



Summary of Kayah State Investment Opportunity Survey

Study Planned by



Study Conducted by



Objectives of the study

Research Objectives

1. To understand investment environment in Kayah State
2. To explore untapped opportunities for investment in Kayah State
3. To promote the explored investment opportunities in Kayah State in order to encourage the interest of potential investors from local and foreign countries to invest in Kayah State

Methodology

- Government officials and associations interviews- 54
- Business interviews- 49
- Survey area- Loikaw and Bawlakhe Districts

Socio-economy of Kayah State

Geography

- Area- 4,529 square miles
- Land- 2.9 Million Acre of land area and over 70% is covered with forests, wild land and only 6% cultivated land

Demography

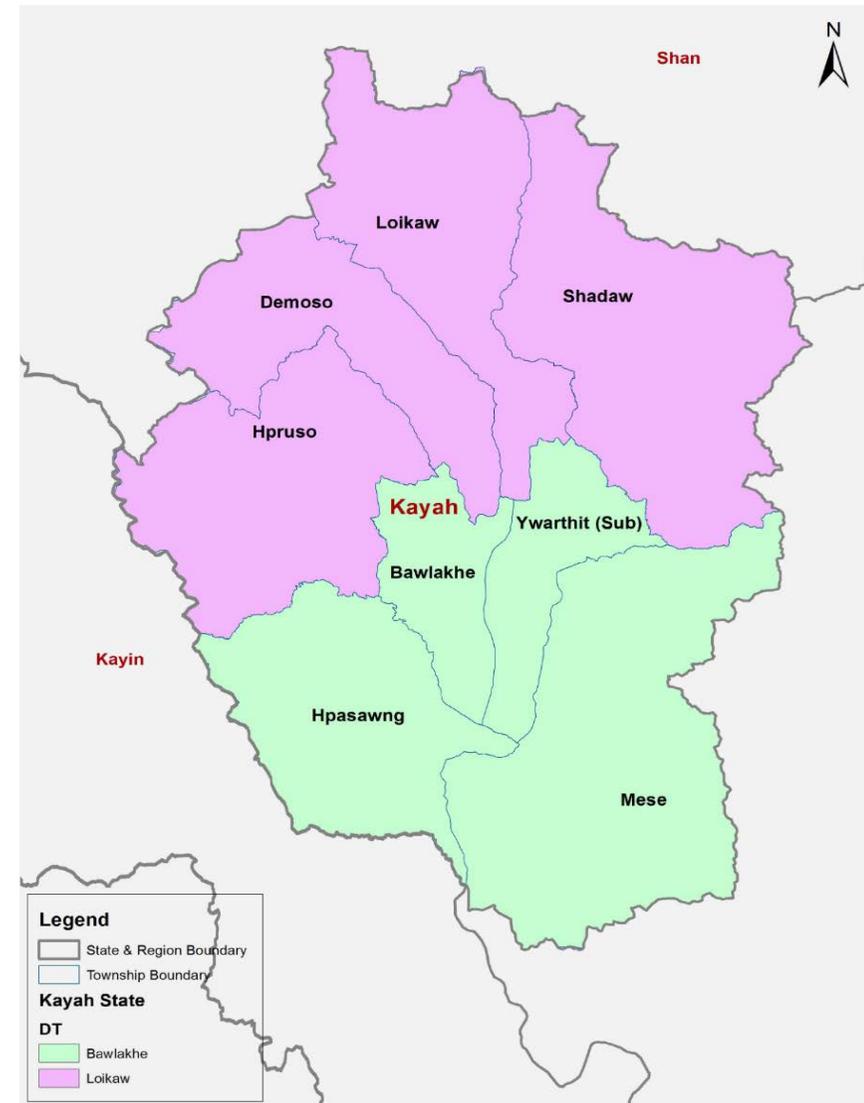
- 279,615 (0.6% of country population) (2016-17)
- Nationality- Kayah (60%), Bamar (15%), Shan (15%), Kayin (8%) and others (2%)

Economy

- GDP- MMK 284,157 million (0.36% of country GDP) (2016-17)
- Per capita GDP- MMK 934,727 (2016-17)
- Major Industries- Agriculture, minerals and mining, trading and logistics, livestock
- Key agricultural crops- Paddy, maize, groundnut and sesame

Administrative

- 2 districts with 7 townships.



