Myanmar Garment Sub-Sector Value Chain Analysis
This report was developed by Emerging Markets Consulting (EMC), in collaboration with Synergia for the International Labour Organization (ILO).

The findings described in this report do not reflect the views and opinions of the ILO.
Myanmar Garment Sub-Sector Value Chain Analysis

May 2015
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Executive Summary

With the lifting of the European and American export sanctions on Myanmar, the garment sector in the country is now experiencing new levels of growth. The Myanmar Garment Manufacturers Association (MGMA) reports that new garment factories are opened every week, and the number of workers involved in the industry is forecasted to grow from the 260,000 currently employed to 600,000 in the next three years.

While growing, the sector is still in its early stages and most of the manufacturers active in the country are operating on a Cut, Make and Package (CMP) production system, whereby producers are only responsible for the pure production of the garments, and not involved in the design and/or input sourcing processes.

International Brands
International brands are interested in the country, which features as its strength a large cheap workforce that is however largely untrained and unskilled. While other countries in the region are more advanced than Myanmar in the production of garments (i.e. Bangladesh, Cambodia, Vietnam, China), there are opportunities for Myanmar to gain more of the regional production share, as some of these countries are increasingly seen as “controversial” (Bangladesh) or increasingly expensive (Vietnam, Cambodia, China).

Most of the inputs necessary to the garment sector have to be imported from abroad, the country is not able to produce inputs like zippers, buttons, fabrics and others at quality standards of international brands. The study found that only a few inputs are produced and sourced locally, like packaging materials (such as cardboard boxes and polybags) and hangers. While produced locally, the raw materials necessary to produce these inputs are not available in Myanmar at the level of quality necessary, and local manufacturers and input producers need to import materials (paper and plastic granulate).

Recommendations
After carrying out an overview of the garment sector and two of its input supplies (packaging materials and hangers), EMC designed intervention divided into three groups: near term interventions, year-long interventions and policy interventions.

Near term interventions include improving the linkages within the sector or to increase the amount of information available to all stakeholders. Strengthening the sector linkages could happen through workshops between international buyers and local manufacturers, through mini trade fairs to put local garment manufacturers in connection with local and international input suppliers and finally by including local and international banks within the sector.

Year-long interventions would see the ILO getting involved in improving the capabilities of one more training providers in the country. The recommendation would be not to enter the space of technical trainings (sewing, quality control, etc.), already being offered by others, and whose uptake has not been satisfactory, but rather to focus on management trainings that might aid the industry to move from the current CMP production system towards the higher value added FOB one.

Finally, policy recommendations align with three objectives that are already part of the Myanmar Ministry of Commerce’s (MOC) national garment and textile export strategy. The ILO is aligned with the ministry’s efforts to create safer working conditions for garment workers (and expanding this objective to include other key labour rights). Second, the ILO might choose to focus its energies on aiding the MGMA to develop a set of production standards, or to aid the MIC to create and inter-ministerial steering committee to jointly design the future national strategic policies for the garment sector.

1 National Export Strategy, Myanmar Ministry of Commerce and International Trade Center, 2014
Project Background

The International Labour Organization (ILO), building on the removal of restrictions on ILO cooperation with the Government of Myanmar in 2012, is implementing the Decent Work Framework, to support the development of Myanmar’s garment sector through a range of different strategies and interventions. The garment sector has the potential for large scale employment, as well as to reach the largely female workforce employed, although now is a crucial time for development partners to work to mitigate the considerable social and environmental risks to the growth of this industry. One particular intervention is the promotion of responsible business practices that create economic and employment growth. With funding from DANIDA, the ILO aims to contribute to decent work opportunities for women and men in garment sector value chains, while ensuring the main actors targeted within these chains work towards following responsible business practices.

In particular, the ILO is interested in helping the Myanmar garment sector to capture a larger part of the global value chain. Garment pricing in Myanmar is currently on a CMP basis (cut, make, and pack), whereby manufacturers in Myanmar negotiate fees only for the assembly labour performed on garments, not for the full value of the garments. It is therefore a sector priority for Myanmar’s garment sector input value chains to be strengthened (preliminary input value chains of interest would be fabrics, weaving, and dyeing operations, as well as trims, zippers, buttons, Kimball tags, pattern papers, vacuum tables, and DKT sheets). If domestic capacity in these areas can be strengthened, the Myanmar garment sector could move to an FOB basis for pricing (whereby international buyers pay Myanmar garment factories for the full value of the completed clothes as they are loaded “on board” shipping vehicles), putting Myanmar in a stronger negotiating position to capture more margin in country, and subsequently increasing opportunities for factories to provide decent employment to workers.

If the Myanmar garment sector can move from a CMP to an FOB production system, the country could capture higher margins

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**FIGURE 1** Research Focus

- **FINANCIAL PROVIDERS**
- **CROSS-CUTTING PROVIDERS**
- **SECTOR-SPECIFIC PROVIDERS**

- Input Suppliers
- Producers
- Buyers
- Wholesalers
- National Retailers
- Exporters
- Global Retailers

Final Customers
Methodology

The aim of this study was to approach the sector by following the “Making Markets Work 4 the Poor” (M4P) approach. The aim was to consider all the relevant market components into the focus. As Figure 2 depicts, the M4P approach recommends focusing on three areas to understand a market:

**Core Function Value Chain**
The study tried to investigate and understand the business operations of all stakeholders involved in the chain (international brands, garment manufacturers and selected input suppliers), as well as the linkages between them.

**Supporting Functions**
Interviews and market scoping included an overview of the enabling environment supporting the garment sector, including service providers, available infrastructure and information channels.

**Rules**
The study additionally focused on understanding the surrounding legal and regulatory environment surrounding the garment sector.
The project was designed to carry out an assessment in the closest possible participation with the sector’s private and development stakeholders and for this reason its activities were broken down into multiple subsequent phases.

After carrying out a desk review of the relevant secondary literature available on the garment sector in Myanmar, the team carried out in-depth interviews with garment manufacturers in both Yangon and Mandalay, to investigate their production capacities, workforce abilities, the general business environment, the origin of their input supplies, as well as their perceived needs and constraints in growing their businesses.

The results of this initial analysis were presented to key sector stakeholders in a participatory workshop. After being presented with the initial value chain findings, participants were asked to collaboratively engage in a participatory discussion and to select a sub sector input supply and services which the research should focus. The selection was guided by two sets of selection questions, involving the relevance of the sectors to the growth of garment industry and the potential for those inputs to be supplied within the market in the short to medium term. Through this exercise, two input supplies (hangers and packaging materials) and one service area (trainings) were identified for deeper sub-sector analysis.

Interviews were carried out in these three sub-sectors and the findings were presented in a second participatory workshop, to obtain feedback on the findings of the research. The research began by participating in a two day workshop organized by the MGMA and Coats that hosted representatives of the garment sector. Following, the research team contacted sixty-three firms, and visited fourteen garment factories, nine packaging producers and one hanger producer. Additionally, the team met with stakeholders including the Myanmar Garment Manufacturers Association, the Myanmar Pulp and Paper Association, SMART and Pyoe Pin.

In the second workshop, EMC presented the preliminary findings from the research process and asked participants to confirm and elaborate on the initial analysis. Participants were then asked to collaboratively engage in a participatory discussion to identify potential interventions that they suggested would be valuable to promote the growth of the garment industry and selected sub-sectors. Feedback from this workshop was combined with previous analysis in order to develop this final report.

The report starts by giving an overview of the Myanmar garment sector and of primary and secondary findings that were collected during the research process. The following sections give an overview of the selected inputs supplies: Packaging Materials, Hangers and Textiles. Finally, the last section presents a list of recommendations designed for the ILO to consider, broken down into Near Term interventions, Year-Long Interventions and Policy recommendations.
The Myanmar Garment Sector

The garment sector has proven itself to be a driver of economic and occupational growth in many Asian economies. Myanmar started on a similar trajectory in the early 1990s, but then experienced stagnation during the years of the international trade sanctions on the country. Toshihiro Kudo, in his assessment of the Myanmar garment sector, breaks down its evolution into five phases: a Pioneer Period (1990 to 1993), a Steady Growth Period (1994 to 1997), a High Growth Period (1998 to 2001), a Stagnation Period (2001 to 2005), and a Recovery Period (2006 – 2011). The US and European economic sanctions imposed on Myanmar in the early 2000’s drastically impacted the sector. Export decreased until 2005, when a shift occurred in their direction: Eastern countries like Japan and Korea took the dominant place previously held by the EU and the US, as illustrated in Figure 4. The overall total value of exports managed to grow from 2005, even if the growth levels have yet not reached the pre-sanctions period. With Myanmar on a process of liberalization reforms, the sector started experiencing a new growth in 2011. As western international brands turn their attention to the country once more, a number of local and international entrepreneurs are seeing investment in the sector as an opportunity.

Figure 4 shows how the structure of the sector has evolved responding to both internal political changes and to the international responses to it.

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### Figure 4: Myanmar Garment Sector Evolution Phases

<table>
<thead>
<tr>
<th>Period</th>
<th>Major Player</th>
<th>Policy Environment</th>
<th>Global Economic Environment</th>
<th>Export by Type of Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990 - 1993</td>
<td>JVs between state-owned and military-related enterprises and Korean and Hong Kong firms.</td>
<td>Virtual Prohibition of 100% foreign ownership; Monopoly of quotas by state-owned and military-related enterprises.</td>
<td>MFA regime, no sanctions by US and EU</td>
<td>State-owned and military-related JVs 95% 100% foreign owned 0% Domestic 5% private</td>
</tr>
<tr>
<td>1994 - 1997</td>
<td>JVs between state-owned and military-related and Korean and Hong Kong firms; 100% foreign owned firms</td>
<td>Monopoly of quotas by state-owned and military-related enterprises. Lifting of prohibition on 100% foreign ownership</td>
<td>MFA regime, no sanctions by US and EU</td>
<td>State-owned and military-related JVs 90% 100% foreign owned 5% Domestic 5% private</td>
</tr>
<tr>
<td>1998 - 2001</td>
<td>Domestic private firms; “Spin out” Korean and Hong Kong Businesses; Taiwanese buyers</td>
<td>Allocation of quotas to private firms; Expansion and misuse of CMP; Privileges of MIC approved firms; Import of equipment by deferred payment.</td>
<td>MFA regime; Brisk markets in US and EU; Worsening trade relations with US and EU; ILO warning for sanctions</td>
<td>State-owned and military-related JVs 15% 100% foreign owned 20% Domestic 65% private</td>
</tr>
<tr>
<td>2002 - 2005</td>
<td>Foreign affiliated firms; Widening disparity among firms</td>
<td>Obligation to register with MIC; Tightening of regulation and taxation</td>
<td>Slow down of US market; Abolition of MFA regime (Jan 2005). US economic sanctions (from Jul 2003). Disappearance of major EU buyers</td>
<td>State-owned and military-related JVs 10% 100% foreign owned 25% Domestic 65% private</td>
</tr>
<tr>
<td>2006 - 2011</td>
<td>Foreign affiliated firms</td>
<td>Obligation to register with MIC; Tightening of regulation and taxation</td>
<td>No access to US market. China plus orders from Japan and Korea</td>
<td>State-owned and military-related JVs 10% 100% foreign owned 25% Domestic 65% private</td>
</tr>
</tbody>
</table>

2 Source: Toshihiro Kudo, How has the Myanmar Garment Industry Evolved, 2011
Myanmar garments total value of production has only recently grown back to its values in 2003. In 2000, 55% of the exports were shipped to the United States and 38% were shipped to Europe, while the remaining 7% was destined to other countries. In 2012, 16% was sent to the EU, 50% to Japan, 33% to Korea and 1% to others.

Garment factories worldwide can be summarized into four main categories, relating to their business models:

1. **Cut, Make and Package (CMP)**
   This system is usually the entry stage for a manufacturer in the garment value chain. Inputs are entirely or almost entirely supplied by the client, who gives its product specifications to the manufacturer, who focuses on production alone. Countries whose garment factories operate following this production system include Cambodia, Sub-Saharan Africa, the Caribbean, Vietnam and Myanmar.

