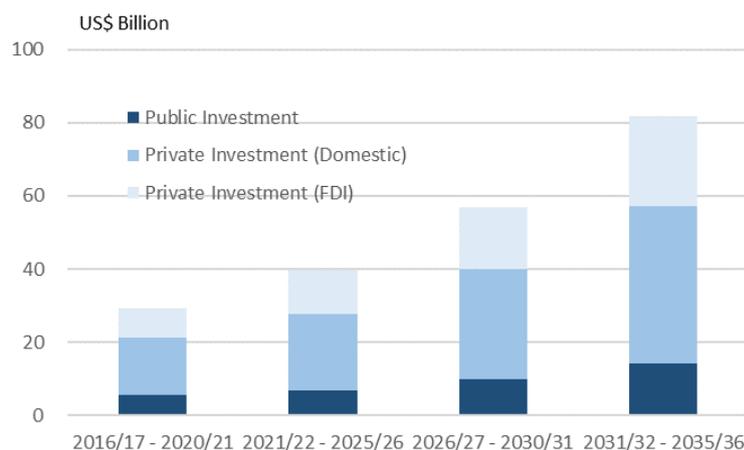
The base case of macroeconomic projection has been adopted for setting investment targets during the MIPP's lifecycle which will enable Myanmar to meet the target of US\$3,000 per capita in 2030. The major indicators for the base case are shown in the following table.

Table 2-8: MIPP Investment Targets (Base Case)

		2016/17 - 2020/21	2021/22 - 2025/26	2026/27 - 2030/31	2031/32 - 2035/36	Share of Investment (2016/17 -2035/36)
In the Last Year of 5-Year Period						
Population (Million People)		54.8	57.2	59.4	61.3	
GDP (Trillion Kyats)		105,998	152,174	218,466	313,636	
Per capita GDP (US\$)		1,664	2,290	3,165	4,400	
Annual Average for 5-Year Period						
Gross Capital Formation/GDP (%)		34.1%	34.9%	34.9%	34.9%	34.8%
Investment Amount (Billion US\$)	Public Investment	5.6	6.8	9.8	14.1	17%
	Private Investment (Domestic)	15.6	21.0	30.1	43.2	53%
	Private Investment (FDI)	8.1	11.9	17.2	24.7	30%
	Total	29.3	39.7	57.0	81.9	100%
Reference	FDI on BOP basis	5.8	8.5	12.3	17.6	

Note: Figures of the base case. At constant prices of 2015/16. The figures of 2016/17 are based on the data from the Department of Planning.

The sums for private investment in the above table will be targeted throughout the MIPP's duration. It should be noted that the figures are on a disbursement basis and include investment projects other than those with MIC's approval and endorsement, e.g., investment projects of the Thilawa SEZ. Therefore, it is necessary to expand the MIC's statistics to cover these additional investment projects.

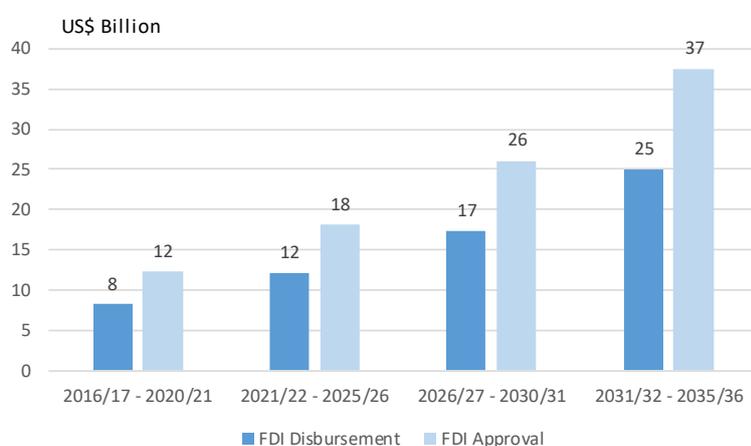


Note: Figures of the base case at constant prices for 2015/16. The figures are average annual totals during an individual period.

Figure 2-7: Annual Investment Targets (Disbursement Basis) by Type of Investor

The difference between the amount of investment on an approval basis and that of a disbursement basis mainly occurs during a gap in investment activity. An investor makes an actual disbursement according to the progress of a project after the approval of the investment. In addition, there are some projects that are suspended after the investment approval.

The targets for FDI approval are set as shown in the following figure, assuming that the amount of FDI on an approval basis would be 1.5 times more than that on a disbursement basis. The figures represent average annual totals during an individual period.



Note: Figures of the base case at constant prices for 2015/16. The figures are average annual totals during an individual period.

Figure 2-8: Annual FDI Investment Targets

2.4 MIPP Targets for Improving the Business Environment

The MIPP aims to improve the investment environment in Myanmar, and covers various areas, from sound macroeconomic policy and business-related legal frameworks to infrastructure, local industries and human resources. The strategies proposed in the MIPP respond to investors' needs for investment environment improvement. In implementing the MIPP, the progress and achievements of its strategic actions will be monitored and evaluated. In addition, it is necessary to evaluate the

overall impact of the MIPP in relation to actual investment. The amount of realized investment, as mentioned in the previous section, is an important indicator for evaluating the MIPP’s performance.

At the same time, it is useful to utilize an external and objective indicator to evaluate how Myanmar’s business environment has improved and become more attractive to investors. Every year, the World Bank publishes its Doing Business indices that compare business regulation for domestic firms in economies (countries) in the world. The Doing Business indices are designed to provide quantitative measures of ease of doing business in 11 regulatory areas that enable or inhibit private sector companies starting business, operating and expanding⁸. Doing Business focuses on regulation that affects small and medium-size enterprises, operating in the largest business city of an economy.

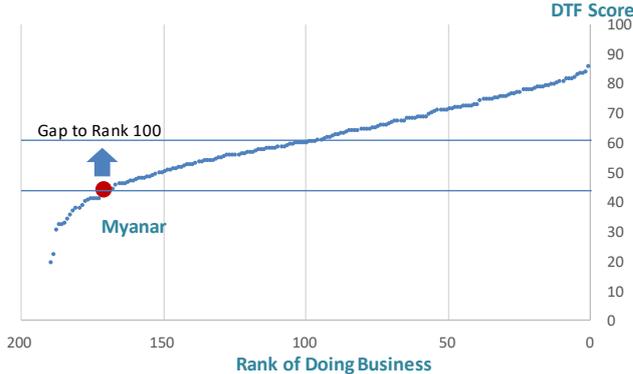
Myanmar is ranked 171 among 190 economies in the world in 2017 in the report of ‘Doing Business 2018’. Implementation of the MIPP is expected to raise Myanmar’s ranking.

The aim is to enter the top 100 countries for Doing Business in 2020/21. It will be necessary to improve the distance to frontier (DTF) score from 44.56 to 60.37 in order to reach the level of the Philippines (ranked 99 in 2017). DTF measures the distance of each economy to the “frontier” - the best performance observed across all economies. The DTF will need to reach a score of at least 64.00 to enter the top 80 countries, that currently include China (ranked 78 with 64.28), and 72.00 to join the top 50 countries, that currently includes Thailand (ranked 46 with 72.53).

Table 2-9: Myanmar’s Target Rankings for the World Bank’s Doing Business Index

Year	2014	2015	2016	2017	2020	2025	2030	2035
Rank	177	167	170	171	100	80	60	40

Source: Ranks for 2015 - 2017 are from the World Bank’s Doing Business reports.



Source: World Bank, Doing Business 2017

Figure 2-9: Ease of Doing Business Ranking

To increase its Doing Business score, Myanmar requires fundamental improvement in a variety of areas affecting the business environment, including electricity, property registration and trading

⁸World Bank, Doing Business 2017

conditions. Doing Business 2017 includes around 70 indicators, which are further sub-divided into 120 indicators. The number of indicators may be increased in a revision of measurement methods.

It will be necessary to raise Myanmar's performance for these indicators to improve the business environment to a level that is sufficiently attractive to investors. The primary objectives of improvement are the removal of bureaucracy and a decrease in business transaction costs. Additionally, it is important to consider indicator priorities from the viewpoint of investors. Stepwise targets of indicator improvement will be formulated and implemented involving the relevant ministries and organizations. The Doing Business indicators are listed in Appendix 1.

Chapter 3. Evaluation of Myanmar’s Investment Conditions

3.1 Factors in Investment Decisions

When an investor decides to invest (FDI in the case of foreign investors), several factors contribute to the location decision. They can be largely classified as investment push factors and investment pull factors. Push factors drive a business to make a foreign investment. Examples of push factors are competition trends, changes in the domestic market, cost competitiveness, and business expansion. Pull factors are the aspects of a host country that attract investors, such as availability of resources, low production costs, and the size of the market.

Investors are usually driven by several push factors, but these will vary according to individual investors. Host countries are able to control pull factors. Myanmar’s pull factors should be fully understood to enable the formulation of an effective investment promotion plan.

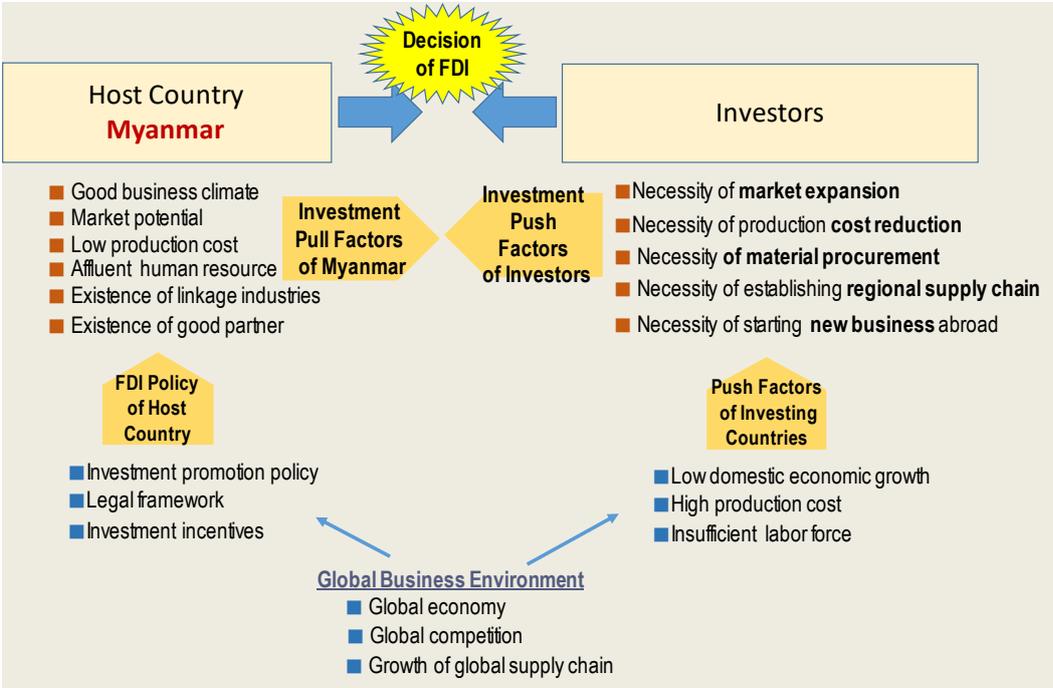


Figure 3-1: Factors Affecting FDI and Mechanism of FDI Decision

3.2 Advantages of Myanmar for Investment Promotion

3.2.1 Myanmar’s Opportunities

Myanmar has the following opportunities as an investment destination.

- Production cost increases in neighboring countries, such as China and advanced ASEAN countries

Production costs have been continuously increasing in the major regional investment destination countries, such as in China and advanced Association of South East Asian Nations (ASEAN) countries. Foreign investors have been diversifying their production bases into emerging

economies to benefit from lower costs and abundant workforces.

■ **Formation of the ASEAN Economic Community**

The economic integration of the ASEAN liberalizes trade and investment among member countries. The ASEAN region is successfully growing a large market and the regional supply chain linking member countries has been developing rapidly. Investors in Myanmar, a member of ASEAN, can benefit from this economic integration in terms of investment and trade.

■ **Progress of ICT and globalization**

New types of businesses are emerging globally, simultaneously supported by information and communication technology (ICT) and the proliferation of mobile phones and internet usage. Successful businesses in developed economies are looking at markets worldwide, including developing economies. At the same time, local entrepreneurs are replicating their business models and expanding business opportunities, helped by the increasing ease of start-up processes, even in Myanmar.

3.2.2 Myanmar's Strengths

The major strengths of Myanmar as a destination for investment are as follows:

■ **Strategic geographic location**

Myanmar is situated in one of Asia's most significant geographical hubs, connecting some of the world's fastest growing economies, including China, India and Thailand. It also has strategic access to both the Bay of Bengal and the Andaman Sea.

■ **Growing network with the regional economy**

Myanmar will be increasingly integrated into regional production networks through its membership in the ASEAN Economic Community (AEC) as well as the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) and the ASEAN-China Free Trade Area (ACFTA), while internationally enjoying preferential tariff schemes as a least developed country (LDC). The growing regional connectivity through "One Belt and One Road" may offer further potential of regional development in the future.

■ **Abundant natural resources**

Myanmar is the largest country on the Southeast Asian mainland. It offers numerous natural resources and arable land in abundance – most importantly, however, Myanmar Possesses a skilled, motivated and young population to realize potentials and help create positive change.

■ **Inexpensive and young labor force**

According to the Myanmar Population and Housing Census (2014), Myanmar is home to 51.4 million people - a young population with 65.6% within working age (15-64 years). The population

is generally well educated with a high literacy rate of 93% and widely spread basic competence in English. Vocational training programs through the private sector may therefore easily close skill gaps.

■ **Potential domestic market**

Myanmar's economy has enjoyed rapid growth. The average net annual growth rate was 8.0% during the three years from 2013 to 2015. Economic growth has led to a growing middle class and a significant increase in per capita consumption. Opportunities are increasingly arising in the fast-moving consumer goods (FMCG) industry and service industries (e.g. private education institutions, entertainment).

■ **Ongoing economic reforms and open foreign investment policy**

The Government of Myanmar has enacted economic reforms to modernize policies and legal systems in every field. It is strongly committed to encouraging and protecting foreign investments and has been actively opening the country up to foreign investment, enacting the new Myanmar Investment Law (MIL) that streamlines investment registration.

■ **Progress of democratization**

Myanmar is undergoing a fundamental political and economic transformation to a democratic, federal and peaceful nation state. After the election in November 2015, a new democratic Government took office in April 2016. Countries such as the US and those in the EU have lifted their sanctions as a result of evaluating the democratic steps Myanmar has taken.

3.3 Disadvantages of Myanmar for Investment Promotion

3.3.1 Myanmar's Challenges

The following points are potential challenges for investment promotion in Myanmar.

A stagnated growth of world demand may have a negative impact of Myanmar's exports and export-oriented FDI into Myanmar.

Another risk factor for investment is natural disaster in the form of extreme weather events. Myanmar is vulnerable to periodic cyclones and its agricultural production is affected by cyclical weather conditions. Climate change may potentially have an impact on Myanmar's agriculture.

■ **Uncertain global political situation**

Political tensions in the region may have impact on investment and trade in Myanmar, particularly given that the country is surrounded by large states.

■ **Competition with other ASEAN countries under the AEC**

Myanmar competes with other low labor-cost countries such as Cambodia and Bangladesh for investment promotion. With progress across the AEC, Myanmar faces competition from other

ASEAN countries in attracting investment.

■ **World economic cycle and fluctuation of demand**

Myanmar's economy, like those of other countries worldwide, is affected by global economic trends and political situations. The economic cycles of large countries such as U.S., China and those in the EU have a significant impact on world trade and investment.

■ **Natural disasters and damage to agriculture caused by weather events**

Myanmar is regularly hit by large-scale cyclones and consequently suffers from damage to agriculture, dwellings and rural infrastructure. Agricultural production – one of Myanmar's main industries- is always vulnerable to detrimental weather conditions.

3.3.2 Weaknesses of Myanmar

Investors are faced with a number of constraints when planning and implementing investment in Myanmar. The Government of Myanmar must identify solutions to these problems in investment promotion.

■ **Investors' concern about political risk**

Investors see progress in the democratization and liberalization of Myanmar. However, they still have concerns about ethnic tensions and the political management of the regime, which is a challenge for investment promotion and will affect investors' confidence in Myanmar as a business destination.

■ **Weak macroeconomic conditions**

Despite rapid economic growth in recent years, the economic foundations of Myanmar are still fragile because of impairments such as a weak budgetary base, continuous trade balance deficit, an undiversified industrial structure and an underdeveloped financial sector. Approximately 26% of the population is living in poverty.

■ **Undeveloped business-related regulatory systems**

Reforms to the legal system are ongoing and major laws have been amended or newly enacted. However, there are problems in enforcement and unclear procedures. Important business-associated laws have not yet been prepared - for example, laws covering intellectual property and PPPs. In addition, legally-required procedures are often complicated and time-consuming.

■ **Residual investment restrictions and uncertain investment approval procedures**

The MIL has simplified and clarified long-disputed investment regulations. However, there still are restrictions on foreign investments and uncertainty about relevant ministries' policies for investment liberalization. The coordination among ministries of investment-related policies and

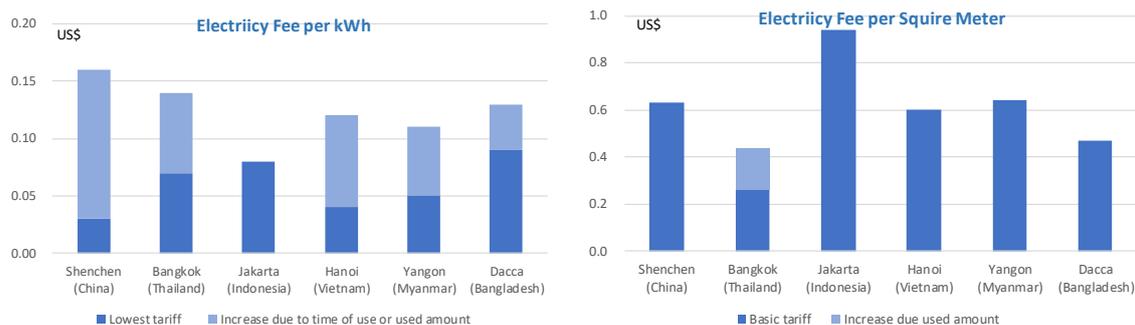
regulations are insufficient and this causes investor confusion.

■ Weak investment promotion activities and investor support

DICA is responsible for trade promotion activities. As their experience and capability are still limited, investment promotion activities are passive. Although the Government of Myanmar emphasizes investment in regions, investment promotion services at regional level need to be enhanced. The investor support services of DICA and other related ministries are also insufficient compared with other countries.

■ Underdeveloped infrastructure

Investors endure inadequate infrastructure, such as unstable electricity supplies, electricity shortages and low-quality transportation infrastructure. Even though the Government of Myanmar has actively begun large infrastructure projects, the pace of economic development exceeds infrastructure development. The Thilawa Special Economic Zone (SEZ) offers an international-level industrial site, but industrial land for foreign investors is insufficient.



Note: Survey was conducted during Dec. 2016 until Jan. 2017.
Source: JETRO, Survey of Investment Related Costs in Asia and Oceania.

Figure 3-2: Comparison of Public Utility Fees

■ Underdeveloped business-related systems

Local business-related systems such as intellectual property rights protection, fair competition regulations and product standards are key for securing business operations and a supportive business environment. However, these systems are still in early development.

■ Weak financial sector

The banking sector of Myanmar is still weak and does not fully function for the mobilization of domestic resources. However, financial schemes for SMEs and start-ups have been developed in Myanmar.

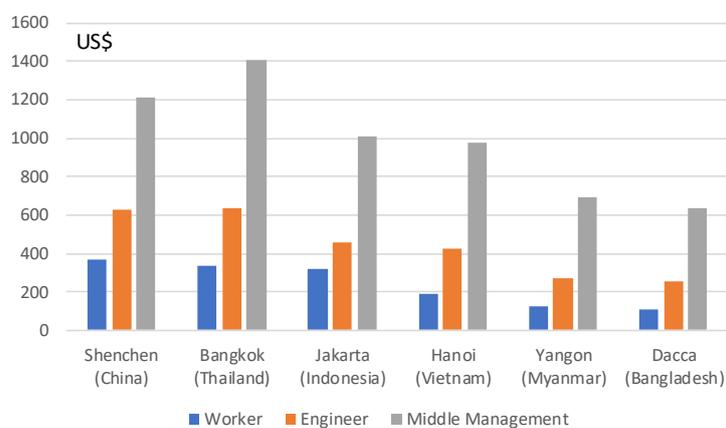
■ Underdevelopment of local industries

Local linkage industries and business support services have not been effectively developed. For example, weak logistics, such as insufficient warehouses, an undeveloped cold chain, and

time-consuming inland transportation, area huge obstacle for efficient business operations. There are very few suppliers of basic machining and plastic parts of an international standard, or of engineering services for factory operation. Supply chains for individual industry sectors are also incomplete. For example, backward and forward linkages in the garment industry have not developed to increase domestic value-addition satisfactorily.

■ Insufficient skilled workforce

Unskilled workers are abundant, and investors can enjoy relatively low labor costs compared with other countries. This is why Myanmar is competitive for labor-intensive industries. However, investors reiterate insufficient human resource at manager and engineer levels. Under these circumstances, the labor cost of more senior positions in Myanmar is not competitive compared with Indonesia and Vietnam. Weak vocational and higher education is a problem.



Note: Data are as of October to November in 2016.

Source: JETRO “Survey of Investment Related Costs in Asia and Oceania” (2016)

Figure 3-3: Monthly Labor Cost in Asian Countries

The weaknesses detailed above increase the cost of doing business in Myanmar. Inadequate infrastructure and insufficient high-level personnel raises investors’ operating costs in, for example, inland logistics, office and factory rental fees and utility charges. The timeframe and cost of various Government procedures are also pointed to as a source of business expense.

3.4 Overall Evaluation of Myanmar’s Business Environment

3.4.1 SWOT Matrix

The advantages and disadvantages of Myanmar as a business destination are summarized in the following SWOT matrix.

Table 3-1: SWOT Matrix of Investment Environment of Myanmar

Internal Factors	
Strengths (+)	Weaknesses (-)
<ul style="list-style-type: none"> ■ Strategic geographical location ■ Abundant natural resources ■ Inexpensive and good-quality young labor force ■ Potential domestic market 	<ul style="list-style-type: none"> ■ Investors' concern about political risk ■ Weak macroeconomic conditions ■ Undeveloped business regulatory systems ■ Residual investment restrictions ■ Uncertain investment approval procedures ■ Weak investment promotion ■ Underdeveloped infrastructure ■ Underdeveloped business-related systems ■ Weak financial sector ■ Insufficient skilled human resources ■ Underdevelopment of local industries
External Factors	
Opportunities (+)	Threats (-)
<ul style="list-style-type: none"> ■ Production cost increases in neighboring countries, such as China and advanced ASEAN countries. ■ Formation of ASEAN Economic Community ■ Progress of ICT and globalization 	<ul style="list-style-type: none"> ■ Uncertain world political situation ■ Competition with other ASEAN countries under AEC for investment attraction ■ World economic cycle and fluctuation of demand ■ Cyclical weather conditions and potential climate change for agriculture

3.4.2 Growth Paths of Investment in Myanmar

To accommodate potential industries and investment demand, based on Myanmar's strengths and opportunities, the following four paths of investment growth have been identified for the planning of long-term investment promotion. Details of the four paths are explained in Chapter 4.

- Path 1: Investment in export-oriented industries
- Path 2: Investment in domestic market-oriented industries
- Path 3: Investment in resource-based industries
- Path 4: Investment in knowledge-intensive industries

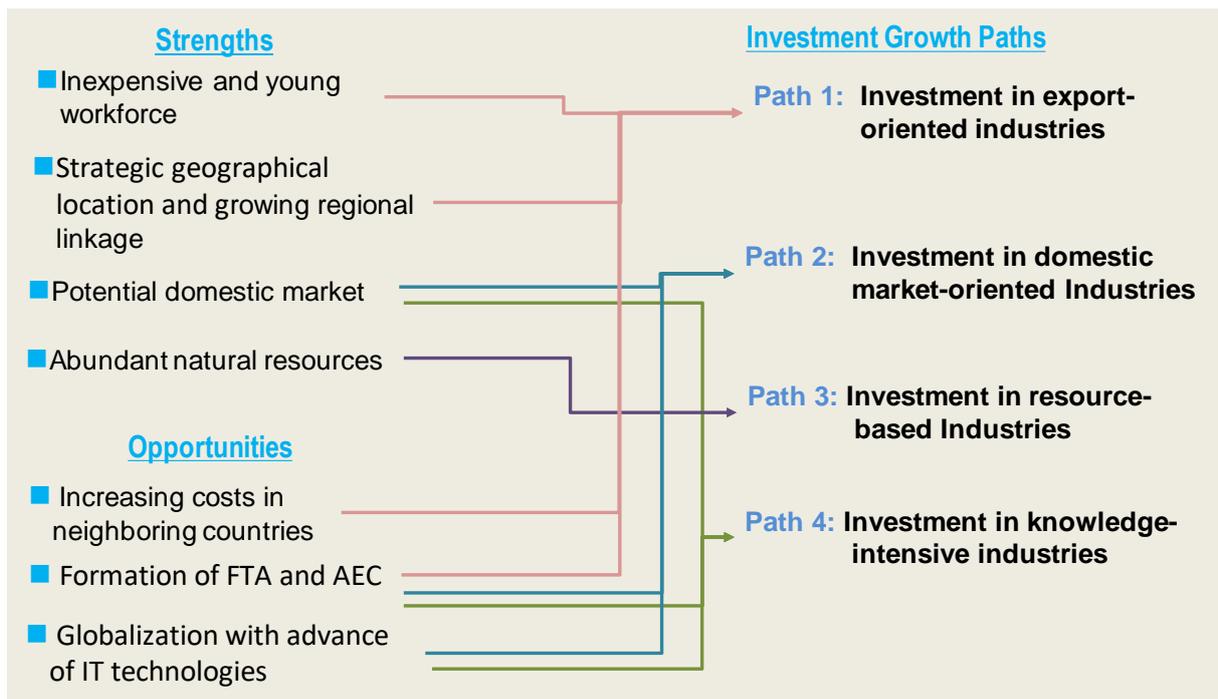


Figure 3-4: Growth Paths of Investment Based on Myanmar's Strengths and Opportunities

3.4.3 Measures Required to Tackle Weaknesses and Obstacles for Investment Promotion

The weaknesses and threats of Myanmar as a destination for investment can be classified into the following policy categories:

- Policy Category 1: Investment-related policies and regulations (determined commitment to open investment policy, sound macroeconomic policies, deregulation, etc.)
- Policy Category 2: Institutional development for investment promotion (investor protection, clear investment regulations and approval procedures, investment promotion activities, investor support, etc.)
- Policy Category 3: Infrastructure Development
- Policy Category 4: Business-related systems (business systems, financial sector development, etc.)
- Policy Category 5: Local Industries and human resources

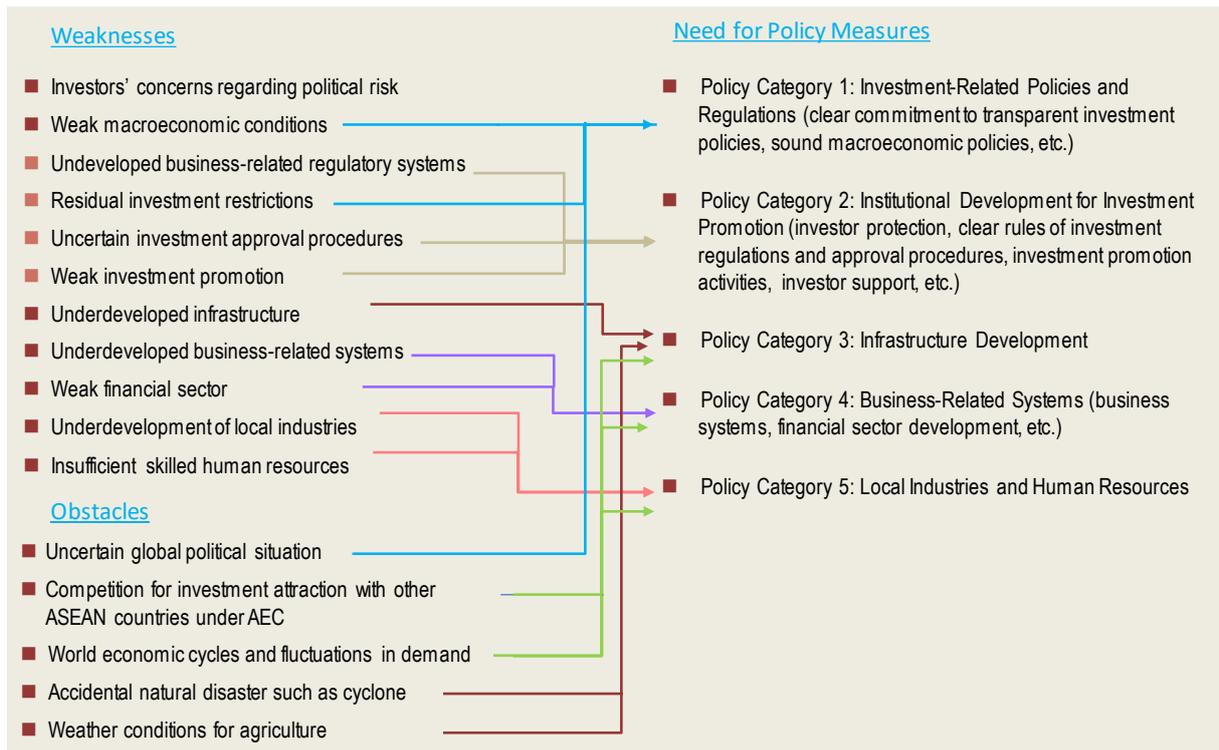


Figure 3-5: Measures Required to Tackle Weaknesses and Obstacles of Myanmar

Chapter 4. Scenarios for Investment Promotion

4.1 Four Growth Paths of Investment

As seen in Chapter 3, four growths paths for investment promotion have been identified in response to potential industries and investment demand, based on the strengths and opportunities of Myanmar. The MIPP aims to achieve its goals by focusing on investment in the following potential sectors.

<p>Growth Path 1: Investment in export-oriented Industries</p>	<p>Promote export-oriented industries focusing on abundant labor, available natural resources and the cost increases of advanced Asian countries.</p>
<p>Growth Path 2: Investment in domestic market-oriented Industries</p>	<p>Promote industries that mostly target the Myanmar market, focusing on the size of the domestic market and underdeveloped local industries (including infrastructure).</p>
<p>Growth Path 3: Investment in resource-based Industries</p>	<p>Promote industries that process natural resources such as agriculture, minerals, forestry, fisheries, etc.</p>
<p>Growth Path 4: Investment in knowledge-intensive industries</p>	<p>Promote service industries that are based on specialized expertise, ICT, providing business support, etc.</p>

It is crucial to promote investment for industrial development on the basis of Myanmar’s strengths, in other words, its comparative advantages. It is also necessary to continuously evolve the dynamic upgrade of these advantages by introducing advanced technologies and improving productivity through investments, for Myanmar’s sustainable growth in the global business environment to be attainable. The four growth paths of investment assume stepwise technological advancement during the plan period.

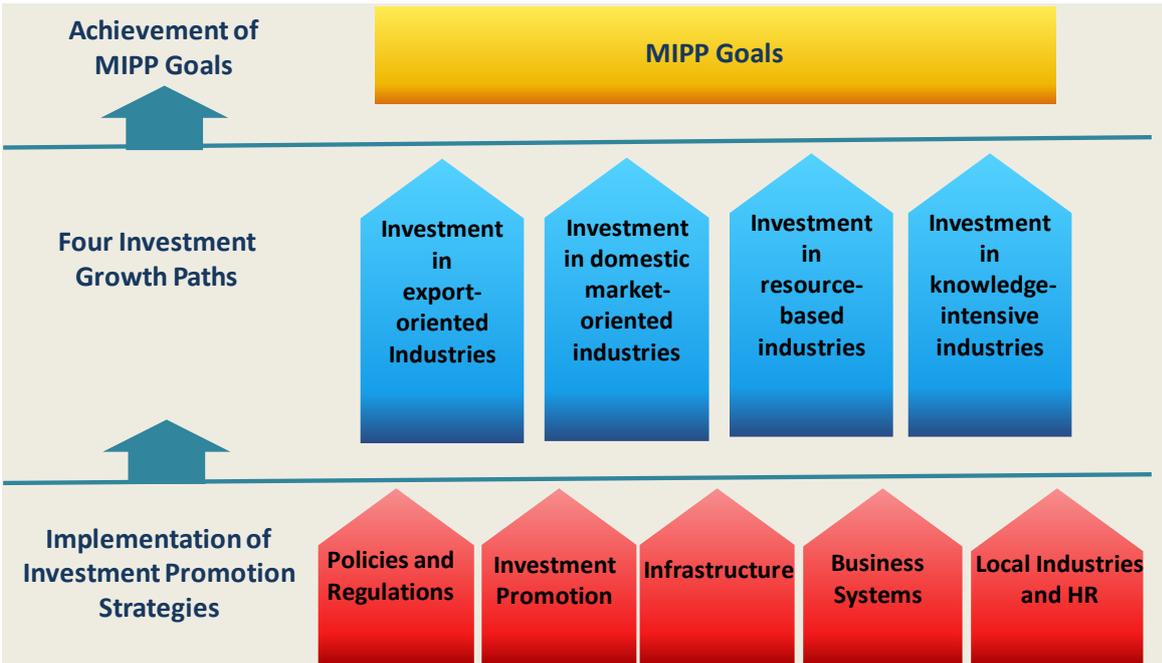


Figure 4-1: The Four Growth Paths for Investment Promotion

It is observed that economic growth through immoderate development has tended to increase inequality or poverty levels in developing countries. Economic growth and investment can devastate the environment leading to reduced wellbeing and quality of life for residents. It must be noted that Investment promotion should match Myanmar’s direction which seeks for balanced development, reduced disparities and safeguarding of the environment and the society. This direction has the potential to make Myanmar a pioneering country in the new type of economy.

