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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

## Fostering pro-poor and inclusive MSME development in Myanmar



### Implementation report (September 2013 – December 2014)

<b>Starting date:</b>	September 2013
<b>Duration:</b>	16 months
<b>Government Coordinating Agency:</b>	Central Department of SMEs Development – Ministry of Industry
<b>Counterparts:</b>	Central Department of SMEs Development – Ministry of Industry Ministry of Cooperatives Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI)
<b>Budget:</b>	Italian Cooperation Contribution – pilot phase      € 320,000



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## UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

### Introduction

Under the preliminary phase of the project a number of relevant initiatives to foster pro-poor and inclusive MSME development in Myanmar have been triggered and significant preliminary results have been achieved. Fruitful **institutional relationships** have been established with the project counterparts and other agencies (Annex II, IV). The **policy dialogue** triggered by the project has been proved useful and highly appreciated by all stakeholders. As a result, the project's counterparts, in particular the Ministry of Industry, is now consulting UNIDO on a regular basis on all matters related to industrialization, clusters and MSMEs development. Policy advice has been delivered on industrial policy, industrial zones, clusters and MSME development and resulted in new policies, draft laws, rules and regulations (Annex II).

Along the policy dialogue, the project has played a critical role in **building capacity** within the institutions responsible to foster MSME development, namely the Central Department for SME Development and the Directorate of Industrial Supervision and Inspection of the Ministry of Industry (Mol), the inter-ministerial Cluster Development Group, the Ministry of Cooperatives, Industrial Zones Management Committees, local General Administration Departments and UMFCFI. 29 training sessions have been delivered and more than 800 public officers have been trained. More than 400 MSME representatives have directly participated in training and discussions on cluster and MSME development. Cluster awareness has been created in the business community and cluster policy formulation is now part of the government agenda. (Annex III).

The project and local counterparts identified **clusters** with a strong inclusive and sustainable growth potential in the lacquer ware sector in Bagan and the weaving sector in Mekhtila and Wundwin. A diagnostic study has been carried out in Bagan, the consequent development strategy has been validated by the stakeholders and the implementation triggered with project support. In addition, a diagnostic study has been carried out in Mekhtila and Wundwin. The consequent development strategy is ready to be validated by the stakeholders and implemented with the project support (Annex IX).

The process of **building partnerships** with foreign enterprises and investors has been supported through: 1) policy dialogue oriented to create specific programmes and incentives (fiscal, financial, customs) to link local MSME to FDI (Annex II); 2) country presentations (Annex XI); 3) business missions at sector level (marble); 4) launching an IT platform (with ESCAP, EBAC, UMFCFI, SME Center) to create a business matching virtual space, and access to business development services and investment decision information (Annex X).

The policy dialogue, capacity building and project implementation choices briefly mentioned above have been supported by a number of **studies and researches** carried out through the project life: cluster mapping, business survey (with ESCAP and OECD), diagnostic study of Bagan lacquer ware cluster, and a diagnostic study of weaving clusters in Mekhtila and Wundwin. (Annex I, V, IX).



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### Context

Myanmar has one of the lowest per capita official development assistance (ODA) rates in South-East Asia. Current internal and international resources allocation is also not sufficient to provide basic social services. As such, Myanmar is classified as a least-developed country (LDC) due to its isolated and undiversified economy hampered by structural deficiencies. Poor investment climate has slowed the inflow of foreign direct investments for a long period of time, and areas such as manufacturing struggle with inadequate infrastructure and unpredictable trade policy. The poor economic setting directly affects Myanmar's population. However, Myanmar is undergoing important and significant transformation at political, economic and social levels, with the aim of promoting a more inclusive, transparent and sustainable industrial development.

Recently, with international sanctions being relaxed or lifted, Myanmar is re-engaging with the global economy and in particular is aiming at re-joining production and distribution regional chains in East Asia. President U Thein Sein recently stated that "[...] the country needs higher competitiveness of SMEs through enhancing capacity and productivity, for SMEs are the core of the national economic growth [...]".

SMEs account for approximately 95% of the overall economy according to 2013 projections. The Government is committed to pursue a "people centered" development approach; and has identified some short, medium to long term priorities and plans, setting industrialization as one of the key elements of its inclusive and sustainable industrial development strategy. The following areas are particularly relevant to UNIDO: strengthening the private sector development, enhancing foreign domestic investments, trade facilitation, food security, agricultural growth for job creation and poverty reduction.

The Myanmar Government has identified specific areas of intervention for the promotion of SMEs creation and development; UNIDO expertise and TA programmes can be aligned with the country's priorities and the strategic action plan for industrial development:

- Reduce administrative controls, improve access to credit; build enterprise capacity at all levels.
- SMEs incubation projects and research linkages.
- Build the capacity of the Central Department of SMEs development (Ministry of Industry) and the Central Committee for SME development
- Cluster formation between the existing industrial zones across the country and regional technological schools and colleges.
- Support FDI in SME sector, with incentives for higher use of local contents, transfer of skills, knowledge and technology

### Counterparts

- Ministry of Industry
- Ministry of Cooperatives
- Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)
- Central Department of SME Development



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- Directorate of Industrial Supervision and Inspection
- Cluster Development Group (CDG)

### Beneficiaries

The project benefited directly the Myanmar institutions that attend MSMEs in the promotion of inclusive and sustainable development at country level, as well as support institutions, particularly in the handicraft sector and possibly in tourism, agro-processing, textile and garment, furniture and ornamental stones.

At local level, lacquer ware stakeholders in Bagan and wavers in Mekhtila and Wundwin have been directly assisted by the project. The private sector as a whole benefited indirectly from the initiative.

### Project objective and outcomes

The development **objective** of the current preliminary phase was to increase Myanmar MSMEs competitiveness in the national, regional and international markets and provide better employment and livelihood opportunities for local communities.

Two **outcomes** have been indicated to achieve this objective:

- 1) A conducive environment for MSME development is created through formulation of MSME and cluster development plans, policies, and strategies;
- 2) Partnership and cooperation opportunities are identified to build capacity by facilitating the growth of micro and community-rural based enterprises and industrial SMEs through transfer of know-how, partnerships and cluster development.

### Outputs and activities

The main activities carried out during the inception phase of the project are herein presented under each project outcome (the logical framework is reported in Annex VII)<sup>1</sup>.

*Outcome 1 A conducive environment for MSME development is created through formulation of MSME and cluster development plans, policies, and strategies.*

*Output 1.1 Mapping, framework formulation and planning for sustainable MSME development and priority industries' sectoral competitiveness.*

#### Activities

1.1.1 **Assessment of MSME development needs** through studies, technical consultations, and meetings with key stakeholders, beneficiaries and other donor-funded projects. In particular, UNIDO participated in a nationwide business survey carried out with ESCAP, OECD and UMFCCI. The business survey captured a comprehensive picture of the current business activities and enabling environment in Myanmar (Annex I).

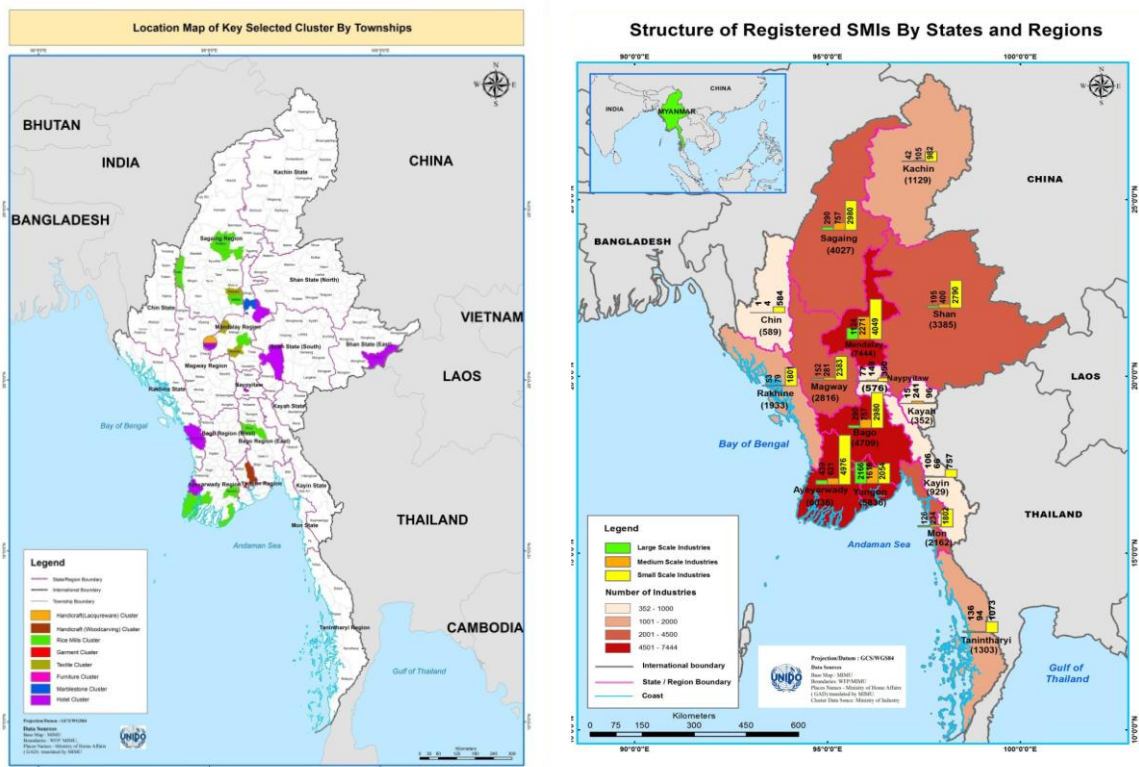
1.1.2 **Policy dialogue and advisory services** (Industrial policy, Industrial Zones law, SME law, SME rules

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<sup>1</sup> Outputs and activities reflect the actual project implementation and in some cases are defined slightly differently from the original logical framework (Annex VII).

and regulation, SME policy, cluster policy) to support MSME and cluster development have been provided to the Ministry of Industry, the Directorate of Industrial Supervision and Inspection (DISI), the SME Center, the cluster development group, the Ministry of Cooperatives and UMFCCI (Annex II).

- 1.1.3 A **snapshot cluster mapping** in selected sectors (handicrafts, textile and garment, agro-processing (rice), hotels and tourism, furniture and marble stones) have been completed (Annex V).



Output 1.2 Capacity building for MSMEs supporting institutions.

Activities

1.2.1 **Presentations and technical meetings** on MSMEs and cluster development with the Ministry of Industry, UMFCCI, entrepreneurs and other agencies (Myanmar Business Week, Project Start-up Workshop, ASEAN seminars, Business Survey Findings). Trainings to build capacity in the Central Department of SME Development, Industrial Zones Management Committee (field visits) and the Cluster Development Group (under the Central Committee for SME Development). **Briefings** on cluster development to weaving enterprises, local weaving association and officials of local authorities in Wundwin Township. Cluster development **trainings** for weaving enterprises, members of the management committee of the local industrial zone, local weaving association and officials of local authorities in Meikhtila. Cluster development trainings for lacquer ware stakeholders in Bagan. Cluster development trainings for CDG and State/Region officials of DISI in Nay Pyi Taw. Cluster Development Agent (CDA) training for State/Region officials of DISI and private enterprise of State Regions (Annex III).



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*Workshops and trainings on MSMEs and cluster development*

### 1.2.2 Formulation and implementation of **action plans** to support the CDG (Annex IV).

#### *Output 1.3 Alignment with local counterparts and donor coordination.*

##### Activities

1.3.1 Organization of an informal **Technical Working Group on private sector development** with ADB and IFC involving all interested agencies (JICA, GIZ, FNF, ILO, UNDP, ESCAP, USAID, DFID, MIMU, ITC, Asia Foundation). **Coordination on MSME development** initiatives with EU, GIZ, FNF, ILO, ADB, Myanmar Center for Responsible Business. Coordination on the **policy dialogue** for industrialization (Industrial policy, Industrial Zones law, SME law, SME rules and regulation, SME policy, cluster policy) with GIZ and FNF. Participation in **development cooperation fora** and workshops: 2<sup>nd</sup> Myanmar Development Cooperation Forum (27<sup>th</sup> January, 2014), SWG on Trade, SWG on Employment Opportunities, SWG on Agriculture and Rural Development, SWG on Tourism, Retreat on the National Comprehensive Development Plan - FDI & SME session (8<sup>th</sup> and 9<sup>th</sup> of May 2014). (Annex VI).

1.3.2 **Coordination meetings** with the Central Department for SME development, DISI, CDG, and the Ministry of Cooperatives (Annex VI).

1.3.3 Formulation of **project proposals** to continue and expand the project scope and impact. Liaison with Italian Embassy and tracking of Italian funds disbursement for project phase I. Negotiations with EU on possible additional funding. (Annex VIII).

*Outcome 2. Partnership and cooperation opportunities are identified to build capacity by facilitating the growth of micro and community-rural based enterprises and industrial SMEs through transfer of know-how, partnerships and cluster development.*

#### *Output 2.1 Pilot cluster development initiatives are triggered.*

##### Activities

2.1.1 **Identification** of initiatives to support MSMEs through cluster and supply-chain development in the





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country: identification of a lacquer ware cluster in Bagan and 2 weaving clusters in Meikhtila and Wundwin. A practice of **common purchasing of inputs** has been established in the lacquer ware cluster in Bagan.

2.1.2 **Start up workshops** with stakeholders in the lacquer ware cluster in Bagan, meetings in Meikhtila and Wundwin to discuss pilot cluster development initiatives (Annex IX).

2.1.3 **Diagnostic studies** of lacquer ware and weaving cluster (Annex IX).

2.1.4 Drafting of **strategy and action plan** for the cluster development for the selected clusters. Strategy validation and action plan validation in Bagan. Marketing strategy formulation and training for lacquer ware producers in Bagan. (Annex IX).



*Longi weaving in Meikhtila*



*Common purchasing of bamboo in Bagan.*



*Lacquer ware.*

*Output 2.2 Partnership between European/Italian and local institutions identified.*

Activities

2.2.1 Contribution for the **creation of an IT platform** to gain business connections, resources, capacities,



and knowledge to further develop of MSMEs business. The initiative ‘Myanmar SME link’ has been carried out with ESCAP, EBAC, UMFCFI and SME Center. Trainings have been delivered to Myanmar MSMEs on how to benefit from the initiative. The IT platform offers the following services: business matching, investment funding opportunities, access to business services, information and publications on the business in Myanmar, up-to-date SME news, and other helpful literature which can be used for SME business development and external investors (Annex X).

2.2.2 Ccoordination with and contribution by the UNIDO Investment and Technology Promotion Office (ITPO) project for business linkages Myanmar – Italy on marble and stone (not funded under the project). A Myanmar delegation participated in **Trade Fair Marmomac** in Verona.

2.2.3 **Country presentations** to promote business matching and investment opportunities have been delivered in different countries. A very successful one has been delivered during President Thein Sein's official visit to Italy with the participation of Mr. Piero Fassino, the Mayor of Turin, representatives of leading Italian companies, Chambers of Commerce, Universities and other local organizations. Additional presentations include: Confartigianato in Udine, Thai Italian Chamber of Commerce in Bangkok, Industrial Estates and Business Parks in Melbourne, UMFCFI in Yangon (Annex XI).

# THE GLOBAL NEW LIGHT OF MYANMAR

Volume I, Number 21

13<sup>th</sup> Waning Day of Thadingyut 1376 ME

Tuesday, 21 October, 2014

## President U Thein Sein visits museums in Turin

TURIN, 20 Oct — President of the Republic of the Union of Myanmar U Thein Sein visited the Royal Palace of Venaria in Turin on Sunday afternoon and officials at the palace briefed the president and party about the palace.

The palace, built in 1675, has been included in the world heritage list of the UNESCO since 1997 and the public and tourists were allowed to visit the palace in 2007.

Then, the president and party continued to the Museum of Oriental Art, one of the famous museums that displays art of the East, and viewed round the art collections of Asian countries.

Afterwards, the president and the vice mayor of Turin formally opened the Myanmar handicraft fair and viewed round the exhibition booths.—MNA



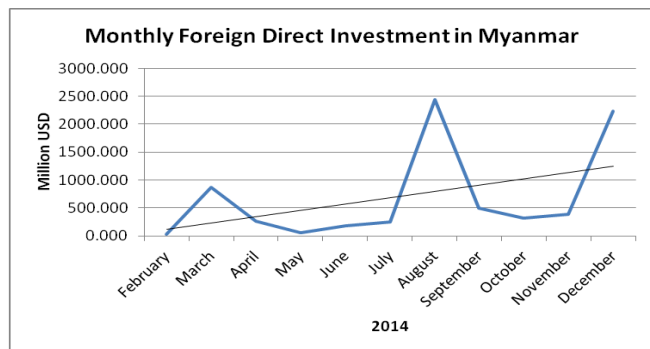
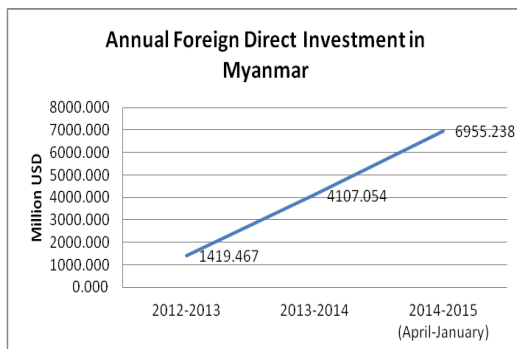
President U Thein Sein with vice mayor of Turin pose for documentary photo at booth of Myanmar Handicraft Fair at Museum of Oriental Art in Turin, Italy—MNA



## UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

### Results

- **Effective institutional and working relationships** with counterparts and donors (DPs) established. Ministry of Industry and Cluster Development Group institutional capacity strengthened (11 formal consultations/workshops held in addition to several technical meetings organized).
- **Cluster development awareness** created among policy makers, entrepreneurs, private sector institutions and MSME support service providers.
- **29 training** sessions delivered and more than **800 public officers trained** around the country. More than **400 MSME representatives participated** in training and discussions on cluster and MSME development, including 12 industrial zones management committees.
- **2 technical reports** drafted and discussed with stakeholders: 1) Snapshot Cluster Mapping; 2) Myanmar Business Survey.
- Policy recommendations on industrialization, MSME and cluster development provided to MoI, SME Center, and CDG. **Industrial policy, Industrial Zones Law, SME policy, law, rules and regulations drafted** with UNIDO contribution.
- **Diagnostic study of Bagan lacquer ware cluster, and Meikthila and Wundwin weaving clusters** completed and available to support the implementation of a pilot cluster development initiative. Stakeholders aware of the benefits expected from cluster development.
- **Trust and competitiveness improved in selected clusters** through workshops and collective actions (joint purchasing of inputs resulted in lower prices (-50%) of raw materials and better quality; promotional activities in Italy).
- **60 Italian entrepreneurs** aware of business opportunities in Myanmar. 8 Myanmar entrepreneurs and 2 senior officials of Ministry of Mines attended Marmomac Trade Fair in Verona. Foreign Direct Investment (FDI) in Myanmar averaged 468.31 USD Million from 2012 until 2015, reaching an all time high of 2443.39 USD Million in August of 2014. **FDI average increased** from 210 USD Million in 2013 to 540 USD Million in 2014 (+157%). The annual number of new registered MSMEs slightly increased from 65 in 2012/13 to 68 in 2013/14.



Elaboration of the author based on Myanmar Central Statistics Organization data ([www.csostat.gov.mm/s5.1MA0201.htm](http://www.csostat.gov.mm/s5.1MA0201.htm))



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**Annexes**

- I. Business Survey**
- II. Policy dialogue and advisory services**
- III. Capacity building**
- IV. Action plans to support the Cluster Development Group**
- V. Cluster Map Snapshot**
- VI. Alignment with local counterparts and donor coordination**
- VII. Logical Framework**
- VIII. Project proposal phase I**
- IX. Pilot cluster development initiatives**
- X. IT platform**
- XI. Country presentations**

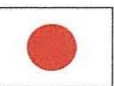


UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## **Annex I. Business Survey**

Operating Agencies and Donors



Government of Japan



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziune svizra

Swiss Agency for Development  
and Cooperation SDC



Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH



Asia Foundation



Hanns  
Seidel  
Foundation

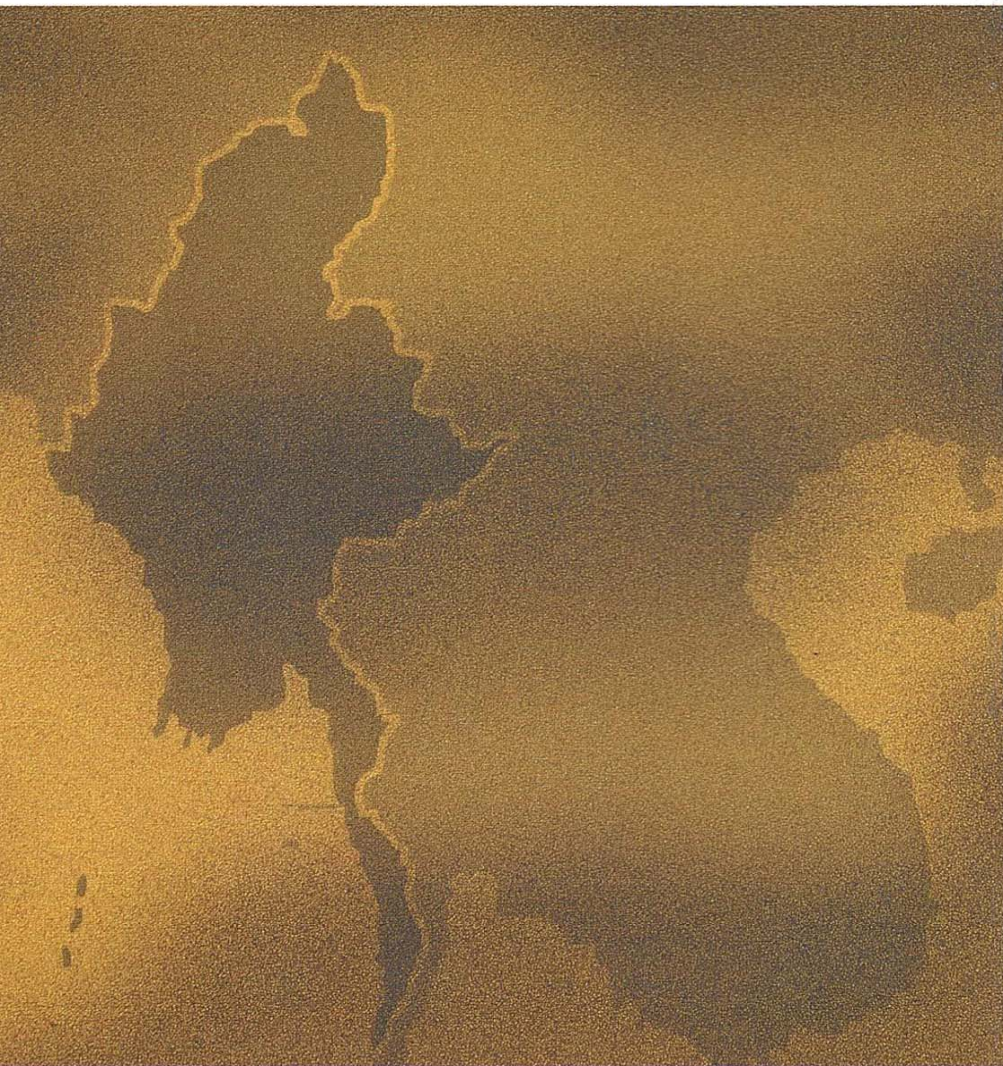


# Myanmar

## Business Survey

2014

# Survey Results



# Myanmar Business Survey 2014: Survey Results

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## Introductory note

*This first-ever nation-wide survey on business aims to capture a comprehensive picture of the current business activities and enabling environments in Myanmar.*

With vast natural resources, a young and abundant population and ongoing economic reforms supported by the international community, Myanmar has the potential to achieve fast economic development. The success of this process is highly dependent on the adoption of a coherent and appropriate combination of policy measures in key sectors of its economy. However, a lack of information on the conditions and environment in which businesses operate represents a major obstacle in identifying effective policy recommendations. *The Survey on Businesses in Myanmar 2014* aims to fill this gap and assess the status of the business community by conducting the first-ever nation-wide business survey.

The OECD and UNESCAP have completed the first phase of the *Multi-Dimensional Review of Myanmar*, in coordination with the Government of Myanmar. *The Multi-Dimensional Review*, which is a comprehensive policy diagnostic tool, blends the strengths of proven OECD and UNESCAP analytical instruments, tailored to the context of a multi-faceted economy with multiple opportunities and challenges. In the second phase, the review will provide more specific policy recommendations, particularly in the area of supporting business initiatives. These recommendations need to be underpinned by a more accurate assessment of the business environment.

To address the lack of available data and information on businesses in Myanmar, the OECD and UNESCAP carried out a business survey jointly with the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). Other cooperating agencies who have contributed to *the Survey on Businesses in Myanmar 2014* include the Government of Japan, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Swiss Agency for Development and Cooperation (SDC), The Asia Foundation and the United Nations Industrial Development Organization (UNIDO).

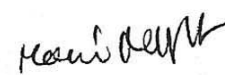
The results of the survey provide better information on the situation of Myanmar's business sector, allowing UMFCCI and other agencies to contribute to the Government of Myanmar's creation of business-oriented policy frameworks.

This booklet was prepared by Masato Abe and Margit Molnar. Diana Dai edited the booklet, while Gordon Israel designed it in a professional format. The Hanns Seidel Foundation (HSF) contributed to its publication.

May 2014



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**U Win Aung**  
President  
Republic of the Union of Myanmar  
Federation of Chambers of  
Commerce & Industry (UMFCCI)

# Coverage of the business survey

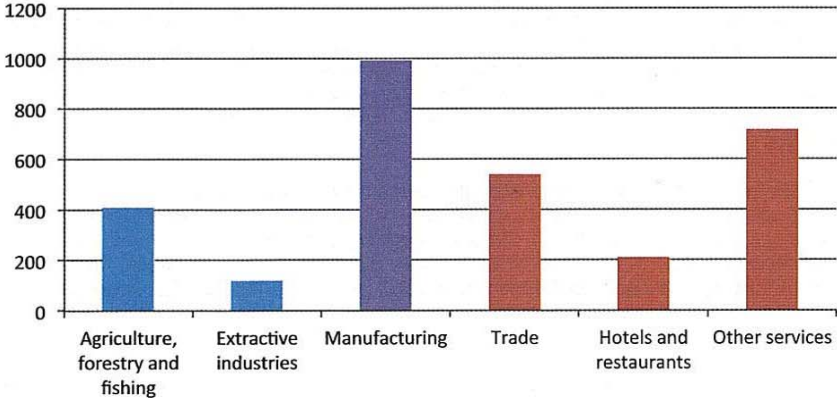
This first ever comprehensive business survey comprises over 3000 firms from all states and regions, of various firm sizes and engaged in a range of economic activities.

## Surveyed firms operate in a variety of sectors

Over 3000 firms surveyed are in agriculture, extractive industries, the manufacturing sector, or the services sector, covering almost all economic activities which are categorized by the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC), Rev.4.<sup>1</sup> In the survey, the primary, secondary and tertiary sectors account for 17.7%, 33.1% and 49.2%, respectively. Over 40% of firms in the secondary sector belong to food products and beverages sector.<sup>2</sup> Among tertiary industries, trade, hotels and restaurants, transport and construction are major sectors. These figures support the comprehensive nature of the present survey which can properly reflect the multi-faceted structure of the Myanmar economy.

### THE SURVEY PRODUCES A WELL-BALANCED REPRESENTATION

The number of respondents by sector



Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

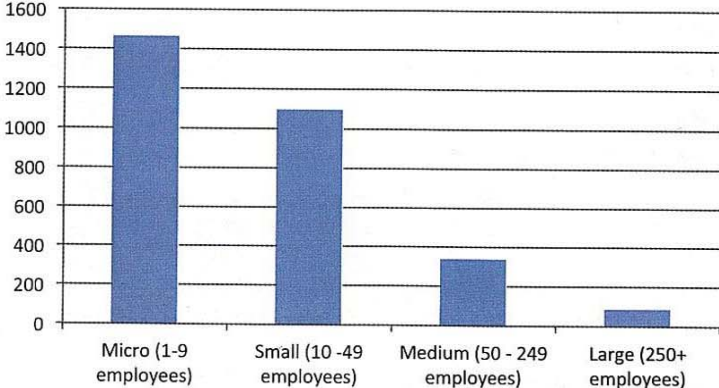
<sup>1</sup> See more details at <https://unstats.un.org/unsd/cr/registry/isic-4.asp>.  
<sup>2</sup> This is in line with the results of other earlier business surveys in Myanmar (e.g. the Industrial Zone Survey 2005–2010 of the Central Statistical Organization (CSO)).

## Nearly 97% of firms in the sample are SMEs<sup>3</sup>

Sampled firms have a range of 1 to 4000 employees with an average of 40 employees. Nearly half of the sample firms belong to the micro enterprises category with less than 10 employees. One-third of firms are small enterprises with 10 to 49 employees, and one-tenth are medium sized with 50-249 employees. Over 3% of firms surveyed have 250 or more employees. While fewer in number the larger enterprises make a more significant contribution to employment; 48% of total employment among respondents is in firms with 250 or more employees. Among the sampled firms, nearly 15% of them (and typically smaller by size) operate informally,<sup>4</sup> and 3% are foreign firms.

### ENTERPRISE SIZES ARE SMALL IN MYANMAR

The number of respondents by size category



Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

<sup>3</sup> The definition of small and medium-sized enterprises (SMEs) varies country by country. The definition used for the present survey is based on UNESCAP (2012), *Policy Guidebook for SME Development in Asia and the Pacific*, Bangkok: United Nations.

<sup>4</sup> Interestingly, 20 medium-sized and 6 large enterprises in the survey have never registered with any public authorities.

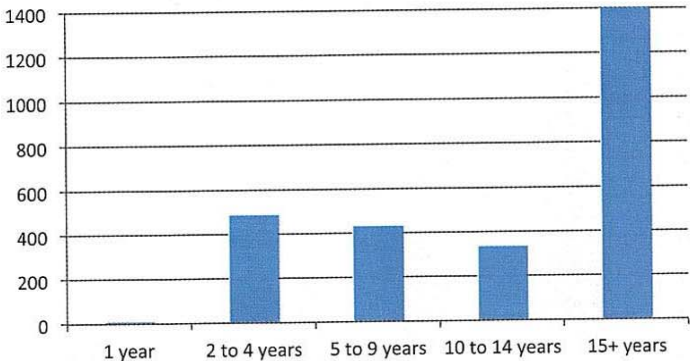


**Most firms are well established firms of over 15 years**

Nearly half of surveyed firms have been established for over 15 years, and only one-sixth are younger than five years. One-quarter and one-third of them conduct exporting and importing businesses, respectively. Only one-third of the respondents are aware of the ASEAN Economic Community (AEC) 2015 with mixed perceptions of the AEC's potential impact on their business. Finally, the gender balance of respondents is 30% for female and 70% for male.

**MOST FIRMS IN THE SAMPLE HAVE LONG BEEN ESTABLISHED**

The number of respondents by firm age



Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

**Corruption, lack of skilled labour and technology are major obstacles to business**

Among the 34 choices of major obstacles to the current operations of the firm (ranging from infrastructure issues to human and institutional capital), corruption was identified most frequently as a very severe obstacle. Although corruption can be present in various aspects of economic transactions and interactions with public authorities, a particular question inquired about the below-the-table payments required to register a firm or to get a business licence or a permit. While 40% of firms found it not necessary to pay above the officially required fees for registration, half of the respondents calculated the amount of extra payments for registration, license or permit to be MMK 500 000 or less (equivalent to slightly above USD 500). There were about a dozen respondents that perceived the required extra payments exceeded MMK 10 000 000 (over USD 10 000).

Other serious bottlenecks to firms' current operations are the lack of skilled labour and of technology. Access to land, factory or office space also appears to constitute an important barrier to operations, as does political instability. The next group of issues in the ranking relate to financing which indicate difficulties in accessing to financing and high interest rates.

Electricity supply, which is often cited as a bottleneck to any activity in developing countries, not just business, surprisingly ranks below corruption, skills and financing issues.

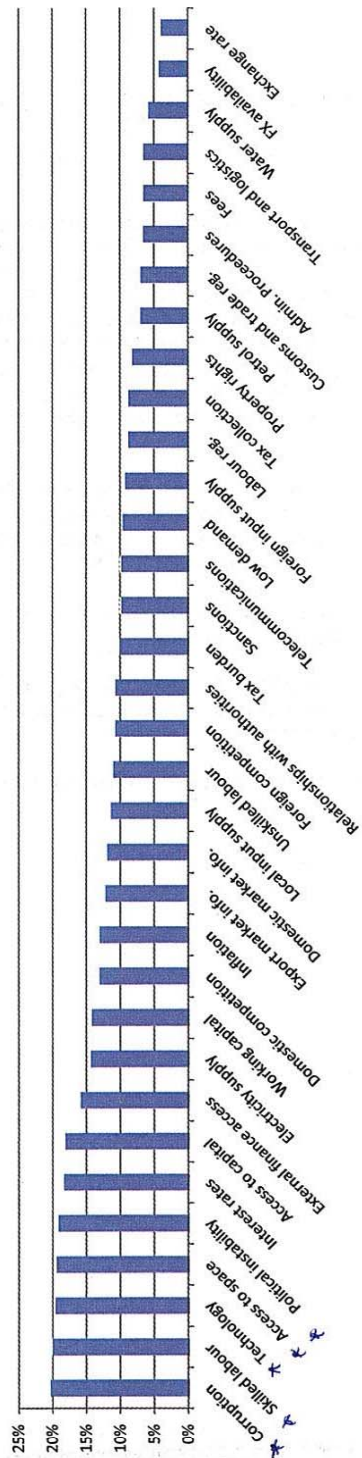
Some aspects of institutional capital, including the protection of intellectual property rights, taxation, business and labour regulation and administrative procedures all appear at the very bottom of the ranking of the major obstacles to business operations.

Explanatory factor analysis and theoretical background indicate that those obstacles for business can be broadly categorized into six groups, namely:

- 1) Access to markets, labours, supplies and technologies
- 2) Regulations and taxation
- 3) Conditions for international business
- 4) Access to financing
- 5) Infrastructures and utilities
- 6) Corruption

**CORRUPTION, LACK OF SKILLED LABOUR AND OF TECHNOLOGY CONSTITUTE MAJOR BARRIERS FOR BUSINESSES**

The percentage of respondents who see the constraint as a very severe obstacle



Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

**Survey on Businesses in Myanmar – Survey Results**

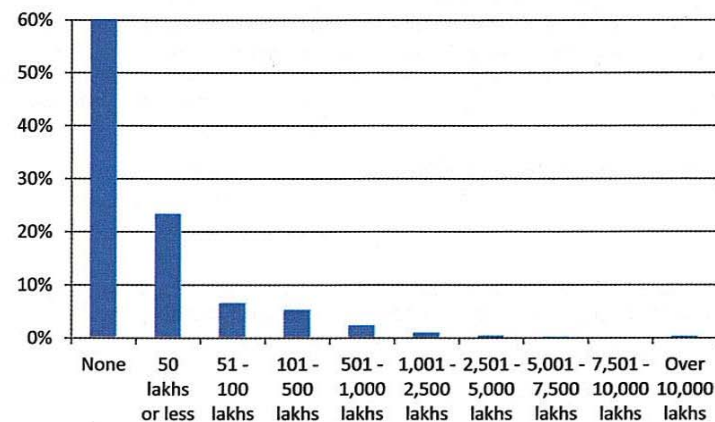
**Innovation is considered important but firms spend little on it**

Over half of respondents consider innovation to be critical to their business, with extractive industries the sector most likely to hold this view. Innovation is considered less crucial in agriculture and service industries such as trade, transport or personal services. Almost 40% of firms implemented new products or services. Process innovation, however, has been much less common. Almost three-quarters of firms that adopted innovative products or processes did so to increase revenue and nearly half to increase responsiveness to customer needs or to improve quality of goods and services. Less than a quarter of firms implemented innovations to increase their competitive positions, to enhance productivity or to gain market share in foreign markets. Similarly, the reduction of environmental impacts, corporate social responsibility or the improvement of safety and working conditions featured much less as motivations for innovating.

Despite the importance firms attach to innovation, over half of them do not spend at all on innovation. This is likely to be related to the small size of most firms that prevents economies of scale and for which fixed costs of innovation may be prohibitive. The top 1% of firms in the sample, in contrast, spends the equivalent of hundred thousand dollars or more on R&D. Finally, only one-third of respondents protect their intellectual properties mainly through patent applications.

**MOST FIRMS DO NOT SPEND ON RESEARCH AND DEVELOPMENT**

The share of respondents by the size of R&D spending



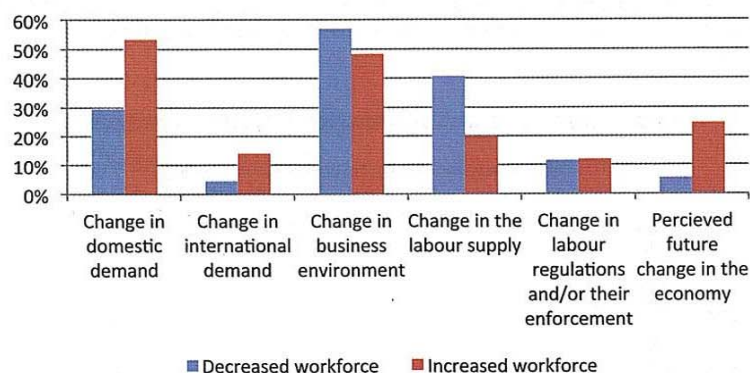
Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

## Increases in demand are driving firm expansion and job creation

Close to a third of firms did not change the size of their workforce in the 12 months before the survey. Of those that did, the number of workers increased in 26% of firms and decreased in 13%. The most common motivations for increasing the size of the workforce were changes in domestic demand, the business environment and perceived future economic conditions. The most common motivations for decreasing the size of the workforce were changes in the business environment, the labour supply and domestic demand. Changes in domestic and international demand and expectations about the future were relatively more important among firms that increased their number of employees, while changes in the business environment and labour supply were relatively more important where employment declined.

### DEMANDS, ENVIRONMENT AND PERCEPTIONS IMPACT ON HR MANAGEMENT

The share of respondents identifying motivations for changes in their workforce



Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

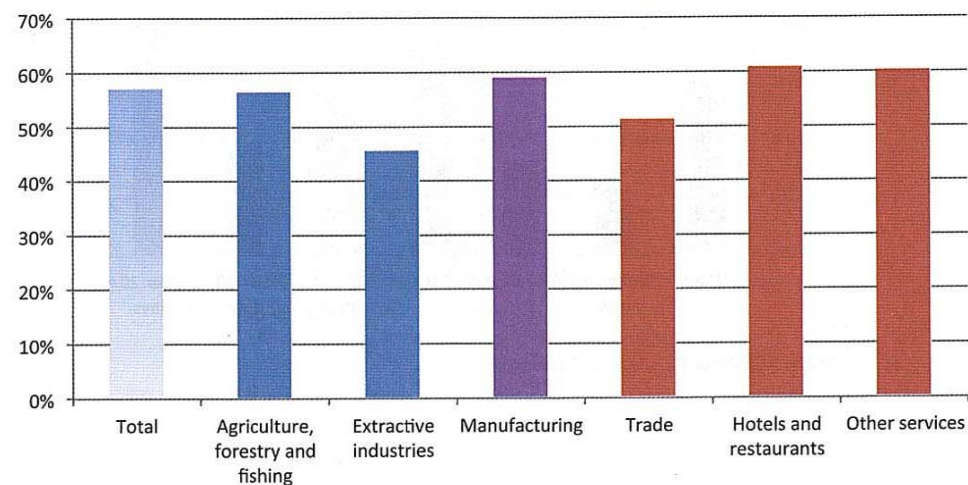
The present trends of firm expansion and job creation in Myanmar are most likely to give salary rise pressures to firms. Nearly 80% of the respondents indicated that they tried to provide their workforce higher wages than the market level in the past 3 years.

## Skill shortages are severe barrier to business operations

Nearly 60% of all respondents find skill shortages a major problem, with the highest shares of respondents in hotels and restaurants, other services and manufacturing among the major sectors. Extractive industries and traders, in contrast, face the least severe issues in finding the right skills. The share of respondents concerned about skill shortages in agriculture, forestry and fishing is similar and closer to the average. Among the subsectors, those firms in post and telecommunications, electrical machinery manufacturing, air transport, motor vehicle manufacturing, petroleum product manufacturing, supply of electricity, gas and water, computer related activities, mining of metal ores and chemical products manufacturing find it more difficult than the average to recruit skilled workers.

### SKILL SHORTAGES PERSIST IN ALL SECTORS

The share of respondents that find skill shortages as a major obstacle to business



Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

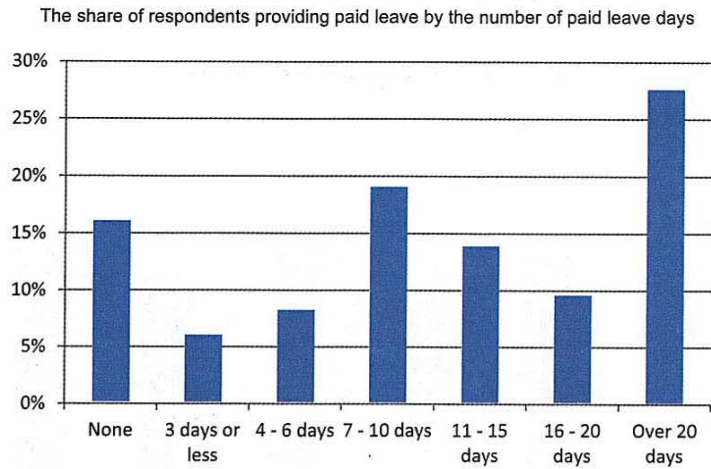
Computer and IT-related jobs are facing the most acute shortage of workers at the skilled, unskilled worker level and also in top management. Jobs requiring other technical skills or analytical thinking, creativity or initiative are also hard to fill. Across job categories, skilled as well as unskilled workers are in greatest shortage but firms would also like to see more interns in most job categories. At the other extreme, there is a relative abundance of people who master foreign languages, have good communications skills or experience in sales and customer service.

Overall, little investment is made to workforce development as over one-half of the respondents allocate no funding to training for the workforce. The majority of the respondents only provide in-house training to deal with skill shortages, providing a minimal USD 215 per employee per year.

## Non-wage benefits are relatively generous

Although about 15% of firms do not provide paid leave in addition to national holidays, a quarter of them provide over 20 days in line with practices in advanced economies. Nearly 10% of firms in the sample do not provide paid sick leave, but 25% provide 7-10 days and 20% over 20 days annually. Roughly 80% of firms cover medical expenses of employees which is a very high share comparable with developing-country standards with a firm size distribution like Myanmar's. In contrast, only 2% of firms provide pension schemes for their employees.

### PAID LEAVE IS NOT YET COMMON PRACTICE, THOUGH

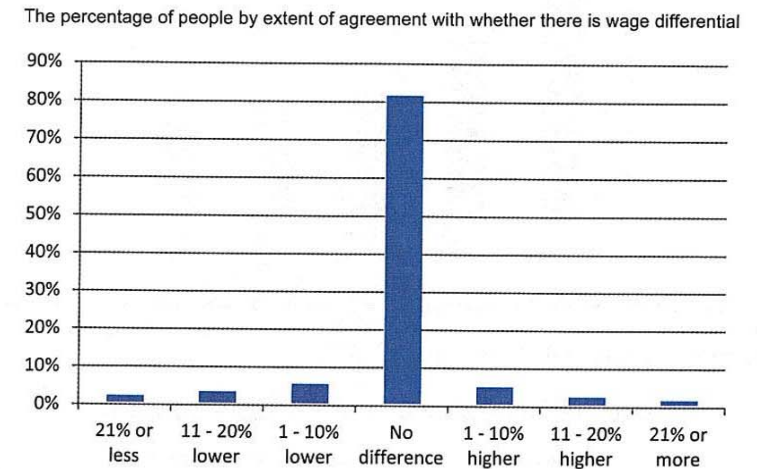


Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

## Women are well-positioned to run businesses in Myanmar

Over half of respondents do not think that it is more difficult for a woman than a man in Myanmar to run a business. Moreover, the pay gap appears to be non-existent between male and female employees, with over 80% of firms reporting that there is no wage gap among men and women in the same positions. Employment opportunities for women are also perceived as ranging from somewhat to very favourable by all overall respondents (84% of respondents) and slightly more so by female respondents (87% of female respondents).

### THERE IS NO WAGE GAP BETWEEN MEN AND WOMEN



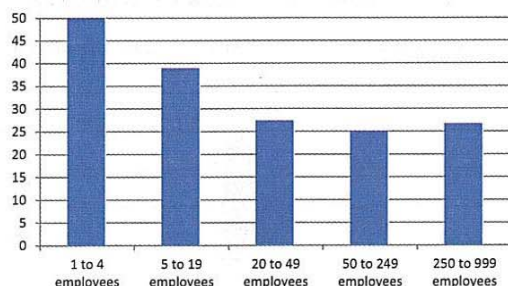
Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

## A few small firms tend to be very productive

Labour productivity, measured as gross revenue per worker, tends to be very high in some small firms and lower in medium-sized and large firms. Though the apparent high productivity of micro-enterprises seems to be driven by a few successful businesses and in fact there are only a few large firms with very low labour productivity.

### SMALLER FIRMS TEND TO BE MORE PRODUCTIVE

Median revenue per worker by firm size in lakh

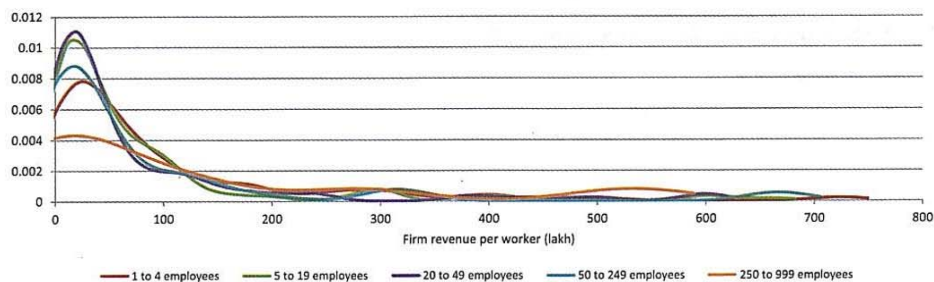


1. One lakh equals to 100 000 kyats or around USD 100. Firms with 1 000 and more workers were excluded due to a lack of sufficient data.

Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

### THERE ARE FEW LARGE FIRMS WITH VERY LOW PRODUCTIVITY

The distribution of firms in different sizes by labour productivity



1. Kernel distribution is applied. 1 lakh is 100 000 kyats or around USD 100. Labour productivity is expressed as gross revenue per worker in lakh. Firms in the overall top and bottom 5% of productivity were removed for visual clarity.

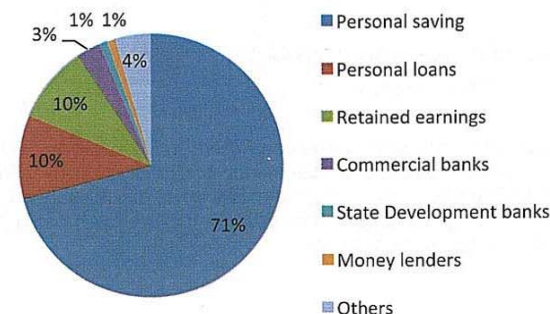
Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

## Over half of firms need more financing and roughly a third have external debts

On average, the respondents mobilize more than 80% of financial resources from informal financing such as personal savings and loans. Approximately 10% of financial needs are supported by internal financing (i.e. retained earnings). The share of institutional loans is low at 4% provided by both commercial banks and state development banks. Less than 1% of financing is made by money lenders. As expected, sophisticated financial instruments such as equity financing (e.g. corporate stocks), asset-based financing (e.g. factoring) and leasing are uncommon in Myanmar. Indeed, only a few firms are customers of banks in Myanmar with 27% not using banking services at all although 50% have a current account.

### FIRMS TEND TO PERSONALIZE FINANCIAL MANAGEMENT

The share of financing resources

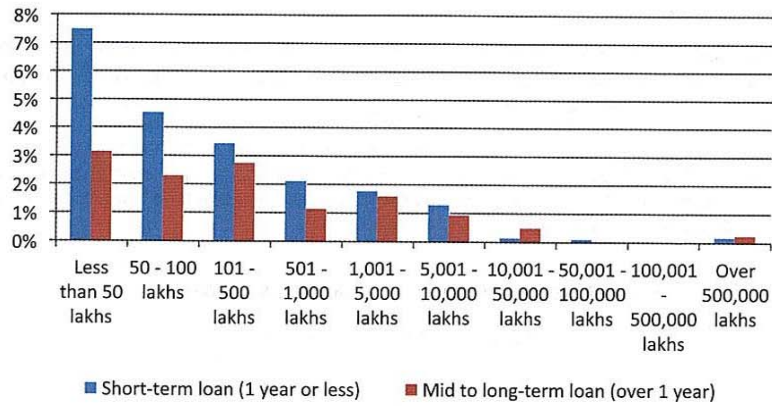


Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

Slightly over half of the respondents think that they do not have adequate financing in general (over 40% of the respondents do not need external loan) and 36% of firms have access to loans. More than 70% of the firms that borrow do so to finance expansion. Firms tend to borrow more to meet working capital needs than to invest which reflects the scarcity of long-term lending in Myanmar. The majority of the firms that borrow obtain loans worth less than USD 5 000 and there are only a handful of firms that borrow over USD 5 million. Most firms borrow at an average of around 13% interest rate, with the median interest rate of 13% which is the official lending rate and is regulated. Although 5% of firms pay a 2% interest rate on their loan and at the other extreme 5% of firms pay 30% which is the official lending rate by micro-finance institutions or credit cooperatives.

### FIRMS THAT HAVE ACCESS TO LOANS TEND TO BORROW SHORT TERM

The share of respondents with external debt by the size of their outstanding loans



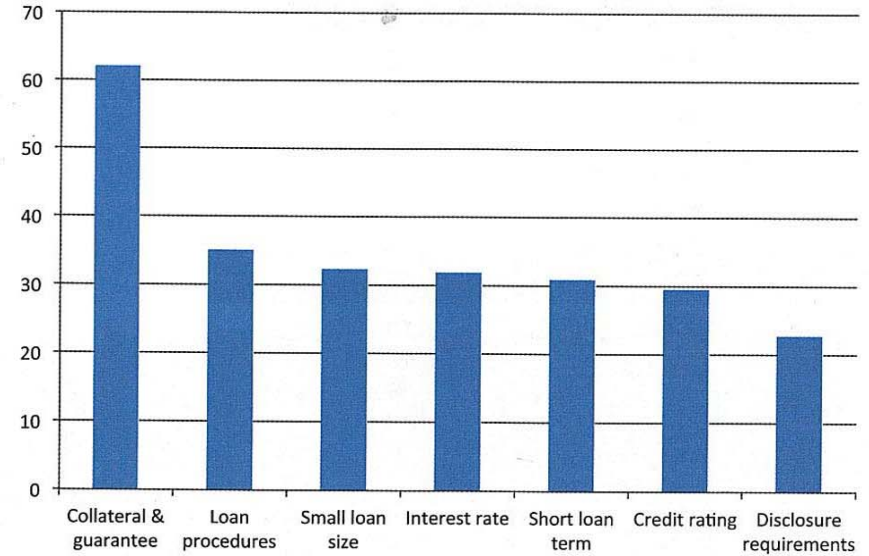
1. One lakh equals 100 000 kyats or around USD 100.

Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

The biggest obstructions to accessing institutional loans in Myanmar are unfavourable borrowing conditions such as stringent collateral requirements, complicated application procedures, small size of loans and high interest rates, while the lack of sophistication and needs at firms has discouraged the use of external financing. Interestingly, the quality of banking services is found to be less crucial to have access to formal loans.

### COLLATERAL IS THE BIGGEST OBSTACLE FOR ACCESS TO EXTERNAL FINANCING

The relative degree of major obstacles for external financing



1. The figure is developed based on distances from the mean value of 16 obstacles to obtain formal loans. Other variables include: Lack of understanding; Don't know banking services; Not interesting in borrowing; May not be approved; Lack of timely services; Less able to access loans; Financial statements; Poor services; and Distance to banks.

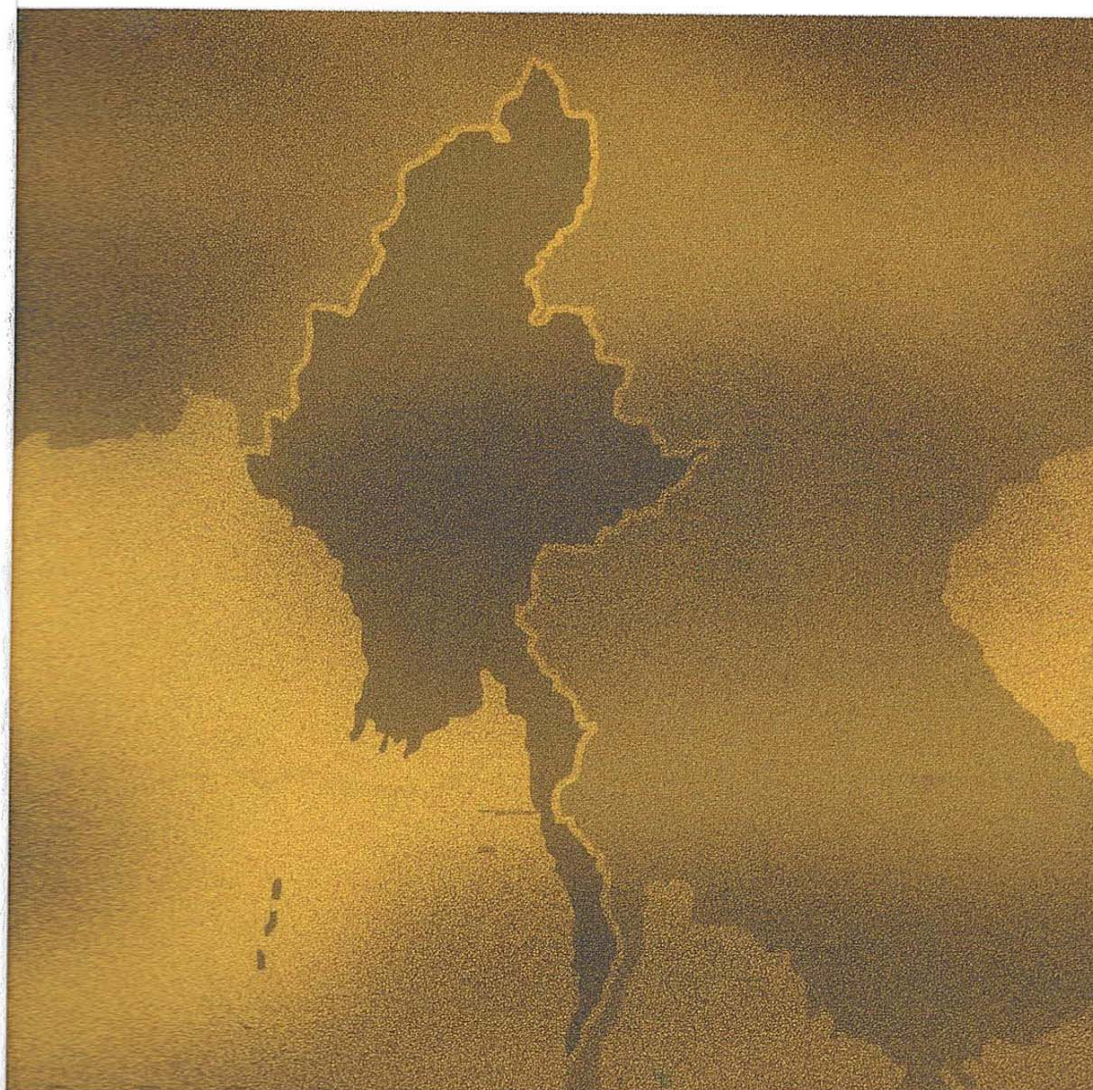
Source: OECD-UNESCAP-UMFCCI Business Survey 2014.

## Annex: The geographical distribution of samples

Township

Area ID	Region/State	Number of samples
AM 1	Hakha	33
	Kalay	68
	Falam	18
	Tamu	46
	Sub-total	<b>165</b>
AM2	Myitkyina	100
	Bhamo	30
	Lashio	100
	Muse	100
	Sub-total	<b>330</b>
AM3	Bago/Taungoo	100
	Pyay	99
	Magway	110
	Naypyidaw	74
	Myin Gyan	9
	Sub-total	<b>392</b>
AM4	Mandalay	428
	Naung - U	50
	Pyinoolwin	46
	Sagaing	24
	Monywa	42
Sub-total	<b>590</b>	
AM5	Yangon and Ayeyarwaddy	<b>960</b>
AM6	Loikaw	59
	Taunggyi	43
	Inlay	27
	Tachilek	50
	Kengtung	10
Sub-total	<b>189</b>	
AM7	Myawaddy	50
	Hpa-an	65
	Mawlamyaing	98
	Sittwe	55
	Kyaukphyu	26
	Dawei	52
	Kawthoung	44
Sub-total	<b>390</b>	
<b>Total</b>		<b>3016</b>

## Survey on Businesses in Myanmar





UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## **Annex II. Policy dialogue and advisory services**



**Mission Report**  
**Michele Boario and Tint Khine**  
**Leadership and MSME Development Training in Nay Pyi Taw**  
**"Fostering pro-poor and inclusive MSME development in Myanmar"**  
23-26 June 2014

<u>Date</u>	<u>Activities</u>	<u>Brief Description</u>	<u>UNIDO's action plan</u>
23-6-2014 (Monday)	Attending Leadership and SME development awareness training – Presentation/training by Mr. Michele Boario, Sr. MSME Expert, UNIDO	<ul style="list-style-type: none"> <li>- Training is jointly organized by SME Development Department of MOI, UNIDO, GIZ and FNF for senior officials of SME Department and DISI.</li> <li>- 30 participants from HQs and various States and Regions participated.</li> </ul>	<ul style="list-style-type: none"> <li>- To discuss with GIZ and FNF for future trainings.</li> <li>- To plan for future training programmes under project</li> </ul>
	Meeting with U Thant Sin, DG of DISI for cluster development action plan	<ul style="list-style-type: none"> <li>- UNIDO updated 2014-2015 action plan for cooperation with CDG</li> <li>- Seeking financial mobilization of UNIDO to support weaving and rubber cluster</li> <li>- DG agreed updated action plan</li> </ul>	<ul style="list-style-type: none"> <li>- To proceed action plan in cooperation with CDG</li> <li>- To confirm/update the status of financial mobilization of UNIDO to support weaving and rubber cluster</li> </ul>
24-6-2014 (Tuesday)	Meeting with MOI officials for the formulation of Myanmar Industrial Law	<ul style="list-style-type: none"> <li>- Briefed structural scope for the future implementation after law approval by MOI</li> <li>- Brief discussion on draft law prepared by MOI</li> <li>- Discussed UNIDO's support for the completion of law formulation within three months</li> <li>- UNIDO's request to MOI for scope of law, one focal person, and related policy documents of Myanmar</li> <li>- preparation of action plan by UNIDO</li> </ul>	<ul style="list-style-type: none"> <li>- To get requested information from MOI</li> <li>- To prepare action plan for future formulation process</li> <li>- To inform HQs and RO for support</li> </ul>
	Meeting with Deputy Director General of Small Scale Industries Department (SSID), Ministry of Coopeartives	<ul style="list-style-type: none"> <li>- UNIDO updated lacquer ware pilot cluster initiative in Bagan</li> <li>- UNIDO plan on lacquer ware exhibition in Italy</li> <li>- SSID proposed UNIDO for overseas study</li> </ul>	<ul style="list-style-type: none"> <li>- To discuss on proposed priority areas for future necessary support</li> </ul>

		tours - SSID proposed 4 priority areas: 1) lab equipment- estimated 7000 USD, technical assistance for design and dying process, capacity building, renovation of lacquer ware museum in Lacquer ware college in Bagan	
25-6-2014 (Wednesday)	Attending Leadership and SME development awareness training	- Closing ceremony	
26-6-2014 (Thursday)	Attending opening session of CDA training	- Opening ceremony	

The Republic of the Union of Myanmar  
Ministry of Industry  
Directorate of Industrial Supervision and Inspection

Reference - 02/SME(Cluster)/2014( 01 )

Date - 12 . 1 . 2014

Subject : To Cooperate with SME Cluster Development Group

Dear Mr Chin Pen Chua,

The Cluster Development Group(CDG), recently formed and guided by SME Working Committee, is working for SMEs development by Cluster-based Development Approach Methodology.

I am acting as the Leader of CDG. I am also the Director General of Directorate of Industrial Supervision and Inspection(DISI), Ministry of Industry.

Actually, CDG needs some helps and assistances by UNIDO, especially in SME development activities based on cluster development approach method.

I hope that you may advise and manage the followings:-

- (i) To help trainings for staff members
- (ii) To help SME cluster development policy
- (iii) To contribute SME cluster diagnostic studies
- (iv) To hold Cluster Development Seminars & Workshops

I would like you to hold a meeting with CDG in Nay Pyi Taw as soon as possible.

Please reply me through the e.mail at your convenience.

Best regards,



Soe Hlaing  
Director General  
Directorate of Industrial Supervision and Inspection

## UNIDO policy note n.1

Nay Pyi Taw, September 5, 2014

### Comments on draft IZs Law prepared by the Ministry of Industry

According to the Myanmar Framework for Economic and Social Reform, sustained industrialization is key to catch up with the global economy (42) and the industrial share of GDP should grow from 26% to 32% (47). The Industrial Zones (IZ) have been proved an effective tool in the industrial policy of neighboring countries and we do believe they can play a relevant role in Myanmar too. However, the current status of many Myanmar IZs is unsatisfactory due to lack of infrastructure, cost/availability of land, ineffective management and planning, limited business services and linking opportunities. Among other obstacles, the absence of a specific law has limited the possibility to address such issues until now. In this respect, the newly drafted Industrial Zones Law is a promising step to unchain Myanmar economic potential. Therefore we would like to prize the Ministry of Industry and DISI for taking the lead on this process and involving international organizations and DPs in the feedback exercise. The comments herein presented are just a preliminary reaction to the first draft. We are willing to provide further support to complete successfully the formulation of the new law.

#### General comments

- 1) The law should refer to a clear industrial strategy - export oriented and led by the private sector. The focus of the law should be on revitalizing/developing existing IZs with a high potential rather than creating new ones.
- 2) The law should encourage private sector development and public private partnerships for the industrial zone development and management, as well as linkages between foreign and local companies and clustering.
- 3) There should be a clear reference to existing laws such as the Special Economic Zones Law and Foreign Direct Investment Law.
- 4) Full ownership of the land would create a strong incentive for investors.
- 5) The English translation should be revised and improved. It is very important for potential foreign investors to have a clear understanding of how the IZs are regulated.

#### Specific suggestions

##### Chapter II

Some of the above mentioned general comments shall be included in this chapter.

4. a)(...) economic diversification, sustainable and inclusive development

b) (...) and cluster development

### Chapter III

It should be specified who is entitled to submit proposals to establish the Industrial Zone (Central Leading Body, Regions, etc.).

6. Industrial Zones characteristics (from a to h) should be better specified, for example what does it mean that electricity supply is good? Check for repetition (water) in b and g. What is the underlying industrial strategy?

7. There should be a reference to the SEZs law

### Chapter IV

The wording should be changed to put emphasis on the development of existing industrial zones.

The Central Leading Body should be entitled to issue rules and regulations to implement the law

9. a) IZs or SEZs?

10. a) (...) establishment or development and operations (...)

### Chapter VI

15. e) Unclear

h) To be completed

l) It should refer to rules and regulations

### Chapter VII

17. The Management Committee shall carry out cluster development initiatives for SME development, and programs to facilitate building linkages with foreign companies.

### Chapter IX

23. a) It should mention public private partnerships.

Foreigners should be allowed to be 100% developers (here the main country interest is building infrastructure).

#### Chapter X

31. 32. Unclear. What is a "sufficient reason to postpone completion of construction works" ? Shall be specified under rules and regulations ?

#### Chapter XI

Specific and additional incentives should be granted to foreign companies and local SMEs willing to build linkages.

#### Chapter XIII

More should be explained on how the funds are created.

47. b) Unclear.

#### Chapter XV

Are there different rights and obligations for foreign companies, JV and local investors ? This chapter should provide very clear indication with reference to the land lease.

54. Unclear

55. b) Unclear

d) Explain better "sufficient reason" (it could be explained under rules and regulations).

56. Clarify the role of the IZ bodies and other authorities in implementing this article.

#### Chapter XVII

It should include also "Animal and Plant Quarantine" and concerned departments such as Department of Agriculture, Livestock Breeding and Veterinary .

## Chapter XIX

66. Translate "Lakh"

### **UNIDO policy note n.2**

**Yangon, September 30, 2014**

#### **Comments on the draft SME policy document prepared by the Myanmar Ministry of Industry in coordination with the Union of Myanmar Federation of Chambers of Commerce and Industry**

The important contribution that small and medium enterprises (SMEs) can make to poverty reduction, employment and private sector development has been emphasized by the Framework for Economic and Social Reforms and the Comprehensive National Development Plan. SMEs can offer a vehicle for acquiring and applying skills to raise productivity and private sector growth, providing better wage-earning opportunities for the poor while raising national income and foster the development of the country.

However, many Myanmar SMEs are unable to grow and improve their competitiveness due to lack of skilled labor, access to finance, weak infrastructure, poor business regulatory environment, limited business services and linking opportunities. Among other obstacles, the absence of a specific SME policy framework has limited the possibility to address such issues until now. In this respect, the newly drafted policy document is an important step to create an enabling environment to foster SME development.

Therefore we would like to prize the Myanmar authorities for taking the lead on this process and involving UMFCCI, international organizations and DPs in the feedback exercise. The comments herein presented are just a preliminary reaction to the first draft. We are willing to provide further support to complete successfully the formulation of the SME policy document.

This note is focused on chapter VI, and in particular on business development services (BDS) as per request from the drafting committee.

BDS include training, consultancy and advisory services, marketing assistance, information, technology development and transfer, and business linkage promotion. A distinction is sometimes made between "operational" and "strategic" business services. Operational services are those needed for day-to-day operations, such as information and communications, management of accounts and tax records, and compliance with labor laws and other regulations. Strategic services, on the other hand, are used by the enterprise to address medium- and long-term issues in order to improve the performance of the enterprise, its access to markets, and its ability to compete. For example, strategic services can help the enterprise to identify and service markets, design products, set up facilities, and seek financing.

BDS can be provided by both public and private actors. However there is a strong international evidence showing that the objectives of outreach and sustainability can only be achieved in well-developed markets for BDS, and not by direct provision by governments. Therefore we suggest to shift the focus of the SME policy away from direct provision of BDS, toward the **facilitation** of BDS market development (the increase in the demand and supply of services).