2. **Original Equipment Manufacturer (OEM)**
   This system represents the first stage of functional upgrading toward value added production. The supplier is given clear specifications on raw materials to be used and design to be followed, but enjoys a wider freedom in manufacturing related functions, such as sourcing inputs, product finishing, and packaging to the retail outlet. On occasion, the supplier might be entitled to take on outbound distribution, **Freight on Board** (FOB). Countries whose garment factories operate following this production system include Bangladesh, Indonesia, Sri Lanka and Mexico.

3. **Original Design Manufacturer (ODM)**
   In this production system, the supplier acts as a “full package garment supplier”, which includes pre-production processes (design in collaboration with the client) and the overall production process (input purchase, cutting, sewing, trimming, packaging and distribution). Countries whose garment factories operate following this production system include Turkey, EU, India and China.

4. **Original Brand Manufacturing (OBM)**
   In this production system, the supplier has post-production responsibilities and can develop its own brand, either in collaboration with the original client (for a specific target market) or independently.

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![Myanmar Garment Exports](image)

**Source:** Comtrade Database

**Source:** Gereffi, Gary, Frederick, Stacey, The Global Apparel Value Chain, 2010

**Source:** Project Support for the Myanmar Garment Sector Development Programme, Pyoe Pin, 2014

**Source:** Kunzli, Raps, Bals, Wichate, Discovering Myanmar as Manufacturing Country, 2014

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### Figure 5: Myanmar Garment Exports, USD Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>EU</th>
<th>US</th>
<th>OTHERS</th>
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<tbody>
<tr>
<td>1997</td>
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<td>2012</td>
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</tbody>
</table>

**Source:** Kunzli, Raps, Bals, Wichate, Discovering Myanmar as Manufacturing Country, 2014
Myanmar garment manufacturers are currently operating under a CMP production system within the international value chains, although in some instances garment producers are operating under an OBM system for the local market. The main reasons that attract international brands to the country as a production hub are its cheap cost of labour, its status as a duty free exporter country under the EU Generalized Scheme of Preference (GSP), and its potential to become more appealing than its neighboring countries. Bangladesh has recently lost part of its attractiveness to international brands due to worker safety issues, while countries like China and Vietnam have been showing wage and production cost increases that are progressively making them less appealing. The CMP model, which is usually the first step into the development of a national garment sector, is characterized by buyers whose main decision driver is price. This constitutes a “Buyer Driven Value Chain”, where international brands work with local suppliers either directly, or through location/regional agents managing their orders.

Interviews with garment producers in Myanmar have indicated that even when they are dealing directly with an international brand, they often still have to resort to a regional agent with offices outside of Myanmar, to be able to manage international banking transactions. The current banking situation in the country poses large problems and delays to manufacturers in receiving their payments, especially when dealing with western brands whose countries still maintain strict banking sanctions on Myanmar. Having to rely on this external agent for their payments, not only involves delays in receiving payments, but also a substantial handling fees that can rise up to 10% of the total amount transferred.

### FIGURE 6
Regional Comparison of Garment Sectors

<table>
<thead>
<tr>
<th>Metric</th>
<th>Myanmar</th>
<th>Bangladesh</th>
<th>Cambodia</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export Values</strong></td>
<td>$500 Million</td>
<td>$19.9 Billion</td>
<td>$4.445 Million</td>
<td>$153.219 Billion</td>
</tr>
<tr>
<td><strong>Capacity: Number of factories</strong></td>
<td>210</td>
<td>3200</td>
<td>447</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Assortment of Product Availability</strong></td>
<td>High tech sportswear, formal suits and shirts</td>
<td>Knitwear, Denim, Kidswear</td>
<td>Shirts, footwear</td>
<td>All types of products</td>
</tr>
<tr>
<td><strong>Export Locations</strong></td>
<td>Global, Japan 45.5% and Korea 30.3%</td>
<td>Global</td>
<td>Global</td>
<td>Global</td>
</tr>
<tr>
<td><strong>Worker Availability</strong></td>
<td>Good availability</td>
<td>Wokers available in abundance with basic skill</td>
<td>Limited pool of workers due to population size</td>
<td>Difficult to attract workers to the garment industry</td>
</tr>
<tr>
<td><strong>Labour rates – Minimum Wage</strong></td>
<td>No set wage. Current estimate of $60/month including overtime</td>
<td>$68 (5300Tk) basic rate</td>
<td>$80</td>
<td>1200-1400RMB ($195-228 USD) basic</td>
</tr>
<tr>
<td><strong>Shipping times to UK</strong></td>
<td>30 days (+/- 10 days)</td>
<td>30-35 days</td>
<td>28 days</td>
<td>35 days</td>
</tr>
<tr>
<td><strong>Compliance Risk</strong></td>
<td>Extremely High – implementation on labour law is weak and factories are not familiar with standards</td>
<td>High – factories are aware of codes of conducts, but are not implemented.</td>
<td>Medium to High</td>
<td>Medium to High</td>
</tr>
<tr>
<td><strong>Quality Capacity</strong></td>
<td>There are low quantities of skilled middle management</td>
<td>Abundance of middle managers, but skill is relatively low</td>
<td>Most of the skilled management is foreign</td>
<td>High skill level, good availability</td>
</tr>
</tbody>
</table>
The growth in the garment sector is largely spurred by Foreign Direct Investment (FDI), either in the form of Wholly Foreign Owned Enterprises (WFOEs) or Joint Ventures. The director-general of the Directorate of Investment and Company Administration (DICA) estimates that most of the FDI incoming into Myanmar is directed at the garment sector, and that it mostly originates from East Asian countries like Japan, Korea and China.

According to MGMA estimates the sector employs ~260,000 workers, or 1% of the country’s working population. Most of this estimated workforce is unskilled youth, especially women, migrating from rural locations to Yangon where 95% of the garment sector is located. The estimates foresee this workforce to grow up to 600,000 over the next three years, and start attracting more skilled migrating workforce (previously emigrated to countries like Thailand) back into the country.

Garments are currently the fourth most important export in Myanmar. The national export strategy developed by the ministry of commerce plans to build opportunity around the momentum enjoyed by the sector and work to increase competitiveness by:

- Supporting strategies that will help local manufacturers to evolve from CMP producers to FOB producers, able to capture a higher value form their products.
- Increase the quality of production by establishing a set of country quality standards to be respected, in compliance with international ones.
- Develop the lacking export infrastructure (deep sea ports) as well as production locations (sector-dedicated economic zones).
- Developing the regulatory and legal framework to be able to protect workers’ and producers’ rights.

Looking at the market through the lenses of Porter’s five forces, the Myanmar garment sector is in a growing, but is in a weak power position. Bargaining power of buyers is high, as international brands have multiple regional options (high threat of substitutes) to choose from, and the main reason they would choose Myanmar as a production hub is the low cost of labour and when other production countries are too busy, and consequently, the bargaining power of suppliers is low. Given the fact that local manufacturers operate on a CMP production system, which does not require significant capital investment to launch operations, threat of new entrants in the market is high, both from domestic and international companies (high levels of rivalry).

While the Myanmar Garment Manufacturers Association reports approximately 300 exporting garment factories in Myanmar, the number of actual active export oriented producers is estimated to be closer to ~210. A study carried out by Impactt and Pyoe Pin in 2013 divides locally operating factories into three main categories – Leaders, Hopefuls, and Locally Owned. “Leaders” are larger organizations, usually over 1,000 workers, either 100% foreign owned or operating through joint ventures (JV); these factories are considered to be local industry leaders in terms of machinery, production quality, management and labour conditions. Estimated to be small in numbers (~20), they have the capacity to operate on an FOB. The second identified group, called “Hopefuls” is still small in numbers (~30) and is owned either locally or through JVs; these producers are characterized by a workforce between 500 and 1,000 workers. While they show limited quality and innovation in their machinery capital, lower labour conditions and management skills, they show growth potential on all fronts. The third and largest group (~160), and called the “Locally Owned” is characterized by a smaller workforce, lower than 500, local ownership, inadequate machinery and low management skills.

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8 National Export Strategy, Myanmar Ministry of Commerce and International Trade Center, 2014
9 Source: Toshihiro Kudo, How has the Myanmar Garment Industry Evolved, 2011
10 Note: percentages rounded up to the highest number
Labor
- Lower wages than many regional competitors
- Large “exposed” English (unskilled trainable) available workforce
- Currently low numbers of disruptions (strikes)
Free trade agreement with the EU
Low tax regimen

Skill level for mid- to high-skill tasks
Low production quality, quality controls, technicians due to lack of current experience
Infrastructure: Transport, Electricity, and Communications
Banking system: Payment systems, LCCs
Tax system incentivizing CMP over FOB

Buyers interest
- Asian buyers are a source of revenues and training
- European and American buyers can be a source of reform in the sector

Neighbouring countries
- Vietnam, Cambodia and China are more expensive
- Bangladesh is seen as risky by brands

Potential for specialization in woven items

During the course of the study, fifty-two garment sector stakeholders were interviewed, and invited to the participatory workshops organized by the team. This study carried out in-depth interviews with fourteen local garment producers. These included both smaller locally owned factories and large internationally owned ones. The largest garment producer interviewed was 100% foreign owned (Japan), and had a workforce of over 1,000 employees. Across the sample, interviews have indicated growth in the number of workers last three years, from an average of ~606 workers per factory in 2011 to an average of ~670 workers per factory in 2013. The workforce inside a garment factory is on average distributed as follows: ~54% are operators at the Sewing stations, ~11% work at the Cutting stations, ~11% at Finishing stations, ~7% is in charge of Quality Control, while about ~18% of the workforce are support activities such as helpers, guards, cleaning, and cooking.

The average basic wage paid to the staff, excluding bonuses, overtime and other bonuses, can vary from factory to factory, and interviews indicated that the minimum average monthly salary is approximately USD 72 for entry positions (helpers), while average monthly salary for operators (including finishing, cutting and QC) is ~USD 116, while supervisors receive on average ~USD 260 and managers ~USD 443. It is worth noting that while the research collected these data, studies carried out by the Ministry of Commerce identified the average salary of garment sector workers to be ~USD 9011.

Interviewees were asked to share with the team their perception of the Myanmar garment sector, and they indicated that a large workforce is indeed strength of the sector. A large number of workers are available for wages that are very low compared to the ones in competing countries. On the negative side, this large workforce is often unskilled. This has a substantial effect on the level of productivity and quality that local manufacturers can produce. Garment manufacturers have indicated the need to train the workforce, but not the necessary willingness to pay for it. Interviews indicated that garment producers, while recognizing the need for better trained staff, seemed concerned with investing in trainings; some indicated that skill development was a responsibility of organizations like the MGMA, who should provide trainings free of charge, while others indicated being satisfied with the trainings provided to them by their international buyers, or that they are not in sending staff to be trained at all, as workforce turnover is too high. In fact, manufacturers have indicated reluctance in training their staff due to the fact that workers will easily move from one garment manufacturer to another without any notice, for a salary increase of ~USD 10.
One indicator of the strength of the industry is the reported growth of new factories opening in Myanmar, which was described anecdotally by the MGMA as four to five factories per week\(^\text{12}\). This business growth, if accurate, should indicate an overall strong opportunity for the sector.

Other strengths were indicated in the free trade agreement with the EU, as well as the low tax regimen producers are subject to.

Respondents indicated that one of the major weaknesses of the sector, and a key constraint to its growth toward a FOB production system, lies in the lack of locally available input supply. The local tax system, while supporting CMP oriented producers with tax free imports and exports for good to be exported, does not provide the same tax incentives to FOB producers, limiting the incentives to manufacturers to make the move towards FOB, as they would not be able to source their inputs locally. While producing on a CMP basis, some respondents indicated that international buyers would be willing to allow them more freedom in sourcing their inputs, if the quality of local production allowed for it. Interviews indicated that almost all inputs – buttons and trims, chemicals, machinery – are entirely imported, as these inputs are unavailable in the country. Thread is either imported raw from China and Korea then dyed in Myanmar, or sourced or entirely sourced from abroad, the main issue being the low level of quality controls.

