



TOURISM SECTOR ISSUE NOTE

Investment Promotion and PPP Environment in the Tourism Sector of Myanmar

Project: Support to the Initiative for ASEAN Integration

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1. Tourism Development Potential

Tourism has the potential to make a huge contribution to economic growth and employment in Myanmar. GDP growth has moderated in recent years but is expected to remain around 7% - 7.5% in the medium term. Rising migration from the countryside to urban centres has created a huge pool of workers for the services sector, which has overtaken agriculture as the largest source of employment. Tourism could play a key role in sustaining GDP growth and creating job opportunities.

Myanmar benefits from a diverse range of landscapes and potential tourism draws —pristine coastline, mountains, islands, cultural sites and cities boasting impressive collections of colonial architecture. Reported visitor numbers surged from 2012 as the country opened up, although reliable data using an international standard for tourist arrivals is not available. Reported visitor numbers now appear to have plateaued or even declined. Revenue from tourism has likewise risen, but the pace of the increase is slowing. The World Travel and Tourism Council (WTTC) estimates travel and tourism directly contributed \$2.1bn or 3% of GDP in 2016. This ranked Myanmar 87th out of 185 countries when it comes to the contribution of tourism and travel to GDP.

There are obvious barriers to creating a sustained tourism boom in Myanmar. Poor infrastructure is the main culprit. Roads are in poor condition as are railways, and there is a general lack of convenient bus and rail routes across the country. There are over 10 domestic airlines but internal flights are expensive. This leads to the majority of international tourists visiting the same group of destinations in the middle of the country — Yangon, Bagan, Mandalay, Inle Lake and Kyaiktiyo (Golden Rock). Beach resorts are growing fast but are hard to access. The majority of the potential ecotourism sites are in remote areas with poor transport infrastructure and attract virtually no international visitors. The two ecotourism sites in the central belt on the other hand — Inle Lake and Kyaiktiyo — are struggling to handle the high numbers of local and international visitors. Hotels and accommodation in general are also more expensive than in more developed regional countries like Thailand and Cambodia.

2. National Policy

Several key tourism plans and strategy documents were published under the previous government. But in many areas stated timelines have not been applied and intended outcomes not achieved. There is an urgent need to coordinate and unify the contents of these documents and update them as appropriate.

In chronological order, they include:

Responsible Tourism Policy 2012 - created with help from the Hanns Seidel Foundation and includes nine general aims to guide responsible tourism policy in Myanmar.

Policy on Community Involvement in Tourism 2013 - designed to lay out how the community participation described in the Responsible Tourism Policy will work.

Tourism Master Plan 2013 with six strategic programmes with a short-term action plan covering the years 2013-2015, and a long-term framework for 2013-2020.

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

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

Six strategic programmes:
1 - Strengthening institutional arrangements, which includes a framework for partnerships in addition to legal and regulatory architecture
2 – Strengthen ecotourism planning in and around PAs
3 – Engage local communities
4 – Invest in infrastructure and responsible business models
5 – Strengthen research and monitoring frameworks
6 – Strengthen marketing and interpretation

3. Tourism Investment

The bulk of FDI into Myanmar’s tourism sector goes into hotels. The Directorate of Investment and Company Administration has yet to start making data on actual investment by sector public, because it lacks the ability to accurately track flow volumes. Approved FDI in hotels and tourism hit \$400m in the 2016-17 fiscal year. The Directorate of Company Administration (DICA) recorded \$116m of actual FDI that year, although the true number is likely higher.

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 Myanmar Investment Commission.

There has been some investment into other ventures such as tour companies. The most recent government data from 2016 shows one foreign tour company and 42 joint ventures. Foreign investment into the ecotourism sector is almost non-existent.

4. Barriers to investment

The environment for foreign investment in Myanmar has improved significantly in recent years. The number of areas that require a joint-venture or are off limits entirely have been steadily reduced. Within tourism, the only activity explicitly off limits to foreign investors is “tour guide service” although investors are allowed to provide a “tour local service” with a joint-venture. Eco-tourism “based on a forest area and natural land” requires approval from the Ministry of Natural Resources and Environmental Conservation, but is theoretically open to 100% foreign owned firms.