## I. General comments

Being a policy framework, the document should define "policy" as a **statement of intent** to guide decisions and actions to achieve outcomes consistent with an overarching SME strategy. Policy differs from rules or law. While law can compel or prohibit behaviors (e.g. a law requiring the payment of taxes on income), policy merely guides actions toward those that are most likely to achieve a desired outcome.

## II. Specific comments

Chapter VI

### 13. Introduction

It should be rephrased: " All relevant government bodies should coordinate and concur in helping SMEs gaining benefits from FDIs, carrying out the following:".

Three policy intents should be added to the list:

- (b) Identifying specific incentives and programmes to encourage the creation of long term linkages between FDI and SMEs
- (c) Facilitating market development for business development services
- (d) Supporting cluster development initiatives to foster SMEs competitiveness

### 16. Business Development Services

The SME Agency and other relevant government bodies should facilitate the BDS market development through:

- (a) BDS market assessment to benchmark the stage of development of BDS markets, identify existing or potential BDS providers to work with, and measure progress in expanding the demand and supply of services and the range of products available. Focusing on the specific service to be supplied, the characteristics of the target market, and existing or potential competitors. For both BDS facilitators and BDS providers, the relevant "BDS market" will need to be defined according to the specific type of service, target clientele, and geographical coverage.



- (b) Designing interventions to develop BDS markets with support from international agencies. Providing information to raise SMEs awareness of the potential benefits of BDS and incentives to try them such as vouchers and matching grants. Introducing new models of doing business and developing new products and services, as well as technical assistance, training and other capacity-building for BDS providers. Strengthening business-to-business linkages and quality assurance that builds client confidence in services being offered.
- (c) Encouraging BDS providers to design payment mechanisms that are appropriate to the local situation and the characteristics of their customers.
- (d) Offering short term subsidies to develop the BDS markets in areas such as information, dissemination of best practices and technologies, human resource development, research and development and quality assurance. Consistent with the temporary nature of subsidies, BDS interventions should have a clear exit strategy defined from the beginning.
- (e) Measuring and assessing SMEs performance, social and economic impact, institutional performance and market development.
- (f) Advocating for a better policy environment for the local BDS market.

### **UNIDO policy note n.3**

**Yangon, October 09, 2014**

#### **Comments on the draft Industrial Law prepared by the Myanmar Ministry of Industry**

The structure of Myanmar economy is still based on agriculture and the level of productivity is lower than the average in the region (yearly output for worker is around 1,500 USD in Myanmar, while the same indicator is around 7,000 USD in Thailand). In order to support growth and poverty reduction, there is a strong need for structural change from agriculture to industry (where productivity is higher). Among other obstacles, the absence of a specific industrial law has limited the possibility to support the structural change until now. In this respect, the newly drafted Industrial Law is a promising step to unchain Myanmar economic potential. Therefore we would like to prize the Ministry of Industry for taking the lead on this process and involving international organizations and DPs in the feedback exercise. The comments herein presented are just a preliminary reaction to the first draft. We are willing to provide further support to complete successfully the formulation of the new law.

#### **I. General Comments**

The formulation of the industrial law should be led by a clear industrial strategy and objectives set considering the Myanmar industrial development potential and the goals of the National Comprehensive Development Plan and the Framework for Economic and Social Reforms. In order to clarify the development purpose of the law, the title should be "Industrial Development Law".

In the current draft version there are some overlaps and inconsistencies with other laws, such as the industrial zone law, the Foreign Investment Law, and others. Any new law/policy needs to be coordinated with relevant stakeholders and harmonized with other laws and policies.

The industrial law and the industrial zone law need to be either (a) be merged, with industrial zones being an instrument for industrial development or (b) closely be coordinated. Currently, there are too many overlaps and implementation will be difficult without corrective action.

The current draft reflects a too hierarchical governance structure and sets too many administrative burdens for enterprises (e.g. registration, industrial permit, restrictions on employment, etc.). On the contrary, an advanced industrial law should focus on enabling industrialization rather than restricting it. Registration is already defined in other laws and should not be defined again, industrial permits are in general not necessary, restrictions on foreign investment should solely be put into the foreign investment law.

The promotion of industrial development should be organized as a continuous learning process that allows experimenting based on collective search and an intensive exchange between government and the private sector. It is necessary to monitor and evaluate progress and results and to decide to continue, expand, reduce or cancel measures for the promotion of industrial development. The industrial law and the industrial policy should institutionalize such a learning process. There are currently too many priorities, ultimately the risk is to have no priorities at all. The abovementioned strategy process would be crucial to identify a limited number of realistic and coherent priorities.

A broader note with specific comments will follow.



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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### **Annex III. Capacity building**

# Myanmar

## BUSINESS AND DEVELOPMENT WEEK

23-27 September 2013 | Yangon | Myanmar

Venue: The Union of Myanmar Federation of Chambers of Commerce and Industry  
No.29, Min Ye Kyawswa Road, Lanmadaw Township



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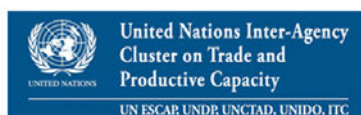
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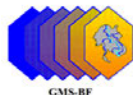
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# Myanmar

## BUSINESS AND DEVELOPMENT WEEK

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### Overview

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Against the backdrop of Myanmar's recent and ongoing fast pace of political and economic liberalization and increased level of openness towards the international community, the Government of Myanmar is seeking to keep this positive momentum going. In order to do so, the Myanmar Government has rightly recognized the importance of the private sector as an integral part for Myanmar's further socio-economic development, particularly the catalytic potential of business and investment as contributing forces for sustainable and inclusive growth, employment creation, including for women and youth, income generation and poverty alleviation. It is against this backdrop that ESCAP secretariat, ESCAP Business Advisory Council (EBAC) and the United Nations Trade and Productive Capacity Cluster are organizing the five-day Myanmar Business and Development Week with and at the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) in Yangon from 23 to 27 September 2013.

This event would provide a very timely and needed opportunity to convene a number of Myanmar-focused technical workshops with business representatives, government officials, representatives from international agencies and civil society organizations, and academics. The participants would have the opportunity to strengthen their skills and increase their knowledge in all matters pertinent to business, trade and investment through numerous sessions conducted by professionals and experts. Furthermore, participants can build new and strengthen already existing networks and actively engage with other participants, professionals and experts over the course of the week.

### Objective

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This very first Myanmar Business and Development Week is primarily aiming to further build and strengthen the capacity of Myanmar's private sector and equip the Government of Myanmar with the appropriate tools and knowledge to create a supportive business environment and implement business, trade and investment policies, strategies and actions, all in support of Myanmar's inclusive and sustainable development. While ESCAP secretariat, EBAC and the United Nations Trade and Productive Capacity Cluster are the key driving forces in organizing the Week, generous and primary financial support is coming from the Government of Japan and the Government of the Republic of Korea (ROK).

ESCAP has technical expertise, country specific and contextual knowledge with regards to the business, trade and investment environment in Myanmar. This was further supported by recent missions undertaken by ESCAP to Myanmar with OECD and with partners of the United Nations Trade and Productive Capacity Cluster (i.e. ITC, UNIDO and UNCTAD), focusing on advisory services in the areas of foreign direct investments, SME development and a review of the existing business environment. Furthermore, the Week is an excellent opportunity to complement ESCAP's work in the area of private sector development in region. With the kind and generous support from the Government of Japan, ESCAP can look back over two decades of active involvement in fostering private sector development in the Greater Mekong Subregion (GMS), including Myanmar. Now, with its ongoing project of Business for Development: "Capacity building of SMEs in the Greater Mekong Subregion for their effective penetration into regional and global markets," ESCAP is trying to promote cross-border production linkages and thereby supporting Myanmar's businesses to access new markets.

## Themes and Topics

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The sessions are structured around themes, namely “Unleashing Myanmar’s Potential,” “Creating Value at Home and Abroad,” “Strategies for an Inclusive and Sustainable Private Sector,” “Clusters, Technology and Innovation,” and “Enhancing Competitiveness” and will cover the following topics:

- Effective FDI Policies and Strategies for Inclusive and Sustainable Development
- Entrepreneurship Development for SMEs
- Development of a National Export Strategy
- Promotion of Techno-entrepreneurship and Technology Innovation to enhance SME competitiveness: Best Practices
- National Innovation Systems – Policies, Institutional framework, and programmes to enhance the technological capacity of SMEs
- Business Model Development for Rural Enterprises
- Introduction to Incoterms, Arbitration and Trade Tools
- Designing Supply Chains for Success
- Overcoming Non-Tariff Barriers – The Role of Quality and Standards
- Corporate Governance and Corporate Sustainability
- Global Value Chains and Enterprise Clusters
- Women Entrepreneurship in Agro-Business
- Role of Special Economic Zones for Myanmar’s SMEs
- How to Develop a Competitive Garment Industry
- Access to Finance: How to Fuel Myanmar's Growth
- Implications of Regional Integration for Business, Focusing on Physical Connectivity
- Implications of Regional Integration for Business, Focusing on Media Connectivity
- Adapting Myanmar's Laws for Integration into the Global Economy
- Leveraging Digital Technologies for Business in the Knowledge Economy

*In addition to the Week, UMFCCI is hosting a briefing on “Proposal of Interagency Assistance in the Area of Trade and Related Issues in Myanmar” organized by the UN Inter-Agency Cluster on Trade and Productive Capacity on Wednesday, 25 September 2013, 17:00-18:00 at Room 6, 3rd floor at UMFCCI. More information about the cluster can be found at: [http://unctad.org/en/Pages/TC/TC\\_United-Nations-Inter-Agency-Cluster.aspx](http://unctad.org/en/Pages/TC/TC_United-Nations-Inter-Agency-Cluster.aspx)*

## Partners

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For the Week itself, UN Trade and Productive Capacity Cluster and EBAC will collaborate with ESCAP and its newly established Regional Technical Support Office located in Yangon and the Asian and Pacific Centre for Transfer of Technology (APCTT), New Delhi, in organizing various sessions. Also, in aspiring to create synergetic effects and organizing an impactful event, the Week is supported by GIZ, JICA, International Chamber of Commerce (ICC), World Association for Small and Medium Enterprises (WASME), Korea Eximbank and the GMS Business Forum. At the local level, ESCAP is engaging with the following principal stakeholders for the purpose of the Myanmar Business and Development Week:

- Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI);
- Ministry of National Planning and Economic Development;
- Ministry of Industry;
- Ministry of Commerce;
- UN Country Team in Myanmar.

In addition, active involvement and participation of the following ministries in the training week is sought:

- Ministry of Hotels and Tourism;
- Ministry of Cooperatives;
- Ministry of Agriculture and Irrigation;
- Ministry of Transport;
- Ministry of Rail Transportation
- Ministry of Labour;
- Ministry of Science and Technology.

All together, with a diverse range of participants, cooperating agencies, local stakeholders and financial support from Japan and the Republic of Korea, the Week has great potential to be a catalyst for investment in Myanmar from Asia-Pacific and beyond in support of inclusive and sustainable development of the country.



# MYANMAR BUSINESS AND DEVELOPMENT WEEK IN YANGON, MYANMAR

Monday 23 – Friday 27 September 2013

## PROGRAMME OVERVIEW

MONDAY, 23 SEPTEMBER 2013			TUESDAY, 24 SEPTEMBER 2013		
Time	<i>Unleashing Myanmar's Potential</i>		Time	<i>Creating Value at Home and Abroad</i>	
08:15-08:45	REGISTRATION		08:00-08:30	REGISTRATION	
08:45-09:30	OPENING SESSION		08:30-09:00	2 <sup>nd</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC Member Mr. Peter Charlton)	
09:30-10:00	1 <sup>st</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC Member Dr. Sailendra Narain)		09:00-10:30	SESSION # 3 Access to Finance: How to Fuel Myanmar's Growth (Economic Development Cooperation Fund)	SESSION # 4 Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness: Best Practices (APCTT, Skyquest Technology, Charlton Group)
10:00-10:30	PHOTO SESSION AND NETWORKING BREAK		10:30-11:00	COFFEE AND NETWORKING BREAK	
10:30-12:30	SHOWCASE OF MYANMAR'S MOST PROMISING YOUNG BUSINESSES AND ENTREPRENEURS (UMFCCI/MYEA/GIZ)		11:00-12:30	SESSION # 3 (cont'd) Access to Finance: How to Fuel Myanmar's Growth (The Export-Import Bank of Korea)	SESSION # 4 (cont'd) Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness: Best Practices (APCTT, Skyquest Technology, Charlton Group)
12:30-13:30	LUNCH BREAK		12:30-13:30	LUNCH BREAK	
13:30-15:00	SESSION # 1 Effective FDI Policies and Strategies for Inclusive and Sustainable Development (ESCAP/OECD/UNCTAD)	SESSION # 2 Entrepreneurship Development for SMEs (GIZ/WUSME/CESMED)	13:30-15:00	SESSION # 5 National Innovation Systems – Policies, Institutional Framework and Programmes to Enhance the Technological Capacity of SMEs (APCTT)	SESSION # 6 Business Model Development for Rural Enterprises (ESCAP/WASME/WUSME/CESMED)
15:00-15:30	NETWORKING AND COFFEE BREAK		15:00-15:30	NETWORKING AND COFFEE BREAK	
15:30-17:00	SESSION # 1 (cont'd) Effective FDI Policies and Strategies for Inclusive and Sustainable Development (ESCAP/OECD/UNCTAD)	SESSION # 2 (cont'd) Entrepreneurship Development for SMEs (GIZ/WUSME/CESMED)	15:30-17:00	SESSION # 5 (cont'd) National Innovation Systems – Policies, Institutional Framework and Programmes to Enhance the Technological Capacity of SMEs (APCTT)	SESSION # 6 (cont'd) Business Model Development for Rural Enterprises (ESCAP/WASME/WUSME/CESMED)

WEDNESDAY, 25 SEPTEMBER 2013			THURSDAY, 26 SEPTEMBER 2013			FRIDAY, 27 SEPTEMBER 2013		
Time	<i>Strategies for an Inclusive and Sustainable Private Sector</i>		Time	<i>Clusters, Technology and Innovation</i>		Time	<i>Enhancing Competitiveness</i>	
08:00-08:30	REGISTRATION		08:00-08:30	REGISTRATION		08:00-08:30	REGISTRATION	
08:30-09:00	3 <sup>rd</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC Member Mr. Oudet Souvannavong)		08:30-09:00	4 <sup>th</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC Member Mr. Asif Ibrahim)		08:30-09:00	5 <sup>th</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC Member Ms. Barbara Meynert)	
09:00-10:30	SESSION # 7 Global Value Chains and Enterprise Clusters (UNIDO/GIZ)	SESSION # 8 Designing Supply Chains for Success (ESCAP/AMEICC/UMFCCI / GMS-BF)	09:00-10:30	SESSION # 11 Introduction to ICC Trade Tools: Incoterms, Arbitration and ICC Model Contracts (ICC)	SESSION # 12 Women Entrepreneurship in Agro-Business (WASME/MWEA/ESCAP)	09:00-10:30	SESSION # 15 Development of a National Export Strategy (ITC)	SESSION # 16 A Implications of Regional Integration for Business, Focusing on Physical Connectivity (Board of Trade of Thailand)
10:30-11:00	COFFEE AND NETWORKING BREAK		10:30-11:00	COFFEE AND NETWORKING BREAK		10:30-11:00	COFFEE AND NETWORKING BREAK	
11:00-12:30	SESSION # 7 (cont'd) Global Value Chains and Enterprise Clusters (UNIDO/GIZ)	SESSION # 8 (cont'd) Designing Supply Chains for Success (ESCAP/AMEICC/UMFCCI / GMS-BF)	11:00-12:30	SESSION # 11 (cont'd) Introduction to ICC Trade Tools: Incoterms, Arbitration and ICC Model Contracts (ICC)	SESSION # 12 (cont'd) Women Entrepreneurship in Agro-Business (WASME/MWEA/ESCAP)	11:00-12:30	SESSION # 15 (cont'd) Development of a National Export Strategy (ITC)	SESSION # 16 B (cont'd) Implications of Regional Integration for Business, Focusing on Media Connectivity (The Nation)
12:30-13:30	LUNCH BREAK		12:30-13:30	LUNCH BREAK		12:30-13:30	LUNCH BREAK	
13:30-15:00	SESSION # 9 Overcoming Non-Tariff Barriers – The Role of Quality and Standards (UNIDO)	SESSION # 10 Corporate Governance and Corporate Sustainability (UNIDO/ OECD)	13:30-15:00	SESSION # 13 Role of Special Economic Zones for Myanmar's SMEs (JICA)	SESSION # 14 Building Competitive Industries – Lessons Learnt from Bangladesh (ICC Bangladesh)	13:30-15:00	SESSION # 17 Adapting Myanmar's Laws for Integration into the Global Economy (Jones Day)	SESSION # 18 Leveraging Digital Technologies for Business in the Knowledge Economy (Fung Global Institute/Business Lab at HKU Business School)
15:00-15:30	NETWORKING AND COFFEE BREAK		15:00-15:30	NETWORKING AND COFFEE BREAK		15:00-15:30	NETWORKING AND COFFEE BREAK	
15:30-17:00	SESSION # 9 (cont'd) Overcoming Non-Tariff Barriers – The Role of Quality and Standards (UNIDO)	SESSION # 10 (cont'd) Corporate Governance and Corporate Sustainability (UNIDO/ OECD)	15:30-17:00	SESSION # 13 (cont'd) Role of Special Economic Zones for Myanmar's SMEs (JICA)	SESSION # 14 (cont'd) Building Competitive Industries – Lessons Learnt from Bangladesh (ICC Bangladesh)	15:30-17:00	SESSION # 17 (cont'd) Adapting Myanmar's Laws for Integration into the Global Economy (Jones Day)	SESSION # 18 (cont'd) Leveraging Digital Technologies for Business in the Knowledge Economy (Fung Global Institute/Business Lab at HKU Business School)
17:00-18:00	<b>BRIEFING ON THE PROPOSAL OF INTERAGENCY ASSISTANCE IN THE AREA OF TRADE AND RELATED ISSUES IN MYANMAR</b> organized by the United Nations Trade and Productive Capacity Cluster Room 6 (3rd floor of UMFCCI)					17:00-17:30	CERTIFICATE AND CLOSING CEREMONY	

## PROGRAMME DETAILS

Monday, 23 September 2013

<b><i>Unleashing Myanmar's Potential</i></b>	
08:15 – 08:45	REGISTRATION
08:45 – 09:30	OPENING SESSION  <b>Mr. Marc Proksch</b> , Chief, Business and Development Section Trade and Investment Division, ESCAP  <b>H.E. U Win Myint</b> , Union Minister, Ministry of Commerce  <b>H.E. U Maung Myint</b> , Union Minister, Ministry of Industry  <b>H.E. Mr. Mikio Numata</b> , Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar  <b>Mr. Chote Sophonpanich</b> , EBAC Vice Chairman and Executive Chairman of Green Spot (Thailand) Co. Ltd. and Chairman of Krungdhep Sophon Public Company Ltd.  <b>Mr. U Win Aung</b> , President of UMFCCI
09:30 – 10:00	1 <sup>st</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL  <b>Dr. Sailendra Narain</b> , Chair, EBAC Task Force on MSMEs & Entrepreneurship in Business & Development and Chairman, Centre for SME Growth & Development Finance (CESMED)
10:00 – 10:30	PHOTO SESSION AND NETWORKING BEAK
10:30 – 12:30	SHOWCASE OF MYANMAR'S MOST PROMISING YOUNG BUSINESSES AND ENTREPRENEURS  Moderator: <b>Ms. Irina Scheffmann</b> , Head of Programme, GIZ Myanmar  <b>Ms. Thinn Thinn Sett</b> , Director, Pyrex Trading Co., Ltd cum Joint Secretary of Myanmar Young Entrepreneurs Association (MYEA)  <b>Ms. Cho Thiri Maung</b> , Managing Director, Malikha Power Engineering Ltd cum Central Executive Committee Member, MYEA  <b>Mr. Pyae Sone Oo</b> , Executive Director, True Vision Co., Ltd & Infinity Innovation Co., Ltd and Executive Committee Member, MYEA  <b>Mr. Aung Chit Khin</b> , Managing Director, ACK & Co. Services Co., Ltd and Executive Committee Member, MYEA  <b>Mr. Htun Htun Naing</b> , Managing Director, Blue Ocean Operating Management Co., Ltd and Executive Committee Member, MYEA  <b>Ms. Khine Zar Myint</b> , Director, Earth Trading Co., Ltd and Executive Committee Member, MYEA
12:30 – 13:30	LUNCH BREAK

<p>13:30 - 15:00</p>	<p style="text-align: center;"><b>SESSION # 1</b> Effective FDI Policies and Strategies for Inclusive and Sustainable Development</p> <p><b>Mr. Marc Proksch</b>, Chief, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><u>Topic</u> Effective FDI Policies and Strategies for Inclusive and Sustainable Development</p> <p><u>Audience</u> Policy makers from relevant ministries and private sector</p>	<p style="text-align: center;"><b>SESSION # 2</b> Entrepreneurship Development for SMEs</p> <p><b>Ms. Irina Scheffmann</b>, Head of Programme, GIZ Myanmar</p> <p><u>Outline</u> 13:30-13:45: Opening Remarks by the <b>Ms. Daw Aye Aye Win</b>, Director, SME Department, Ministry of Industry</p> <p>13:45-14:15: Presentation of GIZ Programme on Entrepreneurship Promotion</p> <p>14:15-15:00: Group Discussion on Needs of Entrepreneurs in Myanmar</p> <p>Q&amp;A</p> <p><u>Audience</u> Policy makers from relevant ministries and private sector</p>
<p>15:00 - 15:30</p>	<p><b>NETWORKING AND COFFEE BREAK</b></p>	
<p>15:30 - 17:00</p>	<p style="text-align: center;"><b>SESSION # 1 (cont'd)</b> Effective FDI Policies and Strategies for Inclusive and Sustainable Development</p> <p><b>Mr. Andrea Goldstein</b>, Head, Global Relations, Investment Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p><u>Topic</u> Making Investment Work for Development: The OECD Contribution</p> <p><b>Mr. Hassan Qaqaya</b>, Head, Competition Law and Consumer Policies Branch, UNCTAD</p> <p><u>Topic</u> Competition law and policy for mobilizing investment and enhancing competitiveness</p> <p><u>Audience</u> Policy makers from relevant ministries and private sector</p>	<p style="text-align: center;"><b>SESSION # 2 (cont'd)</b> Entrepreneurship Development for SMEs</p> <p><b>Dr. J.S. Juneja</b>, Vice President, World Union of Small &amp; Medium Enterprises (WUSME)</p> <p>Discussant: <b>Dr. Sailendra Narain</b>, Chair, EBAC Task Force on MSMEs &amp; Entrepreneurship in Business &amp; Development and Chairman, Centre for SME Growth &amp; Development Finance (CESMED)</p> <p><u>Outline</u> "Stimulating Enterprise in Myanmar."</p> <ul style="list-style-type: none"> <li>• The concept of entrepreneurship</li> <li>• Successful experiences, its relevance to Myanmar</li> <li>• Factors stimulating enterprise development</li> </ul> <p><u>Audience</u> Policy makers from relevant ministries and private sector</p>

Tuesday, 24 September 2013

<b><i>Creating Value at Home and Abroad</i></b>			
08:00 – 08:30	REGISTRATION		
08:30 – 09:00	2 <sup>nd</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC) EBAC Member <b>Mr. Peter Charlton</b> , Chairman, Charlton Group		
09:00 – 10:30	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">SESSION # 3 Access to Finance: How to Fuel Myanmar's Growth</p> <p><b>Mr. Sung-hoon Hong</b>, Director General, EDCF Planning Group, Korea Eximbank</p> <p><u>Topic</u> Activities and programmes of the Economic Development Cooperation Fund (EDCF); Korea's main foreign aid facility</p> <p>Discussant: <b>Mr. Raghu Narain</b>, Managing Director, Global Industrials Group</p> <p><u>Audience</u> Policymakers, state owned enterprises and private sector</p> </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">SESSION # 4 Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness: Best Practices</p> <p><b>Mr. Michael Williamson</b>, Head, APCTT</p> <p><b>Mr. N. Srinivasan</b>, In-Charge, Innovation Management, APCTT</p> <p><b>Mr. Akash Bhavsar</b>, Managing Director, SkyQuest Technology and EBAC member</p> <p><u>Outline</u> 09:00-09:10: Opening Remarks by <b>Mr. Michael Williamson</b>, Head of APCTT</p> <p>09:10-09:30: Technology Innovation and Financing by <b>Mr. N. Srinivasan</b>, In-Charge, Innovation Management, APCTT</p> <p>09.30-10.30: Techno-Entrepreneurship – A tool for SMEs to capture competitive market globally, by <b>Mr. Akash Bhavsar</b>, Managing Director, SkyQuest Technology</p> <p><u>Audience</u> Policymakers and private sector</p> </td> </tr> </table>	<p style="text-align: center;">SESSION # 3 Access to Finance: How to Fuel Myanmar's Growth</p> <p><b>Mr. Sung-hoon Hong</b>, Director General, EDCF Planning Group, Korea Eximbank</p> <p><u>Topic</u> Activities and programmes of the Economic Development Cooperation Fund (EDCF); Korea's main foreign aid facility</p> <p>Discussant: <b>Mr. Raghu Narain</b>, Managing Director, Global Industrials Group</p> <p><u>Audience</u> Policymakers, state owned enterprises and private sector</p>	<p style="text-align: center;">SESSION # 4 Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness: Best Practices</p> <p><b>Mr. Michael Williamson</b>, Head, APCTT</p> <p><b>Mr. N. Srinivasan</b>, In-Charge, Innovation Management, APCTT</p> <p><b>Mr. Akash Bhavsar</b>, Managing Director, SkyQuest Technology and EBAC member</p> <p><u>Outline</u> 09:00-09:10: Opening Remarks by <b>Mr. Michael Williamson</b>, Head of APCTT</p> <p>09:10-09:30: Technology Innovation and Financing by <b>Mr. N. Srinivasan</b>, In-Charge, Innovation Management, APCTT</p> <p>09.30-10.30: Techno-Entrepreneurship – A tool for SMEs to capture competitive market globally, by <b>Mr. Akash Bhavsar</b>, Managing Director, SkyQuest Technology</p> <p><u>Audience</u> Policymakers and private sector</p>
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10:30 – 11:00	NETWORKING AND COFFEE BREAK		

<p>11:00 – 12:30</p>	<p style="text-align: center;">SESSION # 3 (cont'd) Access to Finance: How to Fuel Myanmar's Growth</p> <p><b>Mr. Yun Kwan Lee</b>, Director, Infrastructure Finance Department, Korea Eximbank</p> <p>Discussant: <b>Mr. Raghu Narain</b>, Managing Director, Global Industrials Group</p> <p><u>Outline</u> 11.00 – 11.30: Developing opportunities with Korea Eximbank</p> <p>11.30 – 12.30: Discussions</p> <p><u>Audience</u> Policymakers, state owned enterprises and private sector</p>	<p style="text-align: center;">SESSION # 4 (cont'd) Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness: Best Practices</p> <p><b>Dr. Promwong Kitipong</b>, National Science, Technology and Innovation Policy Office, Ministry of Science and Technology, Government of Thailand</p> <p><b>Resource person from the Government of India</b> (tbc)</p> <p><b>Mr. Peter Charlton</b>, Chairman, Charlton Group and Chair, EBAC Task Force on Banking and Finance</p> <p><b>Mr. Akash Bhavsar</b>, Managing Director, SkyQuest Technology and EBAC member</p> <p><u>Outline</u> Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness – Best Practices of Thailand, by <b>Dr. Promwong Kitipong</b>, National Science, Technology and Innovation Policy Office, Ministry of Science and Technology, Government of Thailand</p> <p>Promotion of Techno-entrepreneurship and Technology Innovation to Enhance SME Competitiveness – Best Practices of India – <b>Resource person from the Government of India</b> (tbc)</p> <p>How ICT will enhance the role of SMEs in Myanmar, by <b>Mr. Peter Charlton</b>, Chairman, Charlton Group</p> <p>Case Study:- Growth Journey of Techno entrepreneur, by <b>Mr. Akash Bhavsar</b>, Managing Director, SkyQuest Technology</p> <p><u>Audience</u> Policymakers and private sector</p>
<p>12:30 – 13:30</p>	<p>LUNCH BREAK</p>	
<p>13:30 – 15:00</p>	<p style="text-align: center;">SESSION # 5 National Innovation Systems – Policies, Institutional Framework and Programmes to Enhance the Technological Capacity of SMEs</p> <p><b>Mr. Michael Williamson</b>, Head, APCTT</p> <p><b>Mr. N. Srinivasan</b>, In-Charge, Innovation Management, APCTT</p> <p><b>Mr. Andrea Goldstein</b>, Head, Global Relations, Investment Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p><b>Dr. Promwong Kitipong</b>, National Science, Technology and Innovation Policy Office, Ministry of Science and Technology, Government of Thailand, Bangkok</p>	<p style="text-align: center;">SESSION # 6 Business Model Development for Rural Enterprises</p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, Business and Development Section, Trade and Investment Division, ESCAP</p> <p>Discussants: <b>Mr. Naylin Oo</b>, Economic Affairs Officer, Regional Technical Support Office (Yangon), ESCAP</p> <p><b>Dr. Sailendra Narain</b>, Chair, EBAC Task Force on MSMEs &amp; Entrepreneurship in Business &amp; Development and Chairman, Centre for SME Growth &amp; Development Finance (CESMED)</p>

	<p><u>Outline:</u> 13:30-13:40: Opening Remarks by <b>Mr. Michael Williamson</b>, Head of APCTT</p> <p>13:40-14:00: National Innovation Systems – Salient Features by <b>Mr. N. Srinivasan</b>, In-Charge, Innovation Management, APCTT</p> <p>14:00-14:15: OECD Innovation Policy Reviews and their application to South-East Asia by <b>Mr. Andrea Goldstein</b>, Head, Global Relations, Investment Division, Directorate for Financial and Enterprise Affairs, OECD</p> <p>14:15-14:45: National Policies, Institutional Framework and Programmes of Thailand to Enhance Technological Capacity of SMEs by <b>Dr. Promwong Kitipong</b>, National Science, Technology and Innovation Policy Office, Ministry of Science and Technology, Government of Thailand</p> <p>14:45-15:00: Discussion</p> <p><u>Audience</u> Policymakers and private sector</p>	<p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• Overview of small businesses and their opportunities</li> <li>• Business start-up</li> <li>• Survival and development</li> <li>• Business competitiveness</li> <li>• Business plan development</li> <li>• Policy options for small business development</li> </ul> <p><u>Audience</u> Policymakers and private sector</p>
15:00 – 15:30	NETWORKING AND COFFEE BREAK	
15:30 – 17:00	<p style="text-align: center;">SESSION # 5 (cont'd) National Innovation Systems – Policies, Institutional Framework and Programmes to Enhance the Technological Capacity of SMEs</p> <p><u>Outline</u> 15:30-16:00: National Policies, Institutional Framework and Programmes of India to Enhance Technological Capacity of SMEs by <b>resource person from the Government of India</b> (tbc)</p> <p>16:00-17:00: Group discussions on the current policies, institutional framework and programmes of Myanmar and recommendations of participants to strengthen technology innovation in Myanmar</p> <p><u>Audience</u> Policymakers and private sector</p>	<p style="text-align: center;">SESSION # 6 (cont'd) Business Plan Development for Rural Enterprises</p> <p><b>Dr. P.C. Sabharwal</b>, Senior Advisor, World Association for Small and Medium Enterprises (WASME)</p> <p><b>Mr. N. Raman</b>, Executive Director, Small Industries Development Bank of India</p> <p><b>Dr. J.S. Juneja</b>, Vice President, World Union of Small &amp; Medium Enterprises (WUSME)</p> <p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• The Framework for Rural Enterprise Development, by <b>Dr. P.C. Sabharwal</b>, Senior Advisor, World Association for Small and Medium Enterprises (WASME)</li> <li>• An Insight into the Development of SMEs in Rural Areas with a Case Study by <b>Dr. J.S. Juneja</b>, Vice President, World Union of Small &amp; Medium Enterprises (WUSME)</li> </ul> <p><u>Audience</u> Policymakers and private sector</p>

**Strategies for an Inclusive and Sustainable Private Sector**

08:00 – 08:30	REGISTRATION	
08:30 – 09:00	3 <sup>rd</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC) <b>EBAC Member Mr. Oudet Souvannavong</b> , Secretary General, Greater Mekong Subregion Business Forum (GMS-BF)	
09:00 – 10:30	<p>SESSION # 7 Global Value Chains and Enterprise Clusters</p> <p><b>Mr. Michele Giulio Boario</b>, MSME Expert, UNIDO</p> <p><b>Ms. Irina Scheffmann</b>, Head of Programme, GIZ</p> <p><u>Outline</u> 09:00-09:45 The UNIDO approach to clusters and global value chains: theory, examples and lessons learnt by <b>Mr. Michele Giulio Boario</b>, MSME Expert, UNIDO</p> <p>09:45-10:30: Presentation of GIZ Approach on Value Chains Support by <b>Ms. Irina Scheffmann</b>, Head of Programme, GIZ Myanmar</p> <p>Discussion</p> <p><u>Audience</u> Policymakers and private sector</p>	<p>SESSION # 8 Designing Supply Chains for Success</p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><b>Mr. Masatsugu Yoshioka</b>, Representative Dispatched from Japanese Government, Overseas Human Resources and Industry Development Association (HIDA), AMEICC Secretariat AEM-METI Economic and Industrial Cooperation Committee (AMEICC)</p> <p><u>Outline</u> The Role of Logistics in Supply Chain Management by <b>Mr. Masato Abe</b></p> <p>Mekong Development Roadmap and Needs from Business sector by <b>Mr. Masatsugu Yoshioka</b></p> <p><u>Audience</u> Policymakers and private sector businesses</p>
10:30 – 11:00	NETWORKING AND COFFEE BREAK	
11:00 – 12:30	<p>SESSION # 7 (cont'd) Global Value Chains and Enterprise Clusters</p> <p><b>Mr. Michele Giulio Boario</b>, MSME Senior Expert, UNIDO</p> <p><u>Outline</u> 11:00-12:15: Case Study Exercise (group work)</p> <p>12:15-12:30: Discussion</p> <p><u>Audience</u> Policymakers and private sector</p>	<p>SESSION # 8 (cont'd) Designing Supply Chains for Success</p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><b>Mr. Oudet Souvannavong</b>, Secretary General, Greater Mekong Sub-region Business Forum (GMS-BF)</p> <p><b>Captain Aung Khin Myint</b>, Executive Committee Member, UMFCCI</p> <p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• Supply chains: contextualization</li> <li>• Obstacles to integrate into supply chains</li> <li>• The government as a facilitator of efficient supply chains</li> <li>• International and regional cooperation resources</li> <li>• How to create sustainability supply chains: Resources and Practices Current situation of transport, logistics and supply chains in Myanmar</li> <li>• The role of the Greater Mekong Subregion Freight Transport Association (GMS-FRETA)</li> </ul> <p><u>Audience</u> Policymakers and private sector</p>



12:30  
–  
13:30

LUNCH BREAK

SESSION # 9

Overcoming Non-Tariff Barriers – The Role of Quality and Standards

**Dr. Franz Hengstberger**, Technical Advisor and International Metrology Expert, UNIDO

Outline

13:30-13:40:

Opening Remarks

13:40-14:05:

Non-Tariff Barriers for which quality and standards are important tools to gain market access

14:05-14:30:

National Quality Infrastructure, Regulatory Framework and National Quality Policy

14:30-15:00:

Questions and discussion

Audience

Policymakers, regulators, standards bodies, accreditation bodies, certification bodies, inspection bodies, test and calibration laboratories, conformity assessment organizations, exporters & importers and private sector businesses

13:30  
–  
15:00

SESSION # 10

Corporate Governance and Corporate Sustainability

**Dr. Rene van Berkel**, Chief, Cleaner and Sustainable Production Unit, UNIDO

Outline:

13:30-14:40

**Corporate Sustainability:** fostering environmental and social responsibility for improved business performance and competitiveness – principles, practices and business cases

1. Holistic Approach – a critical requirement for sustainable integration of responsible organizational behavior based on the seven principles of: Accountability; Transparency; Ethical behavior; Respect for stakeholder interests; Respect for the rule of law; Respect for international norms of behavior; and Respect for human rights;
2. Corporate Sustainability: an integrated enterprise strategy to foster inclusive and green industry is developed following the above principles whereby the expected result of inclusiveness is one of the core drivers to generate shared value(s). Inclusiveness is also considered a critical requirement to move businesses from closed to open innovation processes.
3. Resource Efficient and Cleaner Production (RECP) – proactive management and better techniques to achieve productive use of natural resources, minimization of waste and emissions, and productive and safe workplaces. Overview of concept and practices with illustrations from ASEAN businesses
4. Corporate Social Responsibility (CSR) – responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior. Overview of key subjects, as per international guidance standard (ISO26000) illustrated with ASEAN business examples.
5. UNIDO Methods and Tools: overview and applications

14:40-15:00:

Questions and answers

Group discussion: opportunities for Myanmar

Audience

Businesses, business sector organizations, government and community

15:00 – 15:30	NETWORKING AND COFFEE BREAK	
15:30 – 17:00	<p style="text-align: center;">SESSION # 9 (cont'd) Overcoming Non-Tariff Barriers – The Role of Quality and Standards</p> <p><b>Dr. Franz Hengstberger</b>, Technical Advisor and International Metrology Expert, UNIDO</p> <p><u>Outline</u> 15:30-15:40: Opening Remarks</p> <p>15:40-16:05: The current National Quality Infrastructure of Bangladesh and the UNIDO BEST Project</p> <p>16:05-16:30: The current National Quality Infrastructure of Myanmar</p> <p>16:30-17:00: Questions and discussion</p> <p><u>Audience</u> Policymakers, regulators, standards bodies, accreditation bodies, certification bodies, inspection bodies, test and calibration laboratories, conformity assessment organizations, exporters &amp; importers and private sector businesses.</p>	<p style="text-align: center;">SESSION # 10 (cont'd) Corporate Governance and Corporate Sustainability</p> <p><b>Ms. Fianna Jurdant</b>, Senior Policy Analyst, Corporate Affairs Division, OECD</p> <p><u>Outline</u> 1. OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-owned Enterprises (SOE), by <b>Ms. Fianna Jurdant</b>, Senior Policy Analyst, Corporate Affairs Division, OECD</p> <p>2. Panel discussion with:</p> <p><b>Mr. Aung Naing Oo</b>, Director General, Directorate of Investment and Company Administration, Ministry of National Planning and Economic</p> <p><b>Mr. Marc Proksch</b>, Chief, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><b>Mr. Charles Schneider</b>, Resident Representative, IFC (tbc)</p> <p><b>Mr. Yusuke Yukawa</b>, Representative of Nishimura &amp; Asahi, Yangon Office (tbc)</p> <p><u>Audience</u> Policymakers and private sector</p>

**Clusters, Technology and Innovation**

<p>08:00 - 08:30</p>	<p>REGISTRATION</p>	
<p>08:30 - 09:00</p>	<p>4<sup>th</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL (EBAC) <b>Mr. Asif Ibrahim</b>, Chair, EBAC Taskforce on Inclusive and Sustainable Business and Vice Chairman, Newage Group of Industries</p>	
<p>09:00 - 10:30</p>	<p style="text-align: center;">SESSION # 11 Introduction to ICC Trade Tools: ICC Model Contracts, Arbitration and Incoterms® 2010</p> <p><b>Ms. Laetitia de Montalivet</b>, Director of Strategic Development, BD Department, ICC; Senior Advisor, ICC Institute of World Business Law</p> <p><u>Outline</u> 09:00-09:15</p> <ul style="list-style-type: none"> <li>• General introduction to ICC</li> <li>• Agenda walkthrough and introductory roundtable</li> </ul> <p>09:15-09:45 – ICC Model Contracts</p> <ul style="list-style-type: none"> <li>• Introduction to ICC’s various Model Contracts</li> <li>• Use and advantages of ICC Model Contracts</li> <li>• Practical example: ICC Model International Sales Contract</li> </ul> <p>09:45-10:15 – Arbitration</p> <ul style="list-style-type: none"> <li>• Introduction and history of ICC Arbitration</li> <li>• When and how to use Arbitration</li> <li>• Particularities of ICC Arbitration</li> <li>• Drafting an ICC arbitration clause</li> </ul> <p>10:15-10:30</p> <ul style="list-style-type: none"> <li>• Questions and general discussion</li> </ul> <p><u>Audience</u> For the arbitration session: everyone interested in international business and commercial dispute resolution; legal professionals</p> <p>For ICC Model Contracts, and Incoterms® 2010: business people and everyone interested in commercial transactions and in international trade; policymakers, government officials from Ministries of Industry, Commerce, Investment and National Planning and Economic Development.</p>	<p style="text-align: center;">SESSION # 12 Women Entrepreneurship in Agro-Business</p> <p><b>Dr. P.C. Sabharwal</b>, Senior Advisor, World Association for Small and Medium Enterprises (WASME)</p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><b>Resource person from the Myanmar Women Entrepreneurs Association (MWEA)</b></p> <p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• Entrepreneurship and entrepreneurs: Definitions and concepts</li> <li>• Role of entrepreneurship in different phases of economic development</li> <li>• Key factors for success of entrepreneurs</li> <li>• Entry barriers to woman entrepreneurship</li> <li>• Cultural aspects and their impacts on entrepreneurship</li> <li>• Creation of entrepreneurship awareness among women</li> <li>• Education and training for woman entrepreneurship development</li> <li>• Main players in woman entrepreneurship development</li> </ul> <p><u>Audience</u> Policymakers and private sector</p>

10:30 – 11:00	NETWORKING AND COFFEE BREAK	
11:00 – 12:30	<p style="text-align: center;">SESSION # 11 (cont'd)</p> <p>Introduction to ICC Trade Tools: Incoterms, Arbitration and ICC Model Contracts</p> <p><b>Ms. Laetitia de Montalivet</b>, Director of Strategic Development, BD Department, ICC; Senior Advisor, ICC Institute of World Business Law</p> <p><u>Outline</u> 11:00-12:00 – Incoterms® 2010</p> <ul style="list-style-type: none"> <li>• Introduction to Incoterms® 2010</li> <li>• Why are they crucial in international trade today</li> <li>• Broad outline presentation of each section of Incoterms® 2010 and how to choose the “right” Incoterms® 2010 rules</li> <li>• Incoterms® 2010 rules in practice</li> <li>• Presentation of the ICC publications Incoterms® 2010 Q&amp;A and ICC Guide to Incoterms® 2010</li> </ul> <p>12:00-12:30</p> <ul style="list-style-type: none"> <li>• Questions and general discussion</li> </ul> <p><u>Audience</u> For the arbitration session: everyone interested in international business and commercial dispute resolution; legal professionals</p> <p>For ICC Model Contracts, and Incoterms® 2010: business people and everyone interested in commercial transactions and in international trade; policymakers, government officials from Ministries of Industry, Commerce, Investment and Economic Development.</p>	<p style="text-align: center;">SESSION # 12 (cont'd)</p> <p style="text-align: center;">Women Entrepreneurship in Agro-Business</p> <p><b>Dr. P.C. Sabharwal</b>, Senior Advisor, World Association for Small and Medium Enterprises (WASME)</p> <p><b>Mr. Masato Abe</b>, Economic Affairs Officer, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><b>Ms. Deanna Morris</b>, Consultant, Business and Development Section, Trade and Investment Division, ESCAP</p> <p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• Small and Inclusive business for women</li> <li>• Entrepreneurship for the poor and disadvantaged groups</li> <li>• Rural entrepreneurship</li> <li>• Social entrepreneurship and social enterprises</li> <li>• General recommendations</li> </ul> <p><u>Audience</u> Policymakers and private sector</p>
12:30 – 13:30	LUNCH BREAK	
13:30 – 15:00	<p style="text-align: center;">SESSION # 13</p> <p style="text-align: center;">Role of Special Economic Zones for Myanmar’s SMEs</p> <p><b>Mr. Yoichi Matsui</b>, JICA Policy Advisor for SEZ Development</p> <p><b>Mr. Koji Otsuka</b>, JICA Policy Advisor for SEZ Development</p> <p><u>Outline</u> 13:30-14:30 SEZ Scheme: Its Concept, Types, Experiences and Current Tendency</p> <p>14:30-15:00 Questions and Answers</p>	<p style="text-align: center;">SESSION # 14</p> <p style="text-align: center;">Building Competitive Industries – Lessons Learnt from Bangladesh</p> <p>Moderator: <b>Mr. Asif Ibrahim</b>, EBAC Member and Chairman, Task-force on Inclusive and Sustainable Business and Vice Chairman, Newage Group of Industries</p> <p><u>Outline</u> 13:30-14:00 Investment Opportunities and Myanmar-Bangladesh Cooperation in the Development of Ceramic Industries and attracting FDI by <b>Mr. Rashed Maksud Khan</b>, Executive Committee Member of ICC Bangladesh and former President of Dhaka Chamber of Commerce and Industry</p>

	<p><u>Audience</u> Policymakers, especially those related to the One Stop Service Centre, such as MoI, MoC, MoL, MoFR (Customs Dept., and Taxation Dept.), Central Bank, MNPED. The topic is also useful for the private sector business.</p>	<p>14:00-14:30 Promotion of Investment in Myanmar: Relevance of Bangladesh Experience by <b>Mr. Syed Mahmudul Huq</b>, Member of ICC Bangladesh and expert in the Fisheries Sector and a former President of the Bangladesh Frozen Food Exporters Association</p> <p>14:30-15:00 Questions and Answers</p> <p><u>Audience</u> Policymakers and private sector businesses</p>
<p>15:00 - 15:30</p>	<p>NETWORKING AND COFFEE BREAK</p>	
<p>15:30 - 17:00</p>	<p style="text-align: center;">SESSION # 13 (cont'd) Role of Special Economic Zones for Myanmar's SMEs</p> <p><b>Mr. Yoichi Matsui</b>, JICA Policy Advisor for SEZ Development</p> <p><b>Mr. Koji Otsuka</b>, JICA Policy Advisor for SEZ Development</p> <p><u>Outline</u> 15:30-16:30 SEZ Development in Myanmar: A History and Future Prospect of the development of SEZs in Myanmar</p> <p>16:30-17:00 Questions and Answers</p> <p><u>Audience</u> Policymakers, especially those related to the One Stop Service Centre, such as MoI, MoC, MoL, MoFR (Customs Dept., and Taxation Dept.), Central Bank, MNPED. The topic is also useful for the private sector</p>	<p style="text-align: center;">SESSION # 14 (cont'd) Building Competitive Industries – Lessons Learnt from Bangladesh</p> <p>Moderator: <b>Mr. Asif Ibrahim</b>, EBAC Member and Chairman, Task-force on Inclusive and Sustainable Business and Vice Chairman, Newage Group of Industries</p> <p><u>Outline</u> 15:30-16:00 Presentation on Ready Made Garments Industry by <b>Mr. Asif Ibrahim</b>, EBAC Member and Chairman, Task-force on Inclusive and Sustainable Business and Vice Chairman, Newage Group of Industries</p> <p>16:00-17:00 Questions and answer session on overall Bangladesh experience</p> <p><u>Audience</u> Policymakers and private sector</p>

<b>Enhancing Competitiveness</b>			
08:00 – 08:30	REGISTRATION		
08:30 – 09:00	5 <sup>th</sup> SPECIAL LECTURE OF THE ESCAP BUSINESS ADVISORY COUNCIL EBAC Member <b>Ms. Barbara Meynert</b> , Director at the Fung Global Institute		
09:00 – 10:30	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">SESSION # 15 Development of a National Export Strategy</p> <p><b>Mr. Darius Kurek</b>, Senior Officer, Export Strategy, Export Strategy Section, International Trade Centre (ITC)</p> <p><b>Ms. Sylvie Bétemps Cochin</b>, Trade Promotion Officer, Office for Asia, International Trade Centre (ITC)</p> <p><u>Outline</u> 09:00-09:15: Opening Remarks</p> <p>09:15-09:45: Presentation of the ITC National Export Strategy (NES) design process</p> <p>09:45-10:30: The NES design process in Myanmar and its importance to expand Myanmar's trade opportunities</p> <p><u>Audience</u> Policymakers and private sector businesses</p> </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;">SESSION # 16 A Implications of Regional Integration for Business, Focusing on Physical Connectivity</p> <p><b>Mr. Wansit Chatihavanij</b>, Representative, Board of Trade of Thailand</p> <p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• The two parts of ASEAN, 7+3</li> <li>• GMS Economic Corridors, backbone of ASEAN connectivity</li> <li>• The ways ahead: meshing of “software” and “hardware” in ASEAN</li> <li>• Questions and answers</li> </ul> <p><u>Audience</u> Public and private sectors – Myanmar businesses and Government officials who deal with inter-country trade and investment</p> </td> </tr> </table>	<p style="text-align: center;">SESSION # 15 Development of a National Export Strategy</p> <p><b>Mr. Darius Kurek</b>, Senior Officer, Export Strategy, Export Strategy Section, International Trade Centre (ITC)</p> <p><b>Ms. Sylvie Bétemps Cochin</b>, Trade Promotion Officer, Office for Asia, International Trade Centre (ITC)</p> <p><u>Outline</u> 09:00-09:15: Opening Remarks</p> <p>09:15-09:45: Presentation of the ITC National Export Strategy (NES) design process</p> <p>09:45-10:30: The NES design process in Myanmar and its importance to expand Myanmar's trade opportunities</p> <p><u>Audience</u> Policymakers and private sector businesses</p>	<p style="text-align: center;">SESSION # 16 A Implications of Regional Integration for Business, Focusing on Physical Connectivity</p> <p><b>Mr. Wansit Chatihavanij</b>, Representative, Board of Trade of Thailand</p> <p><u>Outline</u></p> <ul style="list-style-type: none"> <li>• The two parts of ASEAN, 7+3</li> <li>• GMS Economic Corridors, backbone of ASEAN connectivity</li> <li>• The ways ahead: meshing of “software” and “hardware” in ASEAN</li> <li>• Questions and answers</li> </ul> <p><u>Audience</u> Public and private sectors – Myanmar businesses and Government officials who deal with inter-country trade and investment</p>
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12:30 – 13:30	LUNCH BREAK	
13:30 – 15:00	<p style="text-align: center;">SESSION # 17 Adapting Myanmar's Laws for Integration into the Global Economy</p> <p><b>Mr. Carson Wen</b>, Partner at Jones Day</p> <p><u>Outline</u> "The key elements of a legal system that is in line with international norms and necessary for integration into the global economy" by <b>Mr. Carson Wen</b>, Partner at Jones Day</p> <p><u>Audience</u> Policymakers and principal stakeholders in the justice, legislative and government sectors having oversight over legal system reform and administration, and members of the legal and related professions.</p>	<p style="text-align: center;">SESSION # 18 Leveraging Digital Technologies for Business in the Knowledge Economy</p> <p><b>Ms. Barbara Meynert</b>, Director of the Fung Global Institute</p> <p><u>Outline</u> 1. Introduction to the knowledge economy 2. Impact of search technology 3. Applications of social technologies 4. Open discussion</p> <p><u>Audience</u> Policymakers from Ministry of National Planning and Development, Industry, Commerce, Hotels and Tourism, Science, Education, private sector business, and university students</p>
15:00 – 15:30	NETWORKING AND COFFEE BREAK	
15:30 – 17:00	<p style="text-align: center;">SESSION # 17 (cont'd) Adapting Myanmar's Laws for Integration into the Global Economy</p> <p><b>Mr. Carson Wen</b>, Partner at Jones Day</p> <p><u>Topic</u> Recommendations on adaptations of specific aspects of the laws and legal system of Myanmar that may facilitate the integration of Myanmar into the global economy</p> <p><u>Audience</u> Policymakers and principal stakeholders in the justice, legislative and government sectors having oversight over legal system reform and administration, and members of the legal and related professions</p>	<p style="text-align: center;">SESSION # 18 (cont'd) Leveraging Digital Technologies for Business in the Knowledge Economy</p> <p><b>Mr. Pedro Eloy</b>, Creator and Coordinator of Business Lab at HKU Business School</p> <p><u>Outline</u> 1. E-business ground rules 2. E-layer model for corporations and entrepreneurs 3. Digital leapfrogging: opportunities for business 4. Open discussion</p> <p><u>Audience</u> Policymakers from Ministry of National Planning and Development, Industry, Commerce, Hotels and Tourism, Science, Education, private sector and university students</p>
17:00 – 17:30	<p>CERTIFICATE AND CLOSING CEREMONY</p> <p><b>Mr. Marc Proksch</b>, Chief, Business and Development Section Trade and Investment Division, ESCAP</p> <p><b>Senior dignitary of the Government of Myanmar</b></p> <p><b>Mr. U Win Aung</b>, President of UMFCFI</p> <p><b>EBAC representative</b></p>	

## Overview of Speakers

### AMEICC – Mr. Masatsugu Yoshioka

REPRESENTATIVE – [HTTP://WWW.AMEICC.ORG/](http://www.ameicc.org/)

Mr. Masatsugu Yoshioka is currently the Representative of AEM-METI Economic and Industrial Cooperation Committee (AMEICC), Representative of HIDA BKK, and Auditor of Japan Chamber of Commerce. He is dispatched from the Japanese government and based in Bangkok. He was formerly the Special Assistant to the Prime Minister. He holds LLM from Harvard, Masters from Oxford University and LLB from Tokyo University. He has been devoted in drafting laws especially related to corporate law and corporate tax issues.



### APCTT – Mr. Michael Williamson

HEAD – [HTTP://WWW.APCTT.ORG](http://www.apctt.org)

Michael Williamson is the Head of the United Nations Asian and Pacific Centre for Transfer of Technology (UN-APCTT), a regional institution of the United Nations Economic and Social Commission for Asia and the Pacific, and has over 16 years of experience in the private sector, government and international organizations. Based in New Delhi, India, he oversees the operation of the Centre and guides the delivery of its programs on technology transfer, development of National Innovation Systems and dissemination of technology intelligence to member countries across the Asia Pacific region. Prior to heading UN-APCTT, Mr. Williamson worked for the Australian governments at state and federal level in the areas of climate change, sustainability and energy policy.



### APCTT – Mr. Nanjundappa Srinivasan

IN-CHARGE, INNOVATION MANAGEMENT – [HTTP://WWW.APCTT.ORG](http://www.apctt.org)

Mr. Srinivasan has been working with the United Nations Asian and Pacific Centre for Transfer of Technology (APCTT) of the Economic and Social Commission for Asia and the Pacific (ESCAP) since 1981, after starting his professional carrier as a Lecturer. He is currently responsible for the science, technology and innovation (STI) programme of the Centre, aimed at assisting member countries of ESCAP in strengthening their capabilities to develop and manage national technology innovation systems for inclusive development as well as to promote economic integration of the Asia-Pacific Region. Mr. N. Srinivasan completed his Master Degree in Biosciences from the Bangalore University in 1977 and a Bachelor Degree in Information Sciences from the Indira Gandhi National Open University in 1992.



### Bangladesh Myanmar Business Promotion Council – Mr. Rashed Maksud Khan

FOUNDER, CHAIRMAN AND ADVISOR – [HTTP://WWW.ERIBD.COM](http://www.eribd.com)

Mr. Khan is Founder, Chairman and Advisor of the Bangladesh-Myanmar Business Promotion Council, the joint trade commission formed to increase bilateral trade between Bangladesh and Myanmar. Mr. Khan is an entrepreneur and business leader, as well as a pioneer in the ceramic industry, where he is the current Chairman and CEO of Bengal Fine Ceramics. He is also the Chairman of MAKES Group, an enterprise in renewable energy and Director of Engineering Resources International ERI Ltd. Mr. Khan has vast experience in the installation and commissioning of industrial plants.





## Board of Trade of Thailand – Mr. Wansit Chatikavanij

REPRESENTATIVE

Wansit Chatikavanij is a manager at the international affairs department at Loxley Public Company Limited. He assists Dr. Jingjai Hanchanlash in locating and exploring new business opportunities abroad. On top of that, he aides in the connection process between various distinct Loxley departments and foreign companies. Wansit is also a member/representative of the Thai Chamber of Commerce and Board of trade of Thailand, which he assists in GMS Thailand Committee as well as Thai-European Business Council on matter such as the Thai-EU FTA negotiations and issues in the Mekong Region.



## CESMED – Dr. Sailendra Narain

CHAIRMAN – [HTTP://CESMED.ORG](http://CESMED.ORG)

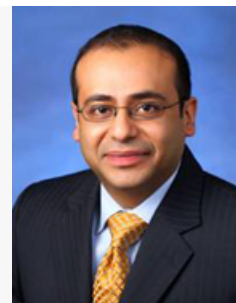
Dr. Sailendra Narain is the Chairman of the EBAC Task Force on MSMES and Entrepreneurship in Business and Development and Chairman of the Centre for SME Growth and Development Finance with offices in India and the USA. He began his professional career as a Central Banker in the Reserve Bank of India and later moved to the Industrial Development Bank of India and Small Industries Development Bank of India (SIDBI). Dr. Narain also served as the Regional Advisor to the Swiss Agency for Cooperation and Development (SDC), Government of Switzerland in the Greater Mekong Sub-Region (GMS) on trade and investment promotion. He also serves as the resource person and expert on committees and missions mounted by UNDP, UNIDO, UNESCAP, UNCTAD, IFAD-Rome, GTZ and DFID. Dr. Narain holds a Master of Arts (MA) in both economics and sociology. He also has a Ph.D. and CAIIB.



## CESMED – Mr. Raghu Narain

ADVISOR

Mr. Raghu Narain is an experienced finance professional with over 17 years of experience in investment banking, corporate and development finance and economic policy advisory. He is responsible for providing banking and financial expertise in the Transportation, Logistics, Infrastructure, General Industrials, Leisure Resorts, and Real Estate Sectors in the Asia-Pacific region. Prior to working in Asia, he was at Bank of America in New York, where he was a Director responsible for M&A and capital raising activities for the Global Transportation Group. In addition to Banking, Raghu has also worked in the field of development finance at the Harvard Institute for International Development (HIID), where he undertook Project Appraisal and MSME Financing activities. Raghu has experience of working in over 15 countries globally. He completed his Masters Degree from Harvard University, holds MPA, MBA and BA degrees from the United States, and is a member of the International Honor Society of Beta Gamma Sigma.



## First Charlton Communications – Mr. Peter Charlton

CHAIRMAN – [HTTP://WWW.CHARLTON.COM.AU](http://WWW.CHARLTON.COM.AU)

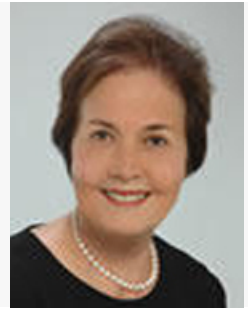
Peter Charlton is Chairman of the EBAC Task Force on Banking and Finance and founder of First Charlton Communications, an advertising and media company with publications including: Business Asia, and Australian Banking Finance, and Society. He is also the founder of First Charlton Communications, an advertising and media company with publications including: Business Asia, and Australian Banking Finance, and Society. He is also the founder of Australian Business in Europe (ABIE), which is a leading voice for Australian business interests in the European Union. Prior to this, Peter was Chairman of a corporate programme called "Sydney - A World Financial Capital", which was a major impetus for the establishment of Australia's reputation as a Financial Services Centre. He also started INDOPAC, a forum for India and Asia-Pacific, which is held in New Delhi annually. Peter was a member of the APEC Business Council from 2001 to 2007.



## Fung Global Institute – Ms. Barbara Meynert

DIRECTOR – [WWW.FUNGGLOBALINSTITUTE.ORG](http://WWW.FUNGGLOBALINSTITUTE.ORG)

Barbara Meynert is Chair of the EBAC Task Force on Regional Integration and Connectivity and Senior Advisor to the Hong Kong-based multinational Li & Fung Group, as well as a Board Member of the Fung Global Institute, a think-tank providing Asian perspectives on global issues. As an international business leader, she has held senior executive positions in investment banking, commercial and regulatory institutions in Asia and Europe, and has served on a number of boards and committees in business and non-profit organizations, including the World Economic Forum and the International Chamber of Commerce. She holds a BA from the University of Hong Kong and an MSc from the London School of Economics.



## GIZ Myanmar – Ms. Irina Scheffmann

HEAD OF PROGRAMME MYANMAR – [HTTP://WWW.GIZ.DE](http://WWW.GIZ.DE)

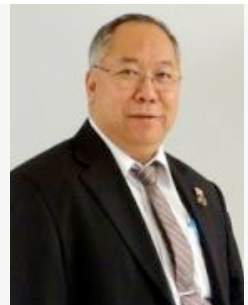
Ms. Scheffmann is currently Head of Programme in Myanmar for the German International Cooperation Agency (GIZ). She has more than 12 years of experience in project management in Asia and Europe and has performed as a team leader and multi-disciplinary teams where she acquired expertise with international organizations, such as the World Bank, ADB and the European Commission. Further distinctions include know-how and networking experience in the public private sector, multilateral trade and sustainable economic development. Ms. Scheffmann holds an MA in International Business and Cultural Studies from the University of Passau.



## Global Multimodal Transport and Services Co. Ltd – Capt. Aung Khin Myint

CHAIRMAN

Captain Aung Khin Myint serves as the Chairman of Global Multimodal Transport and Services Co. Ltd and Chairman of Myanmar International Freight Forwarders Association. In the business sector he serves as the CEC of UMFCFI, and actively contributes as a participant of the GMS Business Forum. Captain Aung has vast experience in multiple streamlining projects and joined MPA-Allied Singapore as an inland container depot general manager and continued to serve until 2005 whilst also earning his Executive Master of Business Administration and various diplomas including Maritime Law, Multimodal Transport, and Shipping and Port Management. He began his career in 1977 as a cadet in The Myanmar Five Star Line and succeeded to the rank of captain. He then began to manage Five Star's Feeder Container Service in 1993. Currently, Captain Aung works on issues such as transport logistics for SMEs and sustainable supply chains for Myanmar SMEs.



## GMS-BF – Mr. Oudet Souvannavong

SECRETARY GENERAL – [HTTP://WWW.GMSBIZFORUM.COM](http://WWW.GMSBIZFORUM.COM)

Oudet Souvannavong is currently Member of the EBAC Task Force on Regional Integration and Connectivity and Secretary General of the Greater Mekong Sub-Region Business Forum. He is also Vice-President of the Lao National Chamber of Commerce and Industry (LNCCI); Founder and President of the Lao Hotel and Restaurant Association (LHRA); Council Member of the ASEAN Business Advisory Council (ASEAN BAC); Vice-President of ASEAN Chamber of Commerce and Industry (ASEAN CCI); Deputy Chairman of ASEAN Tourism Association (ASENTA); and Vice-President of ASEAN Hotel and Restaurant Association (AHRA). Oudet holds a bachelor's degree in math and physics from the National University of the Lao PDR; and received a Certificate of Forest Industry Management from the Swedish University of Agricultural Sciences (SUAS), Sweden.



## Green Spot Company Limited – Mr. Chote Sophonpanich

CHAIRMAN – [HTTP://WWW.GREENSPOT.CO.TH](http://www.greenspot.co.th)

Mr. Chote Sophonpanich is Chairman of Green Spot Co., Ltd. and Krungdhep Sophon (Public) Co., Ltd. He is Vice Chairman of ESCAP Business Advisory Council (EBAC) and also serves on the boards of the Narcotics Control Foundation, Foundation for the Welfare of Needy School Children Under the Royal Patronage of Her Majesty the Queen and the Chin Sophonpanich Foundation. He served the Bangkok Bank Public Company Limited for 23 years and held senior executive positions including Manager at the London Branch, and Regional Manager for South East Asia International Banking in the Hong Kong office. Prior to this, Chote served as chairman of the ASEAN Finance Corporation; as the President of the Asian Pacific Bankers' Club, and as President of the Thai Forex Club. Chote holds a Bachelor's in Economics from University of Sydney, Australia



## HKU – Mr. Pedro Eloy

CREATOR AND COORDINATOR OF BUSINESS LAB, HKU BUSINESS SCHOOL – [HTTP://WWW.MBA.HKU.HK](http://www.mba.hku.hk)

Pedro Eloy is an Associate Member of the EBAC Task Force on Regional Integration and Connectivity, Creator and Coordinator of Business Lab at HKU Business School and Director of New Media & Information Technology at the Fung Group. Having held several positions in the e-business, TV & IT industries, he started his professional career in 1992 whilst progressing his academic path. A visiting lecturer at Hong Kong University - MBA Program and a published author, Pedro is a Fellow of the British Computer Society, an International Judge for the New York based Interactive Media Council, and responsible for the creation and delivery of e-Business Programmes.



## International Chamber of Commerce – Ms. Laetitia de Montalivet

DIRECTOR OF STRATEGIC DEVELOPMENT, BD DEPARTMENT – [HTTP://WWW.ICCWBO.ORG](http://www.iccwbo.org)

Laetitia de Montalivet is currently the Director of Strategic Development within the Business Development Department of the International Chamber of Commerce (ICC). She was previously responsible for the ICC Institute of World Business Law, a think-tank in international law. Ms. de Montalivet was formerly a Member of the Paris Bar and also worked at the General Secretariat of the European Commission in Brussels, in the Justice and Home Affairs Task Force. She holds a Masters in Criminal Law from the University of Paris, Panthéon Assas, an MBA from HEC, and she attended the joint programme at the Fletcher School of Law and Diplomacy, Boston, USA.



## International Chamber of Commerce Bangladesh – Mr. Syed Mahmudul Huq

MEMBER – [HTTP://WWW.ICCWBO.ORG](http://www.iccwbo.org)

Syed Mahmudul Huq is a member of ICC Bangladesh and expert in the Fisheries Sector and a former President of the Bangladesh Frozen Food Exporters Association. He is also the Chairman of Bangladesh Myanmar Business Promotion Council, engaged in the promotion of trade and investment between Bangladesh and Myanmar. He has represented Bangladesh in all the Joint Trade Commission (JTC) meetings of Bangladesh and Myanmar held alternately in Yangon and Dhaka since 2003. Mr. Huq is also the Vice Chairman of Premier LP Gas TOTAL, a joint venture of TOTAL Oil of France, the fourth largest oil company of the world. In addition, he has stakes in renewable energy and Information and Communications Technology (ICT) including Software Development, Internet Services (ISP), Inter Connection Exchange (ICX) and International Gateway (IGW). Mr. Huq holds a B.A and M.A in Economics.



## ITC – Ms. Sylvie Bétemps

TRADE PROMOTION OFFICER – [HTTP://WWW.INTRACEN.ORG](http://www.intracen.org)

Sylvie Bétemps Cochin is a Trade Promotion Officer at the International Trade Centre (ITC), a joint agency of the World Trade Organization (WTO) and the United Nations (UN). Within ITC's Office for Asia and the Pacific, Sylvie designs, manages or coordinates technical assistance projects in support of the business sector, trade support institutions and policy makers. She is Country Manager for several South and South-East Asian countries, including Myanmar. Prior to that position, Sylvie was the Focal Point of a multidisciplinary programme for building African capacity for trade, a USD 20 million programme aimed at supporting regional trade integration in Africa. Previously, she was responsible for managing regional projects in Africa and Asia within the framework of the ITC South-South Trade Promotion Programme. Sylvie holds master and advanced university degrees in economics and development.