Garment manufacturers indicated that they cannot rely on the fabrics produced in Myanmar to produce for international brands, as the quality is not high enough, and the reliability, timing and scale of local production is not up to their needs.
As stated before, one of the constraints to growth to the Myanmar garment sector is a lack of locally available input supplies. While a few embroidery facilities, label and pattern paper suppliers are available in Myanmar, most manufacturers obtain pre-embroiled fabrics from their buyers. Dyeing, washing and printing facilities are available in the country, but garment manufacturers are not up to their needs in terms of standards and certifications. Garment manufacturers indicated that they do source part of their packaging materials and hangers locally.

The heat map below shows the full list of inputs considered during the initial phase of the research. Seven characteristics were considered for each sub-sector: current production in country, availability of raw materials in country, level of technology necessary, its importance to the garment sector, the feasibility of interventions within five years’ time, the levels of training needed and the level of financing needed. The color coding represents the initial estimation of how each characteristic is either attractive ☑️, neutral ☐️ or not attractive ☐️ to the industry.

### Garment Input Sub Sectors

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Currently produced/processed in country</th>
<th>Raw materials available in country</th>
<th>Level of technology needed</th>
<th>Importance to garment sector development</th>
<th>Interventions feasible within 5 years</th>
<th>Level of training needed</th>
<th>Level of financing needed</th>
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<td>Thread</td>
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<td>Pattern Paper</td>
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<tr>
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<tr>
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<tr>
<td>Packaging Materials</td>
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</table>
Sub-Sector Selection Workshop

These initial findings were presented in a half-day workshop in Yangon, where participants from the garment sector were asked to share their views of the garment sector – growth, opportunities and key constraints. During the participatory section, stakeholders were asked to help the research team to identify garment sector inputs and service areas that the research team should further research into. The selection was facilitated by the research team in cooperation with the ILO team. Participants were presented with initial findings on fifteen input supplies; as depicted in Figure 10, the first screening was based on whether production or processing was available in Myanmar and what private sector interviews had identified as more needed. The second screening was whether it was potentially feasible and interesting to invest in these sub-sectors in the next five years. This initial screening was carried out by the research team and participants indicated they agreed with the selection. Finally, participants were presented with a shorter list of inputs to discuss: Packaging Materials, Hangers, Woven Fabric, Dyeing, Embroidery, Labels, Printing and Knitted Fabric.

Participants, divided into groups, were asked to screen the list of eight inputs and to shortlist up to three, based on four dimensions: highest need for the garment sector, inputs currently available and reliable in country, feasibility of improving the sub-sector within five years, and its needs. This process led to the selection of Packaging Materials (including both cardboard boxes and polybags) and hangers. The same groups were asked to discuss services necessary to the garment industry and to select one of them, also on four dimensions: need of the garment sector, feasibility of interventions within five years, sub-sector needs and the potential to create better jobs. The result of this process was the selection of training providers.

FIGURE 10 Services Selection Process

Key Decision Criteria

Which of these services does the garment sector need the most?

Is it possible to substantially improve and expand local production in the next five years?

What would it take to improve the services?

Creation of better jobs

Services Considered

- Training
- Auditing
- Laboratory
- Freight Forwarding
- Quality Control
- Advisory

Final Selection

- Training
1st Screening

Is production of processing of the inputs already available within the country?

What would the private sector prioritize, and via which actions?

2nd Screening

Is it possible and attractive to intervene in this sub-sector and see the results in the next five years?

Which inputs require technical assistance to improve efficiency, quality and productivity?

Final Decision Criteria

Which of these inputs does the garment sector need the most?

What is the current quality and reliability of production?

Is it feasible to substantially improve and expand local production in the next five years?

What would it take to improve the sector (machinery, skill sets, training)?

Inputs Considered

- Machinery
- Pattern Paper
- Washing
- Labels
- Zippers
- Printing
- Buttons
- Woven Fabric
- Thread
- Chemicals
- Dyeing
- Weaving
- Packaging Materials
- Hangers
- Embroidery
- Knitted Fabric

Inputs Considered

- Woven Fabric
- Thread
- Dyeing
- Hangers
- Knitted Fabric
- Weaving
- Embroidery
- Washing
- Packaging Materials
- Labels

Final Input Selection

- Woven Fabric
- Dyeing
- Hangers
- Knitted Fabric
- Embroidery
- Washing
- Packaging Materials
- Labels

Final Selection

- Packaging Materials
- Hangers
Garment Input Sub Sectors

SWOT Analysis

While the following sections dive deeper into Packaging Materials and Hangers, it is worthwhile mentioning that many of the characteristics of the business environment previously identified for the garment sector apply also to input supply sub sectors.

The country economic growth is transforming Myanmar in an appealing business destination for foreign investors in different sectors, and even sectors in their “infancy” stages like are starting to attract foreign investors willing to take advantage of their strengths and opportunities. The low salary levels of a large available workforce make Myanmar an attractive business destination, especially when compared to regional neighboring countries which are becoming more expensive production hubs, such as Vietnam and China.

The weaknesses and threats of the garment sectors apply as well. While neighboring countries are more expensive compared to Myanmar, they still offer higher skills sets and higher quality production. The workforce is still untrained, and employees’ turnover is an issue, as workers are known to switch to new jobs for limited salary increases. Access to raw materials, further discussed below is a large constraint on both packaging materials and hanger production, as it affects costs and lead times. The business enabling environment also poses a challenges, as electricity provision is limited and access to capital hard for small and medium enterprises.

FIGURE 12 Sub-Sectors SWOT Analysis

<table>
<thead>
<tr>
<th>Labour</th>
<th>Skill Level for mid-high skill tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lower wages than many regional competitors</td>
<td>Low production quality, quality control, technicians due to lack of current experience</td>
</tr>
<tr>
<td>• Currently low numbers of disruptions (strikes)</td>
<td>Access to: raw materials and inputs in country, land ownership, legal protection, and finance</td>
</tr>
<tr>
<td>Low tax regimen</td>
<td>Infrastructure (Transport, Electricity, and communications)</td>
</tr>
<tr>
<td></td>
<td>Financing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Interest</td>
<td>Wage competition over workers</td>
</tr>
<tr>
<td>Lower cost of production in comparison with</td>
<td>Neighbouring countries</td>
</tr>
<tr>
<td>neighbouring countries</td>
<td>• Higher quality production, experience and labour skills, higher efficiency and productivity</td>
</tr>
<tr>
<td>• Vietnam, Cambodia and China are more expensive</td>
<td></td>
</tr>
<tr>
<td>Myanmar economic growth</td>
<td></td>
</tr>
</tbody>
</table>
Packaging Materials

Production of packaging equipment is happening at small scale in the country. More complicated boxes and polybags are imported from abroad, while a few local producers offer lower quality and less resistant packaging materials, mostly used in the domestic market. There are sixty-three companies officially registered as suppliers of packaging materials to the garment industry in the Myanmar textile directory, but when contacted on the phone, few of them were carrying out their own production, and instead they were importers and retailers. From conversations with local producers, EMC estimates that only thirty of these companies actually cater to the garment sector.

The garment sector needs two main packaging items: cardboards and polybags, and if the manufacturer is export oriented, both need to meet the strict specifications of the international clients. International brands can either indicate “designated suppliers”. Most production of packaging materials in Myanmar do not meet international standards, and thus need to import these input supplies.

Cardboard Boxes

One of the key inputs for cardboard boxes is paper. The Myanmar Pulp and Paper Industry Association states that six of its members are paper mills (all government owned), while its remaining eighteen members are locally owned paper manufacturers. On top of these locally owned factories, the research identified one Korean garment manufacturing company that vertically integrated to produce cardboard boxes for its own three garment factories, and is currently expanding to sell production to the rest of the garment sector, as well as a large Japanese paper manufacturers who is currently building a facility in Myanmar to produce packaging materials and plans to be able to commence commercial operations in the second half of 2015. The biggest interviewed cardboard producer in the country, Myanmar Yes Co. Ltd., had a total production capacity of up to 400 tons/month, and employed 250 workers. The smallest identified was able to produce up to 60 tons/month and employed 100 workers. The research team identified large differences in the factory and working conditions among cardboard producers, from more modern producers with proper working standards to smaller factories characterized by sub-standard conditions, and further research in this area might be carried out with the support of a labour conditions expert. Supply of locally produced cardboard boxes does not seem to meet the demand, as a large number of packaging suppliers are not producers but importers. The current market demand for cardboard boxes in Myanmar is estimated to be >3,000 tons/month, of which 70% is produced locally by private factories, while the remaining 30% is imported or produced by state owned companies.

While all garment manufacturers interviewed indicated that they purchase cardboard boxes locally, not all of it is locally produced.

One key finding from conversations with cardboard producers was that they did not seem to perceive the garment sector as a growing business opportunity, highlighting a lack of linkage and information sharing between the two sectors. Instead, packaging producers seemed focused on the packaged food and seafood products industry, where they have more contracts. While interviewed producers were not willing to share details of their profit margins and different sales prices applied to their different clients, the main indicated reasons were the different box quality requirements across sectors, and the fact that in the last five to ten years cardboard producers have developed better business relations with sectors other than the garment one.

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14 Source: Myanmar Textile Directory
15 Research was not carried out with government-owned paper mills
17 Pulp, Paper and Packaging Industry of Myanmar
Paper for cardboard boxes in Myanmar is either purchased locally or imported, depending on the quality requirements.

The vast majority of paper is imported (The Myanmar Pulp and Paper Association estimates that 97% is imported) from Thailand mostly and from other countries like Indonesia and China. Cardboard producers can purchase locally from two sources: they can either purchase from one of the six existing paper mills in Myanmar, or from recycling plants that purchase scrap paper from informal collectors and resell it to them. Interviewees reported that the local paper quality of production is not deemed high enough for producing international export quality packaging.

The cost of locally produced, virgin paper is ~USD 410 / metric ton, while the cost of locally produced recycled paper is ~USD 370 / metric ton. Interviews indicated that the cost of imported paper from Thailand can vary, but it’s on average ~USD 40 / metric ton higher than the cost of locally sourced paper.

Paper is purchased in the form of rolls of kraft paper. These rolls differ in quality and width of the paper, and are placed on rolls to stretch it and dry it. A part of it will be shaped into sheets of straight paper that will form the outer layer of the box (higher quality, thicker imported paper), while another part will be corrugated. Corrugation is the process in which the paper is run through a machine featuring heavy rolls blowing steam that will shape the paper into a continuous S-shape. These corrugated sheets will be used for the internal layers of the boxes. Figure 14 illustrates the main types of cardboard that can be produced, differing by number of layers and carrying capability: Single Faced Board, Single Wall Board, Double Wall Board and Triple Wall Board.

These are then cut into sheets that are finally glued together into cardboard box fitting the requirements of the client.

Local cardboard producers, as well as the Myanmar Pulp and Paper association agreed on the major needs of the local paper industry as:

- **Input Supplies**: The quality of locally produced paper is not high enough, and the industry is continuously forced to import from abroad.
- **Machinery**: The level of machinery currently utilized by most of the industry does not allow for higher quality production. Local manufacturers can only produce cardboard sheets that are up to 140 grams/square meter, while the garment industry would need double that capacity.
- **Workforce Skills**: The initial process of working the pulp/paper onto the rolls to obtain thick paper sheets requires an able workforce.
- **Electricity**: As an intensive machinery industry, the production of cardboard boxes is heavily afflicted by the electricity shortages in the country.

The ability of the garment sector to source locally is an important step in their move from CMP to FOB. Buyers allow manufacturers freedom in sourcing inputs in controlled phases, starting from less critical inputs such as boxes. If cardboard producers were able to source locally produced, higher quality paper, they would be able to reduce lead times and they would make sure that manufacturers (garment and others) would be able to rely completely on them. The estimated cost savings from increasing the percentage of locally produced boxes up to 100% is estimated to be USD 5 Million / year, across all sectors purchasing boxes.18

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18 Pulp, Paper and Packaging Industry of Myanmar
Improving the quality of paper recycled in the country does not seem to be a strategically interesting option for an ILO intervention, for different reasons. First of all, it would not decrease the need of the sub-sector for imported paper, which is the main growth constraint. Collection and recycling are carried out by informal workers in low working conditions; while these jobs represent an interesting potential target for job improvement, the current timeframe and resources make it unlikely that a successful intervention might be implemented. However, it would be suitable for future research and project design to investigate and address the needs of these workers.

