

Doing Business in Yangon 2018





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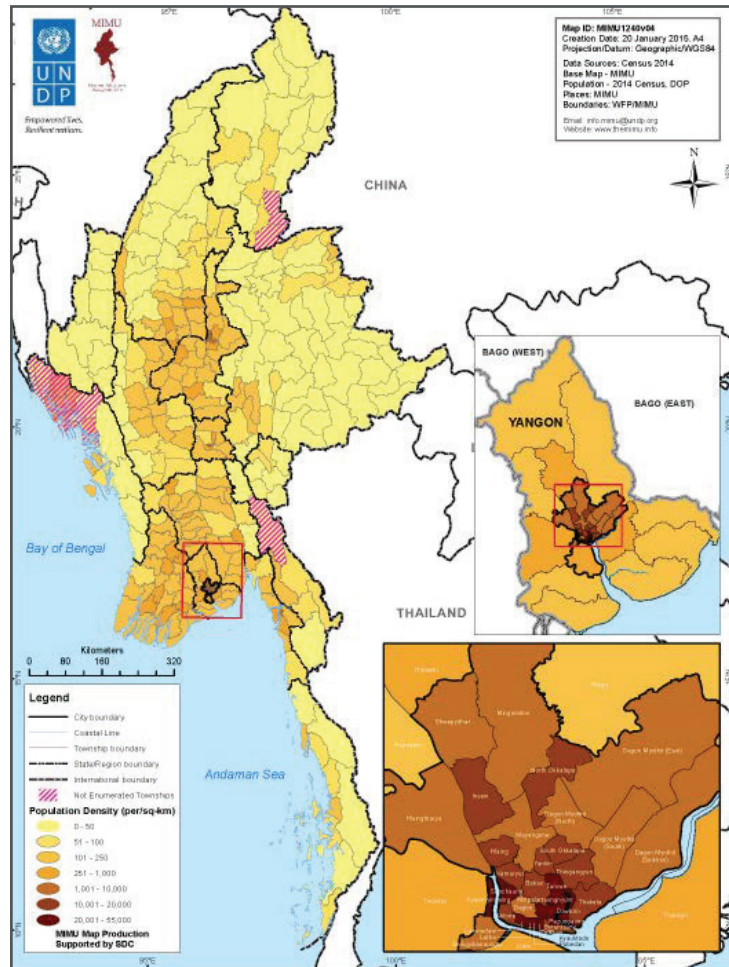
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1. Preface

Myanmar, since the start of its political and economic reforms in 2011, has been one of the fastest growing economies in the world, with Gross Domestic Product (GDP) growth at an average of 7.3% each year. Yangon, the country's economic centre and former capital, is the primary driver of its economic growth, accounting for 23% of the country's GDP and growing at an average of 9.2% per year over the same period.

Yangon is currently home to over seven million people. This largely young and relatively well educated population and labour force is expected to grow to 10 million by 2030.

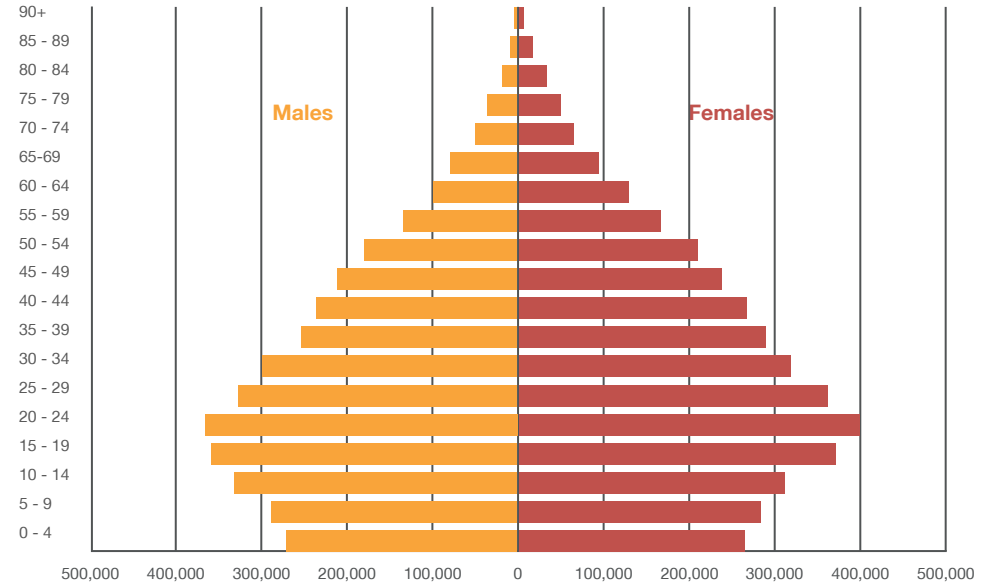
Figure 1: Myanmar population density map



Source: Myanmar Information Management Unit (MIMU)

Figure 2: Yangon region population

Population Pyramid, Yangon Region, 2014



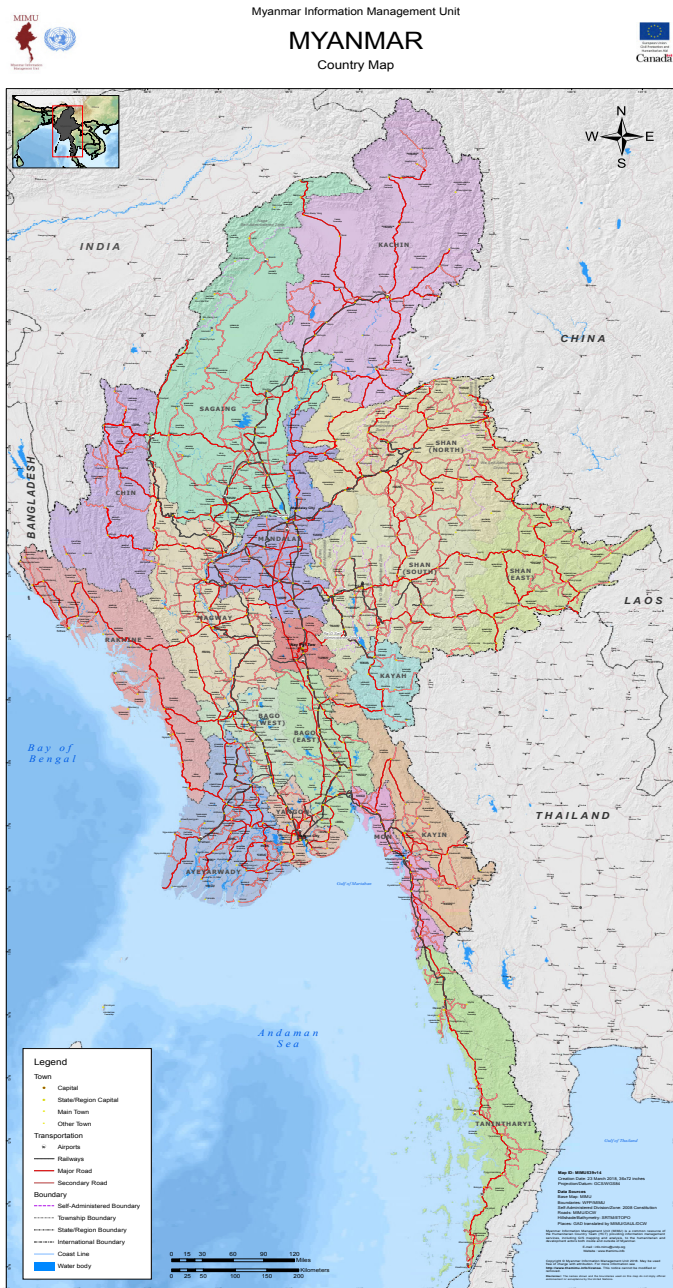
Source: Census 2014

Yangon serves as the country's financial centre. It is where the headquarters of all of the country's major banks and financial institutions as well as the newly established stock exchange are located.

Yangon is also a trade and logistics hub for the country. It lies at the crossroads for internal as well as external connectivity. It is home to the country's main air and sea ports, linked by road and rail networks which make it the main nexus of trade for produce and goods from across the country, as well as the main ingress point for its imports, accounting for close to 85% of the country's trade.



Figure 3: Myanmar's inner connectivity



Source: Myanmar Information Management Unit (MIMU)

Under plans envisaged for the Greater Mekong Subregion, Yangon is a vital link for road networks that connect Southeast Asia, China, and South Asia.

