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Summary of Kayah State Investment Opportunity Survey

Study Planned by

MIC and JICA

Study Conducted by

MMRD



Objectives of the study

Research Objectives

1. To understand business and investment climate of Kayin State and its untapped opportunities for investment
2. To promote investment in Kayin State and realize untapped opportunities for the local and foreign investors
3. To enhance linkages between Kayin local business and foreign/domestic investors

Methodology

Government officials and associations interviews-63

Business interviews- 50

Survey area- Hpa-an, Kawkareik and Myawaddy Districts

Socio-economy of Kayin State

Geography

- Area- 30,383 sqm (12% of country area)
- Land- 7.5 Million Acre of land area and over 70% is covered with forests, wild land and only 15% cultivated land

Demography

- 1.5 million (2% of country population) (2016-17)
- Nationality- Kayin 60%, Bamar 16%, Mon 11%, Shan/Pao 8% and other 5%

Economy

- GDP – Kyat 1,139 billion (2% of country GDP) (2016-17)
- Per capita GDP Kyat one million (2016-17)
- Major Industries- Agri, trading & logistics, mining, livestock
- Key agricultural crops- (Paddy, rubber, Cardamom, coffee, tea, pepper and herbs)

Administrative

- 4 districts with 7 townships.



Infrastructure Readiness

Electricity-

- Electrical power demand is 92 megawatt but currently using only 64 megawatt.
- Electrified household- 31% out of 200,000 HH
- Only three cities have access to power distribuion from national grid.
- Electricity is received from 230 KV power distribution plant in Mawlamyine, Mon State. 230 KV transmission line is under construction from Mawlamyaing to Myawaddy, it will be able to distribute power to Myawaddy in 2019-20
- a coal powered plant project that has capacity to produce 1200 MW.
- Currently, electrical power is distributed to Hpa-An industrial zone.

Transportation- Road 43 roads with 971 miles, No air or rail transport

Telecommunication- 95 post offices, 5193 fixed phones , 552,691 mobiles and 468,000 internet users

Hotels and Tourism- 23 hotels /guesthouses, 841 rooms ,
Local visitors 775,000, tourists arrivals 156,000 (2016)

Myawaddy Sub-station (100 MVA)



Kawkareik- Myawaddy Road(EWEC, AH1)



Business and Industries

Industries registered in Kayin State

Sr	Enterprise	Quantity
1	Large	88
2	Medium	141
3	Small	760
	Total	989

Source: Directorate of Industry, Supervision and Inspection

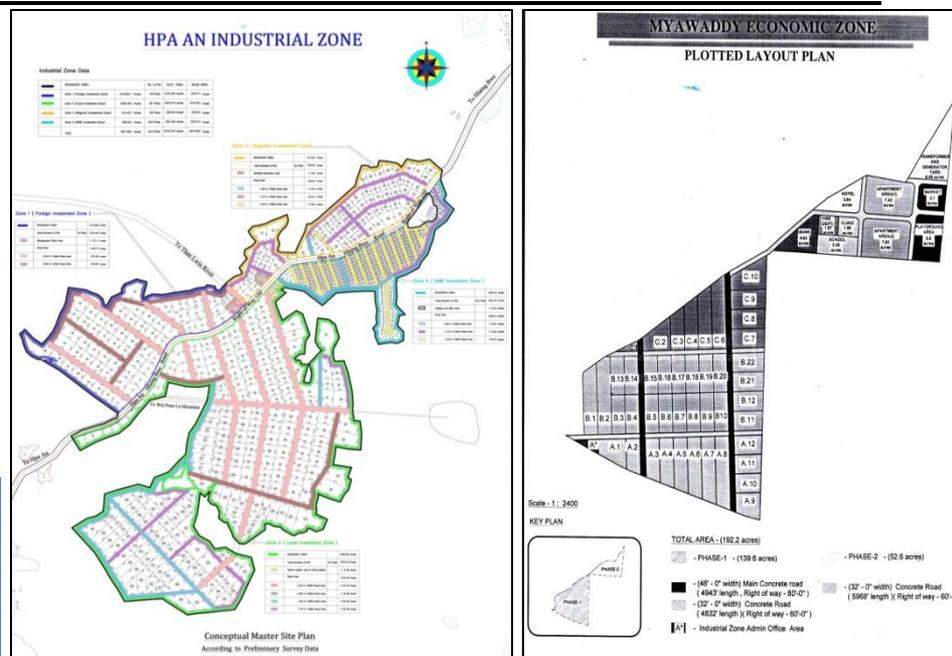
Industries in Industrial Zone

Sr	Location	Factory
1	Hpa-An Industrial Zone	27
2	Myawaddy Economic Zone	4
	Total	31

