Comprehensive TOURISM SECTOR STUDY on Investment and PPP Environment in Myanmar

Investment Promotion and PPP Environment in the Healthcare Sector of Myanmar

Project: Support to the Initiative for ASEAN Integration

March 2018
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>CBT</td>
<td>Community based tourism</td>
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<td>CLMV</td>
<td>Cambodia, Lao PDR, Myanmar and Vietnam</td>
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<td>DICA</td>
<td>Directorate of Investment and Company Administration</td>
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<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
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<td>JICA</td>
<td>Japan Investment Cooperation Agency</td>
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<td>MBF</td>
<td>Myanmar Business Federation</td>
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<td>Myanmar Centre for Responsible Business</td>
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<td>Myanmar Investment Law</td>
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<td>Ministry of Culture</td>
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<td>Ministry of Hotels and Tourism</td>
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<td>PA</td>
<td>Protected area</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>SME</td>
<td>Small and medium enterprise</td>
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<td>SWIA</td>
<td>Sector-wide impact assessment</td>
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<td>World Economic Forum</td>
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<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
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<td>WCS</td>
<td>Wildlife Conservation Society</td>
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<td>WTTC</td>
<td>World Travel and Tourism Council</td>
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1. Introduction

1.1. Context and Objectives of the Comprehensive Sector Studies

The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) has been supporting the development of the service sectors healthcare and tourism in the CMLV countries – Cambodia, Myanmar, Lao PDR and Vietnam in the project “Support to the Initiative for ASEAN Integration”. Within the project scope, GIZ identified a common need in the target countries for an identification of suitable models for effective public and private sector cooperation and for ways how the respective governments may actively promote the growth of the private sector in the tourism and health sector to mutual benefit.

Given the extensive network of the European Chambers of Commerce (EuroCham) to both, the private and public sector in the CMLV countries, GIZ provided commenced collaboration with the different EuroCham offices in the region to undertake this research. Furthermore, EuroCham will engage in respective dialogue activities to contribute to an enhancement of the investment conditions in the tourism and health service sector of Myanmar and the other countries.

This report covers the tourism sector and provides hereby a situational data-based analysis of the development of the tourism sector in Myanmar as well of the policy environment for tourism entrepreneurs and investors. Consequently, objective of this report is to inform the Government of Myanmar about opportunities on a national or ASEAN level to improve the business environment for tourism-related investments and the conditions for tourism development initiatives in the states and regions of Myanmar.

In summary, the report is seeking to answer the key research question: “How can the Government of Myanmar in the current policy environment engage the private tourism sector support the development of a responsible tourism sector by encouraging investment and effective collaboration between public and private sector e.g. in the delivery of tourism-related infrastructure and services?”

1.2. Research Methodology

The research team acknowledges that significant gaps in Myanmar-specific literature covering the role of in particular the private as compared to the public sector exist. Such gaps in terms of a limited coverage of the role of the private sector in tourism sector in Myanmar equally are observed in key policy documents of the government as well as publications of international development partners.

In addition to desk-based secondary research, primary research is required to fill existing gaps in literature. The research team hence conducted semi-structured interviews with a diverse range of stakeholders: This includes e.g. the line ministries and government departments involved in economic governance (e.g. DICA) as well as health-related aspects, international development partners (e.g. IFC, GIZ) and numerous private companies involved in e.g. tour operators, investors, hoteliers and tourism development consultants. The research team requested in particular the private sector to articulate immediate opportunities for a meaningful collaboration of public and private sector as well as business-inhibiting barriers to the delivery of tourism development in Myanmar.
1.3. Overview of Myanmar’s Economic Development

Myanmar is an economy in transition. The previous Thein Sein administration began a policy of economic reform and liberalization in 2012 that has continued under the National League for Democracy administration, which assumed office in 2016. Myanmar’s GDP increased at an average rate of 7.2%\(^1\) between the 2012-13 and 2016-17 fiscal years\(^2\), making it one of the fastest growing economies in the region and the world.

Economic growth slowed to 5.9% in 2016-17, although the IMF expects this to recover to 7%-7.5% in the medium term. The slowdown was due mainly to the impact of devastating flooding on the agriculture and food processing sectors and a global drop in natural gas prices that reduced export revenues.

Source: IMF estimates and projections

Various economic sectors are also showing improvement. Inflation fell from double digits in recent years to 6.8% in 2016-17, the fiscal deficit declined to 3% of GDP and the trade deficit — although still considerable — dropped from 9% of GDP to 8.5%. GDP stood at $67.4bn in 2016 and GDP per capita at $1,275\(^3\). Although these factors allowed Myanmar to be formally classified as a lower middle income country, however, income per capita growth has been very uneven across different states and regions and shows no signs of converging\(^4\). Per capita income differences across states and regions range from K1.7 million in Yangon to K400,000 in Chin State\(^5\) (equivalent to $1,259 and $296 respectively using December 2017 exchange rates).

In terms of the economic structure, Myanmar is shifting away from agriculture towards more a more diversified set of sectors including services (e.g. telecommunications) and industry (e.g. food processing). During the period 2000-2004

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1 IMF data
2 The Myanmar fiscal year runs from April 1 to March 31, though from 2018 this will change to October 1 to September 30
3 World Bank estimates
4 World Bank, Myanmar Economic Monitor October 2017 (data from 2014)
5 World Bank, Myanmar Economic Monitor October 2017 (Ministry of Finance and Planning, 2014 Census)
agriculture accounted for 54% of GDP, but only 32% over the period 2010-2015. The share of GDP of services shifted from 34% to 39% and the share of industrial value creation increased from 11% to 28% over the same time period.

The distribution of employment across those three sectors, however, remained broadly stable between 2004 and 2014. Agriculture still accounts for more than half of all workforce, with just over a third employed in services and the rest in industry. The formal modern sector makes up only 11% of total jobs in Myanmar, according to the World Bank, and labor productivity in agriculture and in manufacturing is among the lowest in the region. According to IMF data of 2016, in terms of GDP contribution, the service sector is most significant contributing 46% of the GDP, while industry and agriculture generate 28% and 26% of GDP respectively.

The country has also struggled to make progress on the World Bank’s ease of doing business index, falling from 170th to 171st in the 2017 report. This was despite making slight improvements in some areas, including access to electricity and paying taxes. Myanmar’s closest ranked Association of Southeast Asian Nations peers are Laos at 141st and Cambodia at 135th.

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6 World Bank Myanmar Economic Monitor – October 2017
1.4. Overview over Policies, Regulations and Stakeholders

List of horizontal policies, regulations and stakeholders

Most of the efforts undertaken in investment promotion are not essentially codified in policy papers, but are typically implemented through laws, regulations and the institutionalization of necessary structures with particular support of the Directorate of Investment and Company administration. Only in the area of PPPs, currently a cabinet paper is being formulated.


List of policies, regulations and stakeholders in the tourism sector

In the tourism sector, in particular the Tourism Master Plan 2013-2020 has substantially guided policy implementation. Additional essential policy documents comprise the Ecotourism Policy and Management Strategy for Protected Areas 2015-2025, the Policy on Community Involvement in Tourism 2013 and the Responsible Tourism Policy 2012.

