



MYANMAR GARMENT INDUSTRY

10-YEAR STRATEGY

2015 - 2024





MYANMAR GARMENT INDUSTRY

10-YEAR STRATEGY

2015 - 2024

2015 - 2024



Contents

■ Acronyms	4
■ Approach and Methodology	5
■ Executive Summary	6
■ What We Want: Factories, Brands and Government	6
■ Strategic Objectives	9
■ Implementation of the Strategic Objectives	24
■ Myanmar Garment Industry Four-Year Plan of Action	28
■ Appendix 1: Current Position	35
■ Appendix 2: Implementation of the Strategy	38
■ Appendix 3: Code of Conduct	39
■ Appendix 4: Statement by Myanmar Garment Manufacturers Association on Child Labour	44

Acronyms

BIF	Business Innovation Facility
BBW	Benefits for Business and Workers
BSCI	Business Social Compliance Initiative
B2B	Business-to-Business
CAD	Computer-Aided Design
CAM	Computer-Aided Manufacture
CMP	Cut-Make-Pack
EU	European Union
FOB	Mode of garment production in which the manufacturer, rather than the garment buyer, buys the fabric and trim
GDP	Gross Domestic Product
HIDA	The Overseas Human Resources and Industry Development Association
HR	Human Resources
ILO	International Labour Organization
INGO	International Non-Governmental Organization
ISO	International Organization for Standardization
ITC	International Trade Centre
JV/s	Joint Venture/s
MGMA	Myanmar Garment Manufacturers Association
MGHRDC	Myanmar Garment Human Resources Development Centre
MSG	Multi Stakeholder Group
MTUF	Myanmar Trade Union Federation
NES	National Export Strategy
NGO	Non-Governmental Organization
OBM	Own-Brand Manufacturer
ODM	Own-Design Manufacturer
OECD	Organisation for Economic Co-operation and Development
PMU	Project Management Unit
PoA	Plan of Action
QA	Quality Assurance
SAC	Sustainable Apparel Coalition
SEZ	Special Economic Zone
SMART	SMEs for environmental Accountability, Responsibility and Transparency
SME	Small-to-Medium Enterprise
TF/s	Task Force/s
TVET	Technical and Vocational Education Training
UN	United Nations
US	United States (of America)
WCC	Workplace Cooperation Committee
WRAP	Worldwide Responsible Accredited Production

Approach and Methodology

The strategic plan was developed through a series of workshops which included the Myanmar Garment Manufacturers' Association (MGMA), brands and suppliers with facilitation support from Pyoe Pin and the International Labour Organization (ILO) plus Coats plc and the Business Innovation Facility (BIF).

Photo credit Pyoe Pin, with thanks to Dr. Min Gaung Oo, U Sai Maung and Daw Tin Shin.



Executive Summary

What We Want: Factories, Brands and Government

“Myanmar has a large, low-skilled, available workforce and factory owners keen to adopt new, ethical, and sustainable, ways of working. There is a wealth of potential and a strong will to embrace best-practice in the work place. Although there is a gap between the current situation and the imagined future, with a properly structured timetable of improvements and a well thought out infrastructure of support – both technical and financial – there is no reason this could not become a future reality from which all interested parties would profit.”

U Myint Soe, Chairman MGMA

This strategy has been developed in consultation with factory owners, international brands, suppliers and other actors in the industry and is designed so that the industry can play a part in its own development.

Brands and primary suppliers have indicated that a US\$8-10 billion industry could be achieved by 2020.¹ To achieve this, factories, international brands and sourcing companies and their agents, various ministries and workers will be required to work together to develop the training, responsible-sourcing and best business practices that the strategy promotes, leading to the future prosperity of the industry and the raised employment opportunities that would bring.

The industry has to operate under consistent, coherent and unique values in order to have strategic, sustainable and responsible growth.

Factories want to have steady, large orders. Factory owners want to be able to offer employees better working conditions including competitive salaries along with achieving higher productivity and consistent quality standards. During workshops, factory owners identified a future industry where “Child labour is prohibited and there is no forced labour; employee/employer conflicts are resolved fairly; improved law enforcement, including minimum wage law, protects both workers and owners; and there is more transparency across the industry”.²

Brands want to place large orders into factories that they know are complying with international and national labour laws and standards that are particularly vigilant on being free from child labour and have freedom of association. They need to know that the quality of a product is guaranteed and the price competitive. They want to work in a peaceful and stable environment.³

Government want to see an increase in international investment and growth of local industry and would like to support the development of an ethical garment industry that will in return increase tax revenue, growth in GDP and nationwide employment opportunities that the garment industry brings.

¹ Myanmar garment industry conference 11th-12th November 2014: Final report. BIF

² The MGMA Myanmar Garment Industry Ten Year Strategy Workshop 1:Friday 22nd August 2014

³ Myanmar garment industry conference 11th-12th November 2014: Final report. BIF

They understand that having an ethical industry and a stable business and trade environment is essential in today's global market place.⁴

When embarking on such a comprehensive programme of reform, it will be important to implement a realistic timetable for improvements. The Myanmar government have acknowledged that the time is right to start talking about supporting the industry growth and the development process.⁵ Brands have already started working to develop the export industry through discussion with local manufacturers and through engagement with this strategy. With the strategy now in place the development of the industry to a globally competitive standard is fully achievable.

The government has indicated that it is willing to work with the industry and brands to understand the needs of the global industry and the opportunities for growth. This will involve further development of relevant infrastructure, including communications and the development of a well-functioning financial system, much of which has started already. Work has already started on three Special Economic Zones (SEZs) aiming at accommodating labour-intensive industries such as apparel manufacturing and technology development.

The government is also committed to inclusive socio-economic development. In an address to the EU Chamber of Commerce, Prof. Dr. Aung Tun Thet, Advisor to the President, stated that EU investors must commit two to five percent of their profits to CSR and are being encouraged to join the UN Global Compact, showing a strong commitment to ethical trade.

“Myanmar’s economic situation is not yet perfect. This is normal. We also have challenges, both internal and external. Internal challenges include human resource capacity, financial capacity, and infrastructure. But these problems are everywhere, in almost all countries in the region.

What (we are) doing is to solve the problems and to create a favourable stable macro-economic climate with the hope to attract many European businesses.”

U Set Aung, Vice-Governor of the Central Bank of Myanmar, speaking at the launch of the EU Chambers of Commerce in Yangon.

Large brands and suppliers are already placing orders. They want to encourage the growth in Myanmar which will enable them to source here, and are giving practical support, from liaising with the government on policy change to giving training in factories. They want to see that progress is being made and will support that growth practically through dialogue and investment.

Factories can see that there is a future for the industry in Myanmar. A Code of Conduct was developed by the MGMA⁶ with an aim of supporting the development of an ethical industry. They have also started engaging with unions and have made a statement on child labour. Some factories are taking positive action on the underage workers in their factories, and have set up Workplace Cooperation Committees (WCC) showing that they are willing and able to move forward on compliance issues. Much more work needs to be done, but these are first steps towards the industry as a whole meeting international compliance standards.

⁴ Prof. Dr. Aung Tun Thet, Advisor to the President, speaking at the launch of the EU Chambers of Commerce in Yangon.

⁵ Dr. Pwint San, message to Myanmar garment industry conference 11th-12th November 2014: Final report. BIF

⁶ Facilitated by SMART Myanmar

The factory owners understand that there is also a chance to engage with the brands and other industry stakeholders to move the industry forward. NGOs and other actors are also able to offer support such as holding seminars and workshops on child labour remediation, productivity and best business practices, offer capacity building in factories including technical training, and facilitating dialogue with workers.

The strategy follows a logical process of priorities including putting an infrastructure in place to support development: a Multi Stakeholder Group (MSG) to advise the industry; and a Project Management Unit (PMU) to practically carry out the actions that will develop the industry and implement the strategy. It will start by addressing the immediate priorities of employer/employee dialogue, policy change and capacity building and training.



Strategic Objectives

International Brand representatives and MGMA members have projected that the industry will grow in the next ten years from a US\$912 million industry in 2012 to a US\$8-10 billion industry employing up to 1-1.5 million workers.⁷ For Myanmar to benefit from the projected growth in business over the next ten years, the garment industry needs a solid strategy to provide the workers required, the training, the infrastructure and the finances.

The MGMA have designed a vision-statement for the Myanmar Garment Industry:

**We will be the highest revenue earning industry in Myanmar, penetrating the global market by offering high quality, value led products.
These will be produced in an ethical and sustainable manner with a skilled workforce who will enjoy a high quality of life and high salaries.**

To achieve this Vision, the industry needs to change the way it works - moving from Cut-Make- Pack (CMP) to Freight on Board (FOB), and ultimately Own Design Manufacture (ODM)/Own Brand Manufacturing (OBM). Education and training must be provided along with supply-chain growth and the development of key existing markets: Japan and the Republic of Korea and EU (the United Kingdom, Germany and Spain) and new markets: the US, other EU, Canada, and the Russian Federation.

To carry the vision forward a set of six strategic objectives have been developed:

1. **Improve the competitive advantage of the Myanmar garment industry**
 - 1.1. Raise productivity by at least 25% across the industry and reduce lead-times
 - 1.2. Explain the need for industry-wide specialisation
 - 1.3. Increase access to new machinery and technology suppliers
 - 1.4. Establish clear quality guidelines for the industry and educate factories to meet those guidelines
 - 1.5. Address worker and skilled-middle-management shortage in the industry
 - 1.6. Improve the level of knowledge about supply-chain management
 - 1.7. Develop a local supply chain

⁷ Supporting growth in the Myanmar garment market: workshop report. Hong Kong August 2014. BIF.

- 2. Ensure that full social compliance and social dialogue is practised at all levels of the industry**
 - 2.1. Develop a labour market strategy and establish social dialogue within the industry
 - 2.2. Establish clear ethical guidelines for the industry and educate factories to meet those guidelines
 - 2.3. Actively promote building the industry on responsible manufacturing, free of human-rights' violations
 - 2.4. Ensure that the industry is free of child labour
 - 2.5. Educate the industry in labour relations best-practice and responsible business leadership
 - 2.6. Actively raise awareness of environmental issues across the industry
- 3. Build an Apparel Training sector that supports the industry as it develops**
 - 3.1. Increase the access to training and education across all skill levels, specialisations and geographical areas
 - 3.2. Answer the capacity needs of the industry by providing training, seminars and information
 - 3.3. Increase the general level of language and communication skills in the industry
 - 3.4. Bring the industry up-to-date with international work practices
 - 3.5. Establish an institution dedicated to design including fashion and textiles
- 4. To build the image, position and brand of the Myanmar garment industry**
 - 4.1. Develop a media strategy for the industry
 - 4.2. Run training on how to run a media campaign
 - 4.3. Actively steer the industry towards responsible, sustainable manufacture
 - 4.4. Demonstrate internationally that it is an industry that embraces responsible sourcing and sustainability ideals
 - 4.5. Brand the label 'Made in Myanmar' promoting the social and sustainable compliance aspect of the industry
- 5. To inform policy change which improves the enabling environment for positive sustainable growth of the textile and garment sector**
 - 5.1. Work with the government in order to adopt policy measures that will support the move from CMP to FOB
 - 5.2. Strengthen linkages between different industry stakeholders
- 6. Increase the service potential of trade associations**
 - 6.1. Develop the MGMA to have human and financial resources to meet needs of membership
 - 6.2. Work with the trade associations of the textiles, packaging, paper and plastics industries to build a supply base for the garment sector



All of the strategic objectives and their aims are intrinsically linked in different ways to drive the successful outcome of the industry's vision:

1. Improve the competitive advantage of the Myanmar garment industry

It is well recognised that to compete on the world market the industry will need to move from CMP manufacturing to FOB and ultimately, in ten-to-fifteen years, to ODM/OBM and fully-integrated services, but initially the industry will increase their competitive advantage by improving productivity, efficiency, quality and compliance whilst offering CMP .

