

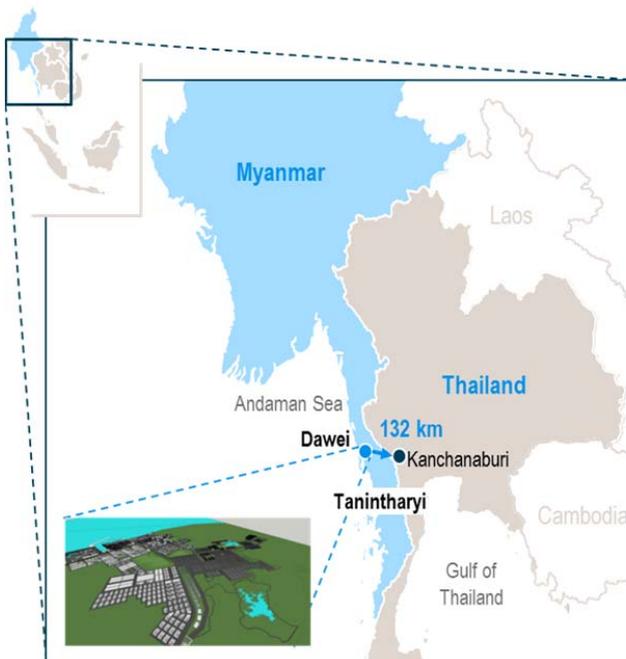
Dawei Special Economic Zone

1. The Area Size and Location of Dawei SEZ

Dawei city is the capital city of Taninthayi Region. Taninthayi Region occupies the southern part of Myanmar and borders Mon State in the north, Thailand in the east and south and Andaman sea in the west. Taninthayi Region has an area of 26777 square kilometres and a population of 1.40 million.

DSEZ Project Fact

The First Dawei Deep Sea Port project was announced in 2008, initially granted Italian-Thai Development Company limited along term concession to construct the project, and attract investment as a part of the first MOU between Thailand and Myanmar. However, ITD cannot start due to lack of fund. Myanmar and Thailand government created a new plan and separated Dawei into an initial phase (up to 27 sq. km) and a full phase (196.5 sq. km). The concession agreements for the initial phase infrastructure projects (including an industrial estate and supporting infrastructure such as small power plant, small port, LNG terminal etc.) were granted on August 2015 and March 2016 to a consortium led by Italian-Thai Development Company. The concessionaires and the Myanmar government are currently fulfilling their obligations (conditions precedent) prior to the commencement of construction works. The full phase of Dawei Special Economic Zone is planning to be implemented soon after the completion of Initial Phase Project activities.



Overview

Size > 196.5 km²
> One of the largest SEZs in Asia

Location > Located in **Southeastern Myanmar**, the **Capital of Tanintharyi Region**, which has 1.4 m population in 2014
> Strategically located adjacent to the **Andaman Sea** and near the **Gulf of Thailand**

Distance to key locations > Distance (km.) from DSEZ to:

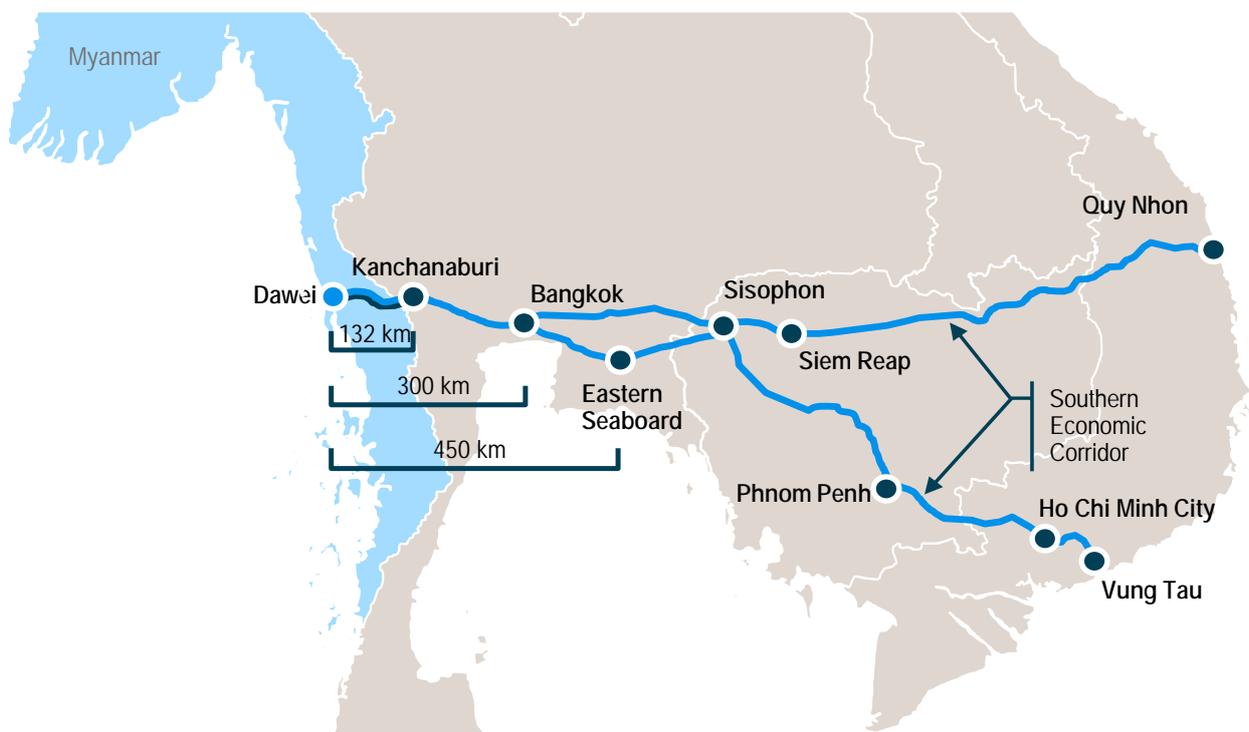
132	Thai-Myanmar border (Ban Phu Nam Ron)
300	Bangkok (TH)
450	Eastern Seaboard (TH)
600	Yangon (MM)
1,050	Vung Tao (VN)
1,200	Chennai (IN)

2.

The

Investment Incentives in Dawei SEZ (Linkages, production networks, cluster story)

Dawei SEZ, local and regional integration is one of the pillars of the Dawei SEZ master plan. For example, fish processing factories are expected to be attracted to Dawei SEZ, leveraging the potential of aquaculture in Southern Myanmar. Also, Dawei SEZ can play a role in terms of regional integration across ASEAN. Dawei SEZ will complete the Greater Mekong Sub-region (GMS) Southern Economic Corridor and establishes regional connectivity and land bridge between Dawei, Bangkok, Phnom Penh and Ho Chi Minh.

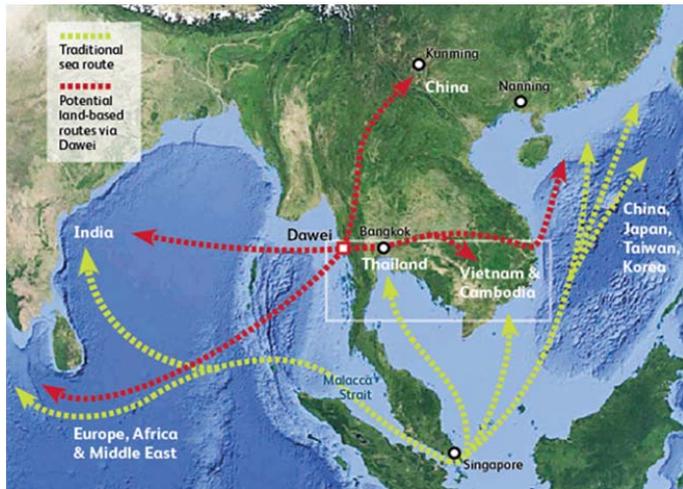


Dawei SEZ would also strengthen supply chain linkage with Thailand's Eastern Seaboard (ESB), providing opportunities for co-manufacturing linkages with the ESB and inducing the economic activities along the corridor.

Dawei SEZ also provides a gateway to the west (India, Middle East, Africa, Europe) for the region.