4.2 Growth Path of Investment in Export-oriented Industries

4.2.1 Outline of Scenario

(1) Definition of industries

Export-oriented industries ship the majority of their products to overseas markets.

(2) Current situation of industries

The garment sector, mostly on a contract basis (Cut-Make-Pack), is invested in by both domestic and foreign investors and is a principal export-oriented manufacturing sector for Myanmar. Investments are also made in shoe production and other leather product manufacturing.

Recently, investments in parts and components export have started to be made in Myanmar. Businesses in resource-based industries, such as agro industry, can grow to become exporters.

The high value-addition of labor-intensive processes and the diversification of manufactured products from garments are areas of export-oriented investment promotion.

(3) Growth Path of Investment

The investments in this category are, first of all, expected to expand the capacity of existing labor-intensive production and increase the overseas market share. The garment sector may continue rapid growth with more investments in this sector, as long as Myanmar possesses cost advantage. At the same time, there are good opportunities for other types of labor-intensive processing for the global supply chain. Investment in labor-intensive manufacture of parts and components, general merchandise and so on will increase in Myanmar and contribute to the diversification of Myanmar’s exports.

It is an urgent task for Myanmar to promote technological innovation and develop a workforce with technical expertise in the labor-intensive sector. Myanmar must also accelerate the shift to technology-intensive sectors. Even developing countries like Myanmar might not be able to enjoy a robust advantage in labor-intensive industries, because rapid progress of production technology is changing the manufacturing scene globally. Advanced automated production technologies such as the internet of things (IoT) and robots will replace workers at factories not only in advanced countries but also in developing countries⁹.

⁹The International Labour Organization (ILO) published a report titled “ASEAN in Transformation - How

Accordingly, investments will accelerate a shift from labor-intensive products to higher value-added export-oriented products and raise Myanmar’s position in global supply chains. High quality investments are of particular importance for upgrading export-oriented production. As the experience of other Asian countries shows, an increased intensity of FDI tends to shift from unskilled labor-intensive processing to technical labor-intensive processing, technology-intensive processing, and finally high technology processing, according to global technological advances and local production costs.

Significant importance will be given to investments of international export-oriented assemblers. This will especially be the case for machinery assembly, such as automobile, electric & electronic machinery and industrial machinery, as the global supply chain has been established for vertical and horizontal cooperation among countries. An investment by a large-scale assembler (which will be an anchor company) would have a significant impact, because anchor companies boost linkage industries through procurement, and they act as the core of industrial clusters.

Every production and assembly process can be positioned as contributing to the whole global supply chain, from R&D to procurement, production and marketing. In the longer term, investment in higher value-added processes such as R&D functions and regional headquarters will be promoted.

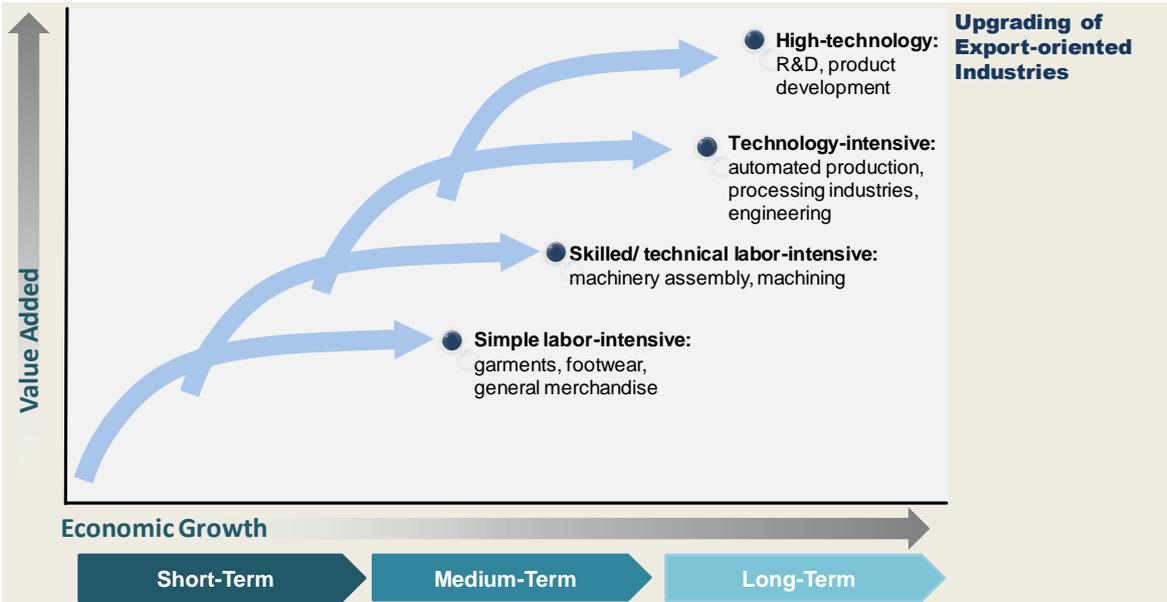


Figure 4-2: Direction of Upgrading of Export-Oriented Industries

Technology is Changing Jobs and Enterprises” in July 2016. This report describes that the textiles, clothing and footwear sector seems to be the most vulnerable to the extensive technological displacement of workers. The impact on the sector has been led by such technologies as 3D printing, body scanning technology, computer-aided design (CAD), wearable technology, nanotechnology, environmentally friendly manufacturing techniques, and lastly, robotic automation. The disruptive impact on the sector in ASEAN could be very substantial. According to the study by ILO, 64% of salaried workers in Indonesia, 86% in Viet Nam and 88% in Cambodia of the sector face high automation risk. Similarly, workers in electric and electronics sector and automotive sector in ASEAN are also at high risk of automation.

4.2.2 Scenario for Development of Export-oriented Industries

(1) Short-term Scenario

A short-term investment promotion scenario is as follows:

Growth Path: Investment in existing export-oriented sectors such as garments and leather products will continue to expand. Investment in new export-oriented sectors will also increase owing to low labor cost.

Promotion Target: Investment in garment and other labor-intensive sectors will be continuously promoted.

Priority will be given to the promotion of investments by large-scale export-oriented assemblers (anchor companies) and parts and components suppliers (supporting industry) in the global supply chain.

Major Promotion Areas:

- Promotion of labor-intensive exporting sectors such as garments, shoes, and general merchandise and labor-intensive process in a value chain of production.
- Promotion of investment in higher value-added export-oriented industries
- Promotion of investment by machinery assembly anchor companies active in the global supply chain
- Promotion of investment by supporting industries supplying anchor companies
- This sector will be supported by investments in infrastructure, including logistics and industrial zones that serve export-oriented industries (and domestic market-oriented industries). Logistics connectivity with the wider region will be further developed. Bonded areas such as bonded warehouses and bonded factories are required for efficient export-oriented production using imported input.

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas, and regional production centers.

(2) Mid-term Scenario

A mid-term investment promotion scenario is as follows:

Growth Path: Investment in high value-added export-oriented sectors and investments by key players of the global supply chain will be realized.

Promotion target: Investment in higher value-added export sectors are promoted.

Investments by anchor companies and supporting industries will be continuously promoted.

Major Promotion Areas:

- Promotion of investment in higher value-added export production such as skill-intensive assembly and high-quality products
- Promotion of investment by anchor companies
- Promotion of investment by supporting industries
- This sector will be supported by investment in infrastructure, including in logistics and industrial zones that serve export-oriented industries (as well as domestic market-oriented industries).

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas, regional production centers and coastal industrial areas.

(3) Long-term Scenario

A long-term investment promotion scenario is as follows:

Growth Path: Investment in high value-added export-oriented sectors and investments for further growth of the global supply chain will be realized.

Promotion target: Investment in higher value-added export sectors are promoted. Investment in R&D by anchor companies will also be promoted.

Major Promotion Areas:

- Promotion of investment to attain globally competitive products
- Promotion of investment in high value-added sectors such as R&D and regional headquarters.
- This sector will be supported by investment in infrastructure, including logistics and industrial zones that serve export-oriented industries(as well as domestic market-oriented industries).

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas, regional production centers and coastal industrial areas, including Dawei SEZ.

Table 4-1: Scenario for Development of Export-oriented Industries

Scenario for Development of Export-oriented Industries			
	Short-term	Mid Term	Long Term
Growth Path	Investment in existing export-oriented sectors such as garments and leather products will continue to expand. Investment in new export-oriented sectors will also increase owing to low labor cost.	Investment in high value-added export-oriented sectors and investments by key players of the global supply chain will be realized.	Investment in high value-added export-oriented sectors and investments for further growth of the global supply chain will be realized.
Investment Promotion Target	Investment in garment and other labor-intensive sectors will be continuously promoted. Priority will be given to the promotion of investments by large-scale export-oriented assemblers (anchor companies) and parts and components suppliers (supporting industry) in the global supply chain.	Investment in higher value-added export sectors are promoted. Investments by anchor companies and supporting industries will be continuously promoted.	Investment in high value-added export-oriented sectors and investments for further growth of the global supply chain will be realized.
	<ul style="list-style-type: none"> - Promotion of labor-intensive exporting sectors such as garments, shoes, and general merchandise and labor-intensive process in a value chain of production. - Promotion of investment in higher value-added export-oriented industries - Promotion of investment by machinery assembly anchor companies active in the global supply chain - Promotion of investment by supporting industries supplying anchor companies - This sector will be supported by investments in infrastructure, including logistics and industrial zones that serve export-oriented industries (and domestic market-oriented industries). 	<ul style="list-style-type: none"> - Promotion of investment in higher value-added export production such as skill-intensive assembly and high-quality products - Promotion of investment by anchor companies - Promotion of investment by supporting industries - This sector will be supported by investment in infrastructure, including in logistics and industrial zones that serve export-oriented industries (as well as domestic market-oriented industries). 	<ul style="list-style-type: none"> - Promotion of investment to attain globally competitive products - Promotion of investment in high value-added sectors such as R&D and regional headquarters. - This sector will be supported by investment in infrastructure, including logistics and industrial zones that serve export-oriented industries (as well as domestic market-oriented industries).
Relevant Investment Area	Yangon and its peripheral areas, Mandalay and its peripheral areas, and regional production centers.	Yangon and its peripheral areas, Mandalay and its peripheral areas, regional production centers and coastal industrial areas.	Yangon and its peripheral areas, Mandalay and its peripheral areas, regional production centers and coastal industrial areas, including Dawei SEZ.

4.3 Growth Path of Investment in Domestic Market-oriented Industries

4.3.1 Outline of Scenario

(1) Definition of industries

This category includes sectors which supply products and services to Myanmar consumers and/or companies. Thus, the products and services consist of consumer and industrial goods. Infrastructure

businesses are also an important sector for domestic market-oriented industries, as they serve domestic users with fundamental facilities and services of the national economy.

(2) Current situation of industries

The major sectors that have enjoyed recent investments in this category are food, beverage, daily products and various services for consumers, construction materials, industrial machinery and equipment, and parts, components and auxiliary materials for industrial use.

Compared with domestic investments, FDI's products tend to be higher technology, and therefore substitute imports. Some investors ship their products to overseas markets in addition to selling to the domestic market.

Investment in infrastructure is currently insufficient to serve the needs of businesses - one of the bottlenecks of Myanmar's productivity as the whole.

(3) Growth Path of Investment

The investments in this category will expand as products and services improve, in line with increases in income levels, maturing of consumers and advances in technical levels.

An increasing number of domestic market-oriented companies will grow to become exporters when they improve their technology and realize the scale of economy.

Investment in infrastructure is also promoted to build industrial foundations and increase the productivity of the economy.

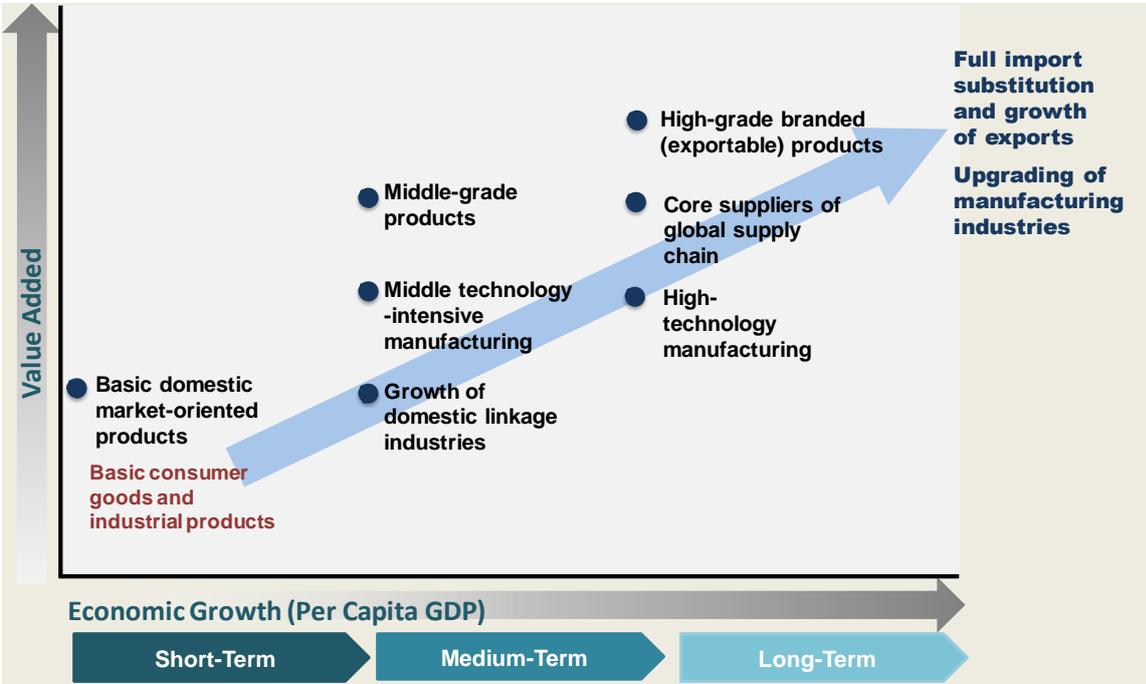


Figure 4-3: Direction of Growth of Domestic Market-oriented Industries

4.3.2 Scenario for Development of Domestic Market-oriented Industries

(1) Short-term Scenario

A short-term investment promotion scenario is as follows:

Growth Path: Investment will continue to grow to cover insufficient local supply and promote import substitution in all sectors of consumer and industrial goods and services starting from basic goods and services. Private investment in infrastructure will be continued with conventional business schemes.

Promotion Target: Increased domestic market-oriented investment to cover all segments of the market will be promoted.

Major Promotion Areas:

- Promotion of investment in basic products and services to enhance supply to the domestic market
- Promotion of investment by large-scale assemblers such as machinery and transportation equipment
- Promotion of investment by linkage industries
- Promotion of investment in infrastructure development, such as in ICT, power, transportation and industrial zones/SEZs.

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas, and other major markets. Some domestic market-oriented industries will be in locations with low production costs or located near a trading hub.

(2) Mid-term Scenario

A mid-term investment promotion scenario is as follows:

Growth Path: Upgrading of production to medium to high-end products for consumers and more technology-intensive products for industrial use will be realized. Further investment will be channeled into areas where local suppliers do not exist or are weak. Private investment in infrastructure will further advance with the preparation of a PPP scheme.

Promotion target: Investment in production of higher grade products and in infrastructure will be promoted.

Major Promotion Areas:

- Promotion of investment in upgraded and new goods and services
- Promotion of investment by large-scale assemblers such as those

- producing machinery and transportation equipment
- Promotion of investment by linkage industries
- Promotion of investment in infrastructure development, such as in ICT, power, transportation and industrial zones/SEZs.
- Promotion of investment upstream, such as in raw materials, parts and components.

Relevant Investment Area: Yangon, Mandalay and other markets and their peripheral areas, regional production centers and coastal industrial areas.

(3) Long-term Scenario

A long-term investment promotion scenario is as follows:

Growth Path: Production of high-grade products and establishment of Myanmar brands will be realized. The level of infrastructure will catch up with the current level of advanced ASEAN countries. High-tech sectors and heavy and chemical industries will emerge at this stage.

Promotion target: Investment in competitive high-end production will be promoted.

Major Promotion Areas:

- Promotion of investment to attain globally competitive products
- Investment to advance high-tech industries for higher value-addition will be promoted. Investment in R&D by anchor companies will be promoted.

Relevant Investment Area: Yangon, Mandalay and other markets and their peripheral areas, regional production centers and coastal industrial areas including Dawei SEZ.

Table 4-2: Scenario for Development of Domestic Market-oriented Industries

Scenario for Development of Domestic Market-oriented Industries			
	Short-term	Mid Term	Long Term
Growth Path	Investment will continue to grow to cover insufficient local supply and promote import substitution in all sectors of consumer and industrial goods and services starting from basic goods and services. Private investment in infrastructure will be continued with conventional business schemes.	Upgrading of production to medium to high-end products for consumers and more technology-intensive products for industrial use will be realized. Further investment will be channeled into areas where local suppliers do not exist or are weak. Private investment in infrastructure will further advance with the preparation of a PPP scheme.	Production of high-grade products and establishment of Myanmar brands will be realized. The level of infrastructure will catch up with the current level of advanced ASEAN countries. High-tech sectors and heavy and chemical industries will emerge at this stage.

Investment Promotion Target	Increased domestic market-oriented investment to cover all segments of the market will be promoted.	Investment in production of higher grade products and in infrastructure will be promoted.	Investment in competitive high-end production will be promoted.
Investment Promotion Target	<ul style="list-style-type: none"> - Promotion of investment in basic products and services to enhance supply to the domestic market - Promotion of investment by large-scale assemblers such as machinery and transportation equipment - Promotion of investment by linkage industries - Promotion of investment in infrastructure development, such as in ICT, power, transportation and industrial zones/SEZs. 	<ul style="list-style-type: none"> - Promotion of investment in basic products and services to enhance supply to the domestic market - Promotion of investment by large-scale assemblers such as machinery and transportation equipment - Promotion of investment by linkage industries - Promotion of investment in infrastructure development, such as in ICT, power, transportation and industrial zones/SEZs. 	<ul style="list-style-type: none"> - Promotion of investment to attain globally competitive products - Investment in advance high-tech industries for higher value-addition will be promoted. Investment in R&D by anchor companies will be promoted.
Relevant Investment Area	Yangon and its peripheral areas, Mandalay and its peripheral areas, and other major markets. Some domestic market-oriented industries will be in locations with low production costs or located near a trading hub.	Yangon, Mandalay and other markets and their peripheral areas, regional production centers and coastal industrial areas.	Yangon, Mandalay and other markets and their peripheral areas, regional production centers and coastal industrial areas including Dawei SEZ.

4.4 Growth Path of Investment in Resource-based Industries

4.4.1 Outline of Scenario

(1) Definition of industries

This category includes sectors which exploit, cultivate and/or process natural resources.

(2) Current situation of industries

The major sectors benefitting from recent investments in this category are agricultural production (horticulture, rubber and oil palm plantations, poultry breeding, aquaculture, tea, coffee, etc.), food & beverage production, wooden products, etc. The output is directed to both the domestic and export market. Although the exploitation of natural gas, gems and other mineral resources are the principal industries in this category, they are not referred to in this section because they should be being promoted under the existing legal framework and procedures.

Production technology and domestic supply of industrial input, such as fertilizer and agricultural machinery, are major of constraints for this sector.

(3) Growth Path of Investment Promotion

Investments in this category are expected to deepen due to, 1) an increase in value-addition of products, 2) new investments in supply chains, and 3) the creation of an industrial cluster/agglomeration. The development of this sector needs to be supported by technological improvement

and the development of domestic suppliers of industrial input.

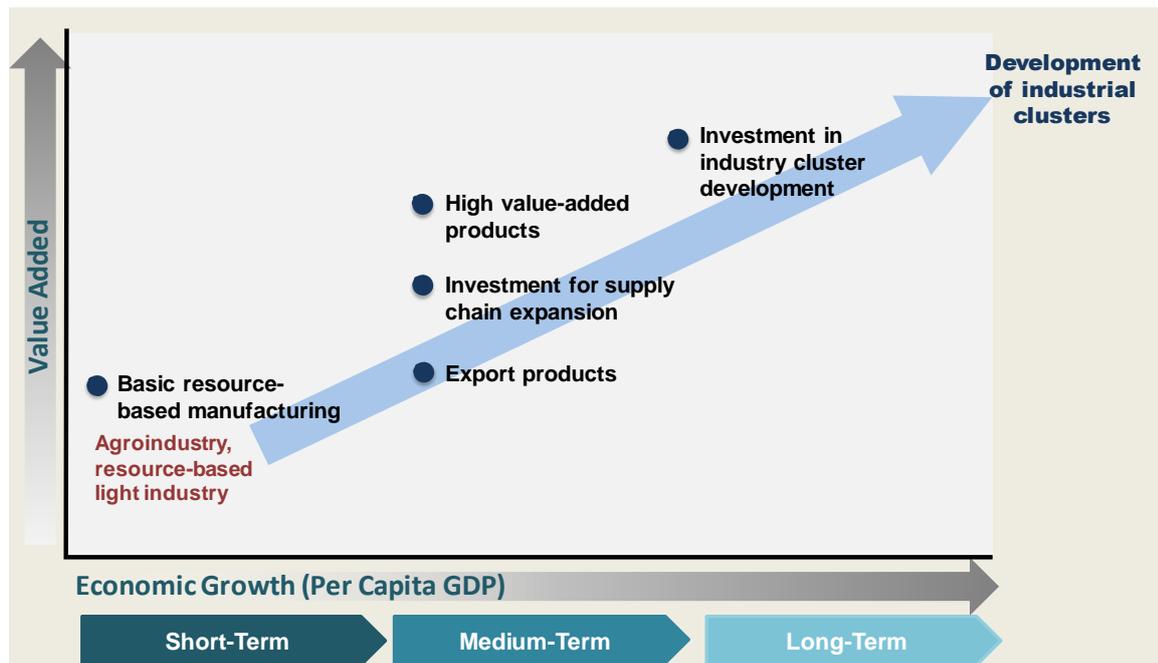


Figure 4-4: Timeline for Upgrading of Resource-based Industries

4.4.2 Scenario for Development of Domestic Market-oriented Industries

(1) Short-term Scenario

A short-term investment promotion scenario is as follows:

Growth Path: Expansion of current production of resource-based products through investment will be realized.

Promotion target: Increased investments in existing production, such as agriculture, food processing, wooden products, ceramic products, etc. will be promoted.

Major Promotion Areas:

- Continued promotion of investment in existing resource-based sectors
- Promotion of investment in high value-added production
- Promotion of investment in raw materials processing and industrial input
- This sector will be supported by investment in required capital goods and input production (domestic market-oriented industries), such as in agricultural machinery, processing plants, fertilizer, etc.
- This sector will be supported by investment in related infrastructure such as in irrigation and logistics (domestic market-oriented industries).

Relevant Investment Area: The majority of investment will be in regional production centers. Yangon and Mandalay will be mainly locations of downstream sectors.

(2) Mid-term Scenario

A mid-term investment promotion scenario is as follows:

Growth Path: Expansion of production and high value-addition will be realized through investments in the supply chains of relevant sectors.

Promotion target: Investment in supply chains such as upstream and downstream processing will be promoted, in addition to expansion of existing production. High value-added manufacturing will be promoted for mineral-based production.

Major Promotion Areas:

- Promotion of investment in existing production
- Promotion of investment in high value-added production
- Promotion of investment in raw materials processing and industrial input
- Promotion of investment in upstream and downstream for supply chain development
- Promotion of investment in smelting and refinery of mineral products
- This sector will be supported by investments in necessary capital goods production, such as in agricultural machinery and processing plants.
- This sector will be supported by investment in related infrastructure, such as in irrigation and logistics.

Relevant Investment Area: Investment in regional production hubs will expand, including linkage industries.

(3) Long-term Scenario

A long-term investment promotion scenario is as follows:

Growth Path: Expansion of production and high value-addition through investment will continue, and the agglomeration of industry and creation of industrial clusters will be realized.

Promotion target: Investments to create industrial clusters that supplement the investment at mid-term stage will be continuously promoted. High value-added manufacturing will be promoted for mineral-based production.

Major Promotion Areas:

- Promotion of investment to expand industrial agglomeration and high value-added production, as at the mid-term stage.

Relevant Investment Area: Investment for industrial agglomeration will be realized in regional production hubs.

Table 4-3: Scenario for Development of Resource-based Industries

Scenario for Development of Resource-based Industries			
	Short-term	Mid Term	Long Term
Growth Path	Expansion of current production of resource-based products through investment will be realized.	Expansion of production and high value-addition will be realized through investments in the supply chains of relevant sectors.	Expansion of production and high value-addition through investment will continue, and the agglomeration of industry and creation of industrial clusters will be realized.
Investment Promotion Target	Increased investments in existing production, such as agriculture, food processing, wooden products, ceramic products, etc. will be promoted.	Investment in supply chains such as upstream and downstream processing will be promoted, in addition to expansion of existing production. High value-added manufacturing will be promoted for mineral-based production.	Investments to create industrial clusters that supplement the investment at mid-term stage will be continuously promoted. High value-added manufacturing will be promoted for mineral-based production.
Investment Promotion Target	<ul style="list-style-type: none"> - Continued promotion of investment in existing resource-based sectors - Promotion of investment in high value-added production - Promotion of investment in raw materials processing and industrial input - This sector will be supported by investment in required capital goods and input production (domestic market-oriented industries), such as in agricultural machinery, processing plants, fertilizer, etc. - This sector will be supported by investment in related infrastructure such as in irrigation and logistics (domestic market-oriented industries). 	<ul style="list-style-type: none"> - Promotion of investment in existing production - Promotion of investment in high value-added production - Promotion of investment in raw materials processing and industrial input - Promotion of investment in upstream and downstream for supply chain development - Promotion of investment in smelting and refinery of mineral products - This sector will be supported by investments in necessary capital goods production, such as in agricultural machinery and processing plants. - This sector will be supported by investment in related infrastructure, such as in irrigation and logistics. 	<ul style="list-style-type: none"> - Promotion of investment to expand industrial agglomeration and high value-added production, as at the mid-term stage.
Relevant	The majority of investment	Investment in regional	Investment for industrial

Investment Area	will be in regional production centers. Yangon and Mandalay will be mainly locations of downstream sectors.	production hubs will expand, including linkage industries.	agglomeration will be realized in regional production hubs.
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4.5 Growth Path of Investment in Knowledge-intensive Industries

4.5.1 Outline of Scenario

(1) Definition of industries

This category includes sectors which provide knowledge-intensive services with high technology, including ICT services, finance, healthcare, education and business support services.

(2) Current situation of industries

FDI in this category tends towards IT-related services, design, consulting and business support services. Local investors have also entered various high-tech service sectors. In total, 13 foreign banks have received licenses to open a branch, but there still are restrictions on banking businesses. Recently, investments in health care have been increasing. As for trade, there is a restriction on entry for foreign investors.

(3) Growth Path of Investment Promotion

Sectors in this category directly relate to the improvement of Myanmar's economic productivity and the quality of life of Myanmar people. High quality investment in this category will steadily shift Myanmar's position from a stage of catching up to a phase of development that will be in line with global trends, before becoming the regional hub for high-tech industries in the long-term.

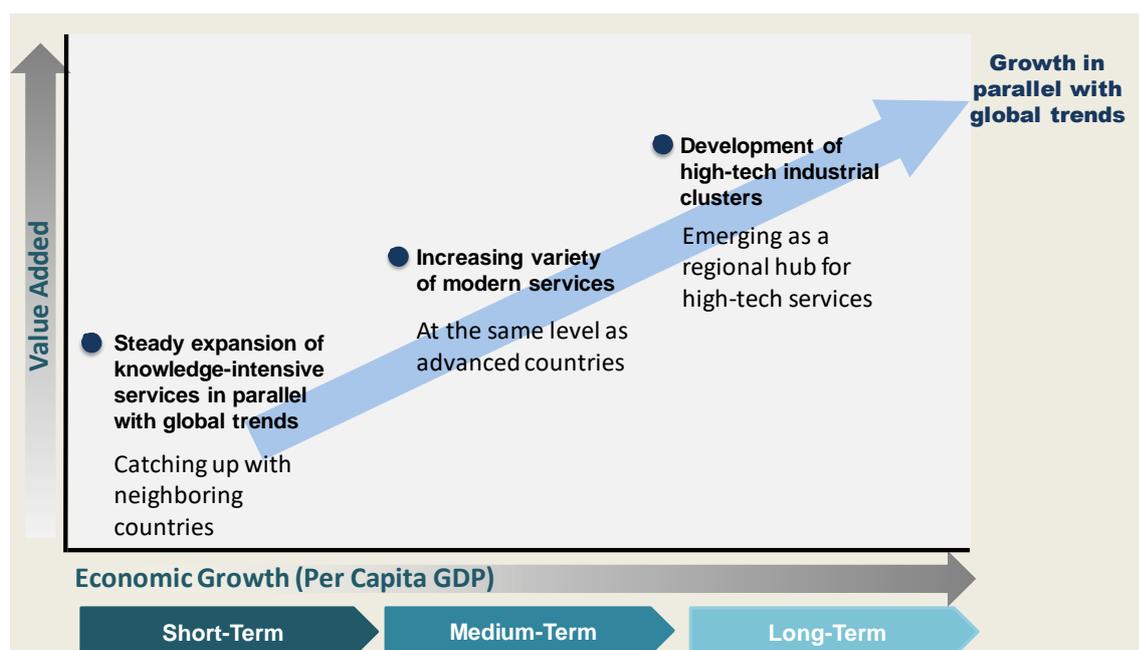


Figure 4-5: Expected Growth of Knowledge-intensive Industries

4.5.2 Scenario for Development of Domestic Market-oriented Industries

(1) Short-term Scenario

A short-term investment promotion scenario is as follows:

Growth Path: Investment in knowledge-intensive services will steadily expand in parallel with global trends. The level and coverage of services will catch up with provision in neighboring countries.

Promotion target: Promotion of investment in services utilizing leading-edge technologies will be promoted.

- Promotion of investment in services with modern technologies and business models
- Promotion of investment in services that contribute to the improvement of the quality of life of Myanmar people
- Promotion of investment in high-tech services that contribute to the productivity of conventional sub-sectors of the agricultural, manufacturing and service sectors.
- Promotion of investment in concessional services for infrastructure management

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas. Some services will be provided universally.

(2) Mid-term Scenario

A mid-term investment promotion scenario is as follows:

Growth Path: The increasing variety of contemporary services will develop from the same technological level as advanced countries.

Promotion target: Investment in knowledge-intensive and higher value-added services will be promoted.

- Promotion of investment in the services promoted in the short-term scenario
- Promotion of investment in leading-edge knowledge-intensive services that are more advanced

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas. Service clusters will be extended to regions. Some services will be provided universally.

(3) Long-term Scenario

A long-term investment promotion scenario is as follows:

Growth Path: High-tech industrial clusters will be created and high-tech services will be provided. Myanmar will emerge as a core hub for high-tech services in the region.

Promotion target: Investments in the establishment of regional clusters and R&D will be promoted.

Major Promotion Areas:

- Promotion of investment in the services promoted in the mid-term scenario
- Promotion of investment in leading-edge knowledge-intensive services
- Promotion of high value-added investment to establish R&D operations and facilitates that would enable Myanmar to become a regional hub, etc.

Relevant Investment Area: Yangon and its peripheral areas, Mandalay and its peripheral areas. Service centers will be extended to regions. Some services will be provided universally.