### Polybags

The main input needed to produce polybags is granulate, with the addition of a small number of other chemicals. There are ~60 plastic product manufacturers in Myanmar. From conversations in the sector, it is estimated that ~20 of them are producing polybags of different types (garment, food, others). Factories involved in plastic products like polybags are not labour intensive, as they employ on average ~20 to 30 operational staff. Local producers of polybags have two options for input supplies: to import virgin granulate from abroad or to purchase locally recycled granulate, which does not meet the requirements of international brands.

The polybags production process can be broken down into four main phases:

**FIGURE 15** Polybag Production Process

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<thead>
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<tbody>
<tr>
<td>1</td>
<td>Material Blending</td>
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<tr>
<td>2</td>
<td>Extruding</td>
</tr>
<tr>
<td>3</td>
<td>Printing</td>
</tr>
<tr>
<td>4</td>
<td>Finishing</td>
</tr>
</tbody>
</table>

**MATERIAL BLENDING:** The granulate resin is mixed in a blending machine with additives.

**EXTRUDING:** The hot molten mix is then blown with a hot air stream into a film that is then run through large pressure rolls to give it a flat bag shape. Simple transparent packing bags are produced this way, while more complicated ones are subject to additional production printing steps. The majority of polybags used in the garment sector are these simple bags.

**PRINTING:** Some polybags are then printed on with the desired logo or message.

**FINISHING:** The last phase includes three steps, cutting, sealing and folding.

The necessary virgin inputs are imported into Myanmar from Thailand and China, as the country does not have a developed petrochemical industry. The sector is characterized by a high level of skills necessary to operate the machinery, and polybag factories are not labour intensive but instead are machine intensive. A few workers can run the main machinery at full capacity, while the only labour intensive activities are packaging of the production, and transporting the inputs to the machinery.

In terms of sourcing the inputs, the local factories indicated that given the constraints on sourcing granulate, from abroad, they have started recycling plastic to obtain an additional source of granulate. However, the quality of recycled granulate in Myanmar is extremely low due to poor practices such as use of multiple types of plastics and to lack of the right machinery to clean and process the plastics. The way it is recycled does not allow them to produce transparent, fully recyclable polybags, which are required by international garment clients. For this reason, polybags produced from recycled plastics are only used in the domestic market, while the ones produced from internationally sourced virgin materials are used for exported products. However, international petrochemical companies have recently confirmed their commitment to launch operations into the country. The French multinational Imerys, operating in industrial minerals, is currently considering entry in Myanmar, and it would represent the beginning of a petro-
chemical industry in the country. In a recent update, the Myanmar Investment Commission (MIC) stated that in January 2015, twenty licenses were approved for foreign and JV enterprises to operate in different sectors, including a few producers that will focus on the production of bags and polybags. However, the numbers and details of these enterprises are not public at the moment.

The main need of the sub-sector revolves around the ability to easily, quickly and cheaply source granulate. The entry of international plastic producers might have the positive effect of reducing the cost of granulate to plastic manufacturers, as well as improving their ease and speed of sourcing the inputs. These would translate into cost and time savings for the garment sector. However, this would not translate into a substantial job creation as the production of polybags is not labour intensive. Investing in improving the quality of production of polybags utilized in the local market does not necessarily seem a strategically interesting option for the ILO to include in its interventions, as the main issue is the sourcing of quality granulate.

Hangers

Interviews with two international garment buyers indicated that they would be very interested in the possibility of local manufacturers being able to source hangers locally. Shipping hangers to a producer working on a CMP system is expensive, as it entails a large waste of space when shipped in containers.

Almost ~90% of the garment production of Myanmar is shipped folded in boxes, while only up to ~10% is shipped hanged. While it would be beneficial to the sector to have a local production of hangers, as shipping them from abroad constitutes a large waste of container space, the substantial capital requirements needed seem to pose a strong limitation to the current growth potential of the sector.

However, hanger production for the garment sector is a machinery intensive and expensive process. While the production of plastic hangers used in retail shops and for domestic purposes is a rather simple process, consisting of one operator working a heat press that molds the plastic into a fixed shape, producing metal and plastic hangers that fit to the specifications of international garment clients is much more complicated.

The market research identified that there is only one producer (Proven Technology Industry) in the country who currently has the capacity to produce hangers for the garment sector. Proven Technology Industry is a large producer of automotive batteries established in 1996. In 2011, they started production of hangers in partnership with MHL Industries, a large regional producer of hangers. The key advantage of this partnership is the fact that each garment client has specific requirements regarding the shape, size, and weight of the hangers they need: each type of hanger required needs a specific mould, which can be used only to produce that specific type of hanger. Through the partnership, Proven Technology Industry has access to the large stock of molds owned by MHL, which reduces the need for large capital investments. All the inputs necessary to hanger production, which are mainly granulate and metal are 100% imported from abroad, as the Myanmar does not have a developed petrochemical industry.

EMC Interview with MGMA and discussions with producers during workshops
Training Services

The interview process indicated that the Myanmar garment sector and its input suppliers show a lack of skills that encompass both technical production and managerial practices. During the research process, workshop participants were presented with the topic of trainings, and they confirmed the finding that while the availability of a large and cheap workforce is a strength of the garment sector, this is still largely untrained and in need of productivity, efficiency, managerial and other types of trainings, that are currently available in the country only to a certain extent.

Technical Trainings

The technical training needs can be mainly divided into trainings directed at workers, at supervisors and at managers.

**WORKERS’ TRAININGS** relate to trainings directed at operators in garment factories. These include trainings to expand workers’ skills in sewing, quality control and finishing. Specific examples of these trainings modules include:

- **Fabric Use** Improved methods of handling cutting plans to increase utilization of fabric to increase efficiency and reduce costs connected to wastes.

- **Quality Control** Targeted at specific workers who check produce items for defects and errors, to improve factory’s efficiencies and reduce wastes.

- **Model Verification** Systems of cooperation between management deciding production of a new model, supervisors designing how the line production system is going to function, and workers who will have to carry out production.

- **Work-in-progress** Procedures for handling each bundle, choice of ancillary equipment for internal transport. Ensuring ease of passage of the bundles from one operator to the next.

- **Waste Reduction** Improved uses of fabric and production items House-Keeping: Improved procedures for housekeeping, vacuum cleaning, and waste handling.

**SUPERVISOR TRAININGS** This type of training aims to give supervisors a higher understanding of production techniques, as well as implementing productivity and efficiency systems and avoiding passive or authoritarian styles of leadership. In terms of content, these trainings include:

**Production Line Design**

- Preparing and designing product and technical verification sheets including measurements, type of fabric and other inputs.

- Supervisors need to be able to design individual work stations to simplify working procedures as much as possible. This should encompass work done directly at the single station (i.e. cutting or sewing) as well as work around the station (i.e. delivery of inputs, transport of worked items to the next station).

- Estimating and reducing waste from production, which in the garment sector mostly stems from waste of fabric due to improper fabric cutting?

- Understanding of how to best optimize the production line and process of each type of garment, by studying of the best layout and workflow for each product.

**Monitoring**

- Workers’ performance in terms of time worked, number of pieces produced, number of pieces with defects, delays, etc.

- Monitoring quality controls to verify which types of garments and which steps of the production lines produce
the highest number of mistakes, and how to fix the most recurring ones.

- Ability of supervisors to use these monitoring systems not only as a way to punish inefficient production, but to reward the best operators with salary increase recommendations as well as promotions.

**Machinery**
- How to regularly monitor machinery, and how to keep well organized tracking of when a machine last received maintenance or when in the future it should be checked.

**MANAGEMENT TECHNICAL TRAININGS** revolve around the ability to obtain the highest amount of information from factory’s supervisors and to apply it to management decision regarding production. Direct examples of related training modules are:

**Organizational**
- Ability to design the organizational chart of the factory with the clearest job descriptions as possible, to avoid misunderstandings between different workers’ groups.
- Ability to design a system of salaries, benefits and incentives that is clear throughout the factory, so that workers are as informed as possible of their potential for promotion and salary increases.

**Production Planning**
- Ability to work hand in hand with factory supervisors to ensure that the actual factory’s capacity and available labour are taken into account when contracting delivery quantities and dates, as well as sourcing the necessary production inputs.

**Machinery**
- Ability to work with supervisors to monitor the condition of the available machinery, to be able to plan for costs of maintenance, replacement for better machinery.
- Technical knowledge of the availability, cost and potential benefits of new and improved machinery, from increased production capacity, to energy savings and environmental impact.

**Available Providers**
In this still early stage of the re-birth of the sector, the availability of the enabling service provider, while needed, is still somewhat limited. This is due both to the decreased growth experienced by the country during the economic sanction times, as well as to lack of willingness to invest in trainings by garment producers. The current CMP system of production dominating the market, with its focus on cost rather than high quality, has not created a solid system of incentives for manufacturers to invest in trainings as a way to improve quality and efficiency. The following paragraphs give an overview of the main providers of technical trainings available within the Myanmar garment sector.

The **MGMA**, with funding and equipment provided by JICA, runs a training school for the garment sector. The school is located in a building belonging to the Ministry of Commerce, and is set up with 120 working stations where garment manufacturers can send their workers to be trained. The facility is called the Myanmar Garment Human Resources Development Center (MGHRDC), and offers two courses, free of charge: a 10 day basic sewing training and a 10 day supervisor training course. From research founding, the institution does not appear to be running at full capacity. Due to the lack of full time trainers, who are usually provided for by the Japanese International Cooperation Agency (JICA), the courses appear to run only 3 to 4 times per year.

The **SMEs for Environmental Accountability, Responsibility and Transparency Project (SMART)** was founded by the European Union starting in 2013 and with time frame currently spanning until 2015. The program offers tailored improvement programs within the 15 factories they currently operate in, and the modules span for CSR trainings, quality trainings, productivity trainings, health and safety trainings, working conditions. Modules are run both at factory level and in classroom environments. The program is additionally partnered with the German Textile Federation and the Dutch organization CBI (a subsidiary of the Dutch Ministry of Economic Affairs) who deliver additional training in the field of export promotion, and also include participating factories in trips to Europe to participate in trade fairs and meet potential buyers.

**Impactt** limited provides a range of trainings tailored to garment factories that include training for board directors, commercial teams, auditor training, CSR trainings, supplier management trainings as well as site management. Impactt is active in China, Bangladesh, India, Thailand and Turkey and is currently entering Myanmar. To do so, they have recently
partnered with Hamsa Hub to deliver trainings to the factories within the program they run with the Business Innovation Facility (BIF). At the moment, Impactt is working with two factories, they have 8 more confirmed to join in 2015 and plan to reach a total of 16.

The interview process has indicated that international buyers offer trainings to the garment factories that they develop longer business relationships with, to improve their capacity, quality and efficiency. The contents of these trainings are usually focused on technical assistance, tailored to the specific need of the receiving factory. Buyers provide these trainings either by sending one of their internal technicians or by contracting international experts and send them to the selected factories. A good example of this type of training is Marks & Spencer, who are known to send technical experts to their supplying factories to improve their production lines, efficiency and quality levels.

Finally, a training method that has been recorded in the country, albeit rarely, is for garment factories to directly engage and hire international expert consultants to travel to Myanmar and train their staff. This has happened rarely, as garment producers still lack either the willingness or the necessary funding to pay for this expense, whose cost varies between USD 1,500 and USD 2,000 / month, plus travel allowances. It has also been indicated that a few garment factories have hired such experts not just as trainers, but as full time managerial positions, to improve the activities of the factory over a longer period of time. However, it was indicated that language and cultural barriers arose from using foreign managers.

