



PeaceNexus Foundation

An assessment of business opportunities in the Kayin state

Vriens & Partners
01 November 2013

Foreword

In the spring of 2013, PeaceNexus was approached by the Government of Myanmar via the Myanmar Peace Center to support the Karen National Union (KNU) in the identification of business opportunities that benefit the local population in the Kayin State. In the belief that inclusive and responsible business can help consolidate the ongoing peace process, PeaceNexus has offered its assistance to this endeavour. In a first phase, PeaceNexus has commissioned Vriens & Partners to conduct a market research study to identify key actors, ongoing business activities and recommendations about potential projects for other organisations to support in key sectors and areas.

Disclaimer

This report is based on the research and analysis of Vriens & Partners. It is intended for information purposes only.

About PeaceNexus

PeaceNexus is an independent private Swiss foundation whose mission is to promote integrated solutions to peacebuilding challenges with emphasis on the interfaces between development, democracy and security.

i. Introduction.....	4
ii. Methodology.....	4
iii. Terms and abbreviations	5
I. Introduction to Kayin state	7
II. Sectors.....	9
a. Tourism	9
Overview.....	9
b. Agriculture	14
Overview.....	14
c. Manufacturing	17
Overview.....	17
d. Telecoms.....	20
Overview.....	20
III. Recommended projects	22
Map of project sites.....	23
Table of projects	24

i. Introduction

This report provides:

- a general overview of Kayin state;
- description of existing and planned business and development activities in Kayin state with a focus on Agriculture, Tourism, Telecoms, and Manufacturing sectors; and
- a series of recommendations regarding the selection of 14 possible pilot projects in the sectors mentioned above, including potential partners and challenges in implementation.

ii. Methodology

In the spring of 2013, PeaceNexus was approached by the Government of Myanmar via the Myanmar Peace Center to support the Karen National Union (KNU) in the identification of business opportunities that benefit the local population in the Kayin State. In the belief that inclusive and responsible business can help consolidate the ongoing peace process, PeaceNexus has offered its assistance to this endeavour.

In a first phase, PeaceNexus commissioned Vriens & Partners (V&P) to conduct a market research study to identify key actors, ongoing business activities and recommendations about potential projects for other organisations to support in key sectors and areas. V&P is a Southeast Asia-focused corporate advisory firm specializing in political risk analysis, government affairs and public policy headquartered in Singapore. V&P's Myanmar team is comprised of country experts with extensive experience providing independent appraisals of the political risk associated with existing and potential investments and strategies for engaging local stakeholders and mitigating risk.

Findings in this paper are based on desk research and interviews conducted by V&P with stakeholders and Key Informants in Yangon. **Phase 1 of field research** was conducted from Sept. 25 – Oct 3. in Kayin state and Thailand. A team of one foreign national and two Myanmar nationals travelled to Kayin state – specifically Pha-an, Hlaing Bwe, and Myawaddy – meeting with the Chief Minister and other government officials, Karen National Union (KNU) liaison officers, and representatives from private sector and civil society. In Maesok, Thailand, the team attended a workshop on the economic situation in Myanmar conducted by Myanmar Peace Support Initiative (MPSI) for the KNU.

Phase 2 of field research subsequently included consultations in Yangon with key business members, INGOs and civil society representatives interspersed with three research trips to three different areas of Kayin state. A team of two Myanmar national researchers and one foreign staff member visited Pha-an and Mawlamyine between 15 – 18 Oct. to carry out additional research in the central Kayin/ northern Mon state area. Two Myanmar national researchers then visited the Thandaung area of northern Kayin state from 23 – 25 Oct. and one Myanmar national researcher visited Kyaukkyi – site of the Norwegian-funded Myanmar Peace Support Initiative (MPSI) pilot project – in eastern Bago Region from 25 – 28 Oct. This current report concludes Phase 2 of research and provides Recommended Projects (*Section IV* below) to inform next steps forward.

iii. Terms and abbreviations

ADB	Asian Development Bank
ADRA	Adventist Development and Relief Agency
AMRDP	All Mon Region Democracy Party
BG	Border Guard
BHN	Basic Human Needs
BPHWT	Backpack Health Worker Team
CBO	Community-based Organisation
CDA	Community Development Association
CEC	Central Executive Committee
CIDKP	Centre for Internally-Displaced Karen People
CSO	Central Statistics Office
CVT	Centre for Vocational Training
DKBA	Democratic Karen Buddhist/Benevolent Army
ETL	Electronic Transactions Law
ESIA	Environmental and Social Impacts Assessments
EWEC	East-West Economic Corridor
FIL	Foreign Investment Law
GSM	Global System for Mobile
ICRC	International Committee of the Red Cross
IDP	Internally-displaced peoples
IZ	Industrial Zone
JICA	Japan International Cooperation Association
KAC	Karen Affairs Committee
KBC	Karen Baptist Convention
KCBO/ KCBPSN	Karen Community-based Organisations and Peace Support Network
KDN	Knowledge and Dedication Network
KESAN	Karen Environmental and Social Action Network
KHRG	Karen Human Rights Group
KMA	Khin Maung Aye Group of Companies
KNLA	Karen National Liberation Army
KNU	Karen National Union
KORD	Karen Office for Relief and Development
KPF	Karen Peace Force
KPP	Kayin People's Party
KPST	Karen Peace Support Team
KRC	Karen Refugee Committee
KSDDP	Kayin State Democracy and Development Party
KSEAG	Karen State Education Assistance Group
KWAG	Karen Women's Action Group
KWO	Karen Women's Organisation
KYDG	Karen Youth Development Group
KYO	Karen Youth Organisation
MCF	Myanmar Computer Federation
MCIT	Ministry of Communications and Information Technology
MFF	Myanmar Fisheries Federation

MIC	Myanmar Investment Commission
MNPED	Ministry of National Planning and Economic Development
MOHA	Ministry of Home Affairs
MOHT	Ministry of Hotels and Tourism
MP	Member of Parliament
MPC	Myanmar Peace Centre
MPSI	Myanmar Peace Support Initiative
MPT	Myanmar Posts and Telecoms
MOAI	Ministry of Agriculture and Irrigation
MOLF	Ministry of Livestock and Fisheries
MOU	Memorandum of Understanding
NPA	Norwegian People's Aid
NRC	Norwegian Refugee Committee
NSAG	Non-state armed group
PSDP	Ploung-Sgaw Democracy Party
SEZ	Special Economic Zone
SME	Small Medium Enterprises
SPDC	State Peace and Development Council
SRI	System of Rice Intensification
TBA	Traditional Birth Attendants
TBC	The Border Consortium
TNI	Trans-national Institute
UMH	U Myint Htay Company
UNFC	United Nationalities Federal Council
UNHCR	United Nations High Commissioner for Refugees
USDP	Union Solidarity and Development Party
VHV	Village health volunteers

Currency and measurements

baht	THB; Thai currency; USD 1 = approximately 30 baht (October 2013).
kyat	MMK; Myanmar currency; USD 1 = approximately 967 kyat (October 2013). ¹
viss	Standard unit of weight measure in Myanmar; one viss equals 1.63 kg / 3.5lb.

Viss to Kilogram Conversion				
1.00	Viss	=	1.63293	Kilogram
Myanmar Kyat to US Dollar Conversion				
967	Kyats	=	1	USD

¹ Note that this conversion reflects values as of late October 2013.

I. Introduction to Kayin state

Map 1: Kayin state



Kayin state lies in the southeast of Myanmar, sharing most of its eastern border with Thailand. Inside Myanmar, it has common borders with Mandalay Region and Shan state to the north, with Kayah state lying to the north-east, and Mon state and Bago Region to the west. According to government data, the state's total area is some 11,731 square miles – an area roughly the size of Belgium – with a population estimated at approximately 1.4 million.

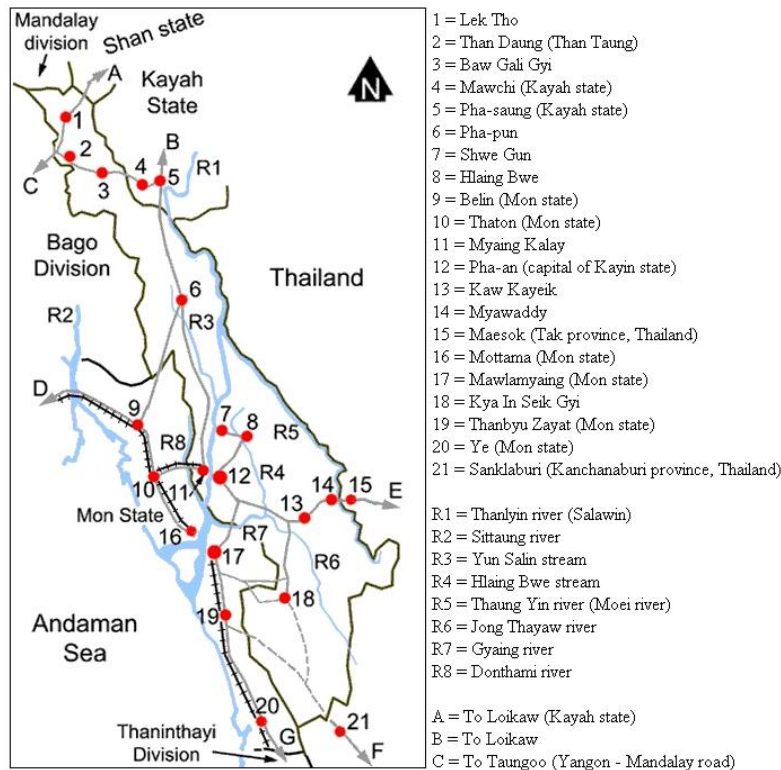
Rivers

Kayin state and its adjacent regions are bisected by a network of rivers – the Bilin, the Yun Salin, the Thaung Yinn and the Gyaing – most of which empty into the Salawin river (see *Map 2*). The Salawin, which flows roughly from north to south before it empties into the Gulf of Martaban at Mawlamyaing, marks the northern part of Kayin state's remote border with Thailand. The Thaung Yinn (or Moei) river marks much of the southern border with Thailand. Given the poor state of most roads in Kayin state, rivers remain a key source of trade and transport.