## ITC – Mr. Darius Kurek

SENIOR OFFICER, EXPORT STRATEGY SECTION – [HTTP://WWW.INTRACEN.ORG](http://www.intracen.org)

Darius has 16 years of professional experience in trade and development, including 9 with the Swiss State Secretariat for Economic Affairs (SECO) in Bern. Prior to joining SECO, Darius worked 4 years as Programme manager with the International Road Federation (IRF), a private sector organization in the area of road infrastructure development, project finance and public-private partnerships, as well as business development in Eastern European markets. Darius holds an MBA from HEC Lausanne Graduate School of Business, an LL.M. in European and international economic law from the University of Lausanne and a Master of Philosophy in translation studies and political science from the University of Vienna.



## JICA – Mr. Koji Otsuka

JICA POLICY ADVISOR FOR SEZ DEVELOPMENT – [HTTP://WWW.JICA.GO.JP](http://www.jica.go.jp)

Mr. Koji Otsuka is currently engaged in Policy Advisory Services for Myanmar Government to develop the Special Economic Zone (SEZ). Mr. Otsuka has also been engaged in technology transfers to government officials of more than ten developing countries in regions, such as Southeast Asia, South Asia, Middle East and North Africa, through the Official Development Assistant (ODA) projects. He holds a B.A. in Social Sciences and an M.A. in International Relations (2003) from Waseda University, Tokyo, Japan.



## JICA – Mr. Yoichi Matsui

POLICY ADVISOR FOR SEZ DEVELOPMENT – [HTTP://WWW.JICA.GO.JP](http://www.jica.go.jp)

Mr. Yoichi Matsui is currently engaged in Policy Advisory Services for Myanmar Government to develop the Special Economic Zone (SEZ). Mr. Matsui has a wide experience in providing consultancy services for governments in Southeast Asia and has worked on projects such as Enhancing the Investment-Related Services of Council for the Development of Cambodia (Technical Assistance Project, JICA) and Service Improvement of National Agency for Export Development in Indonesia (Technical Assistance Project, JICA). Mr. Matsui graduated from the Graduate School of Law, Doctor Course, Keio University, Japan, 1973.



## Jones Day – Mr. Carson Wen

PARTNER – [HTTP://WWW.JONESDAY.COM](http://WWW.JONESDAY.COM)

Carson Wen is Member of the EBAC Task Force on Regional Integration and Connectivity and a partner of the global law firm Jones Day and has more than 30 years of experience in business, corporate, and securities law. He is also Chairman of the Sancus Group of companies. Mr. Wen is a three-term Deputy of the PRC National People's Congress. Mr. Wen is Senior Adviser and former Vice-Chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), the largest political party in Hong Kong, and also holds leadership positions in various organizations such as the Pacific Basin Economic Council and the China Africa Business Council of Hong Kong. He studied economics at Columbia University and law at Oxford University.



## KOREA EXIMBANK – Mr. Sung-Hoon Hong

DIRECTOR GENERAL, ECONOMIC DEVELOPMENT COOPERATION FUND (EDCF) PLANNING GROUP – [HTTP://WWW.KOREAEXIM.GO.KR](http://WWW.KOREAEXIM.GO.KR)

Mr. Hong is currently the Director General of EDCF Planning Group of the Export-Import Bank of the Republic of Korea. The EDCF is a Korean Government fund established for assisting developing countries' economic development by providing ODA loans. He has worked for EDCF related departments for more than 10 years among his 24 years of banking career. Before he took his current position, he worked as a Country Director of Resident Mission in Indonesia from 2006 to 2008, and successively worked as a Director of the Asia Department conducting appraisals of infrastructure development projects for Asian partner countries including Cambodia and Indonesia. He holds a Masters Degree in development policy from the Korea Development Institute.



## KOREA EXIMBANK – Mr. Yun Kwan Lee

DIRECTOR IN INFRASTRUCTURE FINANCE DEPARTMENT – [HTTP://WWW.KOREAEXIM.GO.KR](http://WWW.KOREAEXIM.GO.KR)

Mr. Lee has been worked 24 years for K-EXIM BANK., specialized in export credit and strategic planning sector. Mr. Lee extended medium & long-term export credit to infrastructure and capital projects (mostly power plants, oil & gas development, refinery, petrochemicals, etc.). In addition, he developed new loan product for small and medium size companies and Initiated and developed the first self-model of corporate credit analysis in the banking sector. He is also specialized in strategic planning; conducting interrelation business with government, parliament and other related institutions, established annual business plan and innovation plan for K-EXIM BANK by analyzing and evaluating business performance. Mr. Lee served as a Representative in Washington Representative office of K-EXIM BANK from 2009 to 2012 and co-worked with MDB (World Bank Group, IDB, etc.) during the period. Mr. Lee has a MBA from University of Denver, USA and an undergraduate degree from Yonsei University, Seoul, Republic of Korea.



## The Nation – Dr. Pana Janviroj

MANAGING DIRECTOR – [HTTP://WWW.NATIONMULTIMEDIA.COM](http://WWW.NATIONMULTIMEDIA.COM)

Mr. Pana Janviroj is President of The Nation, Thailand's leading English-language newspaper. He is also Executive Director of Asia News Network, an alliance of 22 leading media from 19 Asian countries. He started off his working career as a researcher at Chulalongkorn University Social Research Institute before moving to work on a research project for Thailand's planning agency the National Economics and Social Development Board. His journalism career began in 1984 as a business reporter with The Nation, four years after which he became the business editor and executive editor in 1994. Mr. Janviroj became editor of The Nation in 1996. He received a bachelor degree in economics from Essex University in 1981, and graduated from Tufts University in the US with a masters degree.



## Newage Group of Industries – Mr. Asif Ibrahim

VICE CHAIRMAN – [HTTP://WWW.NEWAGE-GROUP.COM](http://www.newage-group.com)

Asif Ibrahim is currently the Chairman of the EBAC Task Force on Inclusive and Sustainable Trade and Investment and Chairman of Business Initiative Leading Development (BUILD), a Public Private Dialogue platform to expedite the policy reforms to enable private sector led economic growth of Bangladesh. Mr. Ibrahim is also member of the board of the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI). He is the former President of the Dhaka Chamber of Commerce and Industry (DCCI), the largest trade body of Bangladesh. He received his formal education from the University of Delhi, India, and the University of North Texas, USA.



## OECD – Mr. Andrea Goldstein

HEAD, GLOBAL RELATIONS, INVESTMENT DIVISION – [HTTP://WWW.OECD.ORG](http://www.oecd.org)

Andrea Goldstein is in charge of Global Relations at the OECD Investment Division. He was previously Senior Economic Affairs Officer at the Subregional Office for East and North-East Asia of the UN Economic and Social Commission for Asia and the Pacific, Deputy Director of the Heiligendamm L'Aquila Process (the G8-G5 political dialogue) Support Unit and a Senior Economist with the OECD Development Centre and Economics Department and the World Bank Group. Andrea studied at Bocconi, Columbia and Sussex Universities and has widely published on emerging economies, including BRIC economies, emerging multinationals, the impact of the emergence of China and India on other developing countries and the Myanmar transition.



## OECD – Ms. Fianna Jurdant

SENIOR POLICY ANALYST, OECD DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS, CORPORATE AFFAIRS DIVISION – [HTTP://WWW.OECD.ORG](http://www.oecd.org)

Fianna Jurdant is currently Senior Policy Analyst at the OECD, Corporate Affairs Division. For 15 years, she has analyzed and compared corporate governance frameworks and practices around the world, in diverse countries, such as Russia and China. Since 2006, she manages the Asian Roundtable on Corporate Governance and programs with China, India and Indonesia. She has produced numerous reports and articles as well as speaks in conferences around the world on corporate governance. Prior to the OECD, Mrs. Jurdant was a trade specialist at the US Embassy in Paris. She holds a Masters degree from Boston University.



## Small Industries Development Bank of India – Shri N.Raman

EXECUTIVE DIRECTOR – [HTTP://WWW.SIDBI.COM/](http://www.sidbi.com/)

Shri N. Raman is the Executive Director of Small Industries Development Bank of India (SIDBI), based at the Head Office in Lucknow, India. Mr. Raman is a Mechanical Engineer by training with a diploma in Development Banking awarded by the Indian Institute of Bankers. He is also a Certified Associate of the Indian Institute of Bankers. He has over 36 years of experience in the industry and development banking, of which 30 years have been with two apex-level financial institutions of India viz., Industrial Development Bank of India and SIDBI. He has held various responsibilities in the Head Office, including heading a Zonal Office and two Branch Offices. He has served on the Boards of State Financial Corporations, Venture Capital Companies and Micro Finance Institutions, besides other industrial units.



## Skyquest Technology Group – Akash Bhavsar

MANAGING DIRECTOR – [HTTP://SKYQUESTT.COM](http://skyquestt.com)

Akash Bhavsar is Member of the EBAC Task Force on Regional Integration and Connectivity and Managing Director of SkyQuest Technology Group, a global intellectual asset and technology focused research, accelerator and investment bank, supporting innovation ecosystems worldwide, providing access to technologies, markets and finance. He is also the Manager of India Workstation – South-South Global Assets and Technology Exchange (a UNDP promoted initiative). Currently he is also the President of the Indian Innovators Association, Western Chapter, and has recently been appointed to the Board of Management of T.I.I. Luxembourg (Technology Innovation International).



## Government of Thailand – Dr. Kitipong Promwong

SENIOR DIRECTOR OF POLICY RESEARCH AND MANAGEMENT DEPARTMENT, NATIONAL SCIENCE TECHNOLOGY AND INNOVATION POLICY OFFICE, MINISTRY OF SCIENCE AND TECHNOLOGY – [HTTP://WWW.MOST.GO.TH](http://www.most.go.th)

Dr. Kitipong is working at the National Science Technology and Innovation Policy Office (STI) with the position of Senior Director of Policy Research and Management Department. He is currently responsible for the establishment of Thailand Advanced Science and Technology Institute (THAIST). He is also engaged in the government project concerning the restructure of the national R&D system, as a member of the core team. Kitipong Promwong completed his B.Sc. in Biochemistry from Chulalongkorn University in Bangkok in 1994. He received his M.Sc. in Science and Technology Policy and Ph.D. in Development Studies at the University of Strathclyde in Glasgow in 1996 and 2001 respectively.



## The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) – Mr. U Win Aung

PRESIDENT – [HTTP://WWW.UMFCCI.COM.MM](http://www.umfcci.com.mm)

U Win Aung is currently a Member of the EBAC Task Force on Regional Integration and Connectivity, as well as Chairman and CEO of Dagon Group of Companies. He also holds other senior executive positions in the Myanmar government, including: President, Union of Myanmar Federation of Chambers of Commerce & Industry; President, Myanmar Fruit & Vegetable Producers & Exporters Association; President, Myanmar Farm Crop Producer's Association; Vice Chairman, Myanmar Construction Entrepreneurs Association; and Vice Chairman, Myanmar Hotelier Association. Win is also the Chairman of the Myanmar Greater Mekong Sub-region Affairs Committee as well as the Chairman of the Myanmar Business Council on ACMECS.



## UNCTAD – Mr. Hassan QAQAYA

HEAD, COMPETITION LAW AND CONSUMER POLICIES BRANCH – [HTTP://WWW.UNCTAD.ORG/](http://www.unctad.org/)

Hassan QAQAYA is the Head of the United Nations Competition law and Consumer Policies program. He has been with UNCTAD since 1981, first in the division on Money, finance and Development, Globalization division and later in the Division on International trade in Goods and Services. He was the Chief of UNCTAD's Competition law and policy advisory services for 15 years. He has advised developing countries on the formulation and enforcement of national Consumer protection and competition laws, setting up competition and Consumer protection agencies, institutional building, application guidelines and training of trainers for case handlers and adjudicators. For over a decade, he was the team leader of the advisory services and capacity building work programme, which UNCTAD extended to developing countries during the WTO negotiations on Singapore issues.



## UNESCAP – Mr. Masato Abe

ECONOMIC AFFAIRS OFFICER IN THE BUSINESS AND DEVELOPMENT SECTION, TRADE AND INVESTMENT DIVISION – [HTTP://WWW.UNESCAP.ORG](http://www.unescap.org)

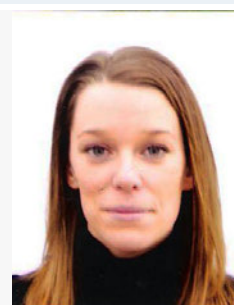
Masato Abe is Economic Affairs Officer in the Business and Development Section, Trade and Investment Division, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). He has extensive experience in enterprise development with special emphasis on the SME sector and supply chain management. Prior to joining the secretariat of the United Nations, he worked in the global automotive, electronics and high-technology industries. He holds degrees in marketing, business administration and economics, and is a research fellow at Thammasat University, Bangkok.



## UNESCAP – Ms. Deanna Morris

PROJECT MANAGER – CONSULTANT IN THE BUSINESS AND DEVELOPMENT SECTION, TRADE AND INVESTMENT DIVISION - [HTTP://WWW.UNESCAP.ORG](http://www.unescap.org)

Ms. Deanna Morris is currently a Project Manager – Consultant at United Nations ESCAP's Trade and Investment Division. She has previously worked as Senior Regional Programme Officer at Aide et Action, where she worked regionally throughout the GMS and China in the area of inclusive education programme development. She is also currently a Special Correspondent on Livelihoods and Economic Affairs for Global South Development Magazine, a member of the Board of Trustees for Organization for Gender Equity and Development (an Afghan based NGO), and a Consultant for Devex. She has a Master's Degree in Sustainable International Development from Brandeis University's Heller School for Social Policy and Management.



## UNESCAP – Mr. Naylin Oo

ECONOMIC AFFAIRS OFFICER IN THE REGIONAL TECHNICAL SUPPORT OFFICE – [HTTP://WWW.UNESCAP.ORG](http://www.unescap.org)

Mr. Naylin Oo is the Economic Affairs Officer at the Regional Technical Support Office (Yangon), which he is currently heading. He has been working at ESCAP in various capacities: promoting public-private policy dialogues and partnerships, helping SMEs to benefit from global value chains to assisting countries in adopting ICTs for development, and promoting effective implementation of the principles of the Global Compact in Asia and the Pacific. He began his career at the United Nations Headquarters in New York in 1992. He holds B.A. (Computer Science) and MBA (Operations Management) from the City University of New York. He is a Ph.D. candidate in Development Administration at the National Institute of Development Administration (NIDA) in Bangkok, Thailand. His passion is to provide assistance in the building capacity of countries with special needs, particularly in the Least Developed Countries, including Myanmar.



## UNESCAP – Mr. Marc Proksch

CHIEF OF THE BUSINESS AND DEVELOPMENT SECTION IN THE TRADE AND INVESTMENT DIVISION – [HTTP://WWW.UNESCAP.ORG](http://www.unescap.org)

Mr. Proksch is Chief of the Business and Development Section in the Trade and Investment Division and manages the work of the Section in the areas of development of small and medium-sized enterprises, promotion and facilitation of investment for development and the promotion of responsible business practices. After working in the private sector in the UK as a research analyst at a management consultancy, he joined the United Nations as a permanent staff member in 1990. Mr. Marc Proksch has a Masters Degree from the Free University of Amsterdam in political science, international relations and of the London School of Economics in international political economy





## UNIDO – Mr. Michele Boario

SENIOR MSMEs DEVELOPMENT EXPERT – [HTTP://WWW.UNIDO.ORG](http://www.unido.org)

Mr. Boario is currently working for UNIDO as a Senior MSMEs Development Expert. He is an Economist with diverse experience as a private sector development advisor, international development program manager, management consultant and lecturer in Economics at the University of Turin. Mr. Boario has worked for the Myanmar Government on foreign direct investment and special economic zones, analyzed the development status of the MSMEs and drafted MSMEs development strategy documents for different development countries. He has been involved in the policy dialogue on the private sector development (PSD) in Ethiopia and has worked with the Italian Ministry of Foreign Affairs on issues of cluster development and economic growth. Furthermore, he conducted a comprehensive analysis on the Common Country Assessment (CCA) and the United Nations Development Assistance Framework (UNDAF) exercises. Mr. Boario holds an MSc in Development Studies from the London School of Economics and an MA in Economics and Trade from the University of Turin.



## UNIDO – Dr. Rene van Berkel

CHIEF, CLEANER AND SUSTAINABLE PRODUCTION UNIT – [HTTP://WWW.UNIDO.ORG](http://www.unido.org)

Dr. Van Berkel is chief of the Cleaner and Sustainable Production Unit at UNIDO, the specialized UN agency mandated to support industrialization in developing countries. In his present capacity, Dr. Van Berkel works with a global network of cleaner production centres and other service providers to support the implementation of resource-efficient and cleaner production, particularly in SMEs in developing and transition countries. Prior to joining UNIDO in 2008, he held various academic positions in Japan, Australia and the Netherlands. He has over 20 years of experience as consultant, trainer and researcher on cleaner production, eco-efficiency, industrial symbiosis and corporate sustainability. Mr. Van Berkel is an environmental scientist by education and holds a PhD from the University of Amsterdam, the Netherlands.



## UNIDO – Dr. Franz Hengstberger

TECHNICAL ADVISOR AND INTERNATIONAL METROLOGY EXPERT – [HTTP://WWW.UNIDO.ORG](http://www.unido.org)

Dr. Hengstberger is currently the Technical Advisor and International Metrology Expert for the Better Quality Infrastructure Component, under the Better Work and Standard Programme (BEST) at UNIDO Bangladesh. The BEST Program aims at promoting economic growth and lifting communities out of poverty by helping Bangladesh to take advantage of global market opportunities. Dr. Hengstberger was formerly President of the International Commission on Illumination (CIE) in Vienna, Austria and a Member of the International Committee on Weights and Measures (CIPM). He holds a Ph.D. and engineering degree on Technical Physics from the Technical University of Vienna.



## WASME – Dr. P.C. Sabharwal

SENIOR ADVISOR – [HTTP://WWW.WASMEINFO.ORG](http://www.wasmeinfo.org)

Dr. P.C. Sabharwal is the Senior Advisor of World Association for Small and Medium Enterprises (WASME). He possesses a variety of experiences of socio-economic-cultural fabric of rural community with comprehensive experience and understanding of institutional building, public policy formulation, traditional knowledge mixed with science and technology, human resources needs, administration and financial management. Having served for 35 years in Government of India, he retired from a senior position in 2003; and thereafter, worked as Senior Director in an international University for about eight years. Dr. Sabharwal has a M.Sc in Agriculture, PhD in watershed management and also holds the Degree in Law.



## WUSME – Dr. J.S. Juneja

VICE PRESIDENT – [HTTP://WWW.WUSME.COM](http://www.wusme.com), [WWW.GLOBALPROJECTS.CO.IN](http://www.globalprojects.co.in)

Dr. J.S. Juneja is the Vice President of the World Union of Small Enterprises (WUSME) and is the Chairman of the Global Projects & Services (P) Ltd. since 1995. As a consultant with UNIDO, UNDP, ECA, Commonwealth Secretariat and several countries in Asia and Africa, Dr. Juneja has shared his experience and expertise for framing SME policy and facilitated many countries in developing programs and building or restructuring SME support institutions. He has over three decades of experience in enterprise and SME development and is Chairing SME Task Forces for PHD Chamber of Commerce and Industry and AIMA (All India Management Association). He is the former Chairman of NSIC-Apex Government of India Enterprise for SME development. He recently authored the Policy Guidebook for SME Development in Asia and the Pacific Region for ESCAP. Dr. Juneja holds an MBA from the University of Oregon, USA, and was conferred Doctoral Degree by the University of Bombay, India in Applied Economics (1989)"



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Ministry of Commerce  
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The Government of Japan



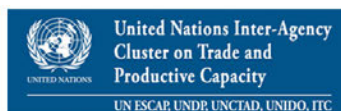
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# Collaborating UN Cluster Agencies



International  
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Centre



UNITED NATIONS  
UNCTAD



# Cooperating Agencies & Organizations



BusinessLab  
HKU MBA programme



Centre For SME Growth & Development Finance



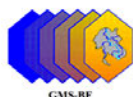
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Building Invention Economy



THE NATION



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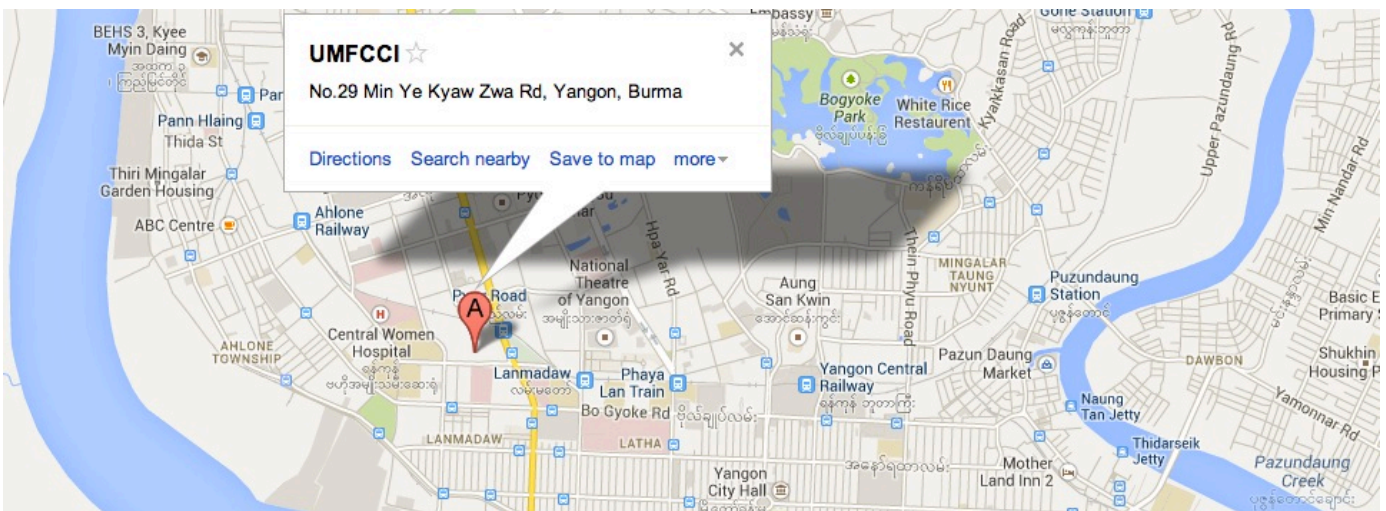


WUSME

# Myanmar BUSINESS AND DEVELOPMENT WEEK

23-27 September 2013 | Yangon | Myanmar

Venue: The Union of Myanmar Federation of Chambers of Commerce and Industry  
No.29, Min Ye Kyawswa Road, Lanmadaw Township



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# Fostering pro-poor and inclusive MSME development in Myanmar

UNIDO



28 February 2014 | Yangon | Myanmar

**Michele Boario**



# Outline

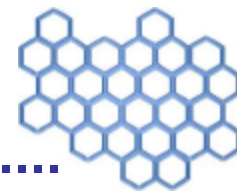
- Fostering pro-poor and inclusive MSME development in Myanmar
- 
- **UNIDO approach**
- **Examples**
- **Lessons learnt**



# Fostering pro-poor and Inclusive SME Development in Myanmar



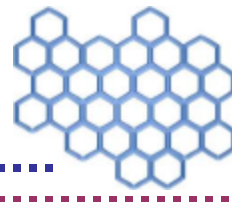
# UNIDO in Myanmar (2010- 2013) on SME Development



Project s/Initiatives	Status
<b>Preparatory Assistance</b>	
Quick Assessment on SME development in Myanmar	Completed in 2010
Quick Assessment for Handicrafts Development Potentials with Min of Cooperatives	Completed in 2011
Contribution and participation to SME law formulation with Min of Industry, MPED, UMFCCI, ESCAP, GIZ, JICA	Apr- May 2013
Fostering Pro-Poor and inclusive MSME development in Myanmar (Preparatory Phase funded by Italy)	Ongoing (2013-2014)

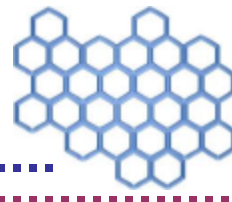


# Fostering Pro-Poor and inclusive MSME development (preparatory phase)



- **Duration:** 9 months
- **Budget:** 320,000 euro
- **Donors:** Italy
- **Government coordinating agency:** Central Department of SMEs Development
- **Counterpart agencies & partners:**
  - Ministry of Industry
  - Ministry of Cooperatives
  - Union of Myanmar Federation of Chambers of Commerce & Industry (UMFCCI)

# Fostering Pro-Poor and inclusive MSME development



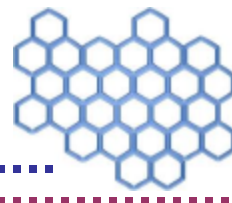
## **Objective**

*MSMEs in Myanmar are competitive on the national, regional and international markets.*

## **The approach**

- ▣ Policy dialogue, cluster development and business linkages
- ▣ During the initial phase, the project will operate mainly for capacity building and policy support
- ▣ Support to different stakeholders
- ▣ Identification of linkages between Myanmar and EU/Italian public/private institutions

# Fostering Pro-Poor and inclusive MSME development

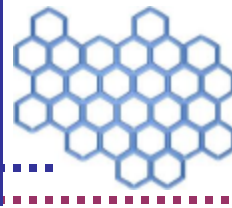


## **Expected outcomes**

- ❑ A conducive environment for MSME (development plans, policies, strategies)
- ❑ Partnership and cooperation opportunities to build capacity (transfer of know-how, partnerships and cluster development)

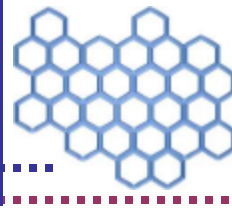
## **Expected target beneficiaries**

- ❑ Government agencies, local academic, research and policy-making institutions
- ❑ Business development service (BDS) providers, government service providers, and other local organizations
- ❑ Private sector



## **Outcome 1 A conducive environment for MSME**

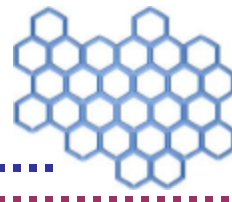
- ✓ Effective institutional and working relationships established
- ✓ Main MSMEs data sources and on going surveys identified and disseminated
- ✓ Cluster development awareness created
- ✓ MSME Support Institutions' staff and MSME representatives trained
- ✓ 2 technical reports drafted: access to finance and clusters in Bagan



## **Outcome 1 A conducive environment for MSME**

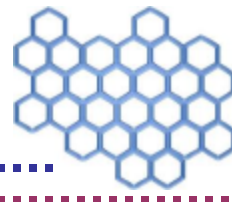
*Additional results expected by the end of the preliminary phase:*

- ❑ Snapshot cluster mapping
- ❑ Policy recommendations on MSME and cluster development provided to MoI, SME Center, and CDG
- ❑ Way forward validated



## **Outcome 2 Partnership and cooperation to build capacity**

- ✓ 2 clusters identified in Bagan to be developed: lacquer ware producers and tourism
- ✓ 3 project proposals formulated: preliminary phase extension; tourism cluster development in Bagan; youth and women entrepreneurship

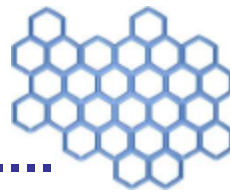


## **Outcome 2 Partnership and cooperation to build capacity**

*Additional results expected by the end of the preliminary phase:*

- ▣ Diagnostic study of Bagan lacquer ware cluster completed
- ▣ Potential Italian/EU partners to lacquer ware producers identified
- ▣ UNIDO's Computer Model for Feasibility Analysis and Reporting (COMFAR) available for interested institutions and MSMEs

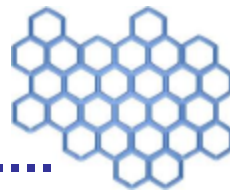
# Project extension



- Policy advise and capacity building
- Pilot cluster development project
- Full cluster mapping (agro-processing, constructions + sector and local relevance)
- Contribution to the Myanmar Business Survey (ESCAP, OECD, Asia Foundation and UMFCCI)
- Creation of an IT platform for MSME ( ESCAP, EBAC, UMFCCI)
- Contribution to an Industrial Zone Survey (FNF)
- A full fledge project formulation



# A full fledge project



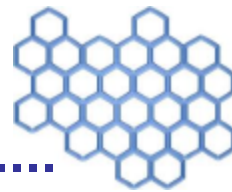
- Policy dialogue to foster pro-poor and inclusive MSME development
- Scaling up of the pilot cluster development project to other clusters and sectors with a strong pro-poor potential, in particular handicrafts, tourism, agro-processing, textile, constructions and furniture
- MSMEs horizontal and vertical integration through industrial zones development
- Partnership between Myanmar and EU enterprises

# WHY CLUSTERS?

*The need for a  
cluster-based  
approach*

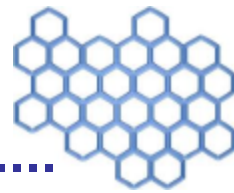


# The need for a cluster-based approach



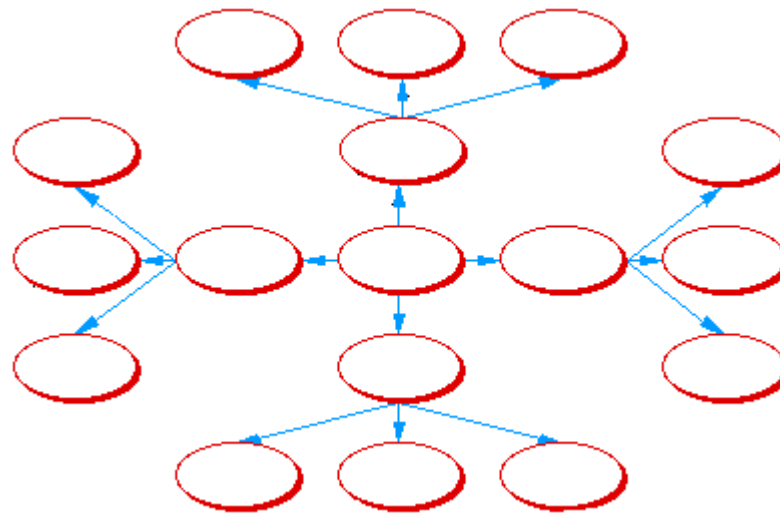
- SMEs are key to the development of a competitive private sector and make the country ready to benefit from AEC 2015
- Due to small size - SMEs face barriers to growth:
  - Individually - no economies of scale in production
  - Limited bargaining power in inputs purchase
  - Few resources to buy specialized support services
  - Cannot tackle market opportunities that require delivery of large volumes of standardized products
  - Limited access to productive, financial and knowledge resources compared to larger competitors
  - Unable to enter formal sector or upgrade into larger units
- SMEs' growth potential often untapped

# The need for a cluster-based strategy

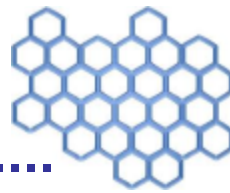


There is a **need for a strategy** that allows SMEs to connect to other business partners, thus **overcome their size constraints**.

BUT WHY CLUSTERS ??



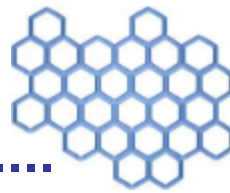
# Why supporting clusters?



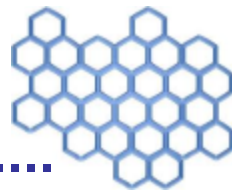
- Clusters are promising environments for the development of **linkages for competitiveness**.
- Within clusters – SMEs overcome isolation & reach **collective efficiency** from the organization of
  - **Joint actions** among firms  
(*e.g. bulk inputs purchase, joint advertising, shared equipment*)
  - **Joint actions** between firms & their support institutions  
(*e.g. provision of technical assistance by business associations or investments in infrastructure by the public sector*).
- By engaging in joint actions, cluster firms can achieve results that are out of reach for individual enterprises.
- Clusters = geographical concentrations of related firms & support institutions.....

.....WE HAVE MANY. WHY DOESN'T IT WORK THEN?

# Why clusters often don't perform?

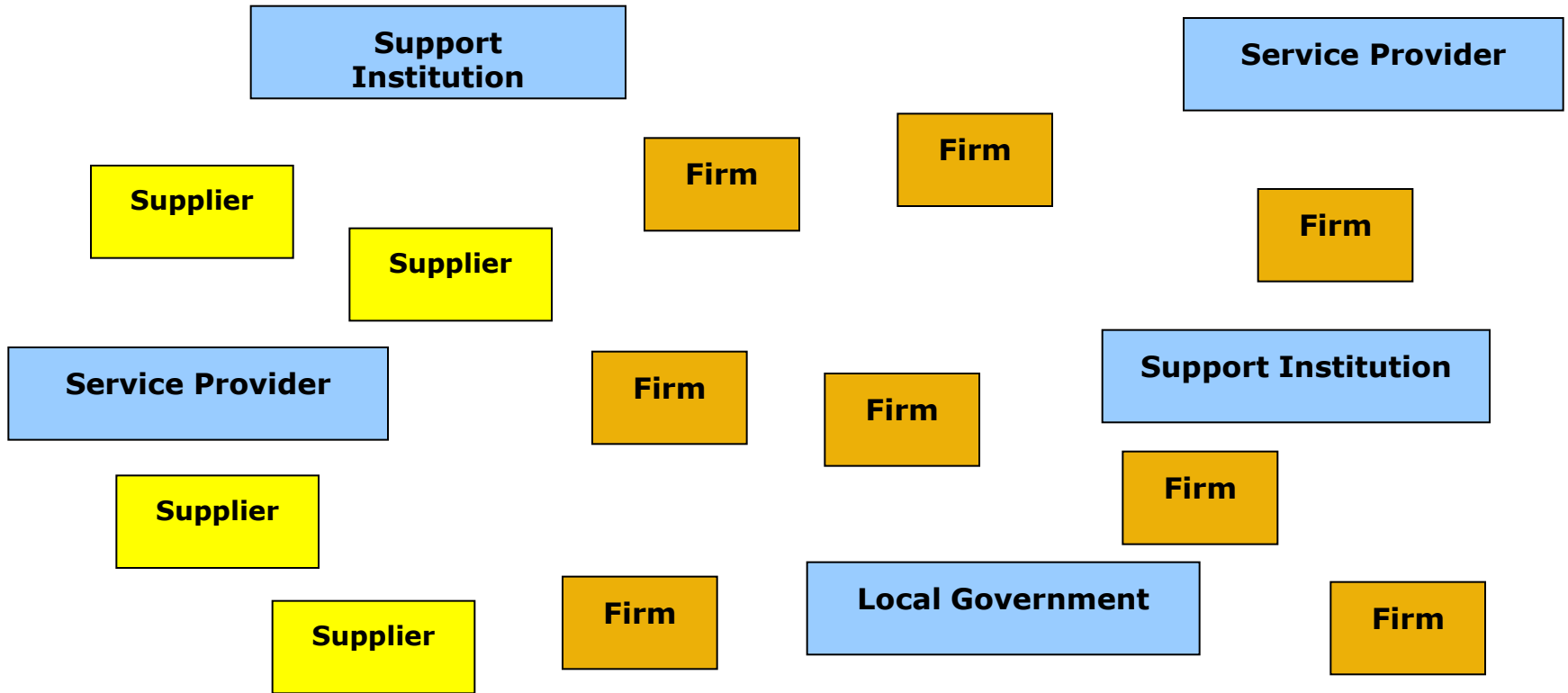
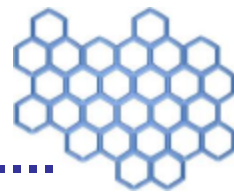


- Few clusters are able to benefit from collective efficiency gains, because joint actions hardly arise spontaneously.
- Clusters are trapped in cut-throat competition & stagnation.
- No trust amongst firms. Associations dominated by the more powerful members.



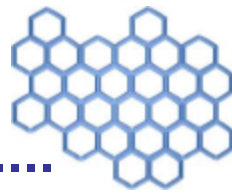
## BEFORE CLUSTER DEVELOPMENT

# The productive space without performing clusters



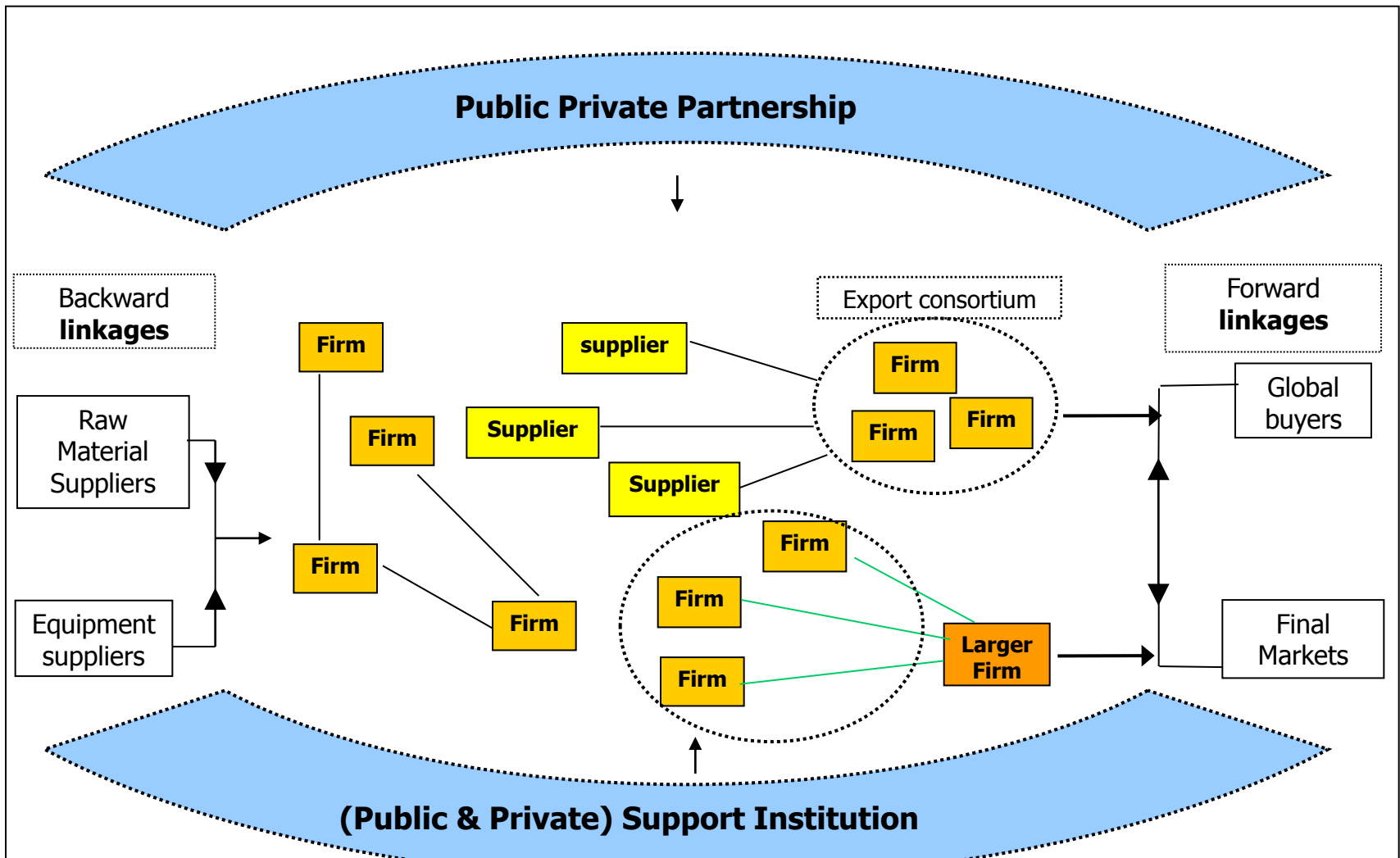
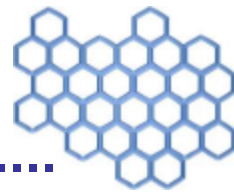
Where are the linkages???





**WHAT WE WANT TO  
ACHIEVE**

# Where we want to go

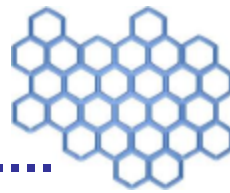


# WHAT IS A CLUSTER

## *DEFINITION*



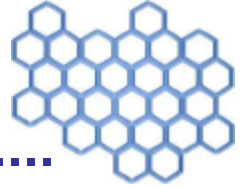
# What is a Cluster?



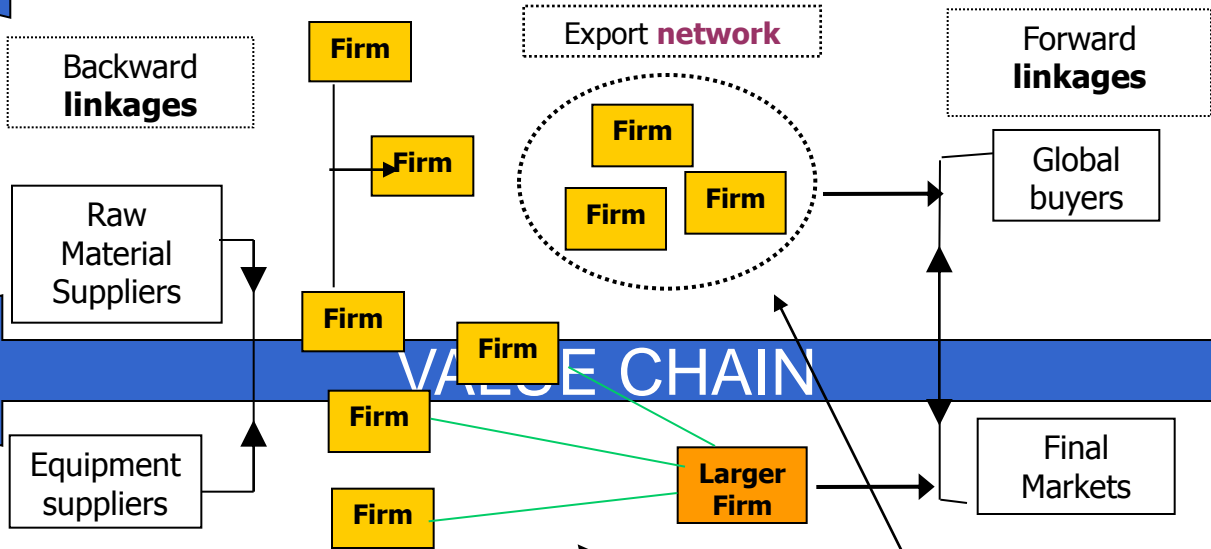
**Cluster** is a  
**sectoral** and **geographic concentration**  
of **all enterprises**, that produce the **same or similar**  
**products** and face  
**common opportunities and threats**

**CLUSTER = PRODUCT + PLACE**  
**&**  
**FIRMS + SUPPORT INSTITUTIONS**

# Cluster vs. Network vs. Value Chain

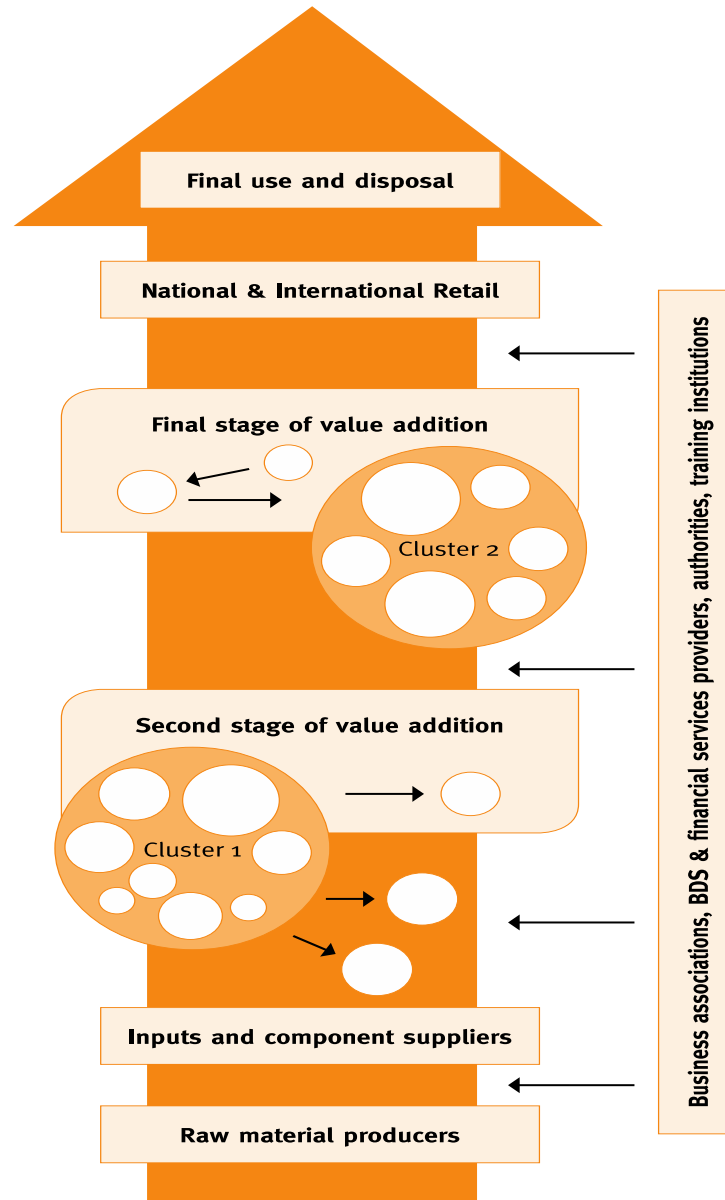
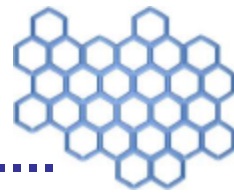


## Sector



**Business Association      Bank      Training Centre**

# Clusters embedded in value chains

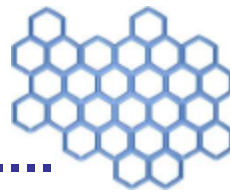


# UNIDO APPROACH TO CLUSTER DEVELOPMENT

- Development principles
- Intervention logic
- Examples
- Implementation modules and phases



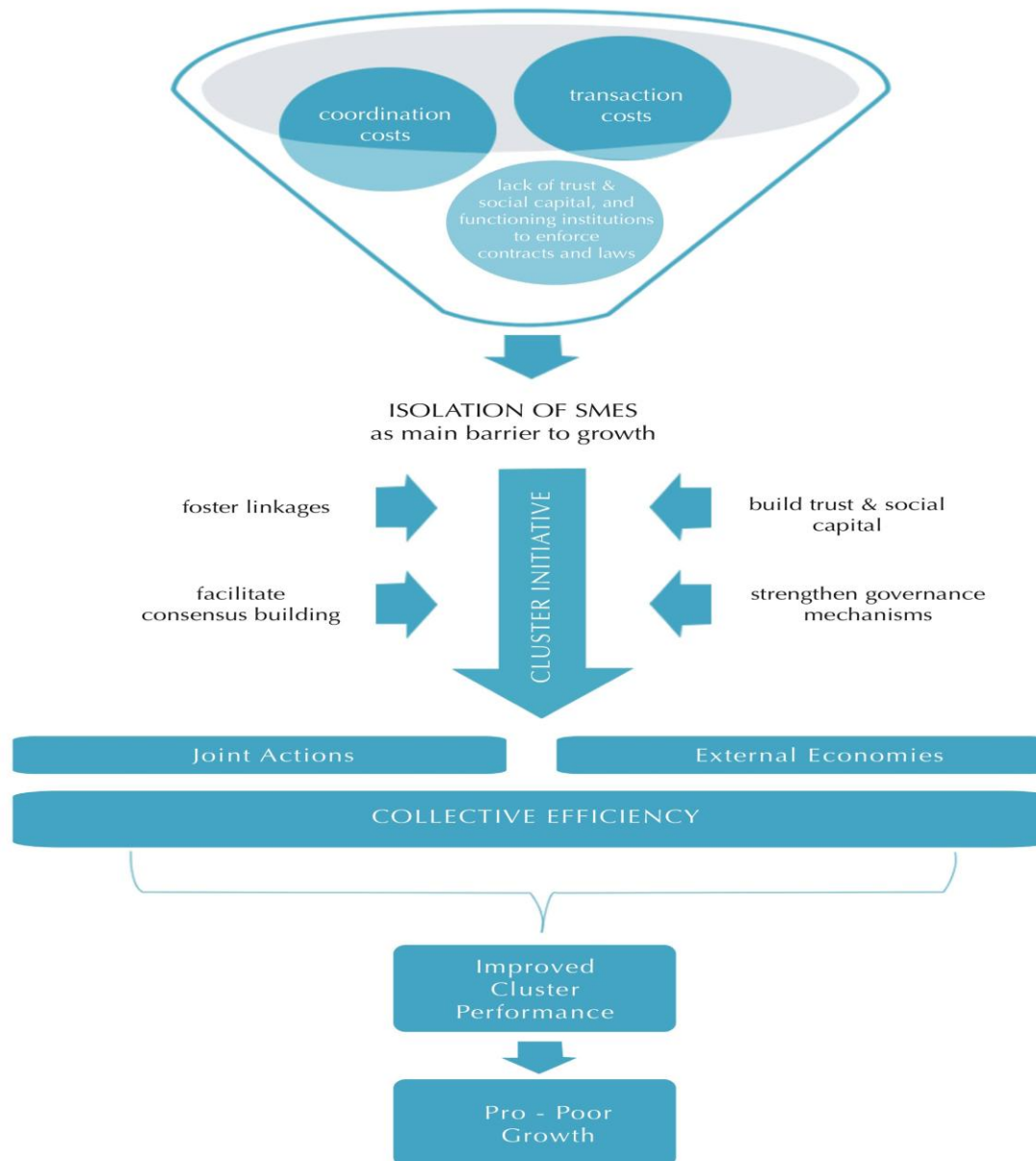
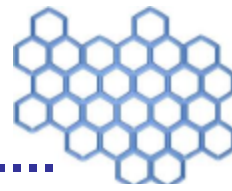
# Development principles



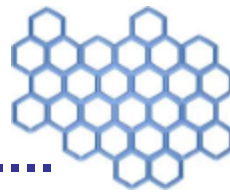
- Pro-poor growth and inclusiveness
- Economic and non-economic issues
- Facilitate the undertaking of joint actions
- Provide support to the cluster's institutional supporters (local governments, chambers, NGOs, etc), service providers (BDS, vocational schools, etc) and buyers and suppliers.
- Involve both public and private sector
- Monitor and evaluate project results



# The intervention logic



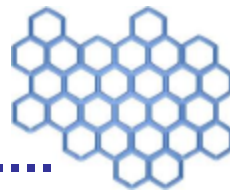
# Examples



**Video #1**: UNIDO Cluster Initiative – Barpali Weavers Cluster / India:  
[http://www.youtube.com/watch?feature=player\\_embedded&v=hUxBRnkoA90](http://www.youtube.com/watch?feature=player_embedded&v=hUxBRnkoA90)  
(6.19 min)

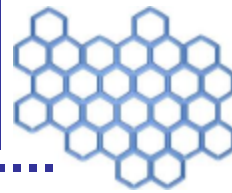
**Video #2**: UNIDO Cluster Initiative – Chanderi Weavers Cluster / India:  
[http://www.youtube.com/watch?feature=player\\_embedded&v=AoKwc9LMXIQ#!](http://www.youtube.com/watch?feature=player_embedded&v=AoKwc9LMXIQ#!)(19.  
11 min)

# A successful example from India



## Context

- ❑ Orissa, one of the poorest Indian States.
- ❑ 8 villages around Barpalli.
- ❑ The cluster accounts for nearly 68 % of the total looms of the district.
- ❑ Some government support.
- ❑ Capacity building on the production side, not on the market side.



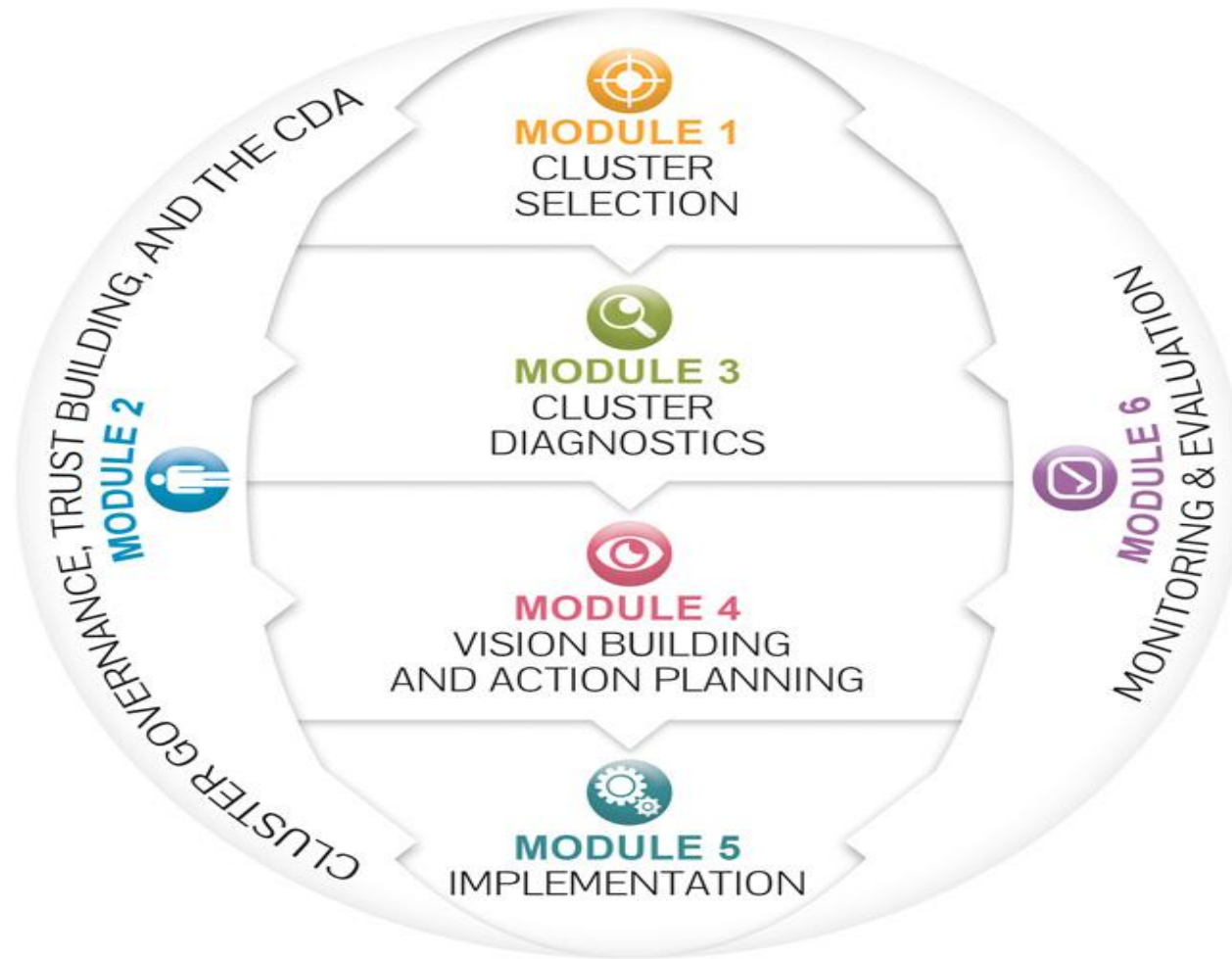
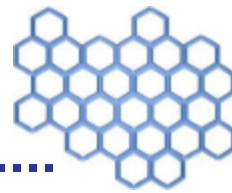
## Constraints

- ❑ Limited Access to and Mismanagement of Credit
- ❑ Lack of Appropriate Technologies
- ❑ Problem of Access to Raw Materials
- ❑ Limited Innovation Capacity
- ❑ Limited Access to markets
- ❑ Social Issues - Health, Gender

## UNIDO impact

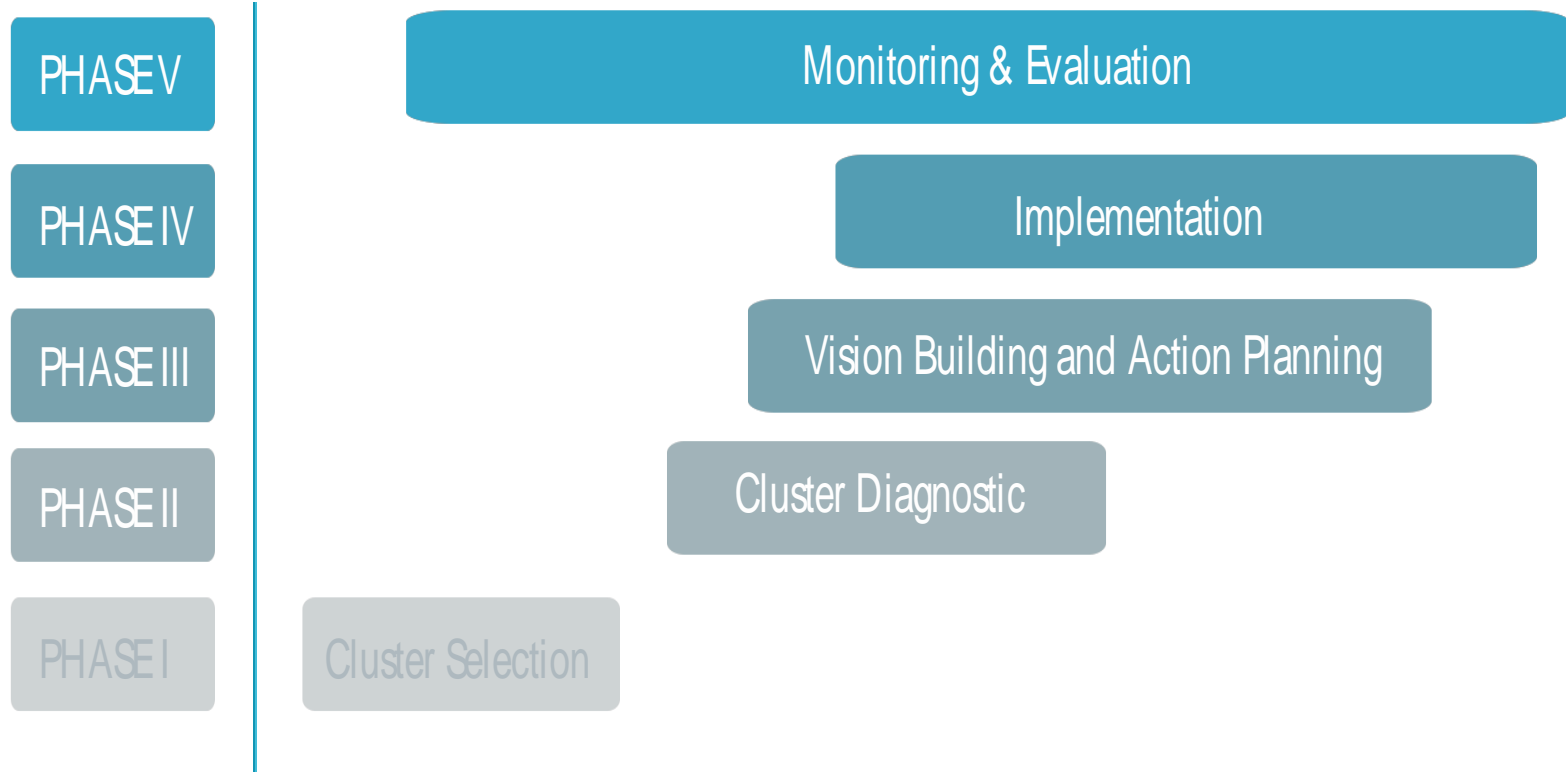
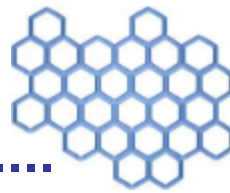
- ❑ 752 weaving families linked to formal credit sources
- ❑ Banks sensitized
- ❑ Higher earnings (600 families + 500 Rs)
- ❑ Some contractual weavers have become entrepreneurs
- ❑ Improved Productivity, Mechanization of Pre-loom Processes
- ❑ Skills Upgraded
- ❑ Social development
- ❑ Women empowered

# Cluster Development Modules

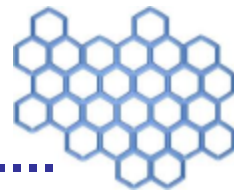


PRO-POOR  
CLUSTER DEVELOPMENT

# Cluster Development Phases

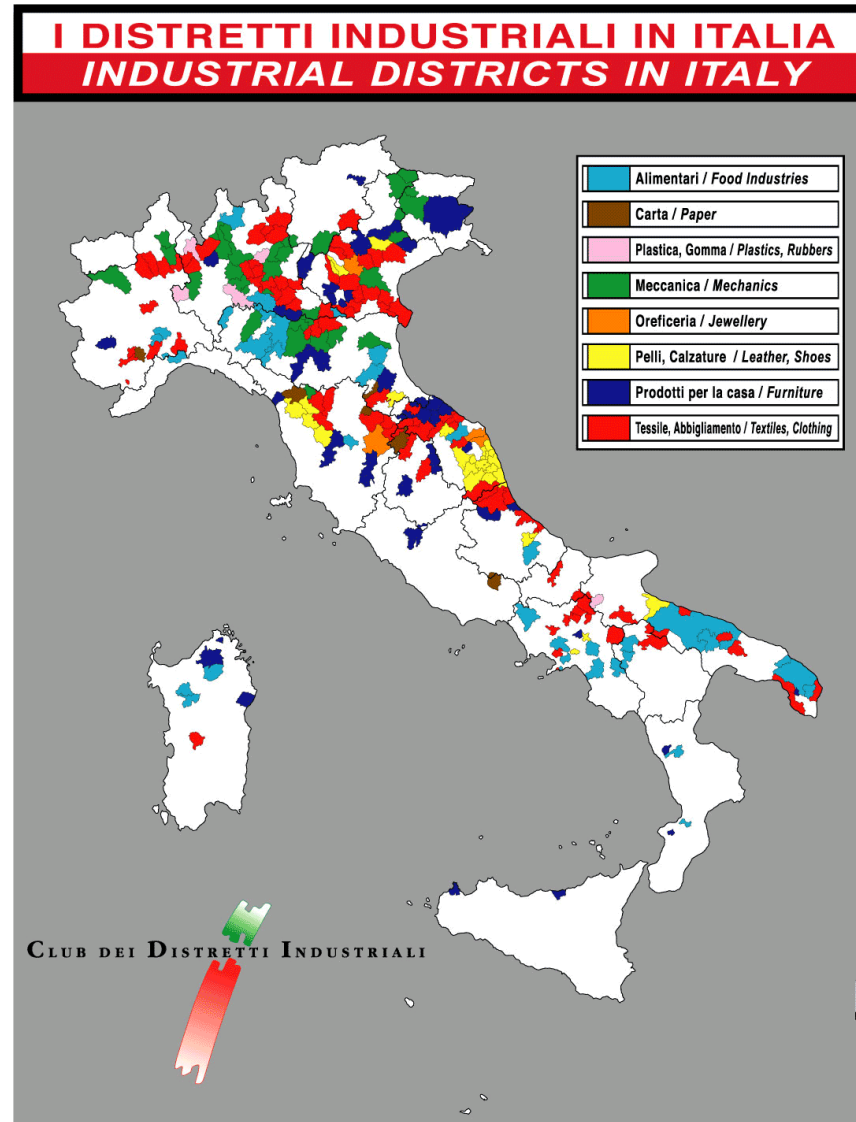


# The Italian Experience in Mapping

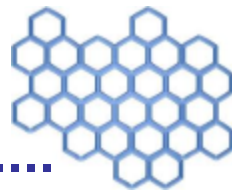


Example:

Cluster Map of  
Italy



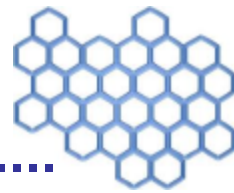
# Cluster selection criteria



1. Pro-poor growth potential (features of the production system; linkages; support system)
1. Feasibility (local commitment, cost, policy complementarity)
2. Potential for replication and diffusion of benefits

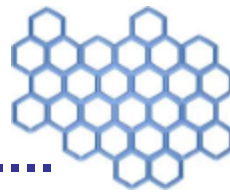


# Cluster Development Agent



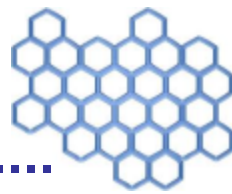
1. Once a cluster has been selected, the UNIDO methodology foresees the appointment of a Cluster Development Agent (CDA).
1. The CDA is appointed at the beginning of the intervention to undertake a cluster diagnostic study.
2. Based on the findings of this initial assessment s/he will work to enable the cluster stakeholders to work together and to ultimately establish and operate a cluster governance structure

# What is Trust?



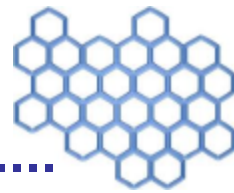
- ❑ An unwritten agreement
- ❑ To share all relevant information for an activity or objective
- ❑ Not absolute but **functional TRUST**
- ❑ Must give direct or indirect business gain
- ❑ At bilateral and multilateral level

# Building trust: why is collaboration so difficult to achieve?



- “Why shall we do business together?”
- “My direct neighbor is my most direct competitor”
- “I do not have time”
- “If I share information with him, he may use it to its benefit only”
- **“I do not trust him!”**

# Building trust: lessons from Game Theory

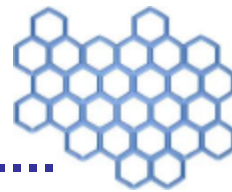


*Let's play !*

	Cooperate	Defect
Cooperate	300 \$ 300 \$	0 \$ 500 \$
Defect	500 \$ 0 \$	100 \$ 100 \$

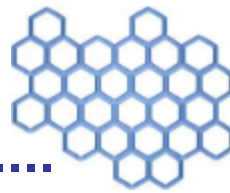
*What's your choice: cooperation or defection ?*

# How to Enhance Social Capital?



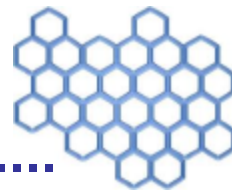
- Promotion of forums
- Cross fertilization of ideas through umbrella organization
- Conduct and disseminate awareness on joint action
- Create cluster leaders who can conceptualize and implement projects
- Encourage agglomeration potential

# Strategy for the Cluster



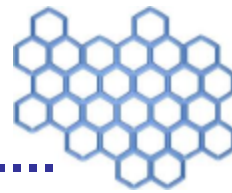
- For strategy purpose most of the clusters would fall under one of the three categories
  1. **Under-selling clusters** (clusters where capacity utilization is less than optimal say clusters operating at 40-50% of capacity)
  2. **Low profitability clusters** (clusters where capacity utilization is full but operating margins are poor)
  3. **Unsustainable clusters**, which operate at full capacity and offer decent margins to producers, but do not operate in niche markets (competition is still cost-based....)