Reflecting these circumstances, Yangon is the locus of major infrastructure and logistics initiatives, including Thilawa, the country's largest Special Economic Zone (SEZ).

Figure 4: Myanmar's external connectivity



Source: PwC

Myanmar's recent political and economic reforms have opened up the economy to the world. As its financial and commercial centre, Yangon is a magnet for investors and is poised to grow across many sectors. Much has been written in recent years on doing business in Myanmar, but few focused on Yangon.

The purpose of this guide is to arm readers with an overview of the information they may need for doing business in Yangon, and provide our insights on opportunities in certain key sectors. Should you require more information, please do not hesitate to contact the PwC personnel listed at the end of this booklet.

2. Overview of Yangon region

2.1 Basic facts on Yangon in relation to country average

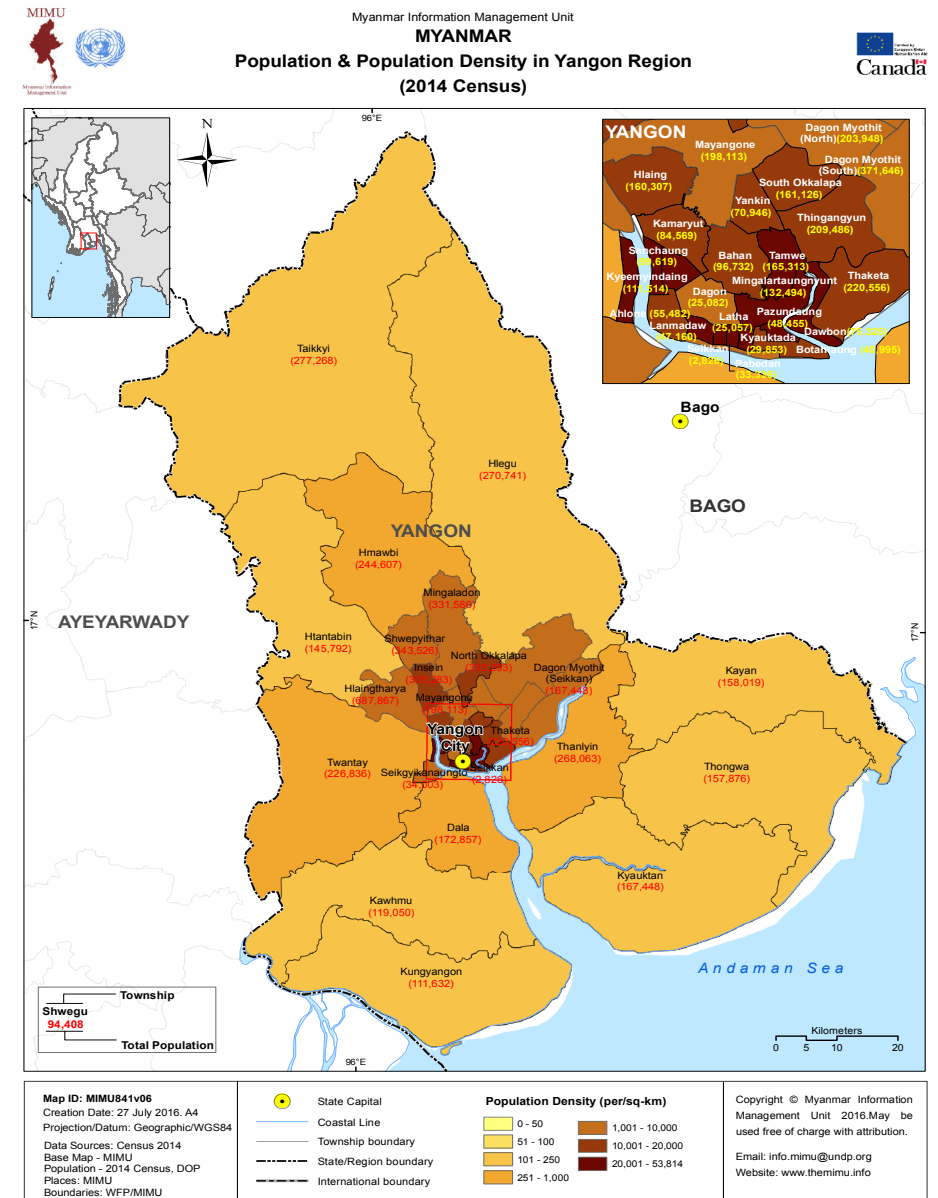
| Category | Union | Yangon |
|---|--|--|
| Size (km ²)* | 656,577 | 10,277 |
| Total Population* | 51.5 million | 7.4 million |
| Population Density (per km ²)* | 76 | 716 |
| Population Male* | 24,824,586 (48.2%) | 3,516,403 (47.8%) |
| Population Female* | 26,661,667 (51.8%) | 3,844,300 (52.2%) |
| Urban Population* | 14,877,943 (29.6%) | 5,160,512 (70.1%) |
| Percentage of Urban Household Ownership* | 66.0 | 56.7 |
| Percentage of Population by Age Group* | Economically productive (15 – 64 years): 65.6% Elderly population (65+ years): 5.8% | Economically productive (15 – 64 years): 70.9% Elderly population (65+ years): 5.6% |
| Employment to Population Ratio (15-64) as of 2015 (%) | 64.2 | 58.2 |
| Number of Townships/ Sub-Townships* | 413 | 46 |
| GDP (in USD billion, as of FY 2016/17)** | 58.5 | 10.7 |
| GDP per Capita (in USD, as of FY 2015/16)** | 1,350.5 | 2,103.5 |
| Annual GDP Growth Rate, as of FY 2016/17 | 5.9% | 8.5% |
| Consumer Price Index (%) as of FY 2016/17** | 6.8 | 5.1 |
| Number of Bank Branches*** as of 2016 | 1,890 with 3.8 branches per 100,000 people | 471 with 6.4 branches per 100,000 people |
| Number of Beds in Public Hospitals** | 46,060 with 89.4 beds per 100,000 people | 10,478 with 141.6 beds per 100,000 people |
| Number of Beds in Private Hospitals** | 9,198 with 17.9 beds per 100,000 people | 3,632 with 49.1 beds per 100,000 people |
| Number of Private Clinics** | 3,759 with 7.2 clinics per 100,000 people | 1,165 with 15.7 clinics per 100,000 people |
| Adult Literacy Rate* | 89.5% | 96.6% |

*Overview of the Results of the 2014 Population and Housing Census, Myanmar, December 2017

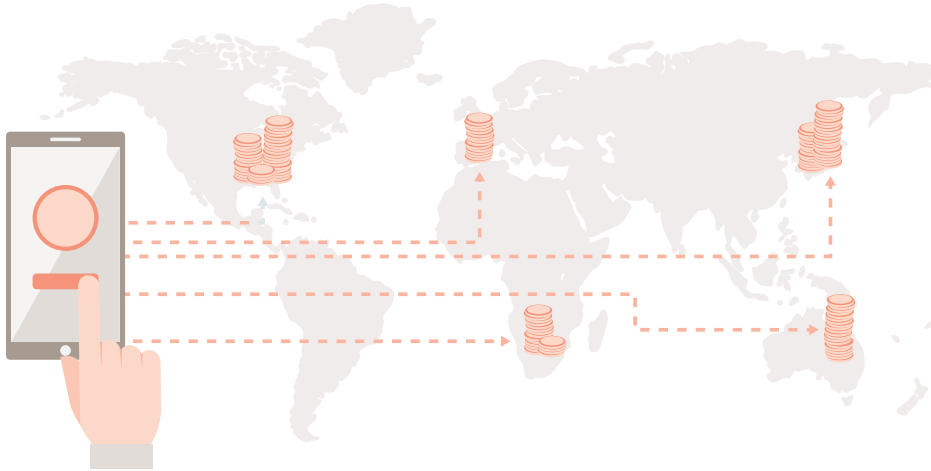
** Myanmar Statistical Yearbook 2017

*** GIZ 2016

Figure 5: Townships in the Yangon region



Source: Myanmar information Management Unit (MIMU)

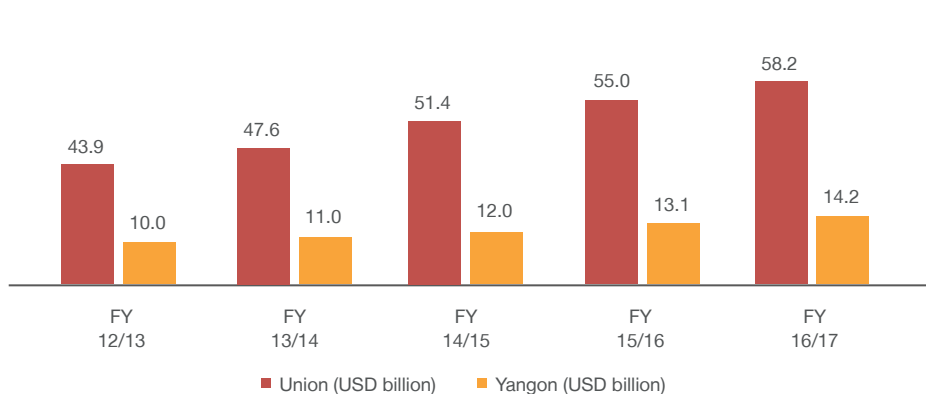


2.2 The Economy

Gross Domestic Product (GDP)

Yangon's GDP grew at between 10% and 8.5% over the past five years, an average of 9.2%. It accounts for about 23% of the country's GDP. Myanmar's GDP grew between 8.4% and 5.9% over the same period, an average of 7.3%.