1.1. Raise productivity by at least 25% across the industry and reduce lead-times

The industry needs to be able to compete on the international market in productivity rates, production capacity and lead-times. **By running productivity programmes across the industry** that will address the production output of a factory through social dialogue and worker engagement and reward, the industry can become competitive whilst aiming towards meeting international labour standards. (2015 onwards: PoA 1.1.1, 1.1.3.)

In the short term, a solution to the lack of training facilities is to engage experts to inform and train the industry through seminars, workshops and in-factory training. (2015 onwards. PoA 3.2.1) Better overall training provision will lead to a skilled workforce and higher production capabilities.

By syndicating, factories can accept larger orders rather than working as an individual supplier. (2015. PoA 1.1.4). Through accepting larger orders they can increase their productivity and each find a different niche in which they can specialise. Specialisation means production speeds increase as factories become set-up to work in the most ergonomic way for the product they produce and workers become expert in their field. It has also been shown that larger firms are less likely to close in times of hardship.⁸

1.2. Explain the need for industry-wide specialisation

The Myanmar industry is becoming known for wovens: men's shirts, jackets, suits and overcoats. Men's garments tend not to have the amount of differential features that women's garments have and orders are often larger, offering factories the chance to become technically excellent in the product.

The National Export Strategy recognises the potential for growth around knit garments. Although in 2012 knit garments represented just 3% of the value of apparel exports compared to woven products in Myanmar, 51% of the global market's value (US\$402 billion) comes from garments that are knitted, representing a huge opportunity for Myanmar.⁹ Recent trends in Myanmar are showing a move towards diversification within the industry, in line with competing countries.

Most often the top priorities for buyers in choosing a supplier price followed by compliance issues (Table 3 Appendix). Once these criteria are met, customers are then concerned about the specialisation of the factory, and the service offered within a factory, including quality and design.¹⁰ In the factory, style switching between product type means time lost. With specialisation there is less continuous retraining and workers can reach technical efficiency in specific garment types. Factories that specialise can hold stock fabrics for quick response orders, can source from fewer suppliers and build up stronger relations.

⁸ Brown D., R. Dehejia, R. Robertson (2011). "Working Conditions and Factory Survival: Evidence from Better Factories Cambodia", Better Work Discussion Paper no. 4, Geneva: Better Work.

⁹ United Comtrade Statistics

¹⁰ Myanmar garment industry conference 11th-12th November 2014: Final report. BIF

Specialisation of an industry means building a supply base that can cater for that industry. This will strengthen the competitive advantage of the industry by encouraging competition among suppliers, encouraging growth of the supplier industry and reducing lead-times. **The industry will commission research around the specialism of the industry. Training will be designed to match the specialisation and to drive innovation within the specialism.** (2016. PoA 1.2.1, 3.2.2.) Aligning technology with the business strategy leads to a high performance industry and an integrated service provision shortens lead-times. (2017. PoA 1.2.2.)

Factories can strategize their training provisions towards an industry specialisation. Marketing which is done on behalf of the industry around product type will also be relevant to the factory.

1.3. Increase access to new machinery and technology suppliers

Which new technology and machinery is required by an industry is also based very much on the specialisation of that industry. **The MGMA will engage with machinery and technology suppliers linked to the garment industry specialisation, to visit Myanmar on fact-finding missions, and will keep them informed around the development of the industry.** (2016 PoA 1.2.2, 1.3.1.). The more positive information suppliers have about the development of the industry, the more they will be encouraged to invest.

Individual factories may also increase their access to new machinery by creating JVs with foreign investors who will provide up-to-date technology and machinery or the capital to invest.

It is also an opportunity to have dialogue with workers and their organisations around the impact and opportunities that investing in new machinery offers.

1.4. Establish clear quality guidelines for the industry and educate factories to meet those guidelines

The Myanmar garment industry has a generally high quality standard. Smaller and less well-equipped factories can struggle with these quality standards as they lack the machinery, the skills and the quality-assurance checks to maintain the levels required by international buyers. This is dealt with by sending garments back to the line to be repaired lowering the factories' cut-to-ship ratios.

Brands have stated that they are willing to help factories make improvements in standards and quality.¹¹ For brands the benefits are clear: better quality products enabling them to place larger orders with confidence.

Productivity programmes aim to improve efficiency, cut-to-ship ratios, and take-home pay: they aim to reduce worker absenteeism, and worker turnover through dialogue. As procedures improve, Cut-to-Ship ratios will increase with less wastage from quality rejects, and increased efficiency leading to higher profits.

The MGMA, through engagement with other stakeholders, will provide factories with the skills and knowledge to achieve higher quality standards through productivity training for middle managers, better initial training for sewing workers and training for Quality Assurance (QA). (2015 onwards PoA 1.1.1)

Once the industry has identified its area of specialisation, quality guidelines will be developed. A platform will be created around the guidelines involving the MGMA, brands, retailers, and supply chain partners to understand their needs and identify shared guidelines for quality. (2015 onwards, PoA 1.4.1)

¹¹ Myanmar garment industry conference 11th-12th November 2014: Final report. BIF

1.5. Address worker and skilled middle-management shortage in the industry

The industry finds it difficult to recruit skilled managers including HR managers. This is partly because the industry is not known as a preferred place to work but it also because of a lack of garment industry trained managers in Myanmar. There are HR and business schools in Myanmar offering both Diploma and Degree level courses. **The MGMA and factories need to work through education and careers fairs in order to recruit skilled middle managers who can then be given factory-specific training.** (2016 onwards, PoA 1.5.1.)

In time, as wages and working conditions improve in Myanmar, there needs to be a programme of repatriation aimed at those workers who have moved across the border to Thailand where wages are higher. (2016 onwards, PoA 1.5.2.)

1.6. Improve the level of knowledge around supply chain management

To run successful FOB operations the factories will need to be ready: It means understanding how and where fabrics and trims are bought. It means having merchandisers in the factories who can predict what fabrics are going to be used in the next season and who have the ability to source and order it. It also means understanding all the logistical processes and financial risks involved in running FOB terms.

The majority of Myanmar-owned factories find it difficult to source inputs and are therefore at a disadvantage when trying to gain orders from international brands. This is addressed by improving merchandizing knowledge and technical knowledge so that factories are able to run an FOB operation.

The MGMA, in collaboration with other stakeholders, will engage a professional sourcing agent to support the industry with specific knowledge and experience in the global garment industry (2015 PoA 1.6.1.) The agent will have access to mills and trim suppliers and knowledge on global standards to run workshops and to train managers and merchandisers.

Factory owners will visit trade fairs to increase their fabric and supplier knowledge and collaborate on a sourcing database so that there is a pool of information about fabric and trim suppliers. (2015 onwards. PoA 1.6.2, 1.6.3.)

1.7. Develop a local supply chain

At present, most direct inputs for orders are provided by the buyer because of the lack of availability of fabrics, trims and good quality threads in Myanmar.

The garment sector needs two main packaging items: cardboards and polybags. They also need coat-hangers. Some packaging materials such as plastics and cartons are produced locally, though more advanced boxes and polybags are imported. If the manufacturer is exporting, both need to meet the strict specifications of EU and US clients. To achieve export standard packaging, manufacturers must import higher quality paper and plastic granulate than is available locally.¹²

To develop a local supply chain the industry will encourage local suppliers to design their products specifically to meet the needs of the industry, thereby reducing the need for imports and encouraging the growth of local markets. (2016 onwards, PoA 1.7.1.) A strategy for the development for the input supply industry needs to be drawn up. The MGMA could have a role in engaging with the various trade associations to drive a strategy forward. **It is important to involve brands in this process to ensure that international standards and individual brand's requirements are met.**

¹² International Labour Organization Myanmar Garment Sub-Sector Value Chain Analysis, produced by EMC for the ILO

Fabric and trim suppliers, machinery and technology suppliers will be shown the opportunities that an established industry in Myanmar presents. (2016 onwards, PoA 1.3.2, 1.7.2)

International investors will be encouraged to invest in supply chain companies through a programme of engagement.(2016 onwards, PoA 1.7.3).

2. Ensure that full social compliance and social dialogue is practised at all levels of the industry

2.1. Develop a labour market strategy and establish social dialogue within the industry In an industry that strength and competitiveness is based on its labour force, it is crucial that an inclusive process will be undertaken to ensure that all aspects of social compliance and responsible manufacturing is achieved through a comprehensive engagement of employers, workers and government. At a minimum national-level unions and the MGMA should work together to determine how the labour market strategy will be developed. Bipartite engagement from the earliest stages is crucial to create a sustainable and long lasting engagement on key labour **market , employment, and workplace.** .(2015. PoA 2.1.3)

2.2. Establish clear ethical guidelines for the industry and educate factories to meet those guidelines

In January 2015 the MGMA realised its Code of Conduct. It is based upon internationally recognised human rights and labour standards, such as those defined by the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, UN Global Compact and the OECD Guidelines for Multinational Enterprises.¹³

The Code of Conduct asks for MGMA member factories to enforce the values expressed within the Code of Conduct but also to exceed what is requested in the code.

The MGMA will promote the Code of Conduct by engaging an organisation, such as SGS (the world's largest organisation in the field of inspection, verification, testing and certification) to monitor its implementation. (2015 onwards, PoA 2.2.3.) The MGMA will continue to review the Code of Conduct as the industry develops. The strategy also builds upon the values expressed in the Code of Conduct.

2.3. Actively promote building the industry on responsible manufacturing, free of human-rights' violations

It is important that factory owners understand the business case around having an engaged, skilled, competitively paid and loyal workforce. (2015 onwards, PoA 2.3.1) For factory owners the raised productivity which can come from this may lead to higher profits and for the workers, higher wages. ¹⁴

It is strategically important that the industry grows in compliance in line with standards such as the Business Social Compliance Initiative (BSCI), Worldwide Responsible Accredited Production (WRAP), or the International Organization for Standardization (ISO) SA8000

In order to ensure that the industry is able to deliver the standards required by the brands, formalising a self-regulatory and monitoring system is essential. (2015 onwards, PoA 1.4.2.) The

¹³ Appendix 3. Code of Conduct for the member companies of the Myanmar Garment Manufacturers Association: appendix ...