The major legislation in the tourism sector will be the Tourism Law, which is currently in a draft stage. Until then The Myanmar Hotel and Tourism Law of 1993 along with orders regarding the (1) Licensing of Hotel and Lodging-House Business, (2) of Tour Guide Business and (3) of Tourist Transport Business are main pieces of legal and regulatory documents.
1.5. Framework for Investment Promotion and Facilitation in Myanmar

Among the aforementioned laws, in particular the Myanmar Investment Law (2016) and the currently revised Myanmar Companies Law (formerly "Myanmar Companies Act") with respective implementing rules and regulations are primarily governing investments also in the respective service sectors. A fundamental change in the enterprise-related legal and regulatory framework will be the implementation of the new Myanmar Companies Law, as the law will permit foreign ownership in a Myanmar company up to a sector-specific threshold percentage up to which the entity will not be considered foreign.

The subsequent figure illustrates the three possible cases in the application process for an investment project in Myanmar. As a measure of simplification of the processes, non-strategic investments (e.g. investments below a threshold of USD 5 million) may be realized only with the endorsement of MIC or the subnational investment committees that have been established by DICA throughout 2017.

Application process for investment projects in Myanmar
Source: DICA, GIZ

In Myanmar Investment Commission (MIC) Notification No. 10/2017, some key sectors have been prescribed as promoted sectors, among these various sectors that directly or indirectly relate or may related to the private healthcare sector, but equally the tourism sector.
Overall, it can be noted that the Directorate of Investment and Company Administration has not yet developed sector-specific investment promotion strategies in the healthcare, tourism or other sectors. Efforts of DICA to date have predominantly targeted at a strengthening of the organization-internal capacity, the expansion of DICA in the states and regions of Myanmar, legal and regulatory reform and rather overarching sector-independent instead of sector-specific investment promotion.

1.6. Framework for Public-Private Partnerships in Myanmar

While the general benefits of an inclusion of the private sector in the delivery of services for the government as well as the need for conduction of competitive tender processes have been realized, different modi of collaboration with the local and international private sector coexist in different ministries.

Common practice in various ministries (e.g. Ministry of Construction) has been to utilize tenders for the identification of interested private sector parties for the implementation of a project. Hereby, the utilized tender documents often solely have included fundamental parameters of the project deliverables without any particular technical details. Equally, it could be observed that the supervision and effective quality assurance measures by the government in private sector implemented projects have been limited. Exemplarily, lessons may be learned from the Build-Operate-Transfer (BOT) PPP system of road construction in Myanmar by Ministry of Construction, in which it the local private sector has frequently failed in delivering roads of a certain width (with shoulders) favoring lower-cost solutions at the expense of quality and road safety.

As part of the comprehensive socio-economic reform process under the Thein Sein government, various international development partners including particularly ADB, IFC and JICA have started providing technical assistance in the area of PPP. The Thein Sein government hence included reform measures for the development of a framework and legal basis for PPPs in the Framework of Economic and Social Reform (FESR) as well as in the National Comprehensive Development Plan (NCDP). In the PPP pilot initiative of the construction of the Myingyan gas-fired power plant, a framework for PPPs - not only limited to the power sector - has been established. The Project Appraisal and Progress Reporting Department of the former Ministry of National Planning and Economic Development (currently: Ministry of Planning and Finance) became a central focal point for the PPP initiative along with other tasks in the area of privatization and the appraisal of major projects essential for national economic development (see www.pppmyanmar.gov.mm). (GIZ)

Based on this, the following fundamental challenges in the policy area of PPP have evolved: There is a fundamental discrepancy in the level of sophistication in the tender management and PPP arrangements of the different ministries in Myanmar and the best practices in PPPs advocated for by international development partners and financial institutions. Partially, the activities of international development partners in the PPP space are not fully coordinated (e.g. between ADB, JICA and World Bank Group), so that partially no a clear roadmap and timeline for reform in the area of PPPs had been visible previously.

The limitation of the work of international development partners on PPPs in particular sectors only (primarily power, infrastructure and transport) with respective governmental counterparts in different ministries limit the chances for an interministerially uniform approach in the handling of PPP arrangements. The healthcare service sector has not yet been covered by any PPP-related project of international development partners, while equally Ministry of Health and Sports has not yet commenced any broader PPP initiative.
As part of an organizational restructuring process around the establishment of an office supporting the work of the Permanent Secretary of Ministry of National Planning and Economic Development, the Project Appraisal and Progress Reporting Department had been dissolved during a certain period, until the department was re-established after the return of the officials from their postings.

Despite the efforts under the Thein Sein Government, the legal framework for PPPs could not yet be established, while even not yet an aligned approach of major ministries with regard to PPP arrangements exists. After the commencement of the work of the NLD Government in 2016, the newly formed Ministry of Planning and Finance delivered a draft policy paper on the necessary steps for the creation of a PPP-enabling environment as part of a UNDA / UNESCAP supported project. Subsequently, also the ADB took up technical assistance to the government on PPPs in particular in the transport sector. In this context, ADB also supported the drafting of a cabinet paper on PPPs, which has been still unpublished and is under review by the cabinet. (GIZ)

1.7. Regional Commitments of Myanmar under the ASEAN Trade in Services Agreement (ATISA)

With the core objective of a facilitation of freer trade in services within the ASEAN region, ASEAN member states including Myanmar have committed to the implementation of the ASEAN Framework Agreement on Services (AFAS). In the negotiations, AFAS have covered general commitments for the facilitation of trade in services as well as sector-specific commitments. In the AFAS, national legal and regulatory issues limiting (1) market access and (2) national treatment in differently supplied services (i.e. (A) Cross-border supply, (B) consumption abroad and (C) commercial presence) have been flagged for elimination or improvement of market access and treatment. The AFAS will in the future then be taken up in the context of renewed negotiations of the ASEAN Trade in Services Agreement (ATISA) for the further strengthening of regional integration.

In the case of Myanmar, the legislation around the incorporation (e.g. Myanmar Companies Act 1914, Partnership Act 1932, Special Companies Act 1950, Myanmar Companies Regulation 1957), the taxation including income tax and withholding tax (now mitigated) and particular legal issues (e.g. Transfer of Immoveable Property Restriction Law 1987, practice of foreign lawyers, establishment of a commercial presence of a company) are particular issues to be mentioned in the AFAS.

2. Status of Tourism Development at a Glance

Myanmar boasts a diversity of landscapes, cultural sites and ethnicities that give its tourism sector huge potential. The country stretches from the Himalayan mountains in Kachin State down to the islands and coral reefs of the Myeik Archipelago in Tanintharyi Region. There are rugged hills, mountains, mangrove forests and over 2,800 km of coastline. The commercial capital Yangon contains some of the finest colonial architecture in the region, and the ancient capital of Bagan rivals Cambodia’s Angkor Wat in its size and scope.

A process of economic and political reform over the past five years has led to a surge in international visitors and an increase in the availability of new regional and international flight connections. The government has rolled back restrictions on foreign investment in tourism and many other areas of the economy in an effort to attract capital from abroad. The Ministry of Hotels and Tourism (MoHT) under the previous government, recognising the tourism sector’s potential to create employment and raise incomes, set an ambitious target of 7.5
million international visitors by 2020\(^7\).

But impediments in the way of the industry meeting its full potential are a raft of challenges including poor infrastructure, limited funding, the lack of a promotion and marketing strategy, and a lack of capacity and coordination throughout the public and private sector. Despite published ministry plans for developing ecotourism and responsible tourism, efforts in the ecotourism sector are almost non-existent, and across the industry there are many cases where tourism is not being carried out responsibly.