Investment in Kayin State

Sr.	Investment	Project	Value
1	Foreign	3	USD 223
2	Myanmar	9	Kyat 13,672

Source: DICA, Hpa-an



- Although 969 plots are planned in the Hpa-An Industrial Zone, Total of 27 businesses are registered but only 7 are operational.
- Land ownership has been increased to 30 years, which generated more interest to invest in the zone.
- Sufficient supply of electricity and water would be supportive
- In the Myawaddy Economic zone , APEX Rubber International Footwear factory is under operation and other 3 factories under construction.

Other Private Investments

Ongoing projects

- 1) Shwe Hpar Si Housing project (1) (UHM) Hpa-An Township (116 rooms)
- 2) Shwe Hpar Si Housing project (2) (UHM) Hpa-An Township (300 rooms)
- 3) Hpa-An City strand road development project (UHM)
- 4) Zwe Gabin Mountain cable car project (Myanmar Native Land Public Co., Ltd)
- 5) Hpa-An Industrial zone water supply system (Fultex)
- 6) Hpa Kat Jetty (4000 Ton Loading) (Kyaw Hwan Moe Co., Ltd)
- 7) Myawaddy Economic Zone (Nyi Naung Oo)





Summary Findings of the Kayin State Investment Opportunity Survey

Key findings of Business Interviews

1. **Reasons to choose Kayin State for Business Establishment-** market
2. **Business Set up-** 26% said no obstacle , 74% of businesses was insufficiency of finances and limited access to loan financing as there is no collateral property, Easy to obtain license and permits when set up
3. **Business operation (Compared 2015 and 2016)**
 - 49% of the business increased in revenue
 - Only 35% of the businesses enjoyed improvements in profits
 - 81% of the businesses incurred higher production cost due to rise in raw material prices
 - Labour productivity 50% said increased , 40% answered same and 10% decreased
 - Unstable exchange rate (Kyat and Baht)
 - Regulatory framework- fair
 - Infrastructure- better than last years (fuel, transportation, telecommunication)

Key findings of Business Interviews (Continued)

4. **Labour-** The labor cost is higher as it needs to be competitive to the rate given in the neighboring countries. (Minimum 5000 MMK/Day). There is difficulty to attract and retain labor due to migration as there are higher pay rates in the neighboring countries.
5. **Wages-** Average wage for semi-skilled workers is 150,000 MMK and for staff level it is around 280,000 MMK .Managers and Engineers make around 500,000 MMK on average
6. **Attractiveness of Investments-** 77% of the respondents have opinion that the existing investment incentives are not attractive to the investors. The incentives that are attractive include tax incentives, access land, access loan and infrastructure.
7. **Future Business Development-** Current situation of the respondents business is quite slow but 70% of them expect that there is good business prospects in the next 3 years for the following reasons (Peace, higher market demand, electricity supply and improve services)
8. **High potential investment sectors-** agriculture and agro-based sector, Hotel & Tourism sector and manufacturing.

Potential Investment and Businesses in Kayin State

Agricultural and Agro-based Sector

- Cardamom, Pepper, coffee, rubber, tea, agarwood, maize

Tourism Sector

- Natural tourist attraction (caves, waterfalls, pagodas)
- Tours (Package Tour _ From Myawaddy Border Gate to Kayin State and Mon State)

Manufacturing Sector

- CMP (garment, shoes and bags)
- Manufacturing companies targeting both export and domestic markets (e.g. parts & components suppliers).
- Rice Mills
- Rubber Mill

Electricity Sector

- Electrical Power generation

Livestock & Fishery Sector

- Prawns, Fish, cows, goat, pigs

Others

- Mineral extraction and purification
- Animal feed production

Conclusion

- 1) Kayin State enjoys fruits of peace and stability
- 2) Current Investment environment in Kayin State is fair and it is to be improved with investment incentives
- 3) Investment opportunities will be created in new sectors other than agri, tourism and manufacturing
- 4) Improvement of the services provided by the government departments and infrastructure development are the essential to attract investment
- 5) Detail findings will be in Kayin State Investment Opportunity Survey Reports in English and Myanmar in DICA Websites.



Thank you for attention