Table 4-4: Scenario for Development of Knowledge-intensive Service Industries

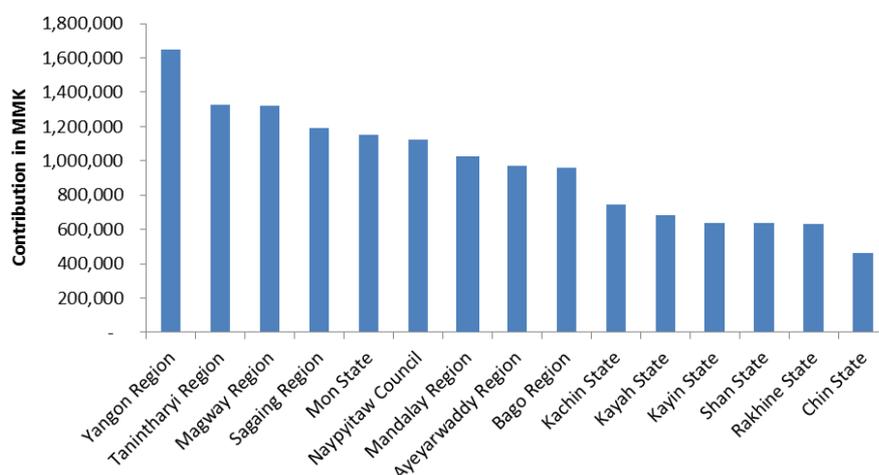
Scenario for Development of Knowledge-intensive Service Industries			
	Short-term	Mid Term	Long Term
Growth Path	Investment in knowledge-intensive services will steadily expand in parallel with global trends. The level and coverage of services will catch up with provision in neighboring countries.	The increasing variety of contemporary services will be started at the same level with advanced countries.	High-tech industrial clusters will be created and high-tech services will be provided. Myanmar will emerge as a core hub for high-tech services in the region.
Investment Promotion Target	Promotion of investment in services utilizing leading-edge technologies will be promoted.	Investment in knowledge-intensive and higher value-added services will be promoted.	Investments to the establishment of regional hubs and R&D function will be promoted.
	<ul style="list-style-type: none"> - Promotion of investment in services with modern technologies and business models - Promotion of investment in services that contribute to the improvement of the quality of life of Myanmar people 	<ul style="list-style-type: none"> - Promotion of investment in services with modern technologies and business models - Promotion of investment in services that contribute to the improvement of the quality of life of Myanmar people 	<ul style="list-style-type: none"> - Promotion of investment in the services promoted in the mid-term scenario - Promotion of investment in leading-edge knowledge-intensive services - Promotion of high value-added investment

	<ul style="list-style-type: none"> - Promotion of investment in high-tech services that contribute to the productivity of conventional sub-sectors of the agricultural, manufacturing and service sectors. - Promotion of investment in concessional services for infrastructure management 	<ul style="list-style-type: none"> - Promotion of investment in high-tech services that contribute to the productivity of conventional sub-sectors of the agricultural, manufacturing and service sectors. - Promotion of investment in concessional services for infrastructure management 	to establish R&D operations and facilitates that would enable Myanmar to become a regional hub, etc.
Relevant Investment Area	Yangon and its peripheral areas, Mandalay and its peripheral areas. Services will be provided universally.	Yangon and its peripheral areas, Mandalay and its peripheral areas. Some services will be provided universally.	Yangon and its peripheral areas, Mandalay and its peripheral areas. Service centers will be extended to regions. Some services will be provided universally.

4.6 Spatial Development through Investment Promotion

4.6.1 The NCDP Spatial Development Strategy

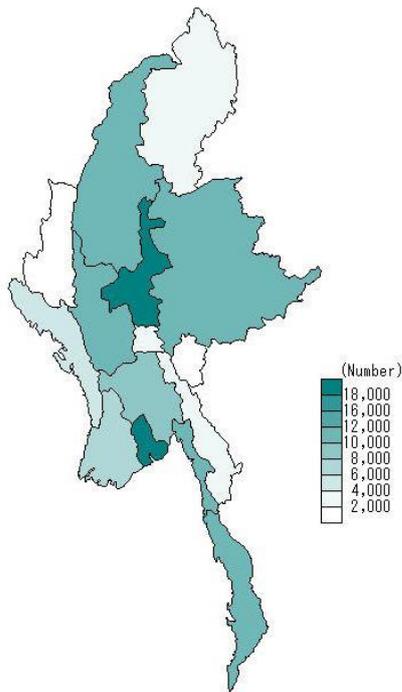
Reducing inequality of economic development and income levels between states and regions is an urgent issue for Myanmar. According to the Business Survey by the Ministry of Planning and Finance, 43% of all business operations in the manufacturing sector are located in three regions; Yangon Region, Mandalay Region and Sagaing Region. Therefore, investments to bridge gaps and create balanced and equitable growth are keenly needed.



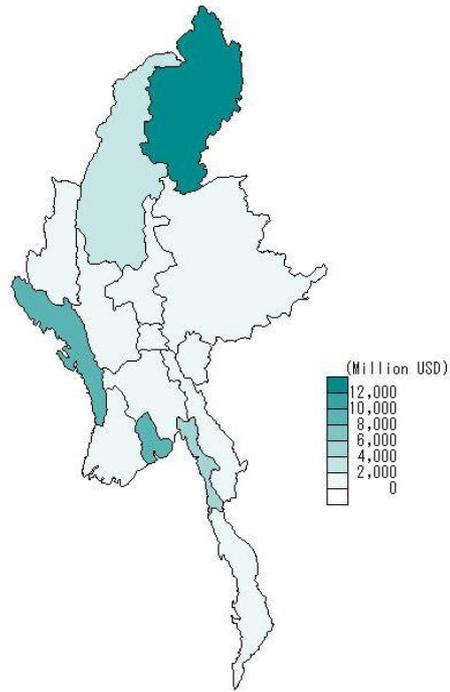
Source: Ministry of Planning and Finance

Figure 4-6: Per Capita GDP by Region

Yangon and its peripheral areas, Mandalay and its peripheral areas Service centers will be extended to regions. Some services will be provided universally.



Source: Ministry of Planning and Finance



Note: as of 31 Mar 2015
Source: DICA and Toru Homma

Figure 4-7: Number of Manufacturing Operations by Region **Figure 4-8: FDI Approval Amount by Region**

The spatial development framework in the NCDP has adopted a multi-centric approach and identified the four priority economic corridors, to be developed as shown in the following table. The prioritized economic corridors are: i) the Yangon-Myawaddy Corridor that links Thilawa SEZ with the Thai border; ii) the Central North-South Corridor that links Yangon to Myitkyna via Mandalay; iii) the new North-East – South-West Corridor that links Kyaukpyu to Muse via Mandalay; and iv) the East - West Corridor that links Myanmar to India, China and Thailand.

Table 4-5: Priority Economic Corridors for Development

Priority Corridor	Route
Priority 1: Yangon SEZ to Myawaddy	Yangon SEZ - Yangon - Bago - Hpa An -Myawaddy
Priority 2: Central North-South Update	ThilawaSEZ - Yangon - Bago - Taunggoo - Nay Pyi Taw - Meiktila - Mandalay -Myitkyna
Priority 3: New North East - South West Corridor	Kyaukpyu - Magway - Meiktila - Mandalay - PyinOo Lwin - Kyaukme - Lashio – Muse
Priority 4: East - West Corridor	Tamu - Kale - Pakokku - Monywa - Meiktila - Taunggyi - Kengtung - Tachileik- Mongla

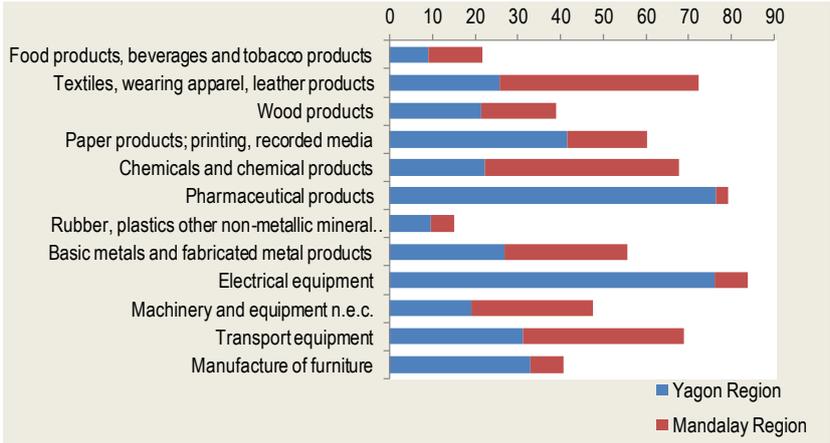
Source: Ministry of National Planning and Economic Development, National Comprehensive Development Plan, 2014

Yangon and Mandalay continue to be the largest growth centers of Myanmar. Investments naturally concentrate in Yangon Region - the biggest center for business in Myanmar. As shown in the following figure, manufacturers in Yangon and Mandalay make up a great majority of many sectors, such as textiles and leather products, pharmaceuticals, electrical equipment, and transportation equipment.

With regards to investor behavior, most foreign investors, especially manufacturers and sales

companies, choose Yangon and its peripheral areas as investment locations due to factors including convenience of transportation, communications, level of infrastructure, industrial agglomerations, proximity to clients, standard of living and availability of factory locations. The Thilawa SEZ was formally opened in 2015 and has successfully attracted various types of foreign investments from various countries.

Mandalay continues to be the second largest business center and functions as a growth hub for the north of the nation.



Note: The shares of number of manufactures by type of industry in Yangon and Mandalay to the total.

Source: Ministry of Planning and Finance, "Industrial Survey" (2015)

Figure4-9: Composition of Manufacturers in Yangon and Mandalay

4.6.2 Spatial Development through Investment Promotion in the MIPP

As seen in the four growth paths, export-oriented industries will concentrate in these two major business regions, while resource-based industries will span production centers in other regions.

At the first stage of spatial development, investments will be directed to the principal business areas that together form the ‘two-polar’ growth model: Yangon Region and Mandalay Region. The NCDP expects that further industrialization of Yangon and Mandalay will enhance their economic agglomeration linkages with the economic corridors, so that national inclusive development will be effectively achieved and ultimately result in poverty reduction.

Concentration of Investments to the Yangon Region is expected to bring about the following impacts:

- Investments will attract further investment. For example, an investment by an assembler is followed by investments by suppliers.
- Progress in industrial agglomeration results in cost reductions and increased business opportunities, through economies of scale and scope.
- Increases in workers’ increases demand (markets) for goods and services
- Development in Yangon will spill over to neighboring areas, like Bago and Ayeyawady, and form

the greater Yangon area. The development of peripheral areas will advance due to issues in Yangon, such as increasing production costs, lack of suitable business locations, and lack of workforce accommodation.

- In the greater Yangon area, new high quality industrial zones and/or SEZs are expected to be planned and built. New city development is also associated with the expansion to peripheral areas. As a result, it is expected that a coastal industrial zone will form, with the Thilawa SEZ at its core.
- Large-scale city development, residences and shopping malls will be developing in major cities. Investment in social services such as healthcare and education are also encouraged. With these investments, quality of life in cities will improve.
- A successful business model initiated in Yangon can be reproduced across the rest of country.

In parallel with investment promotion for Yangon and Mandalay, investment promotion for other states and regions must be continued according to their investment opportunities. The main sectors for investment promotion are mining, infrastructure development, agriculture, agroindustry, tourism, and distribution hubs and border areas.

In parallel with the concentration of investment in the two-polar areas, focus for development will extend to secondary areas and then tertiary areas. Industrial clusters, especially in agroindustry and other resource-based industries, and tourism, will develop through investment in new technologies, investments by innovative entrepreneurs, enhancement of supply chains, and eventual agglomeration of industries. These industrial clusters will act as regional growth centers.

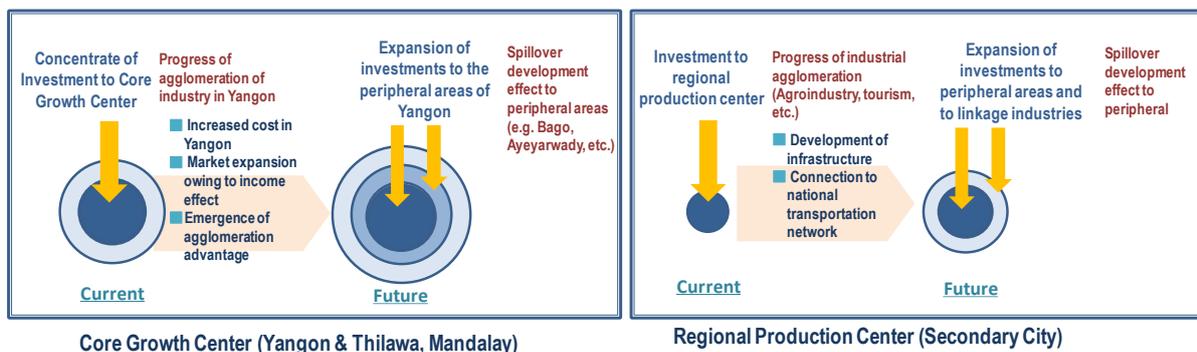


Figure 4-10: Conception of Spatial Development through Investment Promotion

Based on this model, along with the NCDP’s economic corridor development, the spatial development of Myanmar can be illustrated as shown in the following figure.

At the next stage, the Dawei SEZ and Kyaukpyu SEZ will be developed as growth centers, receiving large-scale investments. It is expected that coastal industrial corridors will develop by attracting heavy and chemical industry investments. With these investments, the industrial linkage with neighboring countries will become significantly stronger and multi-layered.

An example of successful coastal industrial development is the Eastern Seaboard Development

Program in Thailand. The program aimed to develop new industrial centers in Chachoengsao, Chonburi and Rayong provinces, to alleviate the concentration of industries in the Bangkok metropolitan area. The main strategy of development consisted of the construction of the MapTaPhut Industrial Estate that targeted heavy chemical industries, the construction of the Laemchabang Industrial Estate for non-polluting port-oriented industries, and the construction of related infrastructure such as ports, roads and railway lines.

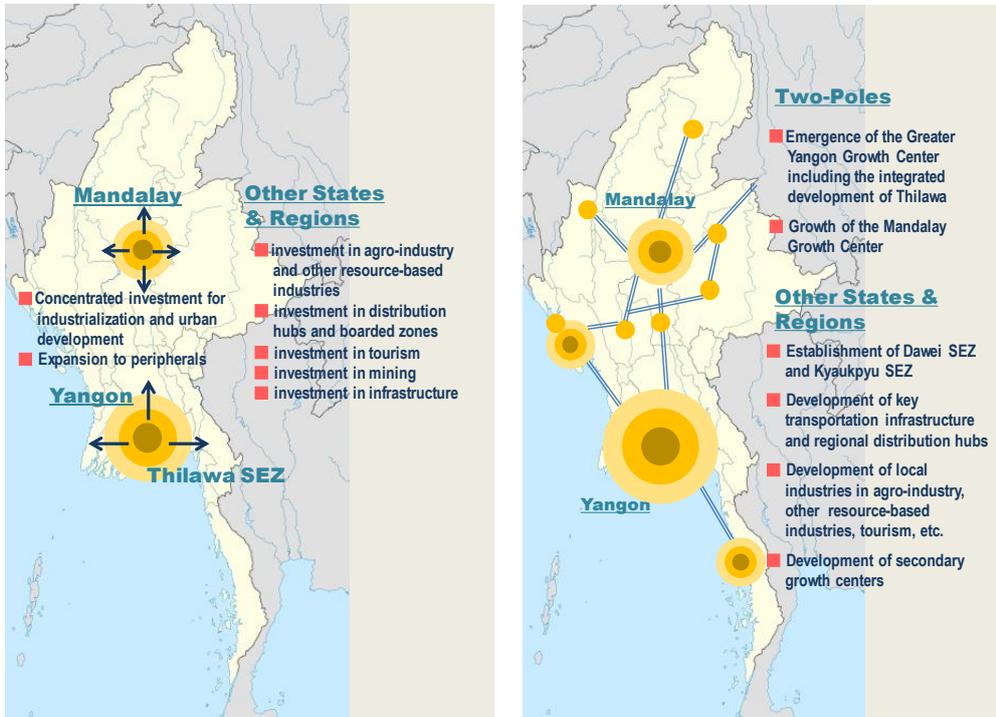


Figure 4-11: Stages of Spatial Development through Investment Promotion

Chapter 5. Strategies for Investment Promotion

The Government of Myanmar formulates strategies and strategic actions with the purpose of addressing the critical bottlenecks of investment promotion. It will implement the strategies to promote responsible and quality investment, in which investors will act as partners for Myanmar's national development, with the following principles of investment promotion.

To welcome quality, responsible and compliance-based investment
To protect investors
To support investors with fair, clear and predictable regulatory environment

The strategies and strategic actions can be classified into five pillars: i) investment-related policies and regulations, ii) institutional development for investment, iii) infrastructure development, iv) business-related systems, and v) local industries and human resources.

Table 5-1: List of Strategies for Investment Promotion

Category		Strategy to Address the Constraints	
1	Investment-related policies and regulations	1-1	Continuation of sound macroeconomic policies
		1-2	Determined commitment to open investment policy and an improved business environment
		1-3	Formulation of industrial policies for investment promotion
2	Institutional development for investment promotion	2-1	Investment promotion using national branding
		2-2	Diligent administration of investment-related regulations and strengthening of investor protection
		2-3	Establishment of clear application procedures and an organization for handling applications
		2-4	Promotion of systematic investor support
		2-5	Establishment of an independent investment promotion agency (IPA)
3	Infrastructure development	3-1	Improvement of infrastructure development planning for investment promotion
		3-2	Promotion of investment in industrial zones and SEZs
		3-3	Establishment of a PPP framework and promotion of PPP projects
4	Business-related systems	4-1	Formulation of regulations for business-related systems
		4-2	Enhancement of the financial sector
5	Local industries and human resources	5-1	Promotion of industrial linkage
		5-2	Capacity development of local industries
		5-3	Establishment of entrepreneur support
		5-4	Improvement of human resources development for industry

5.1 Strategies for Investment-related Policies and Regulations

This category of strategies aims to develop a stable macroeconomic environment, open investment policies and industrial development policies, with the objective of creating an attractive business environment for investors.

5.1.1 Continuation of Sound Macroeconomic Policies

Strategy Aims

One important factor in investment decisions is economic stability of a target country. It is crucial to maintain policies that produce sustainable economic growth in order to gain investors’ confidence in the future of Myanmar’s economy.

This strategy aims to maintain sound macroeconomic management for an attractive investment environment and prepare necessary policy measures by developing the capability of policy makers and the provision of investment-related statistics.

Stable macroeconomic conditions are key for investment promotion

The economic and financial conditions of a country have a significant impact on investors’ business performance, through various factors such as exchange rates, inflation, interest rates, bank lending and domestic demand. Investors are concerned about the stability of macroeconomic conditions because any economic turmoil, such as sharp fluctuations in exchange rates, hyperinflation or shrinkage of demand seriously affects their businesses.

Myanmar’s economic structure is still weak because it has not yet built a strong foundations of production, a robust balance of payment structure or effective economic system since the opening-up of the country. IMF’s team regularly discusses economic and financial policies with the Government of Myanmar, and they make policy recommendations. The World Bank and Asian Development Bank support the capacity building of macroeconomic management of Myanmar.

The Government of Myanmar will maintain a balanced macroeconomic policy to offer stable and favorable business conditions for investors. It will also aim to build a sound economic structure that will be able to provide increased business opportunities for investors during the plan period.

Required Actions

Action 1-1-1	Implement balanced macroeconomic policy for economic growth
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1) Maintain a consistent macroeconomic policy mix for sustainable economic growth

Myanmar has recently maintained a high economic growth rate. However, the country’s economy has been challenged by structural issues such as fiscal deficit and current balance deficit.

The Government of Myanmar and IMF regularly hold bilateral discussions on Myanmar's economic development and policies. In the 2016 Article IV Consultation, IMF welcomed Myanmar’s continuing progress on economic and political transition, and noted the robust growth performance in 2015/16. At the same time, IMF pointed out several issues concerning the economic and financial policies, such as exchange rate flexibility. Continuous structural reforms, more active liquidity management, fiscal restraint and fiscal spending efficiency will all contribute to further progress.

The Government of Myanmar will place a high priority on maintaining macroeconomic stability and developing economic structures, to enable more effective investment promotion. The aim is to maintain a consistent and timely macroeconomic policy mix of monetary policy, fiscal policy, tax policy, and trade policy by ensuring a mechanism of policy coordination among key policy makers, the Central Bank of Myanmar, the Ministry of Planning and Finance, and the Ministry of Commerce.

2) Prepare and implement economic policies for creating a favorable business environment

The Government of Myanmar will continue further economic reform to create a favorable business environment for investors. Relevant Government ministries and organizations will prepare and implement financial and fiscal policies that correspond to efficient and dynamic business activities, and policies for economic reform to improve the economic structures that are a basic foundation for private sector development.

The DICA provides recommendations on economic policy for investment promotion on the basis of the monitored needs of investors. The Investment Promotion Committee, a cross-ministerial committee for the implementation of the MIPP, will coordinate the relevant ministries for economic policy for investment promotion.

Action 1-1-2	Strengthen capability of macroeconomic policy formulation
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1) Strengthen the capability of macroeconomic policy formulation in related ministries

The capability of formulating and managing macroeconomic policies needs to be more sophisticated for the purposes of steering the national economy through the shifting global economy and for promoting future liberalization. The Government of Myanmar will accumulate expertise and experience in economic policy management.

With technical assistance from overseas donors, the Government of Myanmar will continue to enhance policy formulation and management capability of relevant ministries and organizations, especially the Ministry of Planning and Finance and the Central Bank of Myanmar.

2) Improved macroeconomic statistics required for macroeconomic management

Sound macroeconomic policy management is only possible with timely, accurate and detailed statistical data, such as on GDP, prices, money supply, employment and trade. Various types of statistics will also be utilized for the formulation of investment policy and investment promotion measures. For example, statistics on industry, agriculture, trade and energy statistics are frequently referenced.

The Government of Myanmar will build a statistical system that enables timely and effective decisions to be made on macroeconomic management by policy makers, through the current mechanism of development of the national statistics system.

The inadequate collection and publication of macroeconomic statistics has been commonly recognized as a weakness of national macroeconomic management, by the Government of Myanmar as well as international organizations advising on economic policy. The need to monitor achievements for the SDGs will require an improved statistics system in Myanmar. A high-level committee, the National Committee for Data Accuracy and Quality of Statistics, implements the National Strategy for Development of Statistics (NSDS), to establish a quality national statistical system. The Government of Myanmar has received technical assistance on this from donors. The Asian Development Bank and UNDP provide such assistance for improving the national account statistics.

3) Enhance policy-making capability of officers in relevant ministries

Developing human resources is key for formulating competent economic and financial policies. Therefore, capacity development of officers of relevant ministries will be conducted in the areas of economic research, economic data analysis and statistics software.

Action 1-1-3	Improve investment statistics
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1) Expand contents of investment statistics

In order to grasp the essential data necessary for investment promotion, the MIC and the DICA will expand the information provided in investment statistics.

There are two main types of statistics for FDI; balance of payments and FDI approved by the MIC.

IMF member countries must report statistics to international organizations, according to IMF guidelines. FDI has three components; equity capital, reinvested earnings and intra-company loans. Definitions and measuring methods of FDI are instructed in IMF's Balance of Payments and International Investment Position Manual (6th Edition, 2009) and OECD's Benchmark Definition of Foreign Direct Investment (4th Edition, 2008). The OECD Foreign Direct Investment Statistics consists of: 1) direct investment positions - stocks (equity and debt of intercompany loans), 2) direct investment income flows (dividends and distributed branch profits, reinvested earnings, income on debt interest), and 3) direct investment financial flows (equity, reinvestment of earning, and debt). The Central Bank of Myanmar will prepare reliable and detailed statistics in collaboration with the DICA and the Central Statistical Organization.

The MIC regularly collects and announces statistics on approved investment projects. However, the figures for actual disbursement of investment projects are not compiled, and nor are those for investments approved by the MIC and the Thilawa SEZ Management Committee. Therefore, it is difficult to monitor investment trends accurately.

Accordingly, the Government of Myanmar will produce investment statistics as follows:

FDI balance of payments statistics of international standard:

The Central Bank of Myanmar and the Central Statistical Organization will collaborate to provide reliable FDI balance of payment statistics, according to prescribed standards.

Realized investment applied to MIC & State/regional Committee on the disbursement basis:

There is a time gap between the approval of an investment project and actual disbursement. At present, the DICA publishes information on approved/endorsed investment projects. However, information of actual disbursement of projects is not currently monitored. The MIC and the DICA will monitor the implementation of investment projects and capture disbursement figures.

Realized investment attributed to SEZ Management Committees both on approval and on a disbursement basis:

DICA will collect data on investment projects in SEZs, both on investment approval and disbursement, in order to consolidate them with investments attributed to the MIC and State/Regional Committee and build a consolidated database of investment projects.

Registered company statistics:

DICA will compile summary statistics of registered companies from the database mentioned in the next item.

2) Establish database of investment statistics

The DICA will build a digital database of investment statistics, that will enable the following searches:

- Investment projects approved/endorsed by the MIC and State/Regional Committee: by approval and by disbursement, by region, by sector, by investor's country (including an original country in the case of an investment via a third country), and by size of investment;
- Investment projects approved by SEZs: by approval and by disbursement, by region, by sector, by investor's country (including an original country in the case of an investment via a third country), and by size of investment;
- Registered companies: by name, by region, by sector, etc.; and
- FDI statistics on balance of payments to be collected and provided by the Central Statistical Office in collaboration with the Central Bank of Myanmar.

The MIC and the DICA will utilize the database for reporting investment records, evaluating investment performance and implementing investment promotion.

5.1.2 Determined Commitment to Open Investment Policy and an Improved Business Environment

Strategy Aims

The Government's consistency on investment policy is a key to building investors' confidence. The Government of Myanmar will clearly convey policy principles to investors. In other words, all investment-related policies and measures should be created and communicated in accordance with an open investment policy.

This strategy aims to establish an open investment policy, promote investment liberalization and deregulation, and regulate acts that violate investment and environmental protection, to build investors' confidence in Myanmar's investment regime.

Importance of consistent and unshaken open investment policy

The Government's commitment to open investment policy is important for investors' trust in Government policies and also for gaining support from relevant Government ministries and organizations for investment promotion. The Government of Myanmar will clearly communicate the principles of investment policies to investors and to all the relevant Government organizations. Under the investment policies, the Government of Myanmar will work on issues affecting the business environment and industrial development, and therefore investment promotion, in collaboration with related ministries. In view of this, the Government of Myanmar commits to the policy principle that the country will: **welcome responsible, quality and compliant investment, protect investors and support them with a fair, clear, predictable and transparent regulatory environment.**

The 12-point Economic Policy of July 2016 and the Investment Policy of November 2016 are currently positioned as basic policies for investment promotion of Myanmar. With the strong commitment of the Government, the MIPP will be implemented to substantially fulfill the policies in the Investment Policy. The Government of Myanmar will make every effort to implement the Investment Policy by realizing a supportive business environment and clear and expeditious procedures.

Widening of Business Opportunities through Deregulation

The MIC Notification No. 15 /2017 lists restricted investment activities. In total, 169 types of businesses are restricted or subject to the approval of the relevant ministries. The restrictions are classified into i) investment activities allowed only within Myanmar, ii) investment activities forbidden to foreign investors, iii) investment activities allowed only in the form of a joint venture with any citizen-owned entity or any Myanmar citizen, iv) investment activities to be carried out with the approval of the relevant ministries. These ministries consist of the Ministry of Home Affairs, Ministry of Information, Ministry of Agriculture, Livestock and Irrigation, Ministry of Transport and Communication, Ministry of Natural Resources and Environmental Conservation, Ministry of Electricity and Energy, Ministry of Industry, Ministry of Commerce, Ministry of Health and Sports, and

Ministry of Construction. A large number of items are still subject to export and import licenses, because the liberalization process is slow.

Restrictions on investment in Myanmar have been steadily loosened since 2011. Criteria for approval need clarifying and a transparent assessment process needs establishing in response to investors' grievances. For example, restrictions on trading by foreign companies hinders efficient importing and selling of their products. Although restrictions on trading has been liberalized for selected items such as agricultural inputs and construction materials, foreign investors still request further progressive liberalization. Unnecessary restrictions on investment severely limit business opportunities for investors. Further liberalization of investment is required for the improvement of the nation's overall productivity via a more welcoming business environment that will enable efficient business operations and the promotion of investment in high technologies.

Required Actions

Action 1-2-1	Establish and disseminate the principles of the investment policy
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1) Position the Investment Policy as a core national development policy

The investment policy is positioned as a major national Government policy. The Government of Myanmar in the NCDP intends the country to move from dependence on natural resources and basic agricultural commodities to superior development that increasingly combines sophisticated technology and knowledge with a high level of integration into the regional and global economy. This development will be built upon investment promotion to a considerable extent, with investment contributing to technology transfer, improved productivity, increased employment, local industry development and regional development.

Similarly, the MIPP, an action plan for the investment policy, is formally positioned as an important component of the NCDP, to attain its goals for Myanmar's national development. The MIPP's strategies will address not only business environment improvement but also other development issues on the national development agenda, such as private sector capability development and human resources development. The Government of Myanmar will create cross-ministerial organization for the implementation of the MIPP and give the organization the required authority to enable effective implementation of the MIPP.

2) Clearly communicate the investment policy's principles, both to investors and to all the relevant Government organizations.

Investors' concerns about the political stability and policy consistency of Myanmar affect their investment decisions. The Government of Myanmar clearly conveys investment policy principles to investors to gain their confidence, and commits to, *"welcoming quality, responsible and compliant investment, protecting investors and supporting investors with a fair, clear, predictable and transparent regulatory environment"*.

It is also important to effectively communicate principles to all the relevant Government organizations, to build common understanding of the importance of investments including FDI, and the direction of investment policy. Promotional measures such as awareness campaigns and dialogue will be conducted to raise the level of understanding in related ministries, about the investment policy.

Action 1-2-2	Promote the coordination of investment-related policies by relevant ministries using the principles of the investment policy
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1) Establish a mechanism for cross-ministerial policy coordination for the implementation of investment policy and improvement of the business environment

Following enforcement of MIL, the Myanmar Investment Rules and related communications have been issued. Supplementary notifications and related documents will follow to establish a comprehensive system of implementation of MIL. MIL has considerably rationalized the investment regime of Myanmar. However, it needs further improvement in terms of the policies of related ministries and the institutional terrain.

A cross-ministerial coordination mechanism is necessary for effective implementation of the investment policy and to improve the business environment of Myanmar. To realize this, a cross-ministerial committee called the Investment Promotion Committee will be established with the function of aligning a broad range of investment-related policies and advancing the business environment, as called for in the investment policy.

The Investment Promotion Committee will be managed by the MIC because it is responsible for investment administration based on MIL supported by the DICA as a secretariat. The Investment Promotion Committee will be strongly encouraged and supported by high level Government that fully recognizes the importance of investment promotion and business environment improvement.

The Investment Promotion Committee will review the policies and measures of related ministries in order to produce supportive policy measures need to bolster the investment policy and to promote business environment improvement. Following reviews, the Investment Promotion Committee will also make policy recommendations to the relevant ministries to foster improvement to the business environment. Policies may cover a wide range of areas, from agriculture to trading, industry and infrastructure.

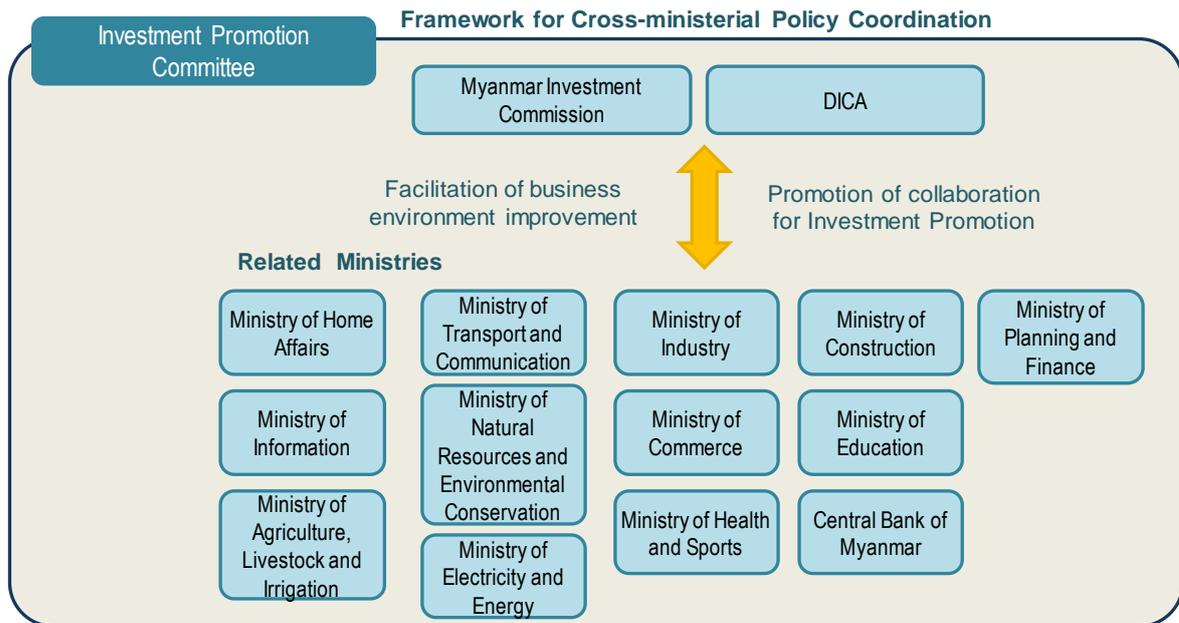


Figure 5-1: Framework for Cross-ministerial Policy Coordination

2) Actively communicate with the private sector on investment promotion

It is crucial for officers of the relevant ministries to have sufficient knowledge of globally prevalent policies and approaches to investment promotion. It is vital to listen to investors’ voices throughout the process of reviewing policies and investment promotion measures. There currently exist several mechanisms for dialogue between the Government and the private sector on investment promotion. For example, the Private Sector Development Council and the Myanmar Special Task Force for Business and Trade Promotion (MSTFBTP) were both set up to promote private sector development through dialogue.

