

Investment Opportunities in Myanmar's Infrastructure in 2018

Overview

While Myanmar's economic growth is projected to sustain its momentum in the future, there is huge need for large-scale investment in infrastructure. In particular, infrastructure projects covering road, bridge and railway construction, housing, connectivity, electricity and water supply, healthcare, education and tourism, are of immediate need for Myanmar to sustain its economic growth.

Myanmar urgently needs to close its infrastructure gap, to further integrate with the world economy, and to collaborate with neighboring countries, in order to maximize its economic growth from the ASEAN Economic Community (AEC) and China's One-Belt-One-Road Initiative. The Asian Development Bank (ADB) stated that Myanmar's infrastructure gap from now to 2030 is worth US\$ 120 billion. Thus, the government is accelerating its implementation of infrastructure projects, particularly on roads, bridges, railways, ports, airports, energy and power, industrial parks, economic zones, and logistics. The government welcomes investors to invest in infrastructure improvement projects under the Build-Operate-Transfer (BOT) or other Public Private Partnership (PPP) agreement.

Roads

Infrastructure deficit is one of the main problems in Myanmar. According to the ADB, transport infrastructure is in need of US\$ 45-60 billion of investment over the next 15 years. If no actions are taken, this estimated amount is set to rise. At present, Myanmar's road network is only 20 percent paved road. Thus, there are vast investment opportunities to modernize Myanmar's road networks, to expand roads through elevated highways, and to improve access to cities via bridges. Moreover, under the government's Framework for Economic and Social Reforms, there are opportunities for the local private sector and foreign investors to develop connectivity between cities and rural areas, and to upgrade existing road infrastructure.

The government has indicated that immediate priority will be given to infrastructure projects to improve land connectivity and transportation links with regional economies. In this 2017 - 2018 fiscal year, the government of states and regions such as Yangon, Mandalay, Sagaing, Chin, Kayah, Shan and Rakhaine are mainly focused on improving road networks. According to U Myint Thaung, Yangon Region Minister for Planning and Finance, Yangon Region will use the budget for building new roads and repairing old ones in outskirt townships. Yangon Regional Government has allocated a budget of over K 424 billion for building and repairing roads in Yangon, and the addition K 47 billion is reserved for outskirt townships such as Hlegu, Htantabin, Tiekkyi, Hmawbi, Thonegwa, Thalyin and Twante Townships.

In addition, an advisory service agreement to design and implement the public-private partnership transaction on a 20.5 Kilometre elevated toll road project was signed between the International Finance Corporation and the Ministry of Construction on 11 January 2018. The

World Bank announced that this expressway project may require between \$350 million to \$400 million in private sector investment.

Ports

Given Myanmar's geostrategic location, the development of port facilities is another attractive investment opportunity for potential investors. The Myanmar Port Authority (MPA) under the Ministry of Transport and Communications operates ports. All the ports' activities are governed by the 2015 Myanmar Port Authority Law and the 2016 Myanmar Port Authority Rules, which outline the handling of international ports and port services in Myanmar. Myanmar currently has nine ports along the western and southeastern coast of the country, namely, Yangon, Sittwe, Kayukphyu, Thandwe, Tathein, Mawlamyine, Dawei, Myeik, and Kawthaung. Yangon port is handling 90 percent of cargo.

International cargo traffic has grown annually above 10 percent and the increasing liberalization of foreign direct investment (FDI) will further increase traffic at these ports. As a result, there will be investment opportunities in the development of port infrastructure in Myanmar for the private sector. Under the new Myanmar Investment Law, foreign investment in the construction of warehousing facilities at ports can be carried out in a joint venture with Myanmar nationals.

Railways

The railway sector in Myanmar is currently a monopoly operated by state-owned Myanma Railways. According to ADB's initial assessment of the railway sector, the rail network is in poor condition and investment in basic infrastructure, such as track renewal replacement of sleepers, and upgrading of signaling and communications systems, has been inadequate. The government's Framework for Economic and Social Reforms has committed to improve the quality of railroad sections that connect important economic centers in Myanmar, namely, the Yangon-Mandalay-Myitkyitna section, and the Bago-Mawlamyine section.