Figure 6: Myanmar and Yangon Region GDP (USD Billion)



*Exchange rate based on FY2014/15, International Monetary Fund (IMF) and Central Bank of Myanmar (CBM)

Source: Yangon Regional Government (YRG), Myanmar Statistical Yearbook 2017

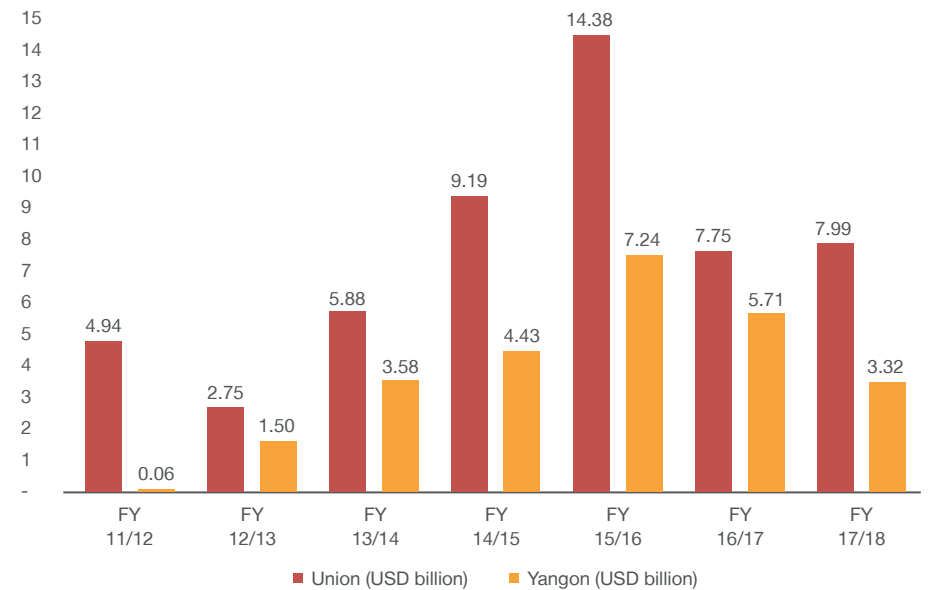
Total investment approvals

The country has merged its Foreign Investment Law and its Citizen Investment Law into a single Myanmar Investment Law to provide a level playing field for both foreign and domestic investors.

According to the Directorate of Investment and Company Administration (DICA), a significant proportion of the country's foreign and local investments has gone into Yangon. Over the past six years, total investments into Yangon was USD 25.84 billions, accounting for almost half the total approved investments of USD 52.88 billion in the country.

The total investment experienced a slowdown in the past two years in part due to the transition period following elections in 2016.

Figure 7: Total Investment Approvals in Myanmar and Yangon (USD billion)



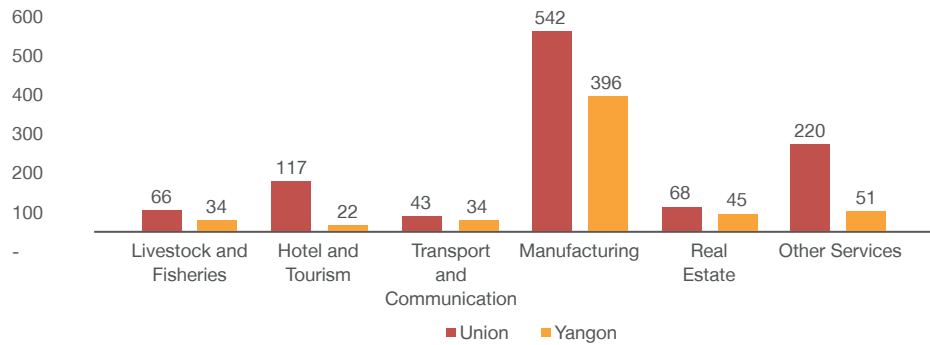
Source: DICA

Number of Existing Enterprises

According to Myanmar Investment Commission (MIC), there are a total of 2,233 enterprises in the country under the Myanmar Investment Law (MIL), of which 64% are in Yangon. Foreign enterprises comprise 53% of all enterprises in the country and 59% of those in Yangon.

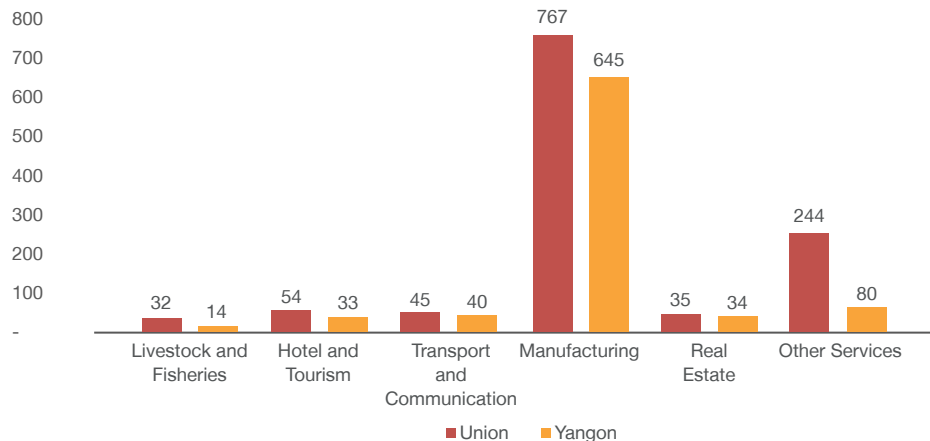
Manufacturing is the dominant sector for both foreign and local enterprises. It accounts for 73% of total enterprises in Yangon, including 76% of its foreign enterprises and 68% of its local enterprises. Countrywide, the percentages are lower – 59% of all enterprises are in manufacturing, including 65% of its foreign enterprises and 51% of its local enterprises. Of the manufacturing enterprises, 80% of them are in Yangon, including 84% of foreign manufacturing and 73% of local manufacturing enterprises.

Figure 8: Myanmar Citizen Investment of Existing Enterprises as of 31 March 2018



Source: YRG

Figure 9: Foreign Investment of Existing Enterprises as of 31 March 2018



Source: YRG



2.3 Yangon Regional Government (“YRG”)

According to the 2008 Constitution, the region government is formed by a partially elected Parliament and led by a Chief Minister supported by a cabinet of region ministers and region judicial institutions. The cabinet is made up of the Chief Minister, Ministers and State Advocate.

The Regional Hluttaw is formed by two elected members per township, representatives for “national races” and the appointed military representatives which comprise one quarter of the Hluttaw. The President appoints the Chief Minister from amongst the elected or unelected Hluttaw members, which is subject to confirmation by the Hluttaw. The Chief Minister selects the civilian ministers from among Hluttaw representatives or other candidates, and these are assigned portfolios by the President.

The Yangon Region Hluttaw is the legislature of Yangon Region consisting of 123 members of parliament (88 MPs form the National League for Democracy (NLD), 31 representatives from the Military, 3 MPs from the Union Solidarity and Development Party (USDP) and 1 MP from Arakan National Party (ANP)). Since February 2016, the Hluttaw has been led by speaker U Tin Maung Tun of the NLD. In 2013, the Yangon Region Hluttaw adopted the 2013 Yangon City Municipal Law, which holds the Yangon City Development Committee (YCDC) and the Yangon City Mayor accountable to the legislature, including its budgetary power.