The central government has also tried to streamline the investment application process and greatly reduce the ability of government ministries to stymie foreign investment in their spheres of influence. Under the new 2016 Myanmar Investment Law, state and region governments have the ability to approve projects involving investment of less than \$5m.

However, the path for investment is still strewn with hurdles. Despite the new investment law foreign investors still report a lack of clear guidelines and procedures. Many of the instructions and requirements they receive are verbal or “unwritten”, which can change depending on the official involved. Projects that require the consent of multiple ministries are often difficult because of a lack of coordination and collaboration between departments. Ventures outside of Yangon are typically more challenging, partly due to a lack of capacity in state and local governments. Foreign investors are highly concerned at the plan to devolve more decision-making power on investments to the state and region level given this lack of capacity.

Most FDI has been directed into hotels, which together with the ill-conceived designation of “hotel zones” has contributed to too many projects in unsuitable or unsustainable locations. The classifications for different types of tourist accommodation are also overly complicated and in many cases unnecessary. This helps prevent the existence of different segments within the accommodation sector — for example B&Bs.

Eco-tourism is affected by many of these issues, but also faces a general lack of guidelines and clarity around policy. The previous environment ministry — the Ministry of Environment Conservation and Forestry (MOECF) — designated 21 ecotourism sites and list of 10 to be prioritised. Most are in poor and remote parts of the country with limited access. There is no integrated strategy between the Ministry of Natural Resources and Conservation (MoNREC) and the Ministry of Hotels and Tourism (MoHT) to develop these sites, and a general lack of coordination with regard to ecotourism.

In most cases, there is a lack of coordination and capacity not only to develop ecotourism, but to prevent inappropriate developments or projects. This is evident in the Myeik Archipelago, where concessions and ventures have been approved with little thought to sustainability, and at sites like Inle Lake, where sanitation and water supply are under severe strain. There are plans in place to create Destination Management Organisations to tackle these problems, but this seems to be at a relatively early stage.

5. Recommendations on improving investment

In view of sustainable tourism development, Myanmar, as a tourist destination 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 Myanmar tourism industry is also in a great need of a revised tourism law, along with much clearer and simplified guidelines for all aspects of tourism investment.

One key opportunity for promoting investment is to help support the use of public-private partnerships (PPPs) across the tourism industry. The MOHT and the Union government have both called for the adoption of PPPs as one potential funding mechanism for development. The tourism sector is short on capital for investment and expertise. PPPs could potentially deliver both, and in a variety of tourism sub-sectors. This includes improving transport infrastructure, national park management, operating ecotourism Destination Management Organisations (DMOs), and leasing struggling state-owned hotels to the private sector.

For PPPs to be used appropriately, however, requires that there be a robust legal framework for their use, and sufficient capacity, skill and coordination at the government level to assess potential projects. One of the recommendations from a recent GIZ study on tourism PPPs in Cambodia, Laos, Myanmar and Vietnam was that each national tourism ministry develop its own dedicated PPP unit. These would include staff with the relevant skills in project appraisal, financial analysis and legal expertise. The government will need significant support on all these fronts.

The ecotourism sector holds significant potential for investment, whether through PPPs or not, given Myanmar's endowment of wildlife and diverse geography. But improving the union and regional authorities' ability to enforce and process environmental impact assessments (EIA) and prioritise sustainability has to go hand in hand with any investment promotion. Improving EIA practices across the tourism sector will be a crucial part of sustainable growth.

A clearer set of rules and procedures for investing in tourism and eco-tourism would also help improve the backdrop for investment. This would involve instituting uniform practices across regions and departments, which again highlights the issue of capacity. A related point is that the current Tourism Law dates from 1993, and a draft law to replace it is rife with shortcomings that do little to address underlying issues. Stakeholders could provide support in helping the government and tourism ministry create a new draft Tourism Law and accompanying regulations that follow existing recommendations from industry and civil society groups. Likewise, there are master plans and strategies for the tourism sector in general, sustainable tourism and ecotourism. Efforts should be made to update and implement these.

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.

Suggestion 2:

Creating transparency about the investment approval process at MoHT' and/or extended to include licensing procedures

Suggestion 3:

Opportunities for investment in ecotourism

To pilot with MoNREC, DICA and MoHT a model for mapping and defining opportunities for involvement of the private sector at the ecotourism sites.

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.

Suggestion 5:

Stakeholders coordination

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