Topography

The rugged Dawna mountain range spans the length of Kayin state in the east, along the border with Thailand. The southern and western parts of Kayin state, particularly around Pha-an, consist of flatter agricultural land, punctuated with karst limestone cliffs and columns. To the north, the land rises to the remote Pha-pun and Thandaung hills. Much of the landscape across the state is dramatic and presents immediate and obvious potential for sightseeing and tourism.

Map 2: Kayin state towns, rivers and roads



Source: Asterism Travels and Tours

Thaton from east-west (see 14 – 12 – 10 Map 2).

Road quality currently, however, is extremely poor. Much of the stretch between Pha-an and Myawaddy (see 12 – 14, Map 2) is single-lane, and traffic direction is forced to flow on alternate days. ADB is currently beginning a project to upgrade this stretch as far as Kaw Kayeik (see 13, Map 2), while Thai construction companies have reportedly been contracted to upgrade the section between Kaw Kayeik and Myawaddy (see 13 – 14, Map 2).

Industrial Zones

There are three designated industrial zones in Kayin state, at Myawaddy (14), Pha-an (12) and at Three Pagodas Pass before the crossing to Sanklaburi in Thailand (21). While the Three Pagodas zone is in very early stages of development and has limited transport links, a small number of factories are already operating in the Pha-an zone, and basic infrastructure is currently under development in the Myawaddy zone and slated for completion by 2015 (see *Manufacturing* below).

Air and rail transport

Kayin state is underserved by rail infrastructure, with the main rail line linking only the main towns closer to the coast in Mon state – Belin (9), Thaton (10) and Mawlamyaing (17). There is a little-used airport in Pha-an and an airstrip in Pha-pun – currently for military use only. There are reported plans by the State government to upgrade Pha-an airport to receive flights from

Roads

Kayin state's two border crossings with Thailand are at Myawaddy (see 14, Map 2) and at Three Pagodas Pass, which connects to Sanklaburi in Thailand (21, Map 2.).

The main transport route through the state is the Myanmar portion of the Asian Development Bank's planned East-West Economic Corridor (EWEC), also referred to as the Asia Highway. The Asia Highway is intended to connect to Thailand and onward to Laos and Vietnam. In Kayin state, it is the main vehicle road that passes through Myawaddy – Pha-an –

Thailand – most likely not necessary, as the region is well-served by airports in nearby Mon state’s Mawlamyaing (17) – about an hour’s drive from Pha-an – and by Maesok airport on the Thai side of the border opposite Myawaddy (15), which has daily flights to Yangon and Mawlamyaing.

II. Sectors

a. Tourism

Overview

Tourism in Kayin state appears to have strong potential for growth. There is demand from Myanmar-based tour operators for new tour locations in Myanmar, and Kayin state offers high potential for eco-tourism and community-based projects. Lack of access to some areas currently limits the areas foreign visitors can travel. Beyond the main road from Yangon – Pha-an – Myawaddy, foreign visitors have little ability to travel to other areas of the state. Travel restrictions apply on almost all other larger roads, including the Belin – Pha-pun road, the Myaing Kalay – Pha-pun road, the Pha-an – Hlaing Bwe road, and the roads to Baw Gali Gyi in the north or Kyainseikkyi in the south (see *Map 2*).

A key challenge to growth in the sector is a lack of a clearly-defined vision for the development of tourism in Kayin state – a plan that everyone can agree on. Pha-an is identified as a target area for “cultural and creative tourism” in the 83-page Master Plan drafted by the Ministry of Hotels and Tourism in June 2013, but there is no clearly-defined path outlined for how this will be encouraged.² There is a need for high-level policy discussions between multiple stakeholders in Kayin state regarding growth in the sector that is sustainable and beneficial to the local populations. The current informal policy set by the Ministry of Hotels and Tourism – which focuses on large hotels in hotel “zones” and requires, for the most part, registration of tour guides in Yangon – inhibits the growth of the sector in the short-term and may be detrimental to the way tourism develops in the long-term.

There is also a clear need to respond in the short-term to the growing demands for tourism services. The Ministry of Hotels and Tourism does not currently track data for the number of tourists who visit Kayin state – although the Chief Minister of Kayin state noted the number of visitors has doubled in the last year.

Pha-an

The capital of Kayin state is only a five-hour drive from Yangon on a good road, which passes through popular tourist site of Kyaikhtiyo (“Golden Rock Pagoda”). It is also only one hour from Mawlamyaing, which has an airport operating daily flights to Maesok in Thailand. The road from Pha-an to Myawaddy on the Thai border currently takes five hours and traffic runs in different directions on alternate days – however, ADB is beginning to explore the potential of upgrading the road as far as Kaw Kayeik, which will shorten the trip considerably. This will be part of a planned extension of the East-West Economic Corridor (EWEC) into Myanmar, through a loan likely to be approved in late 2015. ADB is also planning to support women-led microenterprises

² Ministry of Hotels and Tourism, *Tourism Master Plan*, June 2013, p. 24.

in response to increased tourism along Pha-an – Myawaddy corridor. Like the road upgrade, this is a long-term project in its very early stages.

There is also a lack of international standard hotel rooms in Pha-an, where existing hotels are expensive and of poor quality. Some tour groups coming from Thailand bypass spending the night in Pha-an and instead continue on to Mawlamyaing or Kyaikto in Mon state, where a wider variety of quality hotels exists. While there are several new hotel projects currently underway in Pha-an, there remains currently a low market for tourism-related activities. This will change as more accommodations become available and transport improves.

Area	Hotel	#Stars	# Rooms
Myawaddy	Myawaddy Hotel	none	20
Pha-an	Tiger Hotel	none	27
	Grand Hill Hotel	**	30
	Hotel Zweekabin	***	30
	Parami Guest House	none	30
	Kan Thayar Guest House	none	12
	Golden Sky Guest House	none	20
	Soe Brother Guest House	none	23
Thandaung	Shwe Thandaung Hotel	none	10
	Zion Baptist Church Guest House	none	<i>unknown</i>
Total	10 hotels in Kayin state offering approx. 202 rooms		

Once there is sufficient accommodations, community-based activities, such as boat tours, hiking tours, biking tours, rock climbing, visits to traditional villages, homestays, restaurants, and handicrafts will be able to grow – but there is a pressing need to develop a comprehensive integrated plan with multiple stakeholders to identify these activities and target areas and provide the necessary training to ensure benefits reach local populations.

Travel companies also note that there is also a strong need for local Kayin-speaking guides. An obstacle, however, is that tour guide licenses must be registered in Yangon at the Ministry of Hotels and Tourism office. Although KNU companies Moe Ko San and Thoo Lei have coordinated with the Ministry of Hotels and Tourism to secure one training for about 30 prospective students – supported by local religious leader Taungkalay monk – there is still a need for ongoing and sustainable accreditation and training for Kayin guides. There is also potential to collaborate with existing vocational training providers, like the NRC, CVT and ADRA.

Key developments in Pha-an area:

- **New hotels**, including a 150-room hotel and convention centre planned by **UMH Company**. **Mya Htay Kwal Linn** is building one hotel on the Salween River and **Thoo Lei** has acquired two plots for hotels. The current owner of Parami Hotel and one of the Board of Directors of the new Kayin State Development Public Company, is also building Parami Hotel II close to Pha-an Bus terminal.
- **Members of the Kayin State Chamber of Commerce are looking for international partners to supply capital to build hotels.** According to information learned at a group meeting in Pha-an, no one has found any partners yet.

- **One Yangon-based tours company – Khiri Travel – has begun operating kayaking tours** between two of the popular caves outside Pha-an. The kayak tour focuses on training local staff and job creation. This simple model could easily be replicated in other adventure travel sectors (biking, climbing and hiking).
- Some villagers from Eindu area – especially a Pa-O ethnicity village near Pha-an on the main road to Myawaddy – are taking **government loans to support traditional weaving**. While there is a small number of locally-made handicrafts and restaurants catering to foreigners open, more tourists need to visit Pha-an to generate enough sales potential to incentivize locals to develop these types of activities.
- **A 30-member committee has been formed by three monks to manage a project for a cable car up Zwegabin mountain**, just outside Pha-an. A land survey by Yangon-based Sun Company has already been carried out and soil tests will begin soon – so far all funded through public donations. One of the monks introduced a Malaysian company, which can assemble cable cars, but there is no contract or agreement yet. KNLA’s Major Htoo Htoo Lay has suggested the committee work with a Swiss company to supply the cable cars. KNU Chairman General Mutu Say Poe has also made personal donations for the initial surveys. It is not clear yet if the project – estimated at USD 20 million by the Malaysian company – will be funded by public donations or by forming a public company from the 30-member committee. Many stakeholders mentioned that the project could become a symbol of peace in the region and it is being publicised as such in Burmese-language billboards and advertising. Given that Zwegabin is a popular destination for Buddhist pilgrimage, the site is likely to be a bigger pull for Myanmar visitors to Pha-an than foreign visitors – at least in the short-term.