¹⁴ Impact's Benefits for Business and workers programme 2011- 13- Results BBW India phase 2 (32 factories trained between 2011-2013)

certification is crucial to support the brand offering and to ensure that the diverse organisations which form the Myanmar garment industry are brought into an integrated net whilst recognising the key role played by the labour inspectorate for ensuring compliance.

2.4. Ensure that the industry is free of child labour

Although child labour is not the only labour issue under review in Myanmar at present it is one of the most contentious. The law (Factories Act 1951) sets a minimum age of 13 for the employment of children, with protection for young workers between 13 and 17.

The MGMA sees child labour as a issue for the country's development as it reproduces the cycle of poverty and it impacts the society's long term growth: a high level of child labour means an uneducated workforce leading to low quality goods at low level of productivity and affects exchanges with international markets that are aligned with the international labour standards. The majority of Myanmar's factory owners also understand that child labour is a non-negotiable, showstopper for all European and US brands.¹⁵

In the long term in order to develop a skilled adult workforce the industry needs to strengthen their participation in ongoing policy development on Labour Laws, TVET, apprenticeship, Development of Hazardous work list. (2015 PoA 2.4.2)

The industry needs to work with the government to develop Youth Employment schemes, Apprenticeships and skills training for youths specific to the industry. (2016 PoA 3.1.5.)

In the short term it is essential that the MGMA, in collaboration with the government and worker organisations appoints an expert organisation to take the industry through the process of prevention and elimination of child labour. (2015 onwards, PoA 2.4.1) Not only will this ensure that remediation is carried out with an understanding of all the sensitivities surrounding the issue and with consideration of the country context, but it also sends a message to the global market that the Myanmar garment industry is serious in its intentions.



¹⁵ (Appendix 4) Statement by Myanmar Garment Manufacturers Association on Child Labour

2.5. Educate the industry in labour relations best-practice and responsible business leadership

One of the primary strategic focuses for the industry is to work with brands, factory management and workers and their organisations to promote better working environments. In today's market of reputation-sensitive buyers, it is crucial that a factory pays attention to occupational safety and health, freedom of association and equity practices leading to higher productivity and a better-paid workforce. Worker representation and collective bargaining is fundamental to empowering workers to improve their working conditions.

Factory owners need to collaborate with workers and their organisations and work in partnership to hold social dialogue to understand the needs and aspirations of all parties. All parties need to put an emphasis on the formation of Workplace Coordination Committees (WCC) in factories and the MGMA needs to work with other partners such as the ILO in order to support factories to establish these committees.

Factory owners and managers also need to understand that where there are unions present in their factories, they must engage in good faith negotiations over wages and conditions of employment and work with a view to reaching collective agreement, balancing workers stated needs and those of the employer. **One of the most important factors is freedom of association: allowing labour organisations, and trade unions to operate within factories without interference and with no retribution to members and spokespersons.** (2015 onwards, PoA 2.5.1, 2.5.2, 2.5.3, 2.5.4.) Where no unions are present employers should engage with workers to address their concerns and to prevent disputes arising.

The MGMA entered into an agreement with the Myanmar Trade Union Federation (MTUF) in November 2014, to encourage social dialogue and provide training for workplace development in order to improve industrial relations across the industry, and has committed to work constructively with other responsible and constructive labour organisations in the sector. **Factory owners, workers and worker organisations need to work together to hold bipartite talks to settle disputes and to hold constructive dialogue before disputes arise.** (2015 onwards, PoA 2.1.1, 2.1.2.)

The MGMA and other stakeholders will drive sector-wide, sustainable improvement through advocacy for national labour law reform in line with international labour standards and through adherence to the fundamental principles and rights at work. (2015 onwards, PoA 5.1.1) In order to drive this they will collaborate with workers and worker organisations, factory owners, NGOs, INGOs and other international organisations such as the ILO, trade associations and brands.

2.6. Actively raise awareness of environmental issues across the industry

At present there are a number of washing plants treating garments in Myanmar. As the industry grows, these will increase in number to cope with demand. It may well be that a greater variety of finishes and treatments such as stone-washing (enzyme washing) and other chemical finishes are required. There is a vast amount of water wastage in the process of stone-washing along with issues of chemical disposal and illness caused by toxic dust which contains heavy metals. It is essential that the regulations to deal with the disposal of waste products are put in place prior to the growth of these support and other industries.

The garment industry in Myanmar relies on sourcing textiles and other inputs from other countries. **If the industry is to promote itself as a responsible sourcing base it is essential that textiles also come from suppliers that are certified as being ethically and sustainably sound.** (2015 onwards, PoA 2.6.1.)

The textile industry is one of the most chemically intrusive industries. Though the textiles industry is not yet highly developed in Myanmar, as it grows to support the garment sector, environmentally-friendly technologies must be introduced and become mainstream. **There will be a task force established under the MSG to research and lobby for policy review on environmental protection and access to renewable energies.** (2016 onwards, PoA 2.6.3.)

3. Build an apparel training sector that supports the industry as it develops

A fully responsive training sector will take time to establish. In the short term it is proposed that a team of industry experts are engaged to work directly with the factories to build upon the existing skills within the industry, to run workshops and seminars around both industry specific subjects such as technical, productivity, CAD/CAM and line management skills and others such as CSR, business practices, languages and IT.

The longer term plan is to engage a team of training experts and to seek funding for garment industry training schools which will be opened in Yangon by the end of 2016 and in other areas by 2017. These will run practical industry related courses as above

There will also be engagement with the government about developing TVET and apprenticeships directly related to the industry.

In 2020 an institution offering diplomas and degrees in fashion and arts subjects will be established.

3.1. Increase the access to training and education across all skill levels, specialisations and geographical areas

At present, factories either have a lack of trained employees - particularly middle-management and supervisors - or they are recruiting from abroad, especially China and Sri Lanka, to fill these positions. The factories that recruit abroad tend to already have relationships with the recruiting country, be it partnership or investment links. Smaller factories generally do not have the funds or the contacts to recruit from overseas.

There is also a significant lack of access to Apparel Training in Myanmar. Training for sewing workers is generally carried out by factories themselves. There is a programme run by the Japanese development organization HIDA through the MGMA training school, the Myanmar Garment Human Resources Development Centre (MGHRDC). This reaches around 500 new sewing workers and 120 supervisors per year. The Ministry of Border Affairs runs a sewing training course every three weeks graduating 120-140 trainees who usually move to the Yangon area to work.¹⁶

An industry that is growing at a rapid pace needs a training institute that can respond swiftly to its needs and provide skilled workers and managers as it develops. **The training and education system will start with sewers, middle-management, mechanics and technicians satisfying the primary needs of the Myanmar industry and looking long-term to the global market to build a competitive advantage through the strategic direction.** (2015 onwards. PoA 3.2.2.)

By engaging with universities or other training bodies overseas who run apparel sector training and education to collaborate with the development of the sector, the industry will be able to benefit from their experience and expertise. By establishing a task force to research and advise on a business plan for training schools the garment sector can tailor the training to its exact specifications. (2015 onwards. PoA 3.1.1.)

¹⁶ Data; MGMA

Both the partners and funding will need to be found, but there is the potential to create an Apparel Training Sector, starting with a dedicated Apparel Training Centre near to Yangon offering courses to the Myanmar garment sector, to existing factory workers and newly-recruited trainee workers. The brands, NGOs and other industry stakeholders are eager to see this kind of development and may be able to provide those funds, equipment, premises, trainers and consultants. It is also essential that workers and national level unions are consulted in the development of the training sector especially when focusing on factory based training and certification, and study time and bonuses.

There are also opportunities to recruit local skilled people from the industry to work alongside the consultants. They will also be trained as trainers in order to continue working after the consultants leave. (2015 onwards. PoA 3.1.3)

3.2. Answer the capacity needs of the industry by providing training, seminars and information

This means having staff skilled in technical skills such as pattern cutting, grading, costing, sample making and marker making as well as CAD/CAM.

At present although factories understand the need for staff training, many are reluctant to release workers for training. The rate of attrition is such that factories fear that they will invest in workers only to lose them. **There needs to be a programme of awareness training with the factories so that they understand the level of investment that they should be putting into their businesses, both financial and personnel (i.e. releasing workers for training) and the long-term rewards that can be gained.** (2015 onwards. PoA 4.3.1.)

To satisfy the immediate training needs of the industry, a team of technical experts will be engaged to run workshops and training in factories. (2015 onwards. POA 3.2.1) Different industry actors have already started running productivity training across factories. Training can be diversified by seeking funding for and recruiting specialists in areas such as HR, technical skills, line management and mechanics.

Vocational training schools dedicated to the garment sector will be established in every industrial zone. (2016 onwards. PoA 3.1.3.) This includes working with factories, brands, suppliers and government to identify which areas are of priority now and going to be targeted for development in the future and supporting SEZs.

3.3. Increase the general level of language and communication skills in the industry

At present brands are raising the issue of communication with factories as a factor for not working with them directly.¹⁷ **By working with factories to improve business skills including languages, communication, and IT, factories will be able to attract orders and to deliver those orders more effectively.** (2015 onwards. PoA 3.3.1, 3.3.2, 3.3.3.)

3.4. Bring the industry up-to-date with international work practices

As above, brands require factories to be up-to-date in work practices such as Critical Path Management, Product Data Management (PDM) and financial management. (2015 onwards. PoA 3.4.1, 3.4.2.) **Worker related practices such as employee handbooks, grievance and disciplinary procedures should all be updated.** (2015 onwards. PoA 2.5.1.) Brands and other stakeholders are willing to work with factories directly to improve standards.

¹⁷ Appendix 1, Current Position. Table 3

Training schools dedicated to training in CAD/ CAM and the latest technology in garment construction and textiles will be established (2015 end. PoA 3.4.4.). **In today's global industry, speed is of the essence. Factories that do not have CAD/CAM systems in place will end up being severely disadvantaged both in speed and in technical capability. MGMA will invite suppliers of CAD/CAM soft and hardware to Myanmar on scoping visits to encourage them to set up training schools.**

3.5. Establish an institution dedicated to design including fashion and textiles

To support the industry moving towards FOB and design services there will be a fashion-led institution. (2020. PoA 3.5.1.) The institution will offer degree courses in Fashion and Design, Fashion Marketing, and other supporting art courses such as Graphics and Photography.

4. To build the image, position and brand of the Myanmar garment industry.

4.1. Develop a media strategy for the industry

At present the international industry is largely unaware of the progress that is taking place around the development of the industry. More information about this progress and the discussions taking place would encourage more international investors to look at Myanmar as a viable sourcing destination. There are issues around easy access to information: a lack of rules and regulations available and ambiguity in that information that is available. A minimum requirement for brands is a one stop shop where they can access laws and other resources including information on foreign investment law, doing business in Myanmar and land rights.