At the same time the government is hoping to make greater use of public-private partnerships (PPP) in areas including transport and infrastructure, where there are serious gaps in financing. PPPs have the potential not only to offer new sources of finance, but also greater innovation and better project management courtesy of the private sector. However, for these benefits to be realised, both public and private stakeholders must have sufficient capacity to properly assess potential PPPs across a range of criteria.

Myanmar’s tourism sector has tremendous potential, but also the weakest infrastructure of any country in ASEAN, according to the World Economic Forum\(^8\). The World Travel and Tourism Council (WTTC) classifies it as a “type one” country in this respect, meaning that it combines poor quality, low capacity infrastructure with relatively slow investment growth. This in turns means the sector is likely to create “less GDP and fewer jobs that current forecasts predict” and see its “relative competitiveness eroded further”\(^9\).

The government is well aware of the travel and tourism sector’s importance, but industry operators and stakeholders involved in tourism development believe that the sector is not considered a priority by the current government. In addition to weak infrastructure, challenges include a lack of clarity over tourism policy, limited capacity and insufficient coordination between different ministries and a shortage of funding for anything from tourism promotion to technical capacity building. A rise in local and international tourist arrivals has only often provided testimony of how unprepared and ill-equipped many sites are for the numbers of visitors they receive.

The majority of international tourists visit Yangon, Bagan, Mandalay, Inle Lake and Kyaiktiyo (Golden Rock). Beach resorts including Ngapali and Ngwesaung are becoming increasingly popular, but international visitors largely confine themselves to these central belt destinations. Sites such as Inle Lake and Kyaiktiyo are suffering from waste management and water supply issues due to high numbers of local and international visitors. Many other sites with a potential for tourism development, struggle to attract any local or international visitors due to poor transport infrastructure and very limited promotion.

As with many areas of Myanmar’s economy reliable data is often hard to come by. The MoHT does record tourist numbers, but there is considerable scepticism over their accuracy.

### 2.1. Tourism statistics

Between 2011 and 2015 Myanmar enjoyed a surge in international visitor numbers, with yearly visitors recorded by the MoHT rising from 816,369 in 2011 to 4.6 million in 2015\(^{10}\). However,

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\(^{7}\) Myanmar Tourism Master Plan 2013-2020  
\(^{8}\) WEF “Travel & Tourism Competitiveness Report 2015 [Myanmar was not covered in the 2017 report due to a lack of data]  
\(^{9}\) WTTC: Travel & Tourism Investment in Asean – October 2017  
\(^{10}\) 2015 Myanmar Tourism Statistics, MoHT
these yearly numbers include millions of day-trippers (e.g. on a visa run) from neighbouring countries — Thailand in particular — who spend hours not days inside Myanmar and contribute little to the economy.

Official international visitor numbers dropped to 2.9 million in 2016\textsuperscript{11}, but this was largely down to the MoHT changing its policy on recording cross-border arrivals. Looking only at international arrivals to Yangon and Mandalay — the great majority of international tourist arrivals — shows only a slight drop between 2015 and 2016. Revenue from activities including yachting, river cruises and ballooning all continued to increase in 2016, according to MoHT data.

Some observers believe 1 million is a realistic estimate for 2016 tourist arrivals using a standard international definition.

![International tourist arrivals to Yangon and Mandalay](image)

Source: MoHT data

The MoHT provides a breakdown on the nationality of international visitors, but this does not distinguish day-trippers from other international tourists. In 2016, 68% of international visitors were from Asia, 19% from Western Europe and 7% from North America. Asian arrivals showed a large drop from 938,487 in 2015 to 865,523, but this is likely a reflection of the change in how the ministry records border arrivals.

In contrast, visitors from Western Europe and North America continued to rise. Western European arrivals, primarily French and UK tourists, rose from 158,163 in 2013 to 237,889 in 2016. North American arrivals jumped from 62,628 in 2013 to 91,526 in 2016.

From Asia, Thai visitors are by far the largest nationality followed by Chinese and then Japanese. In 2015, more than 25% of all recorded international visitors were from Thailand and China, which rose to more than 34% in 2016.

### 2.2. Economic impact of tourism

The WTTC estimates that the direct contribution of travel and tourism was $2.1bn or 3% of total GDP in 2016 and is expecting travel and tourism to contribute 3.2% of GDP — or $4.5bn — by 2027\textsuperscript{12}. The total contribution from travel and tourism was estimated at $4.6bn or 6.6% GDP in 2016. The WTTC expects the total contribution to hit $9.9bn or 7% of GDP in 2027.

\textsuperscript{11} 2016 Myanmar Tourism Statistics, MoHT
\textsuperscript{12} WTTC: Travel & Tourism Economic Impact 2017 Myanmar
The travel and tourism sector directly employs 804,000 people (estimated by the WTTC to represent 2.7% of total employment) and the council expects this to reach 1.3 million by 2027. If the total contribution is considered, the WTTC estimates that the sector contributes to 1.6 million jobs, and that this figure will rise to 2.4 million by 2027.

However, out of the 185 countries that the WTTC covers in its rankings, Myanmar sits at 87th in terms of the absolute contribution to tourism and travel to GDP. The country falls to 141st when adjusted by its size. An ADB study noted that the direct contribution of travel and tourism to GDP in Myanmar in 2015 was the lowest among the CLMV countries. Average expenditure per visitor that year was $453, far higher than the $155 figure for Lao PDR, although tourism’s direct contribution to the Lao economy was $2 billion more than in Myanmar. Leisure travel spending accounted for 60% of direct income from travel and tourism for Myanmar in 2016, and business travel the other 40%. The council is expecting business travel spending to increase faster than leisure spending, and account for 46% of direct travel and tourism income by 2027. As the WTTC expects Myanmar to be among the top 10 fastest growing destinations for leisure spending between 2016 and 2026, it is reasonable to extend this prediction to business travel spending too.

The two most recent years that the MoHT provides data on expenditure from domestic tourists are 2014 and 2015. The data show that local tourists spent K650.8 billion in 2014 and K733.2 billion in 2015, equivalent to $482 million and $543 million at December 2017 exchange rates.

Reliable figures for the number of domestic tourists were unavailable, but the pilgrimage industry association estimated there were four million domestic tourists in 2014. As such, the number of domestic tourists is likely to be several times that of international visitors.

3. Policy Environment for Tourism

3.1. Governance of the Tourism Sector

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14 WTTC: Travel & Tourism Economic Impact 2017 Myanmar
15 https://frontiermyanmar.net/en/the-draft-tourism-law-fit-for-purpose
There are several public, private and non-governmental bodies that are active in governing the tourism sector and drafting policy.

**Ministry of Hotels and Tourism (MoHT)** is the primary government body responsible for the tourism sector and its development. The ministry is in charge of tourism policy and issuing notifications to clarify rules and regulations for the sector. The ministry’s Directorate of Hotels and Tourism has responsibility for developing “hotel zones” and overseeing local and foreign private sector hotel projects. The directorate is also in charge of issuing and supervising licenses for tourist accommodation, transport and tour businesses. The MoHT was responsible for drafting the Tourism Master Plan, Responsible Tourism Policy and Policy on Community Tourism. The ministry was jointly responsible for the Ecotourism Policy and Management Strategy for Protected Areas.