# Example of strategy for the Cluster



- (1) Strategy for **under-selling clusters**: Enhance the capacity utilization by removing the following possible bottlenecks:
- Quality is poor and hence market does not accept enough product
  - Price is high and hence sales are poor
  - Lack of designs
  - Product is good; price is okay but entrepreneurs do not know where to sell

# Identifying Solutions to Problems

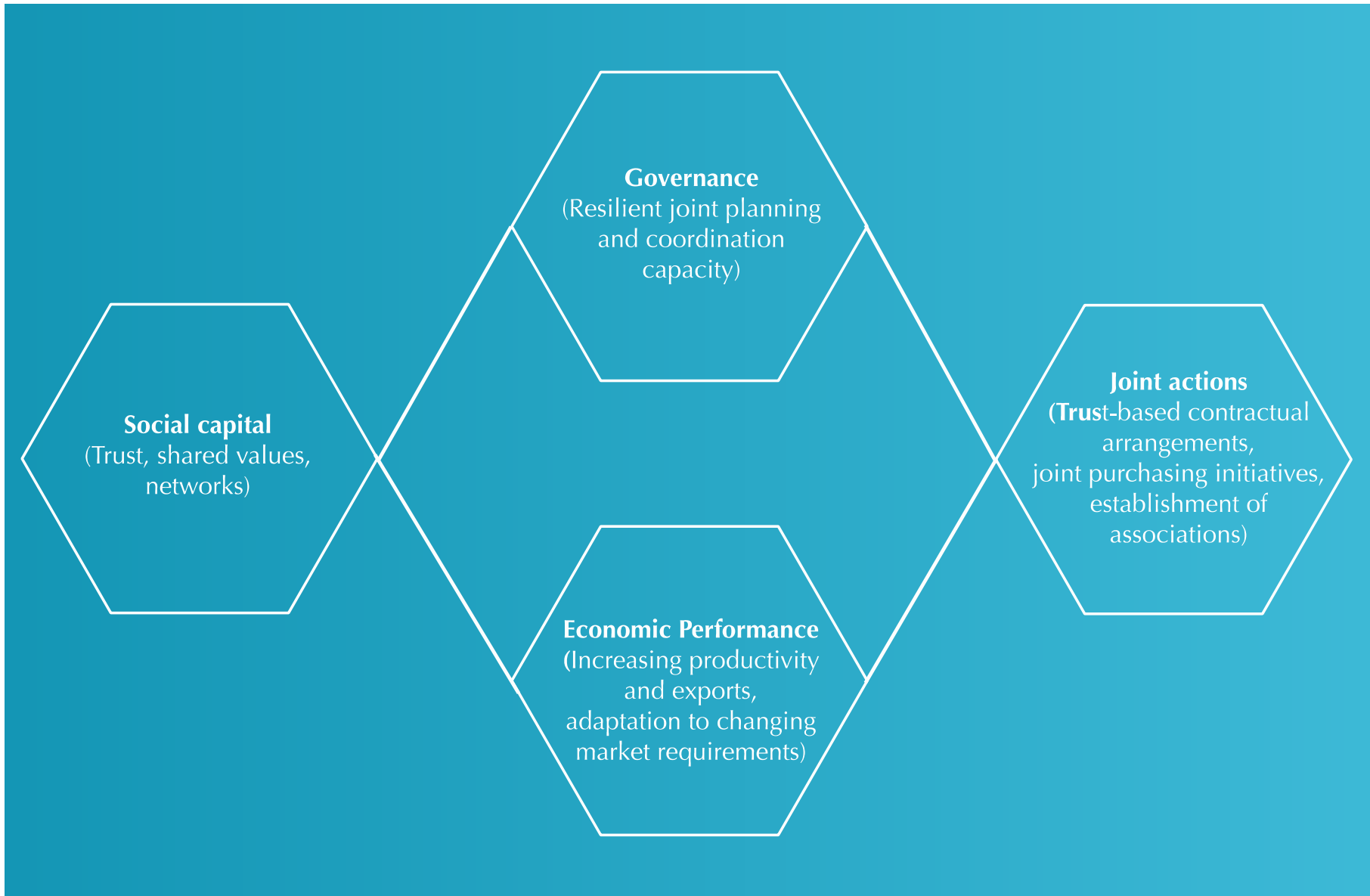
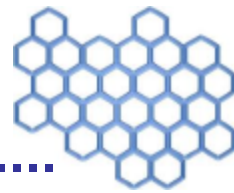


## Problem: Poor product quality

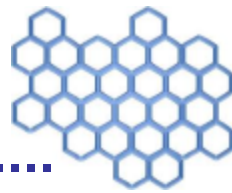
- ❑ Joint hiring of consultant for quality improvement
- ❑ Common testing laboratory
- ❑ Common training for workers on quality issues
- ❑ Common access to Quality Certifications



# Cluster development virtuous cycle

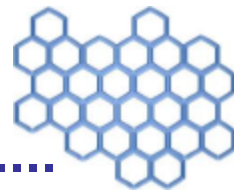


# MAJOR LESSONS LEARNT



- ❑ Cluster cannot be created, only developed
- ❑ Cluster models cannot be transplanted
- ❑ Critical role of governance structure, social networks, trust, joint actions and CDA
- ❑ Major cluster upgrading initiatives, cannot be achieved in 3 years life cycle project
- ❑ Cluster upgrading requires awareness, strong commitment and coordination among public and private actors

# UNIDO online learning resources



<http://www.unido.org/clusters.html>

<http://clustersfordevelopment.org/>

What we do

What we do > Poverty reduction through productive activities > Business, investment and technology services > Clusters and business linkages > Clusters and networks development

**Poverty reduction through productive activities**

Business, investment and technology services

Investment and technology promotion

Competitiveness, up-grading and partnerships

Clusters and business linkages

Automotive supplier development

**Clusters and networks development**

Case studies

Services Provided

Industrial export promotion and SME consortia

Origin consortia

Links

## Clusters and networks development

### What are clusters and networks?


Clusters and networks are different yet linked phenomena. Clusters are agglomerations of interconnected companies and associated institutions. Firms in a cluster produce similar or related goods or services and are supported by a range of dedicated institutions located in spatial proximity, such as business associations or training and technical assistance providers. Vibrant clusters are home of innovation oriented firms that reap the benefits of an integrated support system and dynamic business networks.

Networks are alliances of firms that work together towards an economic goal. They can be established between firms within clusters but also exist outside clusters. Networks can be horizontal and vertical.

- Horizontal networks are built between firms that compete for the same market, such as a group of producers establishing a joint retail shop
- Vertical networks, particularly supplier development schemes, are alliances between firms belonging to different levels of the same value chain, such as a buyer assisting its suppliers for upgrading.

### Why does UNIDO work with them?

Clusters and business networks have become keywords in the policy debate in industrialized



**Related Downloads**

**Brochure**  
Development of Clusters and Networks of SMEs

**Publication**  
Industrial Clusters and Poverty Reduction

**Brochure**  
Cluster, Business Linkages and CSR - UNIDO approach and services

ABOUT CLUSTERS

THE UNIDO APPROACH

TRAINING MATERIALS & RESOURCES

NETWORK OF PRACTITIONERS

WHAT ARE CLUSTERS

WHY CLUSTERS


DEVELOPMENT PRINCIPLES

RELATED APPROACHES

FURTHER READING

HOW TO USE THIS PLATFORM

## About Clusters



Clusters and cluster development have become keywords in the policy debate in industrialized and developing countries alike. Clusters are considered as a means to promote the development of competitive industries and to facilitate local economic development and the achievement of pro-poor growth. Focusing on the specific challenges faced by developing countries, UNIDO has formulated a modular approach to guide the formulation and implementation of cluster development initiatives.

# Thank you!



**[m.boario@unido.org](mailto:m.boario@unido.org)**

**[www.unido.org](http://www.unido.org)**



## Private Sector Development to fight poverty

Nay Pyi Taw, June 2014



**Michele Boario**  
Senior MSME Development Expert

 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION www.unido.org

## Bold goals for Myanmar

FSER

*...[a] reform process that will allow Myanmar to become a modern, developed and democratic nation by 2030.*

**How?**

MARCH 30, 2012

*... we must turn to national industrialization to transform [the] country into a developed, rich one with a lot of employment opportunities and high per capita income.*

*...we have to ensure [a] proper market economy designed to reduce the economic gap between the rich and the poor, and [the] development gap between urban and rural areas.*

—President Thein Sein, Inaugural Address

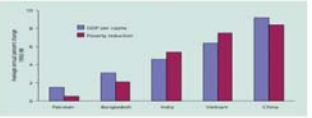
**How?**

2

### Growth and poverty reduction

Growth accounts for more than 80% of poverty reduction, and has lifted 500 million people above the poverty line since 1980, and 600 million since 2000, as a result of changes in technology, in food prices, in the amount of investment, in a greater use of labor, and 100 million people are no longer poor – see Figure 3.

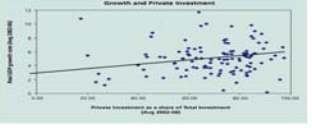
Figure 3: Poverty reduction thanks to growth



### Private investment and growth

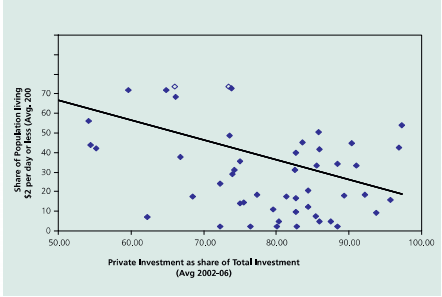
Over the period 2003-2006, the average 2003-2006, when a positive relationship between the rate of private investment, as a proportion of total investment and the rate of GDP growth (see Figure 4), in other words, the higher the level of private investment, the higher the rate of growth. Indeed, the same amount of private investment is increasingly spread by growth (see Figure 4). So, if private investment is higher, poverty incidence is lower.

Figure 4: Growth and Private Investment



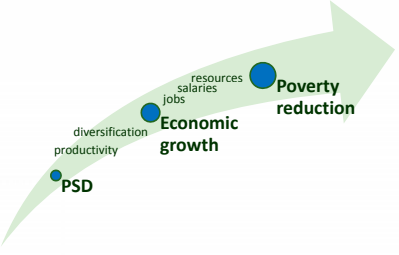
3

### Negative relation between private investment and poverty



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## Rationale for private sector development (PSD)




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## Rationale for PSD

- Economic growth will require that the **productivity** of existing activities is increased, including a more efficient and profitable agriculture sector, and that new and **diversified** economic activities are developed. Both lines of effort require investments by the private sector.
- **Nine out of ten jobs** in the developing world are in the private sector.
- More accessible and **competitive markets** enable poor people, including youth and women, to find their own way out of poverty by providing more real choices and opportunities. To the extent that international labour standards are applied and civil rights guaranteed, poor people who create or join an enterprise gain voice and dignity (**empowerment**). When they earn higher incomes they increase their ability to exercise choices and reduce their vulnerability.
- Markets that function well have wider economic benefits too. They encourage firms to **innovate**, bring and disseminate new technologies, reduce costs and provide better quality jobs, goods and services to more people.

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## Rationale for PSD

- **Exports** generated by the private sector expand forex earnings needed to buy inputs for building infrastructure.
- **Taxes** that private companies and individuals pay fund core government functions such as delivering health and education services.
- Only the expansion of the private sector might **absorb** the large number of **workers** that are expected moving from the countryside to the towns as a result of structural changes envisaged by the FSER

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## Rationale for PSD

*Private companies are generally more efficient and innovative than their local counterparts in government service.*

**No efficiency → out of market**

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## The role of the state

- The capability of the state underpins **political and economic stability** and helps ensure that human rights, personal safety and the security of property are respected.
- responsible for the provision and regulation of **infrastructure, health and education**.
- **climate for investment** and commerce through trade policy, competition policy, regulation of utilities, commercial justice systems, taxation, land reforms, labour codes and environmental management.
- **institutions** required for private companies to grow.
- **arbitration** between competing claims
- the state plays an important role to overcome **market failures**.

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## How to support PSD in Myanmar

- Forging and disseminating an **entrepreneurship culture** at all level in the society.
- Strengthen the **rule of law and human rights**.
- Improve the **investment climate** (regulatory environment, access to finance, education, economic and political stability, infrastructure, power).
- Making the best use of an emerging common interest in sustainable development between **private companies and development agencies**.
- Attracting **more private sector participation** in both the financing and provision of key development-related services such as infrastructure, education and health services. PPPs.

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## How to support PSD in Myanmar

- Creation of a **level playing field** and reduce **corruption**.
- Ensuring that the rapidly evolving and integrating global trade and financial systems work for the **benefit of people and companies** in Myanmar.
- Increasing the private sector development performance of **international agencies**.
- Improving knowledge management of private sector development impacts to disseminate **best practice** more effectively.

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## SME development: basic tools, programmes and policies

Nay Pyi Taw, June 2014



**Michele Boario**  
Senior MSME Development Expert



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### Basic concepts

- Enterprise definition
- MSME definition
- Scope and challenges for MSME development
- Enterprise culture
- The state of the MSME sector

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### What is an enterprise ?

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### An easy task, find: input, output, capital and labor

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### Is this a company? What is the environment ?

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### What are the differences ?

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### MSME current definition in Myanmar

- The Private Enterprise Law of 1990 classifies the industries into small, medium and large-scale industries.
- The criteria for definition of MSMEs vary according to the country economic situation and economic policies.
- The smaller micro industries are included in the cottage industries law which concerns those industries employing less than 10 workers and using less than 3 H.P motor.

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### MSME current definition in Myanmar

criteria	micro	small	medium
Workers	< 10	10-50	51-100
Power used	< 3hp	3-25 hp	26-50 hp
Production value		<2.5 MKyat	2.5-10 Mkyat
Capital Outlay		< 1 MKyat	1 to 5 Mkyat

Definition is useful:

- In building **statistics** and monitoring the sector
- In **benchmarking** against other economies and between regions
- In providing arbitrary **thresholds** for imposition of tax or other regulations
- In determining **eligibility** for particular forms of public support

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### Scope for MSMEs development

- MSMEs constitute the **vast majority of business establishments**;
- they are responsible for the majority of **jobs** created;
- account for **one third to two thirds of the turnover of the private sector**;
- MSMEs play a wider role in **social, economic and political development**;
- central to creating a democratic society and developing an **'enterprise culture'**.

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### Challenges

- In all economies, many operate **outside the 'formal' sector**.
- Governments alone cannot create an 'enterprise culture', but their actions can destroy or facilitate it.
- A major difficulty is that the **SME sector is always highly differentiated**.
- 'Bottom up' approaches to development within a national framework in a way that rewards and enhances **enterprise culture**.

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### Enterprise culture development

What is a society with an enterprise culture?

A society where the potential for individuals and groups to start a business is maximised.

More broadly it can be a society in which individuals in all kinds of organisations and in **all aspects of life behave in an entrepreneurial manner**.

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### Enterprise culture development

The broad strategic challenge to public policy is to change the culture of organisations of all kinds to facilitate entrepreneurial behaviour enabling and encouraging individuals to:

- Enjoy a stronger sense of **ownership**;
- Enable them to make **decisions** under conditions of uncertainty;
- Take responsibility to achieve **results**;
- Link **rewards** and the evaluation of **credibility** with stakeholders and customers;
- Learn – not only formally, but also from stakeholders, and from mistakes and experiments;
- Moving from regulations to **customer orientation**;
- Proposing positive entrepreneurial personal **role models** for individuals to follow.

The education system is commonly regarded as the starting point.

Ex: *Russia. Enterprise education was introduced in all secondary schools*

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### The state of the MSME sector

The MSME sector will be healthy when there is:


- A **culture of enterprise** which rewards all citizens
- An economic, political and social climate that encourages a high rate of **business start up and survival**
- A significant proportion of **quality businesses** contained in the new stock;
- An economic and social climate which encourages existing **SMEs to grow**;
- A **sympathetic and entrepreneurial stakeholder environment** for SMEs.

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### The state of the SME sector

**To provide regular data on the state of enterprise development.**

Monitor at a national, sectoral, and regional level:

- *New business start-ups*
- *Survival rates*
- *Growth of the sector*
- *Measurement of attitudes*

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### The state of the SME sector, its needs and its reactions to policies


**Evaluating specific support measures that have been introduced to stimulate the SME sector and remove barriers to its development in:**

- finance;
- counseling and consulting;
- training and education;
- information;
- technology and innovation;
- provision of premises;
- special access to government contracts.

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### The state of the SME sector, its needs and its reactions to policies

**Communicating effectively with the SME sector**



**To ensure that mechanisms are in place to enable the views of the SME sector to feed into public policy in an effective manner over time.**

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### SMEs in Myanmar

- 45,000 registered SME, 97% of the companies, 65% in agro-processing
- *Private Industrial Enterprises Law* del 1990 need to be revised, more focus on FDI and SEZ. no specific MSMEs policy or law that would facilitate the growth of MSMEs ;
- Corruption
- **Need of horizontal and vertical integration**
- Limited sources of investment in MSMEs sector;
- Need to upgrade the products to meet international standards;
- Difficulties in marketing, distribution ,market access, information and IT;
- Inadequate level of management skills and technologies;

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### SMEs in Myanmar

- Low level of productivity;
- Inadequate access to finance;
- Increasing global and regional competitors;
- Weak infrastructure and business environment;
- Lack of environmental awareness and knowledge;
- Limited awareness of business ethics;
- Weak networking activities among SMEs;
- Need for more interaction and coordination between government agencies and private sector ( Public – Private Partnership)aiming to establish successful PPPs;
- Need to give more awareness to the private sector action plans and time lines of AEC ;
- MSMEs need to adopt a development mindset and look ahead, plan carefully, build up their capacity and capability and venture forward actively to achieve the ultimate goals.

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### Relevant reforms in Myanmar

- **FESR:** “GOM recognizes the importance of SMEs for industrialization.”
- Central **Committee** and Working Committee for Development of Small and Medium Enterprises
- **SMEDB**, MMK 5 billion 2012/13
- Policies for SME development include: cluster development, **one-stop** centers for business start- ups, **reducing/eliminating administrative controls**, **supporting provision of land use rights**, **improving access to credit** (both private and public), **building enterprise capacity** with respect to finance, marketing etc.
- Development of micro-enterprises will also be encouraged, including through supporting the development of **micro-finance** institutions.

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### Tools, policies and programmes for MSMEs development: the key role of building linkages

- Clustering and network development
- Export consortia
- Business partnership: FDI – SME linkages

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### The need for a cluster-based strategy

There is a **need for a strategy** that allows SMEs to connect to other business partners, thus **overcome their size constraints**.

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### Why supporting clusters?

- Clusters are promising environments for the development of **linkages for competitiveness**.
- Within clusters – SMEs overcome isolation & reach **collective efficiency** from the organization of
  - **Joint actions** among firms  
(e.g. bulk inputs purchase, joint advertising, shared equipment)
  - **Joint actions** between firms & their support institutions  
(e.g. provision of technical assistance by business associations or investments in infrastructure by the public sector).
- By engaging in joint actions, cluster firms can **achieve results that are out of reach for individual enterprises**.
- Clusters = **geographical concentrations of related firms & support institutions**.....  
.....**WE HAVE MANY. WHY DOESN'T IT WORK THEN?**

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### The productive space without performing clusters

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### Policy for cluster development

- **Facilitating policies:** improving the investment climate, regulatory framework, attract FDI, Industrial zones, SEZ, infrastructure, PPPs
- **Engaging stakeholders:** awareness creation, cluster identification, support to networking organisations, coordination bodies (CDG)
- **Collective services:** market intelligence, technical standard, quality standard, training, global value chain development
- **Financing:** dedicated funds and banks
- **Innovation:** R&D system, sector institutes for product development, IT park, twinning arrangements

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### Supporting export consortia

- ▣ Creating export consortia in different sectors (promoter, members, feasibility study)
- ▣ Training of promoters (MoI, Chambers, Associations)
- ▣ Promoting a favorable institutional & incentive framework (dedicated funds)
- ▣ Organization of Global Trainings

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### FDI – SME linkages

Foreign direct investment (FDI) can strongly enhance local SME development

↓

backward, forward or horizontal linkages

Backward linkages exist when foreign affiliates acquire goods or services from domestic firms.

Forward linkages when foreign affiliates sell goods or services to domestic firms.

Horizontal linkages involve interactions between foreign affiliates and domestic firms engaged in competing or complementary activities.

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### Benefits from linkages

*For local SMEs*

- increased local market opportunities
- upgraded management skills
- new technology
- access to capital
- increased possibility of internationalizing their business

*For the host economy as a whole*

- stimulate economic activity

*For transnational corporations*

- lowering transaction costs
- greater flexibility
- spurring local adaptations

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### (Pre) Conditions to fully benefit from linkage-related spillovers


*Linkage-related benefits to domestic firms and the local economy are not automatic.*

- Attractive environment for FDI
- TNC willingness to participate and increase local sourcing of supplies and/or services;
- SME capability to work with TNCs and meet their required standard of quality and reliability;
- A mutual interest/gain in establishing a lasting business relationship.

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### The role of government policies on preconditions for building linkages

- Firstly, the creation of beneficial FDI-SME linkages depends on the capacity to **attract** a substantial quantity and quality of **FDI** for the host country.
  - open stance towards FDI
  - investment climate
  - Target FDI in sectors and industries
  - with significant growth potential coherent with industrial plans
- Secondly, strengthening the **absorptive capacity** of domestic firms is vital to establish linkages and to assimilate efficiently the technology and knowledge that these linkages may provide.
  - improving doing business
  - SME promotion

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### Government policies to foster TNCs – SMEs linkages


*Although foreign affiliates may have an interest in creating and strengthening local linkages, their willingness to do so is influenced and reinforced by government policies.*

- Provide information and incentives to encourage TNCs to use local suppliers
- Accommodate open access or inside "seeding"
- Ensure that linkage programmes address SME capabilities
- Value the many forms of knowledge transfer from foreign affiliates to SMEs
- *Expand markets through TNC networks*

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*Thank you !*

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### Soft skills development: brainstorming

*A storm in the brain to produce ideas*

- Team leader
- Issue and title
- 3 phases: 1) warm up 2)creative production; 3) selection of promising ideas

**Let's practice!**

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**Annex IV. Action plans to support the Cluster Development Group**



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## **UNIDO contribution to CDG implementation plan** (June – September 2014)

### **Introduction**

Under the current preliminary phase of the project **Fostering pro-poor and inclusive MSME development in Myanmar** (annex 1), financed by the Italian government and implemented with the Myanmar Ministry of Industry, Ministry of Cooperatives and UMFCCL, UNIDO started a fruitful collaboration with the inter-ministerial Cluster Development Group (CDG). This note highlights activities carried out so far (May 2014) and further initiatives to support CDG implementation plan for small and medium enterprises in the period June – September 2014. UNIDO support to micro enterprises is not included in this document.

UNIDO contribution to CDG implementation plan encompasses the following main action areas: 1) cluster awareness; 2) cluster studies; 3) cluster identification; 4) cluster development; 5) policy reforms. The implementation period is 2014-2015. The proposed activities for the period June – September 2014 will be covered by the current project, other actions will be supported under a new proposal (to be finalized by September 2014).

The proposed interventions are aligned with the *Framework for Economic and Social Reforms* (FESR)<sup>1</sup>, which focuses on policies centered on industrial development, equitable sharing of resources among the regions and the states of the country, promoting local and foreign investments, effective implementation of people-centered development, and poverty reduction.

### **Activities carried out as of May 2014**

Cluster awareness: Briefing on cluster development to weaving enterprises, local weaving association and officials of local authorities in Wundwin Township (21.05.2014). Cluster development training for weaving enterprises, members of the management committee of the local industrial zone, local weaving association and officials of local authorities in Meikhtila (20.05.2014). Cluster development training for CDG and State/Region officials of DISI in Nay Pyi Taw (19.05.2014). Meeting with CDG, chaired by DG U Thant Sin, in NPT (24.04.2014). Start up work shop of the project in Yangon (28.02.2014). Cluster development training for newly recruited staff of the Central Department for SME Development (15.02.2014). Meeting with CDG, chaired by former DG U Soe Hlaing, in NPT (28.01.2014).

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<sup>1</sup> Under FESR (5.2) it is stated: 'GOM recognize the importance of SMEs for industrialization'.



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Cluster studies: Snapshot cluster mapping covering waving and textile, handicrafts, tourism, rice mills, furniture and marble stones. Business survey carried out with UNESCAP, OECD and UMFCCI. Myanmar industrial zones visits.

Cluster identification: Field visit in Meikhtila and Wundwin (20 and 21 May 2014).

Cluster development: TBS

Policy reforms: TBS

**Proposed activities (June – September 2014)**

	Activity	Time frame	Milestone	Lead	Support
<b>1. Cluster awareness</b>					
1.1	Cluster development and leadership skills of directors and deputy directors from DISI in NPT	June (last week)	Workshop	UNIDO (trainer and contents)	CDG Directorate of Industrial Supervision and Inspection (DISI) SME Center (logistics)
1.2	Presentation of the cluster development approach and specific strategies at the Myanmar business week in Yangon	September	Workshop	UNIDO (trainer and contents)	CDG UMFCCI (logistics)
<b>2. Cluster studies</b>					
2.1	Cluster mapping snapshot	June	Report approval	UNIDO (amend as required)	CDG (feedback and validation)
2.2	Extension of the cluster mapping exercise (second round) to cover all the	July – Sept. 2014	Identification of additional sectors and	UNIDO (through a consultancy)	CDG DISI SME Center



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	relevant sectors for SMEs development in Myanmar (including rubber).		approval of a new round of cluster mapping  Selection of a consultancy company  Technical workshop for findings presentation	company)	(feedback and validation of the first round of the exercise "snapshot", data and authorization on data collection for the new round of the exercise) MIMU (maps drawing)
2.3	Diagnostic study of 2 waving clusters in Mekhtila and Wundwin	July - August 2014	Validation workshop	CDG (interviews, diagnosis and drafting)	UNIDO (training materials and feedback)
<b>3. Cluster identification</b>					
3.1	Field visit of rubber cluster in Mudone Township (Mon State)	July 2014	Validation workshop	CDG (organization and logistics)	UNIDO (visit participation and feedback)
<b>4. Cluster development</b>					
4.1	Project proposal for waving and rubber clusters	June-September 2014	Approval of project proposal	UNIDO (drafting, resource mobilization)	CDG (data, information, feedback, formal request, resource mobilization)
4.2	Selection of cluster development agents	June 2014	25 CDAs selected	CDG (identificatio	UNIDO (selection





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	(CDAs)			n of candidates, pre-selection, interviews, selection, remuneration)	criteria and feedback on pre-selection)
4.3	Training of CDAs in NPT	June 2014	25 CDAs trained	UNIDO (trainer and training materials)	CDG (logistics)
4.4	Diagnostic study in selected clusters	July – August 2014	Validation workshop	CDG through CDAs (interviews, diagnosis and drafting, workshop organization)	UNIDO (training material and feedback)
4.5	Strategy and action plan	September 2014	Validation workshop	CDG through CDAs (drafting and workshop organization)	UNIDO (training material and feedback)
4.6	Trust building initiatives (seminars, enterprise visits, product contests, revitalization of association, etc.)	July - September 2014	At least three events are organized. At least one collective action showing cluster benefits is carried out (for example joint purchasing of raw material).	CDG through CDAs (events organization and facilitation of collective actions)	UNIDO (examples and organizational suggestions)
4.7	Design of a financial tool for cluster development	August - September 2014	A financial institution available to offer the new tool is identified	CDG (contacts with financial institutions and Myanmar Authorities	UNIDO (examples, feedback on CDG ideas, participation in meetings with



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				for the creation of new financial tool)	potential institutions)
<b>5. Policy reforms</b>					
5.1	Revision of the Private Industrial Enterprise Law	June – September 2014	Law revised	CDG	UNIDO (advice, international comparative analyzes)
5.2	Formulation of the Industrial <del>Development</del> Law	June – September 2014	New law drafted	CDG	UNIDO (advice, international comparative analyzes)
5.3	Formulation of the Industrial Zones Law	June – September 2014	New law drafted	CDG	UNIDO (advice, international comparative analyzes)



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**Chronogram**

Activity	June	July	August	September
1.1 Cluster development and leadership skills				
1.2 Myanmar business week				
2.1 Cluster mapping snapshot				
2.2 Extension of the cluster mapping exercise				
2.3 Diagnostic study of 2 waving clusters				
3.1 Field visit of rubber cluster				
4.1 Project proposal				
4.2 Selection of CDAs				
4.3 Training of CDAs				
4.4 Diagnostic study in selected clusters				
4.5 Strategy and action plan				
4.6 Trust building initiatives				
4.7 Design of a financial tool				
5.1 Revision of the Private Industrial Enterprise Law				
5.2 Formulation of the Industrial Development Law				
5.3 Formulation of the Industrial Zones Law				



# UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

## I. Information material related to the project



MYANMAR - FOSTERING PRO-POOR AND INCLUSIVE MSME DEVELOPMENT (PREPARATORY PHASE)

### Context

Micro, Small and Medium Enterprises (MSMEs) are the backbone of Myanmar's economy; they play a significant role in the country's economic, social and political development and create productive job opportunities for the local population. The sustainable development of MSMEs will contribute to better resource utilization, higher income generation and promotion of exports and investments. MSMEs are also expected to play a growing role in the economic stabilization and will support the resolution of local and border conflicts.

The Government has taken important steps in developing MSMEs and nurturing existing MSMEs to become larger industries: after the adoption of market-oriented economic system, the Government has been promulgating the necessary laws and regulations in order to enhance the industrial sector including state-owned and private enterprises to create conducive business environment for MSMEs. The project will support the MSMEs policy formulation with specific reference to the cluster development policy and linkages with the industrial zones (vertical integration). In addition, cluster mapping and needs assessment will be conducted, in cooperation with partner agencies, to provide inputs and advise institutions involved in the policy making process. The capacity of the Central Department of SME Development and UMFCCI will be benefited from trainings, seminars, and workshops.

### Strategy

The project seeks to: create a dynamic economic environment supportive of MSME development through the formulation and development of cluster plans and policies; identify potential partnerships (buyer-supplier and transfer of know-how and technology) to build the capacity of micro, community and rural-based enterprises and industrial MSMEs; and formulate full-fledged projects to improve the competitiveness of MSMEs on the national, regional and international markets and provide better employment and livelihood opportunities for local communities.

The UNIDO cluster development approach focuses on enhancing the performance of existing concentrations of enterprises by managing the common threats and building on shared opportunities. The foundations for successful cluster developments lie in the creation of social capital and the achievement of collective efficiency.

The project aims to support potential MSMEs clusters in Myanmar in achieving collective efficiency, fostering cooperation, linkages and joint initiatives, and strengthening local associations and institutions as leading actors of a continuous upgrading process. Twinning with matching clusters in Europe will be explored to promote transfer of best practices and as a supporting framework for the establishment of business partnerships among enterprises (for example win-win business agreements to be achieved as a result of study tours and business missions). Preliminary development initiatives within pilot clusters will provide key information for the attainment of the project objectives. The project will also try to gain first-hand experiences through needs assessment and technical assistance provided at the enterprise level in selected clusters. Possible areas of intervention will be: capacity in design and marketing, process and product innovation, production technologies, quality control, managerial and technical skills, access to finance.

### Contact

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IMPLEMENTING AGENCY:

BUDGET:  
DONOR:  
START:  
DURATION:  
COUNTERPARTS:  
BENEFICIARIES:

€320,000  
Italy  
September 2013  
7 months  
Ministry of Industry, Ministry of Cooperatives, Union of Myanmar Chamber of Commerce and Industry (UMFCCI)  
Private sector and community-based/rural enterprises,  
Government agencies with a mandate in MSME development,  
local academic, research and policy-making institutions,  
business development service (BDS) providers, government  
service providers and other local organizations  
UNIDO

### At a Glance



### Expected Results:

The preparatory phase will be implemented in four interconnected action areas:

- Support to the policy formulation with specific reference to the cluster development and linkages with the industrial zones (vertical integration). Advisory services, staff training and workshops will be offered to the Central Department of SME Development and UMFCCI.
- Mapping of prospect Myanmar MSMEs clusters, in coordination with other agencies and business surveys, and selection of pilot clusters to upgrade and strengthen on the basis of their development potential and successful business partnerships with European enterprises.
- Initial technical support initiatives for selected clusters to upgrade the capacity and competitiveness of local MSMEs and to strengthen local industry associations. Technology transfer and technical assistance, as well as linkages among industry associations, will be promoted.
- Identification of possible business linkages and supply-chain analysis to identify opportunities for collaboration between European and Myanmar MSMEs and their associations and academic/research institutions.

Each area of intervention will be further developed as a result of the lessons learnt and preliminary findings of the preparatory phase.





## UNIDO contribution to CDG implementation plan

### Introduction

Under the current preliminary phase of the project **Fostering pro-poor and inclusive MSME development in Myanmar** (annex 1), financed by the Italian government and implemented with the Myanmar Ministry of Industry, Ministry of Cooperatives and UMFCCI, UNIDO started a fruitful collaboration with the inter-ministerial Cluster Development Group (CDG). This note highlights activities carried out so far (June - December 2014) and further initiatives to support CDG implementation plan for small and medium enterprises in the period January - June 2015.

UNIDO contribution to CDG implementation plan encompasses the following main action areas: 1) cluster awareness; 2) cluster studies; 3) cluster identification; 4) cluster development; 5) policy reforms. The implementation period is 2014-2015. The activities for the period June – December 2014 have been covered by the current project. The proposed activities for the period January - June 2015 will be supported under project phase I (2015-2016).

All the interventions are aligned with the *Framework for Economic and Social Reforms (FESR)*<sup>1</sup>, which focuses on policies centered on industrial development, equitable sharing of resources among the regions and the states of the country, promoting local and foreign investments, effective implementation of people-centered development, and poverty reduction.

### Activities carried out as of December 2014

Cluster awareness: Meeting with CDG, chaired by former DG U Soe Hlaing, in NPT (28.01.2014). Cluster development training for newly recruited staff of the Central Department for SME Development (15.02.2014). Start up work shop of the project in Yangon (28.02.2014). Briefings on cluster development to lacquer ware stakeholders in Bagan (March and April 2014). Meeting with CDG, chaired by DG U Thant Sin, in NPT (24.04.2014). Cluster development training for CDG and State/Region officials of DISI in Nay Pyi Taw (19.05.2014). Cluster development training for weaving enterprises, members of the management committee of the local industrial zone, local weaving association and officials of local authorities in Meikhtila (20.05.2014). Discussions and short training on cluster development for Industrial Zones in Yangon and Mandalay (April and May 2014). Briefing on cluster development to weaving enterprises, local weaving association and officials of local authorities in Wundwin Township (21.05.2014). Meeting with CDG and Cluster Development Agent training (26.06.2014). Meeting

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<sup>1</sup> Under FESR (5.2) it is stated: 'GOM recognize the importance of SMEs for industrialization'.



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with CDG to start a diagnostic study of the weaving clusters in Meikhtila and Wundwin (22.08.2014). Debriefing on diagnostic study in Meikhtila and Wundwin (27.08.2014). Start up workshop in Bagan (13.10.2014). IT platform launching event on the 3<sup>rd</sup> of November 2014.

Cluster studies: Snapshot cluster mapping covering waving and textile, handicrafts, tourism, rice mills, furniture and marble stones. Diagnostic study of Bagan lacquer ware cluster. Myanmar industrial zones need assessment (carried out with FNF). Diagnostic study of the weaving clusters in Meikhtila and Wundwin.

Cluster identification: Field visits in Bagan (October and November 2013, April and May 2014), in Meikhtila and Wundwin (20 and 21 May 2014).

Cluster development: Training for cluster development agents (26.06.2014). Country presentation and lacquer ware exhibition in Turin, Italy (18 – 20, October 2014). A group of 10 small producers purchased jointly bamboo inputs (December 2014). Marketing training and marketing strategy for the lacquer ware cluster in Bagan (23-28, November, 2014). SME link project: IT platform development and training for SMEs.

Policy reforms: Industrial Zones Law seminar in NPT (05.09.2014). SME policy drafting exercise (30.09.2014). Industrial Law drafting exercise (09.10.2014).

**Status of implementation of previous proposed activities (June -September 2014)**

	Activity	Time frame	Milestone	Lead	Support	Status	Action
<b>1. Cluster awareness</b>							
1.1	Cluster development and leadership skills of directors and deputy directors from DISI in NPT	June (last week)	Workshop	UNIDO (trainer and contents)	CDG Directorate of Industrial Supervision and Inspection (DISI) SME Center (logistics)	100%	n.a.
1.2	Presentation of the cluster development approach and specific strategies	September	Workshop	UNIDO (trainer and contents)	CDG UMFCCI (logistics)	IT platform launching event 100%	n.a.



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	at the Myanmar business week in Yangon						
<b>2. Cluster studies</b>							
2.1	Cluster mapping snapshot	June	Report approval	UNIDO (amend as required)	CDG (feedback and validation)	95%	CDG validation
2.2	Extension of the cluster mapping exercise (second round) to cover all the relevant sectors for SMEs development in Myanmar (including rubber).	July – Sept. 2014	<p>Identification of additional sectors and approval of a new round of cluster mapping</p> <p>Selection of a consultancy company</p> <p>Technical workshop for findings presentation</p>	UNIDO (through a consultancy company)	CDG DISI SME Center (feedback and validation of the first round of the exercise "snapshot", data and authorization on data collection for the new round of the exercise) MIMU (maps drawing)	50%	Need assessment
2.3	Diagnostic study of 2 waving clusters in Mekhtila and Wundwin	July - August 2014	Validation workshop	CDG (interviews, diagnosis and drafting)	UNIDO (training materials and feedback)	90%	CDG validation
<b>3. Cluster identification</b>							
3.1	Identification of new clusters to be developed	June - September 2014	Validation meeting	CDG	UNIDO (feedback)	50%	Field visit in Mon



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							State
<b>4. Cluster development</b>							
4.1	Project proposal for waving and rubber clusters	June-September 2014	Approval of project proposal	UNIDO (drafting, resource mobilization)	CDG (data, information, feedback, formal request, resource mobilization)	50%	Mission from Vienna
4.2	Selection of cluster development agents (CDAs)	June 2014	25 CDAs selected	CDG (identification of candidates, pre-selection, interviews, selection, remuneration)	UNIDO (selection criteria and feedback on pre-selection)	95%	Confirmation
4.3	Training of CDAs in NPT	June 2014	25 CDAs trained	UNIDO (trainer and training materials)	CDG (logistics)	100%	n.a.
4.4	Diagnostic study in selected clusters	July – August 2014	Validation workshop	CDG through CDAs (interviews, diagnosis and drafting, workshop organization)	UNIDO (training material and feedback)	90%	Validation
4.5	Strategy and action plan	September 2014	Validation workshop	CDG through	UNIDO (training)	80%	Workshop in





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				CDAs (drafting and workshop organization)	material and feedback)		Meikhtila	
4.6	Trust building initiatives (seminars, enterprise visits, product contests, revitalization of association, etc.)	July - September 2014	At least three events are organized. At least one collective action showing cluster benefits is carried out (for example joint purchasing of row material).	CDG through CDAs (events organization and facilitation of collective actions)	UNIDO (examples and organizational suggestions)	50%	Redefine roles	
4.7	Design of a financial tool for cluster development	August - September 2014	A financial institution available to offer the new tool is identified	CDG (contacts with financial institutions and Myanmar Authorities for the creation of new financial tool)	UNIDO (examples, feedback on CDG ideas, participation in meetings with potential institutions)	0%	Redefine roles	
<b>5. Policy reforms</b>								
5.1	Revision of the	June –	Law	CDG	UNIDO	50%	Drafting	



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	Private Industrial Enterprise Law	September 2014	revised		(advice, international comparative analyzes)		and feedback process SME policy
5.2	Formulation of the Industrial Law	June – September 2014	New law drafted	CDG	UNIDO (advice, international comparative analyzes)	50%	Drafting and feedback process
5.3	Formulation of the Industrial Zones Law	June – September 2014	New law drafted	CDG	UNIDO (advice, international comparative analyzes)	50%	Drafting and feedback process

**Proposed activities (January – June 2015)**

	Activity	Time frame	Milestone	Lead	Support
<b>1. Cluster awareness</b>					
1.1	Cluster development training for SME regional offices	February – April 2015	Workshops	UNIDO (trainers and contents)	CDG Directorate of Industrial Supervision and Inspection (DISI) SME Center (logistics)
1.2	Presentation of the cluster development approach and specific strategies at workshops and seminars for SMEs	January – June 2015	Workshop	UNIDO (trainers and contents)	CDG DISI SME Center (logistics)



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<b>2. Cluster studies</b>					
2.1	Need assessment for a second round of cluster mapping snapshot	January 2015	Report	UNIDO	CDG DISI SME Center (feedback and validation)
2.2	Extension of the cluster mapping exercise (second round) to cover all the relevant sectors for SMEs development in Myanmar (including rubber).	February – April 2015	Identification of additional sectors and approval of a new round of cluster mapping  Selection of a consultancy company  Technical workshop for findings presentation	UNIDO (through a consultancy company)	CDG DISI SME Center (feedback and validation of the first round of the exercise "snapshot", data and authorization on data collection for the new round of the exercise) MIMU (maps drawing)
2.3	Diagnostic study of a 3 <sup>rd</sup> cluster (rubber)	February 2015	Validation workshop	UNIDO (interviews, diagnosis and drafting)	CDG (feedback and validation)
2.4	Validation of diagnostic studies for lacquer ware and weaving clusters	January 2015	Validation letters	CDG (feedbacks)	UNIDO (policy notes)
<b>3. Cluster identification</b>					
3.1	Identification of new clusters to be developed ( <i>rubber</i> )	February 2015	Validation meeting	CDG	UNIDO (feedback)
<b>4. Cluster development</b>					
4.1	Project proposal for	January –	Approval	UNIDO	CDG



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	rubber clusters	March 2015	of project proposal	(drafting, resource mobilization)	(data, information, feedback, formal request, resource mobilization)
4.2	Selection of cluster development agents (CDAs) for lacquer ware, weaving and rubber	January - March 2015	CDAs selected	UNIDO (identification of candidates, pre-selection, interviews, selection, remuneration)	CDG (feedback on selection)
4.3	Training of CDAs	January - April 2015	CDAs trained	UNIDO (trainer and training materials)	CDG (logistics)
4.4	Strategy and action plan for rubber cluster development	March 2015	Validation workshop	UNIDO (drafting and workshop)	CDG (data and feedback)
4.5	Trust building initiatives for all clusters (seminars, enterprise visits, product contests, revitalization of association, etc.)	January – June 2015	At least three events are organized. At least one collective action showing cluster benefits is carried out for the rubber and weaving clusters	UNIDO (events organization and facilitation of collective actions)	CDG (data and feedback)
4.6	Design of a financial tool for cluster	March – June 2015	A financial institution	CDG (contacts with	UNIDO (examples,



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	development		available to offer the new tool is identified	financial institutions and Myanmar Authorities for the creation of new financial tool)	feedback on CDG ideas, participation in meetings with potential institutions)
<b>5. Policy reforms</b>					
5.1	SME policy formulation	January – March 2015	Policy approved	CDG	UNIDO (advice, international comparative analyzes)
5.2	Formulation of the Industrial Law	January – March 2015	New law submitted to parliament for approval	CDG	UNIDO (advice, international comparative analyzes)
5.3	Formulation of the Industrial Zones Law	January – March 2015	New law submitted to parliament for approval	CDG	UNIDO (advice, international comparative analyzes)
5.4	Cluster development policy	April – June 2015	Policy approved	CDG	UNIDO (advice, international comparative analyzes)



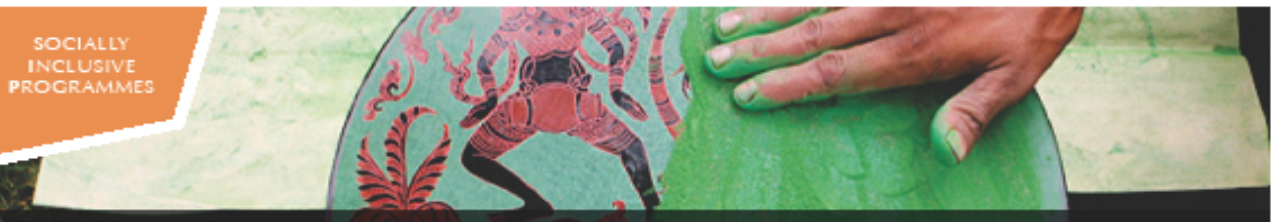
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**Chronogram**

Activity	January	February	March	April	May	June
1.1 Training on cluster development for SME regional centers						
1.2 Presentation on cluster development at seminars						
2.1 Need assessment for a new cluster mapping snapshot						
2.2 Extension of the cluster mapping exercise						
2.3 Diagnostic study of new clusters (rubber)						
2.4 Validation of diagnostic studies on lacquer ware and weaving						
3.1 Identification of new clusters to be developed						
4.1 Project proposal						
4.2 Selection of CDAs						
4.3 Training of CDAs						
4.4 Strategy and action plan						
4.5 Trust building initiatives						
4.6 Design of a financial tool						
5.1 Revision of the Private Industrial Enterprise Law						
5.2 Formulation of the Industrial Development Law						
5.3 Formulation of the Industrial Zones Law						
5.4 Formulation of a cluster development policy						



# UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)



**SOCIALLY  
INCLUSIVE  
PROGRAMMES**

## MYANMAR: FOSTERING PRO-POOR AND INCLUSIVE MSME DEVELOPMENT (PREPARATORY PHASE)

### Context

Micro, Small and Medium Enterprises (MSMEs) are the backbone of Myanmar's economy; they play a significant role in the country's economic, social and political development and create productive job opportunities for the local population. The sustainable development of MSMEs will contribute to better resource utilization, higher income generation and promotion of exports and investments. MSMEs are also expected to play a role in the economic stabilization and will support the resolution of local and border conflicts.

The Government has taken important steps in developing MSMEs and nurturing existing MSMEs to become larger industries. After the adoption of a market oriented economic system, the Government has been promulgating relevant laws and regulations in order to enhance the industrial sector (including state-owned and private enterprises) and to create a conducive business environment for MSMEs. The project is supporting the MSME policy making process and linkages with the industrial zones (vertical integration). In addition, the project is facilitating the cluster development in the lacquerware and weaving sectors, and strengthening the capacity of the Central Department of SME Development of the Ministry of Industry, the Ministry of Cooperatives and the Union of Myanmar Chamber of Commerce and Industry (UMFCCI) through trainings, seminars and workshops carried out in cooperation with other agencies United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Friedrich Naumann Foundation (FNF).

### Strategy

The project seeks to: create a dynamic economic environment supportive to MSME development through the formulation and development of cluster plans and policies; identify potential partnerships (buyer-supplier and transfer of know-how and technology) to build the capacity of micro, community and rural-based enterprises and industrial MSMEs; and formulate full-fledged projects to improve the competitiveness of MSMEs on the national, regional and international markets and provide better employment and livelihood opportunities for local communities.

The UNIDO cluster development approach focuses on enhancing the performance of existing concentrations of enterprises by managing the common threats and building on shared opportunities. The foundations for successful cluster developments lie in the creation of social capital and the achievement of collective efficiency.

The project supports potential MSMEs clusters in Myanmar in achieving collective efficiency, fostering cooperation, linkages and joint initiatives, and strengthening local associations and institutions as leading actors of a continuous upgrading process. Twinning with matching clusters in Europe is being explored to promote transfer of best practices and as a supporting framework for the establishment of business partnerships among enterprises (for example win-win business agreements to be achieved as a result of study tours and business missions). Preliminary development initiatives within pilot clusters provide key information for the attainment of the project objectives. The project is also gaining first-hand experiences through needs assessment and technical assistance provided at the enterprise level in selected clusters. Target areas of intervention are: capacity in design and marketing, process and product innovation, production technologies, quality control, managerial and technical skills, access to finance.

Direct beneficiaries of this project are the lacquer cluster in Bagan, the weaving clusters in Meikhtila and Wundwin, the Cluster Development Group (CDG) and institutions that serve MSMEs for promoting inclusive and sustainable development at local, regional and country level.

### 3 dimensions of ISID



UNIDO encourages holistic, multi-disciplinary approaches addressing all three dimensions of inclusive and sustainable industrial development (ISID); this symbol seeks to identify the dominant contribution of this project to one of the three ISID dimensions.

### Results achieved as of September 2014:

- Effective institutional and working relationships with counterparts and donors (DPs) established. The institutional capacity of the CDG, the SME Center and the Directorate of Industrial Supervision and Inspection (DISI) strengthened
- Cluster development awareness created among policy makers, entrepreneurs, private sector institutions and SME support service providers
- 27 training sessions delivered and more than 800 public officers trained nationwide. More than 300 MSME representatives participated in trainings and discussions on cluster and MSME development, including 12 industrial zones management committees
- 3 technical reports drafted and discussed with stakeholders: Snapshot Cluster Mapping; Myanmar Business Survey; Industrial Zones needs assessment
- Policy recommendations on industrialization, MSME and cluster development provided to Mol, SME Center, and CDG
- SME policy, law, rules and regulations drafted with UNIDO technical assistance
- Industrial Zones Law drafted with UNIDO technical assistance
- Diagnostic study of Bagan lacquerware cluster, and Meikhtila and Wundwin weaving clusters on information to support the implementation of pilot cluster development initiatives currently being finalized
- Awareness on cluster development benefits created among stakeholders of the clusters in Bagan, Meikhtila and Wundwin
- Lacquerware association trained and encouraged to restart their activities
- 40 Italian entrepreneurs briefed on potential business opportunities in Myanmar
- Participation of Myanmar entrepreneurs and senior officials of the Ministry of Mines in market access activities

### At a Glance

- BUDGET:** EUR 320,000
- DONOR:** Italy
- START:** September 2013
- DURATION:** 16 months
- COUNTERPARTS:** Ministry of Industry, Ministry of Cooperatives, Union of Myanmar Chamber of Commerce and Industry (UMFCCI)
- BENEFICIARIES:** Private sector and community based/rural enterprises, Government agencies with a mandate in MSME development, local academic, research and policy-making institutions, business development service (BDS) providers, government service providers and other local organizations
- IMPLEMENTING AGENCY:** UNIDO





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Mission report of Michele Boarion, Sr. MSME Development Expert and  
Tint Khine, National Project Coordinator  
Meeting with Cluster Development Group and Ministry of Cooperatives  
23 December 2014

**Objective**

- To meet with Cluster Development Group (CDG) to update the progress of 2014 UNIDO support on CDG's cluster development action plan
- To discuss 2015 action plan and get comments
- To meet with the Director General of Small Scale Industry Department (SSID) of the Ministry of Cooperatives to update UNIDO's pilot lacquer ware cluster development in Bagan
- To discuss strategy and action plan of lacquer ware cluster in Bagan and get feedback from SSID

<u>Date</u>	<u>Description</u>	<u>Action done</u>
23-12-2014 (Tuesday)	Depart Yangon for Nay Pyi Taw by air	
	Presentation of Mr. Michele Boario (update on cluster development action plan and future activities)	<ul style="list-style-type: none"> <li>• Discussed and updated on 2014 cluster development action and UNIDO support.</li> </ul>
	Detail discussion with CDG on updated action plan and future activities	<ul style="list-style-type: none"> <li>• Discussed and collected feedback on proposed 2015 action plan</li> </ul>
	Meeting with U Mya Than, DG of Small Scale Industries Department (SSID), Ministry of Cooperatives to update lacquer ware cluster development in Bagan and future activities	<ul style="list-style-type: none"> <li>• Discussed UNIDO's cluster development methodology</li> <li>• Discussed on proposed action plan for lacquerware cluster development of Bagan and get feed back</li> <li>• Discussed future cooperation between UNIDO project and SSID to support lacquer ware cluster development</li> <li>• Discussed the formation of laquer ware producer association and establishment of common market place.</li> </ul>

**Key Discussions**

- CDG agreed proposed action plan of UNIDO for cluster development
- CDG proposed UNIDO to emphasize for achieving practical results through planned cluster development in Bagan, Meikhtila and Wundwin
- CDG will update the progress to SME Working Committee chaired by Vice President of the Government of Myanmar
- DG of SSID proposed UNIDO to consider for signing MOU or LOA between UNIDO and SSID to implement the lacquerware cluster development under the Phase-I project
- SSID DG proposed UNIDO to provide in three priority areas: technology improvement, upgrading

laboratory of Lacquerware Technological College in Bagan and design improvement for lacquerware cluster

- SSID will support UNIDO for creation of lacquerwar association and establishment of lacquer ware common market place in Bagan

#### **Action points for future activities**

- To follow-up with CDG on cluster development action plan and revise as necessary
- To add comments of DG SSID on action plan of lacquerware cluster development
- To confirm number of cluster with CDG to be implemented in 2015
- To prepare action plan against budget allocation

#### **Contact Persons**

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## **Annex V. Cluster Map Snapshot**

## Annex V

### Introduction and examples from the Cluster Mapping Snapshot *"Fostering Pro-poor and Inclusive MSME Development in Myanmar"*

#### 1. Introduction and Context

Myanmar is the second largest country after Indonesia in South-East Asia and has rich natural and human resources. The population of Myanmar is estimated at 51.42 million<sup>1</sup>. The country economy is still heavily based on agriculture and around 70 percent of the total population resides in rural areas. According to the Ministry of National Planning and Economic Development, goods represent 59.6% of the Gross Domestic Product (Agriculture 22.5% , Livestock and Fishery 8.5%, Forestry 0.4%, Energy 0.1%, Mining 0.8%, Processing and Manufacturing 21.0%, Electric Power 1.1%, Construction 5.2%), followed by service sector (21.6%) and trade sector (18.8%) (Fiscal Year 2012-2013).

Micro, Small and Medium Enterprises (MSMEs) are the backbone of the economy. They create job opportunities for the local population and play a significant role in the country social development. The sustainable development of MSMEs will contribute to better resource utilization, higher income generation and promotion of exports and investments. MSMEs are also expected to play a role in the economic stabilization and the resolution of local and border conflicts. It has been estimated that 97% of Myanmar firms are small and medium enterprises.

The Government has taken important steps to facilitate the creation of new MSMEs and nurture existing ones to become larger industries. After the adoption of a market oriented economic system, the Government has been promulgating relevant laws and regulations in order to enhance the industrial sector (including state-owned and private enterprises) and to create a conducive business environment for MSMEs.

Acknowledging the above mentioned promising steps, the Clusters and Business Linkages Unit under the Business, Investment and Technology Services Branch of UNIDO engaged in the development of Myanmar MSMEs. The project *"Fostering Pro-poor and Inclusive MSME Development in Myanmar"*, funded by the Government of Italy, started in September 2013 in close cooperation with the Ministry of Industry, Ministry of Cooperatives and Union of Myanmar Federation of Chamber of Commerce and industry (UMFCCI). The project is supporting the MSME policy making process, the capacity building of institutions in charge of MSME development, and partnerships among Myanmar enterprise – through cluster development – as well as linkages with the industrial zones. In addition, the project is facilitating building partnership with foreign enterprises, investors and institutions.

The mapping exercise herein presented is a key step to select pilot clusters for upgrading and strengthening on the basis of their development potential and successful business partnership with European enterprises. UNIDO refers to a cluster as a sectoral and geographical concentration of enterprises and/or individual producers that produce a similar range of goods or services and face similar threats and opportunities. A cluster encompasses enterprises (MSMEs, but also larger firms) as well as their support institutions from the public and private sectors as well as the civil society.

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<sup>1</sup> According to provisional results from the national census 2014 conducted by the Ministry of Immigration and Population and UNFPA.

Clusters are present in all sectors of the Myanmar economy and most of the regions, however the project resources would not be sufficient to map all of them. Therefore, on the basis of UNIDO inclusive and sustainable approach to industrialization, only 6 sectors with a strong pro-poor potential have been selected: handicraft (wood carving and lacquer ware), agro-processing (rice mills), hotels and tourism, garment, weaving and textile, furniture, and marble & decorative stones.

## **2. The project strategy**

The project seeks to: create a dynamic economic environment supportive to MSME development through the formulation and development of cluster plans and policies; identify potential partnerships (buyer-supplier and transfer of know-how and technology) to build the capacity of micro, community and rural-based enterprises and industrial MSMEs; and formulate full-fledged projects to improve the competitiveness of MSMEs on the national, regional and international markets and provide better employment and livelihood opportunities for local communities.

The UNIDO cluster development approach focuses on enhancing the performance of existing concentrations of enterprises by managing the common threats and building on shared opportunities. The foundations for successful cluster developments lie in the creation of social capital and the achievement of collective efficiency.

The project supports potential MSMEs clusters in Myanmar fostering cooperation, linkages and joint initiatives, and strengthening local associations and institutions as leading actors of a continuous upgrading process. Twinning with matching clusters in Europe is being explored to promote transfer of know-how and as a supporting framework for the establishment of business partnerships among enterprises (for example business agreements can be achieved as a result of study tours and business missions). The ongoing pilot cluster development initiatives provide key information for the attainment of the project objectives. The project is also gaining first-hand experiences through needs assessment and technical assistance provided at the enterprise level in selected clusters and at the institutional level. Agreed areas of intervention are: design and marketing, process and product innovation, production technologies, quality control, managerial and technical skills, women and youth entrepreneurship, and access to finance.

## **3. Objective of the Snapshot Cluster Mapping**

The overall development objective of the snapshot cluster mapping is to provide basic information for international donors, policy makers and investors. The immediate objectives are:

- identification of existing Myanmar clusters with a strong inclusive and sustainable development potential to foster poverty reduction and economic growth;
- dissemination of UNIDO's cluster development approach and support to the selection of clusters to be developed;
- international community resource mobilization enhancing the engagement in the industrial sector;
- facilitation for the formulation of pro-poor cluster development strategies, policies, programmes and projects.

#### 4. Methodology

The research methodology, principles and definitions are based on UNIDO's approach to cluster development as presented in the following links: <http://clustersfordevelopment.org> <http://www.unido.org/clusters.html>.

The data collection started in early April 2014. The research team visited Nay Pyi Taw, Mandalay and Industrial Zones in Yangon to collect figures on garment and furniture sector; Bago Region, Yangon Region, Mandalay Region for the data of textile and weaving sector, handicraft sector, marble and decorative stone sector; Delta Region for rice mill sector.

The cluster mapping of UNIDO is the very first experience of this kind in Myanmar. Due to limited data availability from the MSME sector, the exercise was proposed as a snap-shot, simply based on spatial concentration of enterprises and pro-poor growth potential. Other relevant criteria such as sectoral concentration<sup>2</sup> and local relevance<sup>3</sup> might be utilized in a possible next round of the exercise subject to data availability. The exercise has been undertaken following four stages: i) clusters identification and selection through desk review, ii) secondary data collection and field assessments, iii) data processing and mapping, and iv) preparation of a brief report.

The first stage of the research, carried out through desk review, was undertaken to identify the clusters eligible for support and development. Six sectors have been considered: 1) handicraft (lacquer ware and wood carving), ii) Agro-processing (rice mills), iii) garment, textile and weaving, iv) furniture, v) marble & decorative stone, and vi) hotels and tourism. Clusters and sectors selection was based on the relevance of geographical concentration of stakeholders, pro-poor growth potential and potential to build partnership with European/Italian enterprises and institutions.

The second stage of the study was carried out through secondary and primary data collection in the six selected sectors. Data and information such as the number of enterprises (MSMEs in particular), the geographic location at township level, employment and turnover were collected. However, the collection of turnover data was constrained by weaknesses in accounting and lack of transparency.

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<sup>2</sup> Number of sector firms in the cluster as a share of total number of firms in the same area; number of sector firms as a share of total number of firms in the entire country.

<sup>3</sup> Number of sector employees in the cluster as a share of total number of employees in the same area; number of sector employees as a share of total number of employees in the entire country; number of sector employees in the cluster as a share of number of employees of manufacturing sectors in the same area; number of sector employees as a share of number of employees of manufacturing sectors in the entire country.

The list of rice mills, mineral deposits, number of decorative stone enterprises, rubber plantation areas, number of SMIs, number of hotels and garment data were collected from the Ministry of Commerce, the Ministry of Mines, the Ministry of Agriculture and Irrigation, the Ministry Industry, the Ministry of Hotels and Tourism and Myanmar Garment Association respectively. Primary data for the weaving clusters were collected with the support of Directorate of Industrial Supervision and Inspection of the Ministry of Industry. The collection of primary data and information were undertaken through key informants interview and quick assessment in the ground. This survey only concentrated on private owned business, while state-owned enterprises were not covered.

The third stage was focused on data entry, data processing and creation of cluster maps. All selected clusters have been represented by Geographical Information System (GIS) maps. Cluster maps in each sector have been confined by township boundaries. Boundaries and map data were provided by Myanmar Information Management Unit (MIMU) of UNDP.

All the cluster maps covering the selected sectors were developed by using GIS mapping software. The maps represent precisely both the location and the cluster size at township level. However, dot-density representation of SME locations could not be prepared due to data and time limitations. Collected data were used only to print cluster maps and related charts, no exhaustive sector analysis has been carried out in the framework of this research. Reference is made to clusters geographic location at township level, number of productive units, employment and estimated turnover of selected sectors.