Myawaddy

According to figures provided by the Ministry of Home Affairs, there are approximately 2,000 tourists entering Myanmar per month through the newly-opened Myawaddy border crossing – at which foreign tourists can enter on a 28-day visa. There remains only limited transport through Kayin state by long-distance bus companies, however the buses are used primarily by local people and seat capacity for tourists is therefore limited. Khiri Travels, based in Yangon, has just begun offering tours from Sukhothai in Thailand to Yangon overland, but is one of the first movers to do so.

Route	Company	Round trips per day
Myawaddy – Kaw Kayeik – Pha-an - Yangon	Myat Eindray	n/a
	Myat Thisar	0.5
	Pyae Arr Man	2
Pa-an – Yangon	Shwe Nadi	1
	Shwe Zin Setkyar	2
	Zwe Man Hein	n/a
	Pwint Thisa Yadanar	1.5
	Shwe Myanmar	3
	Shwe Nat Taung	1
	Shwe Par Si	n/a
	Thar Ma Nya	n/a
Pa-an – Mawlamyaing	Shwe Nadi	1
	Shwe Zin Setkyar	2

	Zwe Man Hein	n/a
Pa-an – Nay Pyi Taw	Taw Win	n/a
	Total	14
<i>*Average seats per bus 25 - 30</i>	Est. daily capacity	350

Key developments in Myawaddy area:

- **Kayin state government plans to develop a hotel zone in the northern part of Myawaddy township** – about 20 minutes outside the town, with cooperation between the State government and the Ministry of Hotel and Tourism, according to an officer from the Ministry of Hotels and Tourism in Myawaddy. New hotels in Myawaddy, however, are more likely to serve business and trade than tourism – given the proximity to Maesok in Thailand, where there is adequate and well-priced accommodations already available.
- **Moe Ko San company – registered by KNU’s 7th Brigade and with an office in Myawaddy – is planning activities in tourism**, as well as trading. Permission has been sought and granted by the Union-level Minister for Hotels and Tourism to provide about 30 students with a training program to qualify as local Kayin state tour guides. Moe Ko San is also interested in developing a hotel and rest stop site on an 80-acre plot of land 5 miles outside Myawaddy. The Chief Minister has granted permission for the project, but permission from the Central Body for Vacant Lands Management is still pending.
- **Thoo Lei Travels and Tours – with offices in Myawaddy, Pha-an and Yangon – wants to partner with Myanmar travel companies** to link up to existing tourist networks serving Bagan and Inle. Current ideas include building hotels in Pha-an and developing a bus tours line from Myawaddy to Pha-an.

Kyaukkyi

Kyaukkyi has strong potential as a base for trekking tours – with the strong caveat that more remote hill areas around Kyaukkyi remain landmined. There are sites that can be visited outside of mined areas, such as a waterfall within an easy day’s trip from Kyaukkyi, but there will need to be a comprehensive demining of the area before any more extensive trekking tours are possible.

There are currently no hotels in Kyaukkyi for foreign visitors and Kyaukkyi is a restricted area that is off-limits to foreigners. The nearest guesthouses are in Nyaunglebin, two and a half hours away, but these accommodations are of poor quality and it is not clear whether foreigners require advance permission to stay there.

Key developments in the Kyaukkyi area:

- The **Sah Ler village and waterfall is a 20-30 minute drive from Kyaukkyi town**, followed by an hour and a half hike. As a remote beauty spot, it has potential to draw foreign visitors.
- **It is key to begin first with local KNU Kyaukkyi Township leaders in any discussions about developing tourism in this area.** They have already organized an economic committee to develop a resort and tourist site in this area, but have rejected potential partners because they do not come to discuss with them first. Involving all levels of local leadership and local communities will strengthen peace and build on new opportunities created by the ceasefire.

Thandaung

Thandaung and Thandaunggyi – a former British hill station – have great natural beauty and strong potential for trekking adventure tours and eco-tourism – provided all concerned stakeholders can agree to develop tourism for foreign visitors in this restricted area. If this agreement can be reached, there will be a need to develop accommodations in the area, as there is currently only one hotel operating in the Thandaung area – Shwe Thandaung – and it closes during the monsoon season. Another guest house is run by the Zion Baptist Church in Thandaunggyi – but foreigners attempting to stay there have been turned back, despite the area being officially “open” to tourists.³

Thandaung also presents opportunities to link to national transport networks, being located close to the new capital and airport at Nay Pyi Taw – about two hours by road – and about five hours by road from Yangon. The national railway – in need of upgrading – also serves Taungoo.

Starting from the late 1990s and into the early 2000s, former Prime Minister General Khin Nyunt encouraged local business firms to develop Thandaung as a mountain resort. Large Myanmar conglomerates – including Htoo Group of Companies, Asia World, and KMA Group of Companies – invested in hotel projects there. However, most of the projects – except for the KMA Hotel – stopped when the 2004 – 2005 KNU ceasefire broke down. This shows how important it is for any projects implemented to actually strengthen the ceasefire, rather than simply take advantage of the temporary lull in fighting to get a project off the ground. Ensuring that local communities and other local stakeholders are involved in tourism development, not just leaders and large domestic companies, is vital to strengthen peace and contribute to sustainable tourism development.

Key developments in the Thandaung area:

- **KMA Group of Companies owns Shwe Thandaung Resort in new Thandaung** on the Pathi Creek, a well-known local beauty spot near the 13 mile checkpoint, popular with locals in nearby Taungoo. While the hotel is closed during the monsoon season, the group also owns the **four-starred Royal Kaytumadi Hotel** in Taungoo.
- **Regarding tourist sites**, there is a hot springs, beautiful creek and waterfall near 13 mile, a former hill station and tea plantations at Thandaunggyi and a well-known Naw Mu Baw mountain, which has a Christian church and meditation site at the summit.
- **Currently, there are no hotels or privately owned guesthouses in Thandaunggyi**, and visitors can only stay at the Zion Church guesthouse.

³ Long, D., “Thandaung opening up? Not quite yet” *Myanmar Times*, 22 September 2013.

b. Agriculture

Overview

Government data indicates that agriculture remains the mainstay for most of the population in Kayin state. In KNU-controlled areas, where government figures are not available, the KNU Central Liaison Officer Saw Shee Sho estimates that some 75% of the population rely on agriculture and/or animal husbandry.

According to Chief Minister Zaw Min, there are 200,000 acres of rubber under cultivation in Kayin state – including 80,000 ready to be harvested – and 8,000 acres of sugarcane. Both the Union-level Ministry of Agriculture and Irrigation (MOAI), and the Kayin state Chief Minister encourage value-added processing, especially of sugar in Hlaing Bwe township – where there is a no-longer-operational sugar factory owned by Mya Htay Kywe Linn company. In Kyainseikkyi, there are more than 90,000 acres of rubber under cultivation. In 2012, MOAI started providing loans of MMK 100,000 (approximately USD 96) for each new acre of sugarcane cultivated.

It is likely that investments in horticulture – vegetables, fruits, tea, coffee, spices, and other cash crops – could be directly linked to investments in cottage-industry manufacturing, such as dried fruits, jams, and juices. These projects would focus on market-based livelihoods development support in the short-term, with the aim of linking these initiatives to trade-focused commercial projects in the medium and long-term. These investments would likely be more development-orientated in the short-term, rather than an investment sector with attractive returns in the near future.

Below is a breakdown of the crop productivity and existing activities by area.

Pha-an

- **Most predominant crops in the area are rubber and sugarcane.**
- In the Thar-ma-nya area of Pha-an, there is a **Rubber Farmers and Producers Association**, which was founded six month ago with 227 members. Members farm 5,000 acres of rubber, of which 2,500 acres are currently ready to be harvested. Each of the farmers own from 5 to about 150 acres of rubber field.
- Chief Minister of Kayin state Zaw Min is in discussions with the Mekong Institute regarding a **proposed 2,000 acre corn plantation project** by Thai companies in Pha-an.
- In late 2013, **Norway Refugee Council (NRC) will begin an in-village, five-day food-processing pilot course for 50 youth** in three village tracts in Hlaing Bwe township to process mangos, limes, vegetables into juice, jam, dried goods.

Myawaddy

- Corn is one the main products of the area.
- Implementing Partners – a group of international investors many of whom are former United Nations Development Program (UNDP) colleagues – have **permission from Union-level and State government to develop a dairy farm** on 10 acres south of Myawaddy. The project is delayed at the moment by lack of investment capital – only half of the required USD 1.5 million has been secured so far.