Under the MIPP, the Investment Promotion Committee will gather opinions on policies and planned measures from the private sector (especially from investors), on whether they are/will be appropriate and effective for improving the business environment and investment promotion. Above all, it is of utmost importance to listen to the views of foreign investors. Their opinions are invaluable for the Government of Myanmar’s efforts to upgrade Myanmar’s business environment to an international standard. The Investment Promotion Committee will organize a formal mechanism of regular dialogue with the private sector, including foreign investors.

Action 1-2-3	Promote investment liberalization in multilateral frameworks
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1) Promote investment liberalization within the ASEAN Economic Community (AEC)

Myanmar should progress liberalization, promotion, facilitation and protection of investment as a member of ASEAN, in line with the economic integration of the ASEAN Economic Community (AEC). The AEC is expected to create a single production base and common market in the region and accelerate supply chain development. To promote investment liberalization, the ASEAN Comprehensive Investment Agreement (ACIA) came into force in March 2012.

The objectives of the ACIA are to create a free, open, and clear investment regime through i) progressive liberalization of the investment regimes of member states, ii) provision of enhanced protection to investors of all member states, and iii) improvement of transparency and predictability of investment rules, regulations and procedures. Under the ACIA, each member country must accord to investors of any other ASEAN country treatment no less favorable than that it accords to its own national investors with respect to the admission, establishment, acquisition, expansion, management, conduct, operation and sale or other disposition of investments in its territory. However, member countries still have sectors in the reservation list of liberalization. In the case of Myanmar, some areas of manufacturing and service sectors are subject to conditions dictated by local laws and rules.

Substantial progress of the ACIA will benefit member countries and investors based in the ASEAN with expanding business opportunities and improved competitiveness of the region. As a member country of ASEAN, the Government of Myanmar will support the implementation of the ACIA at the ASEAN Investment Area (AIA) Council, ASEAN Chambers of Commerce and Industry (ASEAN CCI) and other events.

2) Promote investment liberalization within international and regional frameworks other than the AEC

Multilateral agreements such as the Free Trade Agreement (FTA) and Economic Partnership Agreement (EPA) aim to create broad regional cooperation for dynamic business activities in various areas such as goods trading, service sectors and investment. ASEAN member countries have signed FTA and EPA agreements with East Asian countries, India, Australia and New Zealand. ASEAN member countries are continuing negotiations on the Regional Comprehensive Economic Partnership (RCEP).

The Government of Myanmar will continue this cooperation for an open and equitable business environment in the region by examining its impact on the country, so that Myanmar can benefit from growing investment interests of the region.

Action 1-2-4	Prepare legal framework for business environment improvement and promote deregulation
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1) Enact or revise investment-related laws and regulations for the improvement of the business environment and simplification of investment procedures

The Government of Myanmar has been steadily revising laws and regulations relating to business during the process of democratization and consolidation of legal systems. This revision is still in progress but it is important to make it thorough for the elimination of complexity. It is imperative to produce a legal framework that enables flexible and efficient business operations for investors in Myanmar. Examples of the areas of this ongoing work are the legal framework for intellectual property rights protection, expanded bonded area systems including bonded warehouses and boded factories, and a rational tax system including commercial taxation.

The Government of Myanmar will implement regulatory improvement for investment promotion through the following steps:

a. **Review the existing laws and regulations and identify legal and regulatory issues for investment promotion and the business environment**

The Investment Promotion Committee will collect and examine issues with existing laws and regulations from the perspective of sound national development and investment promotion. Restrictions that are not codified in regulations should be also reviewed. It will be necessary to gain the consensus of stakeholders on revisions of regulations for business environment improvement.

b. **Enact or amend laws and regulations affecting the business environment**

When the need for amendment is identified as a result of a review, relevant laws and/or regulations will be adjusted in collaboration with the relevant ministries. New laws and/or regulations may be formulated when an amendment to existing laws and/or regulations would be insufficient to cater for the identified need.

c. **Publicize new laws and regulations to investors and related Government bodies**

New laws and regulations will be promptly translated from the original laws and regulations in the Myanmar language into English, for publication. If necessary, guides will be produced for standardized interpretation of stipulations and smooth processes.

d. **Ensure sound law enforcement and monitor for evaluation**

It is important to avoid variation in interpretations of laws and regulations among officers, by familiarizing them with the contents. During the implementation and monitoring process, investors' grievances on the law will be monitored and the resolution of grievances will be pursued. It will also be necessary to establish a mechanism for preventing abuse of the law and rights abuses in the judicial system of Myanmar. The situation regarding abuse of the law relating to investment projects will be monitored and corrective actions will be taken if necessary.

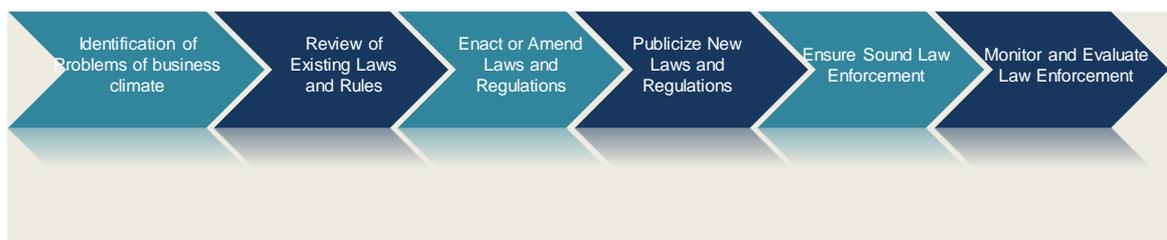


Figure 5-2: Process of Legal and Regulatory Improvement for Investment Promotion

2) Improve law enactment capability of relevant ministries

Law enactment capability of relevant ministries is a key factor in building an adequate legal framework for an attractive business environment in Myanmar. It is imperative to enhance the ability to understand problems in investment promotion and planning, to enable improvement of

the business environment. Policy makers should have a good comprehension of international best practice, and design practical laws and regulations suited to the context of Myanmar's socio-economic conditions and development.

A number of donors have supported the legal reform of Myanmar, but law-making capability is still weak. The Government of Myanmar will continue to enhance legal expertise and the law enactment capability of relevant ministries, to improve the business environment through reference to common practice and experiences other countries. The Investment Promotion Committee will coordinate and support relevant ministries in legal and regulatory improvement by providing information on requirements for improvement and on international best practice from the perspective of investment promotion.

3) Examine and implement further deregulations for business

Every country has pursued investment deregulation during certain phases of their national development. Deregulation of investment widens business opportunities for investors, and can bring in up-to-date technologies of foreign investors, stimulate business activities, improve the efficiency of the economy and the welfare of consumers.

There are still a number of industrial sectors that are restricted for foreign investors in Myanmar. The restrictions on investment have been steadily loosened since 2011. Under MIL, a total of 169 types of businesses are still restricted or subject to the approval of the relevant ministries, according to MIC Notification No. 15 /2017. Investors state that criteria for the approval of the relevant ministries are not clear.

It is beneficial to evaluate the importance of restriction objectively and fairly, and to promote the incremental deregulation of investment. Clear criteria and reasoning for the restrictions on investment will be examined in collaboration with relevant ministries. Based on those criteria, the Investment Promotion Committee will assess the necessity of restrictions from the viewpoints of national security and impact on the economy. Accordingly, phased relaxation of restrictions will be planned and implemented for investment promotion, by reviewing domestic market conditions and the potential impact on the Myanmar economy.

Action 1-2-5	Regularly review the relevance of the investment policy
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1) Establish a mechanism for investment policy review

The development needs of Myanmar will diversify and specialize according to the progress of socio-economic transformation and external business conditions. Investment needs and priorities for Myanmar may evolve as the country undergoes socio-economic development. The MIC and DICA will support analysis of investment trends by monitoring those trends along with the socio-economic situation and world business trends. The investment situation and investors' behavior continuously change.

The DICA will set up a department responsible for monitoring investment trends and reviewing investment policy, and allocate necessary personnel to the unit.

2) Monitor and evaluate investment trends and socio-economic development in Myanmar

The Government of Myanmar will evaluate whether investment policy is catching up with the latest domestic and global investment trends. It is also imperative to review whether investment policies fit national socio-economic development policies, in terms of objective and policy measures, by monitoring investment trends.

At the same time, the DICA - through the Investment Promotion Committee - will make recommendations on national socio-economic development policy and other sector policies from the perspective of investment policy and investment promotion.

3) Revise national investment policy in response to changes in national socio-economic development policy

Over the following decades, Myanmar's investment landscape is expected to change drastically, as economic development progresses. As a matter of course, regular revision of investment policy is therefore anticipated.

The MIC and DICA will consider revisions of national investment policies when the necessity arises. The MIC will prepare a revised national investment policy in consultation with relevant ministries and investors. The MIPP is subject to amendments in response to changes in national investment policies.

As a minimum, investment policies will be reviewed every five years in accordance with national planning of the Government of Myanmar.

4) Revise investment-related laws/regulations as the need arises

The MIC and DICA will continue to monitor the implementation of relevant laws, rules and notifications, especially MIL and Myanmar Investment Rules, from the standpoint of investment policy. The MIC and DICA will revise investment-related laws and rules and make necessary amendments in response to changes in the investment environment, and consequently also a revise investment policy.

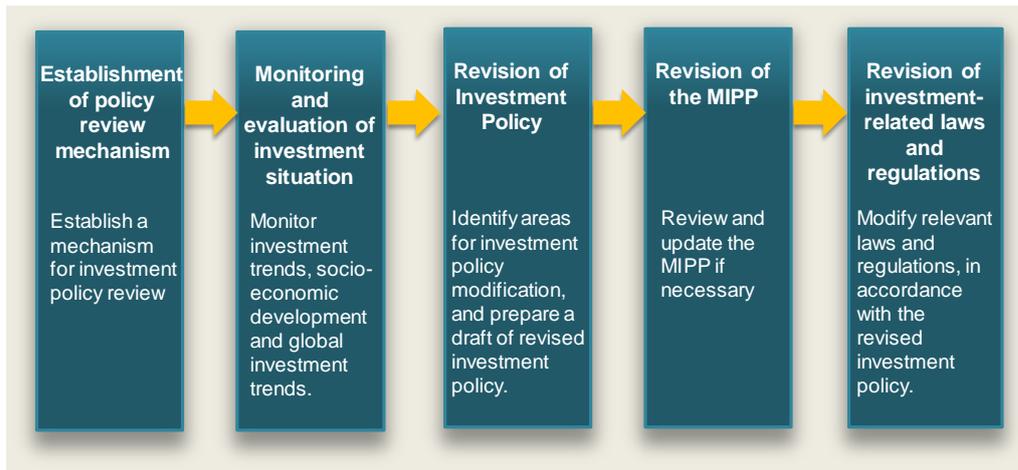


Figure 5-3: Policy Review Mechanism

Action 1-2-6	Regulate fairly and rigorously against acts violating investment and environmental protection on investment projects
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1) Monitor violations by investors

The Government of Myanmar will monitor investment activities after an investment approval or endorsement by the MIC, State/Regional Committee and SEZ Management Committee. Under the Myanmar Investment Rules, it is a function of the MIC and State or Regional Committee to monitor investments according to laws, rules and regulations after approving the Permit or Endorsement.

Relevant Government organizations will monitor and check compliance of investment projects in terms of investment activities, to ensure they meet conditions prescribed in the application, approval and legal compliance of investment projects.

2) Enforce environmental protection of investment projects in accordance with regulations

The Government of Myanmar has publicly stated its commitment to a development path that is economically strong, but also socially and environmentally sustainable for its citizens. It introduced the Environmental Conservation Law in 2012 and the Environmental Conservation Rules in 2014. Procedures were also introduced in an effort to enact environmental regulations.

One of the objectives of MIL is to develop responsible investment businesses which do not cause harm to the natural or social environment. An investor is required to abide by laws, rules, procedures and international best practice so as not to cause damage, pollution or loss to the natural and social environment, or to cultural heritage. An investment project with a large potential impact on the environment and the local community must obtain investment approval.

As environmental conservation is a critical concern, clear and transparent administration is essential. The Government of Myanmar will establish and operate clear evaluation criteria and processes regarding environmental impact assessment (EIA), investment approval and other relevant procedures for investors.

At the implementation stage of investment projects, the monitoring of impact on environment is crucial for effective environmental conservation. With the guidance of the Environmental Conservation Committee, the Ministry of Natural Resources and Environmental Conservation is responsible for monitoring, inspection and supervision. The Government of Myanmar will establish fair and practical monitoring systems by enhancing the Ministry's capability and formulate necessary criteria and methods to support lawful and successful investments.

3) Control investment violations by fairly applying laws and regulations

The MIC assumes the role of regulating investment projects in Myanmar. It will impose penalties against any investor that violates or fails to comply with any conditions of MIL, Myanmar Investment Rules, issued permit or endorsement. As for other laws and rules, relevant ministries will take prescribed actions against violations.

These Government actions will be justly and objectively examined and implemented. The Government of Myanmar offers assurance that necessary procedures of prior notice, explanation, and appeal for dissatisfied investors will be followed, with the understanding that mutually beneficial investment is the objective of investment policy.

5.1.3 Formulation of Industrial Policies for Investment Promotion

Strategy Aims

The predictability of business-related policies is an important factor in investment decisions. Sector-specific industrial policies will be formulated to create a predictable business environment, enable preparation of necessary regulations and implement promotional measures.

This strategy aims to create industry-specific policies, regulations and incentives, to improve the attractiveness of the business environment for individual industries.

Collaboration with Ministries; Integration with Industrial Development Policy and Export Development Policy

Business environment improvement requires an industrial development policy that will guide the transformation of industrial structures and the productivity increases that are such important factors for attracting investments and successful business operations. Myanmar's industrial structures are still limited, but the manufacturing sector is expected to make up an increasing proportion of the economy as industrialization progresses. Labor-intensive industries should be expanded as growth drivers, while simultaneously the advancement of value-added sectors and levels of technology should be accelerated by promoting investment.

Sector-specific industrial policies will pave the way for investors by signposting directions of growth and creating the necessary industrial base. Various ministries are concerned with the formulation of policies and the provision of support services. For example, the Ministry of Industry is responsible policies and measures for industrial activity, the Ministry of Education for human resources, and the

Ministry of Transport and Communications for infrastructure.

The MIC and DICA must collaborate with related ministries, for practical and effective implementation of investment policy. It is important to harmonize investment policy with related policies, including policies on industrial development, export development, tourism and so on, and to exercise joint implementation of related policies to support investors.

Required Actions

Action 1-3-1	Create investment opportunities in line with industrial development
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1) Formulate industrial development policies and support services to promote investments in priority sectors

Industrial development policies and support services will be formulated by relevant ministries with the purpose of promoting investment in specific priority industry sectors. This is because policies and services demonstrate the Government’s policy direction to investors, and because industry-specific investment promotion can be more effectively conducted in association with a set of investment support services. For example, investors may benefit from technical assistance, financial support, capacity development and marketing and matching services, if offered to their particular sector.

The Government of Myanmar will formulate sector-specific industrial development policies and support services for priority sectors, such as automobile manufacturing, industrial and consumer machinery, ICT, textiles, food processing and so on. These sector-specific policies will heighten predictability of overall Government policies and support investors in designing their investment strategies. It is imperative that these sector-specific policies are utilized for the daily administration of industrial development.

Coordination among related ministries will be necessary for effective implementation of sector-specific development policies and support services. The provision of integrated support by related ministries is indispensable for obtaining tangible results from industrial policies. Ensuring an effective coordination mechanism among the ministries that are responsible for policies and support services is a task for the Government of Myanmar.

2) Monitor the progress of industrial development policies and update them as the situation demands

The progress of industrial development policies and support services will be monitored and evaluated with performance indicators. Policies and support services will need to be redesigned to improve effectiveness on an ongoing basis, in response to the effects of their implementation.

The industrial development landscape changes frequently, with the inflow of investments, technological progress and shifts in the global economy. Industrial development policies will therefore be reviewed and updated regularly to reflect industries’ rapidly evolving conditions.

1) Examine possible incentives for investment promotion by examining case studies of other countries

Other countries offer various incentives for investment and operating a business. For example, there are several types of tax deduction on corporate taxes for R&D costs, human resource development and export marketing costs. Every country designs and introduces incentives for business activities in the context of its policies.

The MIC, DICA and Internal Revenue Department (IRD) will examine foreign tax incentive systems and explore the possibility of their application in Myanmar in the long term, depending on expected impact on investment, R&D, HRD, employment, environment and so on, and on cost-benefit analysis.

2) Introduce new incentives for targeted investments or for the improvement of business attractiveness

The MIC, DICA and IRD will introduce new incentives to encourage targeted investments and activities, such as R&D initiatives and human resource development.

5.2 Institutional Development for Investment Promotion

This category of strategies aims to enhance functions and services of investment-related organizations such as the MIC, DICA and One-Stop Service Center for investment promotional activities, from the investment attraction phase to post-investment support.

5.2.1 Investment Promotion Using Nation Branding

Strategy Aims

Promotion using nation branding is an important tool for effective investment promotion, and will aim to give investors an accurate understanding of Myanmar as a destination for their investment. Ordinary promotional activities such as investment guidebooks and conferences should be conducted with a clear strategy of nation branding, and always adhering to the agreed Myanmar nation branding, to correctly communicate the country's potential to investors.

This strategy aims to implement effective promotional activities for investment promotion using nation branding. Promotional activities should be stepped up both at country and region level.

Investment Attraction with Integrated Image Building

Many countries run marketing campaigns for investment promotion, as well as running export tourism promotional campaigns, using their nation branding. Several world research companies conduct surveys for the Country Brand Index.

Table 5-2: Ranking of Nation Brands

Country	Rank
Singapore	14
Thailand	38
Malaysia	48
India	50
Sri Lanka	60
Vietnam	64
Indonesia	66
Cambodia	68
Bangladesh	72

Note: Ranking among 75 countries/economies.

Source: FutureBrand, "Country Brand Index 2014 – 15"

(<https://www.futurebrand.com/uploads/CBI2014-5.pdf>)

It is essential for investment promotion teams to communicate properly with investors about investment policies and the competitive advantages of Myanmar. Investors build their perception, in other words, their image, of target countries, based on their knowledge, experience and consequently evaluation. Communication for investment promotion should be conducted in an honest and integrated way.

The Government of Myanmar will communicate a clear message about its commitment to investors. The message must include the following:

- ✓ Myanmar offers vast opportunity for investment.
- ✓ The Government of Myanmar commits to building an open and transparent business environment.
- ✓ The Government of Myanmar welcomes FDI that respects Myanmar's values and cultures.
- ✓ Myanmar has gained momentum in its development as an emerging economy in the ASEAN.

Investment promotion is closely related to export development, industrial development and tourism development, in terms of target business activities and target investors. A country's opportunities for export and tourism obviously invite investments in these sectors. Therefore, communication strategies for export promotion and tourism promotion should be consistent with that for investment promotion. It will be most effective to coordinate and integrate all three using the same nation branding.



Figure 5-4: Concept of Integrated Nation Branding

The key messages of branding differ between the promotion of investment, export and the tourist industry. However, it is crucial to maintain consistency and uniformity of branding among them, to appeal effectively to target companies and for running efficient advertising and marketing campaigns.

Table 5-3: Comparison of Key Branding Messages

Area	Contents of Message		Target
Investment	Hard Image	Infrastructure, workforce, standard of living, growing economy.	Investors, Government organizations
	Soft Image	Open economic policy; investor-friendly laws and regulations.	
Export	Hard Image	Local specialty products, traditional products, international brand products, potential export-oriented sector	Overseas consumers, traders, investors, relevant Government organizations
	Soft Image	Quality, value, safety, specialty	
Tourism	Hard Image	Nature and environment, heritage, tourist industry	Tourists, investors, relevant ministries
	Soft Image	Culture, history	
Common	Soft Image	Diligence, friendliness, hospitality of people	Overseas consumers, tourists, investors, Government organizations

Building a firm and positive national brand and a reputation as a great place to invest takes time. An important role of nation branding is to bridge the perception gap of investors– in other words, to ensure an accurate understanding of Myanmar by investors. It is also important to establish a distinctive brand and the unique positioning of Myanmar, compared with other competing countries.

In addition, the collaboration between the DICA and the Ministry of Commerce, specifically Myanmar Trade Development Promotion Organization (Myantrade), is imperative for export development, because substantial investment in the export-oriented sector will be required for full-scale export-driven development of Myanmar. The tourism sector also requires investment, to build the necessary infrastructure.

Required Actions

Action 2-1-1	Establish investment promotion using nation branding
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1) Formulate an investor communication strategy for investment promotion

Nation branding for investment promotion is an activity of correcting or improving perceptions of potential foreign investors about Myanmar as an investment destination. The image and perceptions of Myanmar among investors will be studied and any perception gap identified. If a pre-existing stereotype is found to hinder investment, the situation must be addressed.

Based on the results of the study, a communication strategy for investment promotion will be formulated, by identifying priority sectors and major investing countries. The competitive advantages of Myanmar as a destination for investment will be employed in improving the country's image. It will be crucial to ensure Myanmar's brand and positioning is distinctive, and distinct from competing countries. Additionally, a policy on how to appropriately communicate Myanmar's attractiveness will be formulated.

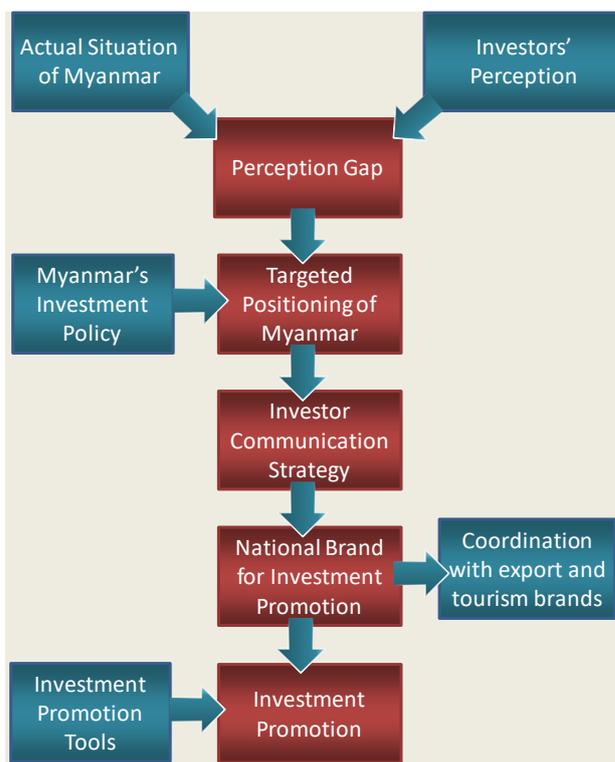


Figure 5-5: Investment Promotion Using Nation Branding

2) Organize a taskforce for nation branding and coordinate with export and tourism promotion

A taskforce for nation branding will coordinate branding activities for investment, export and tourism. A mechanism of collaboration by relevant ministries will be established for an integrated promotion of the Myanmar brand.

Sector branding (i.e., of investment, export and tourism) can be placed under the umbrella brand of Myanmar.

3) Formulate promotional tools for investment promotion

Promotional tools, such as slogans, logo, brochures and videos will be created using the investor communication strategy. They must reflect the Government’s commitment to investors as well as promote the advantages of Myanmar. The Myanmar Investment Handbook will be regularly updated in several important languages.

Visual tools for tourism promotion have already been developed, while those for investment promotion have not. The DICA will develop visual tools for investment promotion and introduce new marketing activities. Promotional drives in collaboration with airlines, magazines, and other mass media should be planned and undertaken.

4) Establish collaboration between investment, export and tourism promotion, using nation branding

The Government of Myanmar will actively seek opportunities for joint promotion of investment, export and tourism. This includes, for example, at investment promotion events like investment promotion seminars and trade fairs, where export and tourism will be promoted alongside investment, as part of the nation branding.

Collaboration for promotion between the DICA and the Ministry of Commerce, specifically Myanmar Trade Development Promotion Organization (Myantrade), will be enhanced by the recognition that substantial export development could be realized through targeted investment in the export-oriented sector, by both foreign and domestic investors. Similarly, promotion by the Ministry of Hotels and Tourism will lead to greater investment potential for the tourism sector.

Action 2-1-2	Enhance the DICA’s promotional activities for investment attraction
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1) Enhance the DICA’s investment attraction function

The DICA is responsible for investment promotion in Myanmar. Its investment attraction function will be strengthened to improve promotional activities.

Major promotional activities for investment attraction are events such as investment promotion seminars, dispatch of investment missions, and reception of overseas investment missions. A limited promotional budget is a big constraint on the DICA’s capacity to hold an investment promotion seminar or promote an investment mission. The team currently attends overseas investment promotion seminars several times a year in major investing countries but always in collaboration with international organizations and with the support of donors. Business support companies, such as accounting firms, law firms and banks also hold investment promotion seminars targeting their clients, to promote improvement to the investment environment and cater for growing investor interest.

Strategic targeting is important for implementing promotional activities under a limited budget and with limited human resources. Investment promotion should be focused on priority industry

sub-sectors, in accordance with the development scenarios.

The DICA should create its own capacity to plan and manage an investment event, and secure a reasonable budget for investment promotion. It will identify new opportunities for investment promotion seminars through collaborations with donors, international organizations and others, focusing on strategically important investing countries. The DICA will also conduct investment promotion activities by utilizing promotional tools. Major promotional activities will include the redesign of the DICA and relevant ministries' websites, media coverage (e.g. magazines and social media), investment promotion seminars, and regular newsletters for investors.

To expand outreach to overseas investors, it will be essential to involve Myanmar embassies abroad in active investment attraction activities, through investment promotion seminars, information and data provision, consultation and visit to investors.

2) Enhance regional investment promotion activities

As regional development is a national agenda, a strategic plan for investment promotion to regions/states should be formulated and implemented. The DICA will prioritize regional investment promotion and assist state and regional Government with their investment promotion planning and the implementation of promotional activities.

5.2.2 Diligent Administration of Investment-related Regulations and Strengthening of Investor Protection

Strategy Aims

Inconsistencies in MIL provisions have been clarified considerably, and procedures for investment applications simplified. However, ambiguities in investment-related regulations remain. Many types of investment need approvals from several relevant ministries and investment approval criteria for restricted businesses are still not clear for investors, while inadequate land registration often becomes a constraint on investment.

This strategy aims to identify problems in investment-related regulations and set out actions to clarify them. It also aims to enhance investor protection.

Necessity of Enhancing Legal and Regulatory Framework

The investment-related legal system and ambiguities in law implementation have been identified as significant impediments to business and the FDIPP addressed this issue. The Government of Myanmar has been steadily improving the legal system - for example, by revising SEZ Law, integrating FDI Law and MCI Law into MIL, and enacting the Myanmar Companies Law. These basic laws have resolved inconsistencies considerably, decreased restrictions and simplified procedures.

However, a number of issues remain in the provision of a transparent investment environment. Various ministries have policies and laws that regulate investment activities, and the capability of relevant authorities in providing smooth and predictable law enforcement is a concern. For example,

many investment activities need approval from relevant ministries, such as the Ministry of Information, Ministry of Agriculture, Livestock and Irrigation, Ministry of Transport and Communication, Ministry of Natural Resources and Environmental Conservation, Ministry of Electricity and Energy, Ministry of Commerce, Ministry of Health and Sports, Ministry of Construction, etc. In addition, foreign companies can obtain a long-term lease of land or building, up to an initial period of 50 years under MIL. However, regulation and administration of land transactions is very complicated, and the conversion of land use category takes long time.

Required Actions

Action 2-2-1	Ensure effective implementation of legal and regulatory framework
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1) Ensure effective implementation of MIL and SEZ Law

The Government of Myanmar, namely the MIC, DICA and SEZ Management Committee, will issue additional rules and notification son MIL and SEZ Law, in a timely manner. Consistency of MIL and SEZ Law with other related laws will be ensured. It is also imperative to modify these related laws, with the aim of avoiding inconsistency in the investment-related legal system and facilitating the implementation of MIL.

2) Issue clarifications on investment-related laws and regulations to ensure common understanding by investors and Government offices

Occasional inconsistent interpretations of laws and regulations by Government officials can disturb or prevent investors in making investment decisions or submitting applications. The MIC and DICA will formulate clear standards of interpretation of laws and regulations, and share these with relevant ministries and investors.

3) Clarify and communicate criteria and reasoning for the restrictions on foreign investors

The MIC will clarify criteria and procedures required for the approval of investments, subject to the approval of the relevant ministries and in consultation with them. The MIC will then communicate those criteria for the approval to investors, in the form of notifications.

Action 2-2-2	Strengthen investor protection
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1) Establish the investor protection system, as stipulated in Myanmar Investment Law

The Government of Myanmar will reaffirm the policy of investor protection stipulated in the Investment Policy of 2016 and MIL. The Investment Promotion Committee will establish a system of investor protection that covers transfer of funds, dispute settlement, land rights, expropriation, and national conduct/ most-favored-nation treatment/ fair and equitable conduct.

Becoming a member of the International Centre for Settlement of Investment Disputes (ICSID) will be the next step in the preparation of a framework for investor protection and dispute resolution. It is also crucial to expand multilateral investment treaties, for example with ASEAN, and bilateral investment treaties.

2) Operate fairly and improve the investor protection system

The Government of Myanmar operates the system of investor protection fairly, in accordance with MIL and international agreements. If any disputes occur, reconciliation must be undertaken within the ICSID framework if any dispute occurs.

5.2.3 Establishment of Clear Application Procedures and an Organization for Handling Applications

Strategy Aims

Although investment procedures have been simplified with the introduction of MIL, it is vital to establish standardized procedures of investment application and approval, in accordance with MIL.

This strategy aims to realize smooth and speedy handling of investment-related applications and establish an effective organization for handling them.

Simplified Investment Application in Line with MIL

With the introduction of MIL and the Myanmar Investment Rules, Myanmar's investment procedures have been streamlined and investments requiring a permit have been reduced. The new endorsement system is a simplified process for long-term land lease and tax exemption.

Investment application procedures under MIL were introduced in April 2017. Establishing smooth and diligent proceedings for applications, evaluation and monitoring at related organizations, i.e., the MIC, DICA, OSSC with relevant ministries and state/regional investment committees, is an urgent task. In particular, state/regional investment committees must build the capability to implement standardized administration of endorsements.

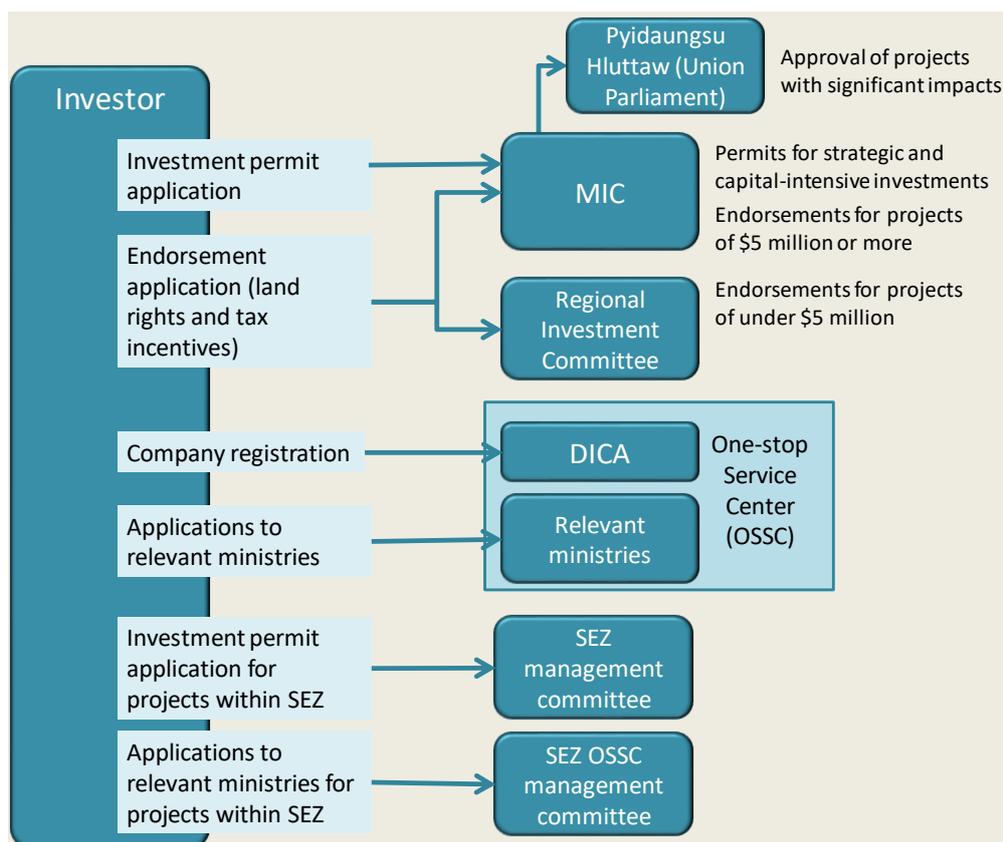


Figure 5-6: Applications under Myanmar Investment Law

Required Actions

Action 2-3-1	Prepare clear and transparent procedures for investment applications
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1) Establish investment application procedures according to MIL

According to MIL, the MIC and state/regional committees will establish investment application procedures, including workflows, standard operating procedures (SOPs), application formats, and evaluation criteria. The relevant Governmental departments and organizations will also formulate application and submission procedures in the form of SOPs and formats.