A Media strategy will be developed to explain the development and position of the industry, to show favourable developments and to counter any unfavourable press. (2015. PoA 4.1.1.)

The MGMA website will link to a one stop shop website with availability to resources such as service providers including NGOs and government; ministry websites and announcements on current law revisions in both English and Myanmar. (2015. PoA 4.1.2.)

The use of social media and mobile phones has exploded in Myanmar over recent years and could be utilised as an efficient and powerful method to communicate information to workers. The media strategy will also examine the use of video, handbooks and drama, Information, Education and Communication (IEC) materials in simple language and clear graphics. Trade associations of other countries represented in Myanmar should also be engaged in designing and disseminating information.

4.2. Run training on how to run a media campaign

The industry needs professional training on how to run a media campaign to give a united and positive message of development from all the stakeholders in the industry. (2015. PoA 4.2.1.)

There should be regular joint messages made by an umbrella organization which represents the garment sector as a whole. This can be a sub-group of the MSG but needs to have strong government representation.

As above, factories need to show good international working practices including establishing factory databases to build trust with buyers. Factories will be trained in communication using IT and active marketing. (2015. PoA 4.2.2.)

Stakeholders are already running, and will continue to run Business-to-Business (B2B) matchmaking schemes. The MGMA will launch a factory database in June 2015 and will continue to collect and update the factory data.

4.3. Actively steer the industry towards responsible, sustainable manufacture

For Myanmar to ensure the continuous attraction of international buyers, particularly from the EU and the US, the garment industry has to work towards being that industry that is shown in the vision.

Practical steps to make this happen will include: running seminars and workshops around the business case for responsible manufacture: using the media to promote messages around sustainable manufacture, inviting speakers from successful manufacturers in countries such as Sri Lanka where they have a reputation of excellence for responsible manufacture; disseminating information around productivity programmes. (2015. PoA 4.3.1.)

It is most important that industry stakeholders share an understanding of the concept of responsible sourcing and manufacture and are jointly aligned in efforts to achieve it.

4.4. Demonstrate internationally that it is an industry that embraces responsible sourcing and sustainability ideals

Actively steering the industry in the direction of ethical and sustainable manufacturing will achieve an industry which is highly marketable as an alternative sourcing destination.

In the longer-term the industry will join the Sustainable Apparel Coalition (SAC) which is a trade association comprising of retailers, manufacturers, government, and NGOs and academic experts, representing more than a third of the global apparel and footwear market. (2016. PoA 4.4.1.) The SAC is working to reduce the environmental- and social-impacts of apparel and footwear products around the world.

4.5. Brand the label 'Made in Myanmar' promoting the social and sustainable compliance aspect of the industry

To achieve this ethical platform based on high manufacturing practices and standards, the industry needs to bring out points of differentiation in order to establish a sustainable long-term ideal that is completely integrated into the business. **The industry needs to engage a branding expert to draw up a marketing plan. This will run side-by-side with the strategy for the long-term development of the industry to become a preferred sourcing destination aligned behind the concept of ethical manufacturing. Efforts should focus on the industry moving itself forward and not waiting for the brands to enforce change.** (2020. PoA 4.5.1.)

5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector

5.1. Work with the government in order to adopt policy measures that will support the move from CMP to FOB

At present the lack of duty redemptions on FOB inputs hinders the move from CMP to FOB. The MGMA is advocating for change around these policies. Lack of financial leverage also means an inability to invest in new technology and expand their businesses. Factories do not have access to the finances to overcome this issue, due to prohibitive lending rates and conditions.

In October 2014 the National Export Strategy (NES) was published by the International Trade Centre (ITC) in conjunction with the Ministry of Commerce. The NES promotes development by securing public policies, improving critical infrastructure to increase exports and adopting worker protection and environmentally-friendly practices. This is done through government policy change and efforts from key financial and technical partners including the MGMA.

Improving the regulatory environment for business is crucial to enhancing the industry's competitiveness and stimulating economic growth. Transaction costs need to be minimized for domestic small- and medium-sized enterprises (SMEs) throughout the business chain - starting from regulations for business start-ups, employing workers, registering property, accessing credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.

At present several reforms are going through parliament: reviews of the labour law framework, investment, public finance, intellectual property, and revenue and tax law so the time is right for informed advocacy around these issues. **The time is right for the MGMA to carry out informed advocacy around these issues leading to policy change. Brands and suppliers are already working to support the MGMA in this role, attending conferences to lend their voices to the request for change.** (2015 onwards. PoA 5.1.1.)

The MGMA will initiate a technical group to include the MGMA, Banks including the Central Bank of Myanmar, Inland Revenue, Customs Department, Ministry of Commerce, Ministry of Industry and suppliers to carry out visits to Vietnam and Bangladesh or others to gather information. The technical group will work with the EU to present a position paper to government. (2015 PoA 5.1.2.)

It is also necessary to drive change around infrastructure: power, transport, ports and communications, both internet and telecoms.

5.2. Strengthen linkages between different industry stakeholders

There is a large pool of parties interested to see the positive development of the garment industry and the MGMA can tap into this pool to drive the implementation of the strategy.

MGMA itself is the driving force behind the strategy but has neither the time nor the resources to implement the strategy singlehandedly. Therefore the MGMA, in collaboration with other actors in the industry, will set up a Project Management Unit (PMU) which will be advised by a Multi Stakeholder Group (MSG) to co-ordinate and collaborate with all of the above to implement the Myanmar Garment Industry ten-year strategy and to strengthen dialogue between relevant stakeholders in the industry. (2015. PoA 5.2.2)) The Ministry of Commerce has also planned a separate Technical Support Committee for the implementation of the NES: the Myanmar Trade Development Committee (MTDC)

It will be more effective to explore ways of amalgamating the functions of the MSG and Technical Support Committee within a common structure, for the development of the industry.

The MSG will be made up of:

- MGMA members including local and foreign owned Myanmar factories
- Interested parties from the local garment industry including brands and suppliers
- Visiting brands, experts and other invited participants.
- Relevant Ministries including: The Ministry of Labour; Ministry of Commerce; Ministry of Finance; Customs department; Ministry of Industry; the Central Bank
- Unions:
- Other industry stakeholders

Invited experts and industry advisors will inform the MSG on specific issues. The PMU will keep the MSG updated about industry developments and challenges and will co-ordinate between the different industry stakeholders. **The MGMA and other stakeholders will work together to ensure that there is broad representation in the MSG.** (2015. PoA 5.2.1.)

6. Increase the service potential of trade associations.

6.1. Develop the MGMA to have human and financial resources to meet needs of membership

MGMA has traditionally supported its activities through a combination of membership dues and fee collection from the import licensing endorsement procedure. In late 2014 and early 2015, with support from SMART Myanmar, MGMA launched new commercial services, creating entirely new sources of revenue from research activities, business matchmaking, networking events and exhibitions. As of early 2015, MGMA's new commercial activities were generating revenue greater than the revenue earned from the import endorsement documentation process. These commercial activities will be expanded in 2015, and further supported via the hiring of additional professional staff. **In addition to making MGMA a sustainable and self-supported business services organization, these new activities also add value to MGMA membership by enabling MGMA to hold seminars and workshops, keeping members informed about issues relevant to the industry.** (2015. PoA 6.1.1.)

The MGMA has started to engage more deeply with other industry associations such as the Korean Trade Association. **These links need to grow to ensure that the industry stands as a united platform of responsible development.**

In future the MGMA will work with government, brands and other stakeholders to form a Multi Stakeholder Group to support the development of the industry. (2015. PoA 5.2.2) Through the MSG and a supporting PMU, activity partners and funding partners will be sought to develop the industry.

6.2 Work with the trade associations of the textiles, packaging, paper and plastics industries to build a supply base for the garment sector

The garment sector uses cardboard and polybags for packaging. As with all other items for export, they need to meet the strict specifications of the international retailers. **By engaging with brands to understand industry standards and requirements, and by working with the trade associations of supply chain industries, the MGMA can promote the development of a local packaging supply chain.** (2016. PoA 6.2.1)



Implementation of the Strategic Objectives

To implement the Strategic Objectives there is a four-year Plan of Action which identifies specific goals and the actions required to achieve them.

It is important to recognise that the development process will take time, but that the stronger the foundations the more powerful the industry will be. For this reason, the first few years of development concentrate very much on training (raising the level of knowledge within the existing industry), worker engagement and advocacy to put the best tools in place to enable development.

The table below shows key actions and milestones around the achievement of the Strategic Objectives, in chronological order. This is followed by the four-year Plan of Action.

Actions 2015	Milestones
<p>1. Improve the competitive advantage of the Myanmar garment industry</p> <ul style="list-style-type: none"> • Middle-management training <ul style="list-style-type: none"> - Recruit from existing HR and management colleges - Engage a team of experts to train the industry • Productivity training <ul style="list-style-type: none"> - Co-ordinated productivity training across factories • Training for FOB <ul style="list-style-type: none"> - Pre-production, communications, logistics, sourcing • Syndication of small- to medium-sized factories • Increased capacity and pool resources • Advocacy <ul style="list-style-type: none"> - Policy on taxation, finance, labour - Improvements to infrastructure (power, transportation, ports, communications, etc.) 	<p>First MSG meeting. Agreement between stakeholders including the government to have a joint advisory body to implement the 10-year strategy and the NES</p> <p>Technical group on taxation established</p> <p>Government adopts policy measures that support the move from CMP to FOB</p>
<p>2. Ensure that full social compliance and social dialogue is practised at all levels of the industry</p> <ul style="list-style-type: none"> • Development of a labour market strategy <ul style="list-style-type: none"> - To be led by tripartite constituents (employers, workers and government) • Child Labour remediation <ul style="list-style-type: none"> - MGMA Policy (statement first step) - Training provision for under-age workers - ID cards child labour - Development of Guidelines and training for factories on dealing with and preventing new cases 	<p>Code of Conduct published</p> <p>US delegation on labour reform bilateral conference</p>

Actions 2015	Milestones
<ul style="list-style-type: none"> • Clear ethical guidelines <ul style="list-style-type: none"> - Disseminate code of conduct, and monitor implementation • Worker engagement <ul style="list-style-type: none"> - Establish workplace committees, best work practices - Work with Unions 	<p>Task force on environmental issues established</p>
<p>3. Build an apparel training sector that supports the industry as it develops</p> <ul style="list-style-type: none"> • Communications <ul style="list-style-type: none"> - Languages training in factories - IT and business skills training • Training school <ul style="list-style-type: none"> - Identify partners and funders 	<p>Task force on Training and education established</p>
<p>4. Build the image, position and brand of the Myanmar garment industry</p> <ul style="list-style-type: none"> • Ethical industry <ul style="list-style-type: none"> - Industry promoted internationally as embracing ethical ideals • Improved access to markets <ul style="list-style-type: none"> - Through B2B - Through improvements in social compliance 	<p>Media Strategy developed</p>
<p>5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector</p>	<p>International conference with brands, MGMA and government around informed policy change to improve the business environment</p>
<p>6. Increase the service potential of trade associations</p> <ul style="list-style-type: none"> • Engaging with Korean and other trade associations in Myanmar • Engaging with Unions 	
Actions 2016 - 17	Milestones
<p>1. Improve the competitive advantage of the Myanmar garment industry</p> <ul style="list-style-type: none"> • Establish Quality guidelines <ul style="list-style-type: none"> - Train factories in the guidelines - International quality certification (BSCI, SGS, ISO, WRAP) • Strategy for specialisation <ul style="list-style-type: none"> - Professional sourcing agents support the industry - Sourcing database • Upgrade industry technology <ul style="list-style-type: none"> - Invite CAD/CAM suppliers to train 	<p>MGMA With human and financial resources to meet needs of membership</p> <p>Policy measures adopted that support FOB</p> <p>FOB terms delivered by 10% of the industry Industry wide specialisation agreed</p>