Kyaukkyi

- **Most predominant crop in the area is rice**, although most villagers are daily labourers, rather than landowners. Villagers in the mountainous regions practice hill field paddy cultivation, but **production has been severely hampered** for more than a decade as a result of conflict. There are strong rice-producing regions upland from the MPSI Kyaukkyi pilot project area where production remains hampered.
- **Seasonal fruits, like durian, betelnut, avocado, cucumber, tomato, carrots and mangosteen are readily available**, meaning local market prices are very cheap. Small-scale fishery activities for subsistence are also very common in the riverine environment.
- **CIDKP is planning to support villagers' agricultural livelihoods with technical inputs and capacity-building**, and provide assistance for peacebuilding efforts in four IDP village areas from September 2013 to August 2014. Current partners are MPSI, NPA, KDN and KORD, KYDG and a department of KBC that works on social services development. Animal husbandry – chickens, pigs and ducks – may be supported by CIDKP, depending on needs-assessment to be carried out.
- Faith-based NGO Partners Relief and Development are beginning to **pilot a System of Rice Intensification (SRI)** in Kyaukkyi area through trainings for farmers, but this is still at a very early stage.
- **East Lives, a small 5 – 6 person community-based organisation based in Kyaukkyi, is assisting with the development of a Farmers' Association in Kyaukkyi**, which is not yet registered. The association was established with the support of the '88 Students Generation movement, and now they plan to initiate dialogue with the ILO for interest-free farmers' loans.

Thandaung

- **Thandaung produces a range of seasonal fruits such as durian, mangosteen, lychees, bamboo shoots and grapefruit.** Seasonal fruits are mainly grown in the remote areas around Baw Gali Gyi – 45 miles from Taungoo. According to Saw True Blood, one of the founders of the KPP, transportation is a major challenge for farmers' products to reach the market. For this reason, some villagers can only sell small amounts of fruit and have to process the remaining fruit into jam.
- **Cardamom is the most predominant cash crop.** According to local producers, about 65 – 70 % of farmers in the Thandaung region grow cardamom. Each farmer owns about 1 to 30 acres per family. Currently, China is the only market for cardamom seeds and recently, traders from South Korea and Japan have visited and shown interest in buying cardamom from Thandaung. Local price for cardamom was previously MMK 10,000 (approx. USD 10.34) per viss – or about USD 6.38 per kilogram. In 2013, the price doubled to MMK 20,000 (approx. USD 20.68) per viss – or about USD 12.78 per kilogram.
- **Cardamom taxation creates market distortions for farmers in Thandaung.** There is a cardamom trading centre at the 4-mile checkpoint before Taungoo and restrictions prevent carrying or storing cardamom without permission, which means farmers cannot sell to market freely or keep cardamom for a better price. Cardamom is also categorized as a forest product, which is subject to 25% tax payable to Ministry of Forestry. In addition to that, local traders in Thandaung region have to pay tax to KNU 2nd Brigade – at a rate of 12.5% of local prices – and apply to KNU 2nd Brigade for trading permissions.

- **Coffee remains a major crop of Thandaung**, where the climate and terrain are suitable for its production. In comparison to cardamom, coffee plantation acreage is declining because coffee prices, compared to cardamom, are very low. The price for coffee is MMK 2000 (approx. USD 2.06) per viss⁴ – or about USD 1.27 per kilogram – while cardamom can get up to K 20,000 (approx. USD 20.68) per viss – or about USD 12.76 per kilogram.
- There are two families in the region producing roasted coffee powder and distributing locally, including the **well-known “Thandaung Coffee” brand**.
- Tea is a long-standing major product of Thandaung. Thandaung used to produce very good quality green tea, but **tea quality and productivity has been declining since 1995** when the military took over 550 acres of tea plantation fields – of which only 220 acres is still producing tea. A small tea factory in Thandaunggyi now produces black tea for the army.
- There are strong concerns among local populations that Thandaung region will become a mono-cropping area with a single market – China. In response to this concern, there exists local buy-in and support for projects that would diversify crop production to fruits, tea and coffee.

⁴ Burmese unit of measurement equivalent to approx. 1.62 kg.

c. Manufacturing

Overview

Kayin state suffers from the same – if not worse – infrastructural problems as much of the rest of Myanmar: a lack of electricity and serviceable roads to transport goods from remote areas to markets. While the roads linking Pha-an, Yangon and Mawlamyaing (in Mon state) are all in good repair, road links to Myawaddy on the Thai border are only now entering the first stages of being upgraded with funding from the Asian Development Bank (ADB), (see *Map 2*). As for power, while it remains very limited at the moment, there is potential for future improvement, thanks to a recently-announced ADB upgrade of a power facility in nearby Mon state at Thaton⁵ and the upgrading of a natural gas turbine plant (slated for completion in 2015 by local Myanmar company IPP⁶ in Mawlamyaing, the nearest seaport to Pha-an and the largest city in the south-east Myanmar. According to Colonel Aung Lwin, Kayin state Minister for Border Affairs and Security, the Mawlamyaing plant will provide 180 MW to Mon and Kayin states once completed.

Many Key Informants suggested that the type of manufacturing that might benefit conflict-affected communities would be small-scale processing and/or cottage industries. Informants pointed to potential in agricultural products processing, woods processing, and handicrafts or other goods for the tourism industry. All manufacturing facilities in Kayin state – whether cottage industry or large-scale industrial factory – must be registered with the Ministry of Home Affairs (MOHA).

Illustrating that there exists potential to develop small-scale processing, the official figures indicate that there are 930 total private processing facilities in Kayin state. This figure – which includes cottage industries operating without power – includes 575 facilities in Pa-an, 188 in Kaw Kayeik, 154 in Myawaddy and 13 in Pha-pun. A network of small-scale basic rural facilities could be linked to a larger processing facility at one of the industrial zones in Kayin state still under development. A key challenge will be identifying networks of rural communities with existing basic processing capability, which will require high-level buy-in and cooperation with multiple stakeholders. If this is done with due diligence and sensitivity to conflict, this has the potential to integrate previously isolated markets.

Pha-an

A subsidiary of Myanmar media conglomerate Shwe Than Lwin – Thanlwin Ayar – is developing infrastructure at the Pha-an Industrial Zone (IZ). Established in December 2011 to create job opportunities for local people in their own region, the 973-acre zone is located 7 miles outside of Hpa-an on the road to Myaing Gyi Ngu, former DKBA headquarters. It consists of four major compartments – areas for foreign investment (177 acres), areas for Myanmar business firms (585 acres), areas for local entrepreneurs from Kayin state (112 acres), and a special zone for people from Myaing Gyi Ngu (99 acres).

There is an 11KW power cable supplying the Pha-an Industrial Zone but, at the moment, it only provides power to one factory – UMH's garment factory. Thanlwin Ayar plans to install an

⁵ World Bank. *Turning lights on in Myanmar*. 24 September 2013.

⁶ *New Light of Myanmar*, 6 July 2013.

additional 66KW cable soon, but the project is currently delayed by environmental and social impacts assessments. Beyond this, the State government plans to increase current from the national grid to 220KW and to extend the national grid from Kaw Kayeik to Myawaddy by 2015.

According to government data, there are 40 registered factories in the Pa-an Industrial Zone (IZ) for manufacturing soft drinks, garments, furniture, consumer goods, minerals and bicycles, although the number of factories actually operating in the Pha-an IZ is likely lower.

Key developments in the Pha-an area:

- Saw Than Mya, Managing Director of Mya Htay Kywe Linn company, **operates the Mya Linn furniture factory** in the Pha-an IZ. There is a large supply of timber and bamboo in the area.
- **Mya Htay Kywe Linn owns a defunct sugar-processing factory** on the Salween River in Myaing Gyi Ngu, about two hours by poor road from Pha-an. Given lack of power and not enough raw material in the immediate area, the factory is likely not viable, but there may be potential in the future for sugar-processing at the Pha-an zone itself.
- **NRC are running livelihoods training centre in Pha-an**, which focuses on garment making for women from conflict-affected areas of Kayin state with high internally-displaced populations.

Myawaddy

The Myawaddy Industrial Zone presents attractive potential for foreign and domestic investors, albeit on a more long-term basis. The new zone is situated on the border with Thailand – which supplies electricity from the Thai national grid – across the bridge from Maesok in Thailand’s Tak Province. Key Informants mentioned there is potential to build on high-level discussions taking place on a government-to-government basis between Thailand and Myanmar for a cross-border Special Economic Zone (SEZ), utilizing Thailand’s infrastructure with goods produced tax-free and cheap labour from Myawaddy.

Myawaddy IZ is still under construction and developing infrastructure for sewage, water and electricity. Nyi Naung Oo Company has a contract with State government to develop the zone and will have the right to sell the plots. They plan to finish development in early 2015. No plots have been sold yet.

Key developments in the Myawaddy area:

- **Moe Ko San has expressed its intent to purchase two plots to produce garments and roofing materials** and has already submitted its request to state government.
- Japanese companies – glassware, food and beverages, garments – have come to look at IZ but have yet to invest.
- The **Thai Cabinet approved budget for the development of an industrial zone on the Thai side opposite Myawaddy in early 2013**, as part of the development of the ASEAN East-West corridor.
- Since 2012, **there has been high-level discussion within Myanmar’s Ministry of Construction for a second bridge linking Maesok to Myawaddy** – near the Myawaddy and Maesok IZs. Assuming regulatory issues could be managed government-to-government, Japan is particularly interested in export through Thailand because it would cut transport to Japan from 25 days (out of Yangon) to three days (from Bangkok).