<table>
<thead>
<tr>
<th>Training Provider</th>
<th>Funded By</th>
<th>Training Offer</th>
<th>Limitations</th>
</tr>
</thead>
</table>
| MGMA              | JICA      | • Sewing Training  
|                   |           | • Supervisor Training  | Only being run 3/4 times, due to lack of foreign expert trainers, usually provided by JICA |
| SMART             | EU        | • CSR trainings  
|                   |           | • Productivity Trainings  
|                   |           | • Quality Trainings  | Time limited (2 year program). Currently limited number of factories |
| Impactt           | Paid for by factories, in cooperation with BIF and HamsaHub | • Board directors & commercial teams trainings  
|                   |           | • Auditor training  
|                   |           | • CSR trainings  
|                   |           | • Supplier management trainings  
|                   |           | • Site management  | Currently limited number of factories |
| International Buyers’ Trainings | International buyers | • Quality trainings  
|                               |           | • Productivity Trainings  
|                               |           | • Efficiency Trainings  | Based on the existence of a lasting or growing relationship between international brands and garment producers |
| International Experts | Local garment factories | • Productivity Trainings  
|                       |           | • Management Trainings  | Expensive  
|                       |           |                             | Limited willingness to pay from garments |
Managerial Skills Trainings

Additionally to technical trainings, the garment sector of Myanmar also appears to lack a set of managerial skills that would increase its potential to grow from the current CMP production system toward an FOB one. While this move is very much in line with national strategies and the sector’s interest, managerial skills will be needed to be able to manage a more complex system, that will see local managers be responsible for sourcing inputs independently, account for a more complex system of expenses in their budgets, as well as increasing the level of social compliance to mirror the needs of international brands. The training modules that would cover the current managerial needs of the Myanmar garment sector can be summed up as:

- **Supply Chain & Sourcing** The ability to locate the best suppliers, coordinate the delivery of different inputs, supply reducing lead times, as well as managing shipping times and separate contracts.

- **Cash Flow Management** Monitoring, analyzing and adjusting the companies’ cash flow, to avoid cash shortages hindering growth.

- **Accounting and Book Keeping** Keeping formal track of all expenses and revenue, as well as purchase order, sales order, Inventory, payroll, bank reconciliations, and bill of materials.

- **Business Planning** Clearly defining the enterprise’s potential to grow, strategy, objectives, as well as capital and physical requirements to achieve that.

- **Marketing and Sales to International Buyers** Ability to put together compelling marketing and sales tools for garment manufacturers to reach out to international buyers with presentations and catalogues highlighting product and labour capabilities of the factory.

- **Occupational Safety and Health** Building on the already existing Better Work modules, the ILO might introduce a training directed at improving the knowledge of managers and supervisors of temperature, ventilation, chemical hazards, fire and electrical safety.

- **Preventing and Addressing Sexual Harassment** Building on the already existing Better Work modules, the ILO might introduce information and trainings to middle and senior management on how to identify harassment, how to conduct interviews and impartial investigations respecting confidentiality issues.

From high level research of these second type of training providers, two institutions figured as the most reputable within the country:

- **Myanmar Human Resource Institute** Active in Yangon, Mandalay and Bago, it offers management courses, as well human resources to both public and private sector clients.

- **Strategy First Institute** Strategy First Institute is a for-profit, world-class learning center of business management, specializing in corporate strategy, entrepreneurship, and marketing.
## Recommendations

The following section will walk through the potential interventions that might be considered by the ILO, broken down into three categories:

<table>
<thead>
<tr>
<th>Near Term</th>
<th>Year-Long</th>
<th>Policy</th>
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</thead>
<tbody>
<tr>
<td>a set of interventions that the ILO might develop and implement in the short term (within three to six months)</td>
<td>a set of interventions that would take longer to design, and that ILO might develop, launch and complete within the span of one year</td>
<td>A set of interventions to consider for advocating and promoting the law and regulation country policies</td>
</tr>
<tr>
<td>Deepen Sector Linkages</td>
<td>Skill Development</td>
<td>Working Toward National Strategy Goals</td>
</tr>
<tr>
<td>with buyer led workshops, trade fairs, and strengthening linkages to banks</td>
<td>Technical Skills</td>
<td>Safety and working conditions</td>
</tr>
<tr>
<td>Information Sharing</td>
<td>Management Skills</td>
<td>Industry production standards</td>
</tr>
<tr>
<td>with business directories and white papers</td>
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<td>Steering committee for strategic policies</td>
</tr>
</tbody>
</table>

**Working Toward National Strategy Goals**

- Safety and working conditions
- Industry production standards
- Steering committee for strategic policies
Near Term Interventions

The study highlights potential for interventions to be launched and implemented in the short term. The first set of near-term suggested interventions revolves around deepening the sector linkages between value chain actors, while the second one revolves around improving the level of available information and knowledge resources in the sector.

Deepen Sector Linkages Between Value Chain Actors

**Buyer-Led Workshops**

The relationship between international brands and local garment manufacturers is lacking in strength and depth, and EMC recommends the ILO design and facilitate a series of workshops to improve these linkages.

**ACTORS** These workshops should be led either by an international consultant or workshop organizing firm (the person or firm engaged would need to manage relationships with foreign brands). The key presentation at workshops would be done international brands or by regional agents sourcing for these brands. Participants to these events should be primarily garment manufacturers as well as willing and interested input suppliers (both local and international). These workshops should be large enough to ensure a networking function, and small enough to guarantee that the events will remain participatory in nature, with good interaction between buyers and garment manufacturers. The suggested size for each of these events would be for around twenty to thirty companies per event.

**CONTENTS** Each presenter should present their company overview, requirements for garment production including technical specifications, required product lines, as well as one additional specific topic for each presenter. Some topics could include: quality management, volume management, workflow improvements, the strengths and weaknesses of the Myanmar garment sector, access to trade finance, managing labour issues, or a case study of working with a new production partner through collaboration.

**TIMELINE** EMC recommends that these events take less than half a day to avoid participation fatigue and are organized quarterly or bi-annually, to both avoid over committing invitees, and since engaging all stakeholders in a fruitful event with enough participants takes significant planning time and resources.

**PARTNERS AND IMPLEMENTERS** The ILO could involve international brands that have either already interested in the market or that have representatives in nearby countries (Vietnam, Cambodia); brands with interest in the market and with a strong CSR commitment along their supply chain like...
TESCO, H&M, Marks & Spencer, and GAP are ideal partners. Additionally, this could be an opportunity to cooperate with JICA or JETRO to engage a Japanese brand. The MGMA would represent a good partnership in involving locally operating garment sector producers. The main objective would be to ensure that the invited manufacturers could potentially be good partners with the buyer presenting the workshop, in terms of production items and capacity. The ILO might consider using the services of a consulting company or a workshop company like "Myanmar Promotional Services", specialized in organizing business events, such as large workshops and trade fairs.

Small Scale Garment Trade Fairs for Input Suppliers
Given the currently nascent and weak linkages between garment producers and input suppliers, it would be beneficial to the sector if the ILO could facilitate the growth of these relationships. Local producers might also be interested in entering joint ventures with foreign producers who have the technical knowledge and the capital necessary to improve their production, and it would be beneficial for the sector to allow for the development of the relationship between foreign and local producers.

During the research, input suppliers often were not available for a meeting, potentially indicating they don’t see large business potential in the garment sector. It might be therefore more challenging to involve these actors in this type of event. EMC therefore recommends organizing a small trade fair, focused on building linkages with a few inputs suppliers (both locally based and internationally based) necessary to the garment sector. This would allow the ILO to gauge interest from the input suppliers for future involvement. If the first event is successful, this model could be replicated in the future, or combined with larger trade fairs already in existence.

ACTORS Targets of these events should not be limited to local input producers, but to the wider net of input suppliers that could service the garment industry. This would include local producers, local importers of foreign inputs, as well as international distributors and producers, willing to service and enter the Myanmar market. The other group of actors would be the local garment manufacturers, both foreign and locally owned.

TIMELINE EMC recommends that the ILO could organize two of these events in a one-year time frame, coordinated with the buyer workshops described above to ensure attendance fatigue is considered.

PARTNERS AND IMPLEMENTERS The MGMA is a natural potential partnership in reaching out to garment manufacturers to ensure their participation in the fairs. The Myanmar Textile Directory (mentioned below) would represent a good link to reach out to input suppliers active in the country, however individual invitations would need to be made in order to get attendance from a number of input suppliers. Utilizing the services of a consulting company or event organizing company would again be beneficial in this instance. It could be beneficial to partner with the UMFCCI and the MGMA to reach out to garment input suppliers as well, on top of garment manufacturers.

CHALLENGE Weak Value Chain Linkages
Strengthen linkages between garment manufacturers and input suppliers

ACTIVITY Mini-Trade fairs

BENEFICIARIES Garment manufacturers and input suppliers

BUSINESS MODELS
Given the currently low strength of the linkages between garment manufacturers and input suppliers, organizing trade fairs specifically targeted at the wider net of input suppliers to the garment sector would allow a first step towards the strengthening of the linkage.

The ILO could organize these fairs, involving:

- Garment Manufacturers
- Input Suppliers
  - Input Producers
    - Local producers
    - International and regional producers
- Input dealers and importers

This larger net would allow for the growth of the linkage without restricting it to the still nascent input supply sector in the country.
Linkages with the Banking System

Sector interviews to both garment and input manufacturers have indicated that access to growth and working capital poses an important limitation in their growth. Banks are currently lending in the sector, but loan terms are not attractive for long-term investments or working capital management (e.g. loan terms of twelve months). The ILO could act as a facilitator in creating awareness between banks, government ministries and garment manufacturers.

Building bank awareness

While growing rapidly, the garment sector might yet not be seen as interesting by local banks, or alternatively local banks might not have enough information for their credit departments to accurately assess the financial risk. Developing a presentation showing the key facts (such as estimated NPLs), growth and potential of the sector, and key financial growth needs (investment lending and trade lending) would be a starting point in raising the awareness of lending institutions.

Strengthening linkages between banks and the garment sector

If the results of direct meetings with the management of local banks were to be fruitful, the next step would be to try to create a connection between manufacturers and the banks. This could be done by organizing a participatory workshop where 1-2 garment manufacturers can present and discuss their capital needs and 3-5 banks could also present to manufacturers their requirements in terms of lending application, business planning, accounting practices and collateral. This type of activity has been proven successful in other emerging markets.

PARTNERS: PUBLIC SECTOR On the public sector side, the ILO might consider partnering with:

- **IFC** – through its Trade Finance Program in cooperation with CB bank and is at the same time providing credit lines to Yoma Bank and Myanmar Oriental Bank to support lending to SMEs.
- **IMF** – is working with CBM on pushing financial sector reforms as well as collecting and providing reliable sector statistics.
- **UNCDF** – is working on a roadmap to address the constraints to financial inclusion and promoting private sector growth.
- **GIZ** – is working on a Technical Assistance program devoted to supporting three banks in Myanmar.

PARTNERS: PRIVATE SECTOR On the private sector side, the ILO should try to include:

- **The largest non-state-owned banks** – Kanbawza Bank, Co-operative Bank, Myawaddy Bank, Myanmar Apex Bank, Ayeyarwady Bank, Asia Green Development Bank, United Amara Bank, Yoma Bank and SMIDB.
- **Foreign banks who were already granted licenses to operate in Myanmar** – Mitsubishi UFJ Financial Group, Sumitomo Mitsui Financial Group and Mizuho Financial Group (Japan), UOB and OCBC (Singapore), ICBC (China), Bangkok Bank (Thailand), Maybank (Malaysia) and ANZ (Australian/New Zealand).
Information Sharing

There is a lack of available information and knowledge resources in the sector, at all levels of the chain. This report will be a valuable addition to the sector analysis; however, international brands and buyers have indicated they would need better access to market specific information (manufacturers, production volume, quality metrics, workforce information, regulatory framework), and the research showed that access to suppliers is limited.

**Business Directory**
To support the ease of access of different actors to other market actors’ information, the ILO might sponsor the creation of a business directory. This would consist of lists of:

- Local garment manufacturers, their workforce, production lines, ownership and direct contact information.
- Input suppliers, importers, distributors as well as manufacturers, including production items, capacity and direct contact.
- Service providers to the sector: legal firms, freight forwarders, JV consulting agencies, training organizations, regional buyer agents, and banks.