**Ministry of Natural Resources and Environmental Conservation (MoNREC)** is heavily involved in Myanmar’s nascent ecotourism sector. Within the ministry there is an Ecotourism Management Committee, an Ecotourism Steering Committee and an Ecotourism Working Committee. The higher-level steering committee’s responsibilities include: formulating ecotourism policies, issuing the orders and directives to ensure ecotourism is implemented in line with law and procedures and coordinating with foreign and local ecotourism agencies. The ministry has oversight over protected areas (PAs) such as natural parks, and issues guidelines to the private sector and other stakeholders on operating within PAs. Elephant sanctuaries are under the supervision of the Myanmar Timber Enterprise, a governmental institution under MoNREC. The ministry was responsible for drawing up Ecotourism Policy and Management Strategy for Protected Areas when it was the Ministry of Environment, Conservation and Forestry. The ministry also drew up Myanmar’s Environmental Impact Assessment procedures, which were published in December 2015. These outline the circumstances under which investors must submit EIAs and Environmental Management Plans to an EIA review body under MoNREC.

**Ministry of Religious Affairs and Culture’s** authority overlaps with that of the MoHT in areas of cultural importance and significance. The is most obvious in Bagan, where the Ministry Protection and Preservation of Ancient Monuments Law has affected over 40 hotel projects.

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16 Ecotourism Policy and Management Strategy for Protected Areas 2015 - 2025
**Directorate of Investment and Company Administration (DICA)**, Like many ministries, the MoHT faces capacity issues and has therefore asked the Directorate of Investment and Company Administration (DICA) for support in promoting and managing investment in the tourism sector. DICA is not directly engaged in promoting investment by sector, however it does engage in supporting activities on attracting and managing investment in different states and regions. Currently, DICA is opening local offices throughout Myanmar’s state and regions and has begun organizing local investment fairs for each area. The directorate is also working with the UK government-funded DaNa facility in several regions including Chin State, Karen State and Sagaing Region to build capacity in attracting, assessing and managing potential investment projects in different sectors. The focus in Chin State includes agriculture, energy and tourism.

Additionally, DICA has also been involved in work to building capacity for PPPs in Myanmar, specifically for financing infrastructure and energy projects.

**The Tourism Development Central Committee** is typically chaired by one of the Vice Presidents and was formed in April 2014 in order to improve planning and coordination between the different ministries whose remit can include tourism. The committee comprises union ministers — including those for environment, tourism, planning and finance, culture, foreign affairs and immigration and population — as well as state and region ministers and official from the Myanmar Tourism Federation and the Union of Myanmar Federation of Chambers of Commerce and Industry.

**The Tourism Sector Working Group (TSWG)** is one of an array of working groups established in 2013 to help outline sectoral development strategies, prioritize initiatives and improve coordination between the Union Government and its development partners. The Tourism Sector Working Group also has its own secretariat, which is supported by Hans Seidel Foundation and comprises various stakeholders including national and international institutions. The TSWG meets every six months to discuss challenges, future projects and forms of cooperation, with a view to promoting efficiencies by preventing or minimising overlaps between different government bodies’ and other organizations’ activities. The TSWG is also responsible for supporting the implementation of the Tourism Master Plan and Ecotourism Policy and Management Strategy

**The Myanmar Tourism Federation** (MTF) is a federation of 11 tourism-related business associations. Although not a government body, its chair is appointed by the Union Minister for Hotels and Tourism, who also guides its operations. The MTF aims to make the government aware of tourism-related issues in the private sector and help improve communication and coordination between the government and the private sector in tackling these problems.

The Myanmar Tourism Federation’s membership comprises 11 business associations, including those for hotels, restaurants, tourist guides, tourism transport and domestic pilgrimage and tour operators.

**Myanmar Business Forum – Hotels and Tourism Working Group** established by the International Finance Corporation and the Union of Myanmar Federation of Chambers of Commerce, to improve communication between the private sector and the government across the business sector. The Forum’s Hotels and Tourism Working Group was involved in drawing up a position paper on issues including licensing, human resource development and financing for the tourism industry.

**Myanmar Centre for Responsible Business** (MCRB) has published a Tourism Sector-Wide Impact Assessment (SWIA) and translated the government’s Environmental Impact

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18 Ecotourism Policy and Management Strategy for Protected Areas 2015 - 2025
Assessment (EIA) procedures into English. The MCRB is also working on a Master Tourism Promotion Plan along with the NGO Flora and Fauna International, in Myeik archipelago.

3.2. Policy Objectives stated in National Policy Documents

Ecotourism Policy and Management Strategy for Protected Areas 2015 – 2025, which sets out 14 key objectives under six strategic programmes.

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<td>1 - Strengthening institutional arrangements, which includes</td>
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<td>in addition to legal and regulatory architecture</td>
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<td>2 – Strengthen ecotourism planning in and around PAs</td>
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<td>3 – Engage local communities</td>
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<td>4 – Invest in infrastructure and responsible business models</td>
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<td>5 – Strengthen research and monitoring frameworks</td>
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<td>6 – Strengthen marketing and interpretation</td>
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The policy also states the Union government will give special attention to “creating a foundation and framework for innovative public-private partnerships”. The strategy also provides for the formation an Ecotourism Working Group to be formed under the Tourism Development Central Committee. The policy describes how these various bodies would ideally interact and support each other and the development of ecotourism.

Tourism Master Plan 2013 – 2020 aims to create a roadmap for development the Myanmar tourism sector, laying out various strategic programmes and projects that are a priority for the country. The plan describes a short-term action plan covering the years 2013-2015, and a long-term framework for 2013-2020. The plan’s stated goal is to “maximize tourism’s contribution to national employment and income generation and ensure that the social and economic benefits of tourism are distributed equitably.”

<table>
<thead>
<tr>
<th>Six strategic programmes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Strengthening the institutional environment</td>
</tr>
<tr>
<td>2 – Build human resource capacity and promote service quality</td>
</tr>
<tr>
<td>3 – Strengthen safeguards and procedures for destination planning and management</td>
</tr>
<tr>
<td>4 – Develop quality products and services</td>
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<tr>
<td>5 – Improve connectivity and tourism-related infrastructure</td>
</tr>
<tr>
<td>6 – Build the image, position, and brand of Tourism Myanmar</td>
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</tbody>
</table>

The plan also calls for the formation of a Tourism Development Central Committee, a Tourism Technical Authority staffed by economists, statisticians and IT specialists, and the creation an advisory group that will include representatives of international development partners.

Policy on Community Involvement in Tourism 2013 is designed to lay out how the community participation described in the Responsible Tourism Policy will work. The policy adopts a “medium level” of community participation, where locals will be consulted on and
involved with tourism development. Final decisions, however, will be made “in coordination with the private sector and with the approval of the public administration.” The main objectives of the policy include strengthening local institutions and civil society, building capacity in local communities, encouraging local entrepreneurship and monitoring the positive and negative impacts of community involvement.

**Responsible Tourism Policy 2012**, the policy was created with help from the Hanns Seidel Foundation and includes nine general aims to guide responsible tourism policy in Myanmar. These include broad-based social-economic development, preserving cultural diversity and authenticity, environmental conservation and building human resources in the tourism sector. There are 58 action points within the nine aims, each of which is assigned priorities ranging from high to low. The appropriate government entity, advisor and liaison for each action point is also listed.

The following plans and policies were prepared under the previous administration, though there is as yet no coordinated strategy for integrating them. Many, if not all, need to be updated to reflect significant legal, economic and political changes since their inception.

4. FDI in Tourism – issues and opportunities

4.1. Investment statistics

DICA records successful applications for foreign direct investment in various sectors including tourism. However, it should be noted that these numbers reflect only approved investment, and not an actual financial flow.