The YRG is led by Chief Minister, U Phyo Min Thein and 10 regional ministers. U Phyo Min Thein was elected to a parliamentary seat in the Yangon Region Parliament from Hlegu Township Constituency No. 2 in the 2015 general election and appointed as Chief Minister for the Yangon Region on 30 March 2016.

Figure 10: YRG Organisational Structure

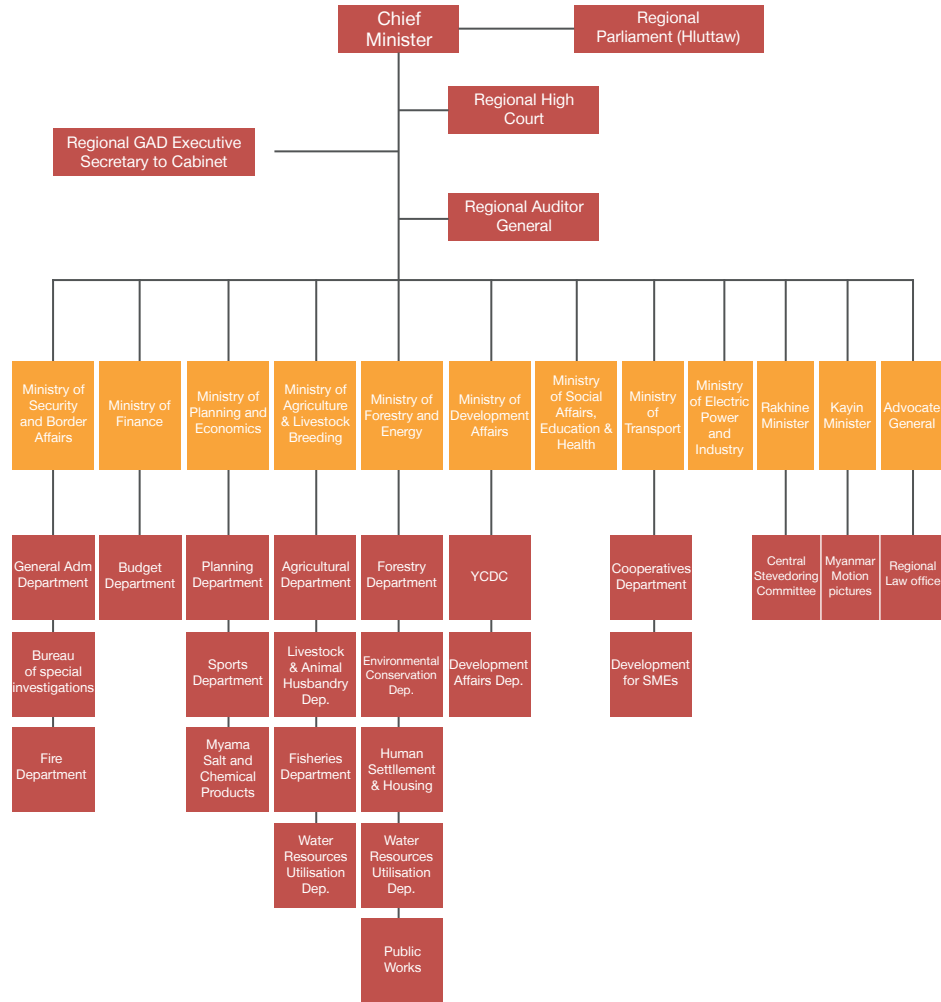


Table 1: YRG Cabinet

| | Name | Portfolio |
|----|---------------------|---|
| 1 | U Phyo Min Thein | Chief Minister |
| 2 | U Maung Maung Soe | Mayor/Minister of Municipal Affairs |
| 3 | Col. Aung Soe Moe | Minister of Security and Border Affairs |
| 4 | U Myint Thaug | Minister of Planning and Finance |
| 5 | U Han Tun | Minister of Agriculture, Livestock, Forest and Energy |
| 6 | Daw Nilar Kyaw | Minister of Electricity, Industry, Road and Communication |
| 7 | U Naing Ngan Lin | Minister of Social Affairs |
| 8 | Naw Pan Thinzar Myo | Minister of Kayin Ethnic Affairs |
| 9 | U Zaw Aye Maung | Minister of Rakhine Ethnic Affairs |
| 10 | U Han Htoo | Region Advocate |
| 11 | Daw Khin Than Hla | Region Auditor |

Source: YRG website

2.4 Yangon City Development Committee (YCDC)

Since 5 April 2016, YCDC has been led by the Yangon Mayor, U Maung Maung Soe and it is the administrative body of Yangon, covering the 33 townships of Yangon. YCDC is mainly responsible for city planning, land administration, regulation of construction sites, and the construction and maintenance of public spaces, utilities and infrastructure. Under YCDC, there are 20 departments and 4 income-generating enterprises.

The YRG and Japan International Cooperation Agency (JICA) had jointly prepared the city's future vision and strategic urban development master plan (Yangon 2040 Master Plan) in 2013 to present a comprehensive medium and long-term development vision for Greater Yangon by 2040. The target area is Greater Yangon (including Yangon City, 784 km²) and parts of the six periphery townships of

Kyauktan, Thanlyin, Hlegu, Hmawbi, Htantabin, and Twantay, which have a total area of approximately 1,500 km².

On 2 February 2018, the Yangon Mayor submitted the draft YCDC law to the Yangon Regional Parliament. The law is intended to replace the existing 1922 City of Rangoon Municipal Act and supplement the 2013 YCDC Law. It was drafted at the request of State Counsellor Daw Aung San Suu Kyi in late 2016. The draft YCDC Law was prepared by YCDC in collaboration with 31 government-appointment experts and 9 members of parliaments (MPs). The draft law covers 32 sectors and has 398 sections regarding the development of Yangon. The 20 existing departments under YCDC are expected to be reformed into 7 authorities as part of the draft law.¹

Along with the implementation of the new law, it was reported recently that YCDC and some of the country's most prominent companies met to explore corporatisation of some of its entities.

¹ "Draft Municipal Law for Yangon Draws Fire from Lawmakers, Urban Planners", *The Irrawaddy*, 14 Feb 2017

3. Doing Business in Yangon

3.1 Business setup

Regulations

The two fundamental pieces of legislation that govern company registration in Myanmar are the Myanmar Companies Act of 1914 (a new Companies Law was signed by the Union President in December 2017 and expected to come into force in August 2018) and the Special Company Act of 1950.

Companies are registered by the Directorate of Investment and Company Administration (DICA) which is the Myanmar Investment Commission (MIC) secretariat. MIC, chaired by the Union Minister of Ministry of Planning and Finance, is a government-appointed body responsible for verifying and approving investment proposals and regularly issues notifications about sector-specific developments.

In accordance with the Myanmar Companies Law 2017, a company can be registered into one of the following forms:

- Company limited by shares
- Company limited by guarantee
- Unlimited company
- Business associations
- Other corporations entitled under other applicable laws (eg Special Company Act 1950)

Investments in the Yangon may require approval from regulatory bodies including YRG, YCDC, MIC, Ministry of Environmental Conservation and Forestry (MOECAF), Union Attorney General Office and ministries regarding to proposed investments.

Depending on the nature of the project, approvals may include: construction permit from the YCDC, MIC permit/endorsement, Environmental Impact Assessment (EIA) from MOECAF, and Recommendation for Land Lease Agreements and Recommendation for Joint Venture Agreement from the Union Attorney General Office.

Process

Further to existing one-stop services, DICA is currently implementing a new electronic company registry system, known as Myanmar Companies Online (MYCO) which will be launched on 1 August 2018 to coincide with the commencement of the Myanmar Company Law 2017.

There are 8 Category-A application forms as follows and the draft forms are available on DICA website.

Table 2: Types of Category-A application forms to set up a business in Yangon

| Name | Portfolio |
|----------|--|
| Form A-1 | Application for incorporation as a private company limited by shares |
| Form A-2 | Application for incorporation as a public company limited by shares |
| Form A-3 | Application for incorporation as a company limited by guarantee |
| Form A-4 | Application for incorporation as an unlimited company |
| Form A-5 | Application for registration by association as a company limited by guarantee |
| Form A-6 | Application for registration as a private company limited by shares under the Special Company Act 1950 |
| Form A-7 | Application for registration as a public company limited by shares under the Special Company Act 1950 |
| Form A-8 | Application for registration as an overseas corporation |

Source: DICA





3.2 Regulatory

Myanmar Companies Law

The President of the Union of Myanmar signed the Myanmar Companies Law (“the new company law”) on 6 December 2017. This new law will replace the existing Companies Act that has been in use since 1914. The details of the implementation will be further announced via notifications, and expected to be in force in late-2018.