Kyaukkyi

- **Kyaukkyi is connected to the national grid** and villagers say that their electricity supply is relatively strong, because the Lawpita waterfall in Kayah state is nearby.
- **East Lives – small 5 – 6 person CBO based in Kyaukkyi** run by local female entrepreneur – is supporting small-scale processing of traditional soaps and shampoos in 50 villages around Kyaukkyi, with funds from KDN and Meitta Foundation and some training support from KBC. In 2012, East Lives conducted peacebuilding, environment, human rights and home industry training. Products have low chemical content and are sold locally for cheap price in Kyaukkyi market.
- In one village of 84 households near Kyaukkyi, an estimated **two-thirds of the village are doing small-scale bamboo processing**, to make traditional bamboo hats. There is a plentiful supply of bamboo in the area.

Thandaung

- **New hydropower project at Thauk Ye Khat dam** near Tantabin will add 140 MW to the national grid when it becomes fully operational. It is managed by Gold Energy Company, which is a subsidiary of large Myanmar conglomerate Asia World Company. Human rights groups have protested about this dam site.
- After 140MW is added to the national grid, **the national grid is planned to be extended from Taungoo to Baw Gali Gyi (45 miles from Taungoo)**, an area still restricted for foreigners. This is being done at the request of local people in the area – with the support of KPP Members of Parliament – who complain that their land has been flooded by the dam and they receive none of the power supply and electricity that it generates. This is a positive step towards connecting remote areas to the power grid.
- **Small food processing enterprise near Thandaung** has been operating since 2008 with seven workers, who have training in food processing and wine making. They produce juice and jam from grapes and lychees, and now, traditional shampoo. They currently produce 1000 bottles of grape juice annually and plan to increase production up to 5000 bottles in 2015. Total production cost of a bottle of grape juice is about MMK 1000, and the sale price is MMK 1200 per bottle, distributed through the network of Karen People Community. Apart from grapes which come from Yamethin, all other inputs are sourced locally. They are also interested in turning an old chopstick factory nearby his house into a canning factory for lychees and bamboo shoots for both domestic and foreign markets, but lack capital to expand the business, as well as technical skills for canning, packing and processing to keep the products longer.
- Company based in Shwepyithar Industrial Zone in Yangon is interested to **provide technical support for processing, distributing, packaging or exporting products from Kayin state.**
- **There are two very small-scale roasted coffee producing places in Thandaung region**, selling to the domestic market. One is the well-known “Thandaung Coffee” brand in new Thandaung (near the 13th mile stop), and the other is small-scale family processing.
- **Small government military-owned tea factory in Thandaunggyi** – using raw materials from the 220 acres still under cultivation – produces black tea for the army.

d. Telecoms

Overview

Cell phone coverage in Kayin state remains limited only to urban or peri-urban areas. Even in the capital Pha-an, cell phone signal is often lost within a ten-minute drive outside the town. In remoter areas of Kayin state, GSM connection is limited to elevated areas immediately proximate to a tower. Landlines remain the main telecommunications channel in the region and, in the most remote part of Kayin state – north of Pha-pun – communications is by satellite only and used almost exclusively by the KNLA.

According to data provided by the Ministry of Home Affairs, of the total population of approximately 1.4 million (see *page 3*), an estimated 66,000 – or 4.7% - have access to some form of telecommunications. In terms of geographic area, cell phone coverage stands at a mere 0.04% in Kayin state.

Background

The recent liberalization and expansion of telecoms throughout Myanmar is a State-led, centrally-driven presidential objective. Motivated by the possibility of providing ‘quick wins’ to the masses in order to secure his legacy – and potentially also secure votes in the 2015 elections – President Thein Sein has overhauled the sector, removing the previous monopoly held by Myanmar Posts and Telecommunications (MPT), the state-owned enterprise under the Ministry of Communications and Information Technology (MCIT).

While two foreign operators (Norway’s Telenor and Qatar’s Ooredoo) have been awarded tenders, as of October 2013, they are still negotiating the terms of their licenses with Nay Pyi Taw. A large part of their ongoing discussions is likely centered on expansion of the network to the rural, remote, and post-conflict areas. At this stage, it appears that firms will focus on central urban and government-controlled areas first, before expanding to more rural government-controlled areas, and eventually to conflict-affected or non-state controlled areas.

It is unclear, however, how expansion will be managed in conflict areas. There is no doubt that the indirect benefits to the economy are enormous. Given that building towers is a highly specialized technical process, it is unlikely that local interests will have direct gains from the expansion. That being said, secondary businesses along the value chain have the potential to capture incomes, for example, local logistical companies, security firms, and wage labourers.

Prior to the recent liberalization of the sector by the President’s Office, MPT had contracted Shwe Than Lwin – a domestic Myanmar media conglomerate – to build telephone towers in Mon and Kayin states. This was part of the ‘30 Million Mobile Project’ kicked off in 2011 to increase mobile capacity. MPT provided the design and model for the tower and base station, while Shwe Than Lwin invested and was granted the license to serve as the local service provider for those regions.

Looking forward

There is clear potential for projects with the operators, vendors and telecom tower construction sub-contractors once the allocation of responsibilities is clearer in Kayin state. It is necessary to

establish and maintain an ongoing dialogue with these telecoms players, as plans for the state continue to crystallise.

In local communities – and within the KNU – there is also strong support to improve telecommunications access for rural communities. Local civil society and human rights groups say it will dramatically improve information-gathering and emergency response. For this reason, once a network is in place, there will be a lot of scope for rights-based community networks, information-sharing or communications development projects, potentially also tied to nascent local ethnic media or radio services.

Key developments:

- **In March 2013, Shwe Than Lwin finished building a number of stations and towers.** There are now a total of 31 Base Transmitting Stations (BTS) in Kayin state:
 - Three WCDMA towers of 2,000 capacity
 - 28 GSM stations with 3,000-subscriber capacity in Pha-an, Kaw Kayeik, Myawaddy, Three Pagodas pass, Hlaing Bwe, Kyainseikkyi and Myaing Gyi Ngu.
 - Fibre-optic CDMA connection – of variable capacity – in Thandaung, Myaing Gyi Ngu, Hlaing Bwe, Zweekabin, Pha-an, Kyainseikkyi, Kaw Kayeik and Myawaddy.
- **There is also a GSM tower in Kyaukkyi**, which falls within Bago Region – rather than Kayin state – and so was not included in the figures provided by the MPT Manager for Kayin state. The tower in Kyaukkyi provides a strong service to cell phone users in the area.
- **Two new telecom tower sites** have been marked off on a remote 70-mile stretch of road between Pha-pun – Kamamaung, according to the Karen Human Rights Group. It is not clear who marked the area – although likely it was done by MPT, as foreign firms have not yet enunciated plans for Kayin state.
- **MPT has made a request to KNU 2nd Brigade for three locations for GSM towers in the Thandaung area** just two months ago in August 2013. No information about where the sites will be has been released yet.
- There is strong interest among local communities to develop **local-based radio stations – particularly in Thandaung, where connection to other regional FM stations is limited.** This kind of project – while not directly linked to telecommunications specifically – would support the development of a stronger communications network in rural areas of Kayin and presents strong income generation potential for community and municipal funds from advertising.
- **KNU Economic Committee is very interested in how telecoms will benefit local communities** but does not have any developed ideas or policies yet. There is also no KNU department that deals with telecommunications or technology generally. The most relevant KNU department may likely be the Department of Information.
- **A new program may be initiated in October or November 2013 by a Japanese NGO consortium called Japan Platform on Telecoms for Basic Human Needs (BHN).** The proposal has already been submitted to the government to support the installation of address systems, solar battery systems, and local skills-training for installment and maintenance.

