

## Research, Network and Support Facility (RNSF)

“Support to enhance livelihoods per people dependent on informal economy  
and improve social inclusion of marginalised and vulnerable persons”

### Good Practices and Lessons Learned

<b>RESEARCH QUESTION</b>	<b>1- ENABLING ENVIRONMENT</b>
<b>SUB-TOPICS (Research matrix)</b>	<u>Advocacy with government to improve legal and policy frameworks to support informal economy enterprises (1.2)</u>
<b>REGION - COUNTRY OF IMPLEMENTATION</b>	South-East Asia - Myanmar
<b>RESUME OF GOOD PRACTICES</b>	<p>Many of SMART’s valuable outcomes might be applied to further initiatives addressing informal economy workers and informal firms. Among these, the in-factory training for SCP consultants; the strengthening of MGMA and its own power of advocacy; the awareness-raising campaign about OSH standards and decent work; the conversion of older production techniques into more sustainable ones in terms of environmental protection and profitability.</p> <p>All of these good practices should be deployed as a second-step action by national governments, being integrated into programmes of monitoring, awareness-raising and tax allowance aimed at tackling undeclared work and gaining formal registration from informal economic actors.</p>
<b>PROJECT NAME</b>	<i>SMART Myanmar (SMEs for Environmental Accountability, Responsibility and Transparency)</i>
<b>YEAR</b>	2013 – 2015
<b>FUNDING AGENCY</b>	European Commission
<b>IMPLEMENTING AGENCY</b>	SEQUA GGMBH
<b>KEY TARGET GROUPS</b>	Migrants, Elderly and bedridden, other marginalized groups.
<b>SUMMARY OF THE ACTION</b>	SMART Myanmar actively promotes and supports the sustainable production of garments “made in Myanmar” striving to increase the international competitiveness of Small and Medium Enterprises (SMEs) in this sector. Working closely with companies and business support organizations located in Myanmar, the SMART project aimed to build capacity and increase skills and knowledge in local partner organizations, facilitating the development of marketing and export strategies for the garment sector. Overall objective of SMART Myanmar was to increase the competitiveness of SMEs in the garment sector of Myanmar and set preconditions for replication towards other sectors. Specifically, the project increased the

	<p>competitiveness of SMEs by establishing a group of approximately 25 Myanmar Garment Manufacturers as show-cases and making them ready to comply with European standards and establish business relations with EU clients. The garment factories benefited from newly available business developing services, such as productivity enhancement measures (including reduction of energy consumption, water consumption, waste, etc.) as well as social compliance trainings. Workers in the garment industry, mostly women, have benefitted from improved working conditions in the form of OHS, decent working hours, adequate compensation, or other corporate social responsibility measures.</p> <p>Key target groups: Although the Project's target group was primarily Myanmar Garment Manufacturers Association (MGMA), the final beneficiaries of the action were garment factories and workers in the garment sector.</p>
<p><b>LESSONS LEARNED</b></p>	<p>In order to understand the relevance of this project, it is very important to disclose its background. As highlighted by some statistics released by the MGMA (Myanmar Garment Manufacturers Association), the Myanmar garment sector was considerably growing in 2015. Influx of foreign direct investments increased rapidly, and some major European brands (e.g. H&amp;M, Adidas, etc.) decided to expand their operations in the country. Exports from Myanmar to the EU more than doubled in 2014 compared with 2013, and the projections foresaw an even faster growth for the next decade, employing around 1-1.5 million workers by 2024. In spite of this outstanding development, the Myanmar garment sector was still facing several problems with ownership and standard compliance. About 50% of factories were foreign owned and about 20 - 30 % were partially foreign owned, with the numbers sharply increasing, mainly from China and Korea. Local factories felt side-lined, as they were not yet up to the standards compared to their foreign owned competitors, needing time and investments for gaining international standard in product and quality but also in social and environmental terms. From a broader point of view, the major obstacles against the achievement of more competitive conditions were:</p> <ol style="list-style-type: none"> <li>1) An internal underdeveloped financial system, restricting the possibility for local firms to get loans.</li> <li>2) Poor value chain in the garment sector (many inputs like zippers, buttons, fabrics had to be imported from abroad).</li> <li>3) Precarious working conditions (high staff turnover, difficulty to get trained employees, problems with full compliance of OHS).</li> <li>4) Low capacity in production and management. Specialized training services for the garment sector had to be improved and the training opportunities increased, enabling a transition from Cut Make Pack (CMP) to Free on Board model (FOB – full scale business model with more value addition).</li> </ol> <p>Grounding on this potentially thriving but complicated background, the project SMART Myanmar strived to achieve three main objectives by implementing 15 different actions. The following classifies and summarises each undertaken action, according to the comments given by the Final Evaluation report.</p>

Generally speaking, the project has been assessed as highly relevant because it was suited to the priorities and policies of the target groups. The efficiency of the project in terms of cost-efficient delivery has been assessed as good. Finally, the effectiveness of the project can be assessed as high in terms of achievements of indicators, since almost all the activities accounted for 100% (or more) of accomplishment.

On the other hand, coming to the crosscutting issues addressed by SMART, the Final Evaluation reports these lessons learnt:

1) The impact of this project on poverty reduction was surely limited as it worked together with a mere 10-16 garment factories. However, improvements in productivity and social compliance in these showcase factories lead to the conclusions that workers in these factories improved working conditions and for some even wages increased.

2) The share of women participants in trainings and consultancies was not documented. Altogether 1.105 participants were involved in the projects activities. 740 were female, accounting to 67% female participation. This percentage looks inadequate, given that the majority of workers in the garment factories are women from rural areas.

3) About environmental sustainability, the project enabled 15 energy audits/consultancies to decrease energy consumption, mainly focusing on water consumption, lighting system and wasting. According to the collected data, the factories that implemented improvements regarding energy consumption reduced their energy cost by 10 to 20% based on current consumption. Waste reduction and productivity improvements led to 3% to 65.5% savings based on current values regarding wastage.

4) The adoption of the Code of Conduct in the garment sector was a major progress to set minimum standards in the sector. The SMART social compliance trainings and consultancies for 10 garment factories made a real difference to the workers, achieving up to 70% compliance against the Business Social Compliance Initiative (BSCI) international social standard. The project laid the foundation for the replication of social compliance in the sector.

In view of the wide array of issues addressed by the project, the internal analysis just focuses on three topics that are considerably relevant for the RNSF project.

1) **Advocacy:** As explained by both the Final Report and the Final Evaluation, SMART project emphasised its action on the MGMA, by providing the association with strong assistance for advocacy training and lobbying on an ad hoc basis. However, MGMA seems not having a precise advocacy strategy to follow, as well as little ownership in the field and poor representativeness towards garment factories. To the same extent, MGMA never shared some underlying information with the government, letting Burmese decision makers incapable to understand the main problems and needs of the garment sector. Last but not least, garment factories don't trust government, and so far they have refused any kind of dialogue with it. Thus, the

whole picture looks weaker than originally thought. Probably if the project wanted to achieve a more effective action of advocacy, it should have been addressed to all the involved stakeholders (MGMA, government and garment factories) on more equal terms.

2) Training on Sustainable Consumption and Production (SCP): The training of SCP Consultants on resource efficiency, productivity and cleaner production (energy, waste, water) was together with international consultants in the form of in-factory consultancies for factories. Most of the consultancies by international experts were assessed as qualitatively positive by both SCP consultants. Even factories assessed the in-factory consultancy very positively and say that it is much more effective than in-class trainings. However, several problems of arrangement, timing and focusing arose. The international experts changed too often and quickly and there was no hand-over of information already gained during previous consultancies. Then, too many issues were debated during the trainings (better production, respect for environmental conditions, OSH, minimum wage, etc.), leaving little time to follow them up. Finally, factories and consultants perceived European experts as too far from them. Engaging international experts from Asia (such as from Vietnam) could have definitely been more tailored to the Burmese reality. In general, the overall training methodology seemed pretty undefined, deprived of a clear action plan and without clear responsibilities for the various actors.