There is also growing demand to develop efficient transportation network in rural areas since 70 percent of Myanmar's population live in rural areas. Under the Myanmar Investment Law, foreign investment in railway construction can only be implemented through a joint venture with Myanmar nationals. Construction of underground railways also requires the satisfactory completion of an environmental and social impact study.

Airports

At present, Myanmar has a total of 69 airports, of which 32 are operational. There are three international airports in Yangon, Mandalay, and Nay Pyi Taw. Operation of airports is overseen by Myanmar's Department of Civil Aviation (DCA). The government plans to transform more domestic airports into international airports in order to handle the growing number of investors and tourists. The objectives of the National Air Transport Policy include plans to develop a Civil Aviation Master Plan with assistance from JICA.

Foreign investment is prohibited in air navigation services. However, foreigners are permitted to invest in domestic and international air transport services in a joint venture with Myanmar nationals. The construction and operation of airports, aviation training, aircraft repair and maintenance, air transport services, marketing air ticketing services, aircraft leasing, air cargo services, airline catering and fueling services, airport passenger services and airport hotels are permitted for foreign investors. To invest in these areas, foreign investors need approval from the Union Government, and need to obtain and follow the Ministry of Transport and Communications' terms and conditions.

At present, the Union Government plans to upgrade existing domestic airports to reach international standards, and to become international airports to further promote tourism. Tanintharyi Region has huge potential for investment in upgrading domestic airports into international airports. The regional government plans to upgrade Dawei, Myeik, and Kawthaung airports into international airports to accommodate international flights and increasing tourist arrivals. The Bangkok-based airline, New Gen Airways, is now operating direct flights between Myeik Airport and Don Mueang International Airport, Thailand. In addition, Tanintharyi Region also requires immigration facilities, including equipment and other necessities to facilitate tourists.

According to the Department of Civil Aviation (DCA), the government is preparing to upgrade three domestic airports: Kawthaung Airport in Tanintharyi Region, Heho Airport in Shan State, and Mawlamyine Airport in Mon State. Several companies are bidding to upgrade the airports. There are four companies bidding for the work at Kawthaung Airport, two companies for Mawlamyine Airport, and three companies for Heho Airport.

Energy and Power

There are significant investment opportunities for both foreign and domestic companies to invest in power generation, transmission and distribution. Myanmar faces a shortage of power supply to meet the demands of over 60 million people. However, the government can only provide electricity to 38 percent of households.

There are opportunities for foreign investment in hydropower and coal-powered plants, gas fields and oil sector in the country. Foreign investment in electricity production through hydropower and coal-fired power plants require approval from the Union Government, and can only be implemented through a joint venture with states or on a BOT basis. However, foreign investment is not allowed in electricity trading or inspection services in this sector.

Telecommunications

Myanmar's telecoms infrastructure is another area that is in need of development. According to the International Finance Corporation (IFC)'s calculations, another 10,000 additional towers are required to provide Myanmar with full coverage. Moreover, under the Framework for Economic and Social Reforms, the government is developing information and

communications technology (ICT) in Myanmar and strengthening industrial competitiveness by promoting ICT and related knowledge management.

The development of telecommunications remains a fundamental pillar in the evolution of Myanmar's economy, and supports the development of other sectors, particularly financial services. With more than US\$ 2.8 billion investment in just two years from countries such as Japan, Norway, and Qatar, the telecommunications sector is one of the leading sectors for foreign direct investment in Myanmar.

In brief, the development of sufficient and better infrastructure is an important requirement to be able to physically realize Myanmar's economic potential and sustain the country's economic growth. In order to implement the National Comprehensive Development Plan, the government has prioritized the development of infrastructure along major trade routes throughout the country to support Myanmar's integration into the supply chain of the Greater Mekong Sub-region (GMS) and the production network with Myanmar's western neighbours. Thus, foreign investors are welcome to invest in infrastructural improvement projects to reduce the infrastructure gap and boost Myanmar's economic growth.

Government agencies and private sector's contact details for further information:

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