![Approved FDI in hotels and tourism ($m)](image)

Source: DICA

DICA’s ability to track actual FDI flows across sectors is improving but remains limited. As such the directorate does not make these numbers officially available. For the 2016-17 fiscal year DICA recorded $116m of actual FDI into the hotel and tourism sector, but the true figure is almost certainly higher. Until recently there has been no requirement for firms to report the volume of funds they’ve actually put to work.

The bulk of foreign investment in the tourism industry goes into hotels. Since 2012 the government has begun establishing hotel zones, and this now at least one zone in each of the country’s 14 states and regions. In 2016, there were 33 completed foreign hotel and commercial complexes, 11 under construction and a further 12 that had received permits from the Myanmar Investment Commission. Of those 56 investments, 26 were listed as Singaporean projects — foreign investors often structure investments through Singapore — 11 were Thai, five came from Hong Kong and four from Japan.

19 MoHT data
The MoHT does provide information on FDI in hotels, which likely accounts for the bulk of investment into the broader hotels and tourism category used by DICA. The figures below should be interpreted as representing the total volume of approved FDI into hotel projects.

**Foreign investment in hotels and commercial complexes (2016)**

<table>
<thead>
<tr>
<th>Number of projects</th>
<th>Total number of rooms</th>
<th>Investment ($m)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>6241</td>
<td>1759</td>
<td>Completed</td>
</tr>
<tr>
<td>11</td>
<td>2296</td>
<td>857</td>
<td>Under construction</td>
</tr>
<tr>
<td>12</td>
<td>2670</td>
<td>476</td>
<td>MIC permit issued</td>
</tr>
</tbody>
</table>

Source: MoHT

### 4.2. Barriers to investment in tourism

There are a variety of hurdles preventing higher investment in Myanmar’s tourism sector. Hotels are the main source of tourism FDI in Myanmar, but the process of designating areas as hotel zones has been criticised on several fronts, including an absence of EIA, transparency, public dialogue and proper compensation for displaced persons. The MCRB has noted that the term “hotel zone” should not be confused with the Tourism Master Plan’s call for “zonal planning to be developed and applied at all destinations experiencing high visitor growth.”

Following a boom in hotels from 2012 the focus has turned to low occupancy rates on key areas including Yangon, Mandalay and in particular Nay Pyi Taw. The MoHT has said it now wants state and region governments to provide a letter of support for hotel projects. Despite low occupancy rates hotel accommodation in Myanmar is significantly more expensive that in neighbouring countries. International development partners have recommended that the MoHT allow the bed & breakfast accommodation sub-sector to develop, which would provide cheaper accommodation for tourists and a source of local income and employment. An official from the MoHT, however, said that the B&B would not be implemented on a large scale due to

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20 MCRB, Hotel Zones in Myanmar: An update, 2015
22 Ibid.
to “security reasons”. There is speculation that the hotel lobby is against a rise in B&Bs, which would represent competition for an industry already suffering from weak demand.

The classifications for different types of tourism accommodation are also overly complicated and in many cases unnecessary. B&Bs, which are licensed at the state and region level, must “have between four and eight rooms, be at least part-owned by a member of the community, and be separated from the owners’ accommodation”\(^\text{23}\). The MBF’s Hotel and Tourism Working Group complained that the hotel licensing system is time consuming and complicated, with many approvals and pieces of documentation required that drag the process out over many months and even years\(^\text{24}\). All this creates a negative environment for investment.

In general, despite the passage and enactment of a new investment law, foreign investors in the tourism sector still report a lack of clear guidelines and uncertain procedures. This applies to licensing across a variety of tourism related ventures. A change in government personnel can prompt a request for a new application or additional documents, and “unwritten rules” continue to make the investment process challenging. As in many other sectors, companies report that investments in Yangon or Mandalay are typically straightforward, but much less so in other states and regions. This general lack of clarity around the actual investment process — as opposed to how it appears on paper — is a key complaint from investors.

In cases where a tourism project requires consultation with multiple ministries, investors report that this severely complicates the process. A Yangon or Mandalay hotel is a comparatively simple investment, while projects involving a regional government and MoNREC or MoRAC are far more time consuming and problematic. Investors are highly concerned about the prospect of more power to approve projects being ceded to local governments, given a general lack of capacity at that level.

### 4.3. Barriers to Investment in Ecotourism and National Protected Areas

With regards to ecotourism, a key challenge is the lack of an evident market to sustain an ecotourism project. The mainstream tourism market is concentrated on the high-end and luxury segment. Ecotourism is at a very early stage, though there is the potential for a high-end ecotourism market to develop. Private sector operators are not sure to which extend there is a sufficient market for the segment, however, particularly given the lack of clear guidelines.

The previous environment ministry — the Ministry of Environment Conservation and Forestry (MOECAF) — designated 15 ecotourism or protected area (PA) sites in 2005 and created another 6 in 2011\(^\text{25}\). This list of 21 ecotourism sites or PAs remains unchanged, although the Ecotourism Strategy published in 2015 notes that another six PAs were being proposed. The strategy also lists 10 of the 21 sites to be prioritized for developing ecotourism, of which most are located in poor and remote parts of the country.

\(^\text{23}\) ibid.
\(^\text{24}\) MBF Hotel and Tourism Working Group, Position Paper on Licensing Issues, February 2017
\(^\text{25}\) Ecotourism Policy and Management Strategy for Protected Areas 2015 - 2025
There is no integrated strategy between MoNREC and the MoHT to develop these sites, and a general lack of coordination with regard to ecotourism. The Ecotourism Strategy calls for almost $15 million to be spent implementing the strategy between 2015 and 2020, but that does not include funds to improve infrastructure allowing access to the sites or additional funding to create specific ecotourism plans for the 10 priority sites. The remote location of many of the sites makes transport a key issue to address in order to create viable tourism projects.
The lack of coordination between the ministries has also been a contributing factor in allowing inappropriate developments in areas of potential ecotourism. Lampi Marine National Park — Myanmar’s first and only Marine National Park — in the Myeik Archipelago holds huge potential as an ecotourism site. But there is insufficient action to prevent illegal resources extraction, no entry fee or other tourist charges that could help conservation, and although one high-end resort has been approved, there is a lack of community-based tourism projects. At such sites the potential for a high-end tourism market remains unused, but clear consistent guidelines on leasing, concessions and other areas are vital, in addition to a huge investment in infrastructure.

Although international visitors to ecotourism sites such as Lampi are few, domestic tourism is rising quickly — a trend seen in other ecotourism sites. In 2014, domestic visitors to ecotourism sites dwarfed international visitors. This is unsurprising as many of the sites have insufficient infrastructure to create a viable market for investment. Only six of the 21 sites received more than 1000 international visitors that year, and the vast majority of international visitors to ecotourism sites visited just two — Inle Lake and Kyaiktiyo Pagoda. Both these sites are struggling to deal with the inflow of local and international visitors. The township of Nyaung Shwe for example, the main access point for Inle Lake, is suffering from drainage problems and water shortages. This lack of proper management systems could be addressed by the creation of dedicated Destination Management Organisations, which also present a potential opportunity for PPPs. This is discussed further in the ‘Opportunities for PPPs in Tourism’ section.