Actions 2016 - 17	Milestones
2. Ensure that full social compliance and social dialogue is practised at all levels of the industry	Free of Child Labour
3. Build an apparel training sector that supports the industry as it develops	Training school Established in Yangon for vocational and middle-management training
4. Build the image, position and brand of the Myanmar garment industry <ul style="list-style-type: none"> • Factories to liaise with brands and buyers <ul style="list-style-type: none"> - Training on downward supply chain and marketing to buyers 	
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	
6. Increase the service potential of trade associations	
Actions 2018 - 19	Milestones
1. Improve the competitive advantage of the Myanmar garment industry	20% of fabric and trims available through locally based suppliers 20% of support supplies provided by local manufacturers Machinery and technology suppliers established in Myanmar
2. Ensure that full social compliance and social dialogue is practised at all levels of the industry <ul style="list-style-type: none"> • Worker engagement 	JCC or WCC established in every factory Worker attrition down by 50% across the industry
3. Build an apparel training sector that supports the industry as it develops	Training schools around Myanmar Near SEZs and other factory clusters
4. Build the image, position and brand of the Myanmar garment industry	Ethical industry Industry known internationally for ethical and sustainable manufacture
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	Government adopts environmental policies
6. Increase the service potential of trade associations	

Actions 2020 - 22	Milestones
1. Improve the competitive advantage of the Myanmar garment industry	US \$10 billion industry Employing 1.2 million people
2. Ensure that full social compliance and social dialogue is practised at all levels of the industry	Productivity raised by 50% across the industry Garment sector known as a favourable place to work
3. Build an apparel training sector that supports the industry as it develops	Fashion Institution established Merchandising, Design, and Fashion Marketing
4. Build the image, position and brand of the Myanmar garment industry • Brand the industry	'Made in Myanmar' known for ethically-and sustainably-produced goods
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	Waste water plants in every industrial zone
6. Increase the service potential of trade associations	
Actions 2023 - 24	Milestones
1. Improve the competitive advantage of the Myanmar garment industry	FOB terms being delivered by 50% of the industry 5% of the industry running ODM 50% of support products manufactured local 50% of fabric and trims available through locally based suppliers
2. Ensure that full social compliance and social dialogue is practised at all levels of the industry	Employing 1.5 million people Strikes are rarely held Industry held up as example of best-practice in manufacture
3. Build an apparel training sector that supports the industry as it develops	First Design graduates from Myanmar Institute of Fashion Design Industry supported by a fully responsive training sector
4. Build the image, position and brand of the Myanmar garment industry	Made in Myanmar synonymous with ethical manufacture, high-quality goods and a full service industry. Becoming known for exciting design and innovation
5. Inform policy change which improves the enabling environment for positive, sustainable growth of the textile and garment sector	
6. Increase the service potential of trade associations	

Myanmar Garment Industry Four-Year Plan of Action

Strategic Objectives	Aims	Priority: 3 high, 1 low	Action	Cost	When	
1. Improve the competitive advantage of the Myanmar garment industry	Implement the strategy as commissioned by the MGMA	3	Set up a PMU which will be supported by a MSG and a board, to implement the 10-year strategy	Salaries	Mar-15	
		3	Engage brands/garment industry stakeholders to run Productivity training in factories.	Training costs	Mar-15	
	Raise productivity by at least 25% across the industry and reduce lead-times	3	1.1.1	Engage with NGOs doing productivity training in the sector to understand the current levels of productivity, to map improvements to further encourage factories to take part in productivity training	Researcher costs and workshop costs	Mar-15
		3	1.1.2	Run seminars to promote awareness of the necessity of and the types of productivity training, including investing in people through training and fair wages and incentive systems	Seminar costs	Sep-15
		3	1.1.3	Run a programme joining small factories in syndicates of two-to-four to pool resources and finances, and orders	Consultant, training plus legal costs	2015
		2	1.1.4	Run awareness raising in smaller local factories on FOB requirements and strategizing for the move to FOB	workshop costs	2015
		3	1.1.5	Engage with the government to finance SMEs that want to run productivity training	Research costs	Sep-15
		2	1.1.6	Encourage JVs by promoting factories and matching them with Investors		End 2015
		2	1.1.7	Engage a researcher and run a series of workshops to identify areas of specialisation currently in Myanmar and to decide upon and strategize the future direction of the industry	Research fees and workshop costs	Sep-15
		1	1.2.1	Invite the relevant supply chain to Myanmar to support the specialisation of the industry	0	2016
		1	1.2.2			

Strategic Objectives	Aims	Priority: 3 high, 1 low		Action	Cost	When	
1.3	Increase access to new machinery and technology suppliers	1	1.3.1	Invite machinery and new technology suppliers and manufacturers to set up training facilities and supply bases in Myanmar	0	2016	
		2	1.3.2	Engage with international testing labs to inform them of the potential market within Myanmar	0	2015	
	1.4	Establish clear quality guidelines for the industry and educate factories to meet those guidelines	3	1.4.1	Develop quality guidelines and create platform created around quality involving the MGMA, brands and retailer, and supply-chain partners to understand the needs of brands and identify shared guidelines for quality	Seminar and Training costs	Sep-2015
			2	1.4.2	To gain international quality certification(BSCI, SGS, ISO, WRAP) throughout the industry	0	2017
	1.5	Address worker and skilled middle-management shortage in the industry	2	1.5.1	Run a programme of recruitment through trade and education fairs promoting the garment industry as a preferred place to work	Logistic costs	2016
				1.5.2	Run a programme of repatriation aimed at workers who have moved across the border to Thailand		2016
	1.6	Improve the level of knowledge about supply-chain management	3	1.6.1	Engage a professional sourcing agent to support the industry with specific knowledge and experience in the global garment industry, access to mills and trim suppliers in China and knowledge of the Myanmar garment industry	Salary	2015
			2	1.6.2	Arrange visits by MGMA members to Sourcing, Fabric and Trade fairs in sourcing and buying countries	Travel and logistic costs	Jun-15
			2	1.6.3	Collaborate on a sourcing database so that factories can access information about fabric and trim suppliers	Researcher and database costs.	2015
	1.7	Develop a local supply chain	3	1.6.4	Engage with brands and suppliers to offer training around the supply chain and international requirements.		2015
3			1.7.1	Work with local manufacturers of plastic and cartons to manufacture to specific brand requirements, in a sustainable way	Training costs	2016	
2			1.7.2	Invite machine manufacturers and software suppliers to make factories aware of what is available	0	2016	

Strategic Objectives	Aims	Priority: 3 high, 1 low	Action	Cost	When	
2. Ensure that full social compliance and social dialogue is practiced at all levels of the industry	2.1 Develop a labour market strategy and establish social dialogue within the industry		1.7.3 Raise awareness with international investors about the potential development of supply chain companies		2016	
			2.1.1 Hold sectorial-level Bilateral talks between worker representatives and factory owners	Conference costs +TBC	2015	
			2.1.2 Hold national-level tri-lateral talks between worker representatives, factory owners and the government	Conference costs +TBC	2015	
	2.2 Establish clear ethical guidelines for the industry and educate factories to meet those guidelines			2.1.3 Develop a labour market strategy informed by stakeholders at all levels of the industry		2015
				2.2.1 Adopt a Code of Conduct based on the ETI CoC	Workshop costs	Dec-14
				2.2.2 Engage with unions to run training with factory owners and managers around the CoC on worker engagement, best-employer practices and employer handbooks	Workshop costs	2015
	2.3 Actively promote building the industry on responsible manufacturing, free of human-rights' violations		3	2.2.3 Engage an organisation such as SGS to monitor the implementation of the CoC industry wide.		2016
				2.3.1 Run awareness raising around the business case for responsible manufacture	Workshop costs	2015
				2.4.1 Engage an organisation to take the industry through the process of prevention and elimination of Child Labour in a process that will minimise damage to the children involved and their families	TBC	2015
	2.4 Ensure that the industry is free of child labour		3	2.4.2 Strengthen industry participation in ongoing policy development on Labour Laws, TVET, apprenticeship, Development of Hazardous work list		2015
				2.5.1 Engage with brands or other stakeholders to provide information and training in factories including on employee handbooks, company rules, disciplinary, and grievance procedures and worker management dialogue		2015
	2.5 Educate the industry in labour relations best-practice and responsible business leadership		3	2.5.2 Engage with Unions and other stakeholders to inform and keep MGMA members up-to-date through seminars on issues such as minimum wage, working hours, collective bargaining, freedom of association, discrimination plus gender-related issues and training on worker's rights and responsibilities	Workshop costs	2015

Strategic Objectives	Aims	Priority: 3 high, 1 low	Action	Cost	When
		3	2.5.3 Inform factories about WCC and JCC through workshops with support from MGMA and other actors	Workshop costs	2015
		3	2.5.4 Identify and work with existing business colleges in Yangon that are running HR programmes to educate HR undergraduates about opportunities in the Garment Sector.	TBC	2015
		3	2.5.6 Engage with an organisation to run cultural awareness training in factories for managers	TBC	2015
	2.6 Actively raise awareness of environmental issues across the industry	3	2.6.1 Run awareness raising around the business case for sustainable manufacture	Workshop/hand book costs	2015
		3	2.6.2 Engage with experts to run awareness raising around environmental issues, including water management, waste management, and chemicals leading to an environmental strategy	Workshop and consultant costs	2016
		3	2.6.3 Establish a task force to research areas of interest prior to lobbying on policy change, environmental protection and access to renewable energies	Research fees and workshop costs	2016
3. Build an Apparel Training sector that supports the industry as it develops	3.1 Increase the access to training and education across all skill levels, specialisations and geographical areas	3	3.1.1 Establish a task force on training and education to research and inform a business plan for training schools.	Conference and country visit costs	Sep-15
			3.1.2 Identify a partner to manage the process of establishing an Apparel Training school		Sep-15
		3	3.1.3 Do research into where the main garment clusters outside of Yangon are based and which are growing at the fastest rate. Including SEZs	Research costs	Sep-15
		3	3.1.4 Run a programme of training of trainers (TOT) with local garment industry experts.	Training costs	2016
		3	3.1.5 Work with the government to develop Youth Employment schemes, Apprenticeships and skills training for youths specific to the industry		2016
	3.2 Answer the capacity needs of the industry by providing trainings, seminars and information	3	3.2.1 Form a group of industry experts, foreign and local, to inform the industry on a short-term basis: Productivity, line management, factory layout, health and safety, technical skills, supply-chain management etc.	Salaries/training costs	2015
		2	3.2.2 Do yearly needs assessments to understand where the industry needs the most capacity-building and provide	Research costs	Ongoing