2) Publicize investment application procedures as guidelines and FAQs

The DICA and OSSC will publicize investment application procedures in the form of guidelines and FAQs.

Action 2-3-2	Establish an organization to systematically manage applications according to procedure
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1) Establish systematic management of investment-related applications and submissions, at the relevant organizations, such as the MIC, OSSC and state/regional committees.

The main functions of the OSSC are providing guidance, and receiving applications and submissions for Government departments and organizations. Management of the OSSC will be strengthened with the purposes of establishing efficient, methodical and high-quality services.

Required facilities and equipment will be supplied to the OSSC for efficient operation. Institutional building of state/regional committees will also be imperative for beginning the provision of guidance on procedures to investors, and for handling applications in accordance with prescribed procedures.

2) Conduct training targeting management staff

Training of management staff at the MIC, OSSC and state/regional committees will be carried out. Building of knowledge and skills, particularly, is vital, because officials do not currently have any experience of evaluating endorsement applications.

Action 2-3-3	Enhance the OSSC's functions through increased authority
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1) Streamline application procedures

The relevant Government departments and organizations will examine the streamlining of investment-related application procedures, in order to simplify them and make them clear. The delegation of increased authority to OSSC will enable it to make fast approvals.

2) Develop an online application and tracking system

The OSSC will develop an online application and tracking system to make application submission easy and to allow real-time follow-up of their progress.

Action 2-3-4	Establish post-investment monitoring mechanism under MIL
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1) Establish and apply a robust monitoring mechanism for investment projects, in accordance with MIL and other relevant laws and regulations.

The monitoring of reporting and compliance of investing companies has not been thorough up until now. It will be necessary to establish and apply a solid monitoring mechanism for investment projects, in accordance with MIL and other relevant laws and regulations.

5.2.4 Promotion of Systematic Investor Support

Strategy Aims

Investors' needs for Government support differ according to where they are on the investment cycle. It is crucial to provide proper support to investors according to the investment cycle, from the preparation stage to implementation and operation. Support after operation begins is also important for ensuring business success for investors.

This strategy aims to provide systematic and integrated investor support according to the investment cycle. Integrated investor support will include the provision of information, consultation and possible arrangements to ensure successful business operations. Investor support will be also enhanced at regional level.

Support throughout Investment Cycle

The DICA is responsible for investment promotion services in Myanmar. The investment promotion services of the DICA have not been fully expanded to date. As the core agency for investment promotion, it will be enhanced to enable provision of fully fledged investor support services with the One Stop Service Center (OSSC). It is imperative to provide proper investment promotion services that cover the needs of investors throughout the investment cycle.

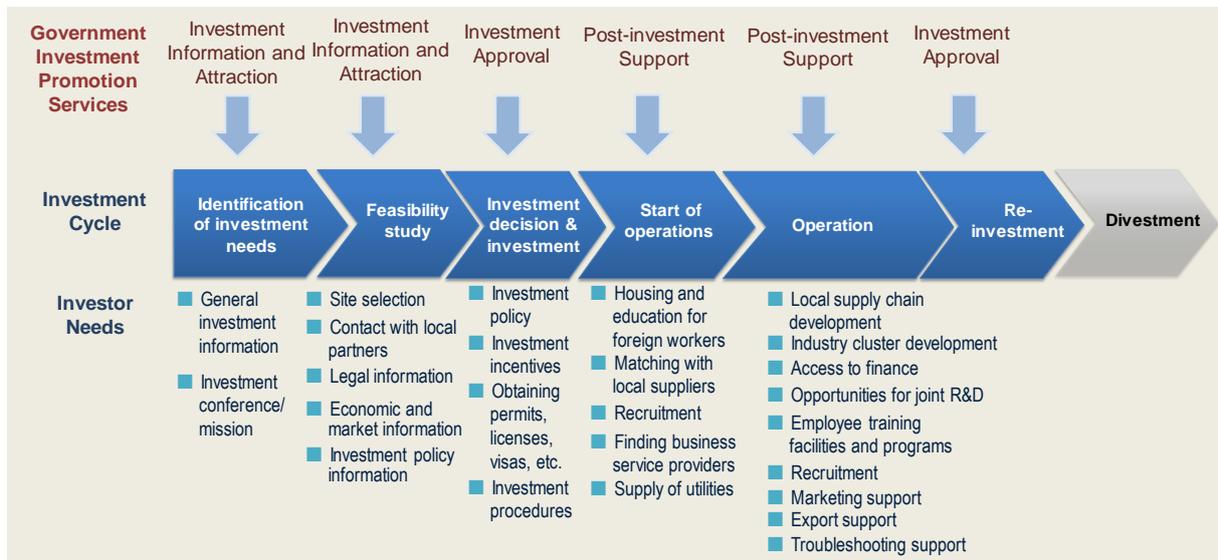


Figure 5-7: Investment Cycle and Support Needs

There is a general investment cycle for individual investment projects. It consists of stages including: i) investment preparation (identification of investment needs and feasibility study); ii) investment decision and actual investment; iii) start of operations; iv) operation; v) re-investment; and sometimes vi) divestment (closure of the project).

Investment promotion is not just investment attraction at the stage of investment preparation. It is necessary to create effective investment promotion services that can meet the needs of investors over the entire cycle of investment. The needs of investors vary according to the stages in the investment cycle.

For example, at the preparation stage, an investor implements a feasibility study. The investor collects data and information of potential investment locations and countries, conducts a feasibility study and formulates an investment plan. The investor requires services such as information and consultation on investment environments, including available incentives and legal procedures of the country.

At the operation stage, various types of support are needed. In addition to help with permits, registration and reporting, investors also need information, consultation and sometimes arrangements made in all areas of business operation - for example, recruitment, local supplier development, R&D and finance. In states and regions, investor support is especially important, due to greater inconvenience to investors. The provision of all these services will be evaluated by the investor during the decision-making process.

The organization of Myanmar’s provision of information and consultation services has been strengthened by the establishment of the OSSC at the Headquarters of the DICA in 2013. However, investor support services are not fully provided in Myanmar yet. Supports is particularly weak at region level. Regional DICA branches and state/regional Government offices must enhance their investor support services.

Table 5-4: Types of Investor Support Services

Type of Investment Promotion	Services	Relevant Investment Cycle Stage
Investment Environment Development and Investment Attraction	<ul style="list-style-type: none"> ✓ Investment policy ✓ Nation branding for investment promotion ✓ Targeting of investment promotion ✓ Investment promotion seminars ✓ Investment missions ✓ Distribution of brochures and reports for investment attraction ✓ Promotion on website, SNS, etc. 	Identification investment need and selection of target countries
Investment Facilitation	<ul style="list-style-type: none"> ✓ Response to inquiries from potential investors ✓ Provision of investment-related information necessary for a feasibility study ✓ Consultation of investment-related regulations and procedures ✓ Matching for partnerships ✓ Support and troubleshooting in preparation of investment 	Feasibility Study
Investment Approval	<ul style="list-style-type: none"> ✓ Issuing an investment permit and endorsement ✓ One-stop service for various permits and registration 	Investment application and start-up
Monitoring	<ul style="list-style-type: none"> ✓ Regular monitoring of investors' operations ✓ Regular check of law observance of investors ✓ Receipt of regular reporting from investors 	Operation
Aftercare(Post-investment Support)	<ul style="list-style-type: none"> ✓ One-stop service for statutory procedures ✓ Troubleshooting on operational problems ✓ Consultation on expansion of operation and re-investment ✓ Arrangement of various support services of related ministries, in the areas of recruitment, training, industrial linkage, productivity improvement, R&D, etc. 	Operation and re-investment

Required Actions

Action 2-4-1	Design a systematic investor support mechanism
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1) Identify necessary support for investors by relevant ministries and organizations

The Government of Myanmar, as a whole, will develop a systematic investor support system for both domestic and foreign investors throughout the investment cycle.

Functions of the DICA and relevant ministries will be defined to make possible the design and provision of effective integrated investor support services at each stage of the investment cycle. In particular, post-investment support (aftercare) is currently weak and needs to be expanded.

2) Build a collaboration mechanism to make the DICA and OSSC the center of services

An investor support plan will be formulated by examining the roles and functions of the DICA and

related ministries, and identifying a range of required support services. A unit responsible for investor support, the Investor Support Desk, will be established at the DICA. The unit will design and establish a cross-ministerial and integrated investor support system. The Investor Support Desk will be a window into investor support and arrange effective services for investors in collaboration with the OSSC and the Investor Assistance Committee.

Action 2-4-2	Provide systematic investor support at the DICA and OSSC in collaboration with related ministries
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1) Provide integrated investor support services facilitated by the DICA and OSSC

Related ministries will prepare investor support services designated in the investor support plan by formulating guidelines of services and collecting necessary data and information for reference. The DICA and OSSC will start the provision of integrated investor support services by coordinating support of related ministries.

2) Implement institutional development for investor support

Institution building and capacity development will be implemented for relevant Government offices. “Investor-oriented” and “business-focused” should be placed as the basic philosophies behind the improvement of investment promotion services.

Above all, the DICA is the focal point of investment promotion in Myanmar, particularly investment attraction and facilitation. Therefore, the enhancement of its capacity is a priority for the institutional development of the investment support system, requiring the allocation of sufficient personnel, budget and human resources management. Regional branches of the DICA are also important for investor support provision at the state/region level.

Action 2-4-3	Monitor the needs and satisfaction levels of investors regarding investor support
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1) Regularly monitor the satisfaction levels and needs of investors

The DICA and OSSC will regularly monitor the satisfaction level of investors on services, and collate their needs for support services.

2) Expand investor support according to the needs of investors

Based on the results of monitoring of investors’ satisfaction, the DICA will take any necessary actions for improving investor support services.

Action 2-4-4	Promote and support the business diversification and re-investment of existing investors
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1) Design and implement investment promotion programs targeting existing investors

The promotion of business expansion to existing investors is just as important as attracting new investors. The Government of Myanmar will provide support and run promotional services for existing investors, targeting the diversification of their business and re-investment.

The DICA will prepare promotion programs targeting existing investors, for investment in expansion, operational upgrades and business diversification.

2) Form a support team for providing support to existing investors for business diversification

The DICA will establish a support team that will be available to existing investors if they request support for additional investment, and will provide services such as information on relevant laws and regulations, information on market situations, the introduction of potential business partners and advice on procedures.

5.2.5 Establishment of an Independent Investment Promotion Agency

Strategy Aims

In the major ASEAN Countries, most investment promotion agencies (IPAs) have an independent status. It is generally observed that independent IPAs extend more effective investment promotion than those operating within ministries, because of their greater level of authority, faster decision-making processes, less bureaucratic cultures, less external interference and the involvement of the private sector.

This strategy aims to establish an independent IPA in order to realize investor-oriented and business-focused investment promotion services.

Why Are Independent Investment Promotion Agencies Common Worldwide?

The status of an IPA is decided by the administrative system of each individual country. IPAs are usually units within ministries, independent agencies, or bodies with private participation. Most IPAs of major ASEAN Countries have an independent status, as shown in the following table.

Table 5-5: Investment Promotion Agencies of Major ASEAN Countries

Country	Investment Promotion Agency		
Cambodia		Cambodian Investment Board (CIB)	Under the Council for the Development of Cambodia (CDC) chaired by the Prime Minister
Indonesia		Indonesia Investment Coordinating Board (BKPM)	Agency with Ministerial status
Malaysia		Malaysia Investment Development Authority (MIDA)	Government agency incorporated as a statutory body
Philippines		Board of Investments (BOI)	Government agency attached to the Department of Trade and Industry
Singapore		Singapore Economic Development Board	Government agency under the Ministry of Trade and Industry
Thailand		Thailand Board of Investment (BOI)	Government agency under the Office of the Prime Minister
Vietnam		Foreign Investment Agency Vietnam (FIA Vietnam)	Designated administrative agency under the Ministry of Planning and Investment

Source: DICA

It is generally observed that IPAs with autonomous quasi-governmental status extend more effective investment promotion than those operating within ministries. Quicker decision-making processes, less bureaucratic cultures, less external interference, and the involvement of the private sector are pointed to as reasons. Of course, simply giving an agency independent status does not guarantee a better performance. The establishment of an independent IPA usually requires specially designed laws, the provision of authority sufficient for administration of investment and the allocation of sufficient budget.

In Myanmar, the DICA is positioned as the national IPA and performs the functions of investment administration and investment promotion. Its status is of a directorate within the Ministry of Planning and Finance. Evaluating the current situation of the DICA, its transformation into an independent organization is desirable and this can be rationalized with the following reasons:

- The DICA already has the nature of an independent organization for investment administration and promotion, in terms of its history, scope of duties and reporting.

The scope of duties of the DICA is congruous with that of an IPA (i.e., investment administration and promotion). The Myanmar Investment Law stipulates the role of the DICA as the office of the MIC, and DICA administers investment application procedures.

- Good investment promotion requires investor-oriented and business-focused services.

Effective and practical investment promotion services can be provided by an organization with a culture of investor-oriented service, which is one reason leading other country IPAs to choose independent status. The aim will be to introduce a corporate-like management style and recruit professionals with experience in the private sector. It is also anticipated that this shift in the organization's culture will shift the mindset of existing personnel to be investor-oriented, and consequently improve the efficiency of services.

- The Government of Myanmar needs to demonstrate its commitment to investment promotion to the public. The establishment of an independent IPA will increase trust among investors in the Government's serious stance on investment promotion.

It is essential to give the new IPA the full authority necessary to administer and promote investment activities in Myanmar and implement the strategies of the MIPP. The IPA and MIC will be placed under the President of the Union Government.

The IPA will have five functions that together will realize the integrated and effective administration and promotion of investment in Myanmar: i) policy advocacy, ii) investment administration, iii) investment promotion; iv) SEZ administration and v) company registration.

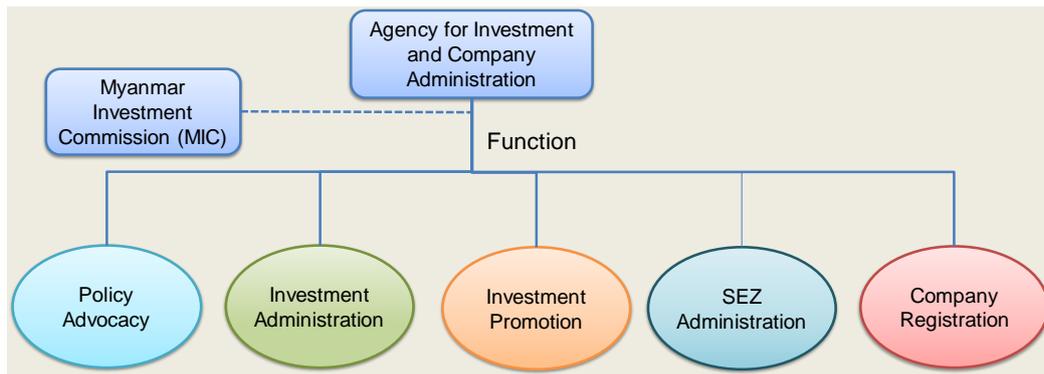


Figure 5-8: Organization of Independent IPA

Required Actions

Action 2-5-1	Plan the establishment of an independent investment promotion agency (IPA)
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1) Evaluate the need for an independent IPA

The necessity of establishing an independent IPA will be evaluated through the following surveys:

- **Benchmarking survey of other IPAs:** The experiences and performance of other IPAs will be surveyed to identify lessons learned and best practices.
- **Investor survey:** Investors' evaluations will be collected to understand what needs to improve on investment administration and promotion in the existing organization.
- **Readiness check for the DICA:** The DICA's readiness to change will be evaluated, in terms of its duties, personnel and management style.

2) Develop a plan for establishing an independent IPA

A plan for establishing an independent IPA will be developed, and include: i) organization structure; ii) function of individual divisions; iii) management methods; iv) budgets; and v) implementation schedule.

3) Prepare the required legal procedures and gain approval

A proposal for the establishment of an independent IPA and a draft of the associated laws will be formulated for the approval of the Government.

Action 2-5-2	Establish an independent IPA and implement institutional development
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1) Establish an independent IPA

A new independent IPA will be established by transforming the DICA into a semi-ministerial organization for investment promotion. The new IPA will be responsible for the following functions: investment administration, investment promotion, policy advocacy, company registration and SEZ administration.

2) Improve the management and operation of the IPA

The management, operation and organization of the IPA will be improved to achieve a high level of expertise, governance, and management.



Figure 5-9: Independent IPADevelopment Process

Box: Enhancement of Investment Promotion Function of DICA and Independent IPA

The following investment promotion functions will be enhanced at the DICA or independent IPA, yet to be established.

Table 5-6: Investment Promotion Functions of the DICA/ Independent IPA

Service	Measures
Information Service	<ul style="list-style-type: none"> ✓ Collect and collate legal information in collaboration with OSSC ministries - the current provision is weak. ✓ Collect investment-related information for all regions and states. ✓ Regularly update information on business costs and industrial sub-sectors. ✓ Compile investment success stories and use them as case studies for potential investors. ✓ Publicize investment approvals by the MIC and TSEZMC on the DICA website. ✓ Create data collection organization and procedures for regular and timely updates. ✓ Compile an information database. ✓ Create a library space for visiting investors.
Investment Attraction Activity	<ul style="list-style-type: none"> ✓ Expand opportunities at investment promotion seminars, through collaboration with donors, international organizations and others. ✓ Produce sophisticated presentation materials for investment promotion seminars. ✓ Build capacity of investment conference management and enhance post-conference follow-ups. ✓ Design and implement strategic investment promotion activities, targeting priority sub-sectors. ✓ Design and implement strategic regional investment promotion activities. ✓ Launch investment promotion activities by Myanmar’s overseas embassies. ✓ Produce a regular newsletter and distribute to potential investors. ✓ Create visual tools such as short videos and brochures for investment promotion. ✓ Plan and role out nation branding for investment promotion.
Investor Support Service (Pre-investment and Post-investment Support)	<ul style="list-style-type: none"> ✓ Advertise investor support services. ✓ Develop institutions to provide investor support services within the DICA. ✓ Upgrade the manual on investment procedures and other materials used in consultations on potential investments. ✓ Produce a manual on post-investment procedures and other information on post-investment support. ✓ Build a collaborative network with related ministries and business organizations to provide additional advice to investors. ✓ Train DICA personnel to improve their knowledge and skills for investor support.
Policy Advocacy	<ul style="list-style-type: none"> ✓ Collect and analyze FDI approval statistics, FDI trends in ASEAN countries, and major

	investing countries' FDI trends. ✓ Collect and analyze Myanmar's industrial development policies and private sector development policies. ✓ Learn from the experiences other ASEAN countries on investment promotion and become familiar with best practice. ✓ Formulate a policy proposal for investment-related issues. ✓ Facilitate cross-ministerial efforts on private sector development and improvement of the business environment.
Networking for Collaboration	✓ Build a strong collaborative relationship between the OSSC and related ministries. ✓ Expand collaboration on investment promotion seminars, with donors, international organizations and others. ✓ Collaborate with other IPAs on investment policy and investment promotion. ✓ Collaborate with state and regional governments on joint investment promotion for regions and states. ✓ Enhance the investment promotion capabilities of state and regional governments. ✓ Collaborate with the private sector for joint investment promotion. ✓ Expand collaboration with donors and international organizations for capacity development of the DICA.

5.3 Infrastructure Development

This category of strategies aims to promote the development of priority infrastructure which is badly needed by investors, by enhancing infrastructure project planning, promoting industrial zone development and developing PPP schemes.

5.3.1 Improvement of Infrastructure Development Planning for Investment Promotion

Strategy Aims

Insufficient infrastructure is one of the most serious bottlenecks in Myanmar's business environment. In particular, the current inadequate provision of electricity, transportation/logistics and industrial zones is a huge obstacle in attracting investment, especially in the manufacturing sector.

This strategy aims to facilitate the development of investment-related infrastructure by creating a consolidated investment development plan for investment promotion.

Need to Coordinate Infrastructure Development Plans

Infrastructure is a key constraint on investment promotion in Myanmar. The capacity to supply sufficient electricity and water at competitive prices should be keeping pace with increasing investment in Myanmar, but currently even factories located in the industrial zones of Yangon City experience rolling blackouts in the dry season. The use of self-installed generators pushes up operational costs. The low-quality and time-consuming transportation network is also a serious problem facing business activities in Myanmar. Transportation infrastructure is one of the strategic drives of the NCDP, to connect under-developed areas, prioritized corridors, border areas and the GMS. Consideration of the green economy is becoming more important in infrastructure planning and development.

The Government of Myanmar has been progressing infrastructure development based on national

master plans, such as the National Transport Development Plan and the Myanmar Energy Master Plan. It is imperative for investment promotion to prioritize infrastructure development projects in a cross-cutting manner. Infrastructure development must pay attention to the soft side of infrastructure, including management know-how, ICT-based operating systems, and connectivity with related infrastructure. For example, logistics infrastructure for investment promotion has got to integrate hard infrastructure like ports and roads, with soft infrastructure such as efficient electronic customs clearance, simplified export-import procedures, convenient bonded areas, and the latest warehouse management systems.

National-level infrastructure projects generally have long project cycles and high project costs. The Government of Myanmar has initiated the construction of backbone infrastructure using concessional loans from donors and international organizations. Myanmar will continue to work with international partners on infrastructure development.

Required Actions

Action 3-1-1	Prepare a consolidated infrastructure development plan for investment promotion
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1) Consolidate investment-related infrastructure projects in relevant ministries into a national infrastructure development plan for investment promotion, encompassing project prioritization and scheduling.

It is crucial to create a central infrastructure development master plan and actions for investment promotion which identify key issues and priority projects for investment promotion. The Ministry of Planning and Finance will be responsible for cross-ministerial coordination among affected ministries, in formulating a national infrastructure development plan for investment promotion.

Infrastructure projects under the various ministries will be consolidated, and project prioritization and scheduling will be produced according to expected impact on investment promotion, linkage effect between infrastructure projects and consistency with national development strategies.

2) Evaluate financial structure and possible finance sources for infrastructure projects

Appropriateness of projects’ financial structures, i.e., Government (revenue and concessional loans), PPP and private, will be examined for the projects in the national infrastructure plan for investment promotion. The Ministry of Planning and Finance will evaluate possible finance sources for the priority projects and move forward with them to the financing stage.

For the time being, Government funds will be the main source of financing for priority infrastructure projects. Therefore, an important task is to identify additional sources for priority projects from international organizations and donors. Therefore, it is critical for the Government to manage the public debt burden, if they are to continue to attract additional funding for priority projects, from international organizations and donors.

1) Improve the planning capability of relevant ministries for infrastructure projects

The capability of ministries to plan and establish infrastructure projects should be improved with regards to: i) assessing impacts on national development, ii) understanding appropriate technologies and technical problems, and iii) evaluating proper financial structure and risk.

2) Facilitate coordination among ministries for the implementation of infrastructure projects

In cases where several infrastructure projects are combined for a large-scale development, cross-ministerial coordination is required for effective implementation. The Ministry of Planning and Finance will take responsibility for the coordination of project implementation.

5.3.2 Promotion of Investment in Industrial Zones and SEZs**Strategy Aims**

The insufficient supply of industrial zones with adequate infrastructure is a severe problem for investors, especially those in the manufacturing sector. The planning and administration of industrial zones need improvement.

This strategy aims to improve the administration of industrial zones and SEZs, upgrade the existing industrial zones and SEZs, and promote new investment in them.

Importance of Upgrading Industrial Zones and SEZs

The lack of availability of adequate industrial sites is a prime concern among investors in the manufacturing sector. There are 24 designated industrial zones and three designated SEZs as of January 2016. Management committees oversee industrial zone management and provide necessary services to businesses locating there.

Many industrial zones have problems with poor infrastructure, unused plots and irregular use of land. The management level of industrial zones is generally inferior to advanced ASEAN countries. Therefore, investors have difficulty finding appropriate locations. In addition, the Government's administration of industrial zones is complicated, and effective development of them has consequently been hampered.

The Industrial Estate Authority of Thailand (IEAT) administers Thailand's industrial estates according to the Industrial Estate Authority of Thailand Act. IEAT regulates categories of industrial estate, requirements for industrial estates, free zones and incentives, one-stop services, land acquisition, and so on. This is a good example of the diligent administration of industrial zones and investor-friendly industrial zone development.

With regards to SEZs, the Thilawa SEZ has been successfully managed and increased its investment projects. Thilawa SEZ has demonstrated how SEZs can generate both foreign and domestic investment, especially in new technology-intensive sectors. Technology-intensive foreign factories

are showcases for local manufacturers’ understanding of modern production technology. Technology spillover is expected from Thilawa SEZ in the form of future outsourcing. Key factors in Thilawa SEZ’s success are good infrastructure, investor-oriented management, integrated investor support (OSSC), transparent procedures and a flexible regulatory system.

SEZs are a test bed for policy reform. Potential new policy reform measures can be formulated and trialed at SEZs. Policy measures may cover a wide range of regulations regarding business environment improvement, such as OSSCs, business deregulation, labor rules, customs and trade procedures et cetera. By monitoring the outcomes of policy reform at SEZs, the applicability of the reforms beyond SEZs can be examined for the development of the rest of the country. The experiences of Thilawa SEZ will be applied to other SEZs, industrial zones and the country as a whole.

The development of Thilawa SEZ will move on to the next stage of it being a hub for the advanced industrialization of Myanmar, and a new sub-center of city development. The development of other SEZs will be promoted based on lessons learned, and existing industrial zones should be upgraded in terms of infrastructure and administrative services.

The development of new industrial zones and SEZs needs to keep pace with the rate of industrial growth, and according to an industrial allocation policy plan. Special purpose industrial zones, such as agroindustry parks and economic zones, are being developed. More variety of special purpose industrial zones and incubation centers will be examined in relation to the needs of industrial and regional development.

Bonded areas in Myanmar are currently limited to port terminals, land borders, SEZs and duty-free stores at airports. Aside from this, the Cut-Make-Package (CMP) garment industry is permitted duty- and tax-free imported materials and exported finished garments. Expansion of the bonded system is sorely needed by export-oriented sectors. Under a system of bonded factories or bonded warehousing, flexible production would be possible for export-oriented manufacturers in the stocking of imported input for their production, without customs clearance.

Required Actions

Action 3-2-1	Improve administration policies for industrial zones and SEZs
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1) Improve administration and management of industrial zones

The Government of Myanmar will review and update industrial zone administration policies, regulatory organization and supervision of industrial zone management.

Items to be reviewed in this process include the role of the Industrial Development Committee, industrial zone planning, regulations on industrial zone development and management, the demarcation between the Ministry of Industry and state/regional Government, and the investment application criteria of the MIC.

2) Formulate a national industrial allocation plan

The Government of Myanmar will formulate a national industrial allocation plan based on forecasted investment trends and the existing investment potential of regions. The national industrial allocation plan should include insights into future industrial linkage and agglomeration in Myanmar, and it should additionally be examined from the perspectives of urban development and economic corridor development.

3) Formulate rules and standards for industrial zone development and management

The revision of regulations regarding industrial zone development and management is an urgent action for the MIPP to tackle. The regulations will include those that cover requirements/criteria of industrial zones, standardized procedures for development, management rules, infrastructure development and environmental protection.

4) Establish one-stop service centers in industrial zones

It is crucial to consider the establishment of OSSCs at industrial zones, following the examples of the DICA and Thilawa SEZ. There are limitation son cost and space in replicating the OSSC mechanism of the DICA and Thilawa SEZ, where representatives from major ministries are stationed, but relevant ministries, state/regional governments and management committees will examine possible streamlining of investment-related procedures within the OSSC mechanism.

Action 3-2-2	Expand and upgrade existing industrial zones and SEZs
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1) Upgrade the infrastructure of existing industrial zones

The Government of Myanmar will encourage the upgrading of infrastructure of existing industrial zones. Associated ministries and state/regional governments will also examine support measures such as those relating to electricity distribution, connecting roads and distribution hubs.

2) Expand Thilawa SEZ and continue development of the Dawei and Kyaukphyu SEZs, in accordance with development plans

The Government of Myanmar will honor its commitment to develop three SEZs, because these will play a significant role in Myanmar’s economic development and industrialization, as centers of investment promotion.

Action 3-2-3	Promote new investment in industrial zones and SEZs
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1) Promote development of industrial zones

Industrial zone development is listed as a sector for promotion in Notification No. 13 /2017. The Ministry of Industry, DICA and state/regional governments will support potential developers of industrial zones by providing information on possible business locations, consultation and coordination with relevant ministries.

2) Promote new special purpose industrial zones and areas

The relevant ministries will produce plans for special-purpose industrial zones and areas, and invite investors to participate. Examples of potential special-purpose industrial zones or areas include a coastal area development, a new SEZ or a zone dedicated to agroindustry.

5.3.3 Establishment of PPP Framework and Promotion of PPP Projects

Strategy Aims

The Government of Myanmar has been developing the country’s infrastructure with donor assistance. However, due to tight budgetary conditions, it is important to consider the introduction of private investment for infrastructure development.

This strategy aims to promote investment in infrastructure development and management, by establishing a financial mechanism for PPPs in Myanmar, and for promoting PPP projects.

Utilization of PPPs for Financing Infrastructure Projects

Public funds are very limited, while the demand for infrastructure development is huge. The Government of Myanmar has recognized the need for infrastructure development using funds from private investors. In Myanmar, several BOT and PPP projects have been implemented, particularly in the power and transportation sectors. Under Notification No. 13 /2017, infrastructure investment in transportation, power and telecommunications is categorized as a sector for promotion under MIL.

Based upon recommendations in the FDIPP, the PPP Task Force was formed of personnel from relevant ministries and the PPP framework for Myanmar was examined with assistance from JICA. The UN Economic and Social Commission for Asia and the Pacific (UNESCAP or ESCAP) also supports the establishment of effective PPP policy frameworks. The draft Myanmar PPP Policy Document was formulated in 2016, and the website for Myanmar PPPs(<http://www.pppmyanmar.gov.mm/>) was set up under the Ministry of Planning and Finance, for promoting understanding of PPPs.

However, Myanmar still remains at the early stage of PPP apparatus implementation compared with other ASEAN countries, in terms of the legal framework, implementation body, financial support scheme and gaining experience with PPP projects. The most suitable PPP models for Myanmar need to be identified, and the required laws and regulations introduced.

Required Actions

Action 3-3-1	Formulate a PPP Master Plan
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1) Establish an organization responsible for PPP promotion

In the draft Myanmar PPP Policy Document, the establishment of a PPP Committee along with PPP unit as the secretariat of the PPP Committee are proposed. These organizations will be installed to introduce PPP-related regulations and promote PPPs in Myanmar.

According to the Policy Document, the MIC is a candidate for the role of PPP Committee, due to its existing function of evaluating and approving large-scale investment projects, and because it assembles the relevant ministries at a high level.

2) Formulate a PPP Master Plan based on the Myanmar PPP Policy Document

The PPP Committee and PPP Unit will formulate a PPP Master Plan by revising the draft PPP Policy Document. During this process, the PPP Committee and the PPP Unit will review the recent situation regarding PPP in Myanmar and explore other countries' PPP frameworks and experiences, to identify best practice for inclusion in the PPP Master Plan.

Action 3-3-2	Prepare a PPP framework and implement capacity development
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1) Establish a legal framework for PPP in Myanmar

Following the PPP Master Plan, the PPP Committee will establish a business environment equipped for PPP projects, including the legal framework and a mechanism for PPP implementation.

Enactment or amendment of associated laws and regulations will be undertaken to improve Myanmar's business environment for PPPs. Enactment and amendment will cover areas including public service provision by the private sector, public procurement, the Government's financial support, land use, employment and so on. An enactment of PPP Law will be considered if necessary.

2) Establish competitive PPP processes

The PPP Committee will design PPP management and develop rules for PPP procedures that enable transparent, accountable, non-discriminatory, competitive and timely procurement. It is important to ensure competition, transparency and fairness in the selection of private sector organizations, to achieve the best outcome for PPP projects, under long-term, risk sharing contractual relations. The PPP Committee and PPP Unit will produce a manual on PPP transactions, formats and other information on following finalized procedures.

3) Establish financial support schemes, such as viability gap funding and Government guarantees

The PPP Committee will formulate a basic policy for Government financial support schemes including viability gap funding and guarantees, in consultation with related ministries. This policy will cover relevance of company introductions, criteria for applications and the legal requirements ahead of introductions.