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- Map (1) Location Map of Key Selected Clusters by Township
- Map (2) Major Handicraft (Lacquer ware & Wood Carving) Cluster Map of Myanmar
- Map (3) Lacquer Ware Cluster Map of Myanmar
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- Map (5) Wood Carving Cluster Map of Myanmar by Township
- Map (6) Rice Mill Cluster Map of States and Regions
- Map (7) Rice Mill Cluster of Ayeyarwady Region by Township
- Map (8) Rice Mill Cluster Map of Bago Region by Township
- Map (9) Rice Mill Cluster Map of Mandalay Region by Township
- Map (10) Rice Mill Cluster Map of Sagaing Region by Township
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- Map (12) Cluster Map of Garment Enterprises in Yangon Region
- Map (13) Cluster Map of Major Textile and Weaving Enterprises
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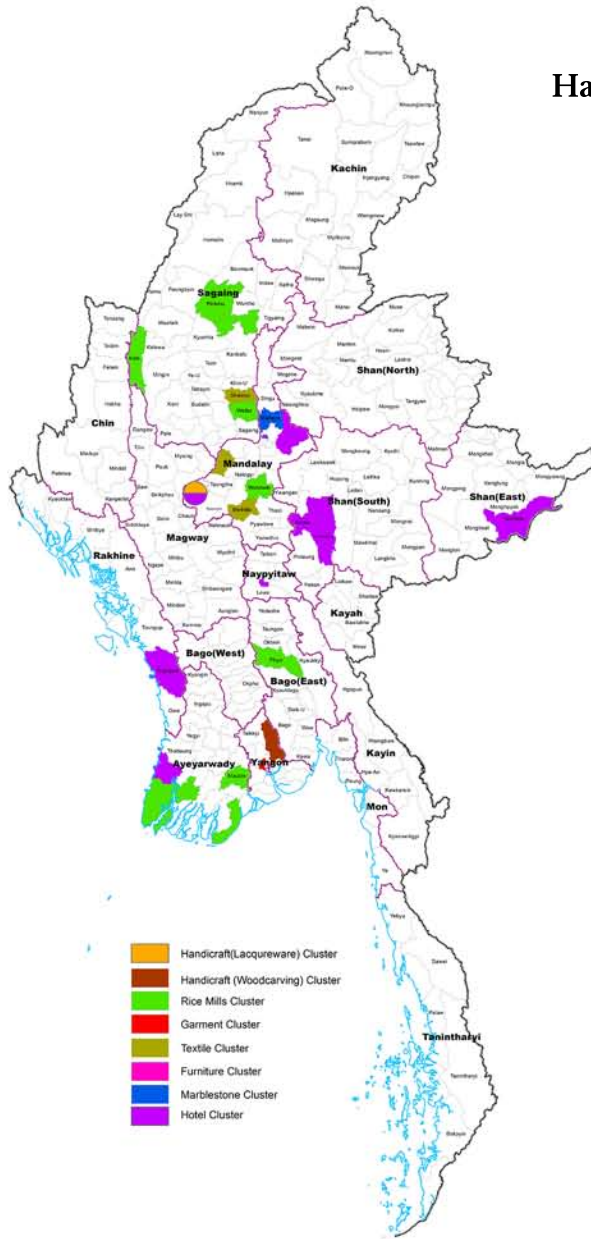




# UNIDO Mapping Snap Shot for Selected Clusters

Handicraft, Agro-processing(rice-mill), Tourism, Garment & Textile, Furniture and Marble Stone

In Cooperation with the Ministry of Industry

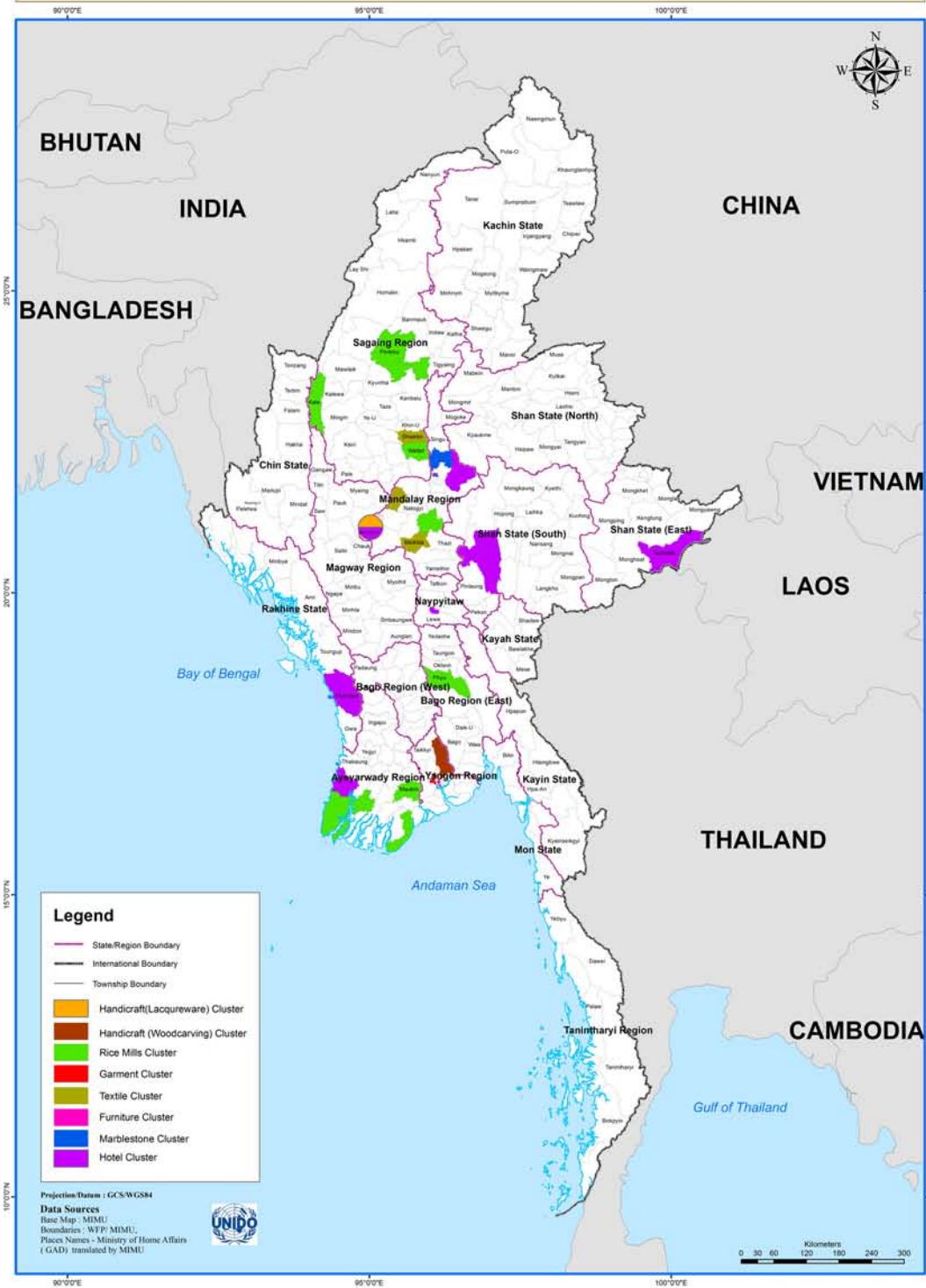


“Fostering Pro-poor and inclusive MSME development in Myanmar”

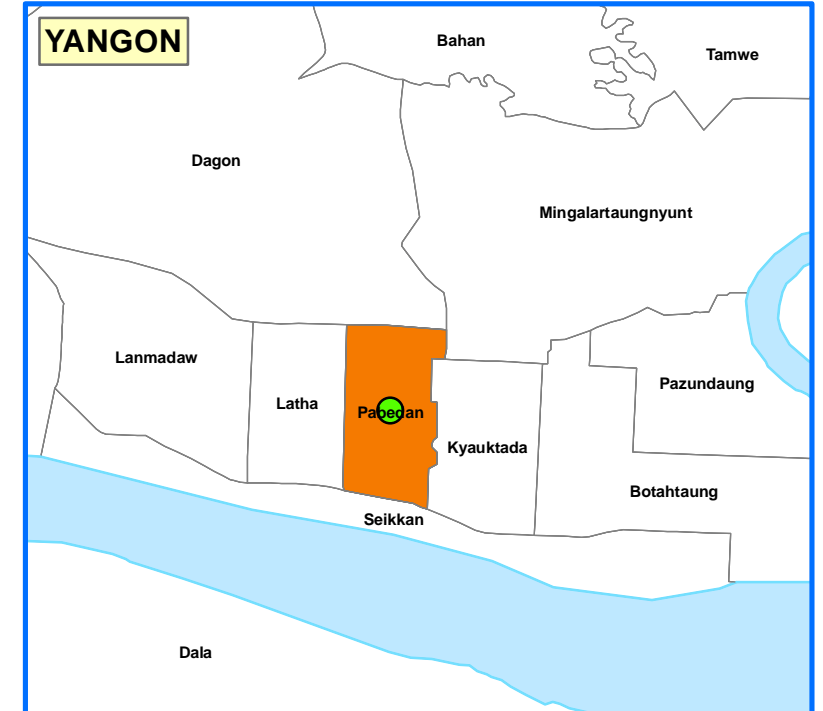
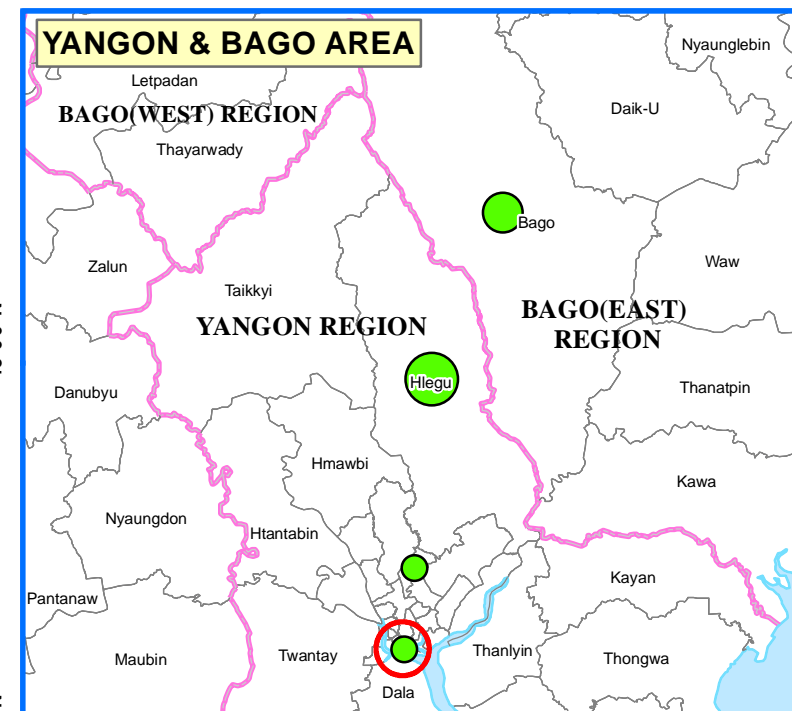
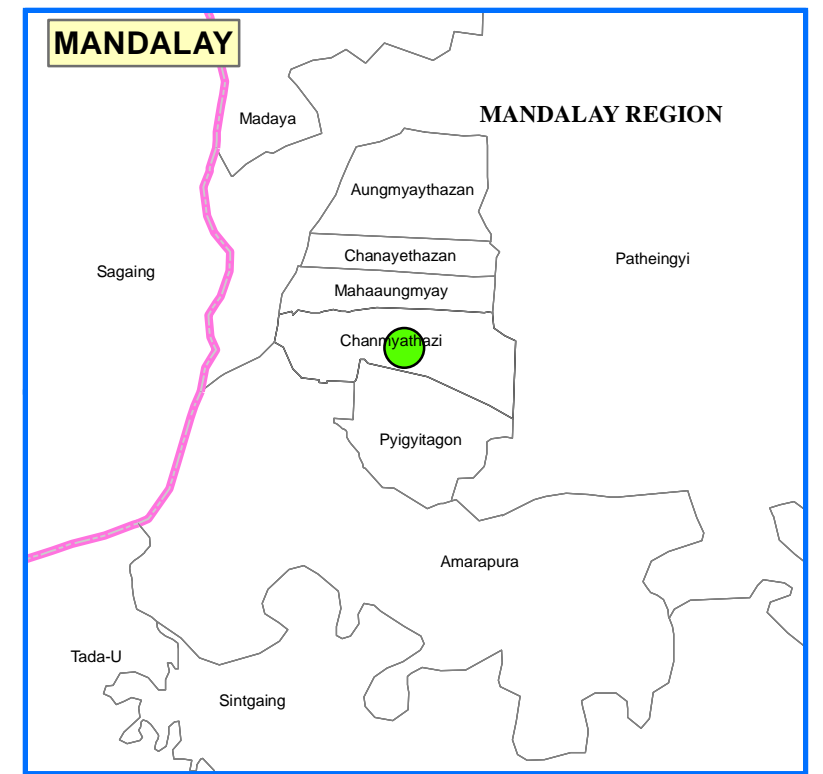
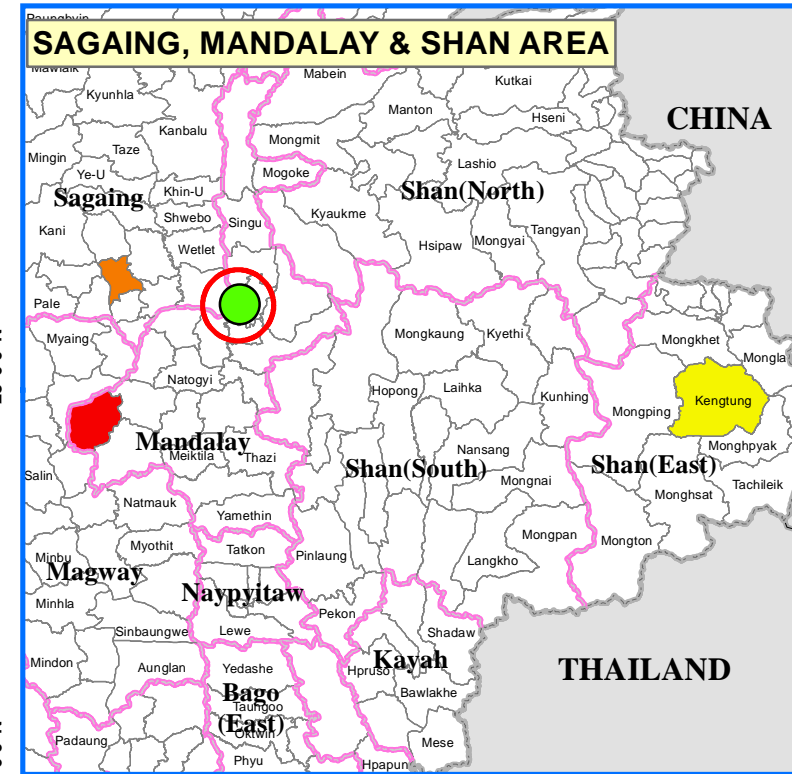
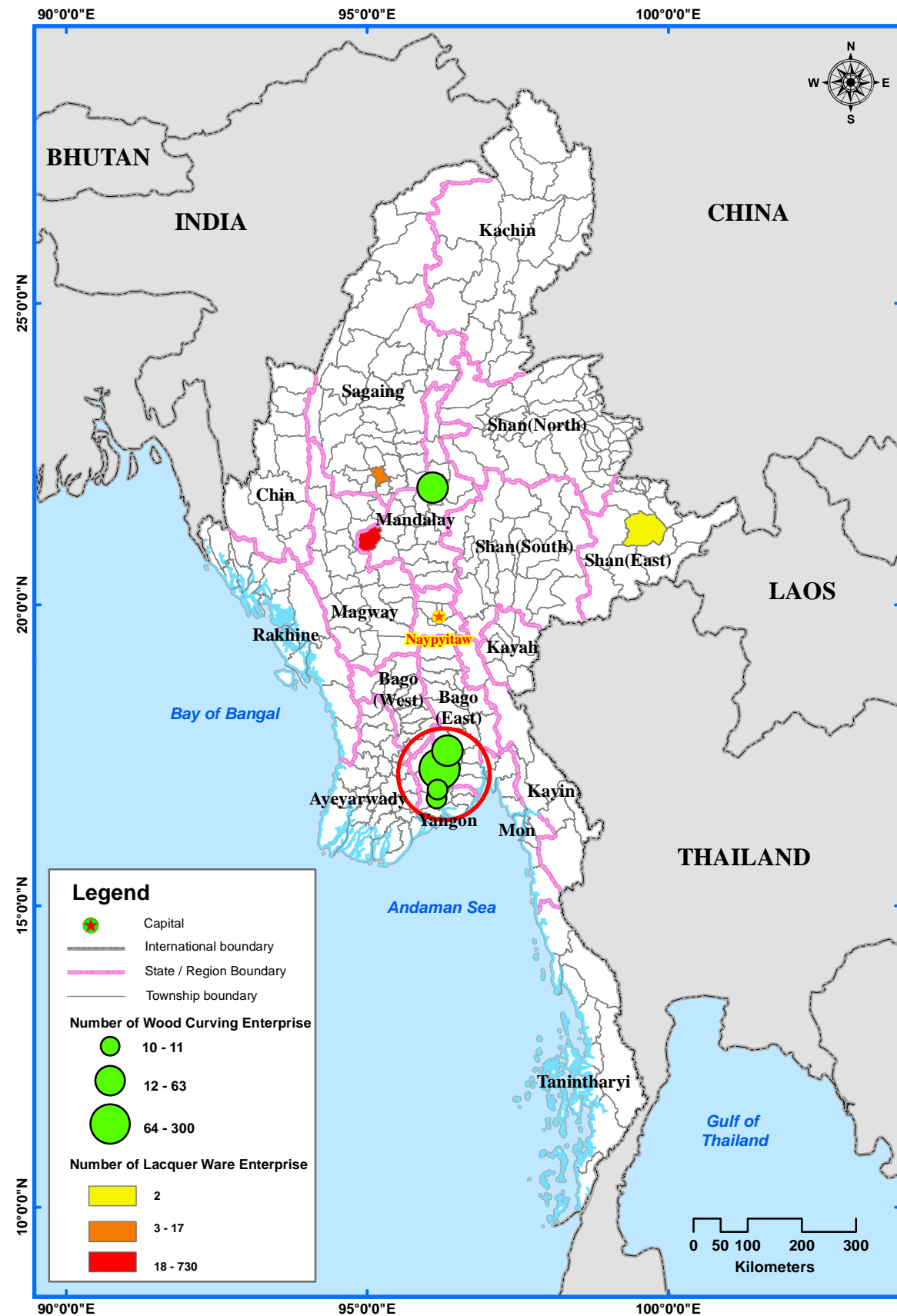


United Nations  
Industrial Development Organization

# Location Map of Key Selected Cluster By Townships



# Major Handicraft (Lacquer Ware & Wood Curving) Cluster Map of Myanmar



Major Handicraft (Lacquer Ware and Wood Curving) Cluster in Myanmar

No.	State/Region	District	Township	No. of Enterprise		Average Employment		Average Turnover (Million Kyats)	
				Lacquer Ware	Wood Curving	Lacquer Ware	Wood Curving	Lacquer Ware	Wood Curving
1	Mandalay	Nyaung-U	Nyaung-U	730	-	5 - 50	-	3 - 200	-
2	Mandalay	Mandalay	Channayathazi	-	40	-	3 - 30	-	1 - 100
3	Sagaing	Monywa	Monywa	17	-	4 - 10	-	N/A	-
4	Shan(East)	Kengtun	Kengtun	2	-	2 - 10	-	N/A	-
5	Bago	Bago	Bago	-	60	2-5	2 - 50	-	2 - 100
6	Yangon	Yangon(West)	Pabedan	12	11	2 - 3	2 - 3	N/A	2 - 20
7	Yangon	Yangon(North)	Hlegu	-	300	-	3 - 20	-	1 - 10
8	Yangon	Yangon(East)	NorthOkkalapa	-	10	-	2 - 5	-	1 - 5

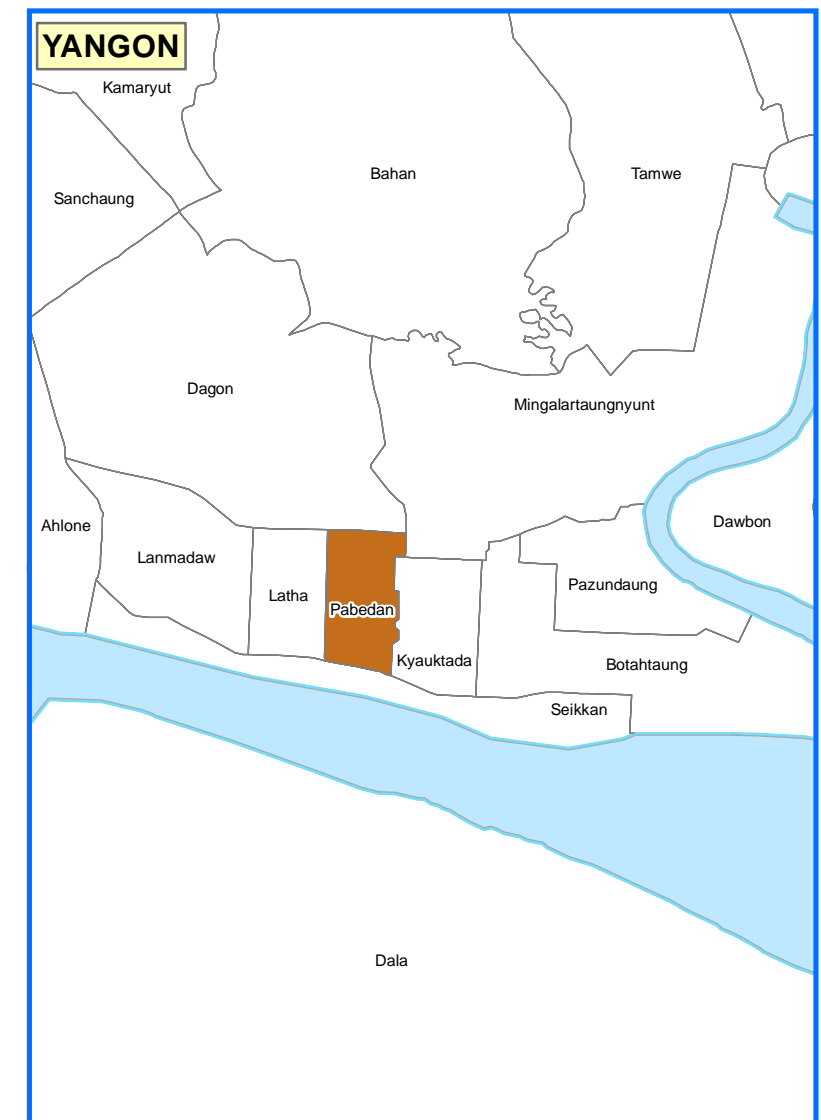
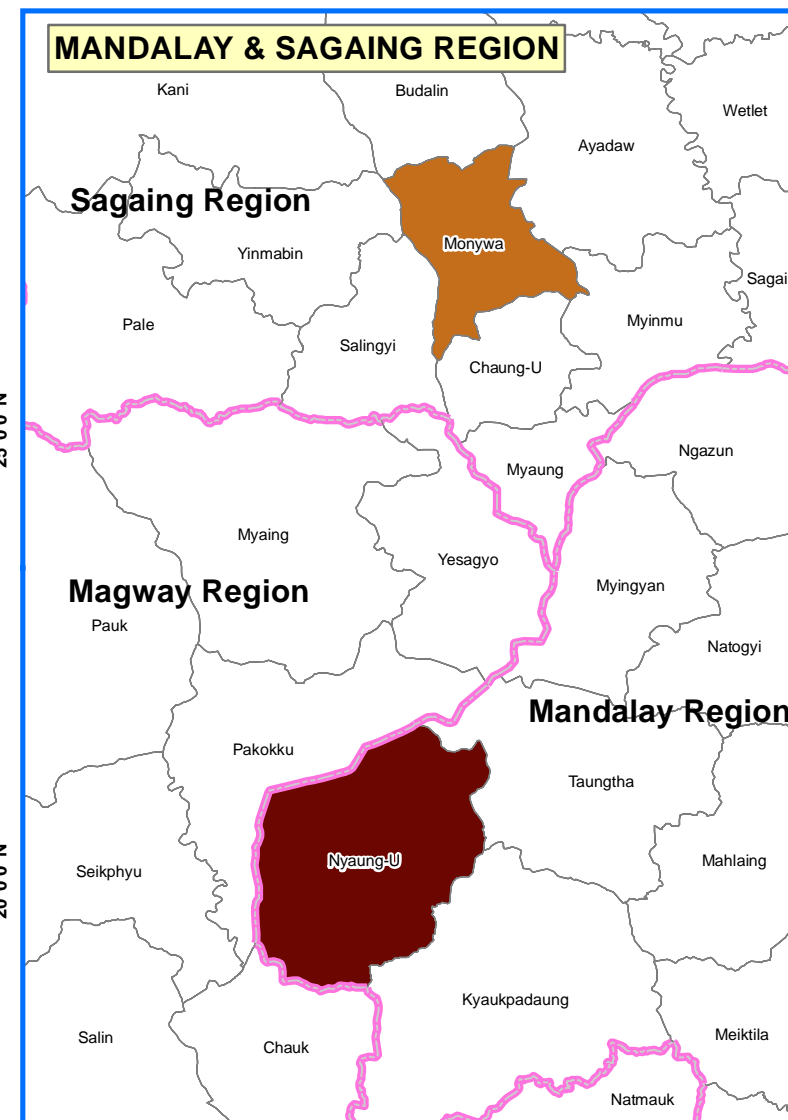
Projection/Datum : GCS/WGS84

## Data Sources

Base Map : MIMU  
 Boundaries : WFP/ MIMU,  
 Places Names - Ministry of Home Affairs  
 ( GAD) translated by MIMU  
 Cluster Data Souce: Field Survey



# Major Handicraft (Lacquer ware) Cluster Map of Myanmar



Major Handicraft (Lacquer ware) Cluster in Myanmar

No.	State/Region	District	Township	Village tract	Number of Enterprise	Average Employment	Average Turnover (Million Kyats)
1	Mandalay	Nyaung-U	Nyaung-U	Myingabar	670	5 - 50	3 - 200
2	Mandalay	Nyaung-U	Nyaung-U	Phwasaw	60	2 - 5	3 - 5
3	Sagaing	Monywa	Monywa	Kyaukkar	17	4 - 10	N/A
4	Shan(East)	Kengtun	Kengtun	Urban Area	2	2 - 10	N/A
5	Yangon	Yangon(West)	Pabedan	Urban Area	12	2 - 3	N/A

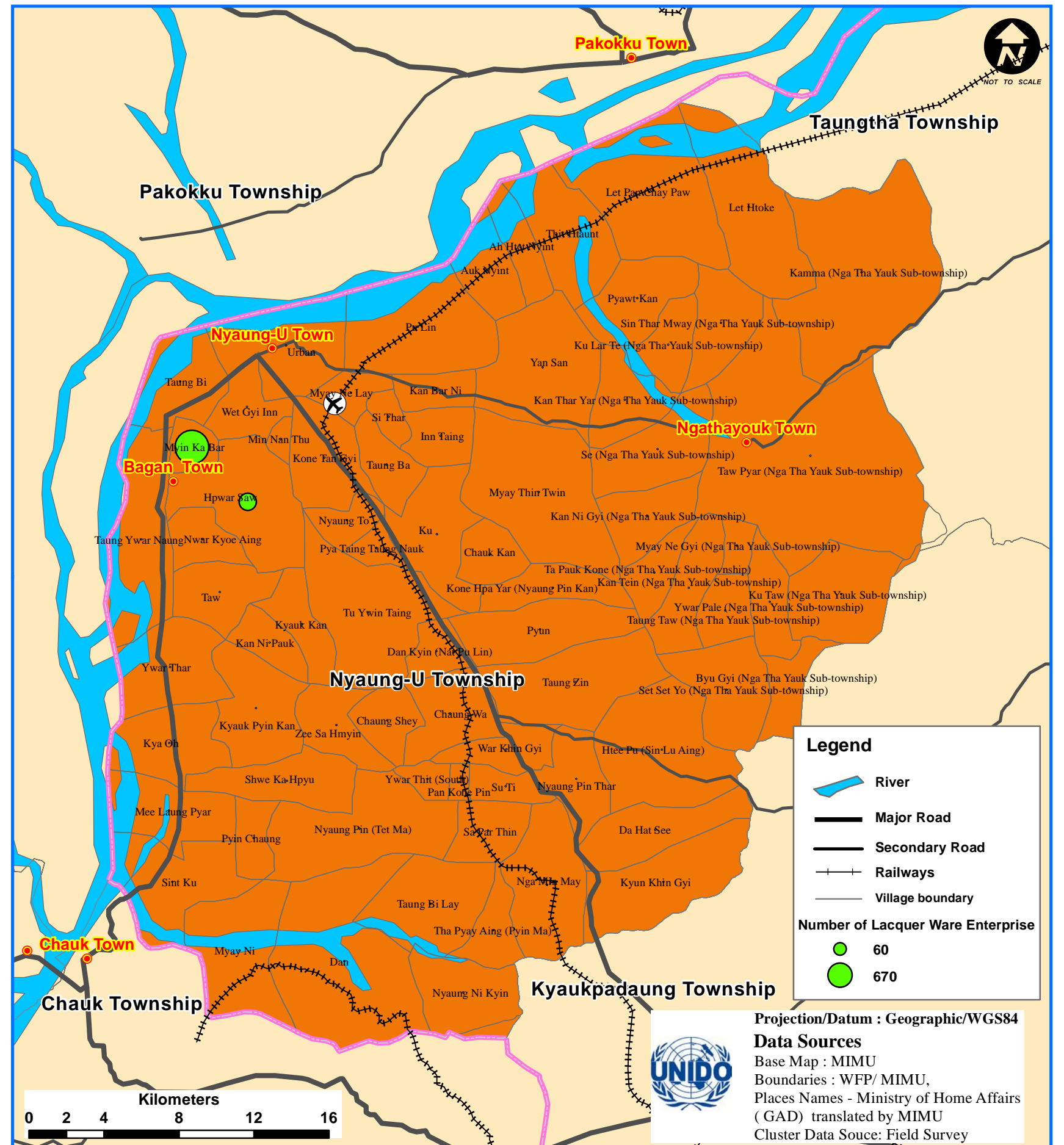
Projection/Datum : GCS/WGS84

### Data Sources

Base Map : MIMU  
 Boundaries : WFP/ MIMU,  
 Places Names - Ministry of Home Affairs  
 (GAD) translated by MIMU  
 Cluster Data Souce: Field Survey



# Lacquer Ware Cluster Map of Nyaung-U Township



**Legend**

- Capital (Red circle with green star)
- International boundary (Dashed line)
- State / Region Boundary (Pink line)
- Township boundary (Thin grey line)

**Number of Lacquer Ware Enterprise**

- 2 (Light orange)
- 3 - 17 (Medium orange)
- 18 - 730 (Dark orange)


**Legend**

- River (Blue line)
- Major Road (Thick black line)
- Secondary Road (Thin black line)
- Railways (Line with cross-ticks)
- Village boundary (Thin grey line)

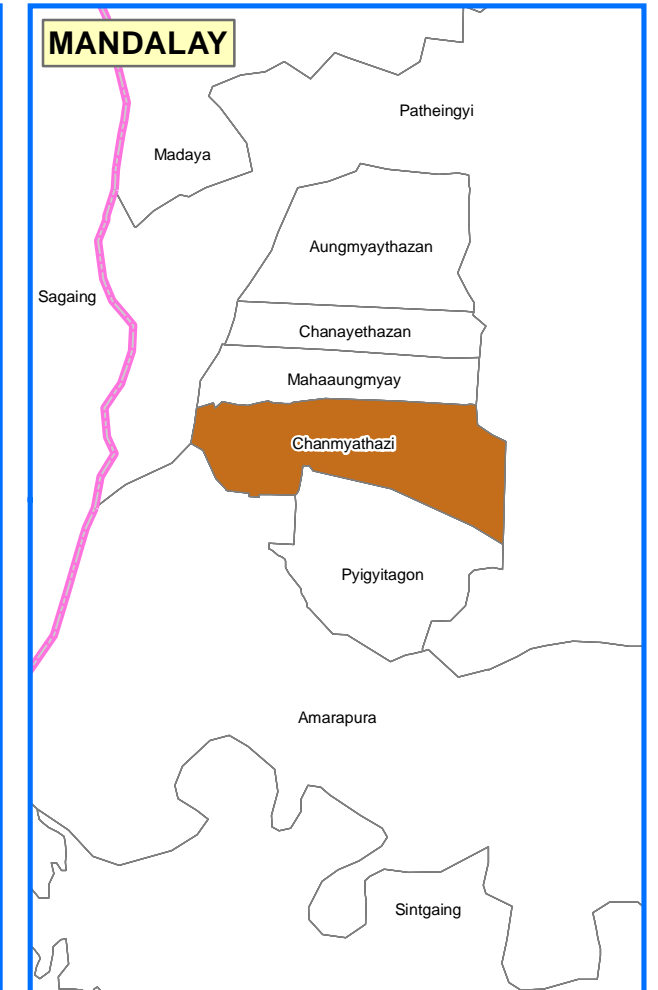
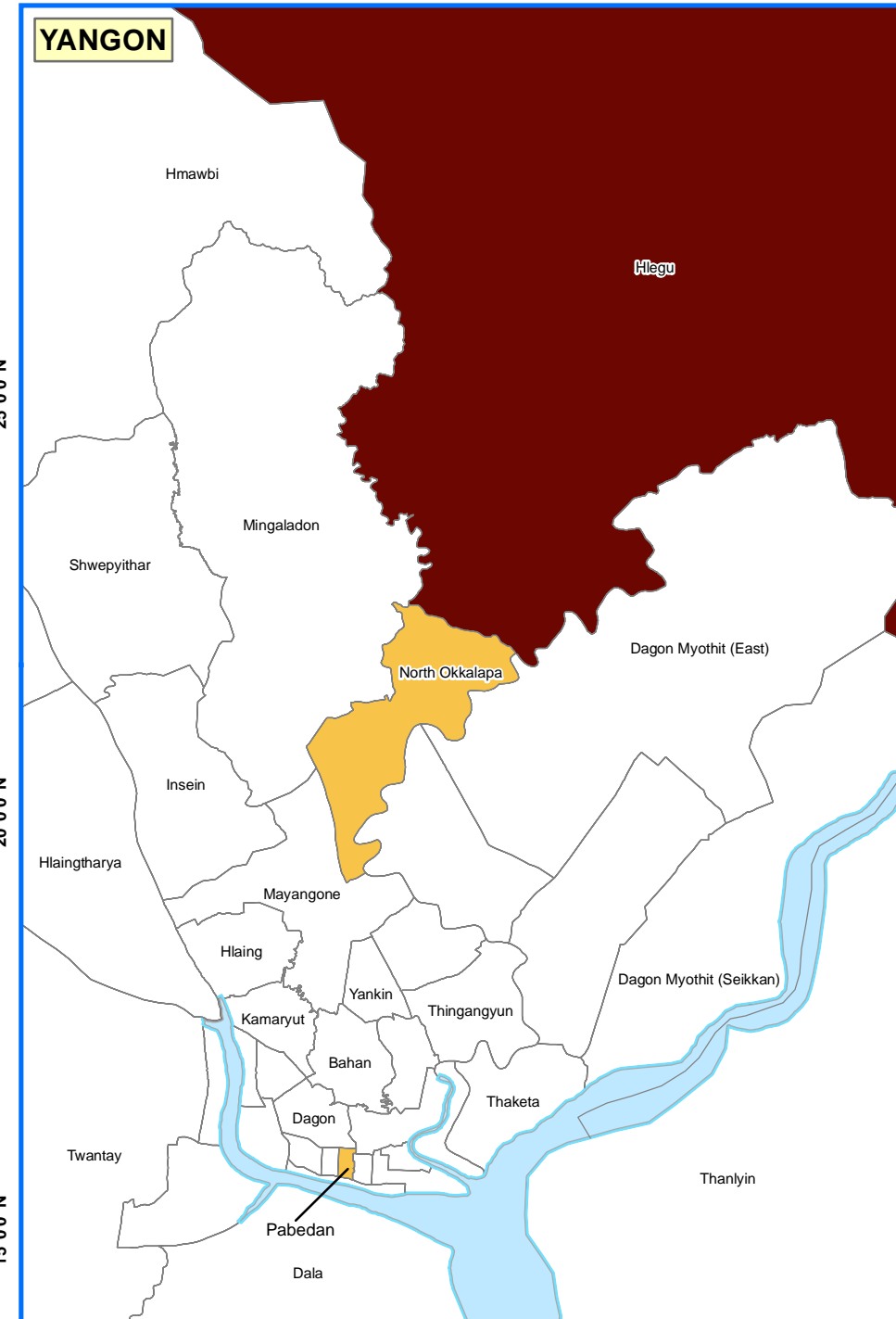
**Number of Lacquer Ware Enterprise**

- 60 (Small green circle)
- 670 (Large green circle)

**Projection/Datum :** Geographic/WGS84  
**Data Sources**  
 Base Map : MIMU  
 Boundaries : WFP/ MIMU,  
 Places Names - Ministry of Home Affairs  
 ( GAD) translated by MIMU  
 Cluster Data Souce: Field Survey



# Major Handicraft (Wood Carving) Cluster Map of Myanmar by Townships



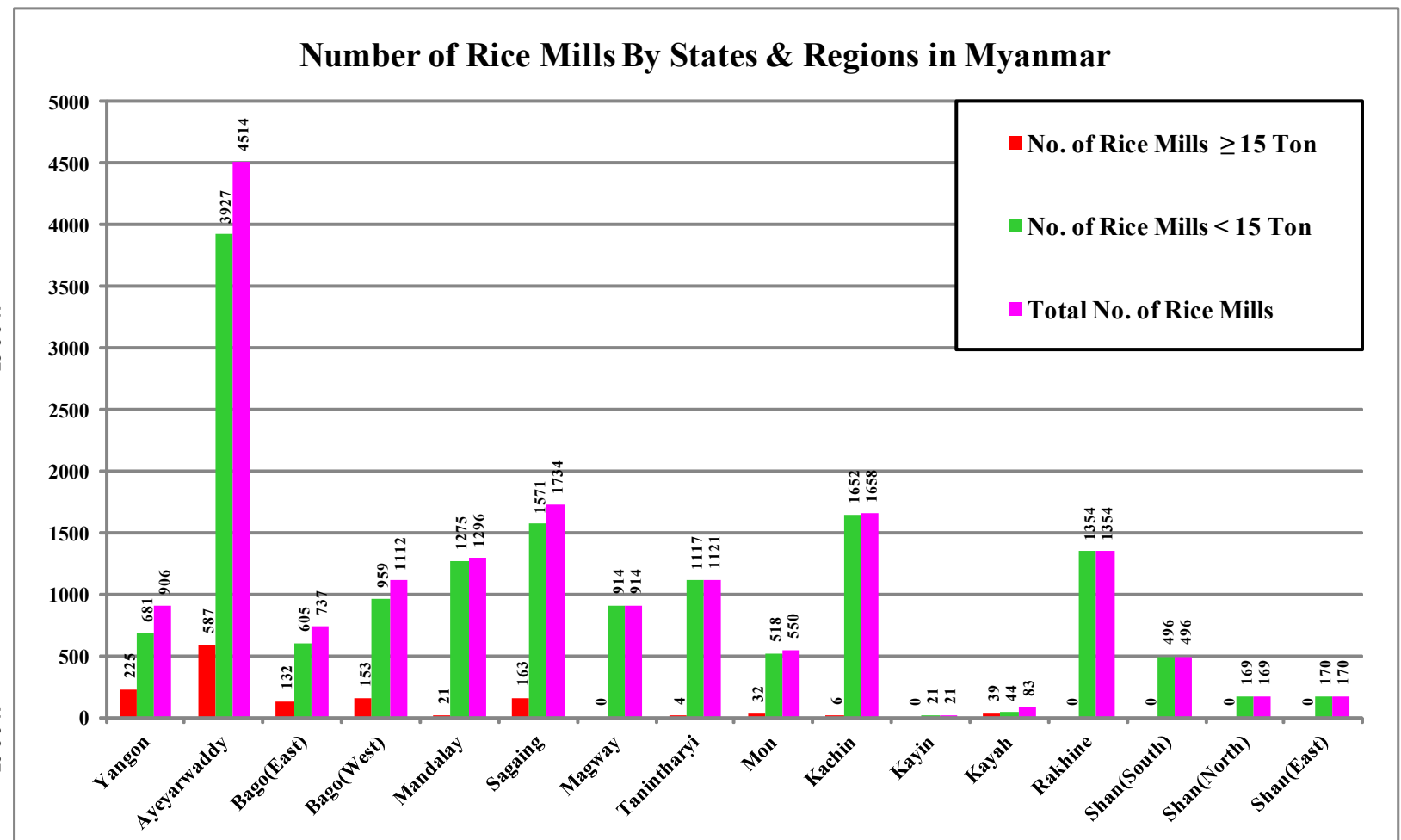
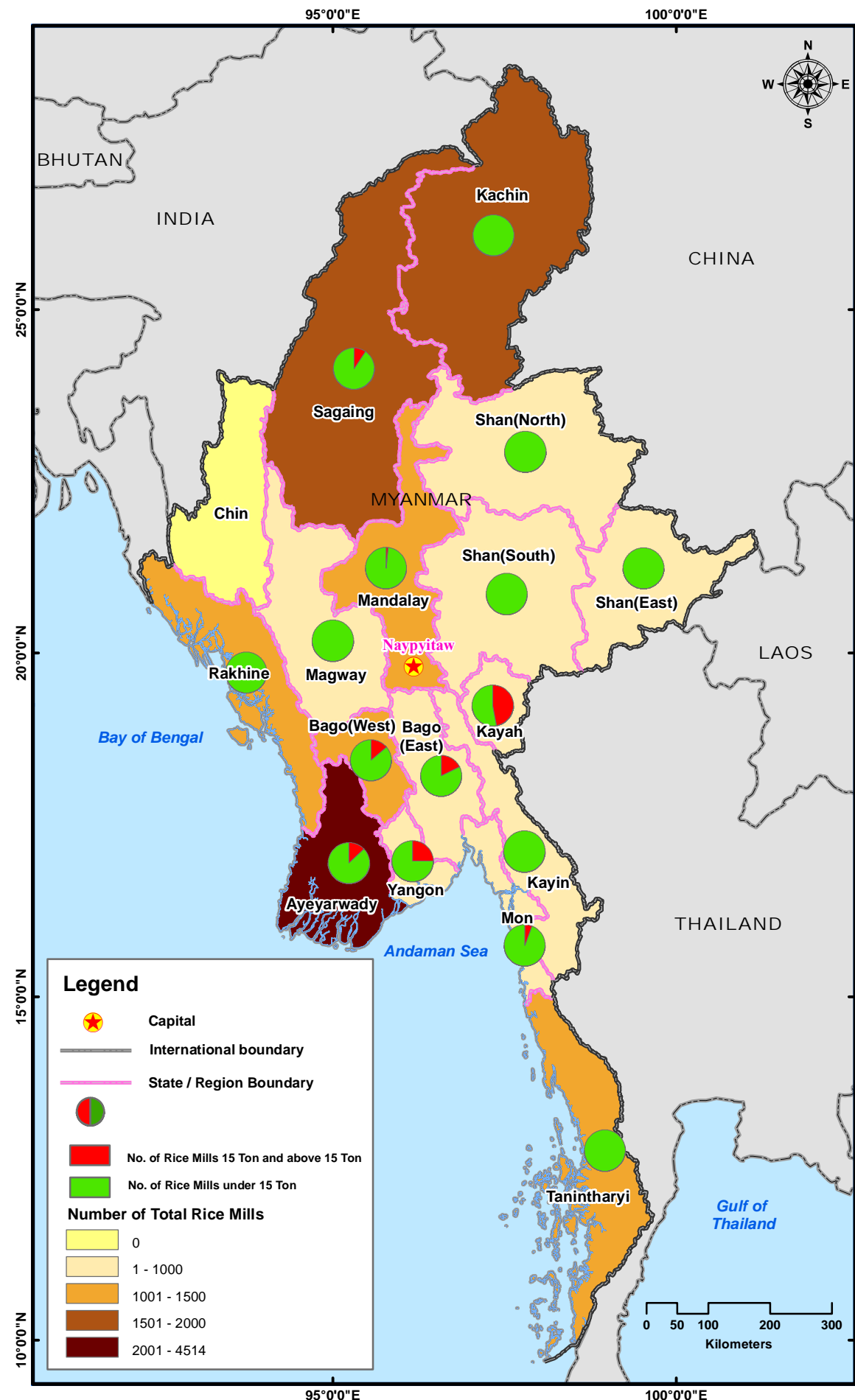
Projection/Datum : GCS/WGS84

**Data Sources**  
 Base Map : MIMU  
 Boundaries : WFP/ MIMU,  
 Places Names - Ministry of Home Affairs  
 ( GAD) translated by MIMU  
 Cluster Data Souce: Field Survey

Major Handicraft (Wood Carving) Cluster in Myanmar

No.	State/Region	District	Township	Number of Enterprise	Average Employment	Average Wage Rate	Average Turnover (Million Kyats)
1	Yangon	Yangon (East)	North Okkalapa	10	2 - 5	2500-6000	1 - 5
2	Yangon	Yangon (North)	Hlegu	300	3 - 20	2500-6000	1 - 10
3	Yangon	Yangon (West)	Pabedan	11	2 - 3	N/A	2 - 20
4	Bago	Bago	Bago	60	2 - 50	2500-6000	2 - 100
5	Mandalay	Mandalay	Chanmyathazi	40	3 - 30	2500-6000	1 - 100

# Rice Mills Cluster Map of States and Regions in Myanmar



Number of Rice Mills in States and Regions

No.	State / Region	No. of Rice Mills 15 Ton and above 15 Ton	No. of Rice Mills under 15 Ton	Total
1	Yangon	225	681	906
2	Ayeyarwaddy	587	3927	4514
3	Bago(East)	132	605	737
4	Bago(West)	153	959	1112
5	Mandalay	21	1275	1296
6	Sagaing	163	1571	1734
7	Magway	0	914	914
8	Tanintharyi	4	1117	1121
9	Mon	32	518	550
10	Kachin	6	1652	1658
11	Kayin	0	21	21
12	Kayah	39	44	83
13	Rakhine	0	1354	1354
14	Shan(South)	0	496	496
15	Shan(North)	0	169	169
16	Shan(East)	0	170	170
17	Chin	0	0	0



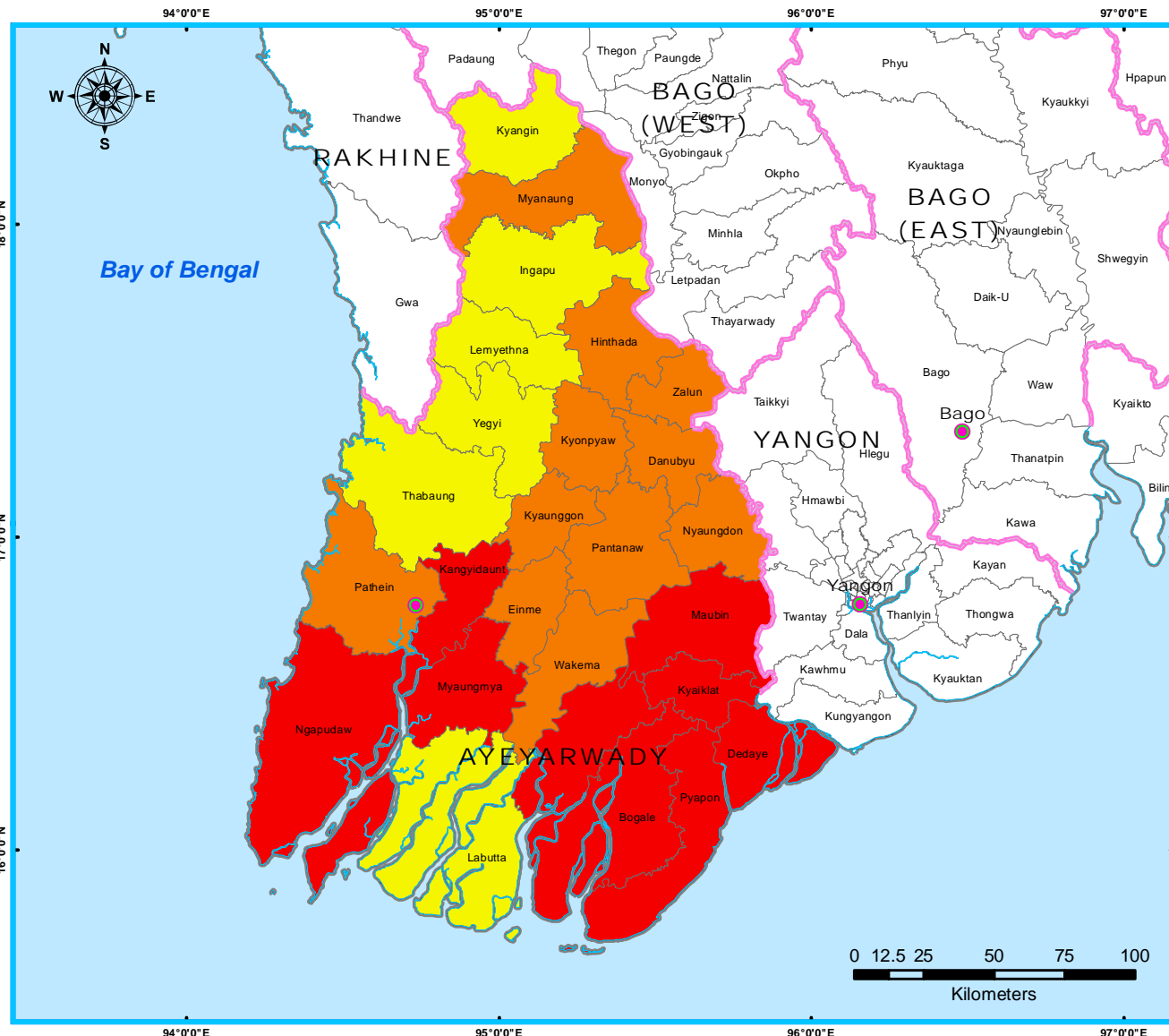
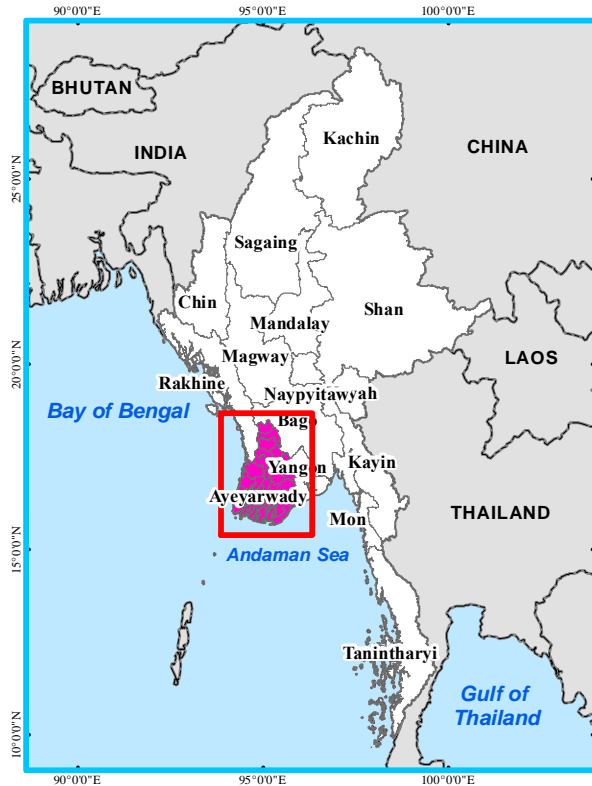
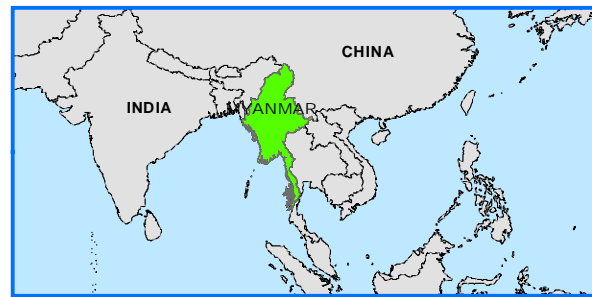
Projection/Datum : GCS/WGS84

**Data Sources**

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Commerce



# Rice Mills Cluster Map of Ayeyarwady Region by Townships



Number of Rice Mills in Ayeyarwaddy Region

No.	State / Region / District / Township	No. of Rice Mills 15 Ton and above 15 Ton	No. of Rice Mills under 15 Ton	Total
	<b>Ayeyarwady Region</b>	<b>569</b>	<b>3315</b>	<b>3884</b>
	<b>Patheingyi District</b>	<b>153</b>	<b>826</b>	<b>979</b>
1	Patheingyi	47	90	137
2	Kangyidaung	50	149	199
3	Thabawng	3	73	76
4	Ngaputaw	6	244	250
5	Kyongpyaw	18	106	124
6	Yegyi	16	64	80
7	Kyaunggon	13	100	113
	<b>Hinthada District</b>	<b>60</b>	<b>571</b>	<b>631</b>
8	Hinthada	14	115	129
9	Zalun	18	104	122
10	Lemyethna	11	48	59
11	Myanaung	5	151	156
12	Kyangin	3	74	77
13	Ingapu	9	79	88
	<b>Myaungmya District</b>	<b>115</b>	<b>381</b>	<b>496</b>
14	Myaungmya	58	148	206
15	Einme	25	100	125
16	Wakema	32	133	165
	<b>Maubin District</b>	<b>37</b>	<b>587</b>	<b>624</b>
17	Maubin	9	242	251
18	Pantanaw	4	122	126
19	Nyaungdon	4	112	116
20	Danubyu	20	111	131
	<b>Paypon District</b>	<b>141</b>	<b>716</b>	<b>857</b>
21	Pyapon	23	173	196
22	Bogale	40	150	190
23	Kyaiklat	45	243	288
24	Dedaye	33	150	183
	<b>Labutta District</b>	<b>63</b>	<b>234</b>	<b>297</b>
25	Labutta	15	85	100
26	Mawlamyinegyun	48	149	197

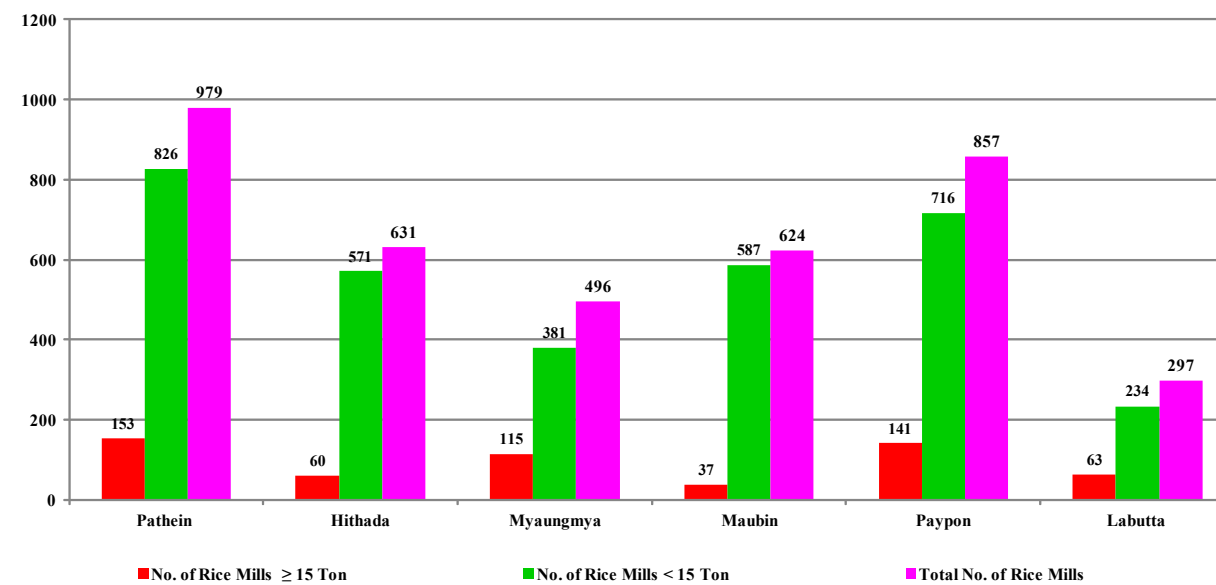
## Legend

- State Capital
- International boundary
- State / Region Boundary
- Township Boundary

## Number of Rice Mills

- 59 - 100
- 101 - 165
- 166 - 288

Number of Rice Mills By Districts in Ayeyarwady Region

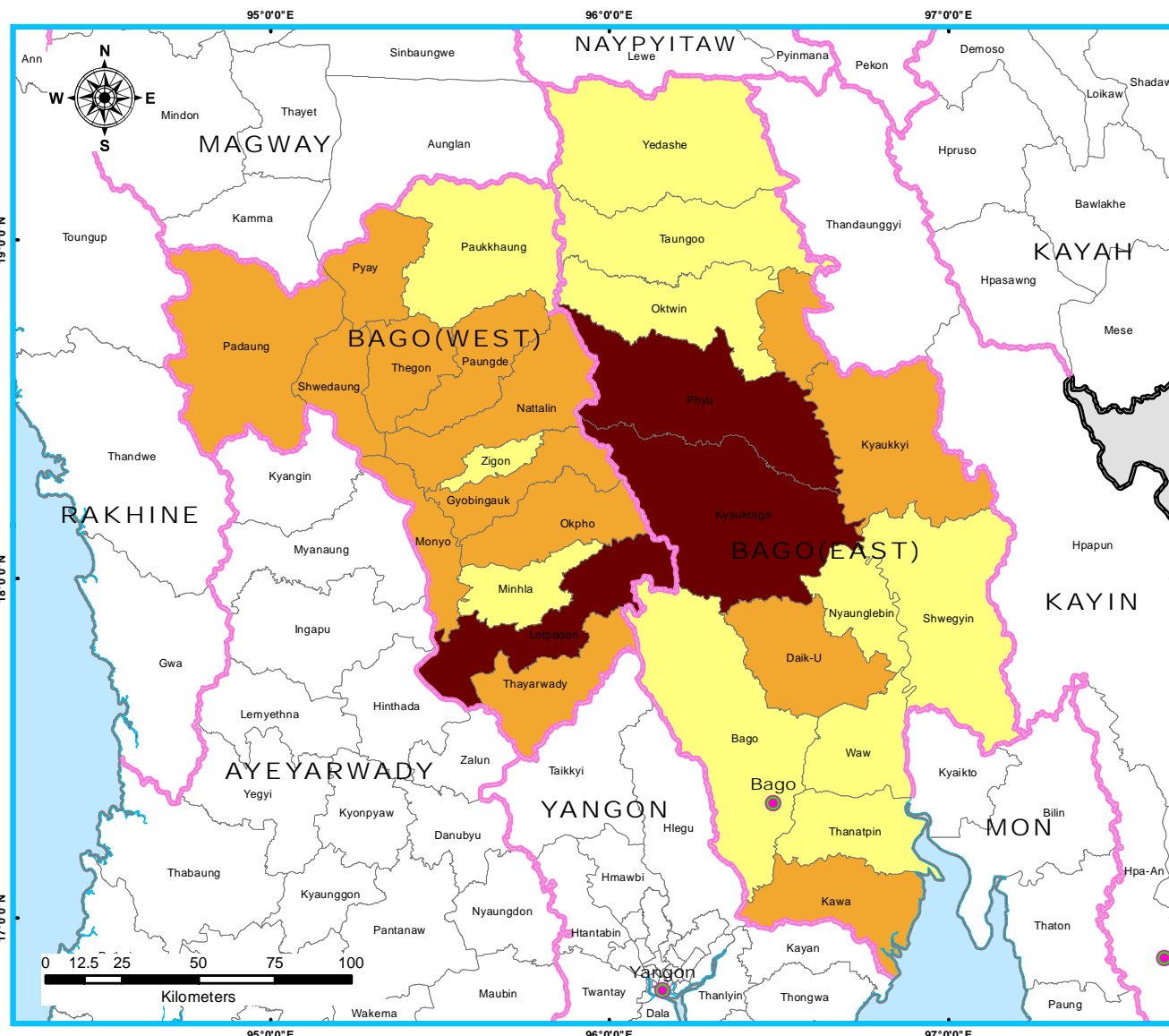
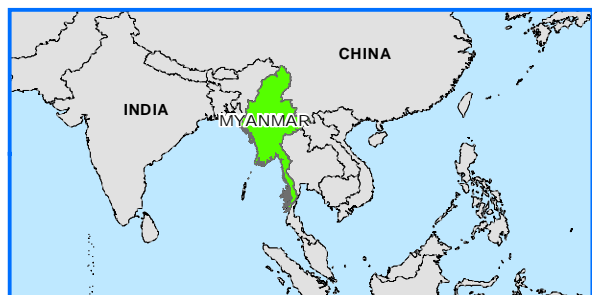


Projection/Datum : GCS/WGS84

## Data Sources

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Commerce

# Rice Mills Cluster Map of Bago Region by Townships



**Number of Rice Mills in Bago Region**

No.	State / Region/ District/ Township	No. of Rice Mills 15 Ton and above 15 Ton	No. of Rice Mills under 15 Ton	Total
	<b>Bago Region</b>	<b>220</b>	<b>2912</b>	<b>3132</b>
	<b>Bago District</b>	<b>71</b>	<b>688</b>	<b>759</b>
1	Bago	6	86	92
2	Waw	3	21	24
3	Kawa	15	129	144
4	Thanatpin	7	63	70
5	Daik-U	16	150	166
6	Nyaunglebin	12	32	44
7	Kyauktaga	12	178	190
8	Shwegyin	0	29	29
	<b>Taungoo District</b>	<b>17</b>	<b>642</b>	<b>659</b>
9	Taungoo	5	36	41
10	Yedashe	4	33	37
11	Phyu	3	288	291
12	Oktwin	2	70	72
13	Htantabin	3	109	112
14	Kyaukkyi	0	106	106
	<b>Thayarwady District</b>	<b>77</b>	<b>945</b>	<b>1022</b>
15	Thayarwady	17	102	119
16	Letpandan	12	176	188
17	Minhla	4	62	66
18	Monyo	0	110	110
19	Okpho	9	130	139
20	Gyobingauk	13	140	153
21	Zigon	8	79	87
22	Nattalin	14	146	160
	<b>Pyay District</b>	<b>55</b>	<b>637</b>	<b>692</b>
23	Paungde	15	95	110
24	Thegon	11	87	98
25	Shwedaung	15	122	137
26	Pyay	9	132	141
27	Paukkhaung	1	73	74
28	Padaung	4	128	132

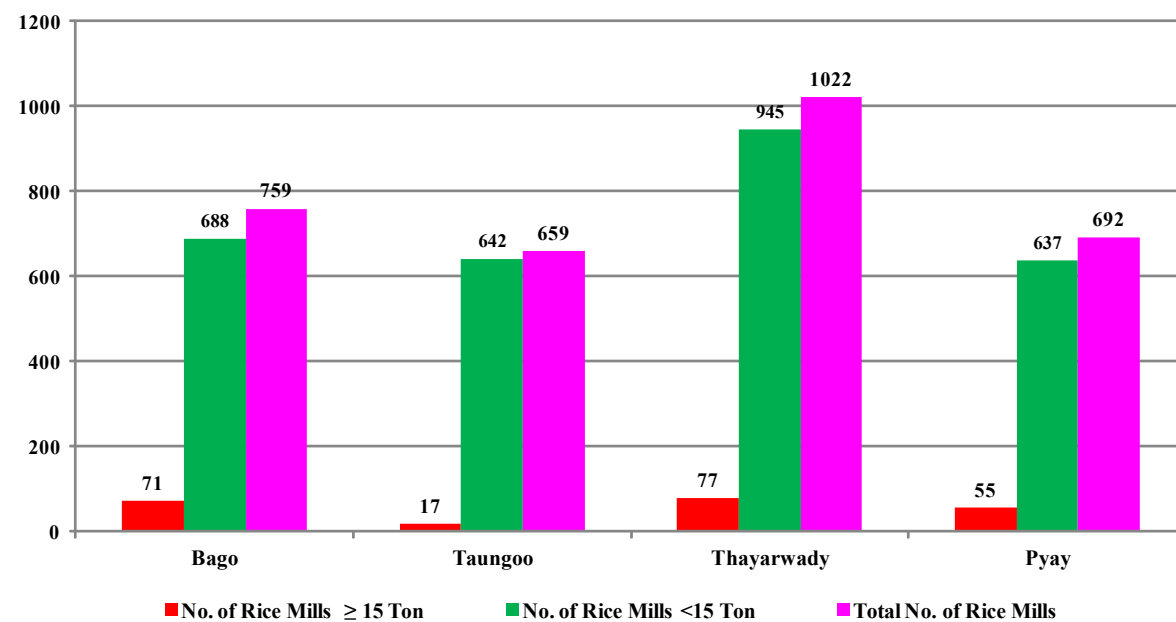
## Legend

- State Capital
- International boundary
- State / Region Boundary
- Township Boundary

## Number of Rice Mills

- 24 - 92
- 93 - 166
- 167 - 291

**Number of Rice Mills By Districts in Bago Region**

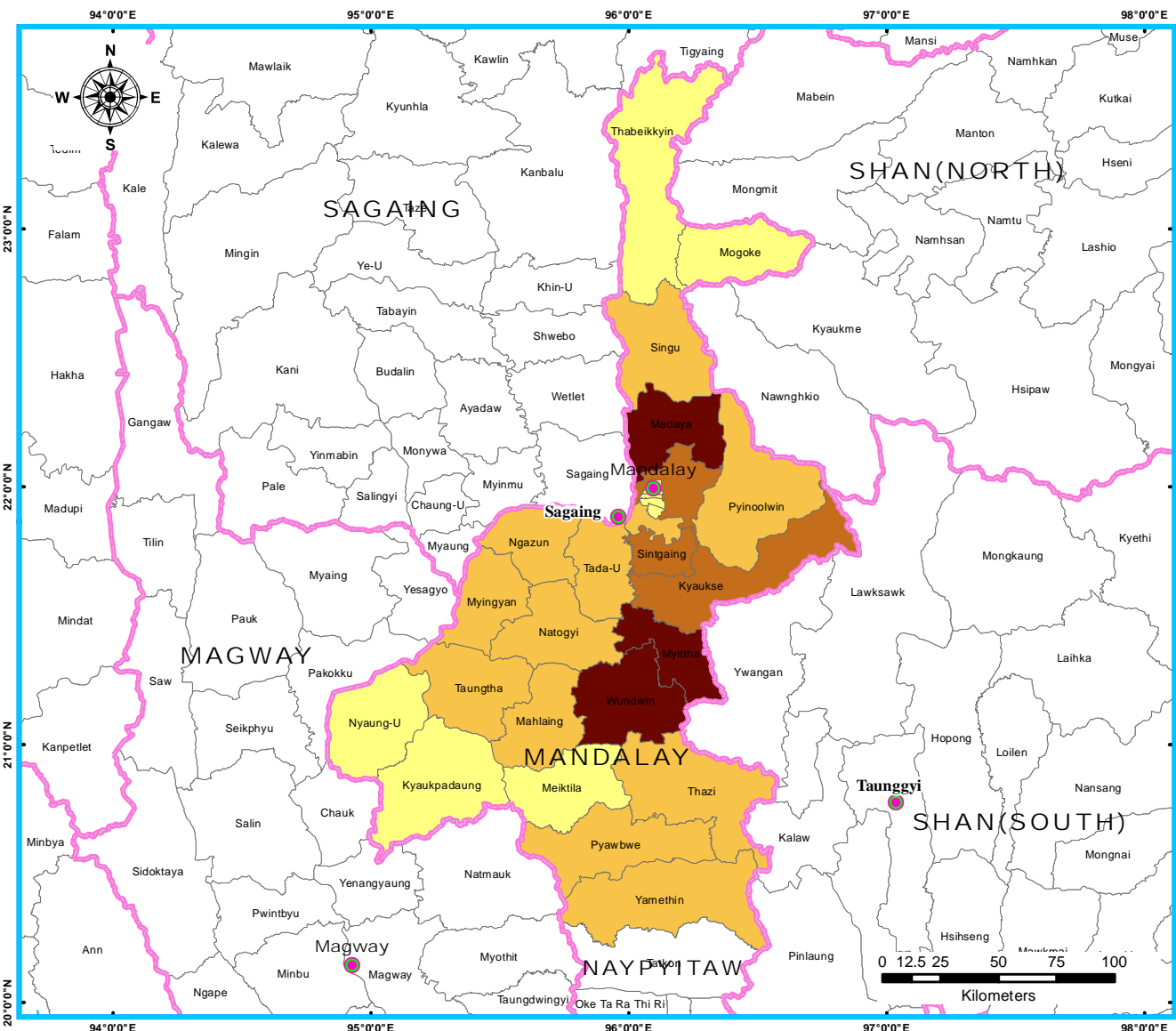
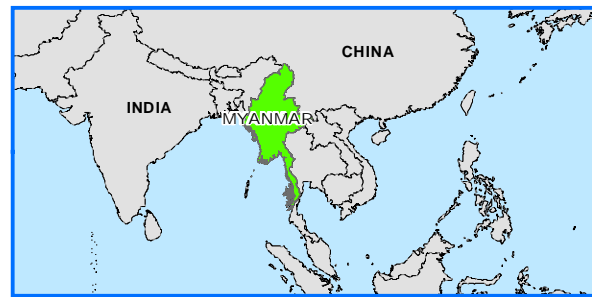


Projection/Datum : GCS/WGS84

## Data Sources

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Commerce

# Rice Mills Cluster Map of Mandalay Region by Townships



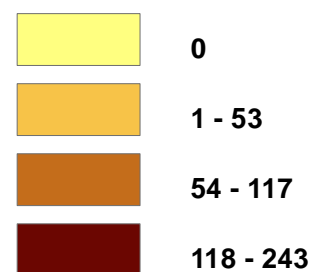
Number of Rice Mills in Mandalay Region

No.	State / Region/ Township	No. of Rice Mills 15 Ton and above 15 Ton	No. of Rice Mills under 15 Ton	Total
	<b>Mandalay Region</b>	<b>22</b>	<b>1122</b>	<b>1144</b>
	<b>Mandalay District</b>	<b>10</b>	<b>112</b>	<b>122</b>
1	Mandalay	0	0	0
2	Amarapura	4	44	48
3	Pathingyi	6	68	74
	<b>Pyinoolwin District</b>	<b>4</b>	<b>237</b>	<b>241</b>
4	Pyinoolwin	0	24	24
5	Madaya	4	160	164
6	Singu	0	53	53
	<b>Kyaukse District</b>	<b>6</b>	<b>397</b>	<b>403</b>
7	Kyaukse	4	113	117
8	Myittha	2	176	178
9	Singgaing	0	65	65
10	Tada-U	0	43	43
	<b>Meiktila District</b>	<b>2</b>	<b>259</b>	<b>261</b>
11	Meiktila	0	0	0
12	Mahlaing	0	1	1
13	Wundwin	2	241	243
14	Thazi	0	17	17
	<b>Yamethin District</b>	<b>0</b>	<b>34</b>	<b>34</b>
15	Yamethin	0	10	10
16	Pyawbwe	0	24	24
	<b>Myingyan District</b>	<b>0</b>	<b>83</b>	<b>83</b>
17	Myingyan	0	5	5
18	Taungtha	0	16	16
19	Natogyi	0	20	20
20	Kyaukpadaung	0	0	0
21	Ngazun	0	42	42
22	Mogoke	0	0	0
23	Thabeikkying	0	0	0
	<b>Nyaung-U District</b>	<b>0</b>	<b>0</b>	<b>0</b>
24	Nyaung-U	0	0	0