III. Recommended projects

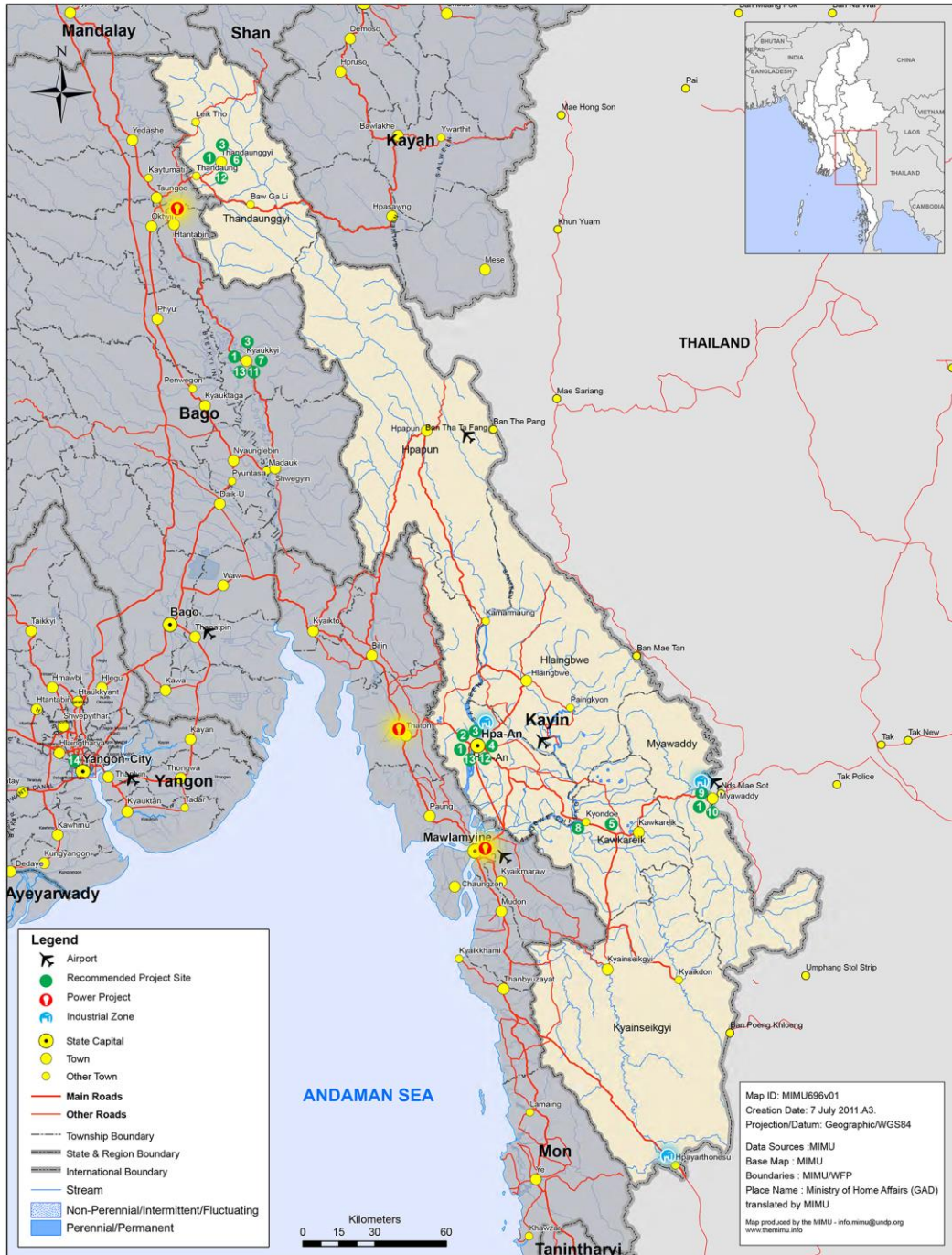
In the section below, 14 recommended projects are presented that could be implemented in Kayin state or areas where KNU has a presence. These are grouped by sector – Tourism, Agriculture, Manufacturing and Telecoms – and marked as belonging to one or more of the following categories: Business, Livelihoods or Policy. Business projects are considered to have greater prospects for short-term investment returns, while the Livelihoods category includes mostly market-based development projects with strong social investment returns in the short-term. Projects categorized as ‘Policy’ support or facilitate some aspect of KNU and government dialogue on broader policy direction.

Stakeholders repeatedly noted the importance of integrating different types of administrative areas – which have long been riven by conflict – into a common supply chain. It was suggested that fostering greater economic reliance between communities – previously unable to interact – may have the strongest impact on demonstrating peace dividends. In contrast, a project which focuses only on business in KNU or in government controlled areas may further entrench pre-existing divisions and fail to demonstrate dividends from the peace process. For this reason, most of the projects below focus on connecting community groups across the different types of administrative areas – from KNU-control to mixed-administration to government-control. Where a project is considered to be weak on this aspect, it is specifically flagged below.

Map of project sites

Myanmar Information Management Unit

Kayin State



Original source: Myanmar Information Management Unit (MIMU)

Table of projects

Tourism			
Project	Possible partner(s)	Activity	Category
<p>1</p> <p>Comprehensive Support to the Development of Sustainable and Community Based Tourism in Kayin State</p> <p>Site: Pha-an; Kyaukkyi; Thandaung; Myawaddy</p> <p>Opportunities: Fostering cooperation and buy-in from a wide variety of actors, Pha-an identified in the Tourism Master Plan as a site with enormous potential for tourism development – especially for cultural tourism – but no clear plan has been enunciated.</p> <p>Challenges: Large areas of restricted access, landmined access roads and paths in upland areas, need for comprehensive vocational training efforts</p>	<ul style="list-style-type: none"> ❖ Kayin state government ❖ KNU Central Executive Committee ❖ KNU companies – Thoo Lei and Moe Ko San ❖ KNU’s Thoo Lei Foundation ❖ KNU Brigade and local KNU Township leaders ❖ Government of neighboring States including Mon, Kayah, Bago Region ❖ Union Ministry of Hotels and Tourism and Ministry of Forestry ❖ Myanmar Peace Centre (MPC) ❖ CSOs – from Yangon, Pha-an and Thailand ❖ Donors and INGOs already in Kayin – especially those working on mine risk and vocational training (ADB, ILO, NPA and NRC) ❖ Hans Seidel Foundation – assisted MOHT to write Tourism Master Plan in June 2013 ❖ Travel agencies – especially those already in Kayin (Khiri Travel, Asia Holidays) 	<p>Phase 1 (3 – 6 months): Secure buy-in for cooperation. This is a long term and comprehensive endeavour that PN cannot undertake on its own. It requires high-level agreement with KNU and close cooperation with multiple NGO stakeholders to avoid overlap with others’ projects.</p>	<p>Policy; Business; Livelihoods</p>
		<p>Phase 2 (3 – 6 months): Develop a plan and work streams that include:</p> <ul style="list-style-type: none"> ❖ location of hotels, ❖ identification of sites of interests and potential leisure activities, ❖ support to the growth of local handicrafts including weaving, ❖ a promotion campaign for the State, ❖ a dialogue with tour operators so they are convinced to send some travelers there 	
<p>2</p> <p>Tourism vocational training school</p> <p>Site: Pha-an</p>	<ul style="list-style-type: none"> ❖ Ministry of Hotels and Tourism – for official guide accreditation ❖ KNU tour companies Thoo Lei and Moe Ko San – already 	<p>Phase 1 (3 – 6 months): Open dialogue with key donors and INGOs – particularly ILO and ADB</p>	<p>Livelihoods; Policy</p>
		<p>Phase 2 (3 months):</p> <ul style="list-style-type: none"> ❖ Lobby Ministry of Hotels and Tourism for guide 	

	<p>Opportunities: Youth employment, support growing tourism sector, rehabilitation of soldiers as guides in remote areas, tour access to previously restricted areas</p> <p>Challenges: Guide accreditation still required to come from Ministry of Hotels and Tourism’s Yangon office, overlapping vocational training programs planned in Kayin, securing buy-in and cooperation from KNU and civil society stakeholders</p>	<p>secured one training from MOHT for accreditation of 30 guides</p> <ul style="list-style-type: none"> ❖ KNU’s Thoo Lei Foundation ❖ ILO – touted as likely recipient of USD 18 million fund from Swiss government to build vocational training programs in Kayin ❖ ADB – support for women’s livelihoods in the East-West Economic Corridor (EWEC) ❖ ADRA – planning vocational training programme in partnership with government technical high school and college ❖ Centre for Vocational Training (CVT) – based in Yangon, providing hospital training ❖ The Border Consortium (TBC) – currently carrying out Small Business Training for handicrafts stores/restaurants in refugee camps ❖ Civil society especially KYO, KWO, KAC, KWAG, and KYDG 	<p>accreditation to be awarded in Kayin state, rather than in Yangon</p> <p>Phase 3 (3 – 6 months): Develop curriculum and programmes in partnership with CVT, TBC and ADRA for:</p> <ul style="list-style-type: none"> ❖ tour guides in urban areas of Kayin, ❖ rural tour guides (linked to trekking, kayaking tours linked to 4 below), ❖ Small Business Training for restaurants and shops in targeted areas for adventure tourism ❖ Service staff for hotels and restaurants <p>Phase 4 (3 – 6 months): Work with local civil society to identify students and ensure broadly drawn from areas of government-control, KNU control and mixed areas.</p> <p>Phase 5 (6 – 12 months): Develop internships and other on-the-job training programmes to link trained guides to travel agents and tours – including those offered by KNU companies Thoo Lei and Moe Ko San.</p>	
<p>3</p>	<p>Comprehensive support to development of integrated adventure tourism development plan</p> <p>Site: Pha-an; Thandaung; Kyaukkyi</p> <p>Opportunities: Incorporate into other national tours, rehabilitation of soldiers and increase access</p> <p>Challenges: Restricted areas for</p>	<ul style="list-style-type: none"> ❖ KNU Central Executive Committee especially KNLA Chief of Staff ❖ KNU companies - Thoo Lei and Moe Ko San ❖ Civil society – KWO, KYO, KAC ❖ Travel agencies – Khiri Travel ❖ Advertising agencies – promotion of Kayin state ❖ Ministry of Hotels and Tourism ❖ NPA – working on de-mining programs in Kayin 	<p>Phase 1 (3 months): Work with KNU and local civil society to identify and agree on different bases in Kayin state for trekking, biking, kayaking, climbing.</p> <p>Phase 2 (3 – 6 months): Work with KNU and vocational training providers – potentially within 3 above – to train suitable local guides, including former combatants.</p> <p>Phase 3 (3 - 6 months): Integrate Kayin state adventure tour options into a state promotion campaign and into deals offered by existing travel agencies, tour groups and hotels – including those offered by KNU companies Thoo Lei and Moe Ko San.</p> <p>Phase 4 (6 – 12 months): Lobby Ministry of Hotels and</p>	<p>Livelihoods; Policy; Business</p>