The directory to be developed shouldn’t just list size and names of businesses (which has been done by Pyoe Pin in collaboration with the MGMA), but provide an easily accessible tool for the selection of business partners. A model to be taken into consideration for the ILO might be the business directory produced in various countries by business chambers. This directory is available online, as well as published yearly and sold in for a fee (i.e. the American Chamber of Commerce charges ~30 USD for their directory in Thailand).

The ILO might subsidize the development of the first edition in coordination with the MGMA or UMFCCI, and test its reception in the market place. If the uptake of the directory is satisfactory, the next editions could be sold for a full fee.

<table>
<thead>
<tr>
<th>CHALLENGE</th>
<th>ACCESS TO INFORMATION AND KNOWLEDGE RESOURCE INTERVENTIONS</th>
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<tbody>
<tr>
<td><strong>ACTIVITY</strong></td>
<td>Business Directory</td>
</tr>
<tr>
<td><strong>BENEFICIARIES</strong></td>
<td>Garment manufacturers, input suppliers, international brands and service providers</td>
</tr>
<tr>
<td><strong>BUSINESS MODELS</strong></td>
<td>The sector would benefit for a series of business directories made easily available to the sector stakeholders.</td>
</tr>
</tbody>
</table>
  - List of local garment manufacturers, their workforce, production lines, ownership and direct contact information |
  - List of input suppliers as well as manufacturers, including production items, capacity and direct contact |
  - List of service providers to the sector: legal firms, freight forwarders, JV consulting agencies, training organizations, regional buyer agents, and banks |
| **ACTIVITY** | White Papers to be presented at industry events |
| **BENEFICIARIES** | Garment manufacturers, input suppliers, international brands and service providers |
| **BUSINESS MODELS** | Sector stakeholders have indicated lack of knowledge and transparency on key features of the market. The ILO could sponsor the creating of a series of freely downloadable white papers on a list of topics, interesting to a number of stakeholders. |
PARTNERS AND IMPLEMENTERS The MGMA website would be an efficient distribution point to disseminate these lists, which could be also shared on the ILO Myanmar website, as well shared with other development stakeholders and associations. The existence of this directory could be presented and sold at sector events to make sure that stakeholders are informed. These directories might be developed internally by ILO staff, or external consulting firms such as Thura Swiss, and Hamsa as well as individual consultants might be contracted.

White Papers
To aid the dissemination of business and technical key information in the sector, the ILO might sponsor and lead the development of a series of research-based white papers on specific issues. The topics to be covered should include topics of interest to a variety of stakeholders:

Garment Manufacturers:
- Case study on successful garment sector growth in similar countries
- FOB requirements, opportunities and challenges
- Overview of the banking sector requirements for the garment sector (including banking letters of Credit system, locally and internationally
- Cross-border trade practices
- Joint Ventures legal requirements, opportunities and challenges

Government:
- Overview of the garment sector, and key challenges to growth (taxes, banking, etc.)

For banks:
- Overview of the garment sector, and key challenges to accessing finance

PARTNERS AND IMPLEMENTERS similarly to the business directories, these papers could be presented at industry events, as well as shared for free on the ILO website, and the MGMA one. Also similarly, the ILO could choose to develop them internally or contract external parties like Thura Swiss, Hamsa and Emerging Markets Consulting.
Year-Long Interventions

The research identified a number of critical constraints in the sector, but suggests that the ILO is well positioned to contribute to contribute to skill development.

Skills Development

Technical Production Skills

Interviews have indicated that both garment and input manufacturers have gaps in their production skills that can be addressed through the provision of trainings.

For the garment sector specifically, the training needs can be mainly divided into different areas:

**WORKERS’ TRAININGS:** trainings directed at operators in garment factories. These include trainings to expand workers’ skills in sewing, quality control and finishing. The MGMA and SMART offer trainings in these areas. Additionally, international brands working with manufacturers send technical experts to train the workers (Marks & Spencer and other brands are currently doing this), if they see the potential in developing the business relationship with them.

**SUPERVISOR AND MANAGEMENT TRAININGS:** this type of trainings aims to give supervisors a higher understanding of leadership techniques, as well as implementing productivity and efficiency systems and avoiding passive or authoritarian styles of leadership. The MGMA is currently offering a ten day supervisory training to the industry.

These types of trainings are already being provided in the industry, although we believe the volume of trainings could potentially be increased. Additionally, it has been found that once international brands develop a solid business relationship with a supplier, they will provide the factory with their own technical trainings.

However, EMC would recommend the ILO not to enter in a service area that is already being covered by other providers. While the sector’s need for technical training is not fully covered, there are issues with the demand. Manufacturer in-

...
Recommendations

Management Skills
For the garment sector to be able to evolve from the current production systems towards FOB, EMC suggests that the management of the factories will need to improve a set of skills that allows them to plan and prepare for growth, specifically in the following areas:

- **SUPPLY CHAIN & SOURCING**: the ability to locate the best suppliers, coordinate the delivery of different inputs supply reducing lead times, as well as managing shipping times and separate contracts.

- **CASH FLOW MANAGEMENT**: monitoring, analyzing and adjusting the companies’ cash flow, to avoid cash shortages hindering growth.

- **ACCOUNTING AND BOOK KEEPING**: keeping formal track of all expenses and revenue, as well as purchase order, sales order, Inventory, payroll, bank reconciliations, and bill of materials.

- **BUSINESS PLANNING**: clearly defining the enterprise’s potential to grow, strategy, objectives, as well as capital and physical requirements to achieve that.

- **MARKETING AND SALES TO INTERNATIONAL BUYERS**: ability to put together compelling marketing and sales tools for garment manufacturers to reach out to international buyers with presentations and catalogues highlighting product and labour capabilities of the factory.

- **OCCUPATIONAL SAFETY AND HEALTH**: building on the already existing Better Work modules, the ILO might introduce a training directed at improving the knowledge of managers and supervisors of temperature, ventilation, chemical hazards, fire and electrical safety.

- **PREVENTING AND ADDRESSING SEXUAL HARASSMENT**: building on the already existing Better Work modules, the ILO might introduce information and trainings to middle and senior management on how to identify harassment, how to conduct interviews and impartial investigations respecting confidentiality issues.

EMC would recommend the ILO to focus on these types of training modules, by developing the capacity of existing training providers. The ILO might launch an open bidding process, where the service providers would prove their capacity and sector knowledge. After selecting the best candidate, the ILO should help them develop the training modules defined, by providing them with technical knowledge either from their internal staff, or by sourcing an expert to carry this development. Once the modules are designed, the service provider would be in charge of marketing the modules and finding attendees, while the ILO could subsidize the training fees for companies either active in the garment sector, or connected to it. The ILO could set its training goal for the year at subsidizing the offering of 5 training modules to enterprises active in the garment sector, with 10 participants / module. Once these 5 modules are completed, the service provider will be responsible to continue offering the module to the sector, marketing it and finding client, who will now have to pay full fees for it. The uptake of trainings in the first (subsidized) phase, and in the follow up (paid) phase, will represent a direct indication of the success of the intervention. EMC would recommend that when scouting for the right service provider to partner with, the ILO should pay special attention to the following, considered the most reputable institutions in management trainings in Myanmar:

- **MYANMAR HUMAN RESOURCE INSTITUTE**: active in Yangon, Mandalay and Bago, it offers management courses, as well human resources to both public and private sector clients.

- **STRATEGY FIRST INSTITUTE**: Strategy First Institute is a for-profit, world-class learning center of business management, specializing in corporate strategy, entrepreneurship, and marketing.

EMC recognizes that when dealing with management trainings to group of managers from different factories, there might be limitations to the amount of information and knowledge shared in the classrooms, as these enterprises are competing among each other. In the longer run, and depending on the uptake of the trainings, the ILO might consider sponsoring the development of a one on one advisory consulting service. In this service, business experts would advice and guide factory managers in their strategic choices and on how to improve their systems and operations.

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20 EMC recognizes that this might constitute for the ILO a pre-amble to testing market demand for the ILO’s Better Work program
## Recommendations

### Management Capabilities of Input Suppliers and Manufacturers

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>BUSINESS MODELS</th>
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<tbody>
<tr>
<td>Supply Chain &amp; Sourcing Trainings</td>
<td>The ILO could:</td>
</tr>
<tr>
<td>Cash Flow Management Trainings</td>
<td>1. Identify a local or international service provider offering management trainings to Small and Medium Enterprises, whether they currently offer these trainings or not.</td>
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<tr>
<td>Accounting Trainings</td>
<td>2. Get a technical expert to design the desired training modules.</td>
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<tr>
<td>Business Planning Trainings</td>
<td>3. Support the training provider. ILO can provide a specialist trainer, and/or finance the first few rounds of trainings, to jump start the uptake of the modules.</td>
</tr>
<tr>
<td><strong>BENEFICIARIES</strong></td>
<td>4. After the initial round of subsidized trainings, the aim of the program should be for SMEs to pay for the service, ensuring sustainability. The uptake of training after the free round is completed will act as an indicator of impact.</td>
</tr>
<tr>
<td>Garment Manufacturers, Input Suppliers and service providers</td>
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### Technical Capabilities of Input Suppliers

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>BUSINESS MODELS</th>
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<tbody>
<tr>
<td>Operators’ Trainings</td>
<td>These trainings are already available in Myanmar.</td>
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<tr>
<td>Productivity Trainings</td>
<td>Additionally, with increasing buyer/manufacturers relationships, international brands will provide more technical trainings to the factories they choose and trust?</td>
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<tr>
<td>Supervisory Skills Trainings</td>
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### Technical Capabilities of Garment Manufacturers

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<tr>
<td>Input Suppliers</td>
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</table>

The Myanmar Pulp and Paper Industry Association, with its 24 members, would be a great partner in further selecting the training needs of their members, as well as promoting the program among them. The Myanmar Plastic Industry Association would be a potential partner as well, when targeting manufacturers of hangers and polybags.
Policy Related Recommendations

Advocacy and Policy Guidance

The last area of intervention that EMC would suggest the ILO to undertake is in the area of policy. While the country has embarked on a series of liberalization reforms, and while the garment sector has shown promising both actual and potential growth, there are still vast legal and regulatory gaps that hinder the development of the sector. As it falls into one of its core mission components, the ILO is in a unique position to aid, support and incentivize policy development in a number of different areas. To provide ILO with recommendations on which policy areas to focus on, an overview of the National Export Strategy for the Textile and Garment Sector developed by the Ministry of Commerce has been carried out. The areas of intervention that would most benefit the Myanmar garment sector according to this study have been identified and subsequently evaluated based on two criteria: Pertinence to ILO’s mission and capacity, and the feasibility of producing relevant impact in a twelve month framework (full review of objectives in annex).

Among the objectives and sub-objectives included in the national strategy, EMC believes the following to be the most relevant to the garment sector’s growth, as well as within the ILO’s mission and with the potential to be successfully launched and results achieved within the next twelve months:

**OBJECTIVE (4.3.1):** MoLESS is looking for Technical assistance to develop a clear set of guidelines to limit human exposure to harmful **working conditions.** Other parties to be included in this effort would be INGOs, NGOs, Ministry of Information, UMFCCL, MGMA, Mol, MoC, MoH.

**OBJECTIVE (2.3.1):** The MGMA is looking for Technical Assistance to support to develop the official Myanmar set of production **standards** for the garment sector and to develop them across the sector. The other bodies to include in this effort would be the Myanmar Scientific and Technological Research Department, Mol, MoC, Ministry of Information, the Myanmar Engineering Society, MoLESS and UMFCCL.

**OBJECTIVE (1.1.3):** The Ministry of Commerce is looking for Technical Assistance to develop a high-level **steering committee** to coordinate the efforts of a group of ministries to design the future strategic policies to support the growth of the garment and textile sector. The other participating bodies included in the strategies are: MNPED, Mol, Ministry of Agriculture and Irrigation, Customs, UMFCCL and MGMA.