Strategic Objectives	Aims	Priority: 3 high, 1 low	Action	Cost	When
			training for the industry		
	3.3 Increase the general level of language and communication skills in the industry	3	3.3.1 Engage an organisation to run an industry-wide English programme	Training costs	2016
		3	3.3.2 Engage an organisation to run an industry-wide Korean, Japanese and (Cantonese/Mandarin) Chinese programme	Training costs	2016
		3	3.3.3 Engage an organisation to train translators especially in garment and labour-related language, including labour law	Training costs	2016
	3.4 Bring the industry up-to-date with international work practices	3	3.4.1 Run workshops with factories to raise awareness of the necessity to be digitally literate	Workshop costs	2016
		3	3.4.2 Engage with IT colleges to run a programme of IT courses across the industry	Training costs	Sep-15
		3	3.4.3 Engage with an organisation or training school to run business skills and management training in factories including CSR	Training costs	Sep-15
		2	3.4.4 Establish dedicated training schools for CAD/CAM and the latest technology in garment construction and textiles	0	2016
	3.5 Establish an institution dedicated to design including fashion and textiles	2	3.5.1 Make links with foreign universities and collect information around types of courses available	0	End 2020
		2	3.5.2 Invite Universities to attend education fairs in Yangon to inform potential students of the options available	0	2016
4. To build the image, position and brand of the Myanmar garment industry	4.1 Develop a communications strategy for the industry	2	4.1.1 Identify a partner to design a communications strategy for the industry including general updates, flow of market and regulatory information and dissemination of information to factories and the workforce	TBC	Jun-15
			4.1.2 Develop MGMA website to include links to links to ministry websites and announcements on current law revisions, a list of service providers including NGOs and government		Sep-15

Strategic Objectives	Aims	Priority; 3 high, 1 low	Action	Cost	When	
5. Inform policy change which improve the enabling environment for positive sustainable growth of the textile and garment sector	4.2	3	4.2.1	Engage an organisation to work with the government to translate Government websites and regulatory information into English	TBC	2016
			4.2.2	Identify a partner to give training on running a media campaign, including how to talk to press and consolidated messages.		Jun-15
	4.3	3	4.3.1	Enable factories to liaise with brands and buyers Run an awareness training programme on the downward supply chain and on how to market to buyers		2015
			4.3.2	Hold a series of meetings and workshops with factory owners and managers on different aspects of responsible manufacture and the benefits	Workshop costs	2015
			4.3.3	Engage with brands to understand the role and benefits of joining an organisation such as SAC	Workshop costs	Sep-15
	4.4	2	4.4.1	Join Sustainable Apparel Coalition (SAC), which offers the Higg index, to give Myanmar credibility with brands	TBC	2016
	4.5	2	4.5.1	Engage an expert consultant to take the industry through the branding and marketing process. It is essential that by this point the industry is meeting all the criteria for a sustainable and ethically working industry	Consultancy fees	2020
	5.1	3	5.1.1	Engage with brands and suppliers to add their voice to the need for policy change around finance, labour, taxation, customs, environmental and land laws	Seminar/ meeting costs	May-15
			5.1.2	Establish a technical team to research areas of potential policy change in order to inform government around the move from CMP to FOB such as taxation, finance, import policies and the environment	Conference costs and country visit costs	2015
			5.1.3	Continue to engage the government on such issues as bonded warehousing, dry ports, deep sea ports, and waste water plants improved infrastructure and communication networks	Researcher salary	Jan-15
			5.1.4	Encourage the government to set up 'one stop shops' for business start-up	0	Jul-15

Strategic Objectives	Aims	Priority; 3 high, 1 low	Objectives	Action	Cost	When
5.2	Strengthen linkages between different industry stakeholders	3	5.2.1	Increase the united strength of the garment industry through dialogue the with Korean and other foreign factory owners by the MGMA	0	Mar-15
			5.2.2	Establish a MSG to advise on the development of the industry		Sep-15
6. Increase the service potential of trade associations.	6.1	2	6.1.1	Work with NGOs and funders to build the human resources of the MGMA	TBC	Ongoing
			6.1.2	Work within the organisation and with the government to identify alternative means of fund raising	0	Ongoing
			6.2.1	Engage with brands and the trade associations of supply chain industries to understand industry standards and requirements for plastic, (hangers and poly bags), labels and cardboard packaging.		2016
6.2	Work with the trade associations of the textiles, packaging, paper and plastics industries to build a supply base for the garment sector	2				

Appendix 1: Current Position

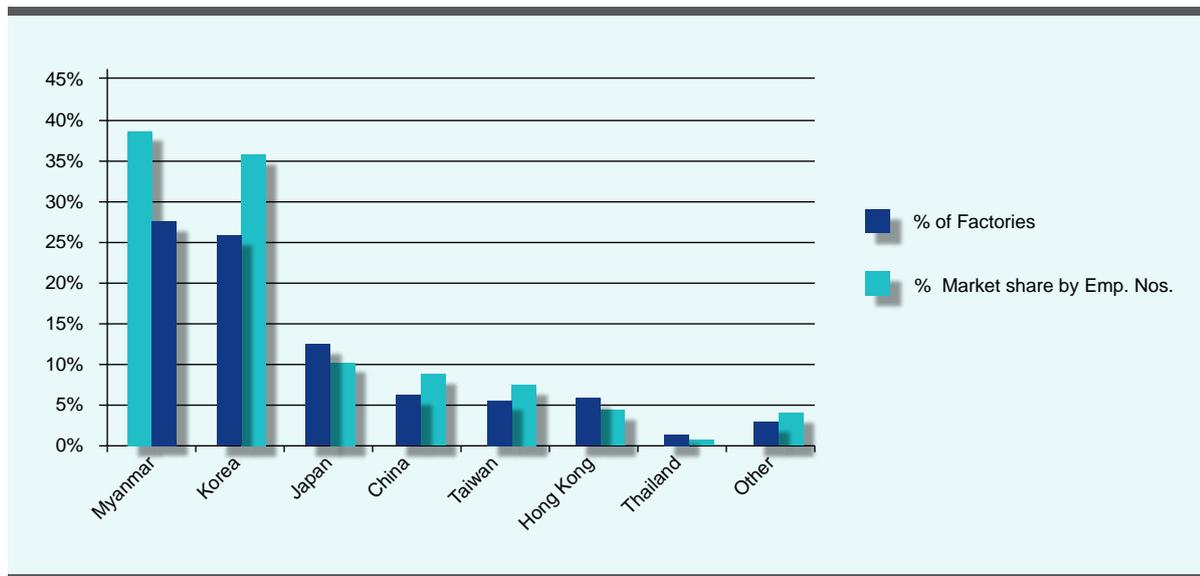
The Myanmar garment industry is growing at a record pace. The MGMA reports that they are registering at least one factory per week.

As international sanctions are relaxed, there is an opportunity for global brands and suppliers to avail themselves of Myanmar’s 33 million strong, low-skilled labour pool.¹⁸ Overall, the Myanmar Economy has sustained a Gross Domestic Product (GDP) growth of more than seven percent since 2012.¹⁹

The garment industry is already growing at a rapid pace with exports growing from US\$349 million in 2010²⁰ to an MGMA estimate of approximately \$1.6 billion of HS61 and HS62 category garment ²¹ products (FOB value) exported in 2014.²²

As of July 2014, out of 157 factories, ownership of the industry stood as Table 1. The largest market share by employee numbers was held by Korean-owned factories at 36%, with an average size of nearly 1200 employees per factory.

Table 1. MYANMAR EXPORT APPAREL INDUSTRY July 2014 ²³



The industry is also growing in terms of factory numbers with the greatest number of new factories being supported by Chinese investment. See Table 2 Below.

Japanese apparel exports accounted for 38% of total exports in 2013, with Korea a close second at 31%, EU at 14% and all others at 18%.²⁴ The MGMA reports that during 2014 exports to the EU are estimated to have doubled and exports to the US risen from US\$1 million in 2013 to approximately US\$20 million in 2014.

¹⁸ World Bank(2014) Labor force, total. <http://data.worldbank.org/indicator/SL.TLF.TOTL.IN>.

¹⁹ Myanmar Unlocking Potential. Country Diagnostic Study. Asian Development Bank. August 2014

²⁰ United Nations Statistics Division (2011). Myanmar. Available from <http://data.un.org/CountryProfile.aspx?crName=MYANMAR>.

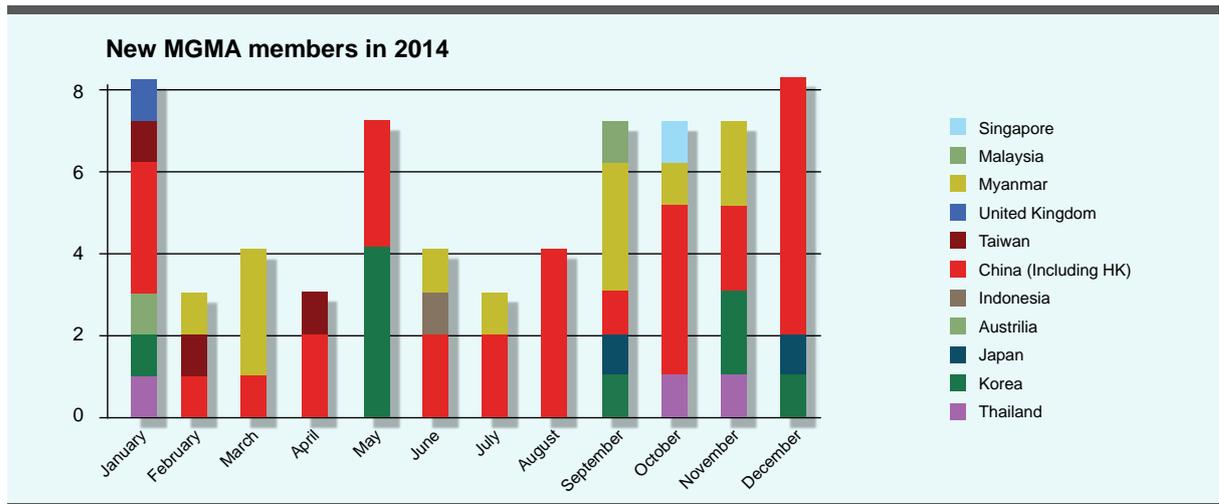
²¹ HS61 articles of apparel & clothing accessories-knitted or crocheted; HS62 articles of apparel & clothing accessories-not knitted or crocheted