The new law encompasses a wide range of regulations which provides new opportunities for local and foreign companies including shareholding authorities, reduction of share capital, and share transactions.

The law streamlines company management and administration, strengthens governance and enforcement, and makes firms more competitive. It will make it easier for Myanmar public companies to attract new investment technology and expertise by permitting foreign investors to own shares.

The new definition allows foreign investors to take a minority stake in companies incorporated in Myanmar to access business activities that were previously restricted to Myanmar nationals only and thereby indirectly helping to create foreign interest in companies listed on the Yangon Stock Exchange (YSX).

Myanmar Investment Law

By combining the Myanmar Foreign Investment Law 2012 with the Myanmar Citizens Investment Law 2013, the new Myanmar Investment Law 2016 (“MIL”) came into effect in October 2016 to foster a transparent investment environment and fulfil the requirements for local and international investments.

Further to the enactment of MIL, which lays down the legal framework and core principles of the investment regime, the more detailed Myanmar Investment Rules 2017 (“Rules”) was announced on 31 March 2017 followed by the MIC Notification 13/2017 on Classification of Promoted Sector on 1 April 2017.

The Rules and Notifications provide further information about the types of promoted investments, investment assessment criteria and process, tax investment applications and land rights authorisation applications.

Tax regime

On the taxation front, the 2018 Myanmar Union Tax Law (an update of the 2017 Union Tax law) was approved on 20 March 2018 without a tax amnesty clause which is to be drafted separately

Corporate Income Tax

Companies formed and registered under the Myanmar Companies Act 1914 or the Special Company Act 1950, including businesses that have obtained the permit of MIC are subject to an income tax rate of 25%. Tax holidays are available to companies operating with the MIC permits. Companies listed on the YSX are taxed at 20%.

Commercial Tax

Commercial tax, at rates ranging from 0% to 8%, is levied as a turnover tax on goods and services. Generally, commercial tax is imposed at the rate of 5% on a wide range of specified goods and services produced or rendered within the country, and on imported goods. All products and services are subject to 5% commercial tax except for 86 products and 30 services that are specifically exempt from commercial tax. Commercial tax is zero-rated on all exports, except for electricity (8%) and crude oil (5%). Companies registered under the MIC/SEZ may, at the discretion of the MIC/SEZ Committee, be granted exemption from commercial tax during certain stipulated periods.



Specific Goods Tax

With effect from 1 April 2016, the Specific Goods Tax Law was introduced to replace commercial tax on a list of specific goods that are imported into Myanmar, manufactured in Myanmar, or exported to a foreign country. There are 17 specialist goods with tax rates from 5% to 80%. Under the Specific Goods Tax Law, only a manufacturer or exporter of specific goods can claim and offset the specific goods tax incurred on purchase of raw materials/semi-finished goods against the specific goods tax charged on sale of specific goods. On top of specific goods tax, a commercial tax of 5% will also be imposed. Specific goods tax is exempt on all exports, except for the following in Table 3.

Table 3: Specific goods tax on exports

| No | Description of goods | Tax rate (%) |
|----|---|--------------|
| 1 | Natural gas | 8% |
| 2 | Wood logs and wood cuttings | 10% |
| 3 | Raw jade | 15% |
| 4 | Raw rubies, sapphires, diamonds, emeralds and other precious gems | 10% |
| 5 | Polished jade, rubies, sapphires, diamonds and emeralds and other precious gems and jewellery studded with polished jade, rubies, sapphires, diamonds, emeralds and other precious gems | 5% |

Personal Income Tax for Foreigners

Resident and non-resident foreigners' salaries are taxed at the same progressive rate of 0 to 25%, with the only restriction for non-resident foreigners being their ineligibility to claim tax reliefs. A foreigner staying in Myanmar for 183 days or more during an income year is considered a resident.

Tax reliefs applicable to resident foreigners:

- Basic relief (20% of the total salary income), but limited to MMK 10,000,000
- Spouse relief of MMK 1,000,000 (limited to 1 spouse)
- Child relief of MMK 500,000 (per child)
- Premium paid for life insurance by the employee and his or her spouse
- All contributions to social security funds

Special Economic Zones (SEZs) Tax Incentive

Investments in the SEZ shall be applicable under the Myanmar Special Economic Zone Law 2014. Primary attractions of the SEZs include incentives such as a five to seven years corporate tax holiday depending on the zone, 50% relief on income tax for the second five years and investors can lease land up to 75 years, i.e. 50 years plus 25 years extension.

Double Taxation Agreements

The Income Tax Law (ITL) provides that if the government enters into an agreement with any foreign or international organisation relating to income tax, and if the agreement is notified, the terms of the said agreement will be followed notwithstanding anything to the contrary contained in any other provisions of the ITL.

Tax treaties have been concluded with India, Indonesia, Malaysia, Singapore, Republic of Korea, Thailand, United Kingdom, Vietnam, Laos and Bangladesh. The tax treaties with Indonesia and Bangladesh have yet to be ratified.

3.3 Human Resources

Labour Law/ Employment act

The existing Labour Laws in Myanmar include: Workmen's Compensation Act (1923), Factories Act (1951), Leave and Holidays Act (1951), Employment Restriction Act (1959), Labour Organization Law (2011), Settlement of Labour Dispute Law (2012), Social Security Law (2012), Employment and Skill Development Law (2013), Minimum Wages Law (2013), Payment of Wages Law (2016), Shops and Establishments Law (2016), Oilfields (Labour and Welfare) Act (1951), Income Tax Law (1974) as amended by Union Tax Law 2016.

These laws govern labour-related matters and deal with subjects such as holidays, working hours, leave of absence, wages, overtime, social welfare, woman and child labour, compensation and work rules.

When appointing personnel in an organisation formed under a permit or endorsement issued by the MIC, preference is given to citizens.

Under the MIL, investors shall appoint only Myanmar citizens for unskilled labour. For the skilled citizen workers and technicians, the foreign investors must enter into an employment contract within 30 days of appointment in accordance with the Ministry of Labour, Employment and Social Security.

Labour costs

In March 2018, the government set a new daily minimum wage at MMK 4,800 per day for eight working hours per day which is applicable to enterprises across all sectors and industries but small businesses with less than 10 employees are excluded. The previous rate is MMK 3,600 set in 2015. Although there has been an increase, the minimum wage rate is still the lowest in Southeast Asia. According to the National Wages and Productivity Commission in Manila 2018, Myanmar's monthly minimum wages were estimated at around USD 80.28 per month which less than the monthly wage of USD 110.34 in Laos, USD 140 in Cambodia and USD 147.47 in Vietnam.²



According to DICA, the current effective minimum wage in Yangon is approx. MMK 5,000 per day.

²“Government sets new daily minimum wage at K4800, Myanmar Times, 06 March 2018

3.4 Operation Cost in Yangon

Cost of Industrial Land

Yangon, the logistics hub of Myanmar with roughly 85% of the imports and exports flowing through its various seaports, has about 53% of the total number of industrial estates in the country. Most of the industrial lands in Yangon are sold, many remain vacant after being left underdeveloped without any facilities or with modest temporary structures. In most cases, the bidding price of industrial land in Yangon should be treated with scepticism where rates are unrealistically high due to speculation.

The Thilawa Special Economic Zone, with its high-standard infrastructure and facility provisions as well as its relatively reasonable land price compared to other industrial estate in Yangon, has seen an influx of investment into the zone.

The Yangon Industrial Park and neighbouring Mingalardon Industrial Park are regarded as good locations for logistics due to their proximity to the airport.

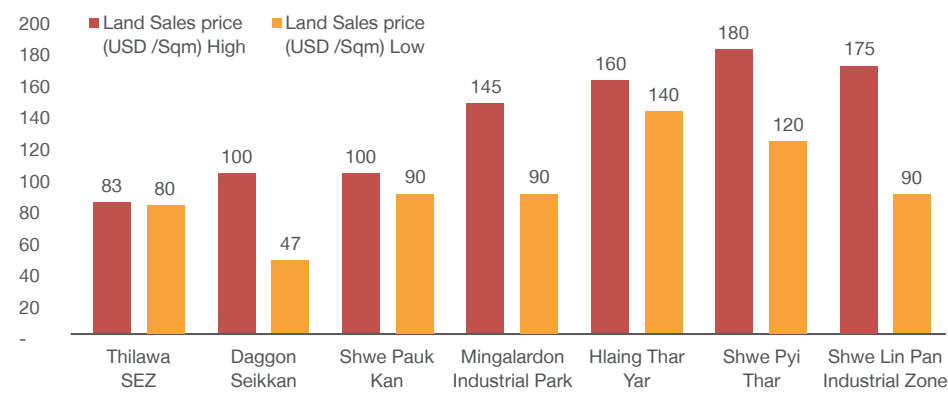
From the recent figures, the increasing number of private industries and manufacturing Foreign Direct Investment (FDI) implies positive demand for future development with high quality infrastructure.