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**FIGURE 20**

Ranking of the potential policy interventions

- Technical assistance to create guidelines and framework of better working conditions
- Working with MGMA to create a system of production standards for the garment sector
- Steering Committee to design the strategic policies for the garment sector

Potential Impact in 12 months

Alignment with ILO’s Mission and Capacity

- Objectives and sub-objectives included in the national strategy.
- EMC’s assessment of the relevance to the garment sector’s growth.
- Evaluation based on ILO’s mission and capacity.
- Feasibility of producing relevant impact in a twelve month framework.
The matrix depicted in Figure 16 represents EMC’s perception of the three identified policy options in terms of their relevance to the ILO’s mission, as well as their potential impact in the next twelve months.

EMC would recommend the ILO to focus its activities on working towards the creation of better jobs by expanding the contents of objective 4.3.1 and by acting on two levels.

On the first level, the ILO could build upon the objective stated in the national strategy, and act as a technical advisor to create a clear set of guidelines regulating not only safe working conditions, but also total amount of working hours, contract enforcement, and the payment of over time. In this capacity, the ILO could engage the targets identified by the national strategy. Similarly to how the ILO has developed the eight cluster of indicators for the Better Work, the ILO might split these guidelines into two groups: labour laws to be developed to international standards, and labour laws to be conformed to the local law.

Additionally, the ILO could take a role as a focal point to engage two other sets of stakeholders. On the one hand, the ILO can work with the MGMA to gather inputs on labour law and working conditions from garment manufacturers and their workers. This could be done by introducing the proposed guidelines during development phase to factory owners and factory workers separately to get their specific feedback.

Alternatively, the ILO can work with individual international buyers and/or groups of international buyers. The first goal would be for the ILO to have a very clear idea of what each buyer’s supply chain compliance needs are (safety, working hours, etc.) and make sure that they get transmitted to the rest of the industry. The second goal, and more long term, would be to start the process to try and work with international buyers to try to develop and agree upon a single common framework of compliance to be requested to garment manufacturers.

If the ILO were to focus on objective 2.3.1, to support the MGMA in creating a system of production standards, the ILO would have to work on two levels. On the first hand, the ILO would have to provide technical support in the form of an international garment expert. This expert would have to carry out an assessment of the technical production ability of garment manufacturers and on how to set up the internal operations within the MGMA to become a certifying body. On the other level, the ILO could work as a focal point to include international buyers into the discussion on design of the production standards, to ensure that these are aligned with international quality requirements. The key advantage for the ILO in working towards this goal would be that it would allow it to ensure that the standards to be set would not only cover technical product details, but also include assurance mechanisms that factories follow a set guideline of proper working conditions within their factories.

If the ILO might finally choose to work with the Ministry of Commerce and other bodies towards reaching objective 1.1.3 to create a steering committee uniting a variety of stakeholders in the design of strategic policies to promote the garment sector. If that were the case, EMC would recommend that the ILO might take a leading role in coordinating the works of such a committee, to make sure it does not operate in a vacuum. The ILO, in a position as an organizing focal point, would be in position to include feedback and inputs from parties outside of the ministry bodies directly involved. First of all, the ILO should coordinate with international buyers to have a clear view of what they perceive as the strategic needs of the garment sector, and report these inputs to the committee. On the other side, the ILO would be in a strategic position to include workers’ needs and working conditions in the strategic planning of policies for the sector.
OBJECTIVE
Secure public policies that will enable transformation of the Myanmar textile and garment sector from the CMP mode of manufacturing to the FOB mode.

1.1 Adopt policy measures to support textile and garment sector evolution from CMP to FOB.

1.1.1 Extend the same duty exemptions enjoyed by importers of CMP inputs to importers of FOB inputs, an advantage typically enjoyed by Myanmar’s competitors and critical to making the CMP-to-FOB transition profitable.  
*Notes: Unclear tax and regulatory implications*

1.1.2 Adopt an SEZ law and articulate implementing regulations which provide for the ownership, development and management of fully serviced SEZs by public, private, or public–private parties. This should promote synergetic clusters and optimize the cost of providing the sector with the infrastructure it needs to succeed.

1.1.3 Form a high-level policy steering body (e.g. interministerial committee or ministry) dedicated to the coordinated formulation and implementation of strategic policies and initiatives for the promotion of the textile and garment sector.

1.1.4 Provide tax exemptions for capital investments and duty exemptions for imports of capital goods, to encourage ramping up the sector’s productive capacity with modern equipment.

1.1.5 Encourage greater use of modern machinery by having the Government guarantee long-term credit arrangements between Myanmar buyers and foreign suppliers.

1.2 Promulgate and enforce labour regulations that improve the skills and competitiveness of the sector’s labour force.

1.2.1 Articulate regulations for the trained worker retention clause of the Employment and Skill Development Law and enforce them, so that employers and workers may engage in meaningful contracts by which employees receive advanced training from firms in exchange for commitments to stay with those firms for an agreed period, thereby incentivizing employer investment in Myanmar labour.  
*Notes: Contract enforcement mechanisms design and implementation seems unfeasible within the timeframe*
1.2.2 Extend the standard length of work permits for foreign technicians and professionals from three months to one year, with the possibility of renewal, so that Myanmar firms can predictably fill critical skill gaps while domestic skills and worker retention policies are being improved.

1.3 Establish the financial policies and regulatory framework that will allow the sector to finance factory start-up, operations and trade.

1.3.1 Issue MoFR instructions permitting the export of goods without proof of advance payment or letter of credit, as currently required, so that Myanmar may engage in trade according to international norms and be a more attractive sourcing destination.

1.3.2 Issue CBM instructions on conducting back-to-back letters of credit and other forms of trade finance, giving financial institutions the regulatory clarity they need to proceed.

Notes: Some banks have been licensed since 2011 but are awaiting guidelines.

1.3.3 Issue CBM instructions permitting the use of certain movable assets as collateral and increasing the percentage of the collateral’s value which can be lent, allowing garment manufacturers to borrow much more than currently possible.

1.3.4 Establish Government guarantees and subsidies to support long-term credit for firms in the sector, allowing garment manufacturers to borrow much more than currently possible.

2 OBJECTIVE

Substantially increase production and exports of textiles and apparel according to international quality standards.

2.1 Increase the number of garment factories from 300 now to 800 by 2015.

2.1.1 Under the aegis of the high-level policy steering body, establish a working group to reduce the number and processing time of official procedures for garment factory start-up (e.g. registration, so that start-up time is reduced from four or five months to one month).

Notes: EMC is recommending a similar activity by improving the increasing the offer of management trainings in the industry.

2.1.2 Stimulate creation of sector-supporting businesses, such as plant set-up consulting firms and design houses, through investment promotion and by offering these businesses the same preferential treatment given to textile and garment firms.
2.2 Infuse the sector with large amounts of capital, technology, skills and international business networks not available domestically.

2.2.1 Articulate clear and objective eligibility requirements for MIC approval of wholly foreign-owned garment factories and apply them predictably and transparently.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS

2.2.2 Make the garment sector an investment promotion priority for DICA, providing it with an additional staff member with sector experience, and the funds to subscribe to a commercial database of investors.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS

2.2.3 Encourage greater use of modern machinery by having the Government guarantee long-term credit arrangements between Myanmar buyers and foreign suppliers.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS

2.2.4 According to current skill demands, implement a vocational programme for machine operation and maintenance, production management, industrial engineering, fashion design, and computer-assisted design operations.

Notes: EMC does not recommend the ILO move into the space of technical trainings for garment factory workers.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS

2.3 Establish clear quality standards for the sector and help firms meet them reliably.

2.3.1 Have MGMA establish national quality standards for garments and disseminate those standards to members through circulars and seminars, and online.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS

2.3.2 Have the Myanmar Scientific and Technological Research Department act as a testing and certifying body for garment quality and build its capacity to do so.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS

2.3.3 Have MoI help the sector achieve widespread international quality certification (BSCI, SGS, WRAP, ISO etc.) through awareness-raising campaigns and monthly trainings in Yangon for quality assurance personnel of garment factories. This will help the sector adopt appropriate quality control mechanisms both for the import of inputs (for FOB manufacturing) and for the export of garments that are globally recognized as meeting basic quality standards.

Notes: ILO’s mandate would be limited to labour law compliance.

○ WITHIN ILO’S MISSION AND CAPACITY ○ RELEVANT IMPACT WITHIN 12 MONTHS
2.4 Empower exporters with quality information on foreign markets.

2.4.1 Facilitate garment sector companies’ participation in international exhibitions in target markets through assessing the availability of exhibitions in the garment sector, seeking invitations, and securing visas and participation booths.

Notes: EMC recommended carrying this out through trade fairs and buyer workshops.

2.4.2 Organize trade missions to target markets, presenting well-developed export products with well-prepared fact sheets, new designs, new packages and samples.

Notes: EMC does not suggest carrying this out as the amount of garment manufacturers impacted would be quite low.

2.5 Foster an internationally competitive and socially sustainable workforce through the building of skills and a strong work culture.

2.5.1 Using public funding or public–private partnerships, establish worker training, testing and certification centres for the booming garment labour force at sector clusters and SEZs as a cost-effective way of upgrading productive capacities and growing the labour pool where it is needed.

Notes: Intervention limited to textile factories.

2.5.2 Have the ministries responsible for industry and labour collaborate with industry associations and civil society to create a public education campaign for television and radio that will educate the public on the work culture that will allow Myanmar to be globally competitive while upholding worker rights.

Notes: EMC recommends these topics to be covered during workshops organized to engages foreign buyers.

2.5.3 Have the ministries responsible for industry and labour collaborate with industry associations and civil society to conduct workshops and seminars at factories about employer–employee relations, as a way to reduce worker turnover while building the pool of worker skills and wages within each factory.

2.6 Enable cotton farmers and textile producers to participate in and profit from the garment sector’s growth.

2.6.1 Have MoI, as the line ministry of the State-owned textile factories, reach out to all public and private textile factories to enlist founding members of a Myanmar Textile Manufacturers Association, with representatives in each state and division, so as to better coordinate the sector’s strategic linking to the garment sector, capacity-building and policy advocacy.

Notes: Intervention limited to textile factories.

2.6.2 Fund seed distribution and extension services by the Cotton and Sericulture Department’s seven research farms, so they can disseminate high-quality seeds and best-practice knowledge to cotton plantations with low-quality seeds and low yields.
### OBJECTIVE
Greatly improve efficiency and reduce costs of the sector through the public provision of critical infrastructure in sector-dedicated zones and port facilities.

#### 3.1 Provide cluster growth poles through fully serviced SEZs dedicated to garment factories and supporting industries.

- **3.1.1** Commission a feasibility study to review potential SEZ sites and make recommendations on location, size, infrastructure, rates, ownership and management structures, services, impacts, risks, etc.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

- **3.1.2** Elaborate legal and regulatory frameworks for SEZs in line with international best practices, as a prerequisite for attracting private investment in the construction, management and ownership of SEZs.<br><br>**Notes:** ILO’s mandate would be limited to a labour law in SEZs.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

- **3.1.3** Recognizing the importance of the garment sector as Myanmar’s only major manufacturing industry, set aside 4,000 acres of public land for the establishment of two to three garment-centric SEZs.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

- **3.1.4** Designate the SEZs as export processing zones to allow duty-free import of garment inputs (whether for CMP or FOB manufacturing) when the final product is due to be exported, thereby giving garment manufacturers one of the basic tools for international competition.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

- **3.1.5** Assuming private ownership and/or management of the SEZs, make the tendering process competitive and open it to a wide range of international companies, so as to attract a highly experienced company that will charge tenants competitive rates.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

- **3.1.6** Provide the zone with critical infrastructure, including dedicated electricity, a wastewater treatment plant, roads, telecommunications and facilities for a training centre.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

#### 3.2 Ensure adequate electricity supply to existing industrial zones where garment factories are located.

- **3.2.1** Cancel the plan to end public electricity supply to industrial zones and to require manufacturers to generate their own electricity. This poses a major technical and financial hurdle to garment firms, undermining their competitiveness and dissuading investors from starting the many new factories so badly needed.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**

- **3.2.2** Prioritize existing clusters of garment firms in national power grid development plans, for example, by providing them with dedicated electricity substations.<br><br>**WITHIN ILO’S MISSION AND CAPACITY**  **RELEVANT IMPACT WITHIN 12 MONTHS**
3.2.3 As a matter of public policy, have State-owned power companies provide factories with internationally competitive industrial tariffs.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

3.3 Increase container yard space and reduce the cost of getting Myanmar garments out of the country.

3.3.1 Reduce public lease charges to private container yards.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

3.3.2 Increase amount of public land used for container yards, allowing more companies to operate, increasing competition and reducing costs.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

3.3.3 Mandate / incentivize / obtain the use of modern port management systems through sector regulations, incentives and terms of concession.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

**OBJECTIVE**

Achieve widespread adoption of worker protections and environmentally friendly technologies and practices.