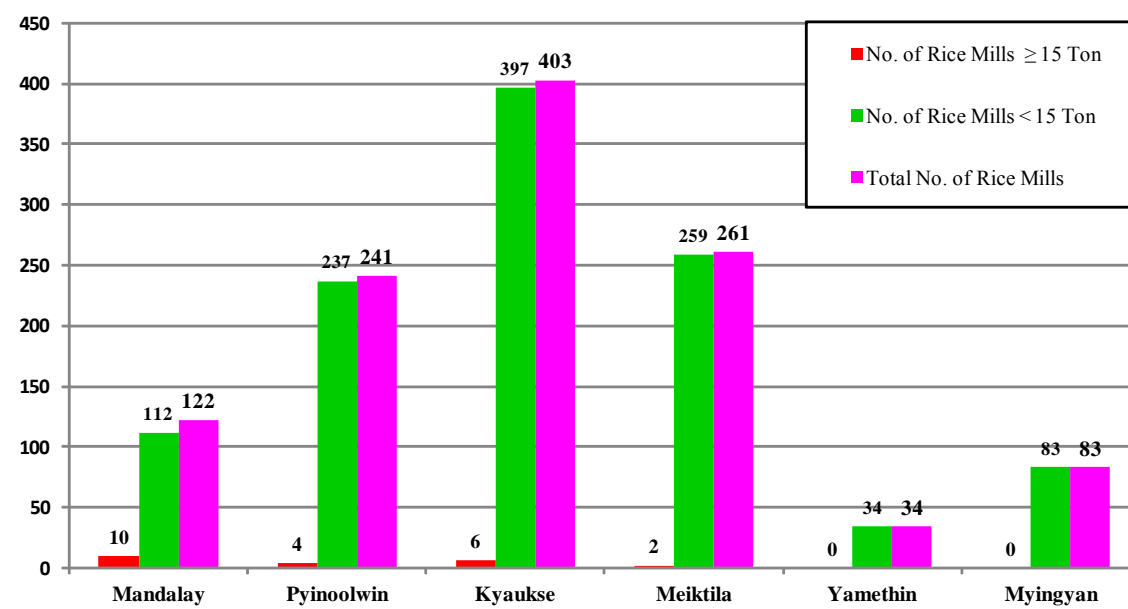
## Legend

- State Capital
- International boundary
- State / Region Boundary
- Township Boundary

## Number of Rice Mills



Number of Rice Mills By Districts in Mandalay Region

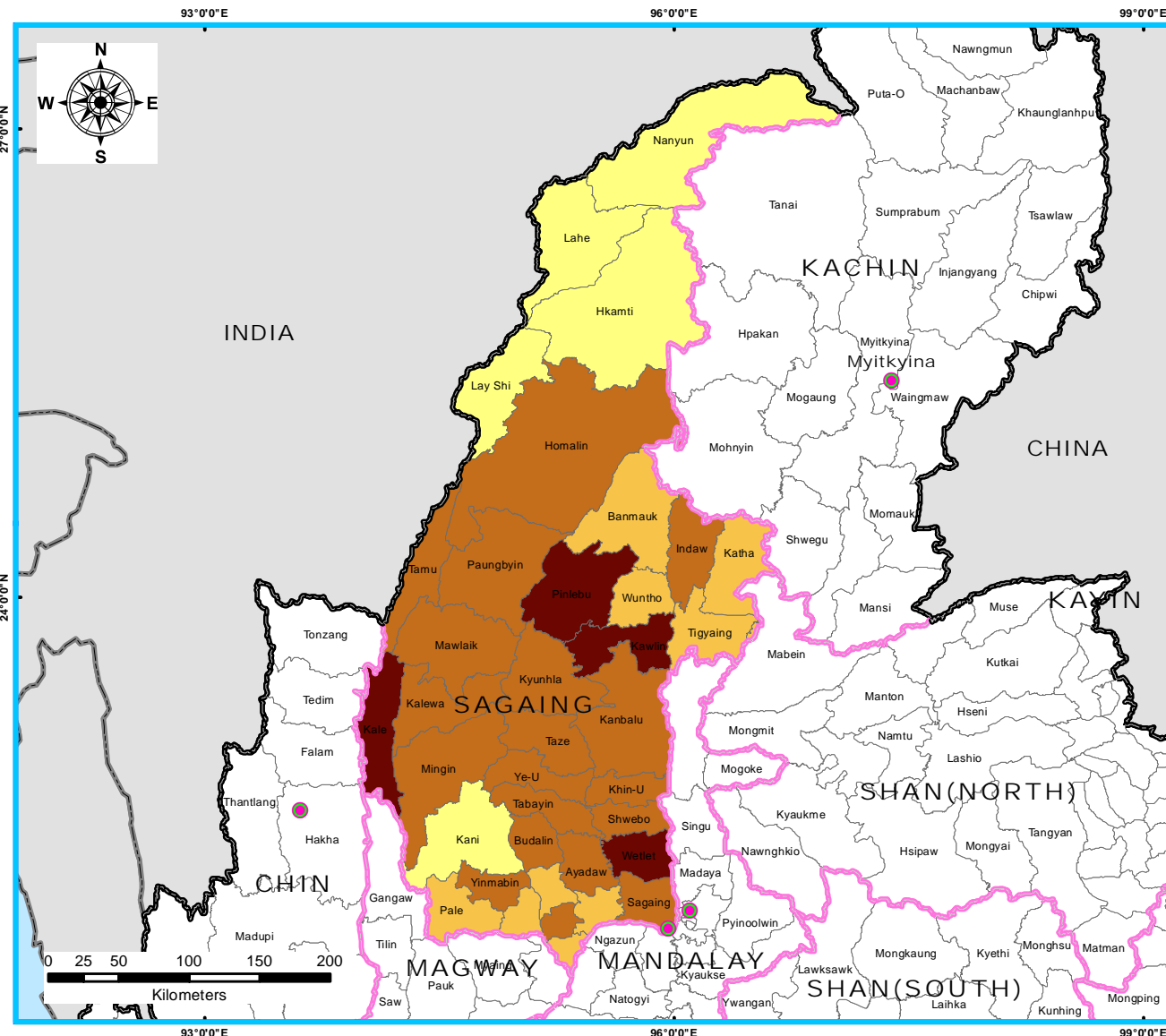
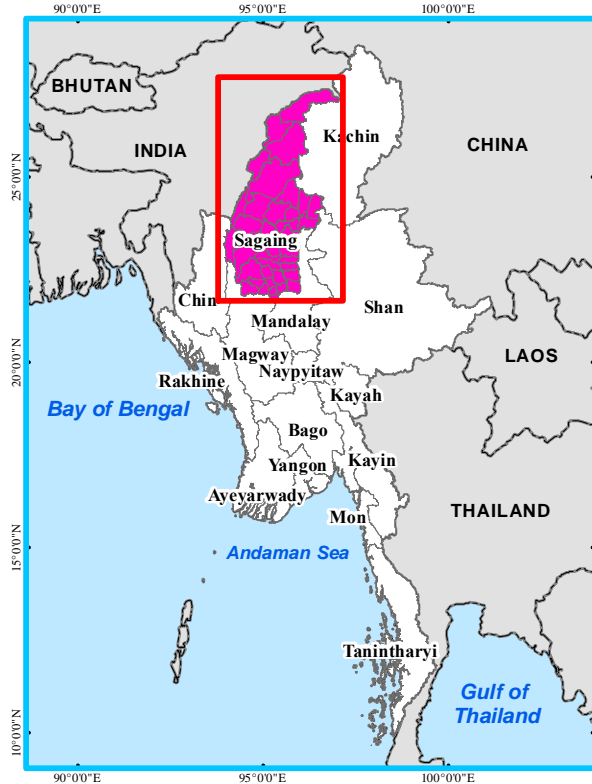
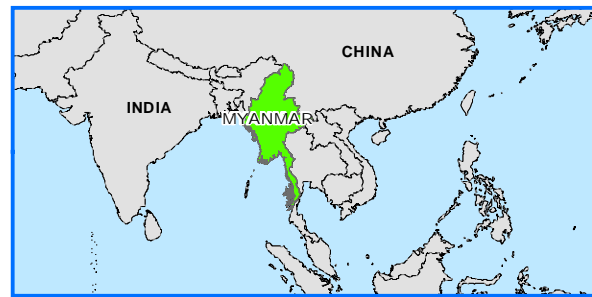


Projection/Datum : GCS/WGS84

## Data Sources

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Commerce

# Rice Mills Cluster Map of Sagaing Region by Townships



**Number of Rice Mills in Sagaing Region**

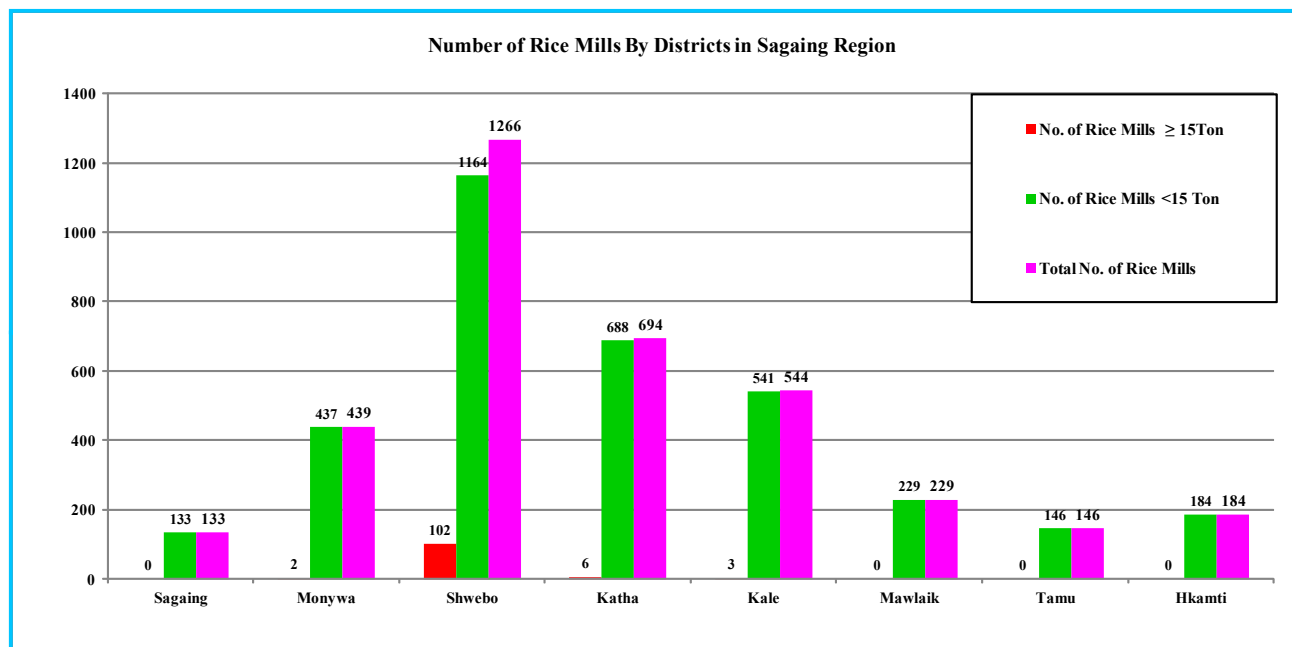
No.	State / Region/ District/ Township	No. of Rice Mills 15 Ton and above 15 Ton	No. of Rice Mills under 15 Ton	Total
	<b>Sagaing Region</b>	<b>113</b>	<b>3522</b>	<b>3635</b>
	<b>Sagaing District</b>	<b>0</b>	<b>133</b>	<b>133</b>
1	Sagaing	0	92	92
2	Myinmu	0	32	32
3	Myaung	0	9	9
	<b>Monywa District</b>	<b>2</b>	<b>437</b>	<b>439</b>
4	Monywa	0	26	26
5	Chaung-U	0	184	184
6	Ayadaw	2	62	64
7	Budalin	0	50	50
8	Kani	0	0	0
9	Salingyi	0	26	26
10	Yinmabin	0	64	64
11	Pale	0	25	25
	<b>Shwebo District</b>	<b>102</b>	<b>1164</b>	<b>1266</b>
12	Shwebo	45	148	193
13	Weltlet	12	203	215
14	Khin-U	13	140	153
15	Ye-U	6	96	102
16	Taze	2	184	186
17	Tabayin	7	108	115
18	Kanbalu	17	150	167
19	Kyunhla	0	135	135
	<b>Katha District</b>	<b>6</b>	<b>688</b>	<b>694</b>
20	Katha	1	33	34
21	Indaw	2	180	182
22	Banmauk	0	4	4
23	Pinlebu	0	207	207
24	Wuntho	1	36	37
25	Kawlin	2	201	203
26	Tigyaing	0	27	27
	<b>Kale District</b>	<b>3</b>	<b>541</b>	<b>544</b>
27	Kale	3	312	315
28	Kalewa	0	119	119
29	Mingin	0	110	110
	<b>Mawlaik District</b>	<b>0</b>	<b>229</b>	<b>229</b>
30	Mawlaik	0	127	127
31	Paungbyin	0	102	102
	<b>Tamu District</b>	<b>0</b>	<b>146</b>	<b>146</b>
32	Tamu	0	146	146
	<b>Hkamti District</b>	<b>0</b>	<b>184</b>	<b>184</b>
33	Hkamti	0	0	0
34	Homalin	0	184	184

## Legend

- State Capital
- International boundary
- State / Region Boundary
- Township Boundary

## Number of Rice Mills

- 0
- 1 - 37
- 38 - 200
- 201 - 315

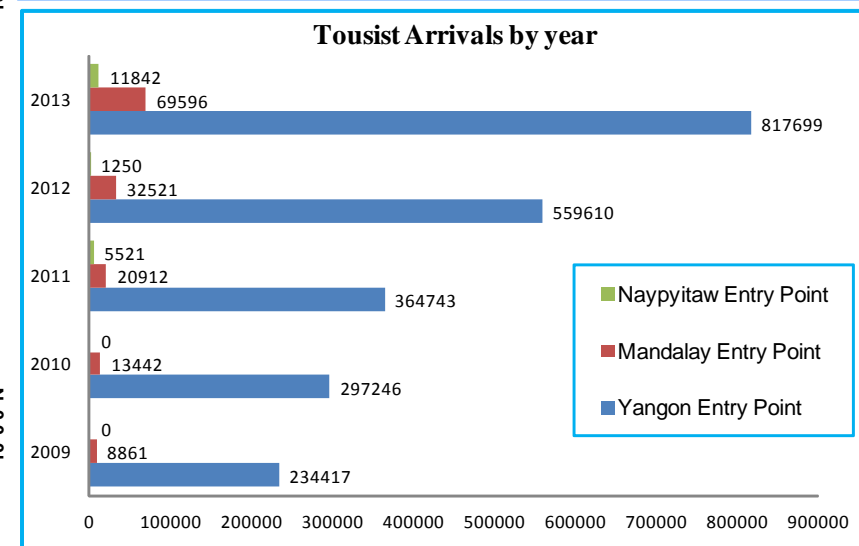
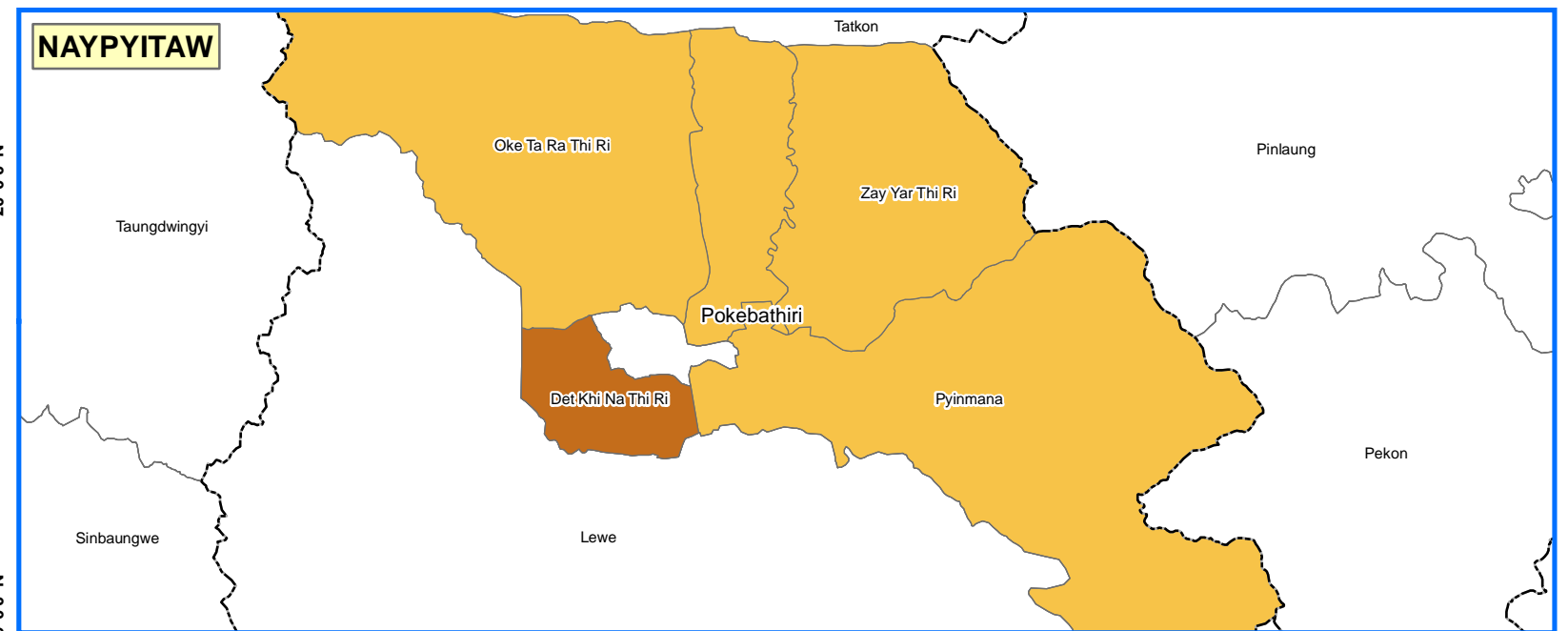
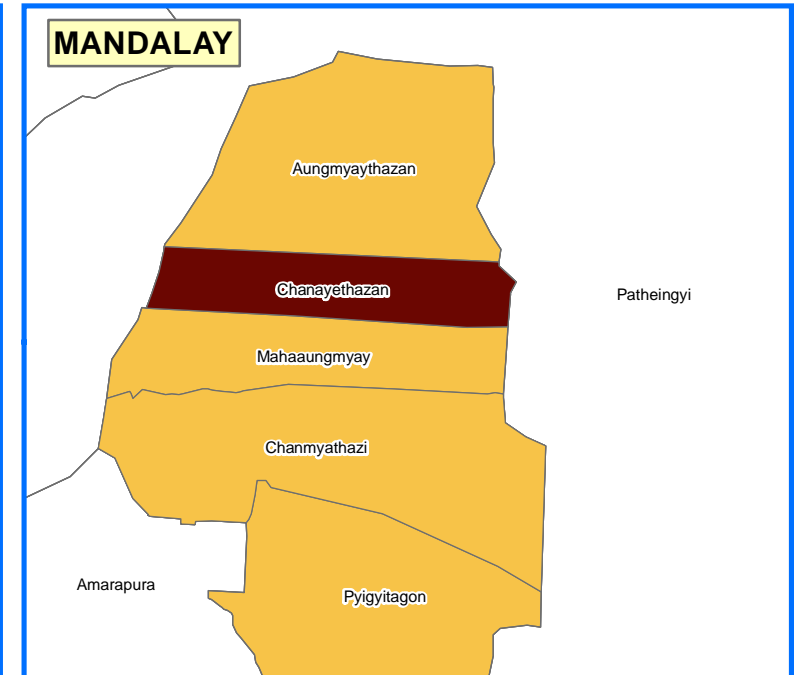
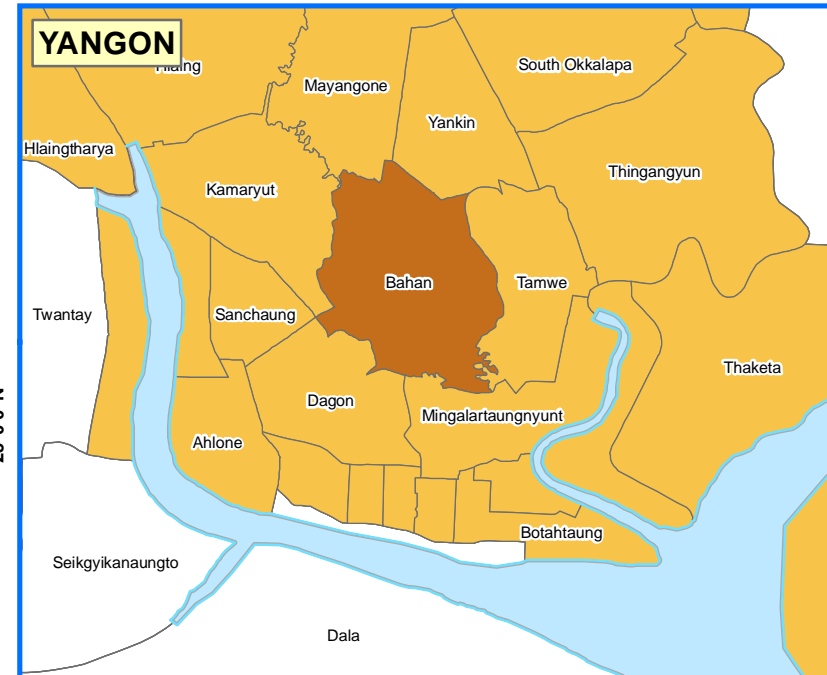
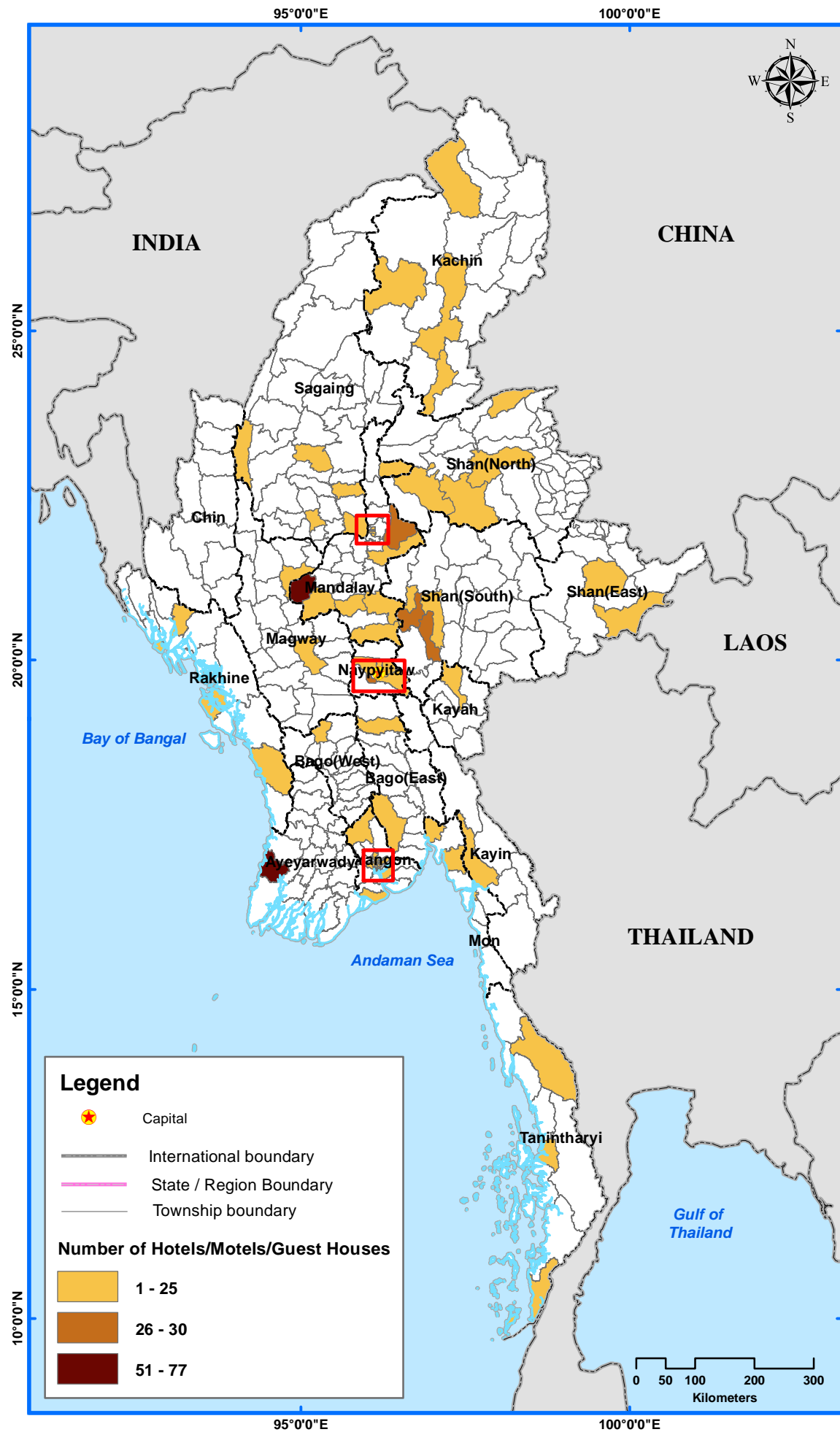


Projection/Datum : GCS/WGS84

### Data Sources

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Commerce

# Cluster Map of Hotels/Motels/Guest Houses by Townships



Projection/Datum : GCS/WGS84

**Data Sources**  
 Base Map : MIMU  
 Boundaries : WFP/ MIMU,  
 Places Names - Ministry of Home Affairs  
 ( GAD) translated by MIMU  
 Cluster Data Souce: Ministry of Hotels and Tourism

# Cluster Map of Garment Enterprises in Yangon Region



Projection/Datum : GCS/WGS84

### Data Sources

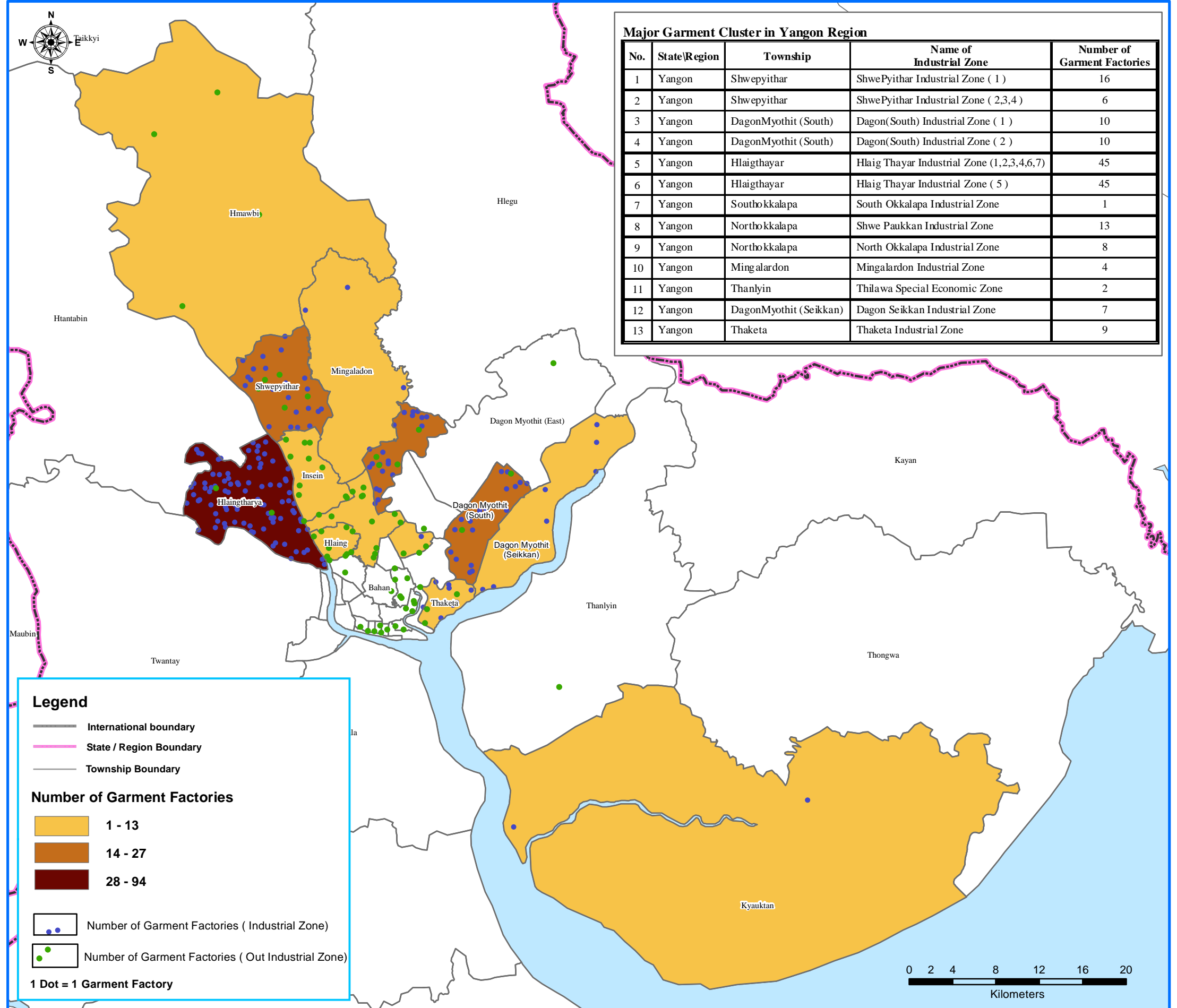
Base Map : MIMU

Boundaries: WFP/MIMU

Places Names - Ministry of Home Affairs

( GAD) translated by MIMU.

Cluster Data Source: Myanmar Garment Association



No.	State/Region	Township	Name of Industrial Zone	Number of Garment Factories
1	Yangon	Shwepyithar	ShwePyithar Industrial Zone ( 1 )	16
2	Yangon	Shwepyithar	ShwePyithar Industrial Zone ( 2,3,4 )	6
3	Yangon	DagonMyothit (South)	Dagon(South) Industrial Zone ( 1 )	10
4	Yangon	DagonMyothit (South)	Dagon(South) Industrial Zone ( 2 )	10
5	Yangon	Hlaigthayar	Hlaig Thayar Industrial Zone (1,2,3,4,6,7)	45
6	Yangon	Hlaigthayar	Hlaig Thayar Industrial Zone ( 5 )	45
7	Yangon	Southkkalapa	South Okkalapa Industrial Zone	1
8	Yangon	Northkkalapa	Shwe Paukkan Industrial Zone	13
9	Yangon	Northkkalapa	North Okkalapa Industrial Zone	8
10	Yangon	Mingalardon	Mingalardon Industrial Zone	4
11	Yangon	Thanlyin	Thilawa Special Economic Zone	2
12	Yangon	DagonMyothit (Seikkan)	Dagon Seikkan Industrial Zone	7
13	Yangon	Thaketa	Thaketa Industrial Zone	9

**Legend**

- International boundary
- State / Region Boundary
- Township Boundary

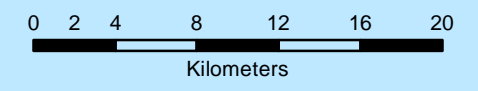
**Number of Garment Factories**

- 1 - 13
- 14 - 27
- 28 - 94

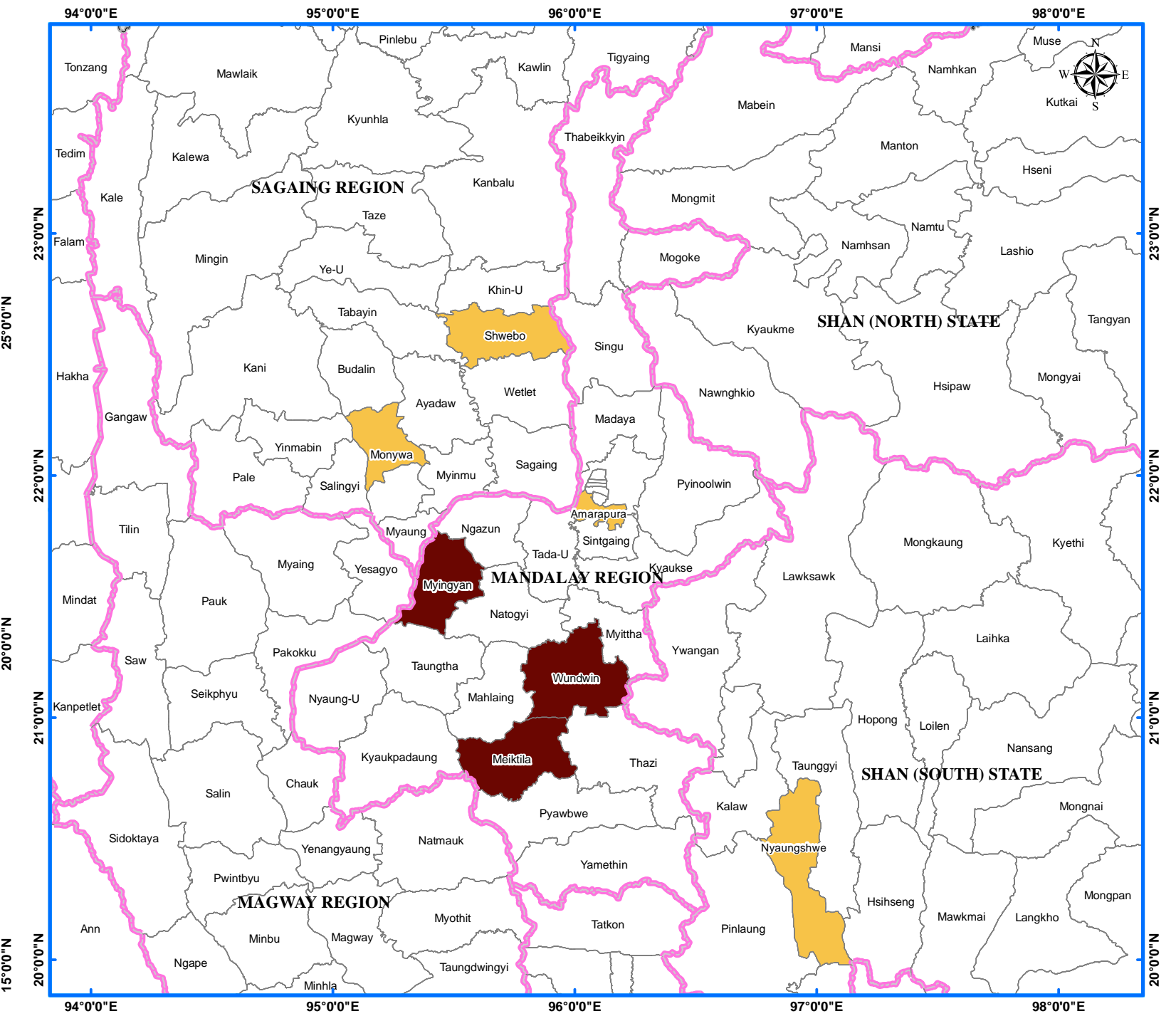
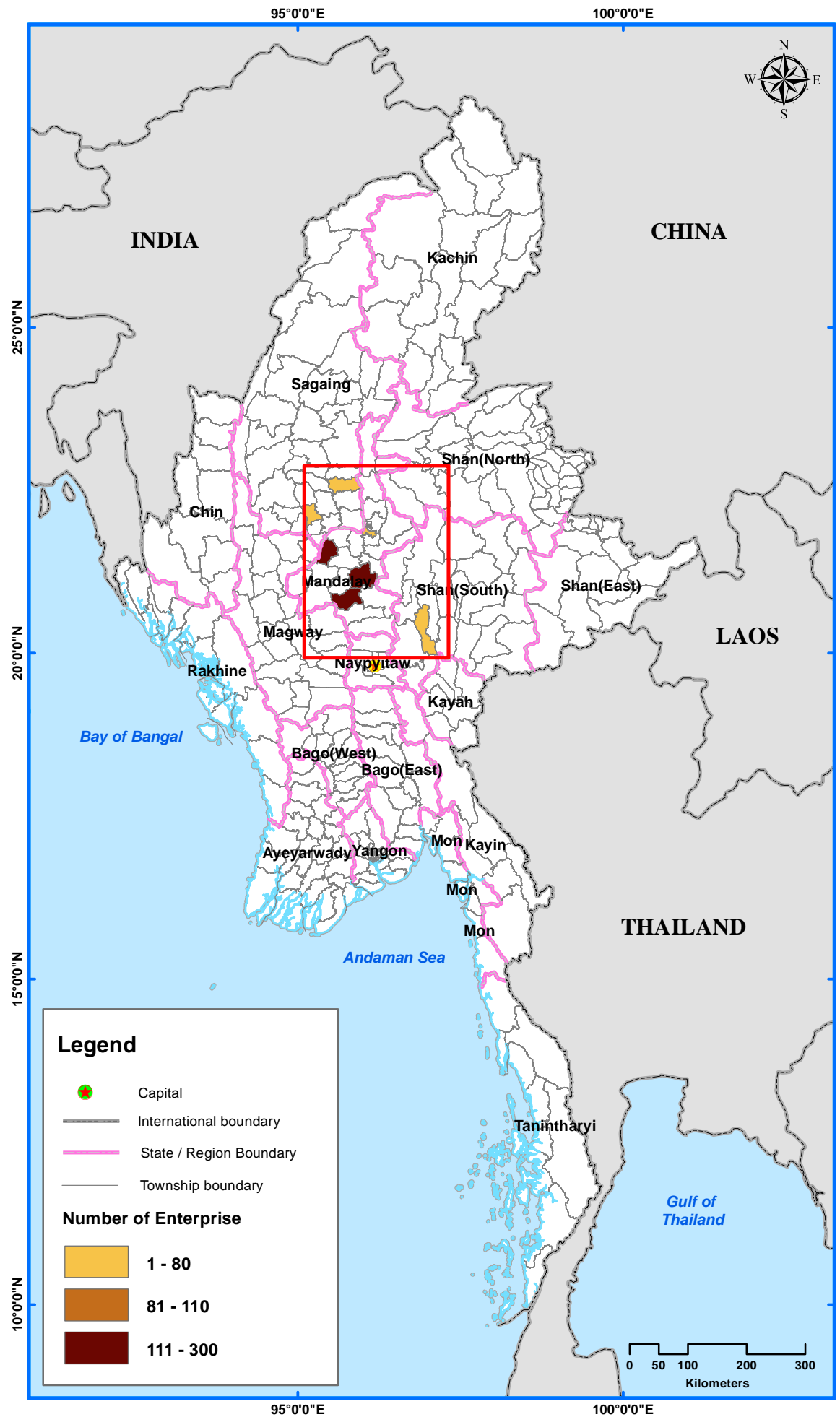
Number of Garment Factories ( Industrial Zone)

Number of Garment Factories ( Out Industrial Zone)

1 Dot = 1 Garment Factory



# Cluster Map of Major Textile and Weaving of Myanmar



Major Textile and Weaving Cluster in Myanmar

No.	State/Region	District	Township	Village tract	Number of Enterprise	Average Employment	Estimated Average Annual Turnover (Million Kyats)
1	Mandalay	Mandalay	Amarapura	Yaekyipaut	34	15-20	24
2	Mandalay	Mandalay	Amarapura	Taungmyo	25	4-5	12
3	Mandalay	Myingyan	Myingyan	NanMyint	300	2-7	0.6 - 12
4	Mandalay	Meiktilar	Wundwin	-	245	10-20	24
5	Mandalay	Meiktilar	Meiktilar	-	120	-	N/A
6	Sagaing	Shwebo	Shwebo	Satekhon	80	9-10	24
7	Sagaing	Monywa	Monywa	-	65	-	-
8	Shan(South)	Taunggyi	Nyaungshwe	Inle	20	4-5	-
9	Yangon	Yangon(East)	Mingalartaungnyunt	-	110	-	-
10	Yangon	Yangon(West)	Pabedan	-	96	-	-
11	Yangon	Yangon(East)	Tarmwe	-	13	-	-

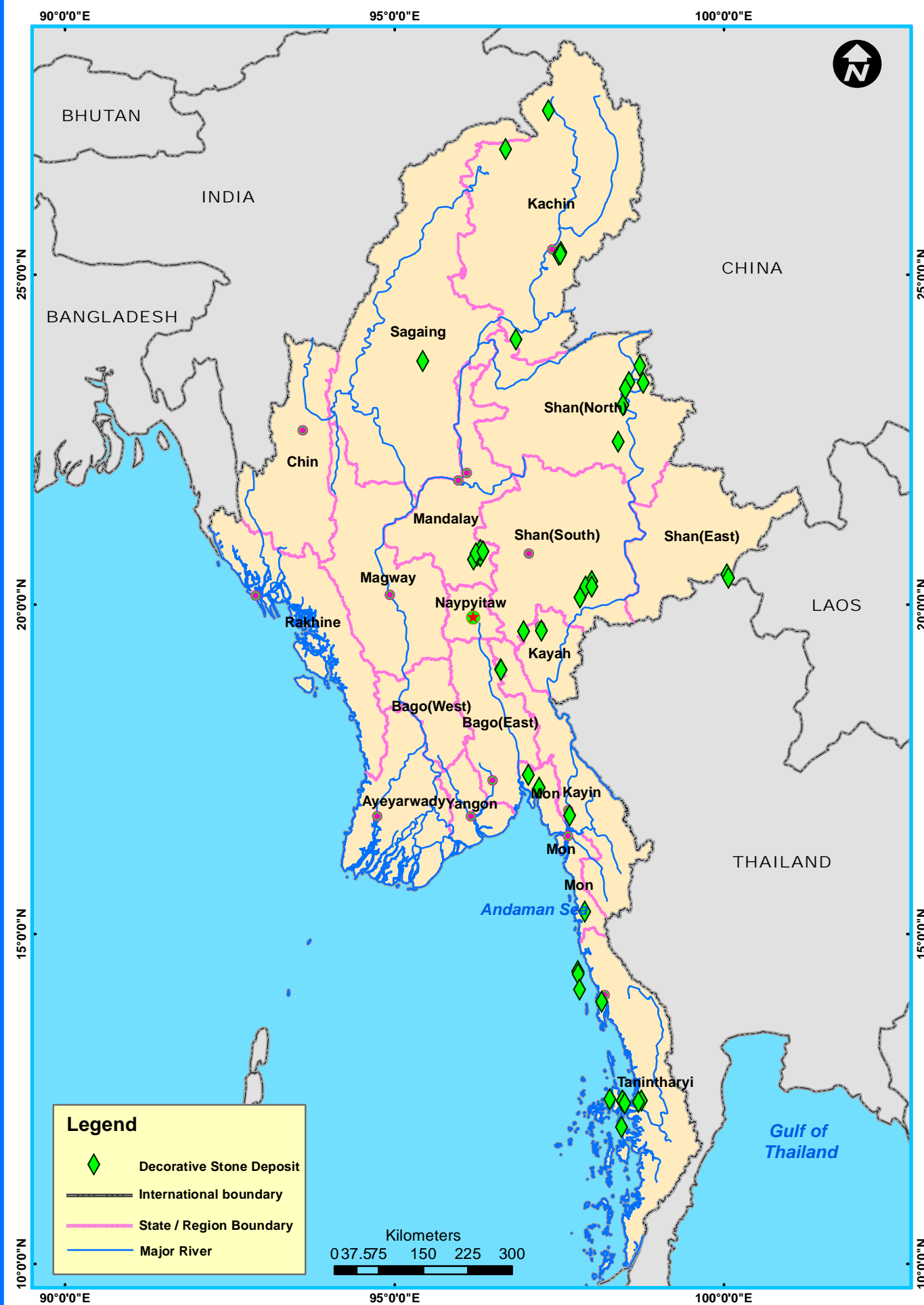


**Projection/Datum : GCS/WGS84**  
**Data Sources**  
 Base Map : MIMU  
 Boundaries : WFP/ MIMU,  
 Places Names - Ministry of Home Affairs  
 (GAD) translated by MIMU  
 Cluster Data Source: Field Survey &  
 Myanmar Textile & Garment Directory 2013





## Location Map of Minerals Deposit of Decorative Stone



### Location of Mineral Deposit of Decorative Stone

No.	State/Region	Township	Number of Location of Minerals Deposit
1.	Kachin	Putao	3
2.	Kachin	Tanaing	1
3.	Kachin	Waingmaw	4
4.	Kachin	Shwegu	1
5.	Kayah	Demoso	2
6.	Kayin	Pha-an	1
7.	Kayin	Thandaung	2
8.	Sagaing	Kawlin	1
9.	Mandalay	Sintkaing	2
10.	Mandalay	Madaya	2
11.	Mandalay	Pyinmana	1
12.	Mandalay	Paywbwe	2
13.	Mandalay	Tharzi	7
14.	Mon	Kyaikhto	15
15.	Mon	Bilin	1
16.	Mon	Ye	1
17.	Shan(East)	Tachileik	2
18.	Shan(South)	Pinlaung	1
19.	Shan(South)	Lankho	3
20.	Shan(North)	Laukkaing	1
21.	Shan(North)	Hopang	1
22.	Shan(North)	Tangyan	1
23.	Tanintharyi	Launglon	3
24.	Tanintharyi	Yebyu	3
25.	Tanintharyi	Myeik	7
26.	Tanintharyi	Kyunsu	1

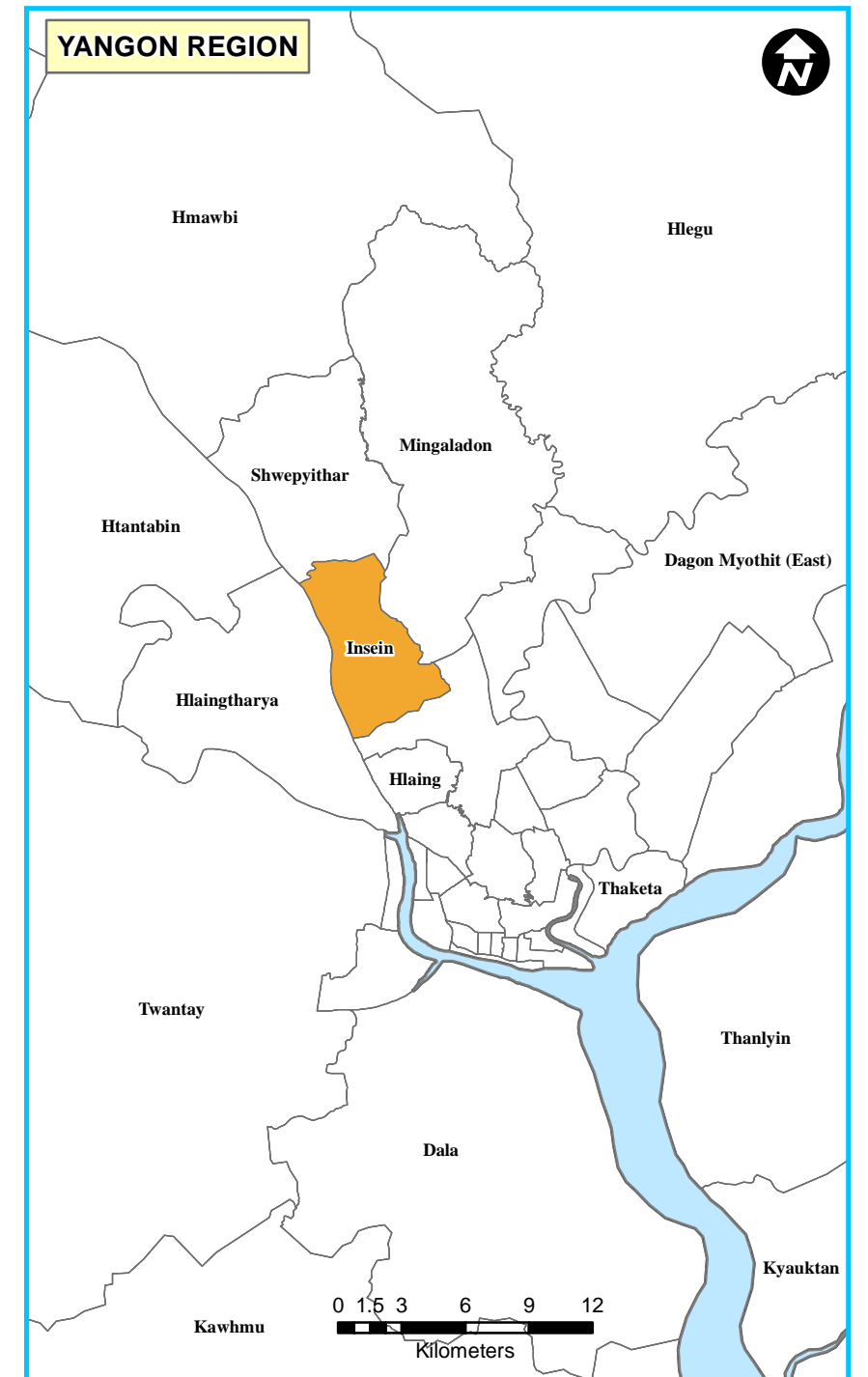
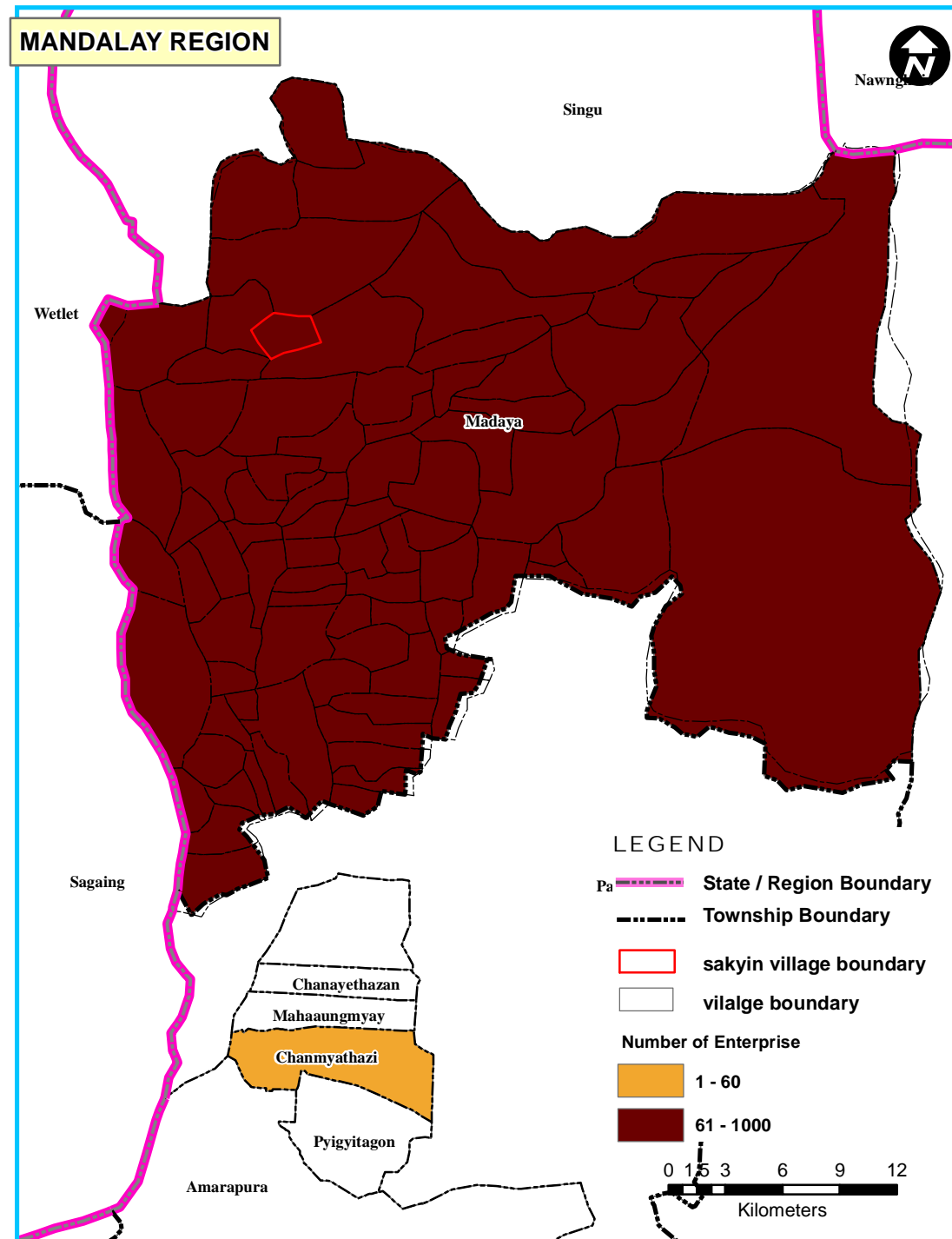
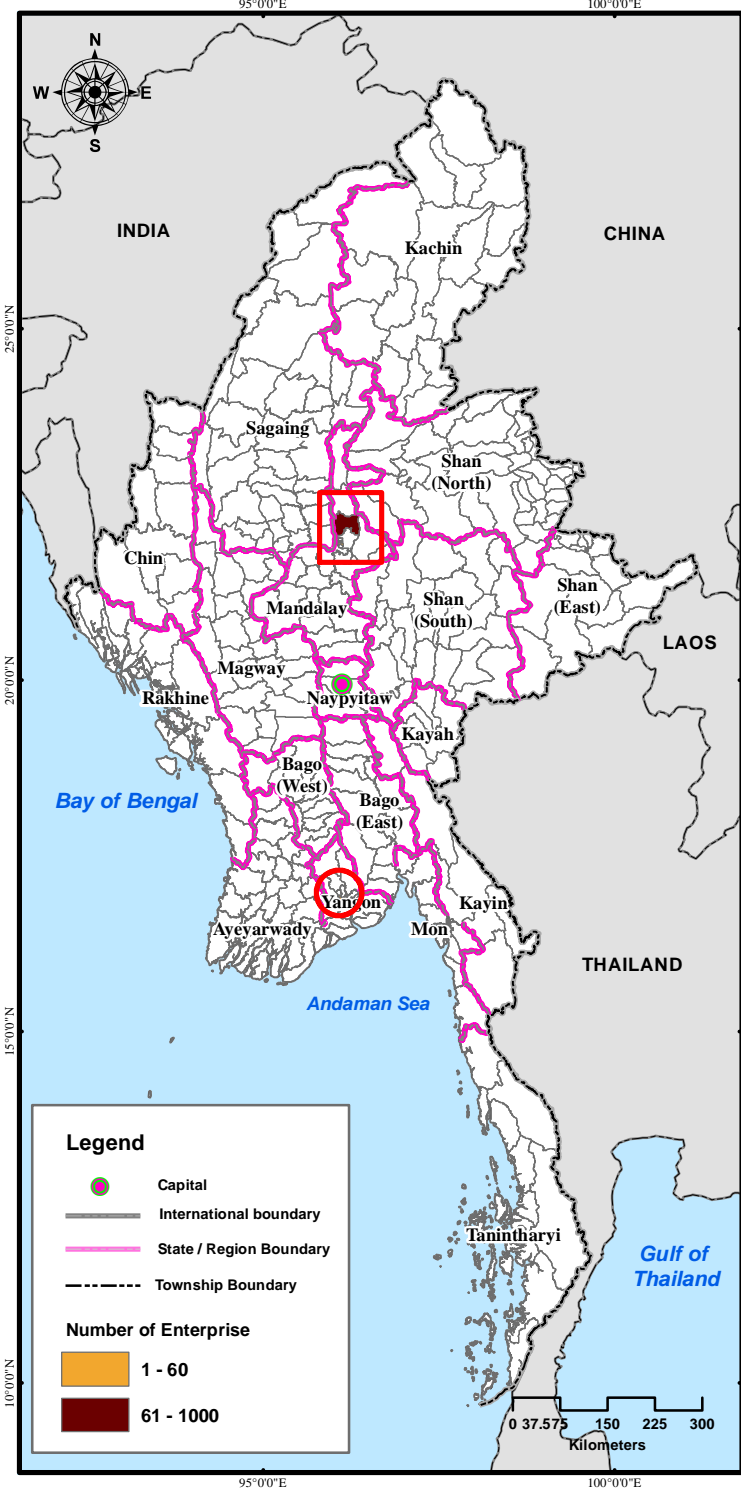
Projection/Datum : GCS/WGS84

**Data Sources**

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs  
 ( GAD) translated by MIMU.  
 Cluster Data Source: Ministry of



# Cluster Map of Selected Marble and Decorative Stone Enterprises of Myanmar



Major Marble stone Cluster in Myanmar

No.	State/Region	District	Township	Village tract	No. of Enterprise	Average Employment	Average Annual Turnover (Million Kyats)
1	Mandalay	Mandalay	Madaya	Sakyin	1000	10	10 - 84
2	Mandalay	Mandalay	Chanmyathazi	Urban	60	3-7	20 - 84
3	Yangon	Yangon(North)	Insein	Urban	20	2-10	-

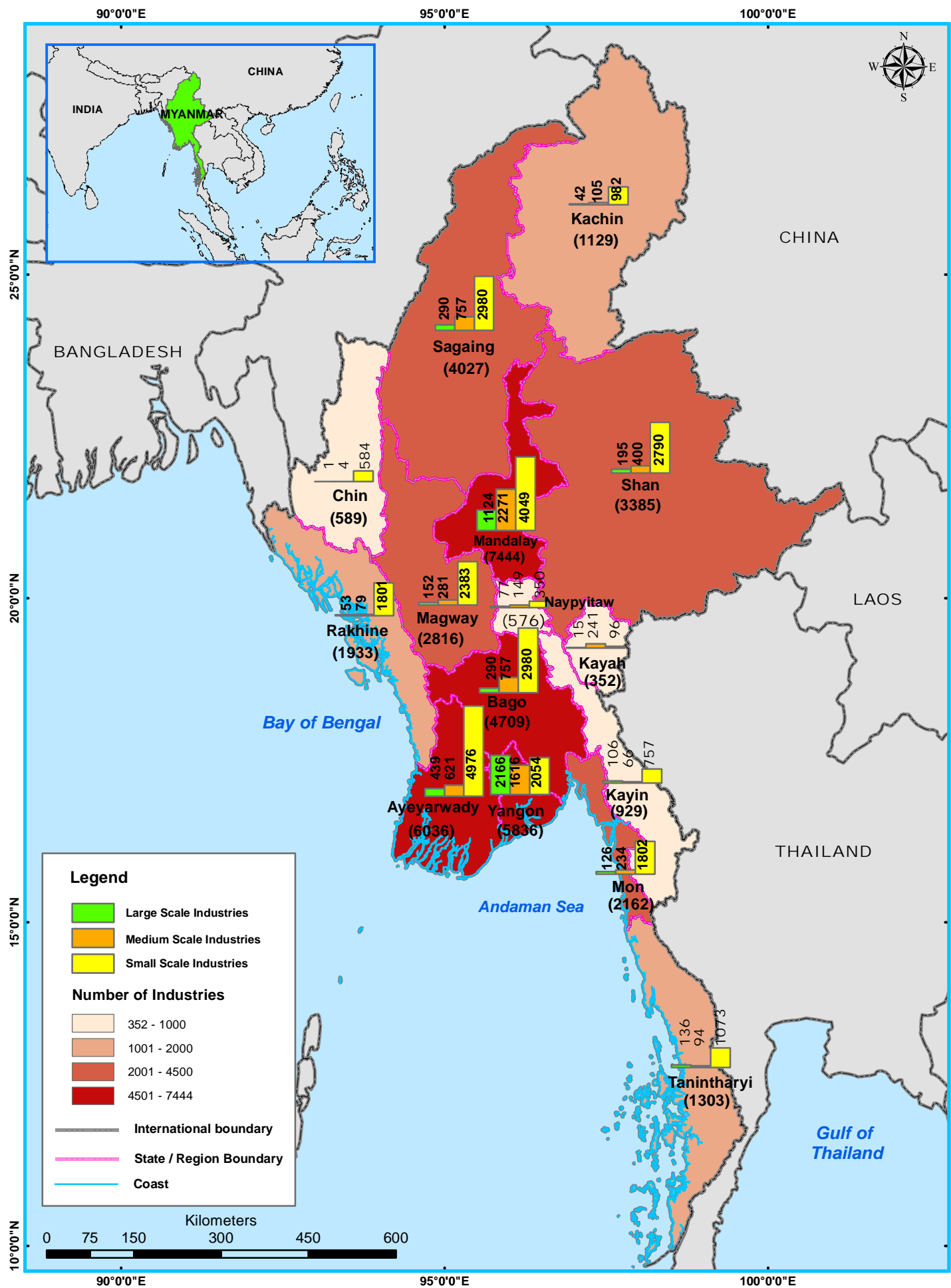


Projection/Datum : GCS/WGS84

**Data Sources**

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Field Survey

# Structure of Registered SMIs By States and Regions

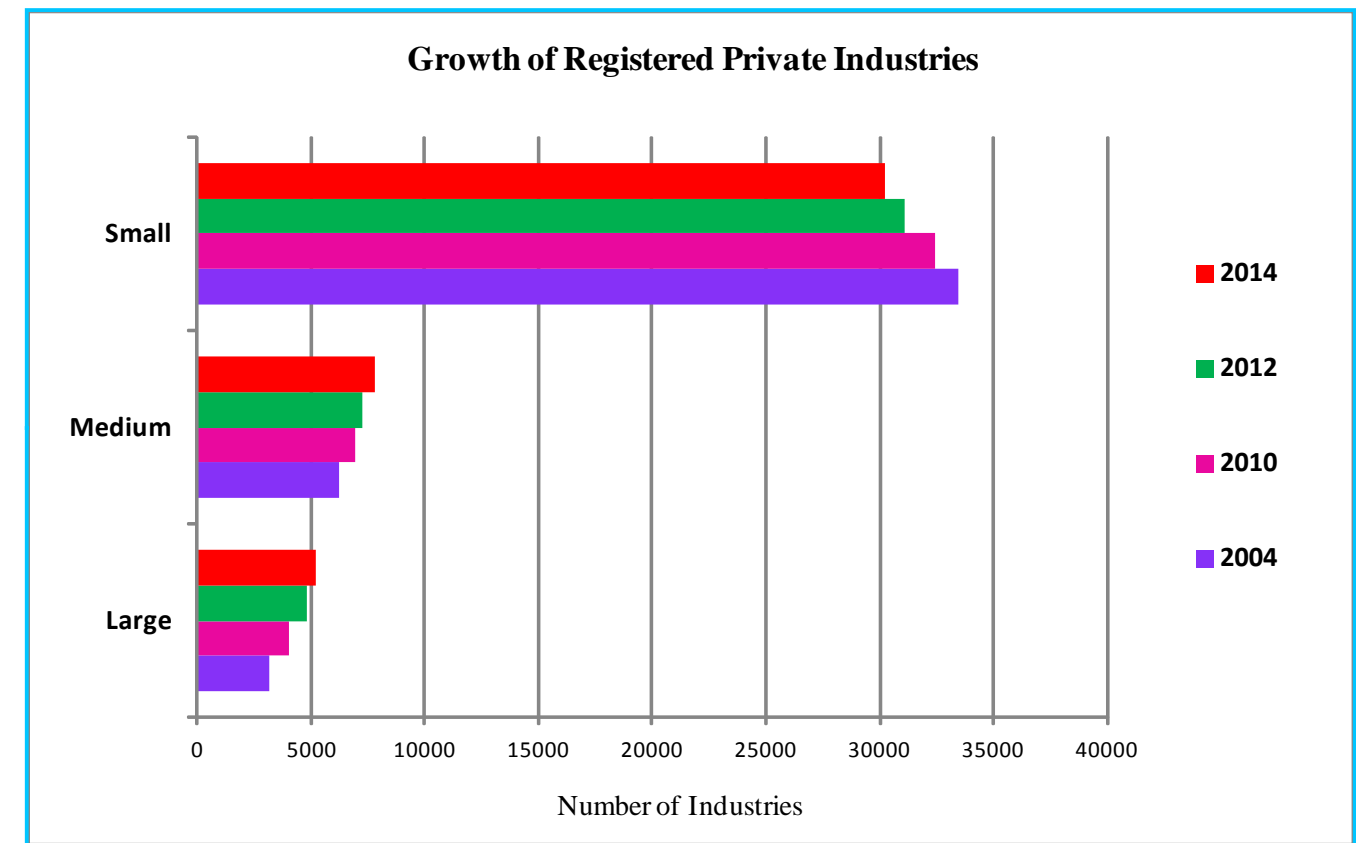


Total Number of Industries by Category

No.	Type of Industry	Number of Enterprise			Total	Percentage
		Large	Medium	Large		
1.	Food Products	2411	4169	20699	27279	63
2.	Textile and Garment	405	449	983	1837	4.24
3.	Construction and Living Products	616	745	2231	3592	8.3
4.	Consumer Goods	469	390	325	1184	2.73
5.	Household Goods	141	86	78	305	0.7
6.	Literature and Arts	48	133	163	344	0.79
7.	Raw Materials	159	193	167	519	1.2
8.	Production and Maintenance of Mineral	290	406	1220	1916	4.43
9.	Agricultural Machines and Tools	12	19	38	69	0.16
10.	Industrial Tools and Machines	18	52	47	117	0.27
11.	Transformational Vehicles	166	41	19	226	0.52
12.	Electrical Equipment	38	18	29	85	0.2
13.	General Industries	231	775	4820	5826	13.46
Total		5004	7476	30819	43299	100
Percentage (%)		11.56	17.26	71.18	100	