4) Improve the capabilities of associated ministries, for PPP project preparation and PPP transactions

The PPP Unit will support the capacity development of related line ministries (government contracting agencies: GCAs), for PPP project preparation and PPP transaction.

1) Identify and establish PPP projects

The PPP Unit and GCAs will promote PPP and identify projects that can be implemented as a PPP among priority sectors. A team from the PPP Unit and GCAs will establish a project planning facility for appraising identified projects and preparing them for tender.

It is important for the PPP Unit and GCAs to design PPP projects that are attractive to private investors whilst still producing the best possible outcome for the Government.

2) Implement PPP transactions and manage PPP projects

PPP transactions will be carried out through the bidding process. GCAs will monitor PPP projects throughout their lifecycles and settle any disputes with investors according to laws and contracts.

5.4 Business-related Systems

This category of strategies aims to improve the business environment by formulating regulations for systems relating to business operations and by developing the financial sector.

5.4.1 Formulation of Regulations for Business-related Systems

Strategy Aims

The enforcement of business-related laws is not well established in Myanmar. Regulations, customs and standards for business-related systems are required, to create a business eco-system of international standards.

This strategy aims to formulate the regulations for business systems, including intellectual property rights and product standards, that are needed for an effective business environment and to improve access to finance.

Need for Developing Business-associated Systems

Effective business-related systems and practices are crucial for a reliable and supportive business environment. The Government of Myanmar has recognized the importance of intellectual property protection. The legal framework and enforcement of intellectual property laws are major concerns for investors. Myanmar possesses unique cultural heritage and tourism resources, and will utilize nation branding for investment promotion, export and tourism. Therefore, intellectual property protection is also important for Myanmar's own interests. The Government of Myanmar has been deepening its understanding of intellectual property with the assistance from such organizations as the World Intellectual Property Organization (WIPO) and JICA.

It is essential to establish a clear mechanism for protecting the intellectual property rights of investors, in terms of a legal framework, registration and enforcement. Although several laws (the Merchandise Marks Act 1889, Registration Act 1909 and Myanmar Copyright Act 1914) cover the

area of intellectual property rights, Myanmar has no international-level intellectual property laws. Myanmar, as a member country of the World Trade Organization (WTO), is required to comply with the terms of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), by no later than July 1, 2021. Drafts of intellectual property laws for trademarks, patents, copyright, and industrial designs are in progress, in an effort to meet the requirements of TRIPS and the ASEAN Framework Agreement on Intellectual Property Cooperation.

Product standards are an important business-related system, providing guarantees of product safety and quality. Investors can find out the level of requirements for different products, while consumers benefit from safer products. They are also important for reducing international trade barriers and improving competitiveness. National standards should be developed in accordance with the requirements of the World Trade Organization Technical Barriers to Trade (WTO TBT) Agreement.

Under the Law of Standardization, the National Standards Council is responsible for policy making and guidance regarding national standards. The Standards Development Division (SDD) under the Department of Research and Innovation of the Ministry of Education, is the national standards body of Myanmar. The SDD develops Myanmar National Voluntary Standards, adopts regional and international standards as National Standards, and makes them available for industry, Government and other stakeholders.

Required business-associated systems for investment promotion are not necessarily limited to the systems mentioned here. The IPC will take additional business-associated systems for activities as needed.

Required Actions

Action 4-1-1	Construct robust protection for intellectual property
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1) Produce a roadmap for establishing intellectual property administration, in accordance with international requirements.

Admittedly, it takes time to establish an organization and system to implement intellectual property (IP) administration to the standards required. The Government of Myanmar will review and formulate a clear roadmap for building effective IP administration for the long term. The roadmap will consist of action plans for establishing a legal framework, institutional development and capacity development, in the areas of registration and management of IP rights, a framework for an IP judicial system, a crackdown on counterfeit goods, and PR activities. Capacity development will be given priority in the roadmap, and therefore the Government of Myanmar will seek technical assistance from international organizations and donors.

2) Establish an organization for the administration of intellectual property issues, in collaboration with relevant ministries.

The Government of Myanmar will establish an IP office responsible for policy and regulations. Issues of intellectual property are associated with several ministries, including the Ministry of

Education, Ministry of Information, Ministry of Industry, Ministry of Commerce, Customs Department, Union Attorney General's Office, etc. According to intellectual property laws, individual organizations will decide their functions and implement the necessary capacity development. As IP issues extend across jurisdictions of several ministries and organizations, a high-level organization will be formed to gather expertise from various sources and develop Myanmar's IP administration.

3) Enact intellectual property laws and regulations to international standards

The Government of Myanmar will proceed with early enactment of IP laws. Following that, necessary regulations and detailed procedures will swiftly be formulated. According to the laws and regulations, procedures for IP rights registration, administrative penalties, lawsuits and customs controls will be clarified and communicated with the public.

4) Establish clear and transparent registration system and IT system

The IP Office will build an IP rights registration system, according to the laws and regulations. Evaluation criteria and legal interpretations for applications will be standardized through guidance and training, to achieve fair and transparent registration administration.

5) Strengthen enforcement against infringement of intellectual property law

Disputes related to the infringement of intellectual property rights will be governed by the new laws. Enforcement of intellectual property law will be strengthened by the police and customs authorities rigorously controlling counterfeiting.

Action 4-1-2	Establish national product standards
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1) Expand national product standards

In Myanmar, safety standards have been formulated through the introduction of individual laws and regulations by ministries and organizations – the National Food Law is an example. National standards have not yet become widely employed in other areas. According to the Standards Development Division (SDD), 34 final draft national standards have been formulated, out of 77 proposed standards. The majority adopt international or regional standards.

The SDD will increase the number of national standards to cover all necessary items, following discussions with industry associations and the examination of international or regional standards.

2) Expand institutions for carrying out standards inspections

National quality inspection institutions that provide testing, certification and inspection to check the compliance of products will be expanded to cater for the practical implementation of the national standards system. If adequate testing is not available close at hand, it will be difficult to implement national standards.

Inspection institutions are also required for export businesses. The lack of accredited inspection institutions is a bottleneck for the export of food products, and food product exporters currently have to send samples to neighboring countries for testing.

3) Promote national standards to the private sector and consumers

The importance of businesses' and consumers' awareness of national standards must be recognized, and information on standards consequently disseminated to them. The SDD will conduct promotional campaigns on national standards by providing information to relevant businesses, Government ministries and organizations. PR activity regarding health and safety will be also target consumers.

5.4.2 Enhancement of the Financial Sector

Strategy Aims

The financial sector has not developed sufficiently to provide long-term finance for capital investment. Access to finance by SMEs and entrepreneurs for capital investment is limited in Myanmar.

This strategy aims to expand financing for capital investment by enhancing the financial sector and developing financial schemes, for both capital investment and working capital of SMEs and entrepreneurs.

Securing Necessary Funds for Investment

The domestic banking sector is still too weak to respond to finance needs for large-scale infrastructure investment or working capital of foreign investors. Access to finance is a serious concern for business start-ups, especially for SMEs. Financial sector reform, enhancement of financial institutions and the channeling of funds to SMEs should provide a leap forward for investment promotion.

The ability to secure necessary long-term funds for investment is key for investment promotion. The financial market should be expanded to provide long-term funds for investments. SME finance also needs expanding. Lack of access to finance is one of the biggest constraints on SME businesses aiming to enter high value-added production, ICT start-ups, and linkage industries.

Required Actions

Action 4-2-1	Increase financial sector capacity for capital investment financing
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1) Advance financial sector reform and strengthen the banking sector

A sound and stable financial sector is essential for increasing investments for the growth of the Myanmar economy. Further development of the financial sector will be pursued with the aim of expanding access to finance for local investors who require long-term financing for their capital investment.

Given the current capability of Myanmar's banking sector, it has a long way to catch up with the level of advanced ASEAN countries. Throughout the MIPP period, the banking sector will be steadily strengthened and its capability improved, through the provision of the required policies and legal framework.

The Government of Myanmar has implemented range of measures for financial reform during the last decade - the results achieved will be evaluated with technical assistance from IMF and other international organizations and donors. The Government of Myanmar will further advance financial sector reforms with long-term strategies in the areas of supervision of the banking sector, development of financial markets, modernization of financial schemes, development of supportive infrastructure, and the capacity building of CBM and other authorities with the purpose of realizing active long-term capital financing by the financial sector.

2) Foster capital markets for long-term fundraising

Banks usually provide financing for capital investment to their customers in the form of roll-over of shorter-term loans, because they face a maturity gap between the deposit term and lending term when they offer long-term capital lending.

Capital markets such as an equity market and a bond market will be important sources of the long-term funds that are required for expansion of long-term lending. Investors are also able to raise funds for long-term investment from the financial market.

The Yangon Stock Exchange was open in 2015, but the number of listed companies is still very limited. The Government of Myanmar will take measures to promote sound growth of the Yangon Stock Exchange, including the issuance of corporate bonds.

3) Progressively deregulate investment by foreign financial institutions

The Government of Myanmar will develop a comprehensive financial sector strategy and review a roadmap for a managed liberalization of the financial sector. The Government will increase flexibility of banking operations, create a favorable business environment for foreign financial institutions, and incrementally open the market.

As lease is a useful financial tool for businesses to invest in production equipment, the improvement of legal framework of leasing business and the liberalization of leasing market will be implemented to diversify sources for capital investment.

4) Plan the establishment of a development bank

In other Asian countries, banks specializing in long-term development financing played a significant role in financing large development projects by governments or large enterprises in the process of their economic development.

The Government of Myanmar will examine the feasibility of establishing a long-term financing bank through examining other countries' experiences.

1) Expand SME finance schemes for targeted sectors and linkage industry development

The Government of Myanmar has prioritized SME development and established the Central Committee for SME Development.

One of the most significant bottlenecks for SMEs is access to finance, as well as to technology and marketing. The major issues with SME finance are collateral requirements, limited loan terms, and time-consuming application procedures.

Government of Myanmar consider the following measures should be taken with regards to SME financing:

- Introduction of special loan schemes for capital investment, like JICA's Two-Step Loan
- Promotion of movable collateral such as inventory, receivables and equipment, rather than land and buildings, by establishing institutional arrangements and legal provisions for security interests and procedures
- Expansion of credit guarantee scheme for SMEs, in addition to the existing credit guarantee insurance scheme, by designing the required institutional arrangements and preparing a legal framework
- Increased transparency of financial data of SMEs

2) Develop venture funds

Bank loans are usually provided to existing businesses, not start-ups. Start-ups dominate in state of the art service sectors, even in Myanmar. If large companies want to diversify into these, they can procure investment funds from parent companies. However, entrepreneurs are faced with funding difficulties, even if they possess solid and innovative business ideas and ample expertise.

Therefore, it is essential to promote the development of venture funds in Myanmar, to support entrepreneurs in growing sectors, like knowledge-based services, or those located in industrial clusters.

5.5 Local Industries and Human Resources

This category of strategies aims to improve the business environment through supportive policies that foster linkage industries, and through the creation of competitive human resources.

5.5.1 Promotion of Industrial Linkage

Strategy Aims

In Myanmar, the level of processing technologies is low, and the supply chain has not really developed properly for most industries. The linkage industry, as a part of the supply chain for

agroindustry, the textile and garment industry and machinery assembly, has become an issue for industrial development in Myanmar.

This strategy aims to formulate and implement policies for attracting investment in linkage industries and supply chain development, in order to expand and diversify the industrial structure of Myanmar.

Importance of Industrial Linkage for Investment Promotion

Fundamental industrial foundations are key for investment promotion. This is not only a matter for investment promotion but also for the nation's entire industrial development.

Successful industrial development creates industrial agglomeration, or industrial clusters. An industrial cluster is explained as geographic concentrations of interconnected companies and institutions in a particular field.¹⁰ Clusters have not properly begun developing in Myanmar yet. The export-oriented garment sector has developed in the Yangon region and its periphery, but it is without upstream linkage. Resource-based industries such as agroindustry has the problem of low value-addition and is weak as an industrial cluster.

As explained in the investment promotion scenarios, the MIPP aims to realize industrial and spatial development through the promotion of investment in export-oriented sectors, domestic market-oriented sectors and resource-based sectors.

Dominant FDI or investment by large-scale enterprises can trigger industrial agglomeration or industrial cluster development. Investment by large-scale assemblers - mostly FDI - in the automobile industry and electrical & electronics industry, has an impact on linkage industries. These investors are the anchor companies at the top of the pyramid of parts and components procurement. They will invite parts and components manufacturers to make new investments, and steadily increase procurement from local suppliers by providing technical guidance to them. Therefore, attracting investment from anchor companies is an important step in developing linkage industries for the assembly industry, and the upgrading of local suppliers' capabilities and output should follow, to meet the requirements of the anchor companies. Proper government support for local suppliers can facilitate the process of increasing quality levels and developing supply chains.

¹⁰Porter, Michael E. (2000), *Location, Competition, and Economic Development: Local Clusters in a Global Economy*, Economic Development Quarterly, Vol. 14 Issue 1

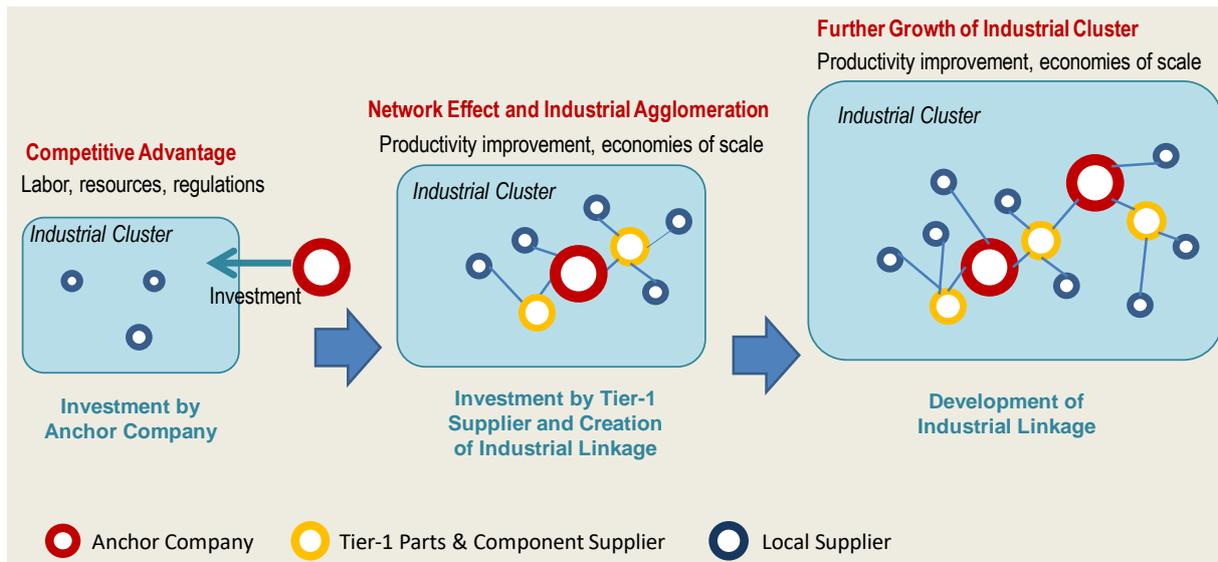


Figure 5-10: Development Pattern of Industrial Cluster

Consistent efforts to establish solid roots of industrial agglomerations will be required to realize this kind of large-scale investment. It is crucial to provide high quality investment opportunities to investors by introducing policies that promote linkage, and by developing local linkage industries. Therefore, industrial development policies and actions are important for investment promotion, along with policies on export development, industrial development and investment promotion, and all of these policy areas are interconnected and mutually dependent for their success.

In the Yangon and Mandalay Regions, major targets for industrial agglomeration are the machinery industry, supporting industries linked to the global supply chain, and modern service industries. In other regions, targets include agriculture, agroindustry, wood-based industries, and other resource-based industries.

Required Actions

Action 5-1-1	Formulate and implement plans for the development of industrial linkage and cluster development
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1) Formulate a development plan for industrial linkage and cluster incubation

An industrial supply chain analysis will be carried out for target industries of investment promotion, including labor-intensive sectors (e.g., garment industry; formed & fabricated materials), resource-based sectors (e.g., agroindustry) and knowledge-intensive service sectors (e.g., ICT services). Supply chain analysis includes the identification of problems, development needs and required support measures.

Based on the results of supply chain analyses, the need for support services will be examined by evaluating existing industrial policies, support measures and resources, considering the necessity of new support measures and designing the best mix of support services. Once the carefully-considered support services have been compiled, sector-specific industrial linkage development plans can be formulated by the Ministry of Industry, in collaboration with related

ministries.

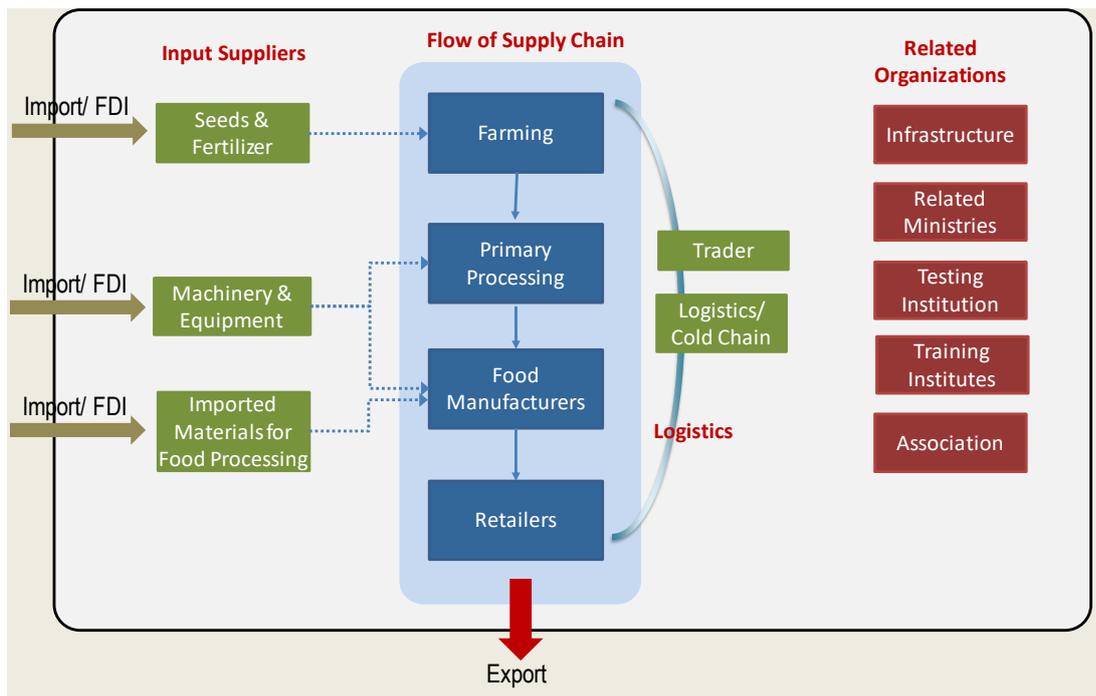


Figure 5-11: Example of Supply Chain (Food Processing)

2) Establish collaborative relationship between stakeholders, for industrial linkage development.

For effective implementation of the industrial linkage development plan, it will be necessary to create a supervisory organization to coordinate collaboration between the Ministry of Industry, other related ministries, relevant associations and state/regional Government. This is because industrial linkage development requires an integrated approach for support services. The Ministry of Industry will seek technical assistance from donors and NGOs for support on industrial linkage development.

Action 5-1-2	Strengthen industrial linkage according to plans
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1) Provide guidance to stakeholders on industrial linkage development

The Ministry of Industry will communicate the industrial linkage development plan to stakeholders. It will also organize possible support services that can be provided by stakeholders, such as technical guidance, marketing support and finance.

2) Implement investment promotion measures for industrial linkage

The Ministry of Industry, DICA and state/regional governments will collaborate to conduct investment promotion for target linkage industries.

3) Promote FDI's technical guidance to local suppliers

Foreign companies often provide technical guidance to local suppliers so that they can locally procure high quality, good value products. The Government of Myanmar will encourage and

support the local supplier development activities of multinational companies and large-scale domestic companies. Government support services will include technical guidance, training and improved access to finance that targets local suppliers. The Government will also encourage multinational companies to develop local suppliers, by providing support such as training and matching services.

Action 5-1-3	Implement measures for developing an advanced industrial cluster
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1) Provide support to develop the business infrastructure needed for an advanced industrial cluster

For the strengthening of the industrial structure and a shift to high value-added production in the future, support measures will be formulated and provided, with the purpose of building an industrial foundation for an advanced industrial cluster.

Major support measures include the establishment of new industrial locations, the transfer of advanced technologies, ICT infrastructure development, a supplier development program, and financing.

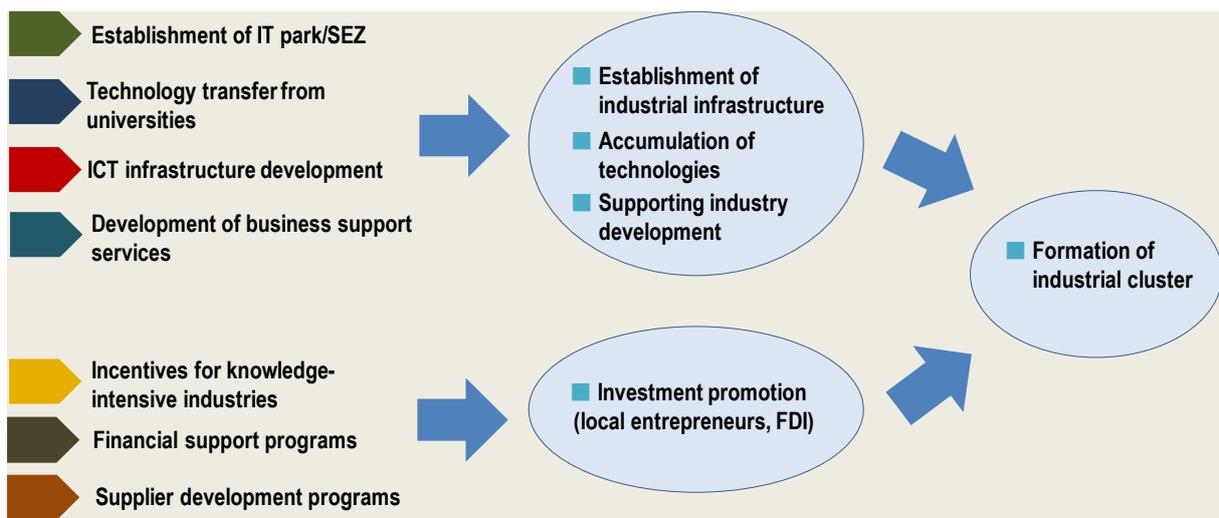


Figure 5-12: Measures for Establishing an Advanced Industrial Foundation

2) Promote industrial agglomeration and upgrading of value-added operations

When the agglomeration of industry reaches a sustainable stage, the Ministry of Industry will move on to support increasing productivity and value-added sectors for deepening the country’s industrial structure.

The following figure shows the development process for anchor companies and local suppliers through increasing their technological capabilities, improving value-addition and developing linkage.

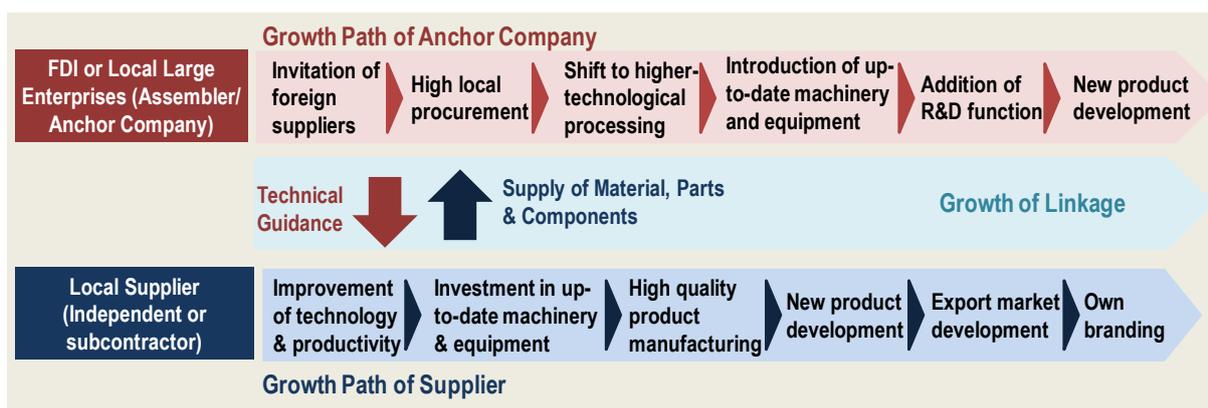


Figure 5-13: Steps for Increasing Value-Addition and Creation of Linkage

5.5.2 Capacity Development of Local Industries

Strategy Aims

The capacity of local industries is still low in terms of business planning, technology, marketing and management, so capacity development is needed to activate companies' investments.

This strategy aims to increase the capacity of local industries, to enable them to invest in export-oriented production, domestic market-oriented production and resource-based production.

The Need for Improved Technology

The technological level of a nation is an important factor in its competitiveness. Foreign investors are concerned about the level of technological advancement, productivity of local suppliers and availability of human resources, because these are determining factors in the success of their investments. Production technology has been rapidly developing worldwide through integration with ICT, for instance with the advent of smart factories, robots, computer-aided design, and 3D printers. Companies are connecting to supply chain ecosystems via the internet. Myanmar lags behind other ASEAN countries on technology, and needs to fill the technological gap by accelerating technology transfer to enhance value-addition and catch up. Operational management measures, such as continuous improvement activities (kaizen), quality control, supply chain management and material handling, also need to be introduced and developed in Myanmar.

In summary, it is vital to take every measure possible to advance the technological level of industry as the whole. Those measures include the promotion of technology transfer and licensing agreements, upgrading R&D facilities by universities and research institutes, diffusion of technology by universities and research institutions, productivity increasing activities, and collaboration with international organizations.

Advanced foreign technologies can be transferred and spread in various ways: i) intra-company transfer by a foreign parent company to a local subsidiary, with, for example, the transfer of new technology and training of internal employees, ii) external transfer such as through sales of products by a foreign company to local consumers, iii) technical guidance by a foreign company to a local

supplier, iv) technology spillover through the movement of an employee to another company, and v) technical transfer based on a technical transfer agreement with a foreign company.

Attraction of renowned multinational companies is one of most effective measures for narrowing technological gap and promoting technology transfer. The Government of Myanmar aims to attract FDI for the technology transfer effect.

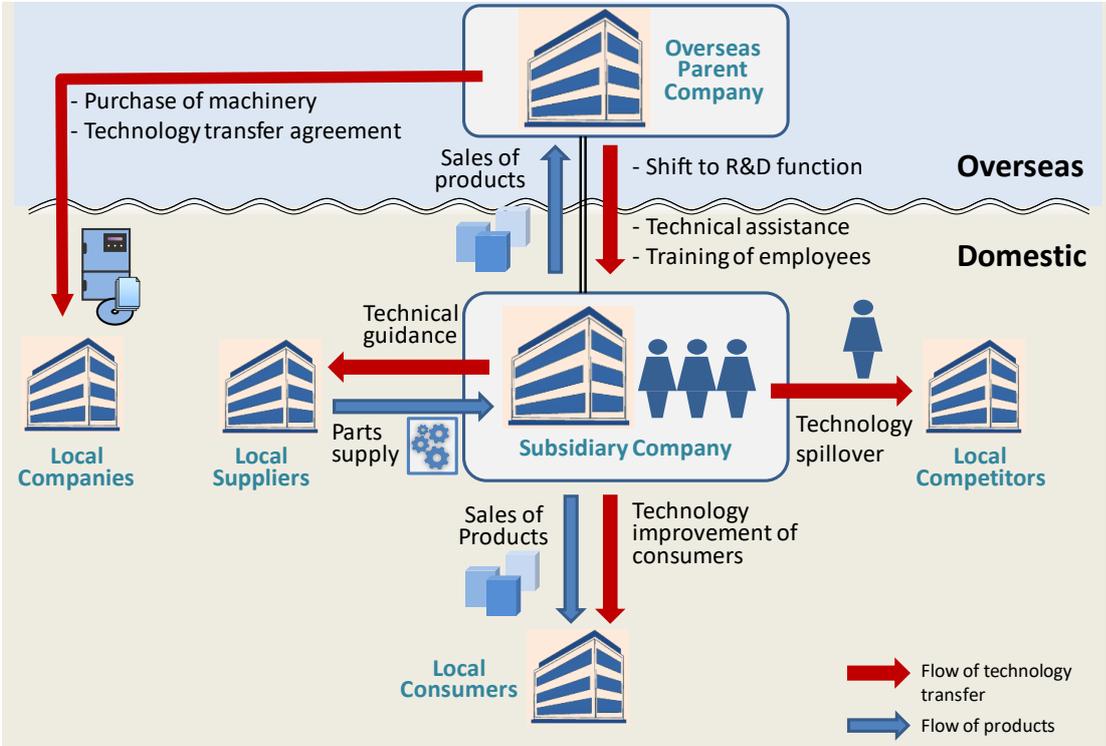


Figure 5-14: Multiple Paths of Technology Transfer

Required Actions

Action 5-2-1	Provide comprehensive support to local SMEs for improved competitiveness
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1) Develop and implement a comprehensive support program targeting SME investors

The Government of Myanmar has prioritized SME development in national development plans, because of SMEs’ share in the number of enterprises and employment levels. The Government of Myanmar has established the Central Committee for SME Development and SME Working Committee to be responsible for establishing the legal framework, access to finance, industrial linkage, market development and human resources for the development of SMEs.

SMEs are key for building a strong industrial base, as they constitute a substantial proportion of industrial linkage businesses and industrial clusters. The MIPP will focus on SME investors in priority sectors as resource-based production, linkage industries, logistics and knowledge-intensive services. An important point to be noted is that support services should be solely targeted at capable SMEs that have plenty of potential to grow as central players in industrial clusters.

It is imperative that the comprehensive support program covers business planning, technical support, financing, start-up support, marketing and export support, and training. There are two purposes for support; improving competitiveness of existing SMEs and business diversification of start-ups.

A single Government ministry or organization cannot provide all areas of support needed by SMEs. Therefore, it is necessary to create a comprehensive range of integrated support measures provided by various stakeholders, according to the development needs of individual SMEs. The Ministry of Industry has established local SME Development Centers in states, regions and districts, with branches charged with coordinating and arranging various stakeholder support services for SME investors according to their needs. SME Development Centre branches are expected to act as industrial cluster facilitators.

As an example of supports other than those provided by the Ministry of Industry, the needs of SMEs for export marketing can be met by the support services of the Ministry of Commerce. The Myanmar Trade Promotion Organization (Myantrade), under the Ministry of Commerce, provides export promotion services such as overseas trade fair presence, overseas market information, matching with foreign buyers and advice on how to export. The Myanmar Trade Center (MTC) in Yangon and Myantrade regional trade centers in states and regions, provide export support services to Myanmar exporters. Myantrade also acts as a secretary of the National Export Strategy (NES) and coordinates its projects. The export marketing of SMEs, especially those operating in agroindustry and other resource-based industries will be supported by Myantrade. In addition, the Trade Training Institute of the Ministry of Commerce provides training on trade and international business.

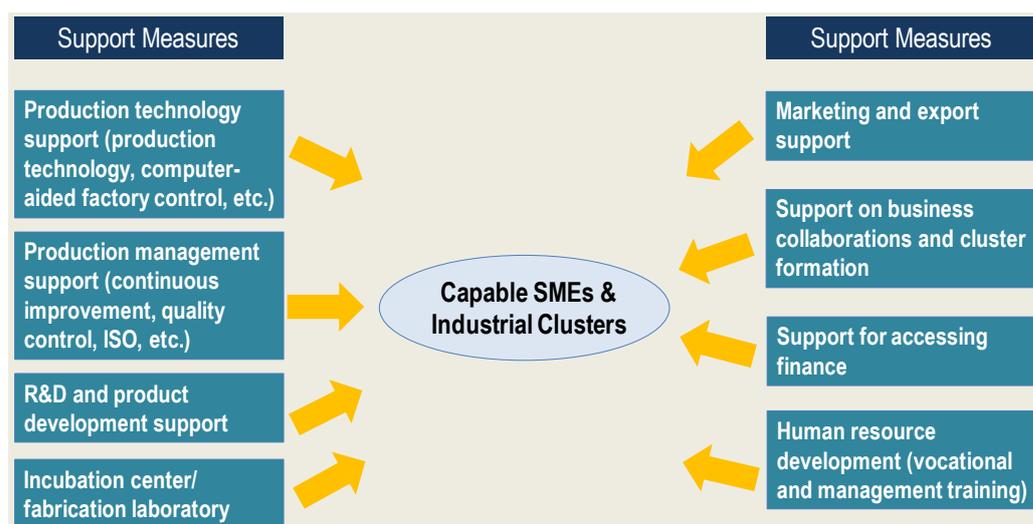


Figure 5-15: Comprehensive Support for SMEs

2) Enhance the capability of Government organizations providing support to SMEs

The Government of Myanmar will enhance the capability of Government ministries and organizations, in terms of technical levels and the supply of experienced personnel, to ensure

they are equipped to provide sufficient support to SMEs. Government research institutions and laboratories within ministries will be upgraded to improve the technical assistance they offer SMEs, and for establishing new laboratories.