3. The Important Incentives in SEZs

The long-term master plan and development are built on the strengths of Dawei SEZ. After analysis and many interviews and workshops with potential investors, and survey on site and surrounding regions we are convinced that investors will be attracted to Dawei SEZ of the following reasons. First, its close proximity to the Eastern Seaboard and its completion of the GMS southern economic corridor. Once the deep sea port will be in place, Dawei SEZ will also provide a gateway to the west. Dawei SEZ also offers supply of local resources in Tanintharyi



region and surrounding areas, including tin, tungsten, and aquaculture. Dawei SEZ also offers competitive labor costs, hence its attractiveness for labor-intensive industries. Investors will also enjoy the benefit from the SEZ legal framework, which includes tax exemptions. Finally, exporters will have a significant advantage in exporting from Myanmar, given import duty exemptions in major potential export markets such as the European Union.

Dawei SEZ value proposition stems from its location, local resources, competitive labor cost, Myanmar growth and tax / duty exemptions

Key drivers to attract investors to Dawei SEZ

Value proposition	Rationale
A  Proximity to Eastern Seaboard and completion of GMS Southern Economic Corridor	> 132 km from Thai border, 300 km from Bangkok and 450 km from Eastern Seaboard – completing the GMS Southern Economic Corridor with Bangkok – Phnom Penh – Ho Chi Minh
B  Gateway to the West	> Gateway to the West linking SE-Asia with South Asia (India), Middle East, Europe and Africa, providing alternative trade route aside from that through the Strait of Malacca
C  Supply of local resources in hinterland	> Abundant supply of local resources > Tin / tungsten, aquaculture / fisheries, oil palm and rubber
D  Competitive labor cost	> Myanmar labor cost is USD ~3 per day > Compared to USD ~18 on average in Thailand and USD ~5 in Vietnam
E  Myanmar market growth	> GDP growth of ~8% per year in 2015-2020 > Population of 52 m
F  SEZ Legal framework, incl. fiscal incentives	> 7-year income tax exemption , import tax and VAT / commercial tax exemptions > One-stop-service-centre
G  Import duty exemption (GSP)	> Myanmar duty free exports to EU and other preferential tariff treatments > Myanmar enjoys EBA's duty-free and quota-free export

4. The Implementation Progress of Dawei SEZ

The first Memorandum of Understanding (MOU) for the development of Dawei Special Economic Zone project was originally signed on 19th May 2008 between Myanmar and Thailand Governments and Framework Agreement was signed between Myanma Port Authority and Italian-Thai Development Public Company Limited (ITD) on 2nd November, 2010.

According to the Framework Agreement, the Dawei Special Economic Zone and its related components are Deep Sea Port, Myanmar-Thailand Highway Road, Industrial Estates, Business Centers, Housing Complexes and Social Zones. However, the project ran into difficulties, especially in terms of financing by the developer. Hence, the project was terminated in November 2013. Therefore, Myanmar and Thai Governments formed different Levels of Committees, such as Joint High Level Committee (JHC), Joint Coordinating Committees (JCC), Joint Sub-Committees (JSCs) and the following were conducted:

- a. Formulating the next steps for the project
- b. Forming Dawei Special Economic Zone Development Company Limited (Special Purpose Vehicle - SPV) with the representatives of both countries, registered in Thailand
- c. Signing of the following agreements:
 - (i) Framework Agreement between Dawei Special Economic Zone Management Committee (DSEZ MC) and Dawei Special Economic Zone Development Company Limited (SPV)
 - (ii) Tripartite Memorandum among Dawei Special Economic Zone Management Committee (DSEZ MC), Dawei Special Economic Zone Development Company Limited (SPV) and Italian-Thai Co., Ltd (ITD)

Infrastructure overview – Initial Phase vs. Full-phase



(iii) Agreement of Termination between Myanmar Port Authority and Italian-Thai Co., Ltd

According to the Framework agreement, DSEZ is to be implemented in Phases such as Full Phase Project and Initial Phase Project.

In the meeting of 3rd JHC, Implementation of Initial Phase projects, formulating DSEZ master plan, continuous implementation of Full Phase project were discussed and actions are made for planning and MM-TH joint press release.

In 2014, the Dawei SEZ Management Committee started to prepare for the re-launch of Dawei SEZ, this time in line with international practice and international standards. To make the project more feasible, especially in terms of financial feasibility, it was decided to launch an "Initial Phase" first, of a size up to 27 km² (out of the total 196.5 km²).