Source: Ministry of Industry

Growth of Registered Private Industries



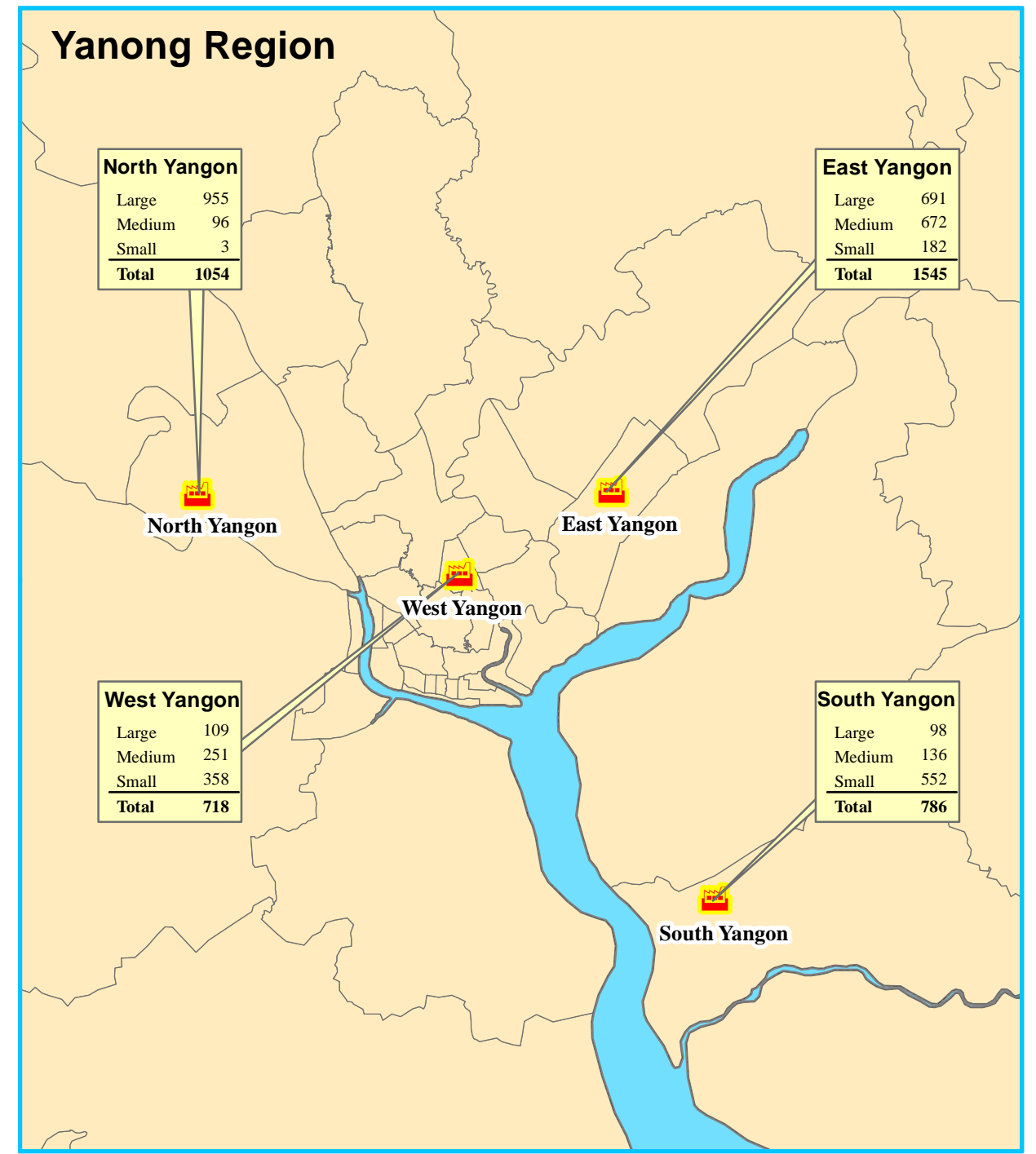
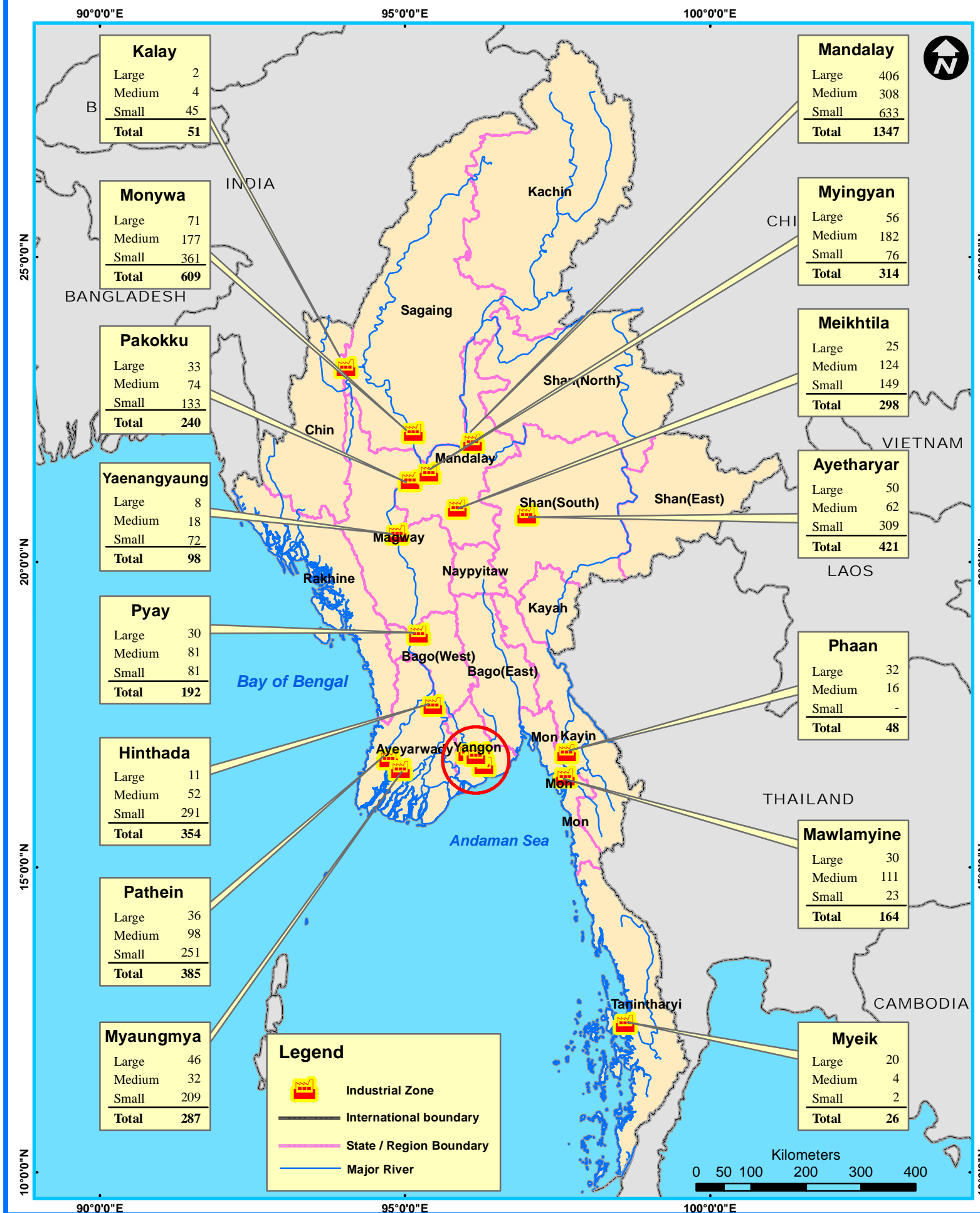
Projection/Datum : GCS/WGS84

Data Sources

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs  
 ( GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Industry



# Structure of Registered SMIs in 19 Industrial Zones

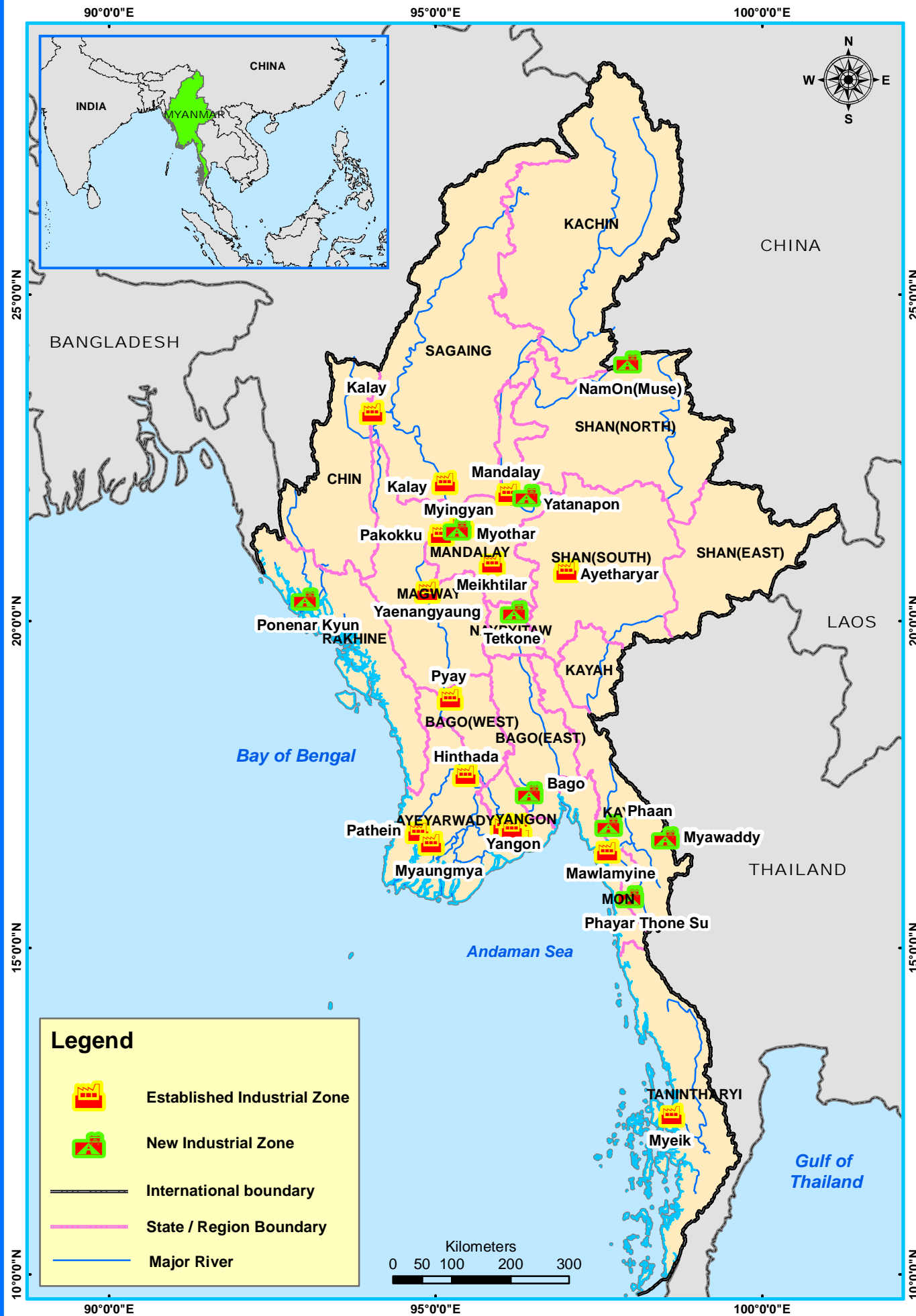


Projection/Datum : GCS/WGS84

**Data Sources**

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Industry

# Location Map of Existing and New Industrial Zones in Myanmar



Existing and New Industrial Zones in Myanmar (as of August 2012)

No.	Name of Industrial Zone	State/Region	Township	Year of Established	Total Area (Acre)	No. of Factories	No. of Employees
<b>Existing Industrial Zones</b>							
1.	East Yangon Industrial Zone	Yangon		1996	3200.34	3319	60506
2.	West Yangon Industrial Zone	Yangon		1996	-	659	8389
3.	South Yangon Industrial Zone	Yangon		1996	432.60	85	1134
4.	North Yangon Industrial Zone	Yangon		1996	5108.61	1092	78938
5.	Hinthada Industrial Zone	Ayeyar waddy	Hinthada	1995	-	84	1518
6.	Myaungmya Industrial Zone	Ayeyar waddy	Myaungmya	1995	108.69	37	578
7.	Patheingyi Industrial Zone	Ayeyar waddy	Patheingyi	1999	-	359	2927
8.	Pyaw Bye Industrial Zone	Bago	Pyaw Bye	1995	120.92	132	690
9.	Pakokku Industrial Zone	Magway	Pakokku	1996	378.80	281	1313
10.	Yaenangyaung Industrial Zone	Magway	Yaenangyaung	1995	171.71	121	484
11.	Mandalay Industrial Zone	Mandalay	Mandalay	1995	1239.33	1154	11783
12.	Meiktila Industrial Zone	Mandalay	Meiktila	1995	385.45	429	2377
13.	Myingyan Industrial Zone	Mandalay	Myingyan	1995	163.59	333	1534
14.	Mawlamyine Industrial Zone	Mon	Mawlamyine	1995	171.04	164	1092
15.	Monywa Industrial Zone	Sagaing	Monywa	1995	365.34	606	3099
16.	Kalay Industrial Zone	Sagaing	Kalay	2004	-	76	318
17.	Ayetharyar Industrial Zone	Shan	Ayetharyar	1995	902.00	505	2781
18.	Myeik Industrial Zone	Tanintharyi	Myeik	1995	318.48	30	6373
19.	Phaan Industrial Zone	Kayin	Phaan	-	971.86	-	-
<b>New Industrial Zones</b>							
20.	Bago Industrial Park	Bago	Bago	-	-	-	-
21.	Myawaddy	Kayin	Myawaddy	-	10000.00	26	-
22.	Tetkone	Naypyitaw	Tetkone	-	500	-	-
23.	Yatanapon	Mandalay	Yatanapon	-	-	-	-
24.	Myo Thar	Mandalay	Myo Thar	-	-	-	-
25.	Phayar Thone Su	Mon	Phayar Thone Su	-	-	35	2051
26.	NamOn	Shan	NamOn	-	-	-	-
27.	Ponener Kyun	Rakhine	Ponener Kyun	-	656.55	-	-

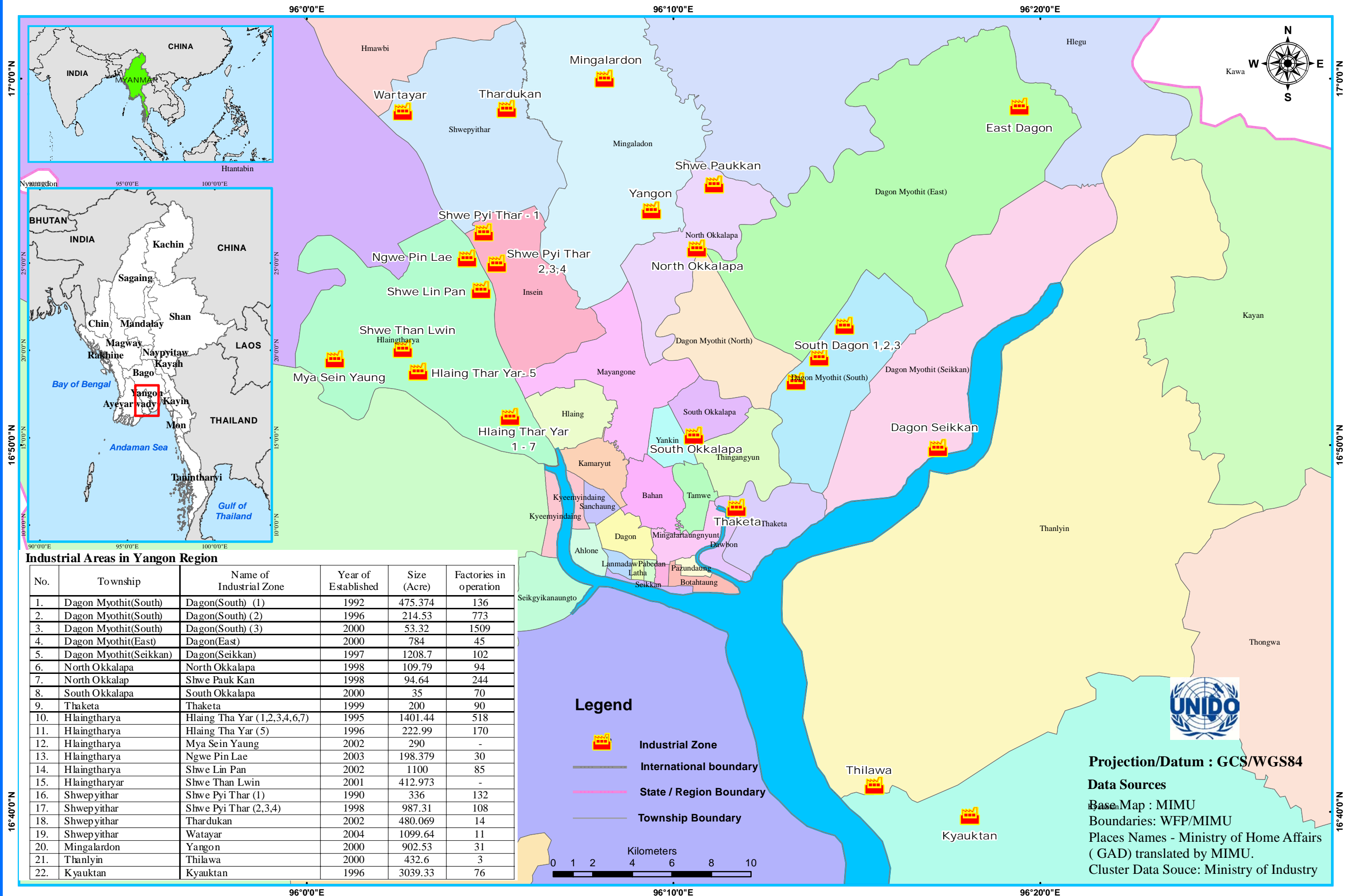


Projection/Datum : GCS/WGS84

**Data Sources**

Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs (GAD) translated by MIMU.  
 Cluster Data Source: Ministry of Industry

# Location Map of Industrial Zones in Yangon

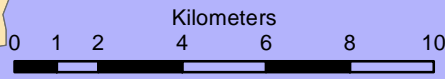


**Industrial Areas in Yangon Region**

No.	Township	Name of Industrial Zone	Year of Established	Size (Acre)	Factories in operation
1.	Dagon Myothit(South)	Dagon(South) (1)	1992	475.374	136
2.	Dagon Myothit(South)	Dagon(South) (2)	1996	214.53	773
3.	Dagon Myothit(South)	Dagon(South) (3)	2000	53.32	1509
4.	Dagon Myothit(East)	Dagon(East)	2000	784	45
5.	Dagon Myothit(Seikkan)	Dagon(Seikkan)	1997	1208.7	102
6.	North Okkalapa	North Okkalapa	1998	109.79	94
7.	North Okkalap	Shwe Pauk Kan	1998	94.64	244
8.	South Okkalapa	South Okkalapa	2000	35	70
9.	Thaketa	Thaketa	1999	200	90
10.	Hlaingtharya	Hlaing Tha Yar (1,2,3,4,6,7)	1995	1401.44	518
11.	Hlaingtharya	Hlaing Tha Yar (5)	1996	222.99	170
12.	Hlaingtharya	Mya Sein Yaung	2002	290	-
13.	Hlaingtharya	Ngwe Pin Lae	2003	198.379	30
14.	Hlaingtharya	Shwe Lin Pan	2002	1100	85
15.	Hlaingtharyar	Shwe Than Lwin	2001	412.973	-
16.	Shwepyithar	Shwe Pyi Thar (1)	1990	336	132
17.	Shwepyithar	Shwe Pyi Thar (2,3,4)	1998	987.31	108
18.	Shwepyithar	Thardukan	2002	480.069	14
19.	Shwepyithar	Watayar	2004	1099.64	11
20.	Mingalardon	Yangon	2000	902.53	31
21.	Thanlyin	Thilawa	2000	432.6	3
22.	Kyauktan	Kyauktan	1996	3039.33	76

**Legend**

- Industrial Zone
- International boundary
- State / Region Boundary
- Township Boundary



**Projection/Datum : GCS/WGS84**

**Data Sources**  
 Base Map : MIMU  
 Boundaries: WFP/MIMU  
 Places Names - Ministry of Home Affairs ( GAD) translated by MIMU.  
 Cluster Data Souce: Ministry of Industry



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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**Annex VI. Alignment with local counterparts and donor coordination**

## Development Partners Business related Surveys/Studies

(Ongoing or in pipeline)

DRAFT March 2014

Project/Survey/Study name	Executing/Implementing Agency	Main information to be collected and activities being supported	Methodology/sampling <sup>1</sup>	Period	Development partner contact
Myanmar: Unlocking the Potential	ADB	In-depth country study			<a href="mailto:pbriemble@adb.org">pbriemble@adb.org</a>
Business Survey	ESCAP, OECD, Asia Foundation, UNIDO	Collection of detailed information on businesses, focusing mainly on quantitative aspects, by directly asking entrepreneurs, business owners and managers.	Sample (2,900 enterprises)	November 2013 - April 2014	<a href="mailto:oon@un.org">oon@un.org</a>
Industrial Zones Survey	FNF, UNIDO	Overview of 19 operational industrial zones	Desk review and interviews	March -April 2014	<a href="mailto:m.boario@unido.org">m.boario@unido.org</a>
Labor Force Survey	ILO			July 2014	<a href="mailto:leguevel@ilo.org">leguevel@ilo.org</a>
One pager Business Census	UNDP National Planning Department	All business buildings to consolidate records	CENSUS. No sampling	January 2014	<a href="mailto:Daniel.kostzer@undp.org">Daniel.kostzer@undp.org</a>
Cluster mapping	UNIDO, Ministry of Industry	Geographical location of SME clusters	Selected sectors (Handicrafts, Hotels, furniture, textile and garment, food processing)	February - March 2014	<a href="mailto:m.boario@unido.org">m.boario@unido.org</a>
Systematic Country Diagnostic	World Bank			February - July 2014	<a href="mailto:myanmar@worldbank.org">myanmar@worldbank.org</a>

<sup>1</sup> Sample size, type (random, stratified, etc.)



## Mission Report

**Nay Pyi Taw**  
**Michele Boario**

January 26-28, 2014

### Activities/tasks

- Participation in the 2<sup>nd</sup> Myanmar Development Cooperation Forum.
- Meeting with the inter-ministerial Cluster Development Group (CDG) to discuss initiatives and working modalities to support cluster development in the country.
- Meeting with the Ministry of Industry to discuss MSME project launching workshop.

### Results

- Awareness on cluster development created.
- UNIDO contribution to MSME development presented to counterparts and DP during a panel session on private sector development and tourism.
- Request for UNIDO support on cluster development from CDG confirmed.
- Initiatives and working modalities with CDG identified.
  - Mapping of clusters in Myanmar
  - Pilot cluster development project for lacquer ware producers in Bagan
  - SME cluster diagnostic studies
  - SME cluster development policy
  - Training for CDG staff members
  - Cluster Development Seminars & Workshops
  - Possible study tour to visit UNIDO India South-South Center

Working modalities:

  - UNIDO will provide expertise on methodologies and policies, while CDG will facilitate access to data, industrial zones, clusters premises and SMEs.
  - UNIDO will be invited to CDG meetings.
  - CDG staff will be invited to Seminars & Workshops on SME and cluster development organized by UNIDO in Myanmar.
  - Focal person indicated by CDG is Khin Maung Than, Director at Industrial Supervision and Inspection.
  - Focal person indicated by UNIDO is Michele Boario, Senior MSME Development Expert based in Yangon.
- Proposal on a pilot cluster development project for lacquer ware producers discussed with CDG, request letter will be sent to UNIDO Regional Office in Bkk.
- Participation of Mol to MSME project launching workshop confirmed.

**Meetings**

- U Soe Hlaing, Director General, Directorate of Industrial Supervision and Inspection, Ministry of Industry, [disireg@gmail.com](mailto:disireg@gmail.com)
- U Thwin Myint Maung, Director General, Ministry of Industry, [thwinmyintmaung.mi2@gmail.com](mailto:thwinmyintmaung.mi2@gmail.com)

## NCDP Formulation Retreat – FDI and SME Development

May 8-9 2014

9:15 AM

### **Macroeconomic consistency in National Development Plans**

(Keynote Speaker: *Daniel Kostzer*, Senior Economic Advisor UNDP)

The first speech has outlined the strong relationship between the development plan and the macroeconomic framework. Kostzer introduced the topic of crafting economic policies by using the Tinbergen's paradigm. Issues such as the desirable or tolerable level of effectiveness, as well as the definition of the set of available instruments for policy management have been underlined.

In addition, some theoretical considerations about the definition of a macroeconomic framework and about the difference between economic growth and an inclusive growth have been carried out. Further, the speech focused on the explanation of the inclusiveness levels (social, sectoral, regional).

As a conclusion, Kostzer stressed the importance of macroeconomic consistency and equality in the NCDP.

10:45 AM

### **Strengthening Myanmar's framework for FDI**

Keynote Speaker: *Toru Homma*, Advisor for FDI Promotion, DICA, Ministry of National Planning and Economic Development, Senior Advisor on Private Sector Development, Japan International Cooperation Agency (JICA)

Homma's presentation illustrated the main vision and objectives underpinning the FDI Promotion Plan (FDIPP)(contributions from both DICA and JICA). The main aspects related to the implementation of an efficient Investment Promotion Agency have been introduced, as well as the policy implications. As far as the latter are concerned, Homma referred to the OECD Policy Framework for Business (2013). The speech proceeded on the main functions of DICA, in order to introduce a section devoted to the presentation of the FDIPP as a long-term FDI promotion plan. The goals and targets of the plan have been detailed, and the presentation illustrated some related strategies. Homma proposed a relaxation of the restrictive provisions for FDI, the improvement of the legal consistency and a better transparency and efficiency in the law enforcement. The FDIPP draft is currently under approval process by the government. DICA is facilitating the coordination among line ministries to draft coherent strategies.

In order to start the discussion, Homma gave some inputs:

1. How FDI can contribute to the national development?
2. How FDIPP can be addressed in NCDP framework?
3. How is DICA doing as an investment promotion agency?
4. How should DICA be linked with sector strategy?
5. Which country's experience is suitable as benchmark for Myanmar?

From the DPs has been observed that DICA spends most of the time on investment's approvals instead on investment promotions, and this is a challenge that should be targeted. How is the FDIPP strategy playing out with this issue? How has this plan been consulted along with the private sector? It came out that there has been a consultation process to draft the FDIPP and the private sector was invited to take part into the discussion. But it should be more involved in future steps. The investments protection and the coordination with the line ministries have been also pointed out in order to implement the strategy . Another point raised was the consulting process involving the part of the private sector not attending either the workshop or other forms of meetings (e.g. the American investors, the European investors): how is it possible to take their opinions into account? Moreover, an amount of lessons can be provided by the countries around Myanmar. The integration between the local enterprises and the MNEs should also be investigated: the way of creating such linkages (via subsidized loans for SMEs interested in supplying the MNEs, or via training agreement, etc) along with the connection between the SMEs included in the SEZs and IZs with other SMEs outside these areas. The risk is that Myanmar develops a good strategy to attract FDIs but than cannot benefit from them because lack of linkages with domestic SMEs. On this point also, lessons from other countries should be considered by the DICA. The nature of the FDIPP as an input for the NCDP activities have been emphasized. The strategy will be further improved by including relevant data from the recently released UNESCAP-OECD-UMFCCI Business Survey 2014 and Business Census from UNDP.

1:15 PM

### **Myanmar: Private Sector engagement and Public-Private Partnerships. National Comprehensive Development Plan Formulation Retreat.**

Keynote Speaker: *Peter Brimble, Principle Country Specialist ADB*

PPPs have been presented as an engine for growth (50% of ADB operations in the next years will involve PSD). A detailed definition of PPPs have been provided (the latter are a method to procure/deliver public infrastructure and services, a contract between a Government Contracting Agency and a private entity). A typical PPP project Process, including all the major steps, have been outlined, and emphasis have been put on the reasons why enabling the environment is critical for the PPP to be efficient. The speech moved on the illustration of some critical constraints (in terms of uncertainty, lack of confidence, lack of interaction between PPPs and the existing policies and procedures, poorness of the domestic experience. After having discussed experiences from other countries, Brimble pointed out the main institutions required to support PPPs as well as the pillars stimulating their development. As a conclusion, the speaker mentioned that the private sector engagement should be more considered in Myanmar and funds need to be raised in order to implement PPPs projects.

Some discussion points raised by UNIDO:

The involvement of the private sector in Myanmar might speed up the infrastructure system in the country, this is the reason why PPPs are a promising tool. In a virtuous circle, the private sector could lead to better infrastructure and more foreign investors will be attracted.

Some discussion also around what is the best way to improve the economic framework: NCDP, FDI or PPPs? PPPs can be a tool to fill some of the country's gaps (ex fiscal gap, saving investment gap), but they are just one of many tools such as cooperatives, FDIs, JVs, etc. All are instruments that must target a very clear objective. It is critical to assure the good development of the marketing

side, so that the foreign investors can be aware of all the possibilities offered by the country. The role of PPP in attracting investors and foreign entities have been stressed: a good PPP story has the same potential of a good FDI or JV story in convincing potential foreign partners.

3:30 PM

### **Streamlining trade in the national development plan: an overview of the ongoing trade-related initiatives**

Keynote Speaker: Alberto Menghini, Programme Manager, Trade & Private Sector, Delegation of the European Union to Myanmar

Menghini provided an illustration of the main initiatives carried out by both the European Union and other institutions and Myanmar stakeholders as far as the FDIs are concerned. The Trade Policy Review Mechanism (TPRM), discussed by the government on March 11 and 13, is very important for the NCDP because this exercise can clarify the government position and what the other countries have already done. The EIF (Enhanced Integrated Framework) is a multi-donor programme, which supports LDCs to be more active in the global trading system. The initiative started in July 2013. A study will be carried out by the WB (Diagnostic Trade and Integration Study (DTIS)); the next important appointment will be on May 20th in NayPiyTaw (National Steering Committee). The National Export Strategy (NES) started in 2013 with ITC (International Trade Center), focuses on how to increase exports. One of the main outcomes is that trade has been included in the NCDP policies and plans. The National Trade Facilitation Plan, required by the WTO agreement on trade facilitation, has been prepared with the support of UNCTAD; at the moment it is still a draft, but once it will be approved, it will show which reforms the government is committed into. Lastly, the Trade Sector Working Group was established under the Naypiytaw accord to discuss trading issues between the government and the donors, and how the community of donors can better support the policies (next meeting: on May 21st).

Day 2

9:00AM

### **The Business Environment in Myanmar**

*IFC/WB Doing Business Index 2014*

*Keynote Speaker: Charles Schneider, IFC/World Bank*

The presentation focused on the policy implications of the *Doing Business* 2014 indicators. The speech kicked off with some of the data provided by the Doing Business. For example the average time to start a business in Myanmar is very high and the minimum capital requirement is the highest in world as a percentage of GNI (189/189). Other indicators analyzed during the presentation include: the properties registration issues and the recommended solutions. Other topics the investors' protection, access to credit, the fiscal system, fact and figures about the trade across borders.

Some implications for NCDP came out during the discussion:

- Together with other diagnostics, Doing Business provide a baseline on investment climate.
- Broad reform program needed which is coordinated at highest level of government.
- Action Plan for reforms needed.

- Monitor and Assess results.
- Public-Private dialogue to support reform program.

A concern have been expressed by the MNDP: reforms are being carrying out, so the doing business should take them into account. Schneider answered that reforms cannot be taken into account by the Doing Business team until the documents showing that those reforms have been achieved will be released.

Questions have been focusing on the company registration issues: obtaining the permanent company registration license takes on average 2 months. Dealing with construction permit is a long and costly process. The cost of dealing with construction permits in Myanmar is the highest in East Asia and in the Pacific Region. Recommended solutions to the government were the following: review YCDC procedures to assess process, benchmark against international best practices, consult experienced advisors involved in obtaining construction permits, streamline Ministry of Communication and Information Technology procedures for connecting telephone lines.

Discussion flew on the topic of electricity. It takes fewer days but it is most costly to obtain an electricity connection in Myanmar than in the average of East Asia and the Pacific. As a solution, Myanmar should review approval procedures for township, MoEP approval of new connections which takes 49 days and costs MMK 4 million.

Some of the attendants asked for clarifications about ways for contracts enforcements: in this sense, good practices are going forward, e.g. the introduction of specialized commercial courts, the finalization of the implementation of the electronic filling.

One last point focused on data about the trade across borders: this is, according to Schneider, one of the better indicators for Myanmar. Nevertheless, some major issues are cost and time to trade (9 documents needed to export versus an average of 6 in EAP, 9 documents to import versus an average of 7 in the EAP; 27 days to import versus 22 in EAP; Export cost per container \$670 versus \$856 average in the EAP). Among the recommendations, were the implementation of ways to eliminating import and export licenses, and the reduction of export documents (Singapore completes the export process with only 4 documents).

10:30 AM

## **Preliminary Results from the Business Census**

UNDP Myanmar

*Keynote Speaker: Daniel Kostzer, Senior Economic Advisor UNDP.*

The objectives of the census have been outlined and discussed during the presentation. The census covers 179 townships. Among the main indicators used by the UNDP, there were: the number of fully operational firms, the level of sophistication of the firms, the distribution of the firms according to the number of employees, the distribution of workers according to the size of firms by employment, the distribution of workers in the country, the distribution of firms according to the capital stock. The distribution of firms according to the scale of the investment, along with the dynamics of firm creation and destruction, have been also taken into account by the UNDP Team.

An analysis by sector has followed, and some interesting findings about the distribution of firms have been illustrated.

During the discussion, Kostzer explained that UNDP is looking forward to start an in-depth review and a database available to everybody. The speaker raised a policy recommendation: the need for a unique identification code for the firms in order to unify the industrial landscape. The unity of

analysis should be affirmed, independently from the sector they're involved in. This will help to improve the tax collection and register transactions, and organize government practices.

The business importance of the north-south corridor should be kept in mind. The population density in that area is not high, still the highest concentration of businesses is there. Therefore more economic and social services should be provided by the government.

A sector that, traditionally, tends to be low-technology in other transitional countries, as the food sector, here is very dynamic and vibrant, with a lot of capital and with a big number of new firms. Myanmar should invest in the improvement and upgrading of the food sector: this area has a high potential for development, not only from an export perspective but also from a local/domestic market point of view. In addition, this activity has some powerful linkages with other key areas such as services and the agricultural sector.

1:15 PM

### **Myanmar's Financial Sector**

*Keynote Speaker: Thomas Foerch, Head of Project, Financial Sector Development, Myanmar GIZ*

The presentation focused on both the main characteristics of the Myanmar financial sector and the key challenges faced by the system. The dominant role of banks in the Myanmar financial sector have been underlined. The development of human resources is a huge challenge (development of human capacities in the banks and capacity of supervisory bodies). The banks are building up their own internal training institutions, but it will take time to see the first results. Similarly, the central bank is facing difficulties in increasing the capacity of its staff. The banking regulation is cumbersome, it includes collateral requirements that are very high and unbearable interest rates. The system should be reformed towards a better governance and transparency. Some of the SMEs complains in access to finance are correct, but according to Foerch, SMEs are part of the problem because their limited business plan and other skills.

During the discussion, it has been pointed out that deposits in Myanmar counted as 27.53% of GDP (data given by the Central Bank of Myanmar) in 2012/2013. It is a quite impressive amount, the deposit ratio is much higher than the loan ratio (11.5%). The government cannot really explain those data. There is a need of identifying a scheme to be applied for lending credit to SMEs. At the moment, banks are not required to implement a cash-flow analysis, but this exclude a lot of SMEs from getting financial credit. The collateral requirements need to be liberalized (by accepting, for instance, different types of collateral). This raises the issue of the risk management, it must be assured that the SME is reliable and the business is a good one. At the moment, unfortunately, these skills do not exist in Myanmar. The role of the government is crucial in fostering the potential positive role of the financial sector and in preventing it from developing illnesses. Myanmar has the least developed financial sector in ASEAN and it is the only country that did not manage to reform it in the period 2001 - 2011. This is particularly evident when analysing the credit to the economy (% of GDP). Large parts of the population are excluded from financial services. Only 5% of the population has a bank account. For SMEs the picture does not look much different. Informal financial services play a very important role. SMEs lack access to formal finance (as revealed by the OECD, UNESCAP Business Survey 2014). As far as the development of SMEs is concerned, a SMEs Law and a new Financial law will be approved in the next months.

3:00PM

## **Inclusive Finance for Inclusive Growth in Myanmar**

*Keynote Speaker: Paul Luchtenburg, UNCDF*

Luchtenburg lined out the topic of financial inclusion in Myanmar. He presented the background and context of the inclusive finance in the country and analyzed the challenges faced by the formal credit market and the implications for the loan demand. The financial inclusion is low in Myanmar and the gap between the formal and the informal markets is wide, the current formal credit market should double its capacity to match the demand. Another relevant problem is that the concept of microfinance is not well defined in Myanmar, nobody really knows how to implement good and useful microfinance institutions.

The discussion started with a suggestion: a strong regulatory foundation must be built in the country, both the supply and demand sides should be integrated in a comprehensive approach. The UNCDF Survey on inclusive finance has not been fully signed up by the government, but it will be considered as a dataset to identify the best policies on the topic of inclusive finance in the NCDP. Microfinance regulations need to be integrated with other kinds of regulations, in order to avoid legal contradictions. There is a large number of microfinance providers, and too many different capital requirements. It has been suggested to create a microfinance regulatory body and limit the number of microfinance institutions operating in the country.

4:00PM

## **Closing remarks**

The government will discuss the retreat inputs and expect some help from the institutions and organizations attending the workshop.





UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## **Annex VII. Logical Framework**

## VII. LOGFRAME

	<i>Intervention logic</i>	<i>Indicators</i>	<i>Sources of verification</i>	<i>Assumptions</i>
<b>Development Objective</b>	<b>MSMEs in Myanmar are competitive on the national, regional and international markets and provide better employment and livelihood opportunities for local communities</b>	-Average percentage increase of employment and business opportunities through the growth of MSMEs	Central Agency of SMEs development statistics  Small scale industries-statistics  Project Reports	Private sector development including small scale/rural based industries is a priority of the current framework for economic and social reforms of Myanmar  MSME development is crucial for a country in transition like Myanmar  Myanmar's challenges including regional economic integration needs to be addressed
<b>Outcome 1</b>	<b>A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, etc.</b>	The Central Committee for SME Development validates the MSMEs and cluster development plan	Minutes of the meetings of the Central Committee for SME Development  Reports of the Central Department of SMEs Development of the Ministry of Industry	Government is committed towards effective and efficient framework for economic and social reforms that include creating an enabling environment for private sector development  Absorptive capacity of counterparts, partners is taken into consideration in the implementation of the project
<b>Output 1.1</b>	Mapping, framework formulation and planning for sustainable MSME development and priority industries' sectoral	-Key priority sectors and value chains identified and selected -Action Plan developed	Workshop, conference, summary reports	Counterparts are committed and cooperative

	<b><i>Intervention logic</i></b>	<b><i>Indicators</i></b>	<b><i>Sources of verification</i></b>	<b><i>Assumptions</i></b>
	competitiveness			
	<p><u>Activity 1.1.1</u> Provide advisory services to build local capacity to the Central Committee for SME Development and to the Central Committee participatory process for formulation of an MSME development plan including the promotion of clusters and integration into national, and where applicable, international supply chains and markets;</p> <p><u>Activity 1.1.2</u> mapping of clusters/Value chains and key institutions, initiatives and policy framework</p> <p><u>Activity 1.1.3</u> Identify opportunities for the collaboration among MSMEs through cluster and supply-chain development</p>			
Output 1.2	Design of MSME development plan identifying inclusive interventions to establish, upgrade and cluster MSMEs and integrate them into local, regional and global supply chains	<ul style="list-style-type: none"> <li>- No. of consultations, workshops held</li> <li>- Available MSME Plan and strategy</li> </ul>	Workshop /trainings report	<p>Participatory and consultative processes are encouraged</p> <p>Private and public cooperation is clearly demonstrated</p>
	<p><u>Activity 1.2.1</u> GAP and supply-chain analysis to identify opportunities for collaboration between European/Italian MSMEs and their associations and academic/research institutions for MSME development with focus on the supply chains indentified by the Ministry of Industry;</p> <p><u>Activity 1.2.2</u> Define capacity building interventions/plan (transfer of know-how and partnerships) to support the growth of micro and community rural-based enterprises and industrial SMEs as well clusters.</p>			
<b>Outcome 2</b>	Partnership and cooperation opportunities are identified to foster the growth of micro and community rural-based enterprises and industrial SMEs through transfer of know-how, partnerships and cluster development	<ul style="list-style-type: none"> <li>-Average percentage increase in local and foreign investments in the country</li> <li>- Increase in no. of markets accessed</li> </ul>	Domestic and foreign investment report (Min. of Commerce, Min. of Industry) Central Agency of SMEs Development report	<p>Counterparts and partners are committed and cooperative</p> <p>Absorptive capacity of counterparts, partners is taken into consideration in the implementation of the project</p>
Output 2.1	Partnership between European/Italian and local enterprises and institutions identified and promoted through an seminar on policies for MSME development matched with industrial collaboration	<ul style="list-style-type: none"> <li>- A Partnership for development event organized and facilitated</li> <li>- no. of trade and investment partnerships opportunities identified</li> <li>- European/Italian and Myanmar SMEs. Clusters and institutions</li> </ul>	Workshop reports UMFCCI data/statistics Central Agency of SMEs Development report Report of workshops	<p>Local producers and clusters identified and selected have marketable products and opportunities for partnership</p> <p>European/Italian producers/buyers, clusters and institutions participating</p>

	<b><i>Intervention logic</i></b>	<b><i>Indicators</i></b>	<b><i>Sources of verification</i></b>	<b><i>Assumptions</i></b>
	and partnerships event	participating – Media coverage – Available list or data of new business partnerships	on partnerships for development	
	<u>Activity 2.2.1</u> Mapping/identification of potential partners to develop local clusters and value chains; <u>Activity 2.2.2</u> Promotion of events in Myanmar and Italy/Europe and mobilization of public and private participants' awareness; <u>Activity 2.2.4</u> Conduct of the main event in Myanmar; <u>Activity 2.2.5</u> Formulation of a full-fledged project proposal for MSME development.			



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## VIII. Project proposal phase I



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**Project number:** SAP ID 120523  
**Project title:** **Fostering Pro-poor and inclusive MSME development in Myanmar**  
**Thematic area code:** PRP  
**Starting date:** March 2013  
**Duration:** 36 months  
**Project site:** Myanmar  
**Government Co-ordinating agency:** Central Department of SMEs Development-- Ministry of Industry,  
**Counterparts:** Central Department of SMEs Development-Ministry of Industry  
 Ministry of Cooperatives  
 Republic of the Union of Myanmar Chamber of Commerce and Industry (UMFCCI)  
**Executing agency:** UNIDO

**Project Inputs:**

<b>-Total Project Budget</b>	<b>€ 3,472,328</b>
	<b>€320,000 (inception and preparatory phase)</b> <b>€800,000 (firstphase)</b>
<b>Italian Contribution</b>	<b>€1.120,000</b>
<b>Donor inputs:</b>	<b>€ 2,352,328 (EU and others- under negotiation)</b>
<b>Support costs (13%):</b>	<b>€ 36,815 (inception and preparatory phase)</b> <b>€ 92,000 (first phase)</b> <b>€399,443 (overall PSC)</b>

**Approved:**

	<b>Signature</b>	<b>Date</b>	<b>Name and Title</b>
<b>On behalf of:</b>			
<b>Min. of Industry</b>			

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**On behalf of:**

**UNIDO:**

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## **A. CONTEXT**

### **Country context:**

Myanmar is the largest country in the South-East Asian peninsula and has vibrant cultural diversity with over 60 ethnic groups resulting in a wide variety of local products and local knowledge. The population of Myanmar is estimated at 58.4 million according to the 2009 statistic; 70 percent of total population resides in rural areas and the remaining live in urban areas.

With a per capita income below \$500, Myanmar is at the relatively lower end of the average per capita income levels for low income economies. Myanmar has experienced faltered growth for most of the past decades; however, it remains rich in natural resources, with arable land, forestry, minerals (including gas and oil), freshwater and marine resources. The latest available poverty estimates are based on the Integrated Household Living Conditions Assessment (IHLCA) for 2004/05 published in 2007. Additional data on social deprivations is provided by the nation-wide Multi Indicator Cluster Survey of 2003 (MICS 2003) and the Fertility and Reproductive Health Survey of 2007 (FRHS 2007; UNFPA 2010). According to the IHLCA, the incidence of national poverty for Myanmar in 2005 stood at 32 percent, with rural poverty at 36 percent and urban poverty at 22 percent.

Myanmar also has one of the lowest per capita official development assistance (ODA) rates in South-East Asia. Current internal and international investment levels are also not sufficient to provide basic social services. As such, Myanmar is classified as a least-developed country (LDC) due to its isolated economy hampered by macroeconomic imbalances and structural deficiencies. Poor investment climate has slowed the inflow of foreign exchange and areas such as manufacturing struggle with inadequate infrastructure and unpredictable trade policy. The poor economic setting directly affects Myanmar's population.

Compared to many present ASEAN member countries, in previous decades Myanmar was at the forefront of development - economically, socially as well as politically. People from many neighbouring countries had to come to Myanmar to travel outside the region up till early 60s. The country fell into the hands of the military dictators though the Coup in 1962 and remained under the tight reign of the Revolutionary Council. Starting from 1964, land as well as large industrial enterprises were nationalized at different stages. The country officially became a Socialist State in 1974 but even after that, the agriculture sector was not collectivized as in Soviet-style socialist economies and small scale enterprises were allowed to operate without much control. According to the annual reports on Review of Financial, Economic and Social Conditions, the economic output of the private sector was larger than the state-owned sector throughout the socialist era.

After the second military coup in 1988, the State Law and Order Restoration Council came into power and its decision to switch the country's economy from the former socialist-oriented to market-oriented economy is the driving force that brought fundamental changes in the government's policy towards private enterprises. With the promulgation of Foreign Investment Law in late 1988, exports and imports were liberalized and later, through the promulgation of the State-Owned Economic Enterprises Law in 1989, monopoly by State owned enterprises was abolished except for 12 specific industries. Industrial development was further encouraged through the Private Industrial Enterprises Law promulgated in 1990 which includes a general classification for small, medium and large industrial enterprises.

Since then, private industry has grown progressively specifically in the sectors of agriculture, mining, construction and transportation as well as in service providing sectors such as banking, hotels and tourism. According to the data published by Myanmar Industrial Development Committee, Directorate of Industrial Supervision and Inspection, Ministry of Industry, the number of registered small industries has grown from a total of 30,201 in the year 2000 to

33,504 in 2007. Likewise, the number of registered medium industries has grown from 4,185 to 6,516 during the same period. The most up-to-date list compiled by the Union of Myanmar Federation of Chamber of Commerce and Industry on the number of registered small and medium enterprises stands at approximately 40,000 but is not exhaustive.

There is a total of 11,208 cooperative societies in Myanmar including 10,725 primary ones, 462 syndicates, 20 federations and one central cooperative society. After decades of armed conflict and relative isolation from and by the international community, Myanmar is significantly lagging behind its neighbours on most socio-economic indicators on poverty, health, and education, with a Human Development Index ranking of 129 out of 177.

Agriculture is one of the key sectors of Myanmar's economy. It provides employment to two thirds of the population, contributes 58% to the country's GDP and 48% of its exports. The sector, nevertheless, has shown mixed performance over the last two decades. The agricultural potential is under-realised as evidenced by relatively low yields, input use, irrigation coverage despite ample water resources and low cropping intensity in comparison with other South and South-East Asian countries. Malnutrition exists in various parts of the country despite the overall national food self-sufficiency. Agricultural growth is central to any rural development promotion effort. Broad-based and economically efficient rural growth can significantly help to reduce rural poverty by bringing about sustainable increase in productivity and reducing risks and vulnerability for the poorest population. Like most developing countries, Myanmar is mainly an exporter of agricultural and other primary products. Thus, **UNIDO sees an opportunity to strengthen these key industries by leveraging Myanmar's advantage to produce and export a wide range of high added value agricultural products such as grain, vegetables and fruits as well as marine products.** The export of manufactured food products depend very much upon quality standards, which in turn require modern processing technology, and appropriate management skills.

The government of Myanmar realizes that due to the geographic location, demand potential, availability of raw materials, availability of cultivable land and water resources, human resources, **the food sector is seen as one of the most promising sectors not only for domestic industrial development but also for export growth.** The public sector has to play an important role in terms of setting clear development policies, establishing regulatory systems and taking public investments for agriculture development thereby, establishing favourable environment for the development of the agriculture and food sector. In order to achieve a sustainable and long-term viable food industry, there is a **need for strong private sector participation along the whole food supply and value chain with close collaboration and coordination of ministries, state departments and agencies concerned as well as private institutions.**

As Myanmar has abundant food resources both in agriculture and livestock, processing and value addition of these sources will play a crucial role in the national economy. The food processing enterprises are the largest in number in the agro-based industries followed by the textile industry. There are over 45,000 registered MSMEs operating nationwide and over 65% are food processing enterprises with an estimated increase in numbers of 5% annually. Most of the food processing industries in Myanmar are operated based on the traditional wisdom and there is a **need to upgrade the current and forthcoming industries to meet local and international requirements.** The current democratic government's efforts toward an effective and efficient Framework for Economic and Social Reforms (FESR) have been strongly demonstrated both at the domestic and international arena. The recent high level Myanmar Development Cooperation Forum (MDCF) where the framework for economic and social reforms was presented & discussed with high-level participation from various Ministries and international community. The current Government is committed to pursue a "people centered" development approach and have identified some quick wins which was openly shared to the international community for support. The country's priorities and plans for short, medium to long term include industrialization as one of the key, important areas that the current



democratic government is going to pursue. The country identified quick wins in the following areas that are relevant to UNIDO: Strengthening the **private sector development**, enhancing foreign domestic investments, trade facilitation, food security, agricultural growth for job creation, poverty reduction, improve access to credit (public and private) for SMEs, in particular for youth by promoting ad-hoc financial mechanisms through the SME Development Bank and build the capacity of the newly created Central Department of SMEs development (Ministry of Industry) and the Central Committee for SME development.

Thus, the relevance and added value of UNIDO in the country's fast changing environment and development can be demonstrated through this undertaking in close cooperation with the Government of Myanmar.

### **UNIDO experience in the country**

UNIDO's overall strategy in Myanmar since the country started to increase international engagement includes continued and intensified dialogue with the Government and private sector thorough analysis of the local context and development agenda leading to cohesive conceptualization of projects and programmes with focus on private sector development, within the UN's strategic framework in the country and in line with regional initiatives and forums.

**The formulation of this proposal builds on the past initiatives undertaken by UNIDO, which are as follows:**

- Preparatory Assistance: Market analysis, consultations and dialogues on the potential of micro and small business development in the handicrafts sector funded by the Japanese Overseas Development Organisation (JODC) under the framework of the Mekong-Japan Economic and Industrial Cooperation Working Group on West-East Corridor Development (WEC-WG). The findings of this analysis were validated at a workshop during which local counterparts and partners expressed their interest for further UNIDO activities in MSME development.
- A follow-up assessment of MSMEs in Myanmar was conducted in late 2010.
- Briefing session on UNIDO's work in general to various line Ministries in the capital Nay Pyi Taw, followed by an exploratory mission in July 2012 during which concrete proposals and recommendations were received.
- Exploratory mission conducted in July 2012 is response to the demand to upgrade and increase the supply and trade capacities of MSMEs in Myanmar including strengthening the institutional set-up to deal with Micro and SME (MSME) development, clustering and technology transfer.

#### **Definition of Micro and SMEs in Myanmar**

The Private Enterprise Law of 1990 classifies the industries into small, medium and large-scale industries. The criteria for definition of SMEs vary according to the country economic situation. The definition of Myanmar SMEs is either in terms of number of employees, or account of capital investment and horsepower usage. The smaller micro industries are included in the cottage industries law which concerns those industries employing less than 10 workers and using less than 3 H.P motor.

- (a) Private Industrial Enterprise Law, which classified the size of Small, Medium and Large Enterprises (1990)
- (b) Cottage Industries Promotion Law, which classified the size of Cottage Industries (1991)

*Source: Ministry of Industry*

Definition of Criteria for MSMEs	Micro	Small	Medium
Power (HP) used	Less than 3 H.p	3 to 25	26 to 50
No of workers	Less than 10	10 to 50	51 to 100
Capital Outlay (Kyat million)		Up to 1	Over 1 to 5
Production Value per year (million)		Up to 2.5	Over 2.5 to 10

Source: Ministry of Industry

The definition is currently under revision in the legislative process to approve a new SME law (approval expected in August or September 2014).

### Sectoral distribution of SMEs in

#### Myanmar

	Sub-sector	Large	Small	Medium	Total	Share(%)
1.	Food & Beverages	1778	22282	3683	25965	63.8
2.	Clothing & wearing apparel	247	1494	373	1867	4.83
3.	Construction materials	478	2388	560	2948	7.62
4.	Personal goods	253	495	273	768	1.99
5.	Household goods	105	122	97	219	0.57
6.	Printing & publishing	18	249	90	339	0.88
7.	Industrial raw material	110	668	256	924	2.39
8.	Mineral and petroleum	196	1141	389	1530	3.96
9.	Agricultural equipment	8	35	21	56	0.14
10.	Machinery & equipment	12	195	56	251	0.65
11.	Transport vehicles	91	70	17	87	0.22
12.	Electrical goods	36	16	12	28	0.07
13.	Miscellaneous	151	4694	576	5270	13.62
	<b>Total</b>	<b>3483</b>	<b>32534</b>	<b>6149</b>	<b>38683</b>	<b>100.00</b>

Source: Ministry of Industry (1), Directorate of Industrial Supervision and Inspection ■

## Expected target beneficiaries

The project will address a variety of stakeholders and beneficiaries (directly and indirectly):

- Government agencies with a mandate in MSME development (Ministry of Industry, Ministry of Cooperatives, Ministry of Commerce, Ministry of Agriculture and Irrigation, Ministry of Science and Technology, Ministry of Hotels and Tourism), and specifically the Cluster Development Group<sup>1</sup> and the **Central Department of SMEs Development, under the** Directorate of Industrial Supervision and Inspection at the Ministry of Industry:
- Local academic, research and policy-making institutions;
- Business development service (BDS) providers (including financial institutions)
- Private sector both national and international, in particular Italian and EU businesses)
- Chamber of Commerce, Industrial associations, Industrial zones, Cluster and community based/rural enterprises (lacquer ware, traditional textile, agro-food, wood work, construction work).
- Youth and women entrepreneurs
- SMEs financing institutions

## Key Counterpart organizations

The **Ministry of Industry** has a mandate to work on policy level issues concerning the industry and private sector in general. Within the Ministry of Industry, the **Central Department of SMEs Development** at the national level **was established in 2012 (around 40 staff)** by the government to support the development of SMEs. This new institution, currently under the Directorate for Industrial Inspection and Supervision, **will play a crucial role** in the implementation of the project given the project's objective of creating and enabling a dynamic economic environment through technical assistance support to modernize the policy and strategy framework engaging the new ministry with the aim to ensure a holistic and participatory approach at all levels.

Myanmar government has also formed in 2013 a "**Central Committee for SME development**" to for further development of small and medium- sized enterprises (SME), pivotal for national economy and promotion of social-economic status of the people, according to an announcement of the Presidential Office. The 27-member central committee for SME development is chaired by President U Thein Sein, also involving two Vice Presidents Dr. Sai Mauk Kham and U Nyan Tun and 20 ministers. The central committee is tasked to make laws, regulations and procedures for SME development, to ensure that the government and private banks effectively provide financial capital for SME development, to establish a network with local and foreign organizations to meet technical requirement, to encourage market development of SME from rural to urban areas, and to plan for nurturing human resources for SME development.

The SME Working Committee, under the Central Committee for SME development, has formed 9 working groups including a Cluster Development Group (CDG) tasked to implement cluster development initiatives and policies formulation. The project will continue the close collaboration with the CDG to foster SME development.

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<sup>1</sup>UNIDO project staff in Myanmar is member of the committee.

The **Ministry of Cooperatives** through its **Small Scale Industries Department** aims to improve the socio-economic life of rural and urban population at the grass root level. Likewise, its mandated to fully support and strengthen the cooperatives' businesses and contribute to the overall development of the country. The Small Scale Industries Department has a history of co-operating with UNIDO as the key government counterpart for the initial preparatory assistance conducted in 2009-2010 and continues to work closely with UNIDO.

In line with the current Government's efforts to encourage local and foreign investments, it will be of extreme importance to work closely with the private sector in the planning and actual project implementation. The **Union of Myanmar Federation of Chambers of Commerce (UMFCCI)** has also worked closely with UNIDO in a number of initiatives in the past and has expressed strong interest in partnering with UNIDO in the project implementation. UMFCCI brings together a variety of business associations whose involvement would be of benefit to the project. UNIDO Regional Office in Thailand has been in close contact with the **Myanmar Industries Association** and UMFCCI through constant dialogues for the development of the preparatory assistance project.

The newly established structures, namely the Central Department of SMEs Development of the Ministry of Industry (around 40 staff) and the Central Committee for SME development, have just been established, therefore, the project will ensure that its implementation would be an opportunity for building their capacity as well as those of the partner private sector institutions.

#### **Country-level coherence:**

The United Nations Country Team has identified four strategic priorities for the period 2012-2015. The current project is aligned with Strategic Priority 2, which aims to "Encourage Pro-poor and inclusive growth (both rural and urban), including agricultural development and enhancement of employment opportunities." The engagement with local and rural-based community groups and micro entrepreneurs for entrepreneurial skills development programmes aims to encourage pro-poor and inclusive growth to enhance employment opportunities with a focus on agricultural sub-sectors.

The recent developments in Myanmar would require a review of the UN system's working groups wherein UNIDO will take part and participate actively and substantially. UNIDO's interventions in the country on Poverty Reduction, Trade Capacity Building, Agribusiness development areas will require in house coordination and constant exchange of information. In addition, harmonization and synergies with other international organizations specifically with the bilateral international organizations (JICA, GIZ, etc) as well as multilateral organizations including UN organizations, World Bank, ADB, multi-donor trust fund programmes will be promoted. Exchange of information through the organization of knowledge sharing forums will be conducted during the implementation phase. This will also promote aid coordination among the development partners in the area of private sector and MSME development. Effective coordination at the country level is an important undertaking highlighted by the Government in its Framework for economic and social reforms which was endorsed by the international community in Myanmar.

The project will contribute towards the realisation of MDG1 (Eradicate Extreme Poverty and Hunger), through direct technical assistance to cottage industries and the communities that support them, and MDG8 (Develop a Global Partnership for Development).

In view of the pro-poor and inclusive dimension of the project, special emphasis would be placed on most vulnerable part of the population, therefore, a **special focus on women and youth** will be given in prioritizing the assistance provided as part of the local capacity building.

## B. REASONS FOR UNIDO ASSISTANCE

In promoting market-oriented economy in a country like Myanmar, enterprises of small and medium size with manufacturing capacity will play a vital role. Private sector accounts for the majority (70%) of the country's gross domestic product (GDP) in Myanmar and since the sector itself is comprised of micro-small and medium sized enterprises, the growth and development of MSMEs will definitely play a critical role in the country's future economic development. According to Union of Myanmar Federation of Chamber of Commerce and Industry, there are almost 40,000 registered MSMEs in Myanmar and in terms of sector distribution, food and beverage enterprises topped the list with 63.07%, enterprises producing construction materials followed with 7.62% and the labour intensive clothing and textile enterprises stood at third place with 4.83%. It will be very misleading to conclude that the demand for food exceeds by far all other needs in Myanmar as there is no research or assessment undertaken on this issue. It is, however, understandable that the industries that produce construction materials followed second as the country is in the midst of massive infrastructure development.

In gathering key information and additional insights on the status of MSME development in Myanmar, UNIDO has engaged in activities defining preparatory assistance in Myanmar throughout 2009-2010. In 2009 and 2010 UNIDO conducted a pilot SME sector assessment focussed on the potential for micro- and small business development in the handicrafts sector in central and southern Myanmar. This pilot assessment and consultations conducted in 2012, Briefing session about UNIDO's work in general to various line Ministries at the capital Naypyitaw in April 2012, followed by an exploratory mission in July 2012 further solidified UNIDO's proposed areas of interventions that served as basis for this project proposal. It provided a lot of information on the overall status of MSME development in Myanmar and identified a strong need for international assistance. Important issues identified through UNIDO's desk research and MSME assessment includes:

- A draft SME law is under parliament scrutiny. After the approval, government agencies will need support for the formulation of rules and regulations ;
- Limited sources of investment in MSMEs sector;
- Need to upgrade the products to meet international standards;
- Difficulties in marketing, distribution ,market access, information and IT;
- Inadequate level of management skills and technologies;
- Low level of productivity;
- Inadequate access to financing;
- Increasing global and regional competitors;
- Limited infrastructure and business environment;
- Lack of environmental awareness and knowledge;
- Limited awareness of business ethics;
- Weak networking activities among MSMEs;
- Need for more interaction and coordination between government agencies and private sector aiming to establish successful Public – Private Partnerships (PPPs);
- Need to give more awareness to the private sector action plans and time lines of ASEAN FTA ;
- MSMEs need to adopt a development mindset and look ahead, plan carefully, build up their capacity and capability and venture forward actively to achieve the ultimate goals.

In line with the current framework for economic and social reforms (FESR) of the Government ,based on the results of UNIDO's initial assessments/ ground work various consultations and dialogues, in particular with **the Ministry of Industry, the Ministry of Cooperatives for Rural**

Development, and the Ministry of Tourism, specific requests for support **have been expressed in the following areas for UNIDO interventions:**

- (a) Facilitating a conducive environment enabling private sector development through policy, framework review and formulation;
- (b) Strengthening inter-agency collaboration on MSME development including formulation of MSME development plan and strategies;
- (c) Promoting the development of an inclusive approach (Cluster/Industrial Districts, Value Chain approach/ Sustainable Supply Chain Development);
- (d) Supporting pilot cluster development initiatives – led by principles of social and environmental sustainability -in selected sectors (lacquer ware, textile and agro-processing);
- (e) Linking manufacturing sector to service sectors, including the tourism sector (inputs for upgrading hospitality industry and food);
- (f) Improve access to credit (public and private) for SMEs, in particular for youth by promoting ad-hoc financial mechanisms through the SME Development Bank;
- (g) Build the capacity of the Central Department of SMEs development and the Department of Industrial Inspection and Supervision (Ministry of Industry), the Central Committee for SME development, and the Cluster Development Group;
- (h) Assist the creation and development of [youth-led] start-ups to boost productive work for youth and women by developing their skills, technical capacities, and access to adequate financial means.

With regard to the SMEs sector, the Ministry of Industry reported that 70 % of Myanmar population lives in rural area and agro-based products contribute to 63 % of the total product. Myanmar mainly exports primary agricultural products. Although agricultural products were exported, many crops and fruits were destroyed in their regions because the grower cannot access export markets due to lack of good agricultural practices, technologies, standards and market intelligence. Specifically, SMEs are weak in technology, financing, modernized machinery and equipment for their business. Therefore, they cannot stand among the competitive import products and have difficulty to keep existing customers in various areas. Hence, the Ministry of Industry indicated that new technology transfer is urgently required for increasing the productivity rate and adding value to fruit, crops and flowers throughout the country and achieving higher income from export value added products (edible oil, soap, cosmetics, coffee, tea, rubber products, furniture, textile and garments). Furthermore, the Ministry of Industry requested UNIDO assistance in facilitating market access of small suppliers (SMEs and farms) to new profitable opportunities and business matching with partners from MSME groups.

The proposal for sustainable MSME development takes all of these recommendations, rationale for technical assistance into account. UNIDO's initial assessment of MSME development in Myanmar for the mapping out of the private sector as a whole and the identification of most viable entry points for UNIDO's technical cooperation are important. Thus, **the project conceptualization has followed a needs-based approach conducted in close consultation with government counterparts, partners and stakeholders in Myanmar** including the United Nations Country Team (UNCT) and private sector organizations.

### **The pro-poor, sustainability and inclusive dimension**

Youth and women can be agents of positive change, contributing to the socio-economic development of their societies if they get the chance to learn and make productive use of their skills and talents. However, too often this is not the case. Too often young people and women are unemployed or underemployed.

UNIDO's mandate to promote an inclusive and sustainable industrial development puts employment as one of the main objectives of the organizations programs and activities. The development of a sound private sector provides the foundation for economic growth, structural change and innovation, creation of jobs and livelihoods.

Pro-poor and inclusive value chain development is a vital challenge in development cooperation. The pressures of globalization and liberalization are creating exclusive supply chains between preferred business partners, with dramatic effects on rural economies in developing countries as the less developed business are marginalized and cannot enter nor compete with the more formal and integrated producers. A targeted effort is needed to include smallholder producers and poorer households in integrated supply chains. Furthermore, given the important share of poor people involved in agriculture and related services improved agri-business performance will increase the income of a significant proportion of poor people, and may also translate into an increase of the purchasing power of poor consumers. Among the four –transmission mechanisms between agricultural growth and poverty reduction highlighted by a 2004 DFID paper, it is worth noting agriculture's contribution to the generation of economic opportunity in also in the non-farm sector. Grouping micro and small producers and service providers (clustering and networking) enable them, not only to reach reasonable economies of scale, but also increase their chances to enter into local or even global value chains. Therefore, the Pro-poor and inclusive dimension is also addressed through cluster development. As indicated in the publication: "Cluster development for Pro-poor and inclusive growth: the UNIDO approach" , consist in the recognition that thriving clusters can generate employment, income and opportunities for the local community and become drivers of broad-based local economic development. The experience of UNIDO shows that the Pro-poor and inclusive growth potential of cluster development can be unlocked when assistance is provided along two self-reinforcing lines oriented, respectively, at: (a) Generating economic opportunities for the poor; and (b) Tackling other (non-economic) dimensions of poverty. With respect to the first (a), the challenge for a cluster development initiative is to gear collective efficiency gains towards the poor, so that they can increase the productivity of their assets and deploy them to respond to emerging demands and market opportunities. Regarding (b), it is acknowledged that poverty cannot be equated only to the lack of material assets. Taking the view of Amartya Sen<sup>11</sup> (1999) it recognizes that poverty is a multidimensional concept encompassing economic deprivation but also lack of political, socio-cultural, human and protective capabilities. The poor may be unable to take advantage of economic opportunities, if additional constraints are not removed.

Likewise, this project would represent the first concrete action to address poverty alleviation through governance and support the expansion of productive activities targeting less-developed areas. It will enable to start a process that is expected to lead to the development of a full large-scale project.

### **C. THE PROJECT**

**The current project has been funded by the Italian Development Cooperation in its preparatory and inception phase; based on the findings and the renewed interest of the Government of Italy in assisting the development interventions in Myanmar, particularly towards the creation of job opportunities for youth and women, the current project has received a positive feedback both from the Government of Myanmar and the GoI. Negotiations with EU are ongoing to ensure further funding to expand the project scope and impact within the new programming cycle in the country**

#### **C1. Project Objective**

**MSMEs in Myanmar are competitive on the national, regional and international markets and provide better employment and livelihood opportunities for local communities.**

## C2. The UNIDO approach

The project objective will be achieved through **clustering and upgrading MSMEs in Myanmar and establishing business linkages with European service and technology providers, facilitating access to new markets and empowering key stakeholders to contribute to Myanmar's overall sustainable development.** In its **initial phase**, the project will operate mainly at governance and policy levels while establishing the basis of actual transfer of know-how (good practices and technology), access to new markets and finance. Interventions and support to the different stakeholders and beneficiaries will include enhancing their capacity for sustainable business development and providing a better understanding of their business environment. This project will partner directly with various public and private stakeholders and beneficiaries such as MSMEs and service providers (both public and private) aiming at encouraging sustainable economic development in the country. Identification of linkages between Myanmar and Italian public/private institutions (cluster-to-cluster and business-to-business) will be conducted to create the basis for industrial and institutional cooperation.

The guiding principle of UNIDO's approach towards small and medium-scale enterprises is that they play a key role in economic growth and equitable development in developing countries. Their contribution to employment generation, poverty reduction and wider distribution of wealth and opportunities represents a major window of opportunity for most developing countries. However, the potential role of SMEs is often not realized because of a set of problems commonly related to size. Private sector is the driving force of industrial development in virtually all countries. Broad agreements exist on their crucial role in economic and industrial development and in particular in achieving the Millennium Development Goals. In this context, a critically important role is played by micro, small and medium enterprises, which, on average, make up over 90% of enterprises in the world and account for 50-60% of employment in particular in developing countries, whose major challenge is to combine the SMEs' employment potential with increasing productivity. This means shifting from low-volume, price-driven to higher-value, knowledge-based performance. To prosper, **the private sector needs an environment that facilitates growth, including easy access to business-related information, technical support services, funding and access to national and international markets.**

Individual SMEs experience difficulties in achieving economies of scale in the purchase of such inputs as equipment, raw materials, finance and consulting services and are often unable to take advantage of market opportunities that require large production quantities, homogenous standards and regular supply. Small size is also a constraint on internalization of functions such as training, market intelligence, logistics and technology innovation, while preventing the achievement of a specialized and effective internal division of labour. To preserve their narrow profit margins, small-scale entrepreneurs in developing countries are often unable to introduce innovative improvements to products and processes and this limits the scope of firms to take advantage of new market opportunities. On a closer observation, however, it is clear that many of these obstacles are the result of SMEs' isolation rather than their size. Therefore, closer cooperation among SMEs as well as between SMEs and the institutions in their surrounding environment holds the key to overcome them.