3) Promote the establishment of business development service (BDS) providers

The Ministry of Industry will encourage the establishment of business development service (BDS) providers and utilize their services for SME investor support.

Action 5-2-2	Facilitate technology transfer and productivity improvement
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1) Facilitate technology transfer contracts and licensing by supporting local companies

For local companies, technology transfer agreements and licensing agreements are popular methods of upgrading their technology. Understanding of important issues and how to access technology transfer and licensing will be promoted. The Government will support local companies looking for an overseas technology provider or licensor, at the partner search, negotiation and contracting stages.

2) Provide incentives for R&D and the import of advanced technology machinery

It is crucial to assess and establish investment incentives specifically for technology transfer activities, such as development of R&D facilities, R&D projects, the import of advanced-technology machinery, and technology licensing.

3) Facilitate technology transfer by universities and promote joint R&D by universities, research institutions and the private sector

Technology transfer by universities to local companies will be encouraged, while joint R&D by universities and research institutions will be promoted. The participation of foreign companies in joint R&D is also welcomed. Incentives for joint R&D and diffusion of technology will be considered for their potential to produce active technology transfer.

4) Attract foreign investment for technology-intensive sectors

Technology-intensive industries will be prioritized for long-term investment promotion, due to their contribution to technological spillover.

5) Increase absorptive capacity by improving national technology levels

Nationwide productivity improvement activities will be undertaken to advance the nation's overall productivity level. The Myanmar Productivity Center will be at the core of national productivity activities, disseminate productivity improvement methods and facilitate productivity activity across the country.

5.5.3 Establishment of Entrepreneur Support

Strategy Aims

There is currently no assistance for entrepreneurs in Myanmar. For the development of future priority sectors, like knowledge-intensive services, investment promotion to entrepreneurs needs to progressively increased.

This strategy aims to formulate and introduce assistance for entrepreneurs, to create a supportive business environment for them.

Growing business opportunities in the service sector, including knowledge-intensive industries and high value-added services

The level of sophistication of businesses in sectors adopting the latest technologies is relentlessly progressing worldwide. Mobile phone and internet coverage has been rapidly expanding in Myanmar, and there is great potential for Myanmar to leapfrog development in these cutting-edge sectors. Together with the rise of industrialization, a service economy of high value-addition should also develop in Myanmar. It is important to emphasize the role of incubation of new businesses that offer supportive foundations for the future economy and further industrialization of Myanmar.

Examples of developing sectors using digital technologies are eco-businesses, medical services, biotechnology, software development, IT-based business outsourcing, ICT-based services such as e-commerce and the sharing economy, franchise businesses, fashion and social media. The development of these service industries will certainly upgrade the Myanmar people’s standard of living.

The introduction and application of technologies based on artificial intelligence (AI) is key to improving national productivity and efficiency. It is expected that the application of AI technology will improve productivity in every area of the economy, including farming, factory operations, infrastructure management, logistics, education, medical services, etc. Although Myanmar is still a developing country, it is imperative to promote investments that utilizes cutting-edge ICT.

It is also important to produce comprehensive regulations that simultaneously offer a level playing field to businesses, ensure cyber security and protect consumers.

Required Actions

Action 5-3-1	Create business incubation opportunities in knowledge-intensive service sectors
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1) Formulate a legal framework for new types of businesses, to create a solid business foundation, control illegal competition and attract investors.

The formulation of industrial policy guidelines and the establishment of a legal framework often lag behind the development of new types of business. For knowledge-intensive services or other new sectors, relevant ministries need to establish legal structures so that they can responsively

foster businesses, control illegal competition and attract investors. Regulations for the protection of consumers will also be developed for new sectors.

2) Provide information on new sector business opportunities

For emerging sectors that are new for Myanmar, it is important to provide information on business opportunities and growth potential, and offer guidance to companies and potential investors to encourage investment.

Action 5-3-2	Provide support to start-ups ¹¹
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1) Establish incubation facilities and provide consultation and guidance for business start-ups

As a part of the support offered to Myanmar entrepreneurs, the Government of Myanmar will plan the establishment of incubation facilities such as science parks, incubation centers, and construction of laboratories from a long-term perspective.

2) Promote assistance for entrepreneurs, from universities and large companies.

Technical assistance provided by universities and large companies to entrepreneurs will be encouraged. Academic and industrial collaboration, such as joint R&D and technical advice from universities, will be promoted for acquisition of technology by business startups.

5.5.4 Improvement of Human Resources Development for Industry

Strategy Aims

Skilled labor is essential for the productivity and competitiveness of Myanmar's economy, and is in high demand from industrial sectors. The availability of competitive human resources is a key factor in investment location decisions. The level of workforce skills is of particular importance in high-technology industries.

This strategy aims to improve the development of human resources for industry, by formulating a development plan and enhancing education and training institutes through collaboration with the private sector.

Serious Shortfall in Human Resources for Industry

Myanmar is currently able to offer an abundant workforce to investors at a competitive cost. However, there is an insufficient supply of skilled workers, mid-level and senior managers, and engineers - vital personnel for high productivity, new technology absorption and effective business management, and sorely needed by investors.

For industry to be supplied with the human resources it needs, the education and vocational training system in Myanmar needs updating.

¹¹Financial support to entrepreneurs is mentioned in 5-4.

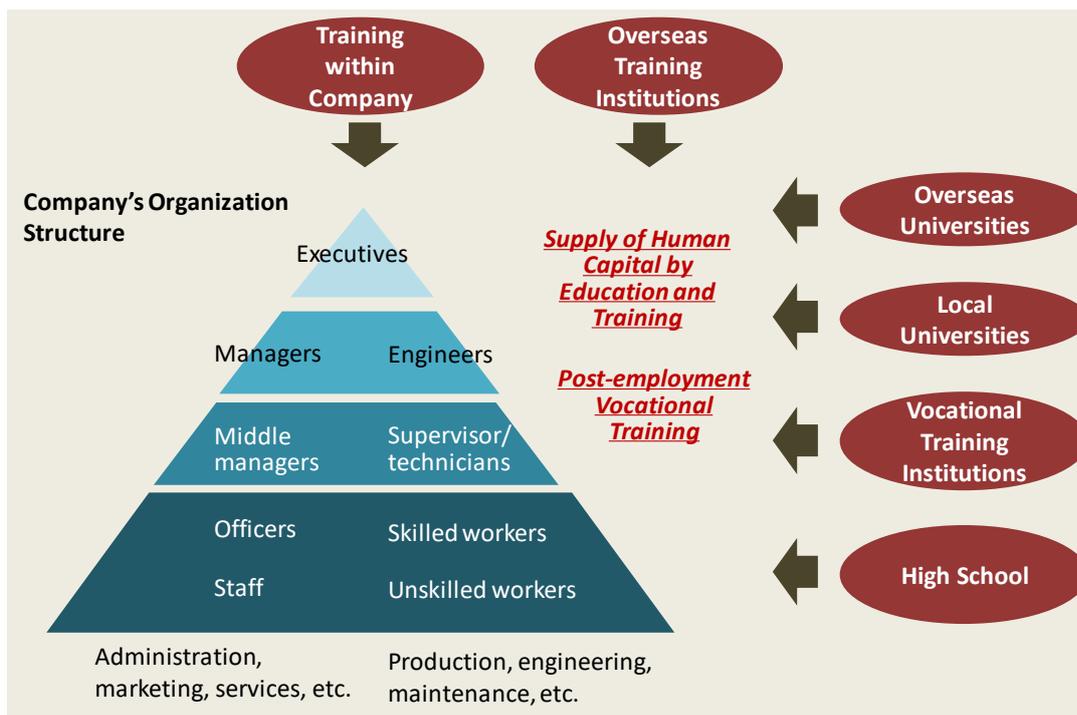


Figure 5-16: Education and Training for Human Resources for Industry

The Government of Myanmar has recognized the importance of Technical Vocational Education and Training (TVET) and progressed TVET reform by creating legal and institutional frameworks. The Comprehensive Education Sector Review (2012) and the enactment of the National Education Law (2014) have been the basic policies for TVET in Myanmar. The Technical and Vocational Education Council is responsible for the TVET policy framework, and the TVET Task Force was established to promote TVET reform. Strategies for TVET are defined in the National Education Strategic Plan (2016 - 2021).

Myanmar has various types of education and vocational training institutions under several ministries. According to the Employment and Skill Development Law (2013), the Central Body for Employment and Skill Development is responsible for skills development. Under the Central Body, the National Skill Development Authority (NSDA) has reviewed TVET institutions from the perspective of skill standards, competency-based curriculums and competency-based assessment.

Myanmar is creating a skills qualification framework in accordance with that of the ASEAN. The National Skill Standard Authority (NSSA) develops national competency frameworks and competency standards.

Required Actions

Action 5-4-1	Formulate a plan for human resources development for industry
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1) Monitor the needs of the private sector

For effective curriculum upgrades, it is crucial to grasp the actual needs of the private sector. It is essential to facilitate dialogue between the Government organizations in charge of TVET and skill development, individual education and training institutions and the private sector, such as the

Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and foreign investors.

Industrial transformation and inflow of large-scale investments will change the human resource needs of industry. For example, investments by global IT companies may consume all the IT engineers supplied to the market in one go. The DICA will continuously monitor the views of investors, especially foreign investors, on demand for human resources.

At the same time, the Government of Myanmar will facilitate friendly industrial relations in order to create a good environment for human resource development.

2) Specify the needs for human resources development and formulate a plan to develop human resources for industry

The DICA will convey the monitored human resource needs of investors to policymakers of education and training policies. The Technical and Vocational Education Council will produce a plan for developing human resources for industry (or TVET), with the purpose of expanding education and training institutions and designing curriculums that meet the specific needs of investors.

Action 5-4-2	Enhance workforce education and training for industry
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1) Upgrade existing education and training institutions to produce skilled workers

At present, there are technical universities and colleges, universities for computer studies, the University of Technology, technical institutes and technical high schools under the Ministry of Education, and Industrial Training Centers under the Ministry of Industry. Other ministries also have their own training institutions and associations, and the private sector operates training institutions as well.

Facilities at most of Government education and training institutions are run-down and curriculums are not updated, so they have not been able to keep pace with the skills requirements of industries. It is vital to upgrade existing education and training institutes, in terms of facilities and training methods as a long-term measure. The introduction of internship programs is an example of improving curriculums for students to learn practical skills.

Matching of assistance from overseas could be one avenue for improvement. The Industrial Training Centers under the Ministry of Industry have updated their training with the assistance of foreign countries.

2) Promote the introduction of high-level practical training courses to produce skilled labor and managers

Investors sorely need skilled workers with practical knowledge and middle management staff.

It is effective to encourage the establishment of training courses for high-level workers and on specific practical skills as collaborations between universities, associations, NGOs, donors and the investors themselves.

There are several examples of this type of collaboration. The Myanmar-Japan Center for Human Resources Development (MJC), managed by UMFCCI with the assistance of JICA, provides training of practical production techniques. The Myanmar Garment Human Resource Development Centre (MGHRDC) trains garment workers in collaboration with JETRO. The Singapore-Myanmar Vocational Training Institute (SMVTI) collaborates with foreign companies in the automobile and hotel sectors on internship programs.

The promotion of investment in education and training is a further measure for developing practical training in Myanmar. It is vital to provide comprehensive assistance to investors in the education sector, including the provision of information on regulations, business establishment procedures and criteria for approval.

3) Enhance technical education at the higher education level to supply human resources for industry

There are 33 technical universities 28 computer studies universities for higher education in the scientific and engineering fields. However, university graduates do not satisfy the requirements of investors in terms of either number or level of expertise.

It is essential to expand the capacity and upgrade the curriculums of universities, to produce high quality engineers, scientific researchers and IT personnel. In addition, universities are required to collaborate with the private sector on R&D activities, new business development and technology transfer to SMEs.

Action 5-4-3	Collaborate with the private sector on human resources development for industry
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1) Encourage in-house training for FDIs

It is very common for foreign investors to conduct in-house training for their workers, because they often bring in new technologies that do not exist in the host country, and they use their own production technologies. However, it is also common for investors to start with low-technology production in a host country. Therefore, it is important to encourage in-house training for upgrading the technologies used in manufacturing processes.

2) Promote employment placement service

Information on education and vocational training institutions is very limited. Foreign investors have difficulty finding- especially quickly – the semi-skilled workers, technicians, engineers and middle management that they need. Therefore, foreign investors often use private recruitment agencies.

In this respect, it is useful to collect and provide reliable data on education and vocational training institutions, so that investors can understand what kinds of personnel can be expected and how to access the institutions.

The development and expansion of the staff placement network, matching job seekers and investors, is under consideration.

5.6 Strategy Implementation Schedule

Schedule for implementing the proposed strategies is shown in the following tables.

Table 5-7: Implementation Schedule Category 1: Investment-related Policies and Regulations

Strategy		Shor-Term	Mid-Term	Long-Term
1	Investment-related policies and regulations			
1-1	Continuation of sound macroeconomic policies			
	1 Implement balanced macroeconomic policy for economic growth			
	1) Maintain a consistent macroeconomic policy mix for sustainable economic growth			
	2) Prepare and implement economic policies for creating a favorable business environment			
	2 Strengthen capability of macroeconomic policy formulation			
	1) Strengthen the capability of macroeconomic policy formulation in related ministries			
	2) Improved macroeconomic statistics required for macroeconomic management			
	3) Enhance policy-making capability of officers in relevant ministries			
	3 Improve the provision of investment statistics			
	1) Expand contents of investment statistics			
	2) Establish database of investment statistics			
1-2	Determined commitment to open investment policy and an improved business environment			
	1 Establish and disseminate the principles of the investment policy			
	1) Position the investment policy as a core national development policy			
	2) Clearly communicate investment policy's principles, both to investors and to all the relevant Government organizations.			
	2 Promote the coordination of investment-related policies by relevant ministries using the principles of the investment policy			
	1) Establish a mechanism for cross-ministerial policy coordination, for the implementation of investment policy and improvement of the business environment.			
	2) Actively communicate with the private sector on investment promotion			
	3 Promote investment liberalization in multilateral frameworks			
	1) Promote investment liberalization within the ASEAN Economic Community (AEC)			
	2) Promote investment liberalization within international and regional frameworks other than the AEC			
	4 Prepare legal framework for business environment improvement and promote deregulation			
	1) Enact or revise investment-related laws and regulations for the improvement of the business environment and simplification of investment procedures			
	2) Improve law-enactment capability of relevant ministries			
	Examine and implement further deregulations for business			
	5 Regularly review the relevance of the investment policy			
	1) Establish a mechanism for investment policy review			
	2) Monitor and evaluate investment trends and socio-economic development in Myanmar			

	3) Revise national investment policy in response to changes in national socio-economic development policy			
	4) Revise investment-related laws/regulations as need arises			
6	Regulate fairly and rigorously against acts violating investment and environmental protection on investment projects			
	1) Monitor violations by investors			
	2) Enforce environmental protection of investment projects in accordance with regulations			
	3) Control investment violations by fairly applying laws and regulations			
1-3	Formulation of industrial policies for investment promotion			
	1 Create investment opportunities in line with industrial development			
	1) Formulate industrial development policies and support services to promote investments in priority sectors			
	2) Monitor the progress of industrial development policies and update them as the situation demands			
	2 Examine new incentives for targeted investments			
	1) Examine possible incentives for investment promotion by examining cases of other countries			
	2) Introduce new incentives for targeted investments or for the improvement of business attractiveness			

 Plan and implementation

Note:  Monitoring, follow-up or revision

Table 5-8: Implementation Schedule Category 2: Institutional Development for Investment Promotion

Strategy		Short-Term	Mid-Term	Long-Term
2	Institutional development for investment promotion			
2-1	Investment promotion using nation branding			
	1 Investment promotion using nation branding			
	1) Formulate an investor communication strategy for investment promotion	■		
	2) Organize a task force for nation branding and coordinate with export and tourism promotion	■		
	3) Formulate promotional tools for investment promotion	■	■	■
	4) Establish collaboration between investment, export and tourism promotion, using nation branding	■	■	■
	2 Enhance the DICA's promotional activities for investment attraction			
	1) Enhance the DICA's investment attraction function	■	■	■
	2) Enhance regional investment promotion activities	■	■	■
2-2	Diligent administration of investment-related regulations and strengthening of investor protection			
	1 Ensure effective implementation of legal and regulatory framework			
	1) Ensure effective implementation of MIL and SEZ Law	■		
	2) Issue clarifications on investment-related laws and regulations to ensure common understanding by investors and Government offices	■	■	■
	3) Clarify and communicate criteria and reasoning for the restrictions on foreign investors	■	■	■
	2 Strengthen investor protection			
	1) Establish the investor protection system, as stipulated in Myanmar Investment Law.	■	■	■
	2) Operate fairly and improve the investor protection system	■	■	■
2-3	Establishment of clear application procedures and an organization for handling applications			
	1 Produce clear and transparent procedures for investment applications			
	1) Establish investment application procedures according to MIL	■	■	■
	2) Publicize investment application procedures as guidelines and FAQs.	■	■	■
	2 Establish an organization to systematically manage applications according to procedure			
	1) Establish systematic management of investment-related applications and submissions, at the relevant organizations	■		
	2) Conduct training targeting management staff	■	■	■
	3 Enhance the OSSC's functions through increased authority			
	1) Streamline application procedures	■	■	■
	2) Develop an online application and tracking system	■	■	■
	4 Establish post-investment monitoring mechanism under MIL			
	1) Establish and apply a robust monitoring mechanism for investment projects, in accordance with MIL and other relevant laws and regulations	■	■	■
2-4	Promotion of systematic investor support			
	1 Design a systematic investor support mechanism			
	1) Identify necessary support for investors by relevant ministries and organizations	■		
	2) Build a collaboration mechanism to make the DICA and OSSC the center of services	■	■	■

	2	Provide systematic investor support at the DICA and OSSC in collaboration with related ministries				
	1)	Provide integrated investor support services facilitated by the DICA and OSSC				
	2)	Implement institutional development for investor support				
	3	Monitor the needs and satisfaction levels of investors regarding investor support				
	1)	Regularly monitor the satisfaction levels and needs of investors				
	2)	Expand investor support according to the needs of investors				
	4	Promote and support the business diversification and re-investment of existing investors				
	1)	Design and implement promotion programs targeting existing investors				
	2)	Form a support team for providing support to existing investors for business diversification				
	2-5	Establishment of an independent Investment promotion agency				
	1	Plan the establishment of an independent investment promotion agency (IPA)				
	1)	Evaluate the need for an independent IPA				
2)	Develop a plan for establishing an independent IPA					
3)	Prepare the required legal procedures and gain approval					
2	Establish an independent IPA and implement institutional development					
1)	Establish an independent IPA					
2)	Improve the management and operation of the IPA					

Table 5-9: Implementation Schedule Category 3: Infrastructure Development

Strategy		Short-Term	Mid-Term	Long-Term
3	Infrastructure development			
3-1	Improvement of Infrastructure Development Planning for Investment Promotion			
	1 Prepare a consolidated infrastructure development plan for investment promotion			
	Consolidate investment-related infrastructure projects in relevant ministries			
	1) into a national infrastructure development plan for investment promotion, encompassing project prioritization and scheduling.			
	2) Evaluate financial structure and possible finance sources for infrastructure projects			
	2 Enhance the planning and implementation capability for infrastructure projects			
	1) Improve the planning capability of relevant ministries for infrastructure projects			
	2) Facilitate coordination among relevant ministries for the implementation of infrastructure projects			
3-2	Promotion of investment in industrial zones and SEZs			
	1 Improve administration policies for industrial zones and SEZs			
	1) Improve administration and management of industrial zones			
	2) Formulate a national industrial allocation plan			
	3) Formulate rules and standards for industrial zone development and management			
	4) Establish one-stop service centers in industrial zones			
	2 Expand and upgrade existing industrial zones and SEZs			
	1) Upgrade the infrastructure of existing industrial zones			
	2) Expand Thilawa SEZ and continue development of the Dawei and Kyaukphyu SEZs, in accordance with development plans			
	3 Promote new investment in industrial zones and SEZs			
	1) Promote development of industrial zones			
	2) Promote new special-purpose industrial zones and areas			
3-3	Establishment of a PPP framework and promotion of PPP projects			
	1 Formulate a PPP Master Plan			
	1) Establish an organization responsible for PPP promotion			
	2) Formulate a PPP Master Plan based on the Myanmar PPP Policy Document			
	2 Prepare a PPP framework and implement capacity development			
	1) Establish a legal framework for PPP in Myanmar			
	2) Establish competitive PPP processes			
	3) Establish financial support schemes, such as viability gap funding and Government guarantees			
	4) Improve the capabilities of associated ministries, for PPP project preparation and PPP transactions			
	3 Implement PPP transactions			
	1) Identify and establish PPP projects			
	2) Implement PPP transactions and manage PPP projects			

 Plan and implementation
 Monitoring, follow-up or revision

Note:

Table 5-10: Implementation Schedule Category 4: Business-related Systems

Strategy		Short-Term	Mid-Term	Long-Term
4	Business-related systems			
4-1	Formulation of regulations for business-related systems			
	1 Construct robust protection for intellectual property			
	1) Produce a roadmap for establishing intellectual property administration, in accordance with international requirements.	■		
	2) Establish an organization for the administration of intellectual property issues, in collaboration with relevant ministries.	■		
	3) Enact intellectual property laws and regulations to international standards	■	■	■
	4) Establish clear and transparent registration system and IT system	■	■	■
	5) Strengthen enforcement against infringement of intellectual property law	■	■	■
	2 Establish national product standards			
	1) Expand national product standards	■	■	■
	2) Expand institutions for carrying out standards inspections	■	■	■
	3) Promote national standards to the private sector and consumers	■	■	■
4-2	Enhancement of the financial sector			
	1 Increase financial sector capacity for capital investment financing			
	1) Advance financial sector reform and strengthen the banking sector	■	■	■
	2) Foster capital markets for long-term fundraising	■	■	■
	3) Progressively deregulate investment by foreign financial institutions	■	■	■
	4) Plan the establishment of a development bank	■	■	■
	2 Enhance financing for SMEs and entrepreneurs			
	1) Expand SME finance schemes for targeted sectors and linkage industry development	■	■	■
	2) Develop venture funds	■	■	■

■ Plan and implementation

■ Monitoring, follow-up or revision

Note:

Table 5-11: Implementation Schedule Category 5: Local Industries and Human Resources

Strategy		Short-Term	Mid-Term	Long-Term
5	Local Industries and Human Resources			
5-1	Promotion of industrial linkage			
	1 Formulate and implement plans for the development of industrial linkage and cluster development			
	1) Formulate a development plan for industrial linkage and cluster incubation	■		
	2) Establish collaborative relationship between stakeholders, for industrial linkage development.	■		
	2 Strengthen industrial linkage according to plans			
	1) Provide guidance to stakeholders on industrial linkage development	■	■	■
	2) Implement investment promotion measures for industrial linkage	■	■	■
	3) Promote FDI's technical guidance to local suppliers	■	■	■
	3 Implement measures for developing an advanced industrial cluster			
	1) Provide support to develop the business infrastructure needed for an advanced industrial cluster	■	■	■
	2) Promote industrial agglomeration and upgrading of value-added operations	■	■	■
5-2	Capacity development of local industries			
	1 Provide comprehensive support to local SMEs for improved competitiveness			
	1) Develop and implement a comprehensive support program targeting SME investors	■	■	■
	2) Enhance the capability of Government organizations providing support to SMEs	■	■	■
	3) Promote the establishment of business development service (BDS) providers	■	■	■
	2 Facilitate technology transfer and productivity improvement			
	1) Facilitate technology transfer contracts and licensing by supporting local companies	■	■	■
	2) Provide incentives for R&D and the import of advanced technology machinery	■	■	■
	3) Facilitate technology transfer by universities and promote joint R&D by universities, research institutions and the private sector	■	■	■
	4) Attract foreign investment for technology-intensive sectors	■	■	■
	5) Increase absorptive capability by improving national technology levels	■	■	■
5-3	Establishment of entrepreneur support			
	1 Create business incubation opportunities in knowledge-intensive service sectors			
	1) Formulate a legal framework for digital businesses, to create a solid business foundation, control illegal competition and attract investors.	■	■	■
	2) Provide information on new sector business opportunities	■	■	■
	2 Provide support to start-ups			
	1) Establish incubation facilities and provide consultation and guidance for business start-ups	■	■	■
	2) Promote assistance for entrepreneurs, from universities and large companies.	■	■	■
5-4	Improvement of human resources development for industry			
	1 Formulate a plan for human resources development for industry			
	1) Monitor the needs of the private sector	■	■	■
	2) Specify the needs for human resources development and formulate a plan to	■	■	■

	develop human resources for industry			
2	Enhance education and training of human resources for industry			
	1) Upgrade existing education and training institutions to produce skilled workers			
	2) Promote the introduction of high-level practical training courses			
	3) Enhance technological education at the higher education level to supply human resources for industry			
3	Collaborate with the private sector on human resources development for industry			
	1) Encourage in-house training for FDIs			
	2) Promote employment placement service			

 Plan and implementation

Note:  Monitoring, follow-up or revision

Chapter 6. MIPP Organization Implementation

6.1 Principles for Organization Development

Involvement of all relevant Government organizations for effective and successful implementation of the MIPP

The MIPP's scope extends over a several areas of Government, because investment promotion is inseparable from the overall improvement of Myanmar's business environment. A large number of stakeholders, including union ministries, regional and state ministries, associations and international organizations are concerned with the areas covered by the MIPP. Therefore, it is imperative to involve all Government organizations and take cross-ministerial actions, so that the MIPP can have a substantial impact, through effective and coordinated implementation. The MIPP has listed the required actions to be taken by various stakeholders for improving Myanmar's business environment.

From the outset, relevant ministries must all be involved in the planning and actual implementation of actions for investment environment improvement. State and regional governments will also be involved in the implementation of the MIPP, especially for regional investment promotion.

High status for organization responsible for the MIPP

A committee, to be named the Investment Promotion Committee, will be set up for the implementation of the MIPP through cross-ministerial coordination. The committee will have the mandate to plan and put into practice the country's investment promotion. The membership of the Investment Promotion Committee will consist of ministers or permanent secretaries of ministries.

Effective coordination with other Government undertakings for private sector development

Important issues to be solved and measures required for business environment improvement are commonly identified and shared by several high-level committees and plans. The implementation organization for the MIPP needs to establish effective collaboration on the activities of these committees and those listed in plans.

The Government of Myanmar has already engaged in several efforts to improve the country's business environment, by involving all the related ministries and the private sector. Efforts have included the creation of high-level committees such as the Private Sector Development Committee (PSDC), the Myanmar Special Task Force for Business and Trade Promotion (MSTFBTP), the Myanmar Business Forum (MBF) and the Myanmar-Japan Joint Initiative (MJJI). There are also several national plans for private sector development, in which investment development is a major component. The major plans include the Indicative Private Sector Development Framework and Action Plan and the National Export Strategy. The PSDC and the Myanmar Trade Development Committee (MTDC) were established for the implementation of these plans.

These committees and plans adopt and deal with key common actions. Diligent coordination of undertakings is crucial for avoiding duplication and for the effective implementation of the MIPP.

Box 1: Myanmar Business Forum

The Myanmar Business Forum (MBF) is a partnership between the public and private sectors. A Government taskforce chaired by the Minister of Commerce oversees Government engagement with the MBF. The UMFCFI and World Bank Group support the MBF secretariat, which coordinates private sector involvement. The MBF has been structured to enable the private sector to discuss its issues with the relevant Government representatives and to follow the progress of these issues. The Trade and Business Promotion Special Taskforce chaired by the Commerce Minister oversees the work of the MBF for the Government. The Special Taskforce contains representatives from all Ministries related to the business environment. The private sector MBF secretariat at the UMFCFI offices coordinates day-to-day operations of the MBF.

6.2 Implementation Organization

6.2.1 Organization Structure

Across-ministerial organization will be established to oversee the implementation of the MIPP. The organization structure has been designed to ensure the following conditions:

- High status with sufficient authority to plan, coordinate and monitor activities in the MIPP
- Involve relevant union ministries and region/state governments
- Attach task forces to engage in specific MIPP tasks

The organization, to be named the Investment Promotion Committee (IPC), has been designed as shown in the following figure.

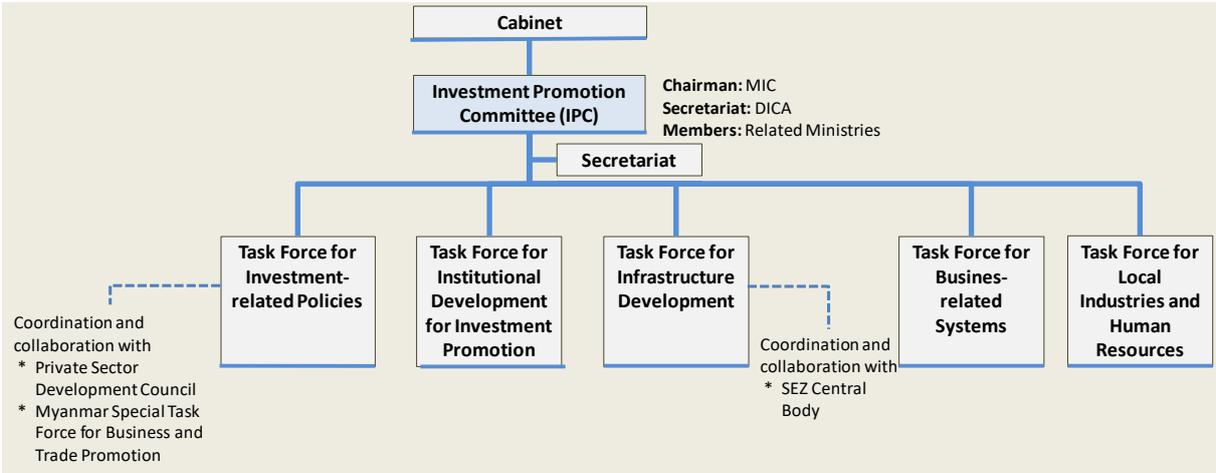


Figure 6-1: MIPP Implementation Organization

The IPC will be chaired by the Myanmar Investment Commission (MIC). The Department of Investment and Company Administration (DICA) serves as the Secretariat of the IPC. IPC members

are ministers and permanent secretaries of relevant ministries as shown in the following table. The composition of members will be regularly reviewed and be flexibly added as needed.

Table 6-1: MIPP Associated Ministries

Ministries Associated with Implementation of MIPP
Union Ministry for Information
Union Ministry for Agriculture, Livestock and Irrigation
Union Ministry for Transport and Communications
Union Ministry for Natural Resources and Environmental Conservation
Union Ministry for Labour, Immigration and Population
Union Ministry for Industry
Union Ministry for Commerce
Union Ministry for Health and Sports
Union Ministry for Planning and Finance
Union Ministry for Construction
Union Ministry for Hotels and Tourism
Union Ministry for Electricity and Energy
Union Ministry for Education
Union Attorney General Office

6.2.2 Functions of Investment Promotion Committee

(1) Functions of Investment Promotion Committee

The IPC will have the following functions:

- ✓ Examine and draft an investment promotion policy according to investment trends and the needs of the country
- ✓ Adopt, review and revise the MIPP based on the review of investment policy and the progress of MIPP activities
- ✓ Instruct, monitor and evaluate the activities of task forces for the implementation of the MIPP.
- ✓ Obtain opinions of relevant Government organizations on the improvement of the business environment
- ✓ Scrutinize and submit reports on the implementation of the MIPP to the Government

(2) Functions of IPC Secretariat

The Secretariat of the IPC will have the following functions:

- ✓ Organize and maintain records of IPC meetings and decisions
- ✓ Provide management and administration advice to the IPC
- ✓ Supervise and support the activities of task forces
- ✓ Collect and provide data and information from and to related parties
- ✓ Prepare reports for the Government.

(3) Functions of Task Forces

Under the IPC, five task forces will be established to put the strategies and actions of the MIPP into practice. The functions of task forces are explained in the following table.

Table 6-2: Functions of Task Forces

Task Force	Functions – planning and implementation of the following actions:
Task Force for Investment-related Policies	<ul style="list-style-type: none"> - Review investment-related policies and submit recommendations on investment policy - Monitor and make recommendations for macroeconomic policies from an investment promotion perspective - Review restricted and promoted sectors - Establish clear and transparent investment-related regulations - Improve the business legal framework - Submit recommendations on investment policy - Review industrial policies - Recommend deregulation of investment restrictions - Organize dialogues with the private sector
Task Force for Institutional Development for Investment Promotion	<ul style="list-style-type: none"> - Collect and analyze data and information on investment trends - Review and improve MIC procedures - Review and improve OSSC procedures - Enhance the permit and endorsement functions in regions/states - Enhance the investment promotion functions of DICA - Enhance investment promotion activities in regions/states - Enhance investment promotion activities overseas - Produce information for investment promotion - Plan and implement nation brand promotion - Collect and collate investment statistics - Plan and prepare the establishment of an independent IPA
Task Force for Infrastructure Development	<ul style="list-style-type: none"> - Monitor and evaluate the progress of infrastructure development - Develop a legal framework and mechanism for PPP - Promote PPP projects - Prepare policy and supervise industrial zone development - Prepare policy and supervise SEZ development.
Task Force for Business-related Systems	<ul style="list-style-type: none"> - Make recommendations and coordinate the implementation of intellectual property rights - Make recommendations and coordinate the implementation of product standards - Make recommendations and coordinate the development of finance for capital investment
Task Force for Local Industries and Human Resources	<ul style="list-style-type: none"> - Develop industrial policies for local industry development - Promote technology transfer through investment promotion - Promote linkage industries and entrepreneurs - Monitor and evaluate investors' human resources needs - Communicate those needs to education and training institutions - Make recommendations for upgrading education and training institutions - Promote the establishment of matching services for personnel

The task forces will take advantage of academic advisors, experts and so on in their policy examination.