²² Myanmar’s Garment Sector, Opportunities and Challenges in 2015. MGMA January 2015

²³ Information from Pyoe Pin data collection July 2014

²⁴ Myanmar’s Garment Sector, Opportunities and Challenges in 2015. MGMA January 2015

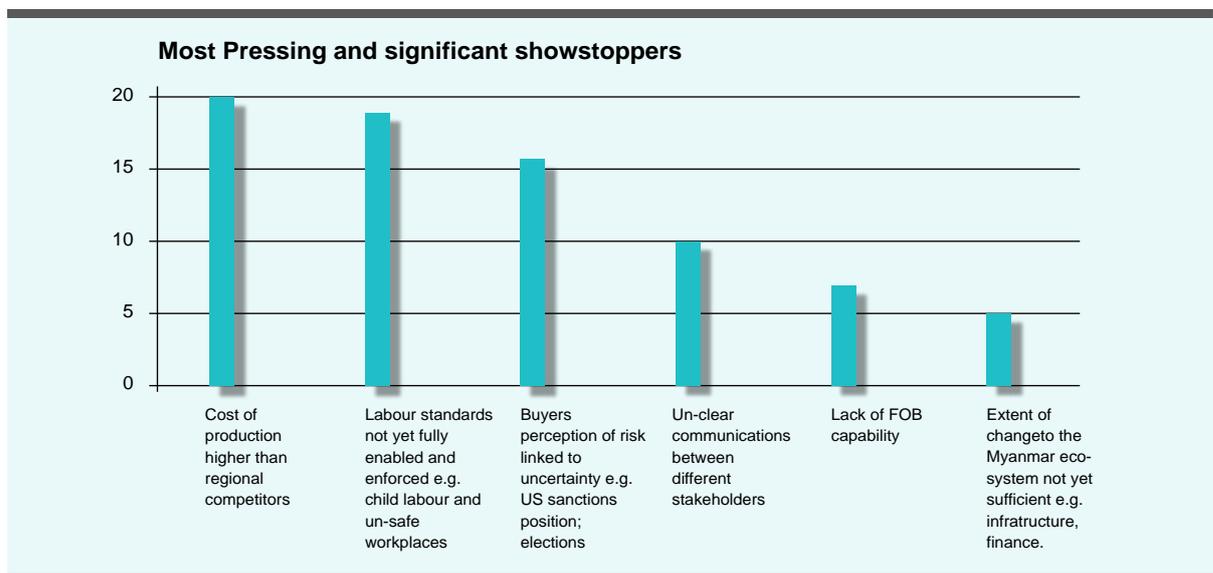
Table 2. Factories registered with MGMA during 2014 ²⁵



There is vast potential for growth and a lot of buyer interest in the industry, but this interest, with the exception of a handful of prominent buyers, is not being translated into concrete orders.

When asked, a group representing 16 international brands and suppliers said that the most pressing and significant showstoppers were:²⁶

Table 3. Most pressing and significant showstoppers



Cost of Production

The lower wage-rate, in comparison to some neighbouring countries, does not make up for the extra lead-times and higher costs of sourcing fabric etc from outside Myanmar. There have been developments recently regarding the Bangladesh–China–India–Myanmar (BCIM) Economic Corridor which will reduce lead-times. The initiative seeks to improve connectivity and infrastructure, energy resources, and trade and investment. It will connect Myanmar, India’s Northeast, Bangladesh and the Chinese

²⁵Myanmar’s Garment Sector, Opportunities and Challenges in 2015. MGMA January 2015

²⁶Pyoe Pin team based on; supporting growth in the Myanmar garment market: workshop report. Hong Kong August 2014. BIF.

province of Yunnan through a network of roads, railways, waterways, and airways under a proper regulatory framework. The economic advantages of this are considerable. It will open up access to numerous markets in Southeast Asia and lead to the creation of industrial zones.

Productivity can be low in Myanmar due to a lack of HR managers and low worker-engagement in factories. As historically, buyers from Korea, China and Japan have focused on quality rather than efficiency, productivity and compliance. Factories, in general, are unfamiliar with key productivity concepts.

Manufacturers also can work across a **diverse product range** which is a benefit, but can lead to factories **failing to specialize** and having to learn skills each time they make a new product. This means efficiency is impacted as they are not becoming expert in any specific area of manufacture.

On the other hand, Myanmar is gaining a strong reputation making **higher quality, technical garments**: woven shirts, men's jackets and coats (including down and padded garments). Historically, these would have been sourced in China, but as China's wages rise, labour-intensive industries such as textiles are moving out of the country, making Myanmar a more attractive option with its lower labour costs. Garments such as these are also much in demand by Korean and Japanese brands which have very stringent quality controls driving the quality standard up in Myanmar factories.

At present in Myanmar there is little provision for **vocational training** for the garment industry. Factories give new workers in-factory training themselves. There is a provision for training for sewing workers and supervisors at the training school run by the MGMA, the MGHRDC, where the Overseas Human Resources and Industry Development Association (HIDA) train approximately 500 sewing machine operators and 120 supervisors per year. The Border Ministry also gives certificates to 120-140 sewer trainees every three weeks.

The government is making future provisions for **Technical and Vocational Education Training (TVET)** though the final law document has not been completed to date. This will include the creation of polytechnic, school and institutes to provide different types of technical and vocational subjects leading to a national qualification across all the regions of Myanmar.

HR managers and production managers are either recruited from abroad or local managers are given on-the-job training. There are a number of private colleges which offer business studies and HR courses in Yangon but there is no provision for training in production methods.

Since the **minimum wage law** (Law No. 7, dated 22 March 2013) was passed on 4 June 2013 no decisions around a minimum wage figure have been made, as the Ministry of Labour is undertaking a cost-of-living survey involving a considerable amount of consultation with workers and employers, to understand the concepts and implications of any minimum wage. At present the MGMA has stated that Myanmar has the second lowest garment sector wages in South and Southeast Asia with Bangladesh being the lowest at \$68 per month. Current wages in Myanmar for sewing operators range between US\$40 and US\$60 per month, with the lower end of this range representing the base pay of unskilled workers.²⁷

The **legal framework** in Myanmar is developing to meet international standards for freedom of association, but the situation on the ground is far from perfect. Concepts such as of freedom of association and collective bargaining are not familiar to management or workers. The level of trust between them is often poor and there are few internal negotiating platforms such as Joint or Workplace Cooperation Committees where trust and relationships can be built.

²⁷ http://www.just-style.com/news/talks-underway-on-myanmar-minimum-wage_id124143.aspx

Appendix 2: Implementation of the Strategy

At present a small number of large international brands and suppliers are placing orders with factories in Myanmar. All are involved with technical training on quality, compliance and productivity within the factories they work with and are willing to expand that training to other factories. They can also assist in an advisory capacity to support the industry. Brands have also committed to helping to lobby the government on policy related to Child Labour, finance and ease of doing business in Myanmar.

Suppliers will help with vertical integration, such as access to fabrics and other raw materials. They will also provide information on the best logistical and supply options in the region.²⁸

Other industry stakeholders including market services companies and donor programmes are already providing training, data collection, B2B links, research, labour rights, and Child Labour and other support to the industry and will continue to do so. Unions are involved in the factories working both with factory owners and workers.

The strategy will be driven by a Project Management Unit that is advised by a Multi Stakeholder Group.

The flexible MSG will be made up of a range of stakeholders including MGMA members representing both local and foreign owned factories in Myanmar; Government ministers; Unions; brands; and experts and other invited participants. Meeting around twice a year, the MSG will discuss and advise on issues such as market conditions, global trends as well as more focussed, specific issues such as:

- Training school, capacity building across the industry
- Labour, Child Labour
- Productivity, specialisation and quality, supply chain, marketing
- Enabling environment – policy framework (tax, import/export policy, etc.)

As well as being an opportunity for interested stakeholders to play a role in the development of a re-emerging industry, the MSG ensures that the industry can benefit from a broader pool of expertise and experience.

Project Management Unit - Implementation

The PMU will be tasked with the development of the industry through the implementation of the Myanmar garment industry ten-year strategy. The PMU will be responsible for finding funding to implement the strategy, researching best linkages, partnerships and recruiting consultants, plus keeping the PMU Board updated and informed so that they can make informed decisions.

It would consist of a team of four-to-five members, each with a specific skill-set that can support the development of the industry. Suggested specialisations are:

- **Global brand knowledge**
- **Other support-group knowledge (NGO)**
- **Labour issues - including Child Labour**
- **Garment industry - including technical and factory**
- **Training**
- **Local market - including government policy**
- **Marketing**
- **Fundraising**

²⁸ Myanmar garment industry conference 11th-12th November 2014: Final report. BIF

Appendix 3: Code of Conduct

for the member companies of the Myanmar Garment Manufacturers Association

Preamble

The Myanmar Garment Manufacturers Association (MGMA) and its member Companies ²⁹ (hereafter referred to as the “Companies”) acknowledge their corporate responsibility. With the responsible awareness of contributing to a socially, environmentally and economically sustainable textile supply chain, MGMA and its Board have drawn up the present Code of Conduct. The present Code of Conduct is provided to the Companies as a voluntary instrument and as a set of guidelines for responsible business behaviour. It outlines areas of corporate responsibility and suggests relevant values and principles which should become part of the business practices and policies of the Companies. Recognizing that full implementation of this Code of Conduct ought to be a step-by-step process, the MGMA member companies are nevertheless expected to uphold the values of responsible business conduct expressed within this document using reasonable and economically feasible measures as they reach towards full implementation. More still, the Companies shall demand the same standards of conduct from their direct suppliers and subcontractors.

This Code is inspired by internationally recognised human rights and labour standards, such as defined by the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, UN Global Compact and the OECD Guidelines for Multinational Enterprises. Whereas enforcement of these international agreements is the duty of states, companies can contribute to this objective, by aligning their corporate actions to the values formulated therein to the extent that this is possible for a private commercial enterprise. Relevant provisions of existing national laws and regulations that provide higher levels of protection for workers than these international agreements shall prevail.

1) Compliance with national laws and regulations

The Companies observe all applicable national laws, rules and regulations in force. In areas not or only weakly regulated by national law, the Companies strive to act according to the values and principles laid down in this Code.

2) Basic understanding of responsible corporate behaviour

The Companies consider themselves as part of the society in which they operate. Through their business activities they contribute to their community’s wellbeing, promotion and development. The Companies shall consider the economic, social and ecological conditions which are directly or indirectly influenced by their business actions. The Companies promote the principles of responsible management, such as transparency, accountability, sincerity and integrity. No form of bribery or corruption practiced by management or workers shall be tolerated. The interests of the company and the private interests of workers on both sides shall be kept strictly separate. The principle of fair and honest dealings with workers, business partners and customers shall be followed at all times and under any conditions. Business contracts shall be honoured, assuming that underlying conditions do not fundamentally change. The Companies preserve the confidentiality of information received as a consequence of any commercial relationships.