	tourists, landmined areas		Tourism – and MPC – for change in policy to permit network of homestays attached to trekking/ kayaking/ biking routes.	
4	<p>Mid-sized boutique hotel</p> <p>Site: Pha-an</p> <p>Opportunities: Few suitable rooms for foreign tourists in Pha-an, Pha-an likely to become the future base for tours to rest of Kayin, potential to link to adventure tours, handicrafts projects</p> <p>Challenges: Hotel zoning policy, skilled staff, identify and access sites of interest, secure buy-in from armed groups, entrenched interests in local business community</p>	<ul style="list-style-type: none"> ❖ Companies with interests in constructing new hotels in Pha-an – UMH, Thoo Lei, Mya Htay Kywe Linn, Ngwe Moe ❖ Chief Minister of Kayin state – need his support and granting permission ❖ Hotel and Restaurant Owners Association – national level ❖ Kayin State, part of UMFCCI ❖ Hotel Owners’ Association – Kayin state level, sub-group within Kayin State Chamber of Commerce ❖ Kayin State Chamber of Commerce – members are hotel owners in Pha-an 	<p>Phase 1 (1 – 3 months): Meet with Chief Minister, key members of local government, KNU and local hotel owners representatives to secure land, permission, partnerships.</p> <p>Phase 2 (6 – 12 months): Lobby Ministry of Hotels and Tourism to reconsider informal hotel zoning policy – on the grounds that it won’t encourage tourism and or broader community benefits from the sector.</p> <p>Phase 3 (6 – 12 months): Develop site, open discussions with travel agents and tour providers to integrate hotel promotions into existing packages</p> <p>Phase 4 (6 – 12 months): Lobby Myanmar Peace Centre (MPC) and Myanmar Investment Commission (MIC) – maybe even escalating to President’s office – for investor incentives in Kayin and other conflict areas, eg: tax breaks, electricity provision.</p>	Business; Policy
Agriculture				
	Project	Possible partner(s)	Activity	Category
5	<p>Fruits processing in remote communities and roadside market</p> <p>Site: Myawaddy – Pha-an highway</p> <p>Opportunities: Main road from Myawaddy to Pha-an or Mawlamyaing, potential to develop highway hub for selling local hill produce (as exists on the Thai side on main road to Tak from Maesok)</p> <p>Challenges: Upland areas heavily landmined – including paths villagers</p>	<ul style="list-style-type: none"> ❖ Chief Minister of Kayin State ❖ KNU Department of Agriculture – oversight on agricultural activities in KNU-controlled areas ❖ NRC – implementing pilot vocational training at village-level in Hlaing Bwe for fruits processing ❖ ADB – beginning to consider options to support women’s livelihoods along East-West Economic Corridor (EWEC) ❖ East-West Seed – hybrid seed company offering agro-trainings to develop farmers’ capacity. 	<p>Phase 1 (3 – 6 months): Initiate dialogue with key donors and NGOs – especially ADB – to integrate into broader plans to encourage women-focused SMEs along the Asia Highway.</p> <p>Phase 2 (3 months): Identify suitable horticultural communities across variety of administrative areas near main road, with assistance from KNU Department of Agriculture, other armed groups in the area and local civil society</p> <p>Phase 2 (3 – 6 months): Implement vocational training for fruit processing, planting, and Small Business Training to encourage roadside commerce – with assistance from NRC, TBC, and East-West Seed.</p> <p>Phase 3 (6 – 12 months): Work with travel agencies and</p>	Livelihoods

	use to access larger market towns		bus companies to integrate stops at roadside markets/restaurants/shops into travel agendas for tour groups; pair with a marketing campaign to support hill produce.	
6	<p>Food and spice processing in remote communities</p> <p>Site: Thandaung</p> <p>Opportunities: Large supply of raw material, strong domestic market in Pha-an, as well as nearby Naypyitaw and 115 mile rest stop near Taungoo, only three hours drive from Yangon, existing small-scale processing facilities, bamboo shoots, ginger, turmeric, coffee, tea, fruit variety – grapes, lychees, durian</p> <p>Challenges: Cardamom monocropping, hills near Thandaung heavily landmined – including paths villagers use to access larger market towns, local partners lack technical skills, capital, packing training. Also given the low domestic market for cardamom spice, it would need to be exported, requiring export license. KNU imparts large taxes upon farmers – potential barrier to growth.</p>	<ul style="list-style-type: none"> ❖ KNU Department of Agriculture – oversight on agricultural activities in KNU-controlled areas ❖ KNU 2nd Brigade and local KNU Township leaders ❖ Karen Baptist Convention and local church-based networks ❖ NRC – implementing pilot vocational training at village-level in Hlaing Bwe for fruits processing; built shelters for IDPs in Thandaung ❖ East-West Seed – hybrid seed company offering agro-trainings ❖ Kanae Htoo General Food Stuff Enterprise – currently operating small processing business for grape juice and jams, founded by Joseph Phaw – graduate in Chemistry who used to work for the Ministry of Co-operatives and received training for wine-making, could provide more local trainings ❖ Linn Shin company – based in Shwepyithar Industrial Zone in Yangon, interested in processing, distributing, packing or exporting products from Kayin 	<p>Phase 1 (3 months): Identify target upland areas and implement horticultural assistance programs to diversify cardamom mono-cropping, with assistance from KNU Department of Agriculture, other armed groups in the area and relevant civil society</p> <p>Phase 2 (3 – 6 months): Implement vocational training for fruit processing and planting – with assistance from NRC, Kanae Htoo General Food Stuff Enterprise and East-West Seed.</p> <p>Phase 3 (3 – 6 months): Support development and expansion of existing small-scale processing facilities in Thandaung with technical skills, capital investment, marketing and packing training.</p> <p>Phase 3 (6 – 12 months): Identify domestic markets and distribution partners in nearby Naypyitaw, at 115 mile rest stop near Taungoo, in Yangon.</p> <p>Phase 3 (12 – 24 months): Work with KNU companies Thoo Lei and Moe Ko San and other travel agencies to integrate agro-tours into tourism development in Thandaung, paired with a marketing campaign to support hill produce.</p>	Livelihoods
7	<p>System of Rice Intensification (SRI)</p> <p>Site: Kyaukkyi</p>	<ul style="list-style-type: none"> ❖ MPSI – already initiated improved dialogue with IDPs, currently limited to humanitarian aid; project ending December 	<p>Phase 1 (1 – 3 months): Initiate dialogue with potential NGO partners and with KNU Central Executive Committee, Thoo Lei Foundation, Bago Regional Government, Brigade level and Township level KNU</p>	Livelihoods

	<p>Opportunities: Contribute to food security for IDP communities, most villagers working on paddy fields in the area, build on improved ceasefire conditions and previous trust-building by MPSI</p> <p>Challenges: Lack of human capital and training-of-trainers, high levels of local mistrust, imperative to deliver dividends, large long-displaced populations (from conflict and Shwegyin dam), market access. Rice is subsistence, not usually for profit.</p>	<ul style="list-style-type: none"> ❖ PDSG – Peace Donor Group is the new implementing partner taking over from MPSI ❖ KNU Department of Agriculture – oversight on agricultural activities in KNU-controlled areas ❖ Partners Relief and Development – plan to implement SRI in Kyaukkyi ❖ Proximity Designs – social enterprise designing and selling affordable irrigation systems and providing trainings to farmers 	<p>leaders.</p> <p>Phase 2 (6 – 12 months): Develop model farm and work with Partners and Proximity Designs to identify network of potential trainers</p> <p>Phase 3 (3 – 6 months): Provide capital and technical support to implement an extensive training program, including mobile units</p> <p>Phase 4 (6 – 12 months): Work with local civil society – KORD and CIDKP – to identify vulnerable food-insecure communities in IDP areas and provide trainings and input support to targeted areas</p>	
8	<p>Shrimp farming</p> <p>Site: Gyaing River at Kyondoe, near Pha-an</p> <p>Opportunities: Appropriate mix of salt and freshwater, export opportunities from Mawlamyaing port and to Thailand</p> <p>Challenges: Transport infrastructure, export license, unclear peace dividends – low or zero impact in KNU-controlled, IDP conflict areas</p>	<ul style="list-style-type: none"> ❖ Ministry of Livestock and Fisheries – required for licensing ❖ Myanmar Fisheries Federation ❖ Myanmar Shrimp Association ❖ Kayin State Chamber of Commerce – potential local partners 	<p>Phase 1 (3 – 6 months): Feasibility studies, identify markets in Thailand and specific site identification</p> <p>Phase 2 (3 – 6 months): Identify potential local partners through dialogue with Myanmar Fisheries Federation (MFF)</p> <p>Phase 2 (6 – 12 months): Develop sites, paired with dialogue with Kayin state government and Township-level government officials – and potentially with KNU 6th or 7th Brigade depending on site choice</p> <p>Phase 3 (12 – 24 months): Develop processing facilities with power from newly-upgraded Mawlamyaing IPP power plant nearby</p>	Business
Manufacturing				
	Project	Possible partner(s)	Activity	Category
9	<p>Animal feed factory</p> <p>Site: Myawaddy Industrial Zone (IZ)</p>	<ul style="list-style-type: none"> ❖ KNU Agriculture Department ❖ Implementing Partners – establishing dairy farm south of 	<p>Phase 1 (3 – 6 months): Lobby Ministry of Commerce, MPC, Thai government for free flow of exports produced in IZ to Thailand at cross-border special</p>	Business