5. Legal and Regulatory Framework for Domestic and Foreign Investment in Tourism

5.1. Key legislation relevant to Investment in Tourism Sector

<table>
<thead>
<tr>
<th>Draft Tourism Law</th>
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<tbody>
<tr>
<td>A draft Tourism Law that will, if passed, replace the existing 1993 Tourism Law. However, there are concerns that the draft law does not sufficiently tackle many of the challenges the industry is facing, such as waste and water management, zoning and human resources. Nor does the draft mention the rights of local communities and indigenous peoples.</td>
</tr>
</tbody>
</table>

Under the draft tourism bill, approval for hotel licenses would shift from the Union Government to state and region governments, although it is unclear what other powers would change hands. The new Myanmar Investment Law gives local governments the power to approve projects across sectors that are under $5 million. There are serious concerns about handing responsibility to local governments due to their varied and often very limited capacity for assessing tourism investment and projects. Many observers believe the Yangon-based MIC should remain in charge until there is sufficient capacity at the local level.

Since the start of the 2017-18 financial year, only around 10% of investment projects under the $5 million mark have been approved by the regional MIC office. The great majority of these were in Yangon and Nay Pyi Taw. The primary challenge for regional governments is that they lack experience in assessing investment proposals and DICA will have a large role in building capacity in this area. In order to be able to process investment applications effectively and in

26 https://frontiermyanmar.net/en/the-draft-tourism-law-fit-for-purpose
27 ibid.
28 ibid.
a transparent manner, regional governments will have to become more aware of areas such as grievance mechanisms and managing conflicts. Finally, the draft tourism law does not tackle the unnecessarily complex licensing problems in the hotel industry. There is a lack of clarity over hotel licensing, and in some cases, it is not clear whether the license for a hotel was approved by the MoHT or DICA. The MBF has also provided recommendations on licensing reform to the Union Government.

Until that law is passed the key pieces of legislation governing the tourism sector are:

**The Myanmar Hotel and Tourism Law** No. 14/93 Enacted on 23/10/1993

The 1993 law replaced a previous tourism law from 1990 and lays out rules, regulations and licensing regimes for the development of the tourism sector. The legislation’s stated aims including the “systematic development” of the hotel and tourism sector while preventing the “destruction and damage” of the country’s cultural heritage. The law creates a Hotel and Tourism Board of Authority, describes its areas of responsibility along with the responsibilities of the tourism ministry and its Directorate of Hotels and Tourism. There are separate chapters detailing the license application process, the responsibilities of license holders, prohibited activities and the penalties for violating rules and regulations.


The order prescribes the licensing regime for hotels and lodging houses, which includes the creation of a licensing board made up of tourism ministry officials. The order also gives the ministry’s Directorate of Hotels and Tourism has the power to form licensing boards for states and regions. As part of the licensing regime, the order defines the number of rooms and other facilities a building requires to qualify as a hotel or lodging house. This includes precise specifications for the dimensions of rooms and en-suite bathrooms. The term of a business license is set at two years, and the fee structure is described for ventures of different sizes across three ownership categories — locally owned hotels, foreign or joint venture hotels and lodging-houses.

**Order for Licensing of Tour Guide Business** No. 2/2011 Enacted 1/9/2011

(Text was unavailable.)

**Order for Licensing of Tour Operation Business** No. 3/2011 Enacted 1/9/2011

The order prescribes the licensing regime for tour operators, sets the minimum paid-up capital for such a business at K5 million. The license term is set at two years and the fee structure is laid out for local, foreign and joint-venture tour operator licenses.

**Order for Licensing of Tourist Transport Business** No. 4/2011 Enacted 1/9/2011

The order defines the scope and licensing regime for tourist transport operators. The fees for different forms of sea and road transport are defined.

Other Legislation Relevant to Tourism Activities:

**Environmental Conservation Law (2012)**

The law’s stated objectives include enabling the government to implement a national environmental policy and protect the country’s natural and cultural heritage. The legislation provides the legal basis for the ministry to set environmental quality standards, urban management standards and require ventures that may impact the environment to seek approval from the ministry in advance.
Environmental Conservation Rules (2014)

The rules describe the ministry’s responsibilities across different areas in greater details, and provides the framework for the ministry to require certain ventures to undertake Environmental Impact Assessments.


As yet there are no official English translations of the EIA procedures, although the Myanmar Centre for Responsible Business provides an unofficial translation. The EIA procedures lay out which ventures are required to carry which kind of environmental assessment, management plan or other action to mitigate environmental impact.

Myanmar Companies Act

The Myanmar Companies Act was passed and approved in December 2017, although it will not come into force until August 2018[29]. The act replaces a piece of colonial era legislation from 1914, and in addition to modernising how companies in Myanmar are governed it has broad implications for investment across the economy. The old 1914 act prevented any local company from having a foreign shareholder. Under the new legislation, a Myanmar company can continue to be defined as a local company with foreign ownership of up to 35%. This essentially opens up areas of the economy that are still off limits to foreign investors — for example financial services and land ownership — to minority ownership[30].

The act will also make small companies – those with less than 30 employees and annual revenue of less than K50 million — exempt from otherwise potentially onerous administrative requirements. This may have positive implications for small firms in the tourism sector, including ecotourism companies.

[29] DICA announcement
[30] VDB Loi briefing note, November 29 2017
5.2. Exemplary Investment Process Map

Since 2012 the government has begun establishing hotel zones, and there is now at least one zone in each of the country’s 14 states and regions. In 2016, there were 33 completed hotel and commercial complexes with foreign investment, 11 under construction and a further 12 that had received permits from the MIC.

The following broad steps will be performed by the developer of a new hotel.

While the new MIL facilitated the investment application process by introducing endorsement (for the projects below 20 mln) and approval obtained from region and states committees (for the projects under 5 mln), the process of obtaining required permits and licenses remains complex.

At the DICA’s One Stop Service Center investors are able to process Import and Export License, stay permit of foreign employees and taxes for import and export especially for the MIC permitted or endorsed investment. All other necessary permits and licenses have to be obtained at the respective ministries.

Consolidation of an investment proposal, e.g.:
- partnership
- market analysis
- capital requirements

Submission of an MIC permit, MIC endorsement or endorsement by subnational investment promotion agencies

Arrangement of land lease from either
- a private party or
- the Government

Permit / endorsement obtained.
Approval of the hotel by Ministry of Hotels and Tourism

Conducting additional processes for obtaining required permits & licences from the respective ministries, such as:

RBE:
- LPG Gas Permit - Ministry of Electricity and Energy
- Liquor license - GAD, Ministry of Home Affairs
- Restaurant license - MoHT & Development Committee
- Health Recommendation Certificate - Ministry of Health

SECURITY:
- Walkie-Talkie license - Ministry of Transport and Communication
- Certificate of Fire Service - Ministry of Home Affairs

ENGINEERING
- Diesel Storage License - Ministry of Electricity and Energy
- Elevator license - GAD, Ministry of Home Affairs
- Boiler Permit - GAD, Ministry of Home Affairs

FINANCE:
- Money Changer License - Central Bank of Myanmar
- Foreign Exchange Acceptor - Central Bank of Myanmar
- Export / Import License - Ministry of Commerce
5.3. Framework for Public-Private Partnerships in the Tourism Sector

The PPP Knowledge Lab, a joint-initiative from several development banks, including the ADB and the World Bank, defines PPPs as “a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance”.

Development banks are also explicit in outlining that PPPs should involve comprehensive analysis and transparency and accountability at the government and private sector level. The advantages of PPPs can include better quality services, lower costs and innovation — but only if they are properly structured.