The recent announcement by the YRG to start 11 new projects may be an indication of the increasing trend of moving industrial estates to less developed areas further away from the city centre such as Thongwa, Thanlyin, Kungyangon, Kawhmu and Twantay.

In 2017, some international real estate firms such as CBRE, Colliers and Cushman & Wakefield reported that the average industrial land rental price per month were USD 0.47/sq ft in Thailand, USD 0.57/sq ft in Indonesia and USD 0.26/sq ft in Cambodia. Meanwhile, Yangon had monthly rental prices ranging from USD 0.17–0.26 /sq ft/month in Hlaingtharyar and USD 0.13 sq ft/month in Thilawa in 2017, according to DICA.

Alongside, the average sale price in Thailand was USD 9/sq ft and USD 18.20/sq ft in Indonesia, whilst the Thilawa SEZ offers around USD7/sq ft. In comparison with the of industrial land prices with neighbouring peers, Myanmar offers a reasonable land price.

Figure 11: Asking price for Industrial land prices in Yangon (USD/sqm)



Source: Colliers International

Cost of hotel room rates

According to the Ministry of Hotels and Tourism, Yangon has over 360 hotels, motels and inns providing 18,200 rooms of which around 4,500 units are upper scale hotels. Colliers International reported that the average daily rate of upper scale hotels was USD 112 at the end of 2017, a decline from USD 150 in 2015. Rates are expected to drop further due to an increasing supply. The average daily rate for midscale hotels can range from USD 50-70 depending on availability and the season.

Cost of Class A offices in the Central Business District (CBD)

As of Q1 2018, the Yangon office supply reached more than 350,000 sq m with a 68% city wide occupancy rate. The average rental rate in the downtown area can range from USD 42–50 per sq m per month. The overall rental rate in Yangon can start from USD 23 per sq m per month for a low-end office to USD 58 per sq m per month for a high-end office as per Colliers International's report.

Logistics cost

In 2016, the Asian Development Board (ADB) completed a survey program for the National Transport Development Plan in Myanmar.

The survey states that river transport operators charge the least for freight which is 30% cheaper than railways. However, the two types of transport actually offer similar rates due to the distance between Yangon and Mandalay where the river route is 50% longer compared to rail. Truck rates are 60% higher on the Yangon-Mandalay corridor and 100%–160% higher on other corridors.

Yangon ports are the main ports in Myanmar, handling 85% of total import and export cargo in the country. Cargoes are mainly transported by road in the region. According to DICA 2017 data, truck charges from Yangon ports such as Myanmar Industrial Port (MIP) and Asia World Port Terminal (AWPT) to the Hlaingtharyar industrial zone area are approximately USD 200 for 20-foot container excluding other charges such as toll fees, night stop charges and day over charges.

Cargo loading and unloading for a 20 foot container can cost approx. USD 50. Furthermore, it costs approx. USD 1,500 to transport a standard 20-foot container from Myawaddy border to Yangon.



Table 4: Freight Modal Competitiveness by Price and Speed

| Yangon – Mandalay | Price in USD (cent/ton – kilometre) | Commercial speed (km per hour) |
|-------------------|-------------------------------------|--------------------------------|
| Road | 3.3 | 24 |
| Rail | 2.3 | 16 |
| River | 1.6 | 5 |

Source: ADB: Myanmar Transport Sector Policy 2016

Electricity Tariff

Yangon has corporatised electricity distribution services, and Yangon Electricity Supply Corporation is now responsible for supplying quality electricity to consumers in the Yangon region. The government has announced that the tariff will be increased, though the new rates has yet to be decided. Commercial meter installation charges are currently MMK 950,000 for 10kW and MMK 1,500,000 for 30kW with an additional 15% of wiring service fee.³

Table 5: Electricity tariffs for residential, industrial and commercial uses

| Residential | Per unit (MMK) | Industrial & Commercial | Per unit (MMK) |
|----------------|----------------|-------------------------|----------------|
| Up to 100 kWh | 35 | up to 500 kWh | 75 |
| 101 to 200 kWh | 40 | 501 to 10,000 kWh | 100 |
| 201 and above | 50 | 10,001 to 50,000 kWh | 75 |
| | | 50,001 to 200,000 kWh | 100 |
| | | 200,001 to 300,000 kWh | 75 |
| | | 300,001 kWh and above | 100 |

Source: Ministry of Electricity and Energy (MOEE)

³ “Cost of doing business in Myanmar 2017”, DICA



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4. Sectorial Overviews

4.1 Infrastructure – Power

Sector overview

Myanmar is rich in energy resources, with hydropower and natural gas being the main sources of power. The potential hydropower resources estimated at 108 GW. Accumulated investment in the power sector is currently estimated at some USD 21 billion.

As of FY 2016/17, the country reached an installed capacity of 5.4 GW and of the total percentage of electricity generated in Myanmar, the majority (60.4%) came from hydropower, 35.6% from gas, 2.2% from coal and 1.8% from diesel. The average annual per capita electricity consumption is approx. 300kWh in the country. While total generation has increased by 10% annually, the nation’s demand continues to outpace available supply.

In 2014, the government outlined a National Electrification Plan (NEP) as a roadmap to deliver universal access to electricity by 2030. To implement the first phase of the NEP by 2020 (1.7 million households), the World Bank has approved USD 400 million to Myanmar for both grid extension and off grid extension. When implemented, this will result in 47% households having electricity by 2020, 76% by 2025 and 100% by 2030. Electrification will need a steady state of around 517,000 connections per year.

The Yangon region consumes more than 1,350 MW of power in FY 2017/18 which accounted for up to 40% of the whole country's power consumption according to Ministry of Electricity and Energy (MOEE). In addition to capacity boost, the authorities are also focusing on reducing transmission and distribution (T&D) loss caused by its ageing national grid. The T&D losses for Myanmar have shown a varying trend across the years. On average, nearly a fifth of the power produced is wasted due to T&D losses⁴

According to the Yangon Electric Supply Board (YESB), Yangon's electricity consumption is 370 MWs in the eastern district, which is the main location of industrial zones, 380 MWs in the northern district, 360 MWs in the western district, which is the central point for most of the hotels and supermarkets, and 44 MWs in the underdeveloped southern district.

Policy/Regulatory

The MOEE had revised the electricity law in 2014, with the aim of helping to restructure the power sector to encourage more local and foreign investments. As per the Electricity Law 2014, Region and State governments will have the right to implement small-scale projects (up to 10MW) and medium-scale projects (up to 30MW).

One of the main features of the new law is to establish the Electricity Regulatory Commission (ERC) to supervise the monopolistic electric power entities. The new Electricity Law provided a limited grant of regulatory responsibilities to the ERC.

Recent development in Yangon

Myanmar has traditionally focused on hydro and gas power generation. However, the government is starting to expand its portfolio of energy supply by exploring the use of renewable energy (except for usage of bio fuels) for power generation.

In the electricity distribution sector, YESB has been corporatised with the help of the International Finance Corporation (IFC) to become standalone and regulated electricity suppliers in 2014. In order to reduce its reliance on the state budget, to moderate losses, improve power production and to be in line with the NEP, the government had corporatised power production.

The first waste to energy plant (760 kW capacity) with a waste incineration treatment capacity of 60 tonnes per day was opened in April 2017 in the Shwepyithar Township, located in the Northern part of Yangon City.

To increase supply, new generation projects are being brought on line, including 439 MW produced by three power plants, with 106 MW by Thakayta Power Plant, 108 MW by Thaton Combined-cycle Gas Power Plant and 225 MW by Myingyan Combined-cycle Gas Power Plant in 2018.⁵

According to the Yangon Urban Development Strategy, there are 11 power projects currently in the pipeline, generating 4,740 MW between 2018 and 2040. The full list of planned projects is outlined in Table 6.