Infrastructure Readiness

Electricity

- Electrical power demand is 20.35 MW and currently fully utilized
- Electricity is received from No (1), No (2) and No (3) Balu Chaung hydropower plants.
- All cities have access to electric power distribution from national grid. 89% out of 506 villages are electrified (*57 villages are not accessed to national grid*)
- Currently, electrical power is distributed to Loikaw industrial ward.
- **Easy to apply for electricity installation and enough electricity for all businesses that would come and invest in the state.**

Hotels and Tourism

- 18 hotels/guesthouses with 384 rooms plus 15 hotels with 466 rooms (under construction)
- Domestic visitors 33,492 and tourists arrivals 8,975 (2017)

Transportation

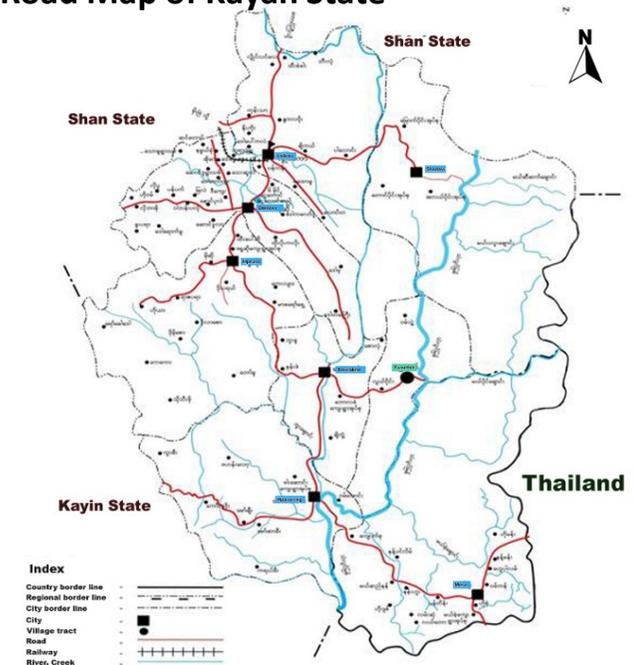
- Road 22 roads with 550 miles
- Only one flight a day at Loikaw Airport (Yangon-Loikaw-Yangon)
- Rail transport for Loikaw-Thazi route at Loikaw Railways Station

Telecommunication

- 14 post offices, 9 telegrams, 120,500 mobiles and 32,880 internet users (estimate)



Road Map of Kayah State



Business and Industries

Industries registered in Kayah State (till January 2018)

Sr.	Enterprise	Quantity	%
1	Large	28	5%
2	Medium	354	68%
3	Small	142	27%
	Total	524	100%

Source: Directorate of Industry, Supervision and Inspection

Mese Border Trade 2017-18

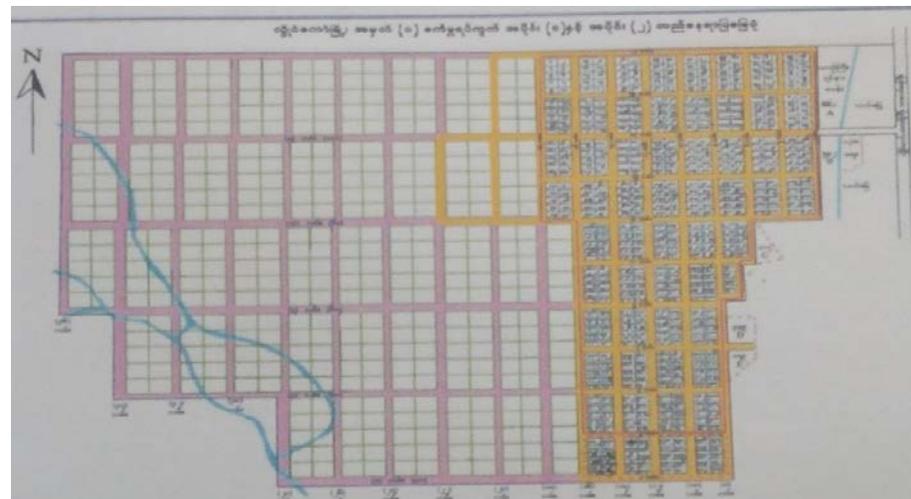
Mese border trade was opened in Oct 2016 at BP 13. Trade value is USD 1 mil a year. Major export items are maize, rice and sesame.