Myanmar has several large-scale agreements that have many qualities of a PPP and are classes as such by the government. These include agreements allowing private firms to operate the international airports at Yangon and Mandalay, and there have been many build-operate-transfer (BOT) agreements in the road and highway sectors. However, the government’s approach to PPPs in the past was ad hoc, uncoordinated and there was little or no used of international-standard tenders.

One notable exception if the Myingyan power plant, which was the subject of an international standard bidding process won by Singaporean firm Sembcorp. The government formed a special unit to manage the Myingyan PPP, which was then disbanded.

The Department of Civil Aviation under the Ministry of Transport and Communications is also in the process of inviting expressions of interest from private firms for PPPs to upgrade several regional airports.

In mid-2016, the MoPF published a draft PPP policy document as part of an effort to approach PPPs more constructively. The draft states the government’s intention to develop a “substantive role for PPPs as a means for promoting private sector participation in the provision of public infrastructure and public services”.31 However, it notes that PPPs can be used in a range of sectors, including tourism.

The document is explicit that there must be competition, transparency, fairness and accountability in selecting private sector parties for PPPs. The policy also lists the following principles for PPPs in Myanmar:

- Value for money considerations are central in the decision making process
- Budget implications are carefully managed
- The interest of end users, affected persons, private and public sector entities and other stakeholders are protected

The ADB signed an agreement with the government in early 2017 to provide strategic and transaction advisory services on PPPs in the transport sector, including identifying potential projects, improving the government’s capacity to properly assess a PPP project and ensure that any PPP is competitively priced. Although the ADB’s agreement with the government is for the transport sector, the bank has also helped prepare a cabinet paper for PPPs that has been reviewed by the MoPF. This cabinet paper will potentially help the government build a framework for assessing PPPs across multiple sectors.

31 Myanmar PPP Policy Document draft for consultation, MoPF 2016
The administration has also formed a PPP task force, which comprises sub-groups to examine a range of PPP-related issues. Although there were no sub-groups established specifically for the tourist sector, the MoHT began developing a Tourism Industry PPP Work Plan in April 2017.

Challenges to PPPs in tourism

There are still no laws, regulations or policies guiding how PPPs should be used in Myanmar or how and where private sector funding should be pursued. In the past this has led to an opaque and ad hoc approach to using private sector funding or participation. Various ministries have made their own arrangements for PPPs without any alignment with national strategies or guidelines.

A wider framework is required to guide the government in how to prioritise, approach and assess PPPs across different industries and sectors. There has been some progress on this front. DICA is working with JICA to develop an institutional PPP framework, and there have been study visits to investigate how PPP models work in other countries including Singapore and The Philippines.

A regional law firm VDB Loi has provided support to the MoPF, which is working on a financial framework for approaching PPPs. One of the more problematic aspects of PPPs that the new government is grappling with is the need to provide government guarantees. DICA is among the actors helping the administration to tackle these issues, and there are also plans to establish a dedicated PPP unit that would have funds reserved specifically for partnerships that involve a government guarantee.

However, even with a clear framework in place the government’s overall capacity to undertake PPPs extremely low, and this is also the case across bodies responsible for tourism including the MoHT and MoNREC. At present there are no institutions with qualified staff and sufficient capability to properly undertake PPPs.

Improving PPP opportunities

Despite a lack of capacity, the tourism ministry is in principle open to PPPs. The tourism master plan drawn up in 2013 calls for an array of different funding mechanisms including PPPs in order to develop the industry. Many existing and potential tourist sites are hard to access, and the current MoHT welcomes private sector help in improving access to such areas.

Based on a review of the existing literature and interviews with stakeholders from the public, private and NGO sectors, the key recommendations for supporting PPPs in the tourism sector focus on capacity and knowledge building.

There are suggestions that a specific PPP Law would be beneficial for Myanmar, but in many sectors, there is nothing in the existing legislation or regulation preventing such partnerships from being formed. However, the MoPF’s policy document on PPP notes that there are legal issues around the private sector providing certain government services, holding facilities used to supply public services, public procurement and in areas including land use, insurance and

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32 GIZ - Desk Study on the potential of Public Private Partnerships to attract investment in the tourism sectors of Cambodia, Lao PDR, Myanmar and Vietnam, 2017
33 ibid.
The document suggests that many of these issues could be addressed by issuing a single PPP Law.

There is consensus that a dedicated PPP framework and strategy should be established at the national level, to ensure that PPPs are used sensibly and systematically. As noted above, the government is consulting on a draft PPP policy and receiving support on many aspects of PPPs. The MoPF policy document calls for a dedicated PPP unit in the finance ministry that would service as a national centre for PPP expertise.

The MoHT is developing its own Tourism Industry PPP Work Plan, but private sector stakeholders in the tourism sector report that building knowledge and awareness of PPPs at the union ministry and state and local levels will be paramount if partnerships that are to be successfully formed. One of the key recommendations for Myanmar from a recent GIZ study on tourism PPPs in the CLMV countries was that the MoHT allocate and train staff in developing PPPs. These individuals would in turn help prepare a tourism investment plan to selection potential PPPs and help prepare pilot projects.

That study also recommended that each of the CLMV countries’ tourism ministries consider building their own dedicated PPP units, which would include staff with the relevant skills in project appraisal, financial analyses and legal expertise.

5.4. Relevant AFAS Commitments in the Removal of Barriers to Trade in Services in the Tourism Sector

For the 9th Package of Commitments under ASEAN Framework Agreement on Services under the Tourism and Travel related services, on the Limitation on National Treatment, Myanmar agreed to the following:

- Hotel and other lodging services (CPC6411 / 64110): ‘Entitled to enjoy the exemptions under the Foreign Investment Law (2012) Chapter - XII, Article 27’
- Motel lodging services (CPC 64120) ‘If it is permitted by the Myanmar Investment Commission, the foreign investors shall be entitled to enjoy the exemptions and relief under the Republic of the Union of Myanmar Foreign Investment Law, Chapter XII Article 27’
- Meal serving services with full restaurant service (CPC6421 / 64210): ‘Entitled to enjoy the exemptions under the Foreign Investment Law Chapter XII, Article 27’.

6. Opportunities for Investment in Tourism

Ecotourism: The IFC is involved in forming Destination Management Organisations (DMO) for PAs, which could be a model for an entity operating on the basis of a public-private partnership, led by the state or region minister for tourism. The DMO will work to identify all the challenges at the destination, and Inle Lake will be the focus of the first DMO to be established. This will include examining how revenue from the tourist site fees is used and whether its allocation contributes to the destination and MoHT local office development.

The Myeik archipelago in Tanintharyi Region is also a priority for forming a DMO, although its geographic conditions would be a challenging factor. Overall investment environment in this

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34 Myanmar PPP Policy Document draft for consultation, MoPF 2016
35 GIZ - Desk Study on the potential of Public Private Partnerships to attract investment in the tourism sectors of Cambodia, Lao PDR, Myanmar and Vietnam, 2017
region is questionable, especially in terms of preserving natural protected area. There are tour companies offering trips to islands with fragile ecosystems without any guidelines on the number of visitors, and several islands in Tanintharyi Region have reportedly been sold to local private sector investors.

As for the legal framework, private sector concessions in PAs are typically awarded for 15 years with the possibility of two 5-year extensions.