Source: Full Phase master

Plan; Roland Berger

The Initial Phase covers the following projects:

- An industrial estate;
- An initial township
- Integrating of existing Dawei SEZ- Thai Border 2-Lane gravel Road to 2- Lane Asphalt Road
 - LNG terminal;
- Small port;
- Temporary power plant and boil-off gas power plant;
- An initial Power Plant
- Small Water Reservoir and

Vision for Dawei SEZ

Regionally-Integrated

- > Fostering Asian regional integration and completing GMS Southern Economic Corridor
- > Linking South-East Asia to the West
- > Integrating with domestic gateways and SEZs

Export-Focused

- > Focusing on serving the western markets (e.g. textile, fishery)
- > Completing the missing rapidly chain links of AEC (e.g. steel, automotive, E&E)

World-Class

- > Deep-sea port competing with the largest ports in the region, the largest in Myanmar
- > Largest SEZ in size in South-East Asia
- > Taking into account sustainability



- Telecom landline

The Memorandum of Intent (MOI) among Myanmar-Thailand-Japan was signed at 7th Mekong Japan Summit” on 4th July 2015, with the participation of Japan in SPV, Implementation of full phase project, feasibility study for the construction of highway road from DSEZ to MM-TH border and consideration of environmental and social impact for the development of Dawei SEZ. On 5th August 2015, 4th JHC meeting was held in Naypyitaw and discussed on the implementation of the initial phase project, MSEZ rule, assigning the project manager, liberalizing the financial services, Master Plan of full phase project and participation of Japan in DSEZ project. After the JHC meeting on the same date, DSEZ Management Committee and Italian-Thai consortium signed (8) concession agreements for the implementation of initial phase project.

The concession agreements for the Initial Phase were signed in 2015 and 2016. Some preliminary construction works have taken place. Certain obligations (for example, land lease agreements and EIA/SIA/IEE) have to fulfill by both parties before the full construction works can start.

The Initial Phase does not cover projects such as a deep sea port or industrial estate targeting heavy industries. Rather, the industries expected to be attracted to the Initial Phase are labor-intensive industries, such as textiles and garment manufacturing, food / fish processing, wood products (e.g. furniture) manufacturing and electrical goods production, boosting job opportunities for the local people.

In parallel to the Initial Phase, a Full Phase master plan has been developed including future target industries, spatial planning of the zone and financial forecasting. Social and environmental



safeguards were of critical importance when developing the Full Phase master plan and as such have been included in the master plan.

4.1 Current Progress of Dawei SEZ Initial Phase (Conditions Precedent to be fulfilled by DSEZ MC & ITD)

The Initial Phase Projects would not be commenced until the mutual (DSEZ MC & ITD) fulfillment of remaining Conditions Precedent. Remaining CPS are as follows-
EIA/SIA/EMP/IEE

Ministry of Natural Resources and Environmental Conservation has approved 10 out of 7 IEE and ESIA reports on September and November 2017. MONREC will be approved remaining 3 reports by January 2018.

OSSC office

OSSC Office has already been operational at the Office of Dawei Special Economic Zone One – Stop Service Centre (OSSC) since October 2016 as full-fledged status.

Compensation & Relocation Committee

Tanintharyi Region Government was informed of the formation of Compensation and Resettlement, and it has already been done with its status of inspection at the ground.

Land Lease agreement

The discussion of Land Lease agreement will be held on third week of January 2018 and will be finalized and executed before 30 April 2018.

Related to	By Concessionaires				By DSEZ MC				Total			
	Remaining	Overdue	Done		Remaining	Overdue	Done		Remaining	Overdue	Done	
LNG Terminal	✓	0	0	6	✓	0	0	4	✓	0	0	10
Compensation and Relocation	✓	0	0	24	✓	0	0	2	✓	0	0	26
EIA reports submission and approval	○ ○ ●	6	0	6	○ ○ ●	2	0	0	○ ○ ●	8	0	6
Bawah quarry, precast yard & rights to use agreement for temp. use of ITD complex	✓	0	0	7	✓	0	0	3	✓	0	0	10
OSSC (one-stop service) office		0	0	0	✓	0	0	2	✓	0	0	2
Telecommunication license		0	0	0	✓	0	0	1	✓	0	0	1
Land Lease Agreement and Rights of Way	○ ○ ●	1	0	0	○ ○ ●	3	0	0	○ ○ ●	4	0	0
Others*	○ ○ ●	8	0	0	○ ○ ●	3	0	0	○ ○ ●	11	0	0
Total	○ ○ ●	15	0	43	○ ○ ●	8	0	12	○ ○ ●	23	0	55