Investment in Kayah State that have been approved till March 2018

Sr.	Investment	Project	Value
1	Foreign	1	USD 2.43 million
2	Myanmar	3	MMK 181,201 million
3	Registered Companies in Kayah State	175	

Source: DICA

Industry Ward Layout in Loikaw



	Unit	Phase 1	Phase 2	Total
Area	Acre	269	548	817
No. of Plot	Plot	574 (100 ft x 100 ft)	415 (200 ft x 212 ft)	989
Occupied Business	Plot	86	-	86
Business in Operation	Plot	>30	-	>30
Available	Acre	-	548	548

Contact – Loikaw Industrial Ward Management Committee

- It is planned to build 64 factories, 7 shop houses, 1 hotel, 1 supermarket, 1 technology high school, 1 shopping mall and 1 health center in Phase 1 of the industrial ward in Loikaw.

Other Private Investments

Ongoing projects

1. 11-storey hotel project (Myanmar New Ray Co Ltd)
– Loikaw Township
2. Cement factory project – 4,000 tonnes (Asia Square Power Group Co Ltd) – Demoso Township
3. Hydropower plant project – 110 MW (Khin Maung Nyut Trading Co and TBEA Co Ltd from China) – Loikaw Township near border area of Shan State and Kayah State





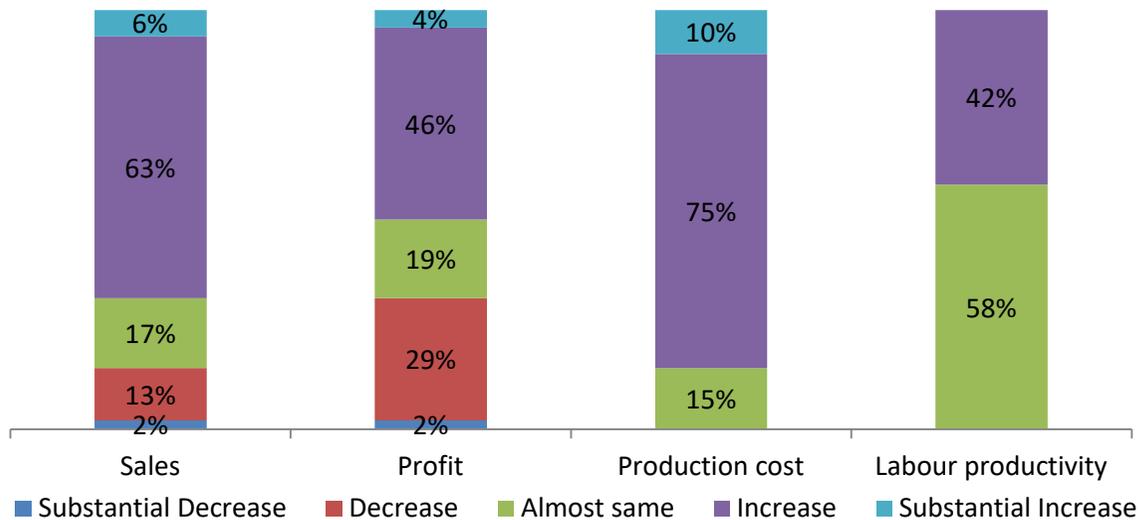
Myanmar Marketing Research & Development Co., Ltd

Summary Findings of the Kayah State Investment Opportunity Survey

Key findings of Business Interviews

- 1. Reasons to choose Kayah State for Business Establishment-** market demand, family business
- 2. Business Set up-** 6% said no obstacle, common difficulty for the other businesses were the scarcity of skilled labour and obtaining license and permits when set up

Comparison of Business Operation in 2016 and 2017



Base-49 firms

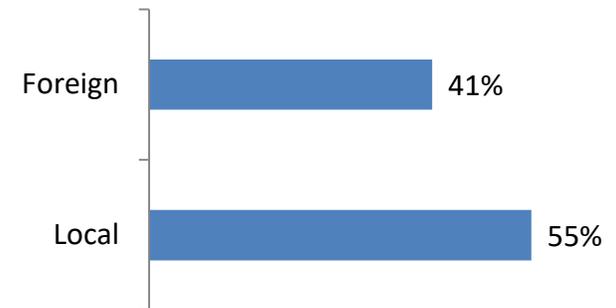
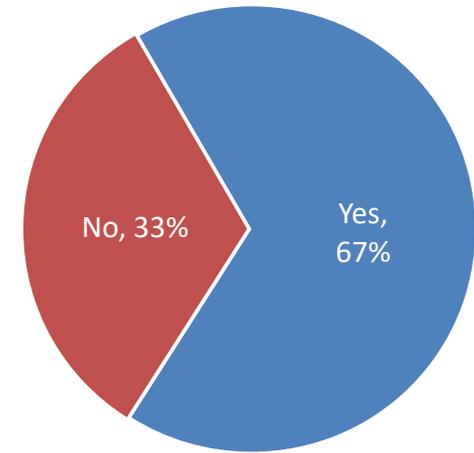
3. Business operation (Compared 2016 and 2017)