	<p>Opportunities: High volumes corn grown, aligns with Chief Minister's goals to develop 2,000 acres of corn in partnership with Mekong Institute</p> <p>Challenges: Border cooperation with Thailand and Myanmar for export, feasibility study required</p>	<p>Myawaddy</p> <ul style="list-style-type: none"> ❖ Ministry of Commerce – regulates import/export licensing ❖ Ministry of Livestock and Fisheries – oversees variety of livestock programmes in country ❖ Chief Minister – interested to support 2,000 more acres of corn in Kayin ❖ Nyi Naung Oo – Selling all plots in Myawaddy IZ 	<p>economic zone</p> <p>Phase 2 (6 – 12 months): Identify suitable corn-producing communities across variety of administrative areas around Myawaddy and with assistance from KNU Department of Agriculture</p> <p>Phase 3 (12 – 24 months): Develop small collection sites and corn-drying facilities at village-level linked to processing facility at IZ after connected to national grid in 2015</p>	
10	<p>Garments factory</p> <p>Site: Myawaddy Industrial Zone</p> <p>Opportunities: Coming onto national grid in 2015, can use export facilities in Bangkok</p> <p>Challenges: Securing export license, lower salaries compared to Thailand so potentially difficult to retain staff</p>	<ul style="list-style-type: none"> ❖ NRC – planning to implement vocational training in Myawaddy; likely including a garment-making component ❖ UMH Company – operating existing garment factory in Pha-an and two others in Yangon ❖ Moe Ko San – interested to acquire two plots in zone, one for garments ❖ Nyi Naung Oo – Selling all plots in Myawaddy IZ 	<p>Phase 1 (12 – 24 months): High-level dialogue between Myanmar and Thai government for cross-border exports from Myawaddy Industrial Zone</p> <p>Phase 2 (1 – 3 months): Dialogue with Kayin state Chief Minister and Kayin state government to secure permission to purchase plots</p> <p>Phase 3 (1 – 3 months): Purchase plots from Nyi Naung Oo after infrastructure development completed and linked to national grid in 2015</p> <p>Phase 4 (3 – 6 months): Develop facilities in the zone and train workforce – potentially linked to a dialogue with KNU to train former combatants and their family members and UNHCR to provide jobs to returning refugees and IDPs</p>	Business
11	<p>Support SME development and market integration</p> <p>Site: Kyaukkyi</p> <p>Opportunities: Build on improved ceasefire conditions, high peace-building dividend potential, high supply of raw materials, existing small-scale processing of housing</p>	<ul style="list-style-type: none"> ❖ MPSI – already initiated improved dialogue with IDPs, currently limited to humanitarian aid; project ending December ❖ PDSG – Peace Donor Group is the new implementing partner taking over from MPSI ❖ East Lives – supporting small-scale processing of traditional soaps and shampoos in 50 villages 	<p>Phase 1 (1 – 3 months): Dialogue with KNU Central Executive Committee, KNU 3rd Brigade and Kyaukkyi Township leaders, key donors and NGOs – particularly NPA and Peace Secretariat.</p> <p>Phase 2 (6 - 12 months): Provide funding and support for:</p> <ul style="list-style-type: none"> • Small Business Training, • technical assistance, • inputs not locally-available • training for quality-checking and packaging. 	Livelihoods; Business

	and consumer goods, strong domestic consumer demand		around Kyaukkyi	<p>Phase 3 (3 – 6 months): Identify markets, distribution networks and retailers in urban centres in Myanmar, especially Yangon, Mandalay and Naypyitaw</p> <p>Phase 4 (3 – 6 months): Pair with a promotional TV, radio and billboard campaign for locally-produced natural organic products with minimal chemicals using locally-sourced raw materials.</p>	
	<p>Challenges: Market integration beyond the Kyaukkyi area, technical skills and packaging, capital</p>		<ul style="list-style-type: none"> ❖ Meitta Foundation – funding East Lives ❖ KDN – providing peace-building training ❖ Gaia – Institute for Sustainable Development already provided trainings in the area ❖ Advertising firms – Yangon-based (Mango) 		
12	<p>Network of bamboo handicrafts workshops</p> <p>Opportunities: New hotels needing furnishing, provide peace-building dividends by engaging local stakeholders in economic development</p> <p>Challenges: Not strong potential to appeal to tourist market</p>	<p>Site: Thandaung</p>	<ul style="list-style-type: none"> ❖ KNU 2nd Brigade and local KNU Township leaders ❖ Karen Baptist Convention and local church-based networks 	<p>Phase 1 (3 – 6 months): Initiate dialogue with key donors and NGOs – especially ADB. Secure cooperation with multiple stakeholders in identified areas, including with local and Township-level KNU leaders</p>	Livelihoods
		<p>Site: Pha-an</p>	<ul style="list-style-type: none"> ❖ ADB – beginning to consider options to support women’s livelihoods along East-West Economic Corridor (EWEC) ❖ Mya Htay Kywe Linn – operating furniture factory in Pha-an IZ currently, links to distribution networks ❖ ILO, NRC and ADRA – all relevant for vocational training, especially in Pha-an area 	<p>Phase 2 (3 – 6 months): Work with vocational training partners – local civil society, ADB, ILO, NRC and ADRA – in producing bamboo products:</p> <ul style="list-style-type: none"> • furniture, reclining chairs, mats, room dividers • lampshades, blinds, • hats, baskets, car seat covers <p>Phase 3 (6 – 12 months): Pair with promotional campaign for locally-produced bamboo furniture in Kayin state, link to markets on Asia Highway and at 115 Mile rest stop on Naypyitaw – Yangon highway.</p>	
13	<p>Network of weaving handicrafts workshops</p> <p>Opportunities: Integrate into tourism development plans (1 above). Strong community-based networks in Kyaukkyi.</p>	<p>Site: Kyaukkyi</p>	<ul style="list-style-type: none"> ❖ KNU 3rd Brigade and local KNU Kyaukkyi Township leaders ❖ KWO – large women’s network in upland IDP areas ❖ KYO – strong youth network in nearby upland IDP areas ❖ KYDG – strong youth networks in nearby lowland areas ❖ KBC – opened Karen Women’s 	<p>Phase 1 (1 – 3 months): Initiate dialogue and build cooperation with multiple stakeholders in identified areas, including with local and Township-level KNU leaders</p> <p>Phase 2 (3 – 6 months): Identify upland areas practicing traditional weaving methods to link to tourist market. Work with vocational training partners – local civil society, ADB, ILO, NRC and ADRA – in developing</p>	Livelihoods

	Provide peace-building dividends by engaging local stakeholders in economic development Challenges: Need high-level stakeholder agreement on target areas (see 1 above); cooperation with KNU local leaders	Pha-an	Training Centre in Kyaukkyi ❖ ADB – beginning to consider options to support women’s livelihoods along East-West Economic Corridor (EWEC) ❖ Local weaving shops and weavers in Pha-an, including in Eindu area ❖ ILO, NRC and ADRA – all relevant for vocational training, especially in Pha-an area	weaving handicrafts for domestic and tourist markets. Phase 3 (3 – 6 months): Pair with promotional campaign for traditional Kayin woven goods, link to markets on Asia Highway, including those in 5 above. Phase 4 (12 – 24 months): Work with the Ministry of Hotels and Tourism and tour operators to promote and incorporate these areas into regional and national handicrafts tours. In Pha-an, possibility to develop a handicrafts boat tour on the Salween river. In Kyaukkyi, potential to link upland areas practicing traditional weaving methods to tourist market drawn by trekking and beauty sites.	
Telecoms					
	Project	Possible partner(s)	Activity	Category	
14	Dialogue with Telecoms actors to identify areas of cooperation Site: Kayin state and all other areas KNU has a presence (northern Mon state, eastern Bago Region, Tanintharyi Region) Opportunities: Support the development of a transparent KNU policy that can incentivize service providers to expand network and improve communications in remote areas, facilitate improved cooperation between government and Karen armed groups, high peace-building dividends potential	<ul style="list-style-type: none"> ❖ KNU Central Economic Committee – driving development of general KNU economic cross-sector policies ❖ KNU Department of Information – likely KNU Department with biggest stake in Telecoms sector ❖ Other Karen armed groups, including DKBA, Border Guard and Peace Council ❖ MPT – state-owned telecoms provider ❖ Newly-awarded foreign tender winners Norway’s Telenor and Qatar’s Ooredoo ❖ Japan Platform – submitted proposal to support local skills- 	<p>Phase 1 (1 – 3 months): Initiate dialogue with foreign telecoms operators and MPT to understand their plans to roll out networks in Kayin state and other areas where KNU has a presence</p> <p>Phase 2 (1 – 3 months): Support a Karen Telcoms Forum to assist KNU Central Economic Committee, relevant KNU departmental heads and all other armed groups in Kayin state to develop a comprehensive and transparent policy on telecoms development – with input from Karen civil society. This will ensure that armed groups are in a stronger position to offer incentives for incoming service providers to extend network to remote regions – like land for towers. It will also support broad trust-building among Karen stakeholders by generating a transparent dialogue around a sector for which there is broad cross-stakeholder support.</p>	Business	

<p>Challenges: Land ownership disputes, landmines, lack of priority placed on rural and remote conflict areas by foreign service providers</p>	<p>training for installment and maintenance of telecoms towers.</p> <ul style="list-style-type: none"> ❖ Asia Foundation – supporting efforts to modernize Myanmar’s telecoms policies with MCIT and MCF 	<p>Phase 3 (3 – 6 months): Support dialogue on KNU Telecoms policy between KNU and government stakeholders, including MPC, MCIT and State government.</p>	
---	--	--	--