● Conditions precedent that are not due yet or that are fulfilled
● Conditions precedent with foreseeable risk of not being fulfilled by revised due date
● Conditions precedent that have been overdue
✓ All conditions precedent have been fulfilled

4.2 Implementation of 2-lane Road

Myanmar Ministry of Construction will take responsibility for the construction of 2-lane Asphalt road of DSEZ to Thai border Htee Khee after having constructed earthen road if and when Myanmar Government accepts the Official Development Access worth of Thai Baht 4.5 billion loan. Ministry of Construction of Myanmar and NESDB of Thailand have studied the existing detailed design in October 2017 and Joint Coordinating Committee (JCC) working group have been set up. Currently, Myanmar side is waiting for the confirmation of Thailand side to confirm the Loan Assistance. After receiving the confirmation, Myanmar side will send a letter informing the interest of obtaining Concessional Loan (Financial and Technical Assistance) from NEDA.

4.3 Constructed Preliminary Works of Initial Phase

(i) Initial Industrial Estate

Construction (ground works) for an area of 160 acres within Zone A2 used as mock up is completed

- > **Current status: Ground works for area of 160 acres within Zone A2 completed as mock up and ready for sale**
 - **Works completed:**
 - Land grading / ground works
 - Access road (unpaved)
 - Drainage system (not fully yet)
 - Flood protection
 - **Other works in progress:**
 - Water and power distribution (will be provided to tenants after land purchase)
 - Waste water collection and treatment
- > **Work has not started for the remaining 960 acres for Zone A**



(ii) Initial Township

Construction works for Initial Township are 90% completed;
Building 501 is nearly completed

> **Current status for total project:**
90% completed

> **Current status for sub-components**

- Renovation of Office & Camp KM. 18:
100% completed
- Construction of "Building 501"
Workforce Apartment: **All completed except installation of:**
 - Sanitary equipment
 - Windows
 - Other equipment / furniture that can easily break
 - Landscape work



Completed renovation of Office & Camp KM. 18



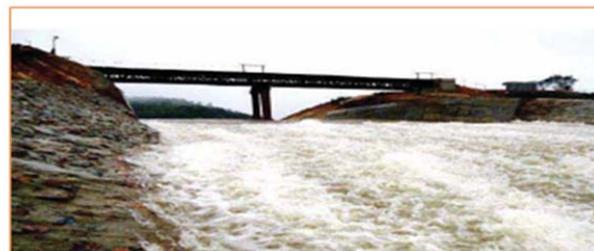
Building 501 (nearly fully completed)

(iii) Small Water Reservoir

Construction works for Pa Yin Byu dam are completed;
construction of water treatment plant will start after NTP

> **Current status:**

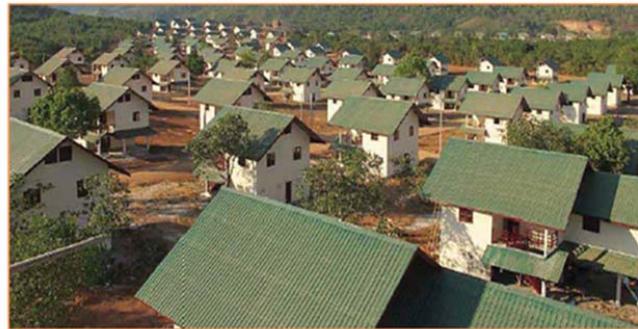
- **Pa Yin Byu dam construction**
100% completed
- Preliminary construction works which are only **site investigation and explorations** (no actual construction required) continue to be conducted
- **Water treatment plant construction and water piping** (from the dam to water treatment plant) has not started – will be as part of full construction after NTP



(iv) Bawah Housing (for relocation and compensation of affected households)

Construction works for Bawah Housing are 100% completed; all 480 housing units are ready for move in

- > **Current status: Construction works 100% completed**
 - 480 housing units
 - 1 monastery
 - 1 school
 - 1 clinic
 - 1 market
 - Transmission lines, pipelines, water tanks



- > **All completed and ready for affected households to move in**



4.4 Annual Concession Fees

ITD Sill Fails to pay 2nd & 3rd Annual Concession Fees total of 5.77 million US\$ (Including inflation rate & Interest rate) which is already due although they were informed of prompt payment as six time considering the respect to the contents of the accord and support and assistance given by Myanmar Government.