- 69% of the business increased in revenue
- Only 50% of the businesses enjoyed improvements in profits
- 85% of the businesses incurred higher production cost due to rise in raw material prices
- Labour productivity- 42% said increased and 58% answered same
- Unstable exchange rate (Kyat and Baht)
- Regulatory framework- fair
- Infrastructure- better than the previous years (electricity, telecommunication, transportation)

Key findings of Business Interviews (Cont.)

- 4. Labour-** Labour cost is higher especially for mining workers. (Minimum 5,000 MMK per day). Employers negotiate with workers for salary and mutually satisfied amount is defined to be the labour wages.
- 5. Wages-** Average wage is 190,000 MMK for semi-skilled worker, 200,000 MMK for staff and 300,000 MMK for supervisor. Managers make around 400,000 MMK and engineers make up to 540,000 MMK.
- 6. Local businesses' desire to cooperate with potential investors-** Interested businesses want to obtain capital, technology, machines and markets. Businesses with no interest are small enterprises.
- 7. Future Business Development-** Current business situation is quite slow but 70% expect to develop in next 3 years for key reasons (peace, active cooperation between government and businesses and improved infrastructure)
- 8. High potential investment sectors-** Agriculture and Agro-based sector, Hotel & Tourism sector and Mining.

Desire to work with potential investors



Potential Investment and Businesses in Kayah State

Agricultural and Agro-based Sector

- Rice (Ta Yoke Mway, Shwe Yin Aye (1,2)), Maize, Sesame (Cumin/Samon Net)
- Corn drying machine, sesame oil mill, animal feed factory

Tourism Sector

- Natural tourist attraction (caves, waterfalls, lakes, pagodas)
- Community Based Tourism (CBT), Eco-tourism, Trekking
- Cruise service in Balu Chaung, Shan-Kayah-Thandaung Gyi Tour, Loikaw-Mae Hong Son Tour
- Night market, restaurants and souvenir shops

Forestry Sector

- Manufacturing of wooden products and furniture
- Bamboo commercial production

Livestock Sector

- Cow, goat, pig, chicken

Electricity Sector

- Hydroelectric power production

Others

- Mineral extraction and purification
- Cement production
- Paper factory
- Border trade



Labour (Training, Skill Development and Capacity Building)

Issues

- Labour migration to Thailand
- New labours from other states/regions have lack or limited skills
- Difficulties of attending courses by some local youths and workers (e.g. education background limitations, etc.)

Current vocational training courses/campaign

No	Department	Courses
1	Department of Small Industry	<ul style="list-style-type: none"> • Basic bamboo handicraft courses, • Manufacturing of foodstuff and consumer goods courses, • Basic motorcycle repair courses, • Basic sewing courses (by machine), • Basic furniture making courses, • Traditional hand-woven courses • Textile experts training courses (1 year).
2	Directorate of Hotel and Tourism	<ul style="list-style-type: none"> • Hospitality services courses, • Basic tour guide courses (provide tour guide licenses /certificates after courses).
3	Department of Labour	<ul style="list-style-type: none"> • Labour educational campaigns at villages once a month .

Additional required courses

- Hospitality related courses
 - Courses for community-based tourism (CBT),
 - Languages training (English, Thailand, etc.),
 - Restaurant server training.
- Construction related courses
 - Craft masonry
 - Carpentry
 - Electricity installation
 - Plumbing
- Driving, vehicle repair and maintenance courses
- Mobile repairing courses
- Loom weaving training courses

Conclusion

The following priorities should be considered to improve investment environment; -

1. Improving regional peace and security
2. Freedom of travelling for foreigners in the local Kayah area by the state government,
3. Arrangement of land permits for the investors,
4. Holding educational programmes to persuade the local people for their positive perception on the investors,
5. Getting help of non-governmental organisations (NGOs) and community based organisations (CBOs) for these campaigns and events,
6. Quick implementation of official border trading according to the bilateral trade agreement between Myanmar and Thailand, to improve trade and tourism,
7. Providing the vocational training courses to increase number of skilled workers,
8. Facilitate business matching and supporting the needs of investors and local business partners
9. Continue investment promotion



Myanmar Marketing Research & Development Co., Ltd

Thank you for attention