6.3 Involvement of the Private Sector

Effective investment promotion requires an investor-oriented approach. A central player in investment is the private sector. All efforts of the Government in investment promotion should aim to result in actual investment and the successful operation of investment projects. The Government should listen to investors and establish collaboration with the private sector for trade promotion. At the same time, the private sector is encouraged to take part in investment promotion through

initiatives that improve the business environment, as well as promotional activities.

The following measures will be taken, to promote active participation of the private sector:

1) Expansion of dialogue between the Government and the private sector

Dialogue with the private sector is an effective means to understand problems and the requests of the private sector for improving the business environment. Some public-private forums, such as the Myanmar Business Forum and Myanmar Japan Joint Initiative, have been discussing solutions to business-related problems with the purpose of developing a more favorable business environment that can attract domestic and foreign investment.

It is crucial that the Government take the importance of business environment reform seriously and take the further step of pursuing dialogues. The Government must produce a roadmap for business environment reform, based on discussions and consensus between the Government and the private sector.

Dialogue with the private sector is also essential for a specific types of investment promotion activities, such as business fairs and investment missions.

Additionally, it will be necessary to increase the involvement of foreign investors in public-private dialogues. The Government currently holds the Myanmar Japan Joint Initiative with Japanese investors and related Government organizations. This kind of dialogue offers an important opportunity for sharing and discussing the interests and concerns of foreign investors.

2) Implementation of joint investment promotion with the private sector

Investment promotion is usually conducted in the form of investment promotion seminars and missions, and investor matching. These promotional activities can be run more effectively in collaboration with the private sector. In particular, the UMFCCI is expected to play a crucial role in investment promotion by representing the private sector.

6.4 Implementation of the MIPP

6.4.1 Principles for Implementation

Building an effective implementation mechanism will be the decisive factor in the success of the MIPP. The MIPP will set the principles for effective implementation as follows:

- Involve and collaborate with stakeholders (Government ministries and organizations, associations and investors)
- Make the roles of stakeholders clear
- Allocate personnel with the best knowledge, foresight and who are most active to the task forces
- Understand realities by listening to investors

- Respond effectively to changes in the investment situation and other elements of the business environment
- Monitor progress and flexibly review activities

6.4.2 Flow of Implementing Strategies

Five task forces will be formed to address the five categories of strategies. The Task Forces are units responsible for the implementation of the MIPP. They will organize dialogues regarding issues of management, plan measures to address issues and make recommendations on measures to the IPC. The IPC will issue instructions to relevant Government ministries and organizations based on the recommendations. The Task Forces will then monitor the implementation of measures and provide guidance on implementation.

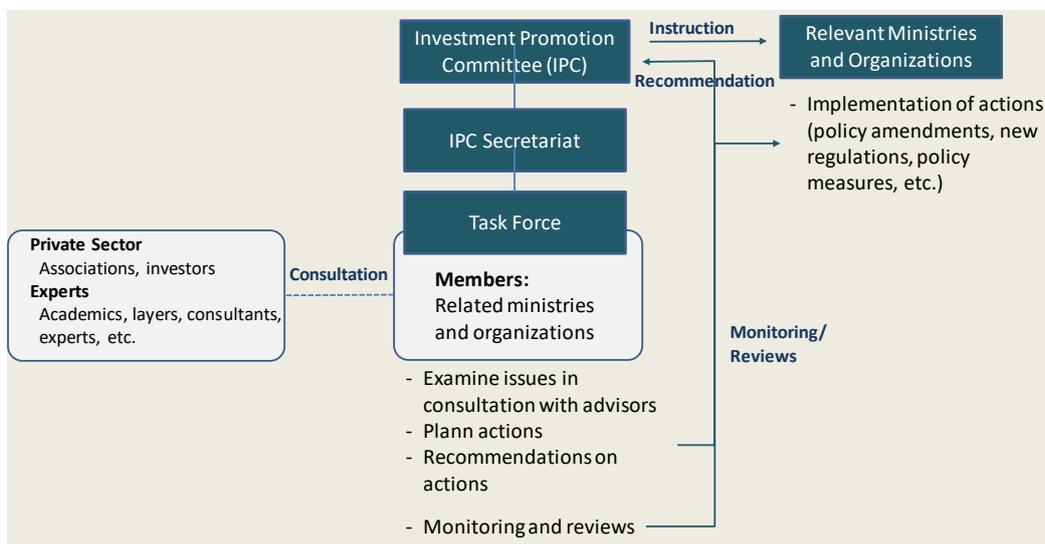


Figure 6-2: MIPP Implementation Process

6.4.3 Activity Schedule

The MIPP will be reviewed every five years. The contents and strategies of the MIPP may become obsolete in the short-term, because business trends change quickly. The life of a master plan is five years maximum, which is why the MIPP will be reviewed every five years.

The Task Forces will issue annual work plans every year, for the implementation of activities. An annual work plan should include the following items:

- Priority activities
- Indicators of achievement
- Members responsible for activities
- Activity schedule

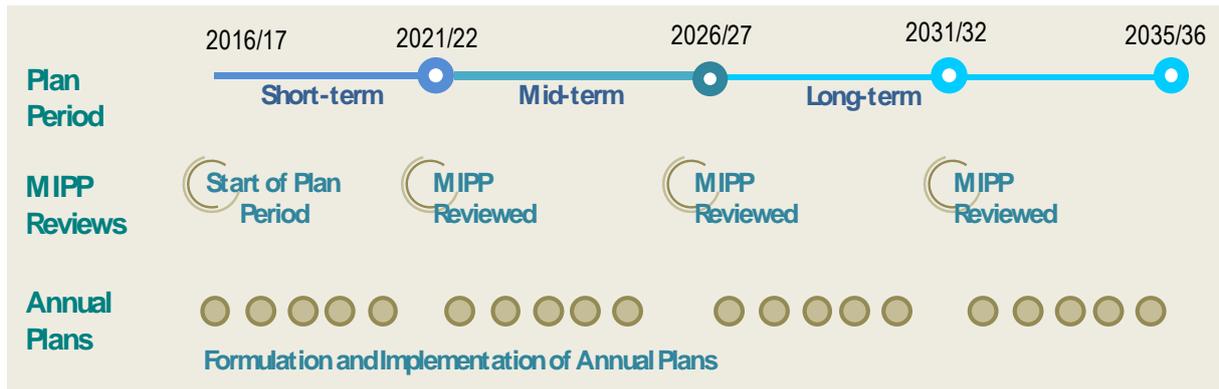


Figure 6-3: MIPP Implementation Schedule

The annual activity plans will be formulated and implemented according to a ‘Plan-Do-Check-Adjust’ cycle. Task Forces will formulate an annual work plan before a fiscal year, by compiling measures to be taken during the fiscal year (‘Plan’). The Task Force will conduct activities according to the annual work plan throughout the fiscal year (‘Do’). At the end of the fiscal year, the Task Force will evaluate their achievement and identify issues that hindered implementation (‘Check’), and decide on necessary countermeasures (‘Adjust’).



Figure 6-4: PDCA Cycle for Annual Plans

Appendix 1: Indicators for Doing Business

Table App-1: Indicators for Doing Business in 2017

Category	Indicator	Category	Indicator
Starting a business	Number of procedures to legally start and formally operate a company	Protecting Minority Investors	Extent of shareholder rights index
	Time (days) required to complete each procedure		Extent of ownership and control index
	Cost required to complete each procedure (% of income per capita)		Extent of corporate transparency index
	Paid-in minimum capital (% of income per capita)		Extent of shareholder governance index
Dealing with Construction Permits	Procedures (number) to legally build a warehouse	Paying Taxes	Tax payments for a manufacturing company in 2015 (Number per year adjusted for electronic and joint filing and payment)
	Time (days) required to complete each procedure		Time (hours per year) required to comply with three major taxes
	Cost required to complete each procedure (% of warehouse value)		Total tax rate (% of profit before all taxes)
	Quality of building regulation index		Post filing index
	Quality control before construction index	Trading across Borders	Time (hours) for boarder compliance when exporting the product of comparative advantage
	Quality control during construction index		Cost (US\$) for border compliance when exporting the product of comparative advantage
	Quality control after construction index		Time (hours) for documentary compliance when exporting the product of comparative advantage
	Liability and insurance regimes index		Cost (US\$) for documentary compliance when exporting the product of comparative advantage
Professional certifications index	Time (hours) for boarder compliance when importing auto parts	Cost (US\$) for border compliance when importing auto parts	
Building quality control index	Time (hours) for documentary compliance when importing auto parts	Cost (US\$) for documentary compliance when importing auto parts	
Getting Electricity	Number of procedures to obtain an electricity connection	Enforcing Contracts	Time (days) required to enforce a contract through the courts
	Time (days) required to complete each procedure		Cost required to enforce a contract through the courts (% of claim)
	Cost required to complete each procedure (% of income per capita)		Court structure and proceedings index
	Reliability of supply and transparency of tariffs index		Case management index
	Price of electricity (cents per KWH)		Court automation index
Registering Property	Number of procedures to legally transfer title on immovable property	Enforcing Contracts	Alternative dispute resolution index
	Time (days) required to complete each procedure		Quality of judicial processes index
	Cost required to complete each procedure (% of property value)		Time (years) required to recover debt
	Reliability of infrastructure index		Cost required to recover debt (% of debtor's estate)
	Transparency of information index	Resolving Insolvency	Outcome
	Geographic coverage index		Recovery rate for secured creditors (cents on the dollar)
	Land dispute resolution index		Commencement of proceedings index
	Equal access to property rights		Management of debtor's assets index
Quality of land administration index	Reorganization proceedings index	Creditor participation index	
Getting Credit	Strength of legal rights index	Labor Market Regulation*	Strength of insolvency framework index
	Depth of credit information index		Job quality
	Credit bureau coverage (% of adults)		Accessibility and transparency index
	Credit registry coverage (% of adults)		Bid security
Protecting Minority Investors	Extent of disclosure index	Selling to the Government*	Payment delays
	Extent of director liability index		
	Ease of shareholders' suits index		
	Extent of conflict of interest regulation index		

Source: www.doingbusiness.org/methodology

Appendix 2: Experience of active ASEAN countries in investment promotion and industrialization

1. General Pattern of Industrialization

The NIEs and the active ASEAN countries have steadily promoted industrialization and transformed their industrial structure with the accumulation of technologies and growing linkage with the global economy. Historically, there has been a common pattern of industrialization in the process of economic development in developing countries. The following figure summarizes this pattern, based on resource endowments and increasing competitiveness.

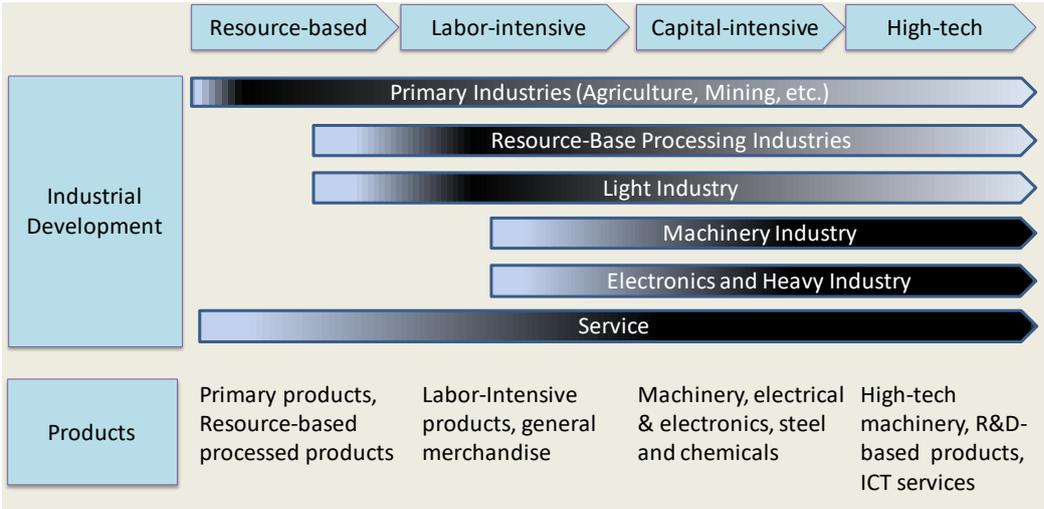


Figure App-1: Steps in Industrial Development Patterns

At the early stage of industrialization, a country has comparative advantage in resource-based production and labor-intensive production such as agroindustry and garments. The industrial structure of the country gradually shifts to import-substitution products, machinery assembly and capital-intensive products. The next stage is high-technology products and knowledge-intensive industries.

In these countries, import substitution policy and investments in heavy and chemical industries were conducted through Government initiatives - in many cases, as national projects with market protection and subsidies. However, most of these projects face problems of insufficient domestic markets, low technological levels, accordingly less export competitiveness and inefficient domestic industrial structures.

A developing country generally lacks capital, technology and capable manpower. Therefore, FDI acts as leverage to bridge this capability gap and realize industrial development. This pattern can be identified in the experiences of the advanced ASEAN countries such as Thailand, Malaysia, and Indonesia, and illustrates ‘catch-up industrialization’ driven by FDI, specifically in the garment sector, light industry, and the automobile and electronics industries.

2. FDI-driven and Export-oriented Industrialization

The Asian newly-industrialized economies (NIEs) and five founding ASEAN countries have achieved dynamic economic development over the last three decades. The shift from import-substitution policy to export-oriented policy with trade and investment liberalization provided the momentum for their growth and industrial transformation. In the early 1990s, the active ASEAN countries, including Thailand, Malaysia and Indonesia, emerged as export bases with an inflow of FDI from East Asian countries, the EU and the US. Infrastructure development projects, such as those in electricity, ports, roads and industrial zones, contributed to the attraction of FDI on a broad scale, and dynamic economic development was driven by FDI in these countries.

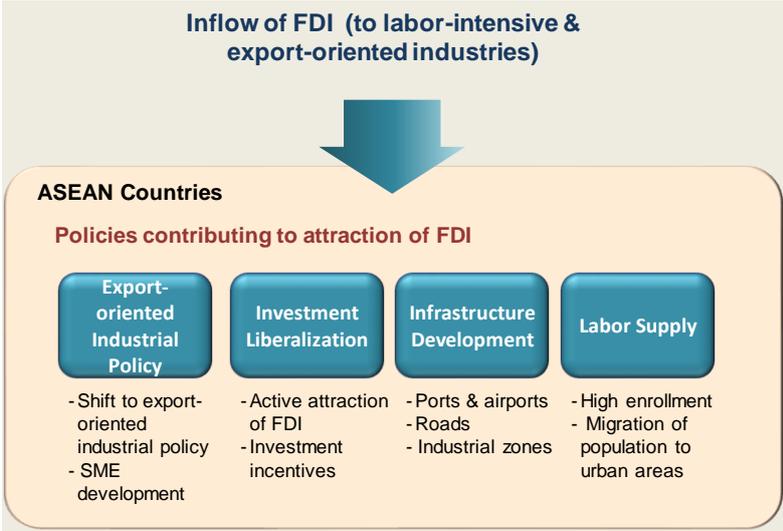
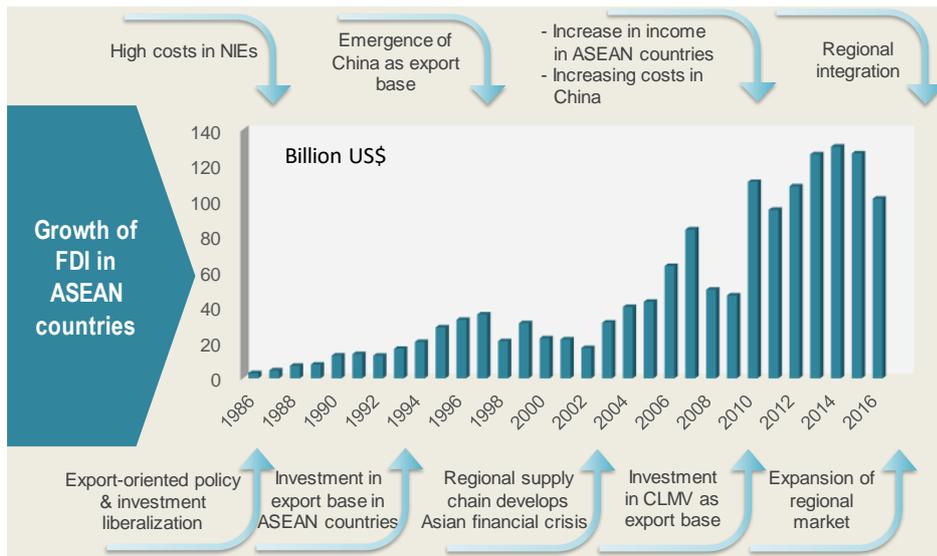


Figure App-2: Factors in Investment Attraction of Active ASEAN Countries

In the latter half of the 1990s, FDI flow to ASEAN countries stagnated due to a flood of FDI in China, which grew to be ‘the world’s factory’, and the Asian financial crisis. However, the regional supply chain of parts and components from production bases in the ASEAN countries has steadily developed, especially in the automobile and electronics industries. In the 2000s, the expansion of regional markets, the growth of local firms in active ASEAN countries and the emergence of CMLV (Cambodia, Myanmar, Laos and Vietnam) countries as new export bases, have created new investment opportunities in the ASEAN region.

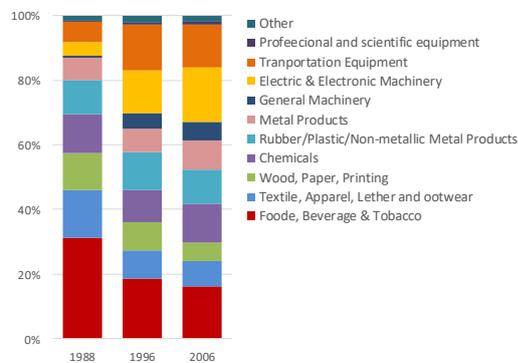


Source: FDI figures from historical data in UNCTAD FDI Statistics.

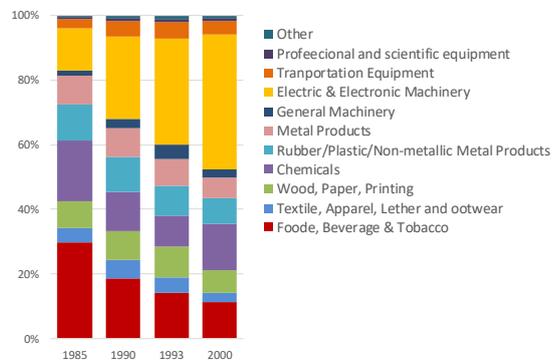
Figure App-3: History of FDI Inflow to ASEAN Countries

Industrial transformation and shifts in competitive industries are reflected in the composition of exports. The following tables illustrate the changes in industrial structures and major export products of Thailand and Malaysia. During the process of industrialization, the share of agricultural products and labor-intensive products (e.g. garments) in exports decreased for these countries, while at the same time the proportion of exports made up of machinery increased.

Thailand



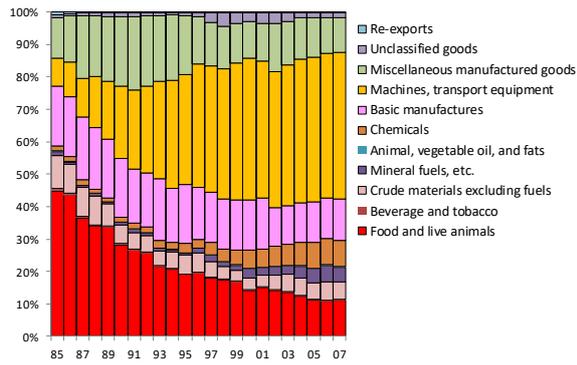
Malaysia



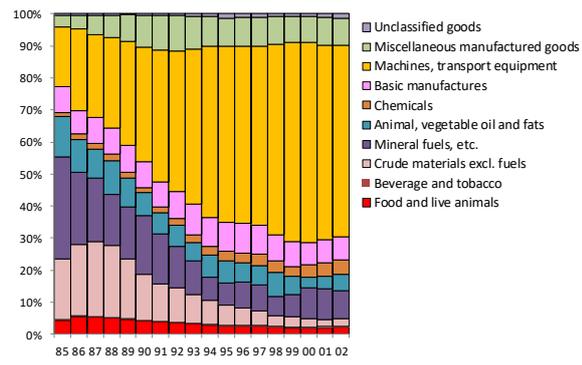
Source: Historical data of United Nations Industrial Development Organization

Figure App-4: Composition of Industrial Structure

Thailand



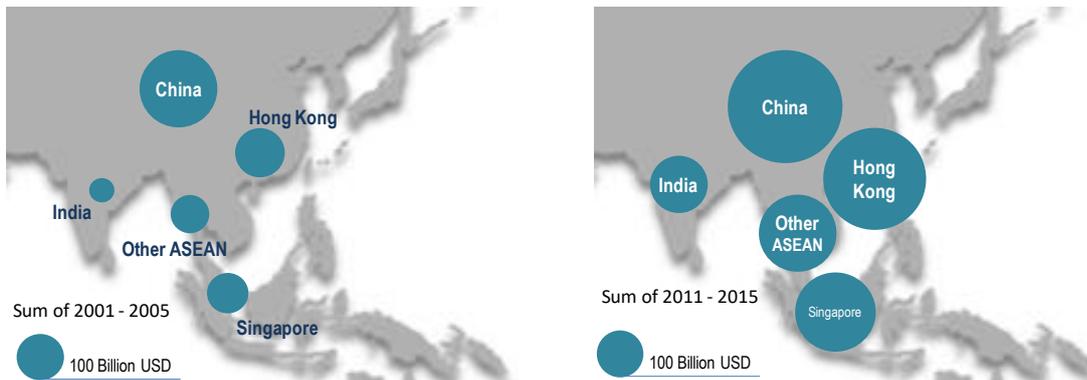
Malaysia



Source: Historical data of ADB, Key Indicators for Asia and the Pacific

Figure App-5: Composition of Export Products

In recent years, the ASEAN countries have raised their position to be come major destinations for FDI, as shown in the following figures. The ASEAN countries attract FDI not only for export-oriented production but also for penetration of the regional market. Simultaneously, the ASEAN countries have grown to become significant business hubs.



Source: FDI figures are from UNCTAD FDI Statistics.

Figure App-6: Amount of FDI Inflow

3. Lessons for Myanmar's Investment Promotion

Myanmar adopted policies of import-substitution and infant industry development by state-owned enterprises under a closed economic regime until the end of 1980s. Because of the natural limitations that these policies, the Government of Myanmar turned to market-oriented economic reform in the late 1980s, but the progress of economic reform was slow throughout the 1990s.

Now Myanmar stands just at the starting point of economic development, with an open economy and investment-driven industrialization, with accelerated economic reforms and the restoration of global economic ties.

It is the Government of Myanmar's task to catch up with the most developed ASEAN countries, in terms of economic growth and industrial transformation. Development that utilizes the experiences of the most active ASEAN countries, to avoid mistakes and maximize potential, is needed to shift Myanmar's economic structure more towards manufacturing and service sectors, with less reliance on the agriculture, by expanding investment in Myanmar.

Appendix3: Investment Promotion Measures Specific to the Four Growth Paths

Export-oriented Industries

The aims of promotion of these industries shift at every stage, from existing labor-intensive industries represented by the garment sector, to more value-added and technical-intensive sectors and integration with the global supply chain. Productivity improvement is a central concern for export-oriented industries.

Key measures specific to export-oriented industries are as follows:

Policies and regulations

- Free trade policy
- Liberalization and streamlining of export-import procedures
- Incentives for export activities

Infrastructure

- Export-related infrastructure, especially logistics

Local industries and human resources

- Technical support to increase value-addition
- Supply of skilled workforce

Table App-2: Promotional Measures Specific to Export-oriented Industries

Action	Promotional Measures	Short-term	Mid-term	Long-term
1-2 Determined Commitment to open investment policy and an improved business environment	Implementation of AEC and other international agreements			
	Relaxation of export/ import licensing			
	Expansion of bonded areas and bonded transportation			
	Relaxation of restrictions on foreign investment for export-oriented production			
1-3 Formulation of industrial policies for investment promotion	Tax deductions for export marketing activities			
	Tax deductions for human resources development			
	Tax deductions for cost of supporting local suppliers			
	Tax deductions for R&D activities			
2-1 Investment promotion using national branding	Provision of information on trade-related regulations			
	Provision of information on prospective buyers			
	Introduction of capable partners to investors			
	Provision of information on local suppliers			
	Provision of information regarding the global supply chain			
2-3 Establishment of clear application procedures and an organization for handling applications	Quick and simple import procedures for customs clearance, including border trade			
	Well-organized import tariff procedures for exports			
2-4 Promotion of systematic investor support	Export promotion support			

3-1 Improvement of infrastructure development planning for investment promotion	Development of ports, airports, dry ports, warehouses and other logistics infrastructure			
	Establishment of smooth cross-border transportation systems with neighboring countries			
3-2 Promotion of investment in industrial zones and SEZs	Development of industrial zones and SEZs			
4-2 Enhancement of the financial sector	Improved access to export finance			
5-2 Capacity development of local industries	Technical assistance from research institutions and universities on productivity improvement			
	Technical assistance on upgrading processing technology			
	Technical assistance to develop local suppliers (supporting industries)			

Domestic Market-oriented Industries

The aim of promoting these industries is to attract quality investment for import substitution, and consequently upgrade the level of products and services in the Myanmar economy. Investment in infrastructure is also encouraged, to improve productivity.

Key measures specific to domestic market-oriented industries are as follows:

Policies and regulations

- Expansion of business opportunities through deregulation
- Regulation of fair competition
- Tax incentives, such as on import duty for raw materials, tax deduction for R&D, etc.

Infrastructure

- Promotion of investment in business-related infrastructure, including power, transportation & logistics, and industrial zones and SEZs.

Business systems

- Development of business-related systems, such as product standards and intellectual property rights.

Local industries and human resources

- Local industry development through technical assistance
- Promotion of local brands

Table App-3: Promotional Measures Specific to Domestic Market-oriented Industries

Action	Promotional Measures	Short-term	Mid-term	Long-term
1-2 Determined commitment to open investment policy and an improved business environment	Deregulation of relevant regulations, e.g., liberalization of trading business for foreign investors and review of restrictions on joint ventures			
	Relaxation of export/ import licensing			
1-3 Formulation of industrial policies for investment promotion	Deduction of import tariffs on raw materials for import substitution production			
	Tax deductions for human resources development			
	Tax deductions for R&D activities			
	Regulations on fair competition			
2-1 Investment promotion using national branding	Provision of information on related regulations			
	Introduction of quality partners to investors			
	Provision of information on prospective buyers			
	Provision of information on global trends in relevant sectors and new products			
2-3 Establishment of clear application procedures and an organization for handling applications	Quick and simple import procedures for raw materials			
3-1 Improvement of infrastructure development planning for investment promotion	Development of logistics infrastructure such as ports, airports, dry ports and warehouses.			
3-2 Promotion of investment in industrial zones and	Development of industrial zones and SEZs			

SEZs				
3-3 Establishment of a PPP framework and promotion of PPP projects	Identification of key PPP infrastructure projects and promotion of the projects			
	Establish a PPP framework and implementation of capacity development			
	Facilitation of PPP project transactions			
4-1 Formulation of regulations for business-related systems	Establishment of industrial and safety standards			
	Strengthening of consumer protection			
	Regulation of intellectual property rights			
5-2 Capacity development of local industries	Technical assistance from research institutions and universities on productivity improvement and acquiring product standard approvals			
	Technical assistance on processing technology			
	Technical assistance from research institutions and universities on product development			
	Support for establishing and promoting brands			

Resource-based Industries

The aims of promoting these industries are higher value-added production and diversification of local resources, investment in supply chains, and creation of industrial clusters/ agglomerations.

Key measures specific to domestic market-oriented industries are as follows:

Policies and regulations

- Tax deductions for R&D and human resources development
- Clear registration of land rights and leases

Investment Promotion

- Support for export and branding

Infrastructure

- Promotion of investment in related infrastructure, especially for logistics and distribution hubs, and industrial zones.

Local industries and human resources

- Technical assistance for local industry development
- Technical assistance for industrial cluster formulation

Table App-4: Promotional Measures Specific to Resource-based Industries

Action	Promotional Measures	Short-term	Mid-term	Long-term
1-2 Determined Commitment to open investment policy and an improved business environment	Reduced requirements for export/ import licenses			
1-3 Formulation of industrial policies for investment promotion	Tax deductions for human resources development			
	Tax deductions for export marketing activities			
	Tax deductions for R&D activities			
2-1 Investment promotion using national branding	Provision of information on sectors and potential production locations			

	Provision of information on related regulations			
	Introduction of quality partners to existing investors			
	Introduction of quality suppliers and buyers to existing investors			
2-2 Diligent administration of investment-related regulations and strengthening of investor protection	Establishment of clear legal status and procedures for land rights and land leases			
2-3 Establishment of clear application procedures and an organization for handling applications	Smooth customs clearance			
2-4 Promotion of systematic investor support	Support for establishing branding			
	Export promotion support			
3-1 Improvement of infrastructure development planning for investment promotion	Development of transportation infrastructure and logistics sector			
	Construction of distribution hubs			
	Construction of specialized industrial zones (e.g. food-processing)			
	Construction of incubation centers for entrepreneurs, including fabrication laboratory			
5-2 Capacity development of local industries	Improvement/ establishment of testing laboratories to/ of an international standard			
	Technical assistance from research institutions and universities on productivity improvement and acquiring product standard approvals			
	Technical assistance on processing technology			
	Technical assistance on organization and management of industrial clusters			
	Technical assistance for joint research and marketing collaborations in industrial clusters			
	Establishment of business development services			
5-3 Establishment of entrepreneur support	Establishment of common facilities for industrial clusters			

Knowledge-intensive Industries

The aim of promoting these industries is quality investment in sectors such as ICT services, finance, healthcare, education and business support services. Sectors in this category relate directly to the total productivity of the Myanmar economy and the living standards of the Myanmar people.

Key measures specific to knowledge-intensive industries are as follows:

Policies and regulations

- Tax incentives for R&D activities
- Clarification of regulations and deregulation of knowledge-intensive service sectors

Infrastructure

- Development of ICT infrastructure and ICT science parks

Business-related systems

- Liberalization of financial sector
- Development of financing mechanism for business start-ups

Local industries and human resources

- Entrepreneur development
- Supply of skilled personnel

Table App-5: Promotional Measures Specific to Knowledge-intensive Industries

Action	Promotional Measures	Short-term	Mid-term	Long-term
1-2 Determined Commitment to open investment policy and an improved business environment	Clarification and relaxation of regulations on healthcare services	■		
	Clarification and relaxation of regulations on education services	■		
	Deregulation for new business opportunities	■		
1-3 Formulation of industrial policies for investment promotion	Tax incentives for investors on venture businesses		■	■
	Tax deductions for R&D activities		■	■
	Tax deductions for human resources development		■	■
	Introduction of tax incentives for investment in knowledge-intensive industries		■	■
2-1 Investment promotion using national branding	Provision of information on business opportunities	■	■	■
	Provision of information and consultation on related regulations	■	■	■
	Provision of information on- and introduction of- prospective partners	■	■	■
3-1 Improvement of infrastructure development planning for investment promotion	Development of ICT networks	■		
	Establishment of high-quality ICT science parks		■	■
4-1 Formulation of regulations for business-related systems	Regulation of intellectual property rights	■	■	■
	Regulation of consumer protection	■	■	■
4-2 Enhancement of the financial sector	Clarification of liberalization plan and incremental relaxation of licensing for financial businesses	■		
	Establishment of venture support funds		■	■
	Creation of venture capital		■	■
5-2 Capacity development of local industries	Technical assistance from research institutions and universities on technology acquisition to update technologies		■	■
	Technical assistance for entrepreneurs		■	■
	Upgrading of universities in terms of research, equipment and curricula.	■	■	■
	Promotion of collaboration between industries and universities	■	■	■
	Promotion of diffusion of ICT to the whole economy	■	■	■
	Support in establishing relevant associations for the development of industries	■		
	Support for establishing knowledge-intensive industrial clusters		■	■
5-3 Establishment of entrepreneur support	Establishment of incubation centers		■	■
5-4 Improvement of human resources development for industry	Supply of high quality personnel with high-tech skills		■	■
	Development of scientific human resources		■	■

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