MoNREC welcomes PPPs with private firms to implement projects in line with the recommendations of impartial SIA and EIAs. This could take the form of managing national parks or providing infrastructure to PAs. In 2015, three of the 21 designated sites were leased the private sector — Hlawga National Park, Pho Kyar Elephant Camp and Myaing Hay Wun Elephant Camp.

The Ecotourism Strategy states the intention to design an Ecotourism Partnership Framework (EPF) that will create a “legal, organisational and funding framework to oversee the operation of ecotourism businesses”, potentially including PPPs. As in other areas, MoNREC has not actively sought out PPPs and instead reacts to proposals from the private sector. There needs to be renewed focus on the processes recommended by the old MoECAF in its Ecotourism Policy and Management Strategy. This should include establishing how concession agreements should be set up. GIZ and other potentially interested stakeholders could assist with developing this process and a transparent and accountable framework for revenue use.

Most PAs have their own management unit, and only in the case of PAs out with Union Government control is there no such unit. However, the Ecotourism Strategy noted that income from visitor entry fees in many PAs does not always contribute to PA management costs and that a similar problem exists for accommodation agreements with private firms. In other countries, hotel owners in PAs pay an additional concession to the government or state.

Fees can be collected by a government body, as at Inle Lake, or a private sector firm, as at Hlawga Park, but there are few examples of ecotourism firms having entered into use-fee agreements with PA management bodies. In general, there is are revenue-sharing agreements made on a case-by-case basis between the union and state or region governments at tourism sites. MoNREC plans to establish a Biodiversity Trust Fund using revenues from entrance fees.

Once in place, DMOs could become a key entity in supporting and preparing the ground for PPPs where suitable, by encouraging dialogue between the public and private sectors and helping solve fundamental site-specific problems, such as waste management and limited infrastructure.

**Potential ecotourism projects:** The MTF reports that three or four eco-resorts have been completed, but there remains confusion among stakeholders as to the definition of ecotourism. Myanmar boasts several areas with strong potential for ecotourism including:

**Dolphin Conservation** – The Ayeyarwaddy Dolphin Protected Area (ADPA) was created over a decade ago with support from the Wildlife Conservation Society as the first national aquatic projected area in Myanmar. The WCS continues to support the Department of Fisheries in managing the area, including “developing alternative livelihoods and economic incentives for conservation such as ecotourism”.

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36 https://myanmar.wcs.org/Wildlife/Dolphin.aspx
In 2015, the ADPA was selected as one of the country’s ecotourism pilot sites under the Ecotourism Policy and Management Strategy. The EU is helping support the WCS to investigate whether ecotourism can be used to help reduce threats to dolphins and support community conservation efforts.

**Elephant camps** – The Green Hill Valley Elephant Camp was founded in 2011 and focuses on caring for elephants that are no longer fit to work at the MTE. There is currently research done on elephants’ in the camps welfare and developing potential responsible tourism activities.

**Wildlife sanctuaries** – one of the tour operators mentioned a site near Monywa – which in the past have been operated by Woodland Travels. It is a unique place, which provides an opportunity of watching wildlife (including tigers) from the houses built in the trees. The company withdrew due to the lack of market demand. The place has a great potential, but in the past occurred not to be financially viable, due to limited infrastructure and insufficient promotion. It has been suggested that the potential investment should come only from a tour operator with a prior experience in eco and adventure tourism in the region.

**Bird watching** – niche specialised tourism

### 7. Key Recommendations and Conclusions

Myanmar has made a great deal of progress in improving the environment for investment in recent years. More and more areas have been opened to foreign capital, whether wholly-owned foreign firms or joint-ventures. DICA and the MIC have opened new offices across the country to better facilitate investment at the regional level, and state and region governments are being given approval powers for smaller projects. However, a huge effort will be needed to improve the capacity of local governments to properly assess and engage with foreign investment projects in sectors like tourism. Large-scale tourism projects, ecotourism and community-based tourism all come with their own challenges, opportunities and risk.

Foreign investment has a key role to play in developing in tourism in Myanmar. But FDI is being held back by an environment characterised by unclear written policy and the existence of ‘unwritten’ rules, which lead to confusion for foreign investors approach an already challenging market. The industry needs a new tourism master plan, with a clear Tourism Promotion Strategy and sufficient amount of fund backing the campaign to attract a critical mass of tourists. The industry is in a great need of a revised tourism law, along with much clearer and simplified guidelines for all aspects of tourism investment.

The lack of capacity at both the union and state and regional levels, combined with a lack of funding, make PPPs a potential tool. This will require a clear consistent strategy and how to approach, structure and assess PPPs, which necessitates much closer collaboration between the various ministries and stakeholders involved.

**Suggestion 1:**

**Myanmar Tourism Promotion Strategy**  
To develop a detailed marketing and promotional plan for the Myanmar tourism sector according to the quality and quantity of tourism products, the diversity of domestic, regional and international source markets, positioning, branding, promotional materials and institutional mechanisms for marketing including potential public-private partnership. This should include:

- Analysis of the tourists’ patterns, conduct visitor surveys at key locations and assess the current domestic and international image of the country as a tourism destination.

37 https://myanmar.wcs.org/Wild-Places/EcoTourism.aspx
- Define prospective source markets and segments within the markets that can be attracted to the country.
- Review the existing institutional framework for marketing Myanmar and identify and recommend organizational changes required to ensure the effective implementation of the marketing strategy
- Prepare a medium and long-term marketing strategy including recommendations for destination branding and identification of the financial and technical resources

**Suggestion 2:**
**Creating transparency about the investment approval process at MoHT’ and/or extended to include licensing procedures**
To develop jointly under DICA and MoHT clear process maps for different types of key investments in tourism sector and to facilitate the process of obtaining different type of license and clearance.

**Suggestion 3:**
**Opportunities for investment in ecotourism**
To pilot with MoNREC, DICA and MoHT a model for mapping ad defining opportunities for involvement of the private sector at the ecotourism sites (e.g. concession agreements for the management of a national park according to international standards, delivery of ecotourism-suited accommodation, regional marketing, access of foreign and local tourists to the site by public transport).

**Suggestion 4:**
**Support the use of public-private partnerships (PPPs) across the tourism industry.**
To adopt PPPs as one potential funding mechanism for development, bringing capital for investment and expertise. PPPs could potentially deliver both, and in a variety of tourism sub-sectors.

**Suggestion 5:**
**Stakeholders coordination**
To foster a better coordination among tourism development stakeholders, including GoM, international donors, private sector companies (Myanmar and international investors).

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Opportunity</th>
<th>Challenge (local vs for investor)</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Accommodation</td>
<td>Investment in hotel projects</td>
<td>Hotel zones in unsuitable/unsustainable locations, Earlier oversupply resulting in low occupancy rates, Letter of support required from local government, Strict criteria on what building qualifies as a hotel</td>
<td>Revise system of licensing and reduce bureaucratic redtape in application process (MoHT) Remove strict criteria on different forms of tourist accommodation (MoHT)</td>
</tr>
<tr>
<td>2 Eco-tourism</td>
<td>Investment in ecotourism projects</td>
<td>Lack of clear market for ecotourism, Designated ecotourism areas are often remote and lack infrastructure, Poor management of designated areas</td>
<td>Better coordination between the MoHT and MoNREC to develop and market ecotourism sites, Improved infrastructure, in particular transport. Create Destination Management Organisations (DMO) and</td>
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### Institute proper management systems

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<td>4 Hotels</td>
<td>Leasing state-owned hotels</td>
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</tbody>
</table>

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**Links**

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