4.1 Link all textile and garment factories to wastewater effluence systems, so as to preserve Myanmar’s vital water resources.

4.1.1 Have MoECF officials, water authorities and staff of relevant assembly members receive training from specialized INGOs and NGOs on best-practice laws, regulations and monitoring systems for water conservation.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

4.1.2 Elaborate clear implementing guidelines for regulations on wastewater and penalties for failure to comply.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

4.1.3 Conduct a campaign among garment factory owners and managers to raise awareness about the negative effects of water pollution, best practices for wastewater management, regulations they must comply with, and penalties for failure to comply.

- **WITHIN ILO’S MISSION AND CAPACITY**
- **RELEVANT IMPACT WITHIN 12 MONTHS**

4.1.4 Conduct seminars and workshops for the owners and managers of all garment factories to train them on best practices for wastewater management and procedures for complying with regulations. (With only a couple of hundred factories and nearly all of them based around Yangon, representatives of all factories could conceivably be trained in 10 workshops or fewer.)
4.2 Encourage adoption of low-emission and energy-conserving machinery and equipment, so as to start Myanmar’s industrialization in a sustainable way.

4.2.1 Conduct a campaign among garment factory owners and managers to raise awareness about the long-term commercial benefits of adopting various ‘green’ technologies, both because of cost savings and because of branding value.
- WITHIN ILO’S MISSION AND CAPACITY
- RELEVANT IMPACT WITHIN 12 MONTHS

4.2.2 Conduct seminars and workshops with factory owners and managers to train them on best practices for conserving energy and maintaining low emissions. (With only a couple of hundred factories and nearly all of them based around Yangon, representatives of all factories could conceivably be trained in 10 workshops or less.)
- WITHIN ILO’S MISSION AND CAPACITY
- RELEVANT IMPACT WITHIN 12 MONTHS

4.3 Ensure workers are provided with adequate ventilation and protective equipment.

4.3.1 Elaborate clear implementing guidelines for regulations limiting human exposure to harmful working conditions and penalties for failure to comply.
- WITHIN ILO’S MISSION AND CAPACITY
- RELEVANT IMPACT WITHIN 12 MONTHS

4.3.2 Conduct a public awareness-raising campaign about the dangers of industrial work and the obligations of employers and employees to maintain a safe workplace for the good of individuals and national development.

Notes: EMC recommends that ILO should first investigate in depth what are the key areas of danger in industrial garment work.
- WITHIN ILO’S MISSION AND CAPACITY
- RELEVANT IMPACT WITHIN 12 MONTHS

4.3.3 Conduct seminars and workshops with factory owners, managers and workers to train them on best practices for ensuring workplace safety in the garment sector. (With only a couple of hundred factories and nearly all of them based around Yangon, representatives of all factories could conceivably be trained in 10 workshops or fewer.)

Notes: Recommended
- WITHIN ILO’S MISSION AND CAPACITY
- RELEVANT IMPACT WITHIN 12 MONTHS
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>CMP</td>
<td>Cut, Make and Package production system</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>DANIDA</td>
<td>Danish International Development Agency</td>
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<tr>
<td>DICA</td>
<td>Directorate of Investment and Company Registration</td>
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<tr>
<td>EMC</td>
<td>Emerging Markets Consulting</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FOB</td>
<td>Freight On Board</td>
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<tr>
<td>GSP</td>
<td>Generalized Scheme of Preference</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>INGOs</td>
<td>International non-governmental organization</td>
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<td>JETRO</td>
<td>Japan External Trade Organization</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>JV</td>
<td>Joint Venture</td>
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<td>LC</td>
<td>Letter of Credit</td>
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<td>LLCs</td>
<td>Limited Liability Company</td>
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<td>M4P</td>
<td>Making Markets Work for the Poor</td>
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<td>MFTB</td>
<td>Myanmar Foreign Bank</td>
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<td>MGMA</td>
<td>Myanmar Garment Manufacturers Association</td>
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<td>MIC</td>
<td>Myanmar Investment Committee</td>
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<tr>
<td>MICB</td>
<td>Myanmar Investment and Commercial Bank</td>
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<td>MoC</td>
<td>Ministry of Commerce</td>
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<td>Ministry of Health</td>
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<td>MoLESS</td>
<td>Ministry of Labour, Employment and Social Security</td>
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<td>NGOs</td>
<td>Non-governmental organizations</td>
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<tr>
<td>NPLs</td>
<td>Non Performing Loans</td>
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<tr>
<td>OBM</td>
<td>Original Brand Manufacturer</td>
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<td>ODM</td>
<td>Original Design Manufacturer</td>
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<td>OEM</td>
<td>Original Equipment Manufacturer</td>
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<td>SEZs</td>
<td>Special Economic Zones</td>
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<td>SMART</td>
<td>SMEs for Environmental Accountability, Responsibility and Transparency project</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities, Threats</td>
</tr>
<tr>
<td>UMFCCI</td>
<td>Union of Myanmar Federation of Chambers of Commerce and Industry</td>
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<tr>
<td>USD</td>
<td>United States of American Dollar</td>
</tr>
<tr>
<td>WFOES</td>
<td>Wholly Foreign Owned Enterprises</td>
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</tbody>
</table>
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Hlaing Thar Yar
Visited

Htay Htay Aye
THIRI SANDAR
Managing Director
htayhtayaye333@gmail.
com
09 5148761
Aung San Ward, Lower
Mingalardon Road
Visited

Ye Sein
SHWE MINGALAR
Managing Director
shwemingalar007@gmail.
com
09 5167525
Did not accept

Zaw Lin Latt
KPH GARMENT
Managing Director
aunggsigarment@gmail.
com
09 43191877
Did not accept

Thin Thin Swe
HTIKE HTIKE
Supervisor
09 421183844
Did not accept

Lin Tay Zar
HANG KEI
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joeyong.sk@gmail.com;
kenhuang22@yahoo.
com.hk
09 421044224
Did not accept

Shwe Thiri Khit
HAMSABUB
Director
shwe.thirikhithamsabub.
com
09 420018773
Did not accept

Tin Nilar Win
TRI SEA
Admin
09 250118342
Did not accept

Nu Htwe Naing
TRI SEA
Admin
09 250821052
Did not accept

Naing Oo
A1
HR Manager
09 421017753
Did not accept

Ra Ju
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Managing Director
garmentsmc@gmail.com
09 73111697
Did not accept

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Managing Director
929myanmar@gmail.com
09 73225088
Did not accept

Wai Thu Htun
ASIA ROSE
Factory Manager
09 33758526
Did not accept

Khin Myint Yi Kyaw
SHWE HNIN SIE
Managing Director
shwehninse
manufacturing36@gmail.
com
09 5170139
Did not accept

Khin Moe Lwin
GRAND SPORT
INT’L CO., LTD
Managing Director
khinmlwin.dolly@gmail.
com
09 5096611
Did not accept

Min Thwin Oo
GREAT LUCKY STAR
Manager
09 421091377
Did not accept

Zin Zin Aye
GREAT LUCKY STAR
Admin/HR
09 421091377
Did not accept

Li Shizhang
DONGLONG (MYANMAR)
GARMENT
09-73219008
Did not accept

Ma San San Htway
GRAND SPORT
01-610249, 09-5013687,
09-5138422
Did not accept

Daw Thwal Thwal
Soe
NEW GREEN LAND
nayhtetthar@gmail.com
09-421104437
Did not accept

Kyaw Min Htet
GOLDEN TROGON
Managing Director
producers of pants,
t-shirts, polo shirts
shwezarmani
garment@gmail.com
09-25402732
No. 663, Meizegone
Street, 7 Ward, Hlaing
Visited

Ma Win Pa Pa Aung
MOON CRAB
01-685151
Did not accept

Mr. Joe Young,
Mr.Ken Huang,
Lin Tay Zar
HANG KEI
joeyong.sk@gmail.com,
kenhuang22@yahoo.
com.hk
09-254114026, 09-
421044224
Did not accept
Ms. Yin Yin Moe  
KAUNG AUNT GARMENT  
Managing Director  
yinmoe2@gmail.com  
09-5003714  
No. 74/B, ThuKha St, 8 Mile, Mayangone  
Did not accept

U Kyaw Tun Hein  
BEST MAKER  
bestmaker@myanmar.com.mm  
9450053704  
Did not accept

Ms. Thet Htar Swe  
HALLMARK  
Chairman  
producers of coats, pants, skirts, all kinds of clothes  
theth-swe@hallmark-manufacturing.com  
09-5098923  
No. 52/A, Mya Taung Wun Gyi U Hmo St, Hlaingtharyar Industrial Zone (1)  
Visited

Ms. San San Htay  
UMH  
General Manager  
producers of pants, t-shirts, polo shirts  
sansanhtay86@gmail.com  
09-5417853  
No. 538/A, Block (28), No. (4) Highway Road, Shwe Pyi Thar T/S, Yangon  
Visited

U Tin Zaw  
ESCORT GARMENT  
Admin Manager  
producers of Escort local brand  
escortfactory88@gmail.com  
09-73126899  
No. 8, Yannaing Swe (2) Street, Thaketa Industrial Zone, Thaketa  
Visited

Mr. Kyaw Swar Htet  
GRAND HARVEST ENTERPRISES  
Project Manager  
producer of carton boxes  
09-4210231611  
No. 172, Mingyi Maha Min Gaung Street, Shwe Lin Pan Industrial Zone, Hlaing Tharyar  
Did not accept

Mr. Kyaw Min  
MYANMAR PULP AND PAPER INDUSTRY ASSOCIATION  
Vice President  
producer of paper  
kyawmin.myr@gmail.com  
09-541790  
No. 35(D), Thayawaddy Street, Sayar San Qtrs, Bahan  
Visited

Mr. Kyaw Zaw Aung  
MYANMAR PULP AND PAPER INDUSTRY ASSOCIATION  
Executive Committee  
producer of paper  
kyawzawaung008@gmail.com  
09-5175224  
No. 35(D), Thayawaddy Street, Sayar San Qtrs, Bahan  
Visited

Packaging

Mr. Han Zaw Lynn  
PANN THAZIN TISSUE FACTORY  
Owner  
producer of carton boxes, tissue  
hanzawlynn12@gmail.com  
09-5198602  
No. 1/88, Kanaung Minthar Gyi Street, East Dagon Industrial Zone  
Visited

Mr. Aung Khaing Oo  
MYANMAR PULP AND PAPER INDUSTRY ASSOCIATION  
Executive Committee  
producer of paper  
pekyawhtin94@gmail.com  
09-5104982  
No. 35(D), Thayawaddy Street, Sayar San Qtrs, Bahan  
Visited

Mr. Tun Win  
TUN TAUK PLASTIC  
Managing Director  
producer of plastic  
electricrm2010@gmail.com  
09-5121915  
No. 139, Ground Floor, 15 Street, Lanmadaw  
Visited

Japan Carton Box  
Visited, but didn’t get any information as they refused to share the information

Pack Express  
Visited but didn’t get any information as they refused to share the information  
Visited

Hangers

Mr. Than Htaik Lwin  
PROVEN TECHNOLOGY INDUSTRY  
Chief Operating Officer  
producer of hangers  
alanlwin@toyobatterymyanmar.com  
09-5019086  
No. F/S-14, Bayintnaung Road, Shwe Sabai Yeik Mon, Kamayut  
Visited
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