²⁹ The majority of MGMA’s more than 300 member companies are manufacturers, but the organization also includes and welcomes affiliate members, including several design firms, inspection companies, a fashion school and other affiliates

3) Respect for human rights

It is the duty of a State/National Government to protect human rights within its borders. It is the responsibility of private enterprise to take all possible and economically feasible measures within their sphere of influence to assume their responsibility to respect human rights. According to the UN Guiding Principles on Business and Human Rights³⁰, the Companies strive to avoid violating human rights through their own activities or contributing to a rights infringement by their direct business relationships.

Regarding their business activities, the Companies endeavor to exercise due diligence to detect, assess and mitigate risks to human rights. In case of human rights infringements caused directly by the Companies, they shall take necessary and reasonable steps for their remediation. In case of infringements on human rights that are directly related to a company's business activities, including its products or services, the Companies shall use their influence to encourage the responsible actors to mitigate risks or remedy rights violations in the supply chain.

4) Labour rights and working conditions

The Companies uphold the eight core labour standards of the International Labour Organization (ILO)³¹ and shall commit to create a safe and humane working environment.

4.1 Effective remediation of Child Labour

The Companies commit to work towards the effective remediation of Child Labour. Companies agree upon a minimum acceptable working age of not less than 15 years. In order to reduce the risk of hiring under-age workers, the Companies make all reasonable efforts to implement effective age-verification procedures during recruitment. A worker's age must be determined before employment. Where underage workers are already employed or discovered, the Companies strive to support reasonable remediation measures that promote social integration of children and enable them to enrol in school or alternative education programmes.³²

4.2 Protection of young workers and skills development

The Companies protect young workers and take reasonable measures for their promotion. Young workers shall not carry out work in dangerous, unsafe or hazardous conditions or work which is harmful to their safety and health. Young workers may not work during night hours and shall avoid working with potentially harmful machines or substances, including (but not limited to) fabric cutting machines or toxic chemicals. Workplace training for the educational benefit of young workers shall be welcomed and encouraged.

³⁰ Based on the concept of human rights defined by the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights At Work

³¹ This Code of Conduct is inspired and influenced by the eight fundamental conventions of the ILO which cover:

- Forced Labour (Convention 29)
- Freedom of Association and Protection of the Right to Organize (Convention 87)
- Right to Organize and Collective Bargaining (Convention 98)
- Equal Remuneration (Convention 100)
- Abolition of Forced Labour (Convention 105)
- Discrimination, Employment and Occupation (Convention 111)
- Minimum Age (Convention 138)
- Worst Forms of Child Labour (Convention 182)

³² Myanmar is regarded by the World Bank as a "Least Developed Country". Educational opportunities and schools for young workers in the garment sector are, unfortunately, often non-existent. As such, MGMA is strongly committed to supporting underage labour remediation programmes and seeking out educational solutions for young workers.

4.3 No forced labour

The Companies do not tolerate any form of forced or compulsory labour. Workers shall have sought work on their own free will. All work or service which is demanded under the threat of penalty, violence or intimidation and for which the said person has not offered him or herself voluntarily shall be objected. Workers shall not be required to make any kinds of deposits, such as identity cards or other personal documents or belongings. Their right to resign after the notice period defined by national law must be respected.

4.4 No discrimination in occupation and employment

The Companies do not tolerate any distinction, exclusion or preference made on the basis of race, gender, religion, political opinion, national extraction or social origin, which has the effect of undermining equality of opportunity or treatment in employment or occupation. Moreover, the principle of equal pay for men and women workers for work of equal value shall be respected.

4.5 Freedom of association and right to collective bargaining

The workers' rights to establish and to join work organizations of their own choosing without previous authorization shall be respected and the right to collective bargaining shall be observed. The Companies adopt an open and collaborative attitude towards the activities of trade unions. Workers' representatives shall be protected against acts of anti-union discrimination in respect of their employment and shall be allowed to carry out their representative functions in the workplace according to national law. The exercise of these rights will neither be subject to retaliation nor impeded.

4.6 Humane treatment of workers

Management at all levels treat their workers with respect and dignity and shall not engage in abusive or inappropriate behaviour towards workers. Disciplinary measures may not involve physical punishment or psychological harassment.

4.7 Wages and Benefits

The wage level for regular working hours shall not fall below contractual or legal minimum wage rates.

Wages and benefits are paid on time and disbursed in a way that is convenient for the workers. For each pay period, the Companies provide their workers with written, detailed and understandable information about the composition of their wages. Illegal and unjustified wage deductions, in particular for disciplinary measures, shall not be tolerated.

4.8 Working hours and overtime

The maximum number of regular weekly working hours for the garment industry shall not exceed 44 hours (eight hours per weekday, four hours on Saturday), such as defined by national law.³³ Overtime hours are allowed only with permission granted by the Companies and General Labour Law Inspection Department, and as standard practice limited to a maximum of three hours per day on weekdays and five hours per day on Saturday. However, in order to promote the well-being of their employees, MGMA's members further commit to strive to reduce working hours to a maximum of 60 hours per week as defined by the ILO.

Overtime shall be compensated at the rates defined by national law.

Workers are granted at least one day off every seven calendar day period.³⁴ The Companies provide annual paid leave and legal holidays as stipulated by national law.

³³ For textile production ("continuous work") up to 48 hours constitutes the legal regular work week under the 1951 Factory Act. Under this law, up to 12 hours of additional overtime is allowed in textile factories.

³⁴ Employees can be asked to work on Sunday, but such work must be compensated at the premium rates required by law and an alternative day off must be substituted such that workers still have at least one day off in seven.

5) Occupational health and safety

The Companies commit to provide their workers a safe and healthy working environment. In cases where Companies provide dormitories, the same health and safety obligations should apply to those facilities.

Existing laws and regulations regarding safe and healthy working conditions shall always be observed. The Companies adopt reasonable measures that minimize the risks of accidents and health hazards. In particular, personal protective equipment as well as regular trainings on matters of health and safety are provided at no cost to all workers. Adequate ventilation and temperature regulation must be provided. Access to potable water, a canteen area and sanitary toilet facilities shall be granted.

Companies shall appoint at least one designated responsible person in matters relating to occupational health and safety. Prevention, as well as first aid measures in case of emergencies, must be practiced. In emergency situations workers have the right and the duty to leave their workplace immediately and without prior consent. Sufficient emergency exits and escape routes clear from debris must be available at all times, as well as a suitable number of fire extinguishers and other relevant fire suppression equipment.

6) Environmental impact and wastewater management

The Companies are committed to protect the environment and to preserve natural resources. They take all reasonable measures to keep their impact on the environment and the climate as low as possible. This may include the promotion of environmentally-friendly and energy-efficient production and the implementation of a waste-management system.

Recognizing the precious and fragile nature of Myanmar's rivers and water supplies, MGMA members strongly commit to protecting the local environment. Within washing and dyeing facilities, a robust and suitable procedure for waste-water treatment and testing must be utilized. Further, MGMA's other member companies shall refuse to conduct business with washing and dyeing facilities (in Myanmar or abroad) which fail to put in place effective effluent treatment systems.

Hazardous and toxic substances shall be disposed of only at appropriate and designated waste disposal sites by persons trained in handling such materials.

7) Subcontracting policy

Assuming their responsibility to influence a transparent supply chain, the Companies refrain from unauthorized subcontracting to third parties. Whenever subcontracting workloads, the Companies appeal to these third parties to respect the values and requirements outlined in this Code of Conduct.

8) Adoption and scope of application

The adoption of this Code of Conduct is recommended by MGMA on a voluntary basis. Wherever possible and economically feasible, each Factory shall commit to observe the Code and make every appropriate and reasonable effort to work towards its compliance and to rectify related shortcomings.

The Code of Conduct applies to all business units of the Companies who choose to adopt it. To the extent that this is possible, the Companies appeal to suppliers or subcontractors with whom they have entered contractual relationships to observe the principles set forth in this Code.

9) Corporate Governance for implementation and monitoring of the Code

The Companies shall embed the values and principles of corporate social responsibility into their operative management. To facilitate implementation and monitoring of this Code, the Companies shall put in place suitable management and control systems with clear responsibilities, structures and processes. Transparent and accountable monitoring also means to allow for external controls and to provide procedures for complaints. Suitable preventive and remedial measures shall serve to redress shortcomings of Companies implementing the Code.

The Companies are free to implement as well as internally and externally monitor this Code with the help of suitable stakeholders.

10) Disputes, grievances and complaints

Every worker shall have the opportunity to raise concerns and to complain about factory policies, practices or working conditions. A suggestion box shall be made available within each factory in order to receive anonymous comments. The Companies shall develop other relevant grievance mechanisms for workers at factory level and inform them of such possibilities. Individuals filing complaints shall not be subject to reprisals or disciplinary action of any kind. Complaints about violations of this Code of Conduct and requests for information may be addressed to MGMA at any time and anonymously, via telephone or in person.

11) Amendments and communication

This Code shall be provided to every factory in Myanmar language and should be prominently displayed at the workplace in highly-visible locations. The Companies should communicate, explain verbally and, if necessary, provide training to workers about the values and principles included in this Code of Conduct.

The Companies shall communicate about this Code of Conduct to their business partners, members of the public, job-seekers and other stakeholders. This Code expresses the core values of Myanmar's garment producers.

To increase visibility of the industry's commitment to the principles set forth in this Code of Conduct, the Code is also made publicly available on the MGMA website.

The Code shall be reviewed annually by the MGMA Board with the possibility of amendments if deemed necessary.

Ratified, January 2015

Appendix 4: Statement by Myanmar Garment Manufacturers Association on Child Labour

The Garment Industry in Myanmar does not and will not condone the use of Child Labour.

The Industry welcomes the Governments ratification of ILO Convention 182 on the worst forms of Child Labour and is working with Government, other business sectors, industry employees and their respective representatives and all other stakeholders in the development and application of appropriate policies and practices to ensure compliance.

In their operations the members of the Myanmar Garment Manufacturing Association (MGMA) are committed to the full application of national law and the recognition of fundamental principles and rights at work. They see the decent work concept as one of the foundations for competitive, productive, quality business.

In parallel the MGMA upholds the 'do no harm' principle and recognize that a collective effort must be made to address the realities of working children in Myanmar which stem in large part from the combination of high levels of poverty and the failure of the education system. To that end, the MGMA will work with all stakeholders in the support of transitional mechanisms particularly in respect of informal education and vocational training so that the working children of today are not only cared for but have access to the human development opportunities that will support their growth into healthy and productive citizens.

November 2014



**MGMA Myanmar Garment
Manufacturers' Association**

No.29, Min Ye Kyaw Swar Street
UMFCCI Building, 6th Floor
MGMA Office, Lanmadaw Township,
Yangon, Myanmar
Tel + 95-1-214829, 2300 253
Fax + 95-1-214829



**PYOE PIN
Programme**

Funded by:

DFID (UK Aid),
The Government of Sweden
DANIDA (Danish International Development Agency)



Funded by:

Swiss Confederation
Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO