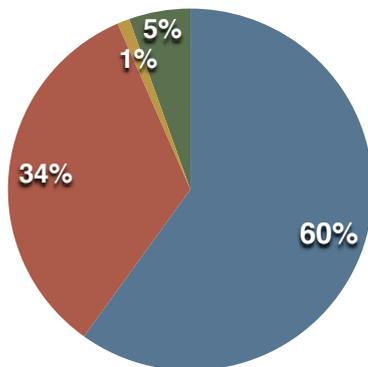


# SUSTAINABLE PUBLIC PROCUREMENT IN MYANMAR

Information from SMART Myanmar fact-finding & workshops

## Production, importation & consumption of garments & textiles in Myanmar

- Garment & textile production for export markets
- Garment & textile production for domestic consumption
- Public procurement of garments & textiles
- Imported garments & textiles for industrial and consumer use



## Garment & textile production

Garment production volumes for export markets in Myanmar have been growing by an average of about 25% per year since 2012. Production for domestic consumption has also been growing, but relative to production for export markets the share has been shrinking. At the same moment in time, imports of fabric and garments have also been rapidly increasing. This situation is highly dynamic.

Japanese researcher Toshiro Kudo estimated in 2005 that 95% of Myanmar's clothing was produced at that time via domestic sources. In the above chart we have reduced this consumption figure to 90% due to a presumption about increasing imports of consumer clothing, but such an assumption is largely guesswork. This figure is further multiplied by a proxy consumption figure from India, in order to estimate annual per capita clothing purchases. Myanmar consumers are presumed to spend similarly to what consumers in India spend.

Precise numbers on government procurement are very difficult to obtain. Some data are known, such as the average value of school uniforms (2,000 MMK per set in 2016) and the quantity of intended (but not actual) annual procurement by the Ministry of Education (5.6 million sets).

## Public procurement, general practices

SMART Myanmar is a €2.8 million project funded under the EU's SWITCH Asia programme to promote social and environmental improvements in Myanmar's apparel industry. One component of the project is to assess and promote Sustainable Public Procurement (SPP). The purchasing practices of textiles by public institutions in Myanmar were assessed in 2016 and a series of dialogues between public and private sector representatives were held to discuss the current procurement structure and future adjustments needed for more sustainable procurement. Ministries, together with the private sector, play an important role in promoting the SPP agenda by increasing demand and supply for more sustainable production.

Of particular significance, on September 27th, 2016 Dr. Christina Raab from SMART Myanmar's partner, Made-by, led a workshop in Naypyitaw with 35 procurement officers and managers from 15 different ministries. Based on conversations during this workshop, a clear picture emerged of:

- **Need for a focus on transparency, consistency and realistic scheduling in government procurement processes, such that large orders are tendered publicly in newspapers and online far in advance of when such orders will be due.**
- **Strong interest among government staff in improving their own administrative capacity as a first step, such as by adopting computing systems, receiving training on internet usage and database management, etc.**
- **General interest in sustainability criteria, but realistically transparency in procurement would itself be the first important and necessary step the government must take to reach towards sustainability. Before procurement is fully transparent it is impossible to even fully evaluate the sustainability of existing procured materials and services.**

## School uniform procurement

### Company profile: SMART MZ Company Ltd.

SMART MZ Co., Ltd. runs a very small garment production facility in Sittwe Township employing under 100 workers. This could be considered to be the first garment factory in Sittwe. The company incorporated in 2017. They are one of several factories producing an estimated 500,000 school uniform sets for the Ministry of Education for children in Rakhine State. At a contract manufacturing rate of 1,400 kyats per set, the price received by SMART MZ is very low, leaving the company with very little room for profit. Like most contract manufacturing factories engaged in cut-make-pack operations, the environmental impact of SMART MZ is relatively minimal compared with the potential impact of the fabric production, which in this case originates in China.

**5.6 million** - the number of school uniforms said to be procured by the Ministry of Education for school children during the 2017/2018 school year.

**7,000,000 EUR** - one of several estimated valuations for the construction (cutting, sewing, packing) of such uniforms, but this is not a fully accurate valuation, as the full cost of textile production and procurement is unknown.

### School uniform fabric - where the major environmental impacts can occur

The fabric for school uniforms in Myanmar is normally very thin and low quality polyester. According to conversations between SMART Myanmar and Ministry of Education staff in 2016, fabric used to be produced domestically by state-owned textile mills under the Ministry of Industry, but quality control and costs were difficult to manage, therefore for the past several years most fabric has been imported from China. However, a consultant SMART arranged to visit the No. 8 Sub-Textile Factory, under Textile Industries of the Ministry of Industry, reported in mid-2017 that production during their factory visit was of school uniform fabric. This textile factory had, at the time, seemingly inadequate wastewater treatment facilities, despite handling finishing and dyeing processes.

One possible approach for the Ministry of Education to adopt sustainability criteria would be to require factories producing uniforms to comply with international social and environmental compliance standards. As a practical measure, to avoid totally collapsing the local firms reliant on this business, 50% of uniform procurement in the first year could be allocated only to firms which can prove compliance with standards such as BSCI grade C or above, the Global Organic Textile Standard or the Global Recycle Standard. Thereafter, such procurement could be increased on a schedule, such as 60% in the following year, 80% in the next year, and so on. However, to manage this process the Ministry of Education would need to substantially increase the procurement budget for uniforms and better manage the process, especially by arranging third-party auditors.

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*“The government announces tenders irregularly, this makes it difficult to bid or to prepare a bid. It happens at no particular time. It is impromptu. In Myanmar, those people who are related with the government get the tender.” garment factory owner A speaking in Yangon on Nov. 29th, 2016 about the Ministry of Education’s (MoE) procurement policies.*

*“If the gov’t gives free (open) information we can be involved in it. Sustainability criteria should be clearly set by the ministries with guidelines for social & environmental things. Mostly the problem is that the order has been rushed by the Ministry.” garment factory owner B speaking in Yangon on Nov. 29th, 2016 about MoE procurement.*

*“400,000 sets of uniforms were ordered from Ministry of Education in the tender for which we were involved, but we were the 3rd subcontractor in the chain... payment was only 450 kyats per set - they (contracted firm of MoE) provided us the raw materials.” factory owner B speaking about her experience producing school uniforms during 2015.*

## Ministry of Defense uniform procurement

The Ministry of Defense directly runs two textile mills, one garment factory, one shoe factory and one waterproof canvas factory. Little is publicly known about these facilities, but they are said to produce uniforms and equipment for the entire armed services as well as for an unknown number of other divisions and branches of government, such as the police and possibly various municipal fire brigades.

Because the Tatmadaw essentially produces uniforms for their own use it is essentially an intra-ministry procurement process. Military uniform quality and performance is sub-optimal, based on evaluations of military surplus products sold in stores throughout Myanmar. As such, similar to the low quality school uniforms, there are numerous basic considerations which should be considered in addition to sustainability criteria. Better product quality management can likely result in less wastage and over-production. However, SMART Myanmar works with the private sector and does not have any intention to pursue capacity building work with the Ministry of Defense textile and garment operations.

## Towards sustainable public procurement - future steps

In 2015 and 2016 the World Bank and United Nations Environmental Programme, as well as several independent NGOs such as Building Markets and Spectrum, were conducting work with the Myanmar government on transparency in public procurement procedures. In order to not crowd and duplicate such efforts, SMART Myanmar downscaled activities in this area. During 2018 SMART Myanmar is developing simple guidelines for the Ministry of Education in order to assist them in their school uniform procurement efforts.

*Right photo:* Procurement officials from fifteen different ministries attended a workshop on sustainable public procurement with SMART Myanmar in September, 2016. A public-private dialogue workshop on the same topic was held in Yangon on November 29th, 2016, attended by officials from the Ministry of Industry, Ministry of Natural Resources and Environmental Conservation and executives of the Myanmar Garment Manufacturers Association.