5. The Data Collecting Survey for Development Planning in Dawei SEZ by JICA

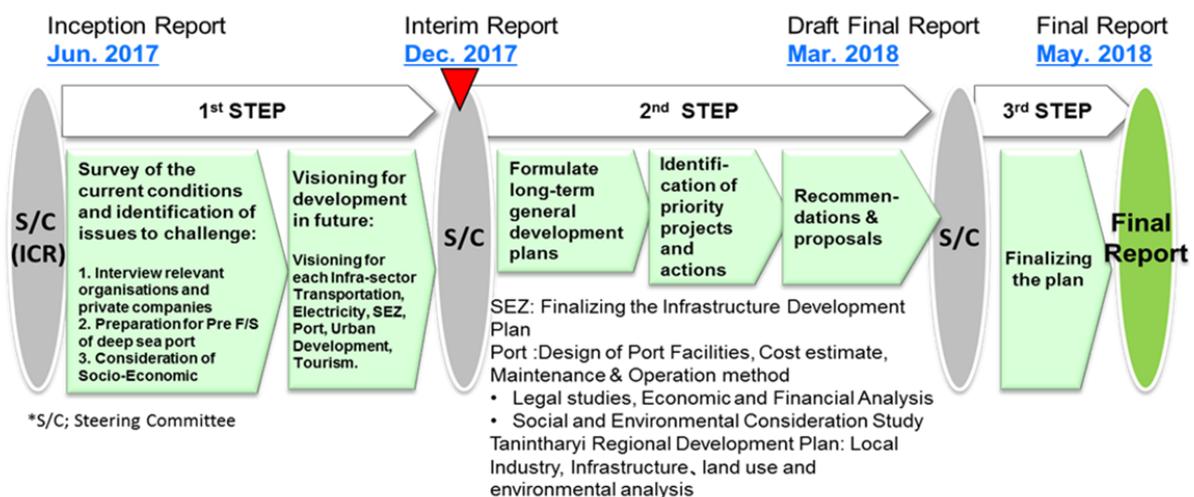
The Government of the Republic of the Union of Myanmar is encouraging FDI through SEZ development, creating employment and improving the people's income. Dawei SEZ is one of potential international SEZs in Myanmar, where the Governments of Myanmar, Thailand and

Japan agreed “Memorandum of Intent on the Cooperation for the Development of Dawei SEZ Project” in July 2015.

Step 1: To envisage future visions for three levels of development to share among stakeholders, based on current status analyses.

Step 2: To formulate the overall development plans, identify priority projects and/or activities, and delineate a possible implementation mechanism.

Step 3: To finalize the Plans



Dawei SEZ development is under preparation and partly starting construction of the initial phase by the concessionaires. It is important that Dawei SEZ will develop so as to contribute to regional development and people’s better livings as well as an international industrial hub. In these aspects, an additional survey with a view of the development of Tanintharyi Region is required for further development of the region and Dawei SEZ after the initial phase. Deep sea port and power supply are those among most critical infrastructure for SEZ and regional development.

Therefore, JICA decided to implement “The Data Collection Survey for Development Planning in Tanintharyi Region and Dawei SEZ (DPTD)” in response to the request from the Government of Myanmar.

5.1 Objective of the survey

The objective of the survey is to collect and analyze basic information and compose the development planning, for assisting the Union Government of Myanmar to consider the

possibility of development. The development planning consists of following two (2) components.

- (1) Development planning for Dawei SEZ (Full Phase),
- (2) Preliminary Feasible Study for Deep Sea Port and Power Supply in Dawei SEZ

The first target year of the development planning is at the year of 2030 in accordance with the National Comprehensive Development Plan (NCDP), covering the period until 2050 if needed.

5.2 Schedule

Step 1: To envisage future visions for three levels of development to share among stakeholders, based on current status analyses.

Step 2: To formulate the overall development plans, identify priority projects and/or activities, and delineate a possible implementation mechanism.

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