Table 6: Capacity of power projects between 2018 and 2040

| No | Power projects | Capacity (MW) |
|----|---------------------------------------|---------------|
| 1 | New Thanlyin | 4,340 |
| 2 | Twantay - Dala | 1,470 |
| 3 | Southern Yangon Special Economic Zone | 880 |
| 4 | New Htantabin | 560 |
| 5 | Dala Port and inland | 330 |
| 6 | East Dagon | 300 |
| 7 | Aerial Industrial Zone | 210 |
| 8 | Harbour and inland | 160 |
| 9 | New Hlegu | 160 |
| 10 | New Hmawbi | 140 |
| 11 | Green Industrial Zone | 100 |

Source: Yangon Urban Development Strategy⁶

4.2 Infrastructure - Port

Sector overview

Myanmar has nine international ports - one of which is a river port and the other eight are deep sea ports. Despite being a river port, the Yangon port handles 85% of imports and exports nationally. Yangon serves as a national transshipment hub.

The wharves/berths at the Yangon port can currently handle general cargo, containerised cargo, oil and bitumen.

The Yangon port is divided into two areas - the Yangon Harbour Area and Thilawa Port Area. In 2017, the Yangon port consists of 33 wharves/berths and three Inland Container Depot (ICD) according to Myanmar Port Authority (MPA).

Policy/Regulatory

MPA is the government agency under the Ministry of Transport and Communication responsible for regulating all the coastal ports in Myanmar. Tariffs are set by MPA and private port operators are responsible for collecting port dues from the port users, either in Myanmar Kyats or US Dollar. The Myanmar Port Authority Law (2015) and the Myanmar Port Authority Rules (2016) regulate the handling of international ports and port services in the country. Authorities are also planning to develop the dry port regulations.

Investment regulations do not contain any restriction on foreign ownership in port terminal activities. Most ports in Myanmar are developed on a build-operate-transfer (BOT) basis as landlord ports with MPA acting as the landlord.

Recent development in Yangon

The government has been initiating the development of dry ports. In August 2014, the Ministry announced the tender for two inland



⁴ "Nationwide power consumption rate up", Eleven Myanmar, 19 February 2018
⁵ "Yangon to receive 24-hour electricity supply", Global New Light of Myanmar, 08 November 2017

⁶ "Plan to build 11 power projects in Yangon region", Eleven Myanmar, 19 December 2017

ports: Ywar Thar gyi dry port (Yangon) and Myit Nge dry port (Mandalay). The Hong Kong-based Kerry Resources Transport will build the Ywar Thar Gyidry port and it is expected to complete in April 2019.⁷

YRG is also planning to develop the integrated logistic zone and IWT jetty link dry port on a 244 acres land area. The project is situated about 20 km north of Yangon CBD and close to major industrial zones in Yangon including Hlaingtharyar, Ngwe Pin Le, Shwe Lin Ban and Shwe Pyi Thar. The project is to be developed on a public-private partnerships (“PPP”) basis through an international bidding process.

4.3 Infrastructure - Transport

Sector overview

Myanmar’s favourable geographic location gives the country a unique potential to develop itself into a key transport connection hub between the region’s two economic giants, China and India.



The Myanmar government has indicated that its immediate priority is to enhance transport connectivity within the regions to boost economic integration.

In 2016, the ADB estimated that Myanmar will require up to USD 60 billion through 2030 to upgrade its transport infrastructure. According to the World Bank’s Logistics Performance Index (LPI) in 2016, Myanmar ranked 113 out of 160 countries, up from 145 in 2015. The significant need for better infrastructure within the country presents investment opportunities for foreign investors in logistics infrastructure.

In February 2017, the ADB and the Ministry of Transport and Communications (MOTC) signed an advisor services agreement where ADB is to provide strategic and transaction advisory services to the Myanmar Government in promoting PPP in the transport sector.

JICA has been active across many areas of transport infrastructure in Myanmar and updated its 2040 plan for Yangon development in early 2017, and recommended plans to start by 2020 with reviews and updates for priority projects made every five years.⁸

Policy/Regulatory

The MOTC, with the help of JICA, is implementing a National Logistics Master Plan, expected to launch in 2018, to supplement the existing Transport Master Plan in Myanmar. Under the new plan, there are a total of 167 projects, of which 108 projects have already been identified under the earlier transport plan. As such, the additional 59 logistics projects in which each project is estimated to cost USD 29 million have been added based on resource availability and future demand.⁹

Recent development in Yangon

In January 2017, the YRG launched the Yangon Bus Service (YBS) in which bus lines were consolidated and the fare system changed. As of January 2018, YBS has 22 bus companies with a total of 96 bus lines - 26 run by Public Private Partnership (PPP) companies, 6 run by individual operators and 64 run by other corporations. More than 5,400 buses are running, of which only around 1,800 buses are licensed. YRG is also in the process of evaluating and awarding a tender for Yangon e-payment service for bus transportation.¹⁰

In October 2017, Yangon launched a water bus service starting with five ships for phase one, operated by Tint Tint Myanmar Co.,Ltd



to reduce traffic jams and improve the city’s transport system. The company intends to operate a total of 13 ships for phase one with a fleet that comprises 180 to 230-seater, 60-seater and 50-seater ships and the fare is MMK 300 per ticket.

In January 2018, IFC and Ministry of Construction (MOC) signed an advisory service agreement on constructing a 20.5 km elevated Yangon toll road. This expressway project is to connect Yangon port with Thilawa Special Economic Zone in the South and Yangon International Airport and the Yangon–Mandalay expressway in the North. The cost of the project is estimated to be approx. USD 400 million. The project is to be designed and implemented under the PPP model and the tender for the winning bidder will be granted by early 2019.

4.4 Financial Services

Banking

Myanmar’s banking sector has seen assets grown by approx. 22% annually. In March 2016, the banking sector had MMK 42,357 billion in assets (USD 31.6 billion). Today, there are 28 domestic banks operating in Myanmar: 4 state-owned banks, 10 semi-private banks and 14 privately owned banks. To date, there are 13 licensed foreign banks and 48 representative banks in Yangon.¹¹

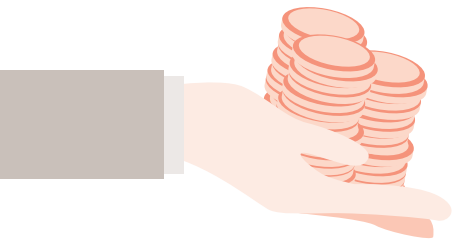
⁷ “Dry port projects to be complete in 2019”, Myanmar Times, 04 January 2018

⁸ “Myanmar General Transport Infrastructure – Market Snapshot, April 2017”, British Chamber of Commerce

⁹ “Strategy to build up logistics sector, boost national transport plan revealed, Myanmar Times, 26 March 2018

¹⁰ “The Yangon Bus Service in Numbers”, The Irrawaddy, 15 January 2018

¹¹ “The Banking Sector in Myanmar, August 2017”, Milken Institute



Since the liberalisation of the banking sector in 2011, state-owned banks have found keeping up with the reforms and competing with their private counterparts challenging. Reforms are underway to help state-owned banks compete more effectively.

Capital Market

Yangon Stock Exchange (YSX) was formed in 2015, regulated by The Securities and Exchange Commission of Myanmar (SECM). Currently, it has five listed companies with a market capitalisation of MMK 589,000 million (USD 436 million) as of 25 April 2018.

Finance Company

Finance companies are allowed to lend, lease and provide hire purchase services, subject to the Financial Institution Law 2016. Finance companies are not allowed to accept deposits from the public, but the Central Bank of Myanmar (CBM) may allow them to receive long-term loans from institutional investors and foreign financial institutions. To date, there are 25 licensed non-bank financial institutions in the country.

Micro-finance

The Ministry of Planning and Finance (MOPF) regulates and supervises the microfinance industry through its Financial Regulatory Department and operate under the Microfinance Business Law (2011). There are more than 230 microfinance institutions (MFIs), namely Non-Government Organisations (NGOs), International Non-Government Organisations (INGOs), local and international companies as well as joint ventures.

Insurance

In 2013, state-owned Myanmar Insurance relinquished its monopoly and opened the market to private companies. There are now 23 foreign insurance companies that have representative offices in Myanmar including three with licensed to sell insurance in the Thilawa Special Economic Zone.

Policy/Regulatory

Myanmar's financial sector is under the governance of the CBM and the MOPF. As a successful step of reform, Financial Institutions Law 2016 was enacted on 26 January 2016, followed by a series of Notification announcements to support the law.

Recent development in Yangon

To facilitate trade, CBM has recently approved seven foreign banks to carry out export financing. A credit bureau is expected to be set up after the second quarter of 2018. Initiatives on mortgage loans by local banks are in the works, in an attempt to help the country's economy and construction sector.