3) Code of Conduct: The adoption of the code of conduct by MGMA was a major milestone for the project. The bulk of the training received by the SCP consultants was about corporate social responsibility, national labour law and OHS in Myanmar; social dialogue, freedom of association, labour organisation law and labour dispute settlement law. As a first step, the undertaken activities have been more than successful and all the set goals achieved. However, the real impact of this CoC should be assessed by workers' behaviour and factories' compliance in the near future. As reported by the Final Evaluation, many factories found difficult to change the mindset of its workers. It was difficult to make them wear masks, gloves and make them comply with the OHS rules. Factories complained that workers often felt as slaves and did not want to improve their skills or change their working habits. In light of this, a better cooperation with national labour inspectors would have been recommended. The labour inspectors were not aware that 10 showcase companies were trained and coached on social compliance. Interviewed by the evaluator, they emphasized the importance on monitoring, and of trade unions' inclusion in this process. The labour inspectors even proposed to take the SCP consultants along with them and introduce more factories to them. Labour inspectors are a very good entry point to get to know more factories and gain more know-how in that field for the SCP consultants.

Another drawback against the full-compliance of OSH measures was the weak involvement of international buyers\suppliers into the project. International buyers usually demand high compliance from their subcontractors (for instance, they tend

	<p>to refuse business with firms taking on minor workers). Therefore, further technical assistance from international buyers could have concretely helped local garment factories to understand the importance and the profitability of OSH standards' compliance.</p>
<b>CONCLUSIONS AND RECOMMENDATIONS</b>	<p>It is clear that SMART Myanmar is not a project specifically focused on informal economy. The project targeted Burmese regularly registered firms, and all the activities were being conceived to foster higher quality production and internationalisation of well-framed entities.</p> <p>However, many of SMART's valuable outcomes might be applied to further initiatives addressing informal economy workers and informal firms. Among these, the in-factory training for SCP consultants; the strengthening of MGMA and its own power of advocacy; the awareness-raising campaign about OSH standards and decent work; the conversion of older production techniques into more sustainable ones in terms of environmental protection and profitability.</p> <p>All of these good practices should be deployed as a second-step action by national governments, being integrated into programmes of monitoring, awareness-raising and tax allowance aimed at tackling undeclared work and gaining formal registration from informal economic actors. The new target group should not concern only small local factories, but rather the whole supply chain directly or indirectly linked with the internal sector-based production and distribution. That's why - as previously claimed - stronger connections among sectorial associations, policy makers, trade unions and labour inspectorate are fundamental to enlarge the scope and the benefits of such a composed and well-structured project.</p>
<b>FURTHER TAGS</b>	<ul style="list-style-type: none"> <li>▪ Environmental Protection, green jobs and the IE development (2.4)</li> <li>▪ International labour standards and right to decent work for informal economy workers (2.1)</li> <li>▪ Production management (improved production techniques) training for informal economy entrepreneurs. Supply chain management training for informal economy entrepreneurs (3.2)</li> <li>▪ Occupational safety health for informal economy workers (2.3)</li> </ul>
<b>SOURCE(s)</b>	<p><b>RNSF Research Volume 4.3:</b> <a href="https://europa.eu/capacity4dev/iesf/documents/rnsf-research-volume-43-gp-ll-15-ec-funded-projects">https://europa.eu/capacity4dev/iesf/documents/rnsf-research-volume-43-gp-ll-15-ec-funded-projects</a></p>
<b>REFERENCE(s)</b>	<p><b>EuropeAid project page:</b> <a href="https://ec.europa.eu/europeaid/projects/smart-myanmar-smes-environmental-accountability-responsibility-and-transparency_en">https://ec.europa.eu/europeaid/projects/smart-myanmar-smes-environmental-accountability-responsibility-and-transparency_en</a></p>