After the new company law comes into effect, foreign investors will be able to own 35% of shares in local companies. Several public companies are on the waiting list for IPO on the YSX. In addition to the equities, discussions with the regulators are underway for bonds to be traded on the YSX.

Insurance Supervisory Committee, under MOPF, has announced plans to further liberalise the sector.

4.5 Real Estate

Sector overview

Since the start of the political transition in 2011, Myanmar's real estate industry recorded explosive growth driven by both local and foreign investments. Foreign investments in real estate totalled USD 4.9 billion as of March 2018.

The residential development for the low and mid-income market with affordable prices still

reflects significant untapped market potential. Over 1 million additional housing units are projected for Yangon by 2040. The Department of Urban and Housing Development aims to fulfill 20% of the projected demand.¹²

Further, the ASEAN integration will strengthen the inflow of investments and the liberalisation of the financial sector, eventually fuelling businesses and increasing office demands in Yangon. Moreover, the continuous entry of foreign brands together with aggressive expansion of local chains will boost the retail demand.



¹² "Myanmar pitches into affordable housing for grassroots", *Eleven Myanmar*, 03 April 2018



Policy/Regulatory

The recent changes in the key regulations regarding construction, investment and commerce industries have further improved prospects. With the enactment of the new investment law, the new company law and the condominium law, the sector is expected to maintain a steady momentum in the coming years, on the back of further economic liberalisation.

Recent development in Yangon

Yangon's real estate sector has seen rapid transformation over the past five years with several mixed use developments sprouting out across the city. In February 2018, a consortium comprising Singapore-listed Oxley Holdings, local firm Min Dhama Co., Ltd and Beijing-based Sino Great Wall Co., Ltd was selected by Myanma Railways to redevelop the 25.7 hectares (63.5 acre) prime site around Yangon Central Railway Station. The mixed used development project, estimated to cost about USD 2.5 billion, will incorporate a new central transportation hub that integrates rail and mass transit.¹³ Further, the USD 332.5 million mixed use project near Shwedagon Pagoda by a consortium led by Japan's Fujita Corporation is expected to commence construction in 2018.¹⁴

4.6 Tourism

Sector overview

Myanmar's hotel and tourism industry has become one of the fastest growing in the country, with investments by both local and foreign investors. As of FY 2016/17, the direct contribution of Myanmar's foreign investment in the sector was USD 403.65 million. The McKinsey Global Institute estimated that tourism will contribute approximately USD 14.1 billion to Myanmar's GDP by 2030. The tourism expenditure in 2016 was USD 2,197.15 million with average expenditure per person per day of USD 154 and average length of stay of 11 days.

According to the Ministry of Hotels and Tourism FY 2016/17 data, international arrivals was 3.08 million (1.25 million by air, 0.35 million by sea and 1.47 million by land). The growth rate of international tourist arrivals decreased by about 28% in FY 2016/17 compared with FY 2015/16, despite having more tourists. The five main nationalities of arrivals at Yangon and Mandalay international airports were Chinese (14.30%), French (9.30%), Japanese (8.44%), American (7.86%) and Korean (7.02%). Arrivals from China, Bangladesh, Israel, Russia and India increased by 58%, 53%, 49%, 43% and 40% respectively in FY 2016/17.

Table 7: Overview of accommodation in Yangon

| | Yangon | | Myanmar |
|--|------------|------------|------------|
| | FY 2013/14 | FY 2016/17 | FY 2016/17 |
| No. of Hotel, Motel, Inn & Guest House | 247 | 367 | 1,557 |
| Total No. of Room | 10,871 | 18,263 | 59,467 |
| Total No. of Bed | 21,708 | 36,465 | 118,269 |

Source: Myanmar Statistical Year Book 2017

Policy/Regulatory

The Ministry of Hotel and Tourism developed the Myanmar Tourism Master Plan 2013-2020 in order to maximise the tourism's contribution to national employment and income, and ensuring that the social and economic benefits of tourism are equitably distributed.

The Investment Law supports tourism as a priority area for investment by allowing foreigners to own up to 100% of hotel projects rated three stars or more. The master plan included 38 priority tourism infrastructure projects such as the Bagan River Pier improvement programme and Tada Oo Hotel Zone Development in the Mandalay Region.¹⁵

Recent development in Yangon

Foreign hotel brands like Kempinski, Amara, Centara, Dusit, Melia, Lotte, Pan Pacific, Accor's Novotel, Shangri-La, Orient-Express, Tangram, Hilton, Sedona, Best Western and Savills have already opened in Myanmar.

Starwood will open its first hotel, the Sheraton Yangon in July 2018, while the Peninsula Yangon broke ground in February 2017 is scheduled for completion by 2021.



¹³ "Myanma Railways selects winner for \$2.5 billion Yangon railway station project", Frontier Myanmar, 15 February 2018

¹⁴ "Mixed development project near Shwedagon Pagoda makes progress, Myanmar Times, 09 April 2018

¹⁵ "Myanmar Report 2017", Oxford Business Group

5. Recent developments in Yangon

5.1 New Yangon City

On March 31 2018, the YRG launched the New Yangon City Development Company (NYDC) which is 100% owned by YRG to develop the “New Yangon City” project with the initial contribution of MMK 10 billion into NYDC’s fund. The board of directors of NYDC include government ministers and independent foreign directors, chaired by Daw Nilar Kyaw (Yangon Region Minister of Electricity, Industry, Road and Communication).

The total area of the project, comprising two phases, will cover 30,000 acres. The estimated cost of infrastructure works for Phase 1, which is 20,000 acres in size, will be approximately USD 1.5 billion. Phase 1 will consist of the following:

- Five village townships;
- Two bridges;
- 26 km of artery roads;
- 10 square kilometres of industrial estate;
- Power plant, transmission, distribution facilities (223 MW); and
- Water and wastewater treatment plant.

The project is to be developed primarily based on the Private Public Partnership (PPP) model. On April 16 2018, Yangon Chief Minister U Phyto Min Thein announced the tender invitation for the construction of two bridges and two six-lane roads.¹⁶



5.2 Integrated logistic zone

With the primary objective to reduce road congestion and logistics transportation cost between ports in Yangon, the integrated logistic zone and Inland Water Transport (IWT) jetty link dry port will be developed by YRG as the concession authority. The Yangon Metropolitan Development Co., Ltd (YMD), majority is owned by YRG, will be the procurement agency.

The project is situated about 20km north of Yangon’s Central Business District. The project is close to major industrial zones in Yangon including Hlaingtharyar, Ngwe Pin Le, Shwe Lin Ban and Shwe Pyi Thar. The total land area is approximately 244 acres green field with direct access to the river and a river frontage of 1,000 feet. The project is to be developed on a PPP basis through an internationally bidding process.

The market sounding event was held on 4 April 2018 to obtain feedback from the private sector and the Request for Proposal (RFP) is expected to be issued by Q2 2018.

5.2 Thilawa SEZ

Thilawa SEZ is the first international standard SEZ in Myanmar, located 14 miles Southeast of Yangon. The SEZ is developed by Myanmar Japan Thilawa Development Limited (MJTD) which is a joint venture between shareholders from Myanmar and Japan.

In October 2013, a Myanmar-Japan consortium comprising Marubeni, Mitsubishi, Sumitomo, three Japan banks and JICA (49%), a public private partnership comprising the Government of Myanmar (10%) and local enterprises (41%) was established to develop the 2,400 hectares site.

Thilawa SEZ Zone-A opened in September 2015. The FDI in Zone-A has amounted to over USD 1 billion. According to the Ministry of Commerce, upon the completion of the Thilawa SEZ Zone A and Zone B Phase 1, the estimated total investment will amount to USD 1.7 billion.

In April 2018, businesses from 17 countries have committed to invest in the zone and 39 out of total approved 89 factories are running, mostly in manufacturing. Among foreign investors, firms from Japan are the main investor while firms from Thailand, Malaysia, Korea and Taiwan made up the bulk of the remainder.¹⁷

In 24 February 2017, the commencement ceremony of the Thilawa SEZ Zone B (Phase 1 – 101 hectare) was held and the construction is expected to complete by mid-2018.



¹⁶“Tender To Be Invited To Build Bridges and Six-Lane Roads For Yangon New City Project”, iMyanmarHouse, 23 April 2018

¹⁷“Over 45 Japanese Companies Invest in Thilawa SEZ”, Eleven Myanmar, 11 April 2018



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