**Networking offers an important route for individual SMEs to address their problems as well as to improve their competitive position.** By coordinating their activities, enterprises can collectively achieve economies of scale beyond the reach of individual small-scale firms and obtain bulk-purchase inputs, achieve optimal scale in the use of machinery and pool production capacities to meet large-scale orders. Inter-enterprise cooperation also enables SMEs to specialize in their core businesses and give way to an external division of labour thus improving their efficiency in production. Joint work also encourages enterprises to learn from each other, exchange ideas and experience to improve product quality and take over more profitable market segments. The project shall introduce the UNIDO networking and clustering approach



in assisting MSMEs and at the same time address the gaps of assistance required to strengthen internal operations and improve the operating environment of the sector.

The project objective is expected to be achieved through the development of enterprise clusters and business linkages, strengthening of partnerships with buyers and other supply chain actors, supplier upgrading, facilitating access to finance and institutional capacity building. By combining a focus on pro-poor, sustainable and inclusive supply chain development and governance with the upgrading of existing local businesses possibilities for local sourcing and further development of emerging MSMEs will be pursued. Across all these activities, the project will promote social and environmental sustainability and raise awareness about the importance of sustainable local development amongst entrepreneurs linked to these sectors as well as local support institutions, government and other stakeholders of relevance.

UNIDO has also benefitted by a strong partnership with Italian SMEs, technical and academic institutions and several projects have been promoted and funded by the Italian cooperation, with emphasis on SMEs upgrading, clustering and partnerships between Italian and developing countries' industries and on transfer of technology for industry and the environment.

**Job creation through productive activities for youth and women.** UNIDO has developed and implemented successful programs in assisting developing and middle income countries in establishing MSMEs and entrepreneurship development programs to boost employment and investment for MSMEs, youth and women entrepreneurs.

The overarching goal is to create decent and durable employment through productive activities. With the public sector's limited capacity to absorb the unemployed, the promotion of private sector can be a solution to employment generation. Jobs are created primarily by the private sector - globally 9 out of every 10 jobs are created by the private sector. However, in many countries, the population faces obstacles in starting or expanding productive activities. The development of micro, small and medium enterprises (MSMEs) is a proven and effective mechanism to facilitate economic development and it is within this vital sector that entrepreneurship requires significant support, guidance and investment.

UNIDO Investment and Technology Unit (ITU) has developed training modules for Investment Promotion, Technology, and Entrepreneurial Finance. Applied modules include combining financial and non-financial support for young entrepreneurs, trainings on enterprise creation and growth, coaching and mentoring of young entrepreneurs, skills development and vocational training, promotion of access to finance and investment, the development of value chains for inclusive markets and skills matching to meet the requirements of the private sector.

UNIDO has successfully engaged in the creation of youth employment opportunities through entrepreneurship and MSME growth and achieved the following results:

- Entrepreneurial culture strengthened and youth entrepreneurship promoted as a viable solution to employment creation
- Access to finance for MSMEs and start-ups facilitated through linkages with local financial institutions or the setting-up of dedicated funds to fill market gaps
- Public and private business service providers better equipped to serve entrepreneurs, in particular youth
- Youth-led enterprises are created and survive the start-up phase

The project will likewise build on the success and experience of UNIDO in the MSME cluster development project in Vietnam financed by the Italian cooperation. This project aimed at supporting the Vietnamese MSMEs (95% of industries in Vietnam and 35% of GDP) to improve their capacity to compete and create value, improving the country living standards and promoting competitiveness, innovation and integration in global value chains through cluster

development and partnerships with international businesses. The project concretely focused on: (1) upgrading the capacity and competitiveness of a group of MSMEs in 3 pilot clusters; (2) upgrading the capacity of associations and MSME support institutions in these clusters; (3) promote partnerships among Italian/European and Vietnamese MSMEs and institutions; (4) help entrepreneurs developing or expanding their business through financial and non-financial assistance in the tourism sector.

As a result of the project in Vietnam, around 70 SMEs in three clusters/sectors were upgraded in design, product development, quality and production processes; local capacity of consultants and industry association has been upgraded as well within TA actions. One relevant support institution for the garment / textile sector was upgraded, in order to provide consultancy and technology transfer to all enterprises in the sector. Nationwide cluster development policies have been submitted to the government. Promotion of international business partnerships is ongoing.

UNIDO, with funding provided by the Italian Government, has developed the Iraq Credit Facility, a financial tool of 1 MLN USD embedded within the “Enterprise Development and Investment Promotion Project for the SME sector in Iraq” that was created to establish an appropriate financial scheme to support MSMEs creation and development in three Iraqi Governorates (Erbil, Baghdad and Thi-Qar). The facility has currently supported the creation and expansion of 96 small enterprises in Iraq and the fund has been revolved twice.

Another important example is the collaboration with the Government of Tunisia with whom UNIDO has been engaged for the past 6 years in the development and implementation of Youth Employment programmes to assist in addressing the plague of youth unemployment, particularly in lagging regions. UNIDO programmes in Tunisia have focused on building the capacity of local support structures while, in partnership with international banking institutes, private sector and international development entities, it developed financial mechanisms to promote the creation and development of youth-led enterprises.

### **C.3 RBM Code and Thematic Area Code**

*EC12 Business, Investment and Technology Services*

*EC13 Agribusiness and Rural Entrepreneurship Development*

*EC14 Women & Youth Entrepreneurship*

*EC22 Competitive productive capacities for international trade*

### **C4. Expected outcomes**

**Outcome 1. A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, etc.**

**Outcome 2. By 2016, selected young entrepreneurs will have created, developed or expanded their businesses through partnership, cooperation and cluster development.**

### **C5. Outputs and activities**

<b>The below outlined outcomes, outputs and activities are related only to the Italian-funded component (€800,000).</b>
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#### **Outcome 1**

**A conducive environment for MSME development is created through formulation and implementation of MSME and cluster development plans, policies, strategies, etc.**

***OUTPUT 1.1: An MSME development plan is designed and implemented through inclusive interventions, aligned and integrated into other policy instruments and legislation (cluster policy, Industrial zones laws....)***

Activity 1.1.1

Provide advisory services to build local capacity to the Central Committee for SME Development, the Central Department for SME Development and the Cluster Development Group supporting a participatory process for formulation of an MSME development plan including the promotion of clusters and integration into national, and where applicable, international supply chains and markets

Activity 1.1.2

GAP and supply-chain analysis to identify opportunities for collaboration between European/Italian MSMEs and their associations and academic/research institutions for MSME development with focus on the supply chains identified by the Ministry of Industry;

Activity 1.1.3

Define and implement capacity building interventions/plan (transfer of know-how and partnerships) to support the growth of micro and community rural-based enterprises and industrial SMEs as well clusters.

***OUTPUT 1.2: Selected clusters are strengthened***

Activity 1.2.1

Mapping and selection of priority clusters in line with Government priorities and taking into account the youth and women employment dimension

Activity 1.2.2

Training of trainers of clusters development agents (CDA) on UNIDO methodologies and establishments of M&E system

Activity 1.2.3

Assist CDAs (coaching) in providing technical assistance and training to actors in the selected clusters

Activities 1.2.4

Support the cluster initiative to increase productivity, market access and sustainability, with a focus on the impact on selected target groups (i.a. youth, women)

**Outcome 2**

**By 2016, selected [young] entrepreneurs will have created, developed or expanded their businesses through partnership, cooperation, cluster development, and investment promotion**

***OUTPUT 2.1***

***Public and private support structures, have received assistance in ameliorating their service delivery capacity to youth and women enterprise creation and development through UNIDO methodologies***

Activity 2.1.1

Assess the capacity of serving providers in serving the needs of youth and women entrepreneurs

Activity 2.1.2

Develop the capacity of service providers, both public and private with UNIDO approaches and methodology (Investment Promotion and Technology, Entrepreneurial Finance and COMFAR on line, Sustainable enterprise creation and development, , Greening your business)

Activity 2.1.3

Study tour for selected members of the assisted service providers to receive further training and certification.

<p><b>OUTPUT 2.2</b>  <i>Selected entrepreneurs have received adequate technical assistance and skills training to create and grow enterprises within selected value chains and clusters/cooperatives</i></p>
<p>Activity 2.2.1            Identification of potential and existing youth and women entrepreneurs</p>
<p>Activity 2.2.2            Identification of new business opportunities in the selected value chains and clusters/cooperatives to improve efficiency and sustainability of the value chains, clusters and cooperatives</p>
<p>Activity 2.2.3            Provide training and capacity building (enterprise creation and development) with emphasis on cooperatives in collaboration with Italian Universities and research institutions</p>
<p>Activity 2.2.4            Assist young and women entrepreneurs to access adequate financial support through business plan formulation (COMFAR online)</p>
<p>Activity 2.2.5            Assist young and women entrepreneurs in pre and post-creation phase, particularly for those who become service providers in the selected clusters</p>

<p><b>OUTPUT 2.3</b>  <i>Partnership between European/Italian and local enterprises and institutions identified and established through an international event on industrial collaboration, partnerships and investment</i></p>
<p>Activity 2.3.1            Mapping/identification of potential partners to develop local clusters and value chains and profiling of project (youth and women-led) to be presented to international investors</p>
<p>Activity 2.3.2            Identification of potential investors, venture capitals, companies in Europe/Italy interested in invest in Myanmar</p>
<p>Activity 2.3.3            Promotion of events in Myanmar and Italy/Europe and mobilization of public and private participants' awareness</p>
<p>Activity 2.3.4            Conduct of the main event in Myanmar</p>
<p>Activity 2.3.5            Development of a guide on management of MSMEs (for youth and women), cooperative and cluster development for inclusive industrial development in Myanmar</p>
<p>Activity 2.3.6            Follow-up on negotiations and agreement between selected/assisted companies in Myanmar and the Italian/European companies</p>

<p><b>OUTPUT 2.4</b>  <i>Selected financial entities have received adequate technical assistance and advisory services to create ad-hoc funding schemes that serve youth MSME's</i></p>
<p>Activity 2.4.1            Mapping of existing financial schemes that serve MSMEs to identify loopholes in serving the project beneficiaries (youth and women-led business)</p>
<p>Activity 2.4.2            Develop the ToR and a feasibility study for the setting up of a dedicated fund for youth-led MSMEs</p>

Activity 2.4.3 Identify source of funding for the setting up of a dedicated fund for youth enterprise creation and development (i.a. percentage of the Myanmar debit swap with Italy)
Activity 2.4.4 Assist the selected financial entities by building their capacity on “financing youth and women”
Activity 2.4.5 Develop company profile for youth-led enterprises to be presented to European/Italian potential investors/partners
Activity 2.4.6 Link assisted entrepreneurs with identified potential supply chains, venture capitals, national and international investors, particularly those from Italy

## C6. Expected impact

The project is expected to increase the percentage of employment of youth and women in selected value chains, clusters and cooperatives **up to 10%**, with an increase up to **5% of turnover** for assisted companies, of which **10** will be youth/women-led **start-ups** and **20** existing enterprises that will be assisted in their **growth/expansion** programmes.

The project will select and support at least **2 cluster** initiatives.

At least 1 existing cluster will increase its productivity (**up to 5%**), access to markets (increase **sales up to 5%**), and sustainability (compliance with national and international standards).

At least **100 trainers** from 10 selected support structures will receive training on UNIDO methodologies and approaches, of which **25 coaches** will be travelling to Italy for study tour.

At least **30 officials** will be trained on cluster policies.

At least **250 young** people will receive training on UNIDO approaches and methodologies by assisted support structures.

**1 partnership event** will be organized in Myanmar, with the participation of at least **20 EU/Italian institutions or enterprises**, at least **5 partnership** opportunities will be identified.

The project will produce at least **2 Terms of Reference (ToR)** for dedicated youth/women funding schemes.

## C7. Risks and assumptions

No.	Development Risks	Mitigation of risks	Level
<b>Outcome 1</b> A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, et al.			
1	The ability and level of commitment of national counterparts, stakeholders to reach consensus in implementing an integrated, systematic approach to MSME development	Participatory, consultative processes to be strongly promoted, involving key decision makers to support the consensus building process	Medium
2	Political situation in the country (a country in transition, fast changing environment)	Flexibility in the implementation of the project activities	Medium

3	The absorptive capacity of the local counterparts given the huge technical assistance flowing into the country	Analysis of the counterparts, stakeholders and provide interventions	Medium
<b>Outcome 2</b> By 2016, selected young entrepreneurs in the tourism sector will have created, developed or expanded their businesses through financial and non-financial assistance.			
6	There is general lack of entrepreneurship culture, thus affecting the number of qualitative project idea that can be fostered through the project	UNIDO to provide assistance in promoting entrepreneurship and an entrepreneurship culture UNIDO to assist youth-led businesses in the pre- and post-creation phase	Medium-low
7	The Government of Myanmar do not continue to invest in SMEs development	Initial results can be used to present the positive effects on the economy of investment in the development of SMEs for the creation productive and decent jobs	Low
8	The financial sector is risk adverse and do not invest in youth and women led start-ups	UNIDO to deploy non-financial assistance to youth and women aspiring entrepreneurs to mitigate the risks and prove the trustworthiness of youth/women entrepreneurs	Medium-low

## D. INPUTS

### D1. Counterpart inputs

The key counterpart of the project, namely the **Ministry of Industry**, will provide office space for the Project Management Unit (PMU) as part of the Government's in kind contribution. The PMU will consist of a national Project Coordinator (NPC) twinned with an International MSME expert with a support staff to provide administrative and logistical support to the PMU. They are to be recruited through competitive process by UNIDO. It is responsible for overall execution, coordination and facilitation of the project and to establish communication channels between the stakeholders.

The lead counterparts, **Ministry of Industry** and **Ministry of Cooperatives** will be responsible for providing necessary lead and coordination to ensure timely delivery of project inputs and their conversion into project outputs and outcomes. As counterpart, the Ministry will ensure the timeliness and effectiveness of inputs made from their end, accounting and reporting of funds provided and data collection for monitoring and implementation progress. To support the smooth coordination between counterparts, stakeholders and UNIDO, designated Focal Points (FP) from each participating Ministries is important.

### D2. UNIDO inputs

The project will transfer information, knowledge, management, technical and entrepreneurial skills and other related competencies to both private and public sectors.

### **International Experts**

International expertise will be required both in Myanmar and in Vienna to ensure the project correct implementation and the knowledge transfer to national counterparts.

### **National Staff**

Recruitment of the local national staff is foreseen to support the operations, coordination of the project activities specifically that UNIDO doesn't have a base in Myanmar.

### **Trainings**

Trainings will be in the form of technical workshops, exchanges/ study tours, learning by doing methodology, training of pool of experts, as facilitated by national/international technical experts. This will address institutional, local capacity building and policy support as described in the UNIDO approach and outline of activities, outputs.

### **Equipment and Supplies**

For training activities, capacity building of project counterparts, requirements for tools and equipment are foreseen.

### **Planning, Management and Organization of the Project**

The project will be managed by BIT/CBL and by BIT/ITU, with substantive inputs and support from the Regional Field Office – Thailand, which covers Myanmar. The project identification and formulation were initiated by the field and were finalized jointly with HQs relevant branch. Close coordination within UNIDO at the field is foreseen with the aim of **setting the basis for a solid presence of UNIDO in the country**. The mapping of MSMEs will be done jointly by BIT/CBL using the expertise and tools of the below mentioned UNIDO relevant branches. Based on the findings, an **MSME development plan will be designed and the comments of all relevant branches will be integrated** in the plan, which would then serve as the **backbone for other initiatives** with the aim to **build a solid country programme and ad-hoc team of local expertise**.

BIT/ITU will manage the component on youth employment and entrepreneurship, leveraging of its expertise developed in the past years in this field.

The project will also look into **gender mainstreaming** as the country provides a huge potential for women entrepreneurship.

## E. UNIDO BUDGET

The budget proposed consists of three different components: the first is the Italian initial contribution for the preparatory and inception phase that is equal to €350,000; the second one is the expected Italian contribution to the project (**€800,000**); to conclude, the remaining component is under negotiation with the EU Delegation and other donors in Myanmar (€ 2,352,328).

### Budget divided per output

		BL-11:00		BL-15:00	BL-16:00	BL-17:00		BL-21:00	BL-30:00	BL-35:00	BL-45:00	BL-51:00	TOTAL
		Int'l experts/ consultants	IEW/m	project staff TRAVEL	UNIDO staff TRAVEL	Local Experts/ consultants	LE W/m	Sub-contracts	Training	Study Tour/ Int.l Meeting	Equipment	Miscellaneous	
<b>OUTCOME 1</b>		<b>A conducive environment for MSME development is created through formulation and implementation of MSME and cluster development plans, policies, strategies</b>											245,500
<b>Output 1.1</b>		<i>An MSME development plan is designed and implemented through inclusive interventions, aligned and integrated into other policy instruments and legislation</i>											
	Total Output 1.1	114,000	12	7,500	6,000	16,800	12	6,000	2,500	-	-	1,000	153,800
<b>Output 1.2</b>		<i>Selected clusters are strengthened</i>											
	Total Output 1.2	28,500	3	7,500	-	25,200	18	10,000	17,500	-	-	3,000	91,700
<b>OUTCOME 2</b>		<b>By 2016, selected [young and women] entrepreneurs will have created, developed or expanded through partnership, cooperation, cluster development, and investment</b>											422,760
<b>Output 2.1</b>		<i>At least 10 CCI clusters are assisted through specific technical assistance programs to serve as pilot models</i>											
	Total Output 2.1	66,500	7	2,500	12,000	5,600	4	5,000	30,000	71,760	5,000	5,000	203,360
<b>Output 2.2</b>		<i>Selected entrepreneurs have received adequate technical assistance and skills training to create and grow enterprises within selected value chains and clusters/cooperatives</i>											
	Total Output 2.2	19,000	2	7,500	6,000	14,000	10	15,000	35,000	-	-	2,000	98,500
<b>Output 2.3</b>		<i>Partnership between European/Italian and local enterprises and institutions identified and established through an international event on industrial collaboration, partnerships and investment</i>											
	Total Output 2.3	9,500	1	5,000	6,000	8,400	6	5,000	25,000	60,000	-	2,000	120,900
<b>Output 2.4</b>		<i>Selected financial entities have received adequate technical assistance and advisory services to create ad-hoc funding schemes that serve youth MSME's</i>											
	Total Output 3.1	9,500	1	-	10,000	7,000	5	5,000	-	-	5,000	3,210	39,710
<b>TOTAL</b>		<b>247,000</b>	<b>26</b>	<b>30,000</b>	<b>40,000</b>	<b>77,000</b>	<b>55</b>	<b>46,000</b>	<b>110,000</b>	<b>131,760</b>	<b>10,000</b>	<b>16,210</b>	<b>707,970</b>
<b>Indirect Cost</b>		<b>13%</b>											<b>92,036</b>
<b>TOTAL INCLUDING INDIRECT &amp; DIRECT</b>													<b>800,006</b>



### Indicative budget for the overall project proposal (EU-Italy funding):

Budget lines	Items	Total EC Funds	Preparatory and inception phase (Italian Fund)	First phase (Italian Funds)	Overall Total
11--50	International Consultant	140,000	90,000	245,000	475,000
15--00	Project travel	27,100	20,000	30,000	77,100
16-00	UNIDO staff travel	125,400	25,000	40,000	190,400
17-50	National expert	458,200	43,000	110,000	611,200
21--00	Subcontracts	264,000	10,000	48,000	322,000
30--00	in service training, event and study tour	443,000	55,000	210,000	708,000
45--00	Equipment	364,500	10,000	10,000	384,500
51--00	Miscellaneous	259,500	30,185	15,000	304,685
Subtotal		2,081,700	283,185	708,000	3,072,885
PSC (13%)		270,628	36,815	92,000	399,443
<b>Total</b>		<b>2,352,328</b>	<b>320,000</b>	<b>800,000</b>	<b>3,472,328</b>

## F. MONITORING AND EVALUATION

Monitoring and evaluation of activities will be undertaken to measure the appropriateness of the institutional capacity building, approach and structure and to enable the trainers, mentors and managers to receive feedback on their performance as well as review the expected multiplying effects to the direct beneficiaries.

The overall project management, monitoring and evaluation will be carried out by UNIDO in partnership with the Ministry of Industry. The Ministry of Industry has a mandate to work on policy-level issues concerning the industry and the private sector in general. Monitoring tools will be introduced and mechanisms will be put in place. Local capacities will likewise be built in steering, monitoring and reviewing relevant processes to promote the ownership by the national counterpart and sustainability of the project.

The implementation activities will be supported by the Project Management Unit (PMU), which will be established in the initial phase of the project. Specifically, the progress of the project will be jointly monitored with counterparts, stakeholders through quarterly project progress meetings and reports.

**The Project Steering Committee** will be formed consisting of key stakeholders from the key line counterpart ministries, private sector and UNIDO. This Committee will convene on a bi-annual basis to monitor project implementation against a set of measurable, tangible, time-specific, and achievable indicators as indicated in the logical framework. The Project Steering Committee will be chaired by the Ministry of Industry, with other members to be identified as well as UNIDO. This committee will act as the institutional mechanism to provide overall

advisory, guiding and monitoring functions of the project through its regular committee meetings. The monitoring process will be carried out by UNIDO experts in collaboration with selected Ministries (i.e. Ministry of Industry, Ministry of Tourism).

The following tools and sources for close monitoring of results will be considered:

- Bi-annual project progress reports and other means of evaluation which will be prepared in line with reporting requirements, with inputs from counterparts;
- Mission reports by experts, specifying areas of training, technical support, highlights of training including lessons learned, way forward, etc.;
- Documentation of experiences, results, etc.;
- Final project report to be submitted to the donor within three months following the project completion.

### **Sustainability of the Project**

The results of the Preparatory phase of this project will serve as a basis for the development and the implementation of a large scale, broader programme envisioned, being multi-donor programme in the area of livelihood, MSME development including promotion of business linkages and clusters.

The project sustainability will be ensured through multifaceted efforts within the design, implementation and monitoring and evaluation stages. Interactive capacity building processes will be applied. Strengthening capacities of local partners in MSME development will provide a holistic and sustainable base for establishing socially responsible and accountable business promotion and stimulating inward investments.

### **G. PRIOR OBLIGATIONS AND PREREQUISITES**

Prior to the start of project implementation, it is necessary that the required inputs, funding to implement all the relevant activities by the parties involved are secured.

### **H. LEGAL CONTEXT**

The Government of the Republic of the Union of Myanmar agrees to apply to the present project, *mutatis mutandis*, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed and entered into force on 17 September 1987.

**Annex 1. LOGFRAME**

	<i>Intervention logic</i>	<i>Indicators</i>	<i>Sources of verification</i>	<i>Assumptions</i>
<b>Development Objective</b>	<b>MSMEs in Myanmar are competitive on the national, regional and international markets and provide better employment and livelihood opportunities for local communities</b>	N. of new MSMEs surviving the start-up phase  Increase of employment for women and youth	Central Agency of SMEs development statistics  Ministry of Employment  Small scale industries-statistics  Project Reports	Private sector development including small scale/rural based industries is a priority of the current framework for economic and social reforms of Myanmar  MSME development is crucial for a country in transition like Myanmar  Myanmar's challenges including regional economic integration needs to be addressed  Political situation hamper the implementation of the project  Government of Myanmar do not increase investment and support in MSMEs
<b>Outcome 1</b>	<b>A conducive environment for MSME development is created through the formulation of MSME and cluster development plans, policies, strategies, et al.</b>	MSMEs development plan validated by the Central Committee for SMEs Development	Minutes of the meetings of the Central Committee for SME Development and the Cluster Development Group  Reports of the Central Department of SMEs Development of the Ministry of Industry	Government is committed towards effective and efficient framework for economic and social reforms that include creating an enabling environment for private sector development  Absorptive capacity of counterparts, partners is taken into consideration in the implementation of the project
Output 1.1	An MSME development plan is designed and implemented through inclusive interventions to establish, upgrade and cluster MSMEs to integrate them into	No. of consultations, workshops held Available MSME Plan and strategy	Workshop /trainings report	Participatory and consultative processes are encouraged  Private and public cooperation is clearly

	<i>Intervention logic</i>	<i>Indicators</i>	<i>Sources of verification</i>	<i>Assumptions</i>
	local, regional and global supply chains			demonstrated
<b>Outcome 2</b>	<b>By 2016, selected [young] entrepreneurs will have created, developed or expanded through partnership, cooperation, cluster development, and investment promotion</b>	N. of new jobs created in enterprises that received assistance Increase in turn over in assisted existing enterprises N. of assisted entrepreneurs having created their start up	Chamber of Commerce  Company survey (UNIDO)  Ministry of Employment annual stats	Political situation remains stable  Financial system remains stable and favour SMEs creation and development  International investors/companies are interested in invest in Myanmar
Output 2.1	Public and private support structures, have received assistance in ameliorating their service delivery capacity to youth and women enterprise creation and development through UNIDO methodologies	N. of Trainers received training on UNIDO methodologies  N. of trainings provided to business support structures  N. of support structures supported	Training reports  UNIDO expenditure reports	Availability of trainers  Willingness with institutions to improve their services  Retention capacity of the institutions
Output 2.2	Selected entrepreneurs have received adequate technical assistance and skills training to create and grow enterprises within selected value chains and clusters and develop cooperatives	N. of enterprises supported for growth and expansion  N. of youth-led start-ups assisted  Young entrepreneurs trained  Training provided to youth	Coaches reports  Companies reports  Random sample interviews  Training reports  Participants lists	Youth and women are interested to start their own businesses in the selected value chains  Financial means are available for youth and women
Output 2.3	Partnership between European/Italian and local enterprises and institutions identified and established through an international event on industrial collaboration, partnerships and	European/Italian and Myanmar SMEs. Clusters and institutions participating  N. of trade and investment	Workshop reports  UMFCCI data/statistics  Central Agency of SMEs	Local producers and clusters identified and selected have marketable products and opportunities for partnership

	<b><i>Intervention logic</i></b>	<b><i>Indicators</i></b>	<b><i>Sources of verification</i></b>	<b><i>Assumptions</i></b>
	investment	<p>partnerships opportunities identified</p> <p>A partnership for development event organized and facilitated</p>	<p>Development report</p> <p>Report of workshops on partnerships for development</p>	European/Italian producers/buyers, clusters and institutions participating
Output 2.4	Selected financial entities have received adequate technical assistance and advisory services to create/develop ad-hoc funding schemes that serve youth MSME's	ToR for ad-hoc funding schemes created	<p>Financial institution report</p> <p>Term of Reference</p>	Financial institutions are not interested to develop a dedicated funding facility for young and/or women entrepreneurship development



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## **IX. Pilot cluster development initiatives**



# Diagnostic Study on Lacquerware Clusters in Bagan and Nyaung-U, Myanmar

JUNE 2014



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INDUSTRIAL DEVELOPMENT ORGANIZATION



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## EXECUTIVE SUMMARY

Funded by the Italian Development Cooperation, the UNIDO project “Fostering pro-poor and inclusive MSME development in Myanmar” seeks to contribute to the country’s inclusive and sustainable industrial development (ISID) by strengthening national capacities in cluster development, thus increasing the competitiveness of Myanmar MSMEs.

Together with its national partners, and especially the Ministry of Industry, the Ministry of Cooperatives and the Union of Myanmar Federation of Chamber of Commerce and Industry, UNIDO implemented a first preparatory assistance and the project’s pilot phase, which triggered a number of initiatives that already led to significant results, and established institutional relations with public and private national stakeholders.

A first mapping was conducted, together with a business survey of current activities and the enabling environment. Concurrently, activities are being undertaken to strengthen the capacity of the Central Department of SME Development and the Cluster Development Group, and to develop initial activities in the lacquer ware sector in Bagan.

Overall, the project, which will be completed in December 2014, will contribute to a conducive environment for MSME development through the formulation of MSME and cluster development plans, policies, and strategies; and to the identification of partnership and cooperation opportunities to facilitate the growth of micro and community rural-based enterprises and industrial SMEs through the transfer of know-how as well as the development of partnerships and clusters.

Myanmar is one of the few countries that produce entirely handmade lacquer ware products. Bagan has been one of the most significant business clusters in the country, as it has been there since the 11th century and the traditional way of making lacquer ware is still well preserved. Today the cluster hosts about 650 to 750 micro, small and medium lacquer ware enterprises with an estimate overall direct employment to at least 4,000 locals.

This diagnostic study has been elaborated based on qualitative research through face-to-face interviews conducted in early March 2014. The main objectives of this diagnostic study are: the understanding of the main phases of the production process, the key stakeholders and socio-economic environments, the institutional and cross-sectoral linkages, the main problems of the cluster, the recommendation on implementable strategies, and the creation of a baseline.

Lacquer ware products are made through traditional processes and no advanced technology or powered machinery has been used in any part of the production process so far. Almost all of the workers involved in the lacquer ware industry have learned their skills at home or workshops, rather than at a school. Lacquer ware making techniques have been passed from generation to generation through traditional apprenticeships.

Among the different sizes of enterprises operating in the lacquer ware cluster in Bagan, it was noted, that larger enterprises that own retail shops are better-off compared to micro firms. This is because the large retail shops control the tourist market in Bagan, accounting for up to 95% of the market share. They are more competitive and are able to pay high commission fees to tourist guides and taxi drivers that bring tourists to their shops. Micro size enterprises depend on the retail shops to access the market and cannot determine the price of their products, unless tourists purchase directly from them.

The main buyers are tourists from different countries including France, Italy, Spain, Germany, Japan, Korea, China and Thailand, most of the medium enterprises also have regular customers from major cities such as Yangon, Mandalay and Inle Lake. A growing tourist flow to Bagan is contributing to the industry, but is also creating new challenges. Since many skilled workers have moved from lacquer ware industry to other tourism-related activities, the gap of skill levels has widened. The highly skilled lacquer ware masters and workers, who are passionate about the lacquer ware, stay in the industry, but are facing the challenge of lack of skilled young workers.

None of the banks in Bagan offer yet special products or services for the lacquer ware industry. During the study no significant loans or credits to the lacquer ware businesses could be detected. Many of targeted interviewees mentioned that they need finance to build better and bigger dry cellars that require significant amount of capital investment.

Direct suppliers of raw materials are traders from mountainous areas. They have close business relationships with local traders in Bagan, who buy the raw materials and stock them in Bagan for sale. Although there is no practice of formal contracting or subcontracts, informal subcontracts are common between different sizes of lacquerware enterprises.

There are a number of supporting institutions to the lacquer ware cluster in Bagan, even though the linkages between

them and the cluster are very weak. Through the provision of POS machines, bank institutions have contributed to the increase of sale in the past years. PACT-Myanmar, a non-governmental organization, also offers microfinance service to the locals, particularly for women. The cooperative department of the government also provides micro loans to some families. The government's Lacquer Ware Technology College is considered as a supporting institution for the cluster. The first lacquer ware enterprises association was formed in the region with the encouragement from the Mandalay Region Chamber of Commerce and Industry (MRCCI) and UNIDO project to foster micro small and medium enterprises in early March 2014. There are almost no business development service providers for the lacquer ware industry in Bagan, except few advertising companies.

There are weak horizontal linkages among the medium enterprises that consider each other as competitors. Among the micro and small enterprises, there is a fair horizontal linkage as they cooperate in the value chain or production processes. The study observed an excellent inter-firm linkage within the cluster. There are also a strong inter-firm linkages between the production teams and the retail shop. There are very strong linkages among the different sizes of enterprises in the lacquer ware industry in Bagan.

The micro and small enterprises rely on the medium sized enterprises that own larger retail shops for accessing the markets and generate revenue from sale. At the same time, the medium enterprises also rely heavily on the micro and small enterprises for integrating their own production or to outsource or contract out some semi-finished products.

The major issues and problems identified by the study are: shortage of skilled workers; lack of finance; limited

market access; limited cooperation among stakeholders; inappropriate business and managerial skills; weak supporting institutions and lack of efficient and effective logistic support; lack of quality control; production process and technology issues.

Among the recommended strategic solutions are the following. Firms can attract skilled labors by creating better working environments and providing financial and social incentives. The government can add vocational training programs to the current Lacquer Ware Technical College.

The government, international partners and financial institutions can design tailored financial services to meet the needs of MSMEs, particularly for lacquer ware businesses, as well as, provide funding that covers promotional events to help enterprises generate revenue, marketing of the products, trainings to improve skills of the existing workers and to introduce new products and designs. Development agencies and government institutions can strengthen the supporting institutions including BDS providers, enhancing coordination and cooperation among stakeholders in organizing promotion, marketing and sale events.

Leading business associations, supporting institutions and other stakeholders can coordinate to design and set up quality control mechanisms. Finally administrative reform at all levels is a must in order for the government to support the businesses, particularly the private sector, so as to eliminate corruption, improve transparency and coordination among stakeholders including associations.

## ACRONYMS

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<b>BDS</b>	Business Development Service
<b>CB BANK</b>	Cooperative Bank
<b>FDA</b>	Food and Drug Administration
<b>GPS</b>	Global Positioning System
<b>ICT</b>	Information and Communication Technology
<b>JICA</b>	Japan International Cooperation Agency
<b>JETRO</b>	Japan External Trade Organization
<b>KBZ</b>	Kanbawza Bank
<b>MMK</b>	Myanmar Kyat
<b>MPU</b>	Myanmar Payment Union
<b>MRCCI</b>	Mandalay Region Chamber of Commerce and Industry
<b>NGO</b>	Non-Governmental Organization
<b>PACT-MYANMAR</b>	Partners and Communities Together-Myanmar
<b>POS</b>	Point of Sales
<b>R&amp;D</b>	Research and Development
<b>USD</b>	United States Dollar

# I. INTRODUCTION

## A. Defining the cluster

Myanmar is one of the few countries that produce entirely handmade lacquerware products. Within Myanmar, Bagan is the largest lacquerware production center and it is located in Nyaung-U district on the eastern bank of the Irrawaddy River in Mandalay Region. The lacquerware industry in Bagan has been one of the most significant business clusters in the country, as it has been there since the 11<sup>th</sup> century and the traditional way of making lacquerware is still well preserved. The products are solely handmade and from agro-based raw materials, such as bamboo, wood and lacquer sap. Currently, the cluster provides direct employment to at least 4.000 locals.

## B. Objectives of the diagnostic study

The main objectives of this diagnostic study are to:

- Understand the current socio-economic environments associated with the lacquerware business cluster in Bagan
- Analyze institutional and cross-sectorial linkages
- Understand the strengths, weaknesses, opportunities and threats of the cluster and formulate sound strategies to promote the industry
- Identify the major issues and problems in the cluster and recommend implementable strategies for the long term and sustainable development of the cluster
- Create a baseline for future monitoring and evaluation.

## C. Methodology of the study

This diagnostic study has been elaborated based on qualitative research through face-to-face interviews conducted in early March 2014:

- 12 principal lacquerware businesses in different villages in Bagan, Nyaung-U
- 4 major banks (KBZ, Aya Bank, Tun Foundation Bank, CB Bank)
- Leaders of the Lacquerware Enterprise Association – Nyaung-U
- Principal of the Lacquerware Technical College in Bagan
- Senior staff member of the Lacquerware Museum
- Several tourists (consumers)
- Locals with lacquerware making skills.

## D. Historical development of the lacquerware industry in Bagan

It is worthy to note, that the lacquerware industry did not develop naturally in Bagan. It is believed by many researchers and local lacquerware producers in Bagan, that it was the King Anawrahta who brought skilled craftsmen back with him to Bagan from the Thaton Kingdom after conquering it in the 11<sup>th</sup> century. Since then, the lacquerware industry has been developed gradually and is known worldwide for its remarkable traditional value, the good quality and the very much esteemed art craft of the lacquerware.

Lacquerware making techniques have been handed down from generation to generation through traditional apprenticeships. The cluster developed in this specific region due to the concentration of skilled workers and handcrafters. However, from 2007 to 2009, the number of lacquerware workshops decreased significantly due to the decline in tourist arrivals, which are a substantial factor towards the positive development of this industrial cluster. Since the new government came into power in 2011 and opened up the country, tourist arrivals to Bagan have significantly increased and the lacquerware industry is again booming. The country with its diverse and extensive cultural, natural, and historic assets is enjoying unprecedented tourism growth. Between 2011 and 2012, visitor arrivals increased by 29.7% and, for the first time in its history, Myanmar received over 1 million international visitors. Other key drivers of growth include the rapid expansion of scheduled inbound flights, eased tourist visa-on-arrival privileges at gateway airports, improving business and investment conditions, and the growing demand for international travel among regional and long-haul markets. The total earnings from tourism sector was 926 US\$ million in 2013 compared to 319 US\$ million in 2011. The Myanmar Tourism Master Plan (MTMP) was launched in late 2013 and targeted to reach 3 million tourists by end of 2014, 5 million in 2015 and 7 million in 2020 respectively. The average length of stay is 10 days, often combined with visits to other nearby countries (Thailand, Cambodia, Lao and Viet Nam). Bagan, together with Mandalay, Yangon and Inle Lake, is one of the most popular destinations and traditional lacquerware products are highly appreciated by tourists.

## E. Some photos of the lacquerware cluster



*Lacquerware products in a retail shop in Bagan*



*One of the largest pieces of lacquerware for decoration seen at a lacquerware workshop*



*Apprentices being trained at a lacquerware workshop*



*A micro/home-based lacquerware business at a household*



*An underground drying cellar, which is one of the most important steps in the lacquerware production process*



*Government's Lacquerware Technology College in Bagan*

## II. FEATURES OF THE LACQUERWARE CLUSTER

### A. Products

The lacquerware products being produced in Bagan can be roughly categorized into three groups:

1. Traditional lacquerware
2. Gold lacquerware or 'shwe z'wa' and
3. Japanese lacquerware.

As shown in the pictures above, the lacquerware products range from small souvenirs to very large decorative items and can be for daily use and decorative purpose.

Some examples of traditional lacquerware are: drinking cups which are made out of bamboo, horsehair and lacquer sap; cosmetic boxes; betel boxes; cheroot trays.

Gold lacquerware is mainly for religious purposes and decoration. Some examples are: Buddha images; flower caskets; wall decorations.

Japanese lacquerware has a marbled pattern of gold and brown on a dark background and cracked eggshells which are set on a plain lacquer surface. Some of the Japanese lacquerware has a characteristic pattern with thin flat ivory-color pieces which are cut from the inner core of the palm tree.

A book titled "Bagan Lacquerware. A concise introduction to Bagan lacquerware, its history and how various styles and designs are made by hand as well as how to care for these beautiful works of art" by Ma Thanegi, published in 2013, provides detailed descriptions of lacquerware products from Bagan.

### B. Production process

To produce a fine lacquer ware product, there are dozens of steps to go through – even up to 40 steps to ensure the good quality. How many steps each product needs to go through depends on what type of the product it is. However, all these steps can be categorized into three main phases:

Sr.	Process phase	Duration	
		Minimum	Maximum
1.	Preparing the base (preparing a-phyu-dee: frame) (bamboo, cane and horse hair)	30 minutes	45 days
	Preparing the base (preparing a-phyu-dee: frame) (wood)	One hour	45 days
2.	Applying lacquer (preparing a-net-dee) (bamboo, cane and horse hair, wood)	60 days	85 days
	3.	Decoration	30 days

\* Minimum means for small size products and maximum means for large size products

There are three types of bases in the first phase<sup>1</sup>:

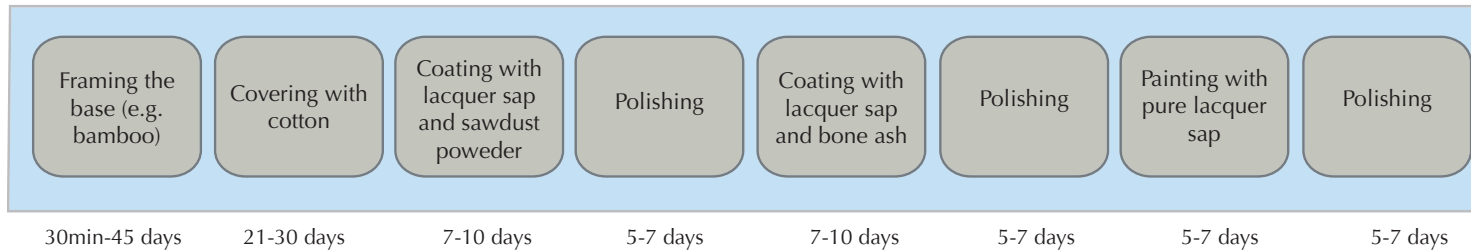
- Wooden bases for boxes, trays and furniture
- Woven or coiled cane or bamboo
- Woven bamboo and horsehair small flexible cups

In the first phase of preparing the base or the frame, bamboo, wood, horsehair and other raw materials are made into the required shapes depending on the what kinds of products before the items are cleaned for application of lacquer sap. In the second phase, lacquer sap is coated on the items over a layer after another. The first time of coating takes at least a month and the number of layers can be up to 40, depending on the desired quality. The second phase can take from four months to two years to produce a fine quality product. After that, items are decorated with designs and colors and mostly done by women. After the decorated items are washed several

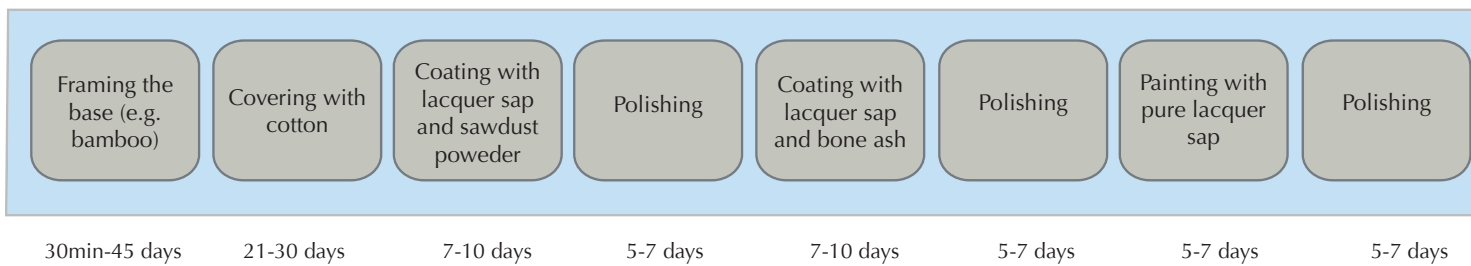
<sup>1</sup> Ma Thanegi, *Bagan Lacquerware*, 2013

times, they are ready for use. Details of production process of lacquer ware can be seen on Ma Thanegi's book. The followings are the basic steps in production processes for three different types of lacquer ware: traditional lacquer ware, gold lacquer ware and Japanese lacquer ware.

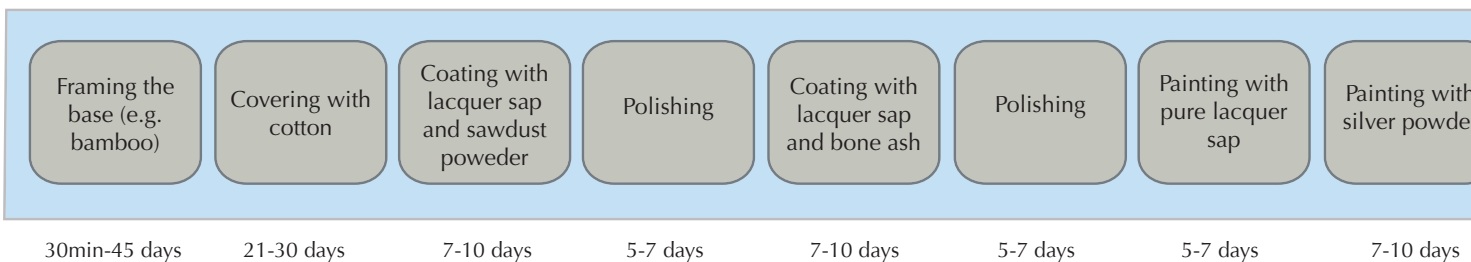
### Basic production process and time consumption for traditional lacquer ware



### Basic production process and time consumption for gold lacquer ware

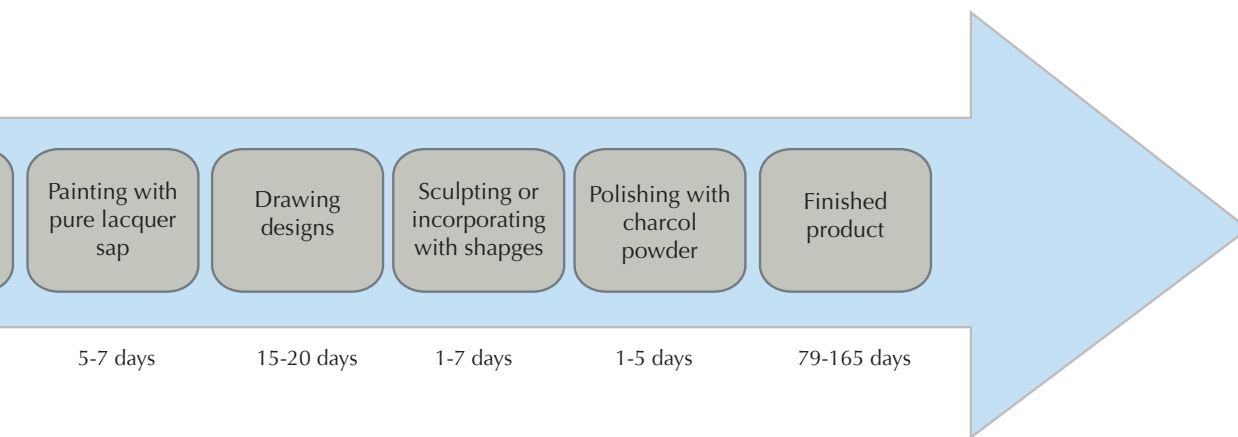
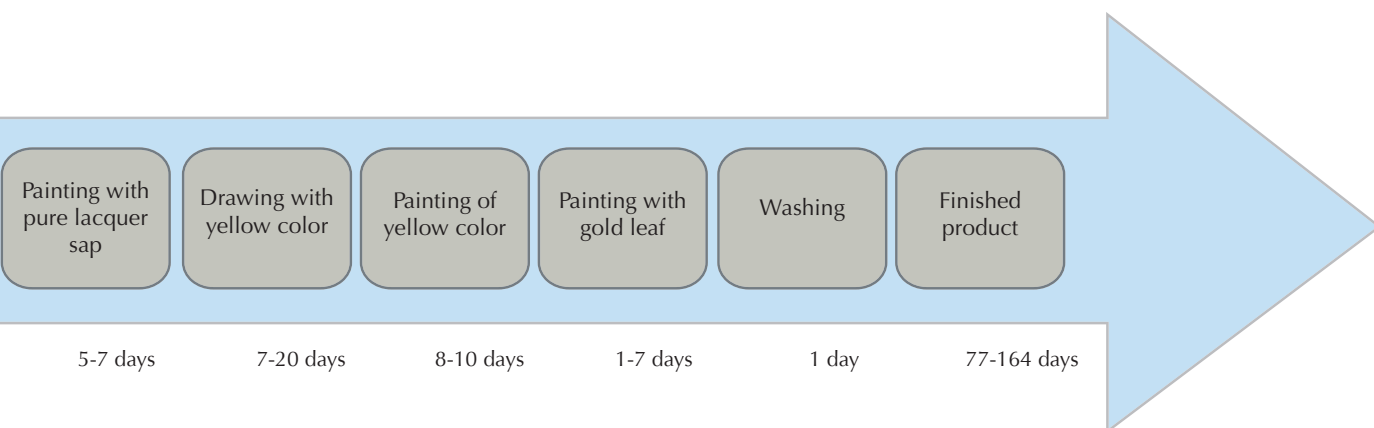
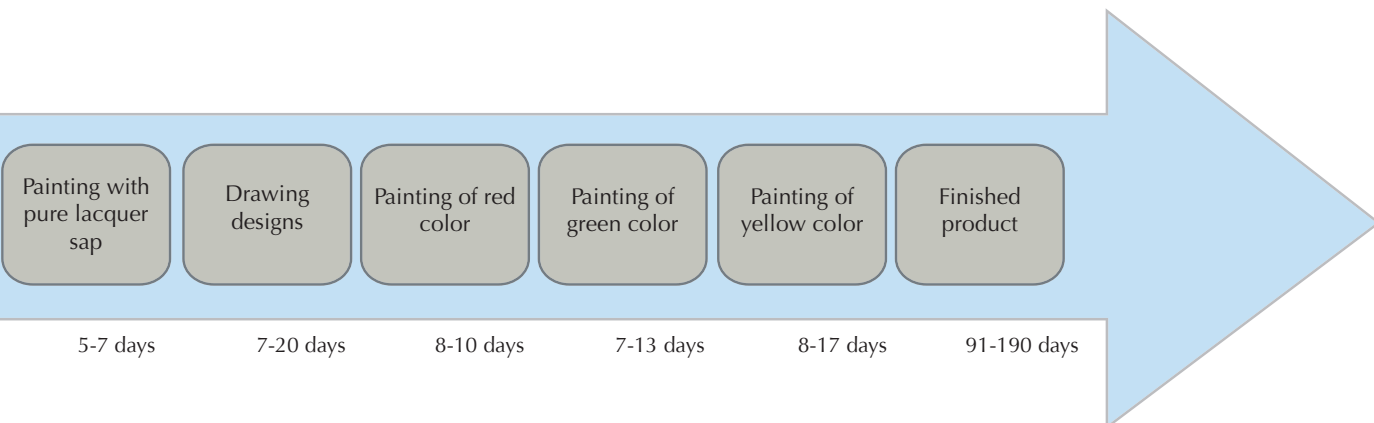


### Production process for Japanese lacquer ware



Source: Bagan House Lacquerware Workshop





## C. Supply of raw materials

Lacquer sap ('thitsi' in Myanmar) or *Melanhorrea usitata* is the required main raw material needed to produce lacquerware. Lacquer sap is used to make the product durable, water-proof, to enable the products to be decorated with designs. Lacquer sap is produced in Shan State, Mawlamine, Ya-mae-tin, Mongywa and upper Myanmar.

The lacquer tree is found in a number of different parts of Myanmar and was probably more widespread in the past, prior to the high forest exploitation that took place in the last 50 years. The resin is harvested from the tree through the same practice applied to extract rubber. The usual method of tapping is to make two deep scratches to form a V-shape. The scratches are eight to ten inches long, and about two inches deep. At the base of the V-shape, small bamboo cups or plastic cups are placed, with an edge stuck into a small horizontal cut just at the base of the V. The sap, which exudes from the V-shaped notch flows into the cup. Lacquer tree has never been grown under plantation conditions, but gathered, randomly, in the forest.

Bamboo is also a main raw material for producing lacquerware. Bamboo is mostly transported from Katha, Shan State and upper Myanmar. Wood and cane are also used for bigger lacquerware products and they are brought from mountainous areas in Myanmar, such as Kachin and Shan State. Major raw materials such as lacquer sap, bamboo, wood and cane are transported to Bagan via Irrawaddy River.

Horsehair is used for the production of flexible products, such as drinking cups. It can be bought locally in Bagan and surrounding areas. Some other raw materials used for decoration, are gold leaf, gems, colors and clay.

## D. Technology, machinery and tools

In Bagan, lacquerware products are made through traditional processes and no advanced technology or powered machinery has been used in any part of the production process so far. Some medium-sized firms use electrical lathe machines to make the classic tiered designs out of wood, but most firms operate similar machines manually. Some other important tools and elements used in the process of production are underground drying cellars, sharp blades that are used to etch designs on the surface of items and polishing agents.

During the study, several primary firms indicated that they want to acquire humidity/temperature control technology that would shorten the time required to dry the lacquer sap applied items (at least one month in a traditional drying cellar). The technology stabilizes the humidity in the drying cellars, maintaining 60 – 70 degrees Fahrenheit of temperature. Such technology is available in China, Japan, Viet Nam and Korea.

Most of the primary firms contacted prefer the traditional production process to using machinery and foreign technology to preserve traditions and to ensure the quality of products in terms of durability and designs. Some accelerated drying techniques based on chemicals reduce the quality and durability of products.

During the interviews conducted for the elaboration of this study, several senior lacquerware masters also pointed out, that foreign technologies, such as those from Japan and Viet Nam cannot be applied in Myanmar due to the differences in terms of types and quality of raw materials, production processes and the ways of sculpting the designs.

At the same time, they all agree that better and larger underground drying cellars with temperature and humidity control, that are weather-resistant, are required. Moreover, several lacquerware producers mentioned that they want to acquire Food and Drug Administration (FDA)-approved quality coloring materials from other countries and quality polishing sandpaper which can be bought from the United States and Japan.

## E. Labor, skill level and training

Almost all of the workers involved in the lacquerware industry have learned their skills of making lacquerware at home or from workshops, rather than at a school. Lacquerware making techniques have been passed down from generation to generation through traditional apprenticeships.

The conducted study shows that the education level of workers ranges from primary level to college level or higher education. About 5% of the workers have primary education (5 years), 15 % have secondary education level (3 years), about 65 % have high school level (2 years) and the remaining 15% have college level education (2 years).

It takes at least three years of training to become a well-trained professional in lacquerware production. Many young students are enrolled in apprenticeships at lacquerware workshops during their school holidays to receive training and earn some extra pocket money. Each apprentice is paid 1\$ to 1,5 \$ per day and needs to bring her/his own meal from home. After one year of training the trainees have acquired basic skills.

Since many skilled workers have moved from the lacquerware industry to other tourism-related activities (see chapter IX), the skills gap has widened.

The highly skilled lacquerware masters and workers, who are passionate about lacquerware, remain in the industry but are facing the challenge of a lack of skilled young workers and are therefore forced to recruit young people with little skills. For example, the Ever Stand lacquerware workshop in Bagan recruited 25 young apprentices from surrounding villages and is now providing on the job training, which costs about 25,000 \$ per year to train about 25 young apprentices as the firm also covers the transportation expenses.

In addition to the lack of skilled lacquerware professionals, the cluster in Bagan is also facing a lack of required business skills, such as management, HR, marketing, sales and accounting. This kind of issue could be addressed through the promotion of the Business Development Service (BDS) providers in Bagan (marketing, logistics, access to finance, accounting, management, IT).

## **F. Markets**

The main domestic markets for lacquerware products (home use, such as teacups, plates, trays, jars, jewel container, boxes, and religious offerings, and decoration in general) are retail shops in Bagan and other major cities in Myanmar, such as Yangon and Mandalay. The international market for the lacquerware products from Bagan has been rather limited. However, the domestic market is expanding as tourist arrivals to the country are significantly increasing in the past few years and also after the banks introduced POS machines in Bagan. The sale to other retail markets in Yangon, Mandalay and Inle has also increased, mainly due to the opening of the country and increasing tourist arrivals.

In terms of international market presence, some small and medium firms used to have regular customers from Thailand. However, the orders from these regular customers have declined recently. One major reason could be that since the economic sanctions were lifted by the western countries, customers who used to buy lacquerware products in Thailand now directly deal with the suppliers in Myanmar. Consumers from other international markets come from Japan, Korea, Italy, France, Germany and Spain.

The limited access to the international market is one of the major obstacles for the growth of the lacquerware industry in Bagan. Some suggestions to overcome these obstacles are proposed in the strategy section of this study.

## **G. Finance**

It was not possible to obtain any related financial information from the enterprises contacted for the purpose of this study, as some enterprises refused to provide information due to concerns about confidentiality and implications in the competition with other firms and most of the micro and small firms simply could not provide monthly or annual financial figures because they do not have financial records or proper accounting.

An owner of a major firm said, "We know how much profit we make when we could buy land, a house or a car. We reinvest when we generate revenue, but we do not have proper records."

Most of the lacquerware enterprises are traditional small family businesses that have been passed down from generation to generation and do not have records of start-up finance or monthly or weekly profits.

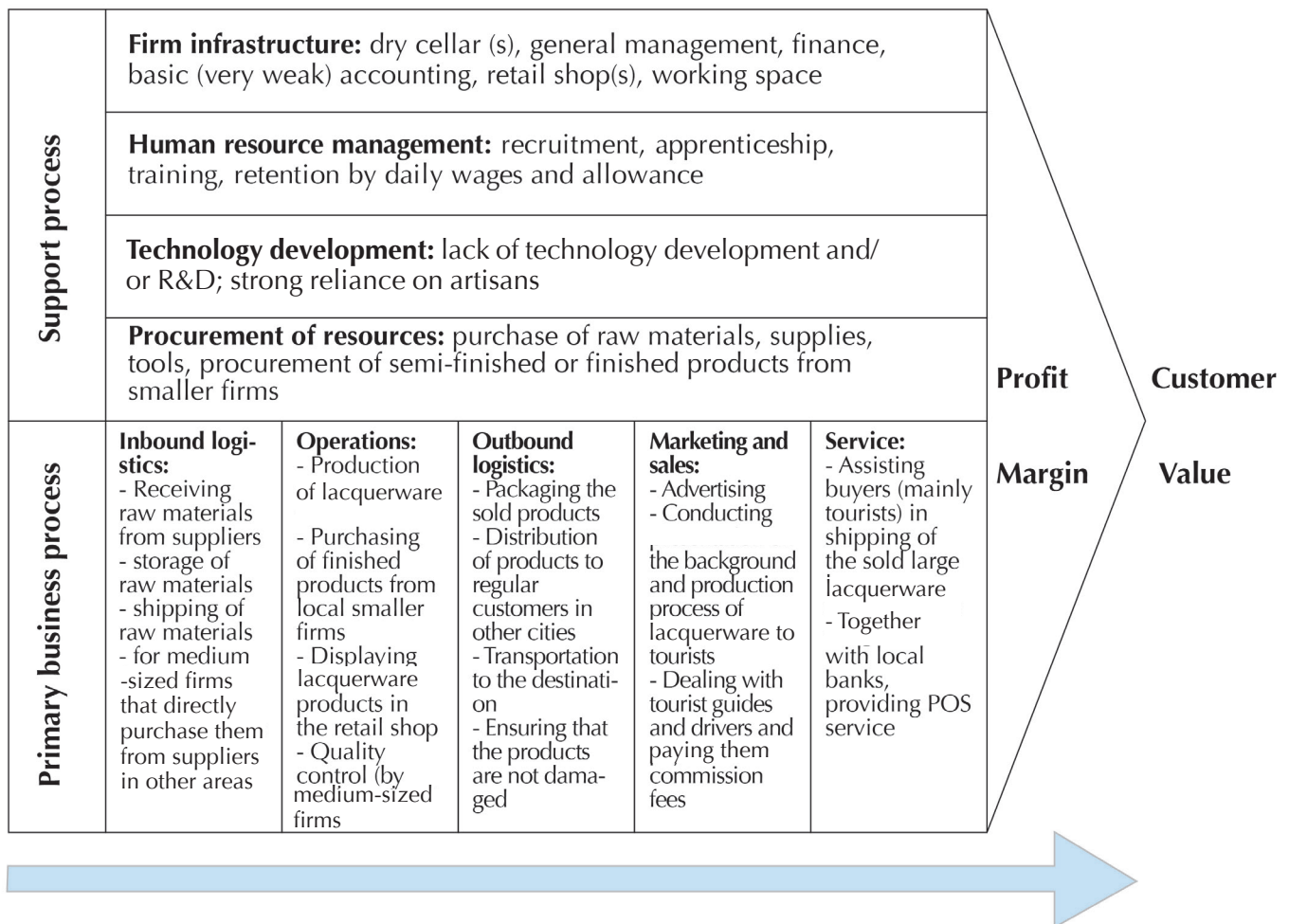
It is important to note, that most of the lacquerware enterprises prefer not to get loans from any sources to finance their businesses, but rather prefer to generate revenue from sale and increase their working capital.

The targeted interviewees were also asked if they required any additional financial resources in order to expand their businesses. Many of them, especially the micro and small enterprises mentioned that they needed finance to build better and bigger drying cellars that require a significant amount of capital investment.

### III. OVERVIEW OF THE VALUE CHAIN

The following figure depicts the value chain analysis (based on the Porter's value chain model<sup>2</sup>) for primary firms, including the small and medium-sized lacquer enterprises in Bagan.

Figure 1 Value Chain analysis of the lacquerware cluster in Bagan (based on Porter's value chain model)

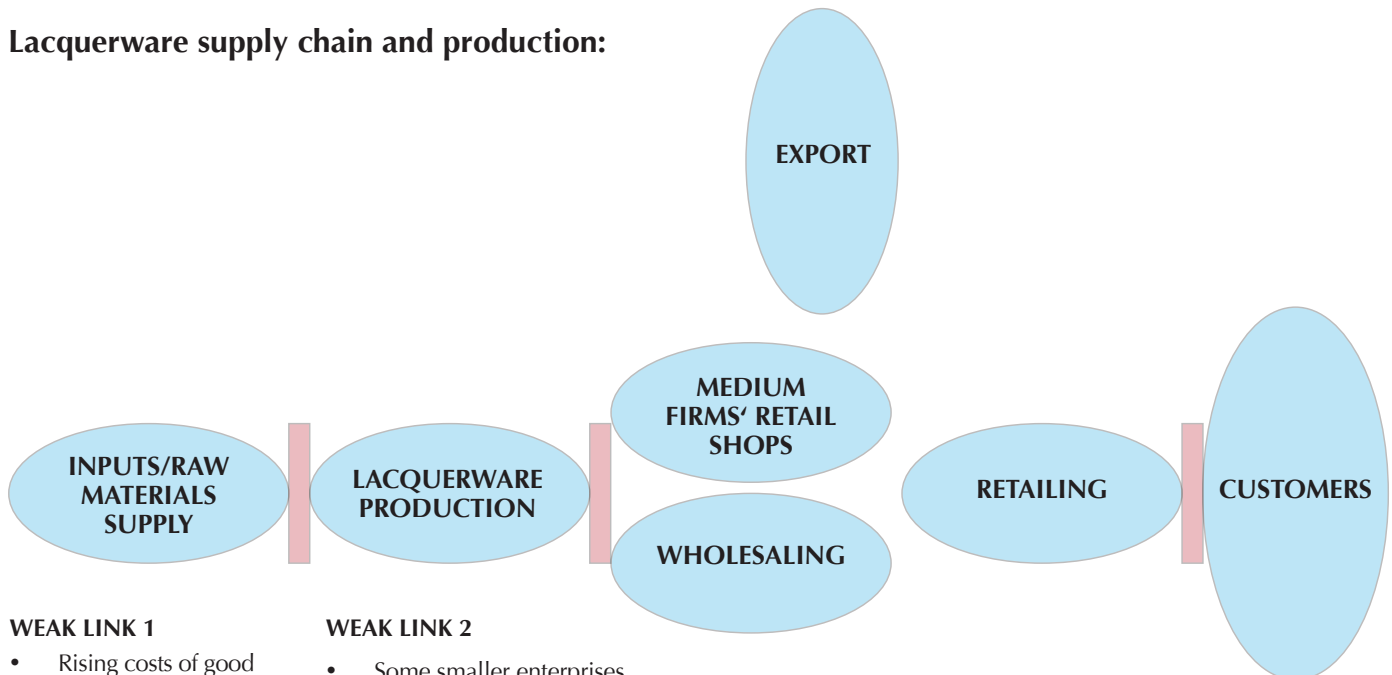


2 Porter, Michael E., «Competitive Advantage». 1985, Ch. 1, pp 15-11. The Free Press. New York.

## Weak links identified by the study:

- Limited trust among stakeholders
- Low linkages among major stakeholders
- Firms and stakeholders lack long term strategies
- Weak supporting institutions (e.g such as lacquerware college, vocational trainings)
- Limited coordination and cooperation among stakeholders
- Limited information and data on lacquerware business cluster
- Limited practical support from government institutions to the cluster
- Lack of understanding on cluster development

## Lacquerware supply chain and production:



### WEAK LINK 1

- Rising costs of good quality raw materials
- Lack of control over the quality standards of the raw materials
- Seasonal dependency and different quality over seasons
- Same price of the inputs for different levels of quality.

### WEAK LINK 2

- Some smaller enterprises use inappropriate techniques which lead to low quality products
- Limited innovative ideas and techniques in the process of production
- Shortage of skillful designers and artists in decoration works
- Lack of modern facilities such as humidity/temperature controllers
- Lack of finance for micro and small enterprises
- Use of poor techniques rather than traditional ways (by some enterprises)
- Poor working environments
- Lack of quality control regulations or systems - from raw to finished products.
- Enterprises are not willing to investment in the development of business management skills of employees.

### WEAK LINK 3

- MSMEs cannot sell their products or stocks on time to generate revenue and increase working capital
- Lack of access to international markets
- Limited marketing skills and promotional events
- High level of competition from substitute products
- Lack of effective and efficient shipping and transportation options

### WEAK LINK 4

- Commission to tourist guides and drivers
- Lack of common standards and quality criteria

### SHORTAGE OF SKILLED LABOUR ISSUES IN THE PRODUCTION PROCESS:

- Lack of quality education in the country
- Very high level of turnover of skilled labor to other industries (e.g., service related industries)
- Lack of interest in lacquerware business by younger generation
- Parents encourage their children to pursue other professional career rather than lacquerware related career

## IV. ACTORS AND THEIR SOCIO-ECONOMIC CONDITIONS IN THE CLUSTER

### A. Primary enterprises

There are about 650 to 750 micro, small and medium lacquerware enterprises in Bagan and Nyaung-U, with an estimate overall direct employment to at least 4,000 locals. Due to the nature of the work environment and culture at the lacquerware workshops (no contracts), it is difficult to have the accurate statistics on the level of employment. Almost all of the medium and small enterprises are registered with or pay taxes to the local municipality, while the micro-enterprises are not registered anywhere. Home-based enterprises do not need to register with any government department and are not required to pay taxes as per common practice.

Size of Enterprises (by employment)	Estimated No. of enterprises	Estimated overall employment	Estimated annual revenue	Estimated annual profit
Micro (less than 10 employees)	600 – 700	3,000	MMK 30 – 120 lakhs	MMK 15 – 75 lakhs
Small (11 – 50 employees)	40 – 50	900	MMK 120 – 2000 lakhs	MMK 50 lakhs – 1200 lakhs
Medium (51 – 100 employees)	6 – 8	500	MMK 2000 – 5000 lakhs	MMK 600 – 2500 lakhs
Estimated total	<b>646 – 758</b>	<b>4,400</b>	-	-

1 lakh = about 100 USD

### B. Poverty gap among different sizes of firms

Among the different sizes of enterprises operating in the lacquerware cluster in Bagan, it was noted, that larger enterprises that own retail shops are better-off compared to micro-sized firms. The main reasons for this are that the large retail shops control the tourist market in Bagan, accounting for up to 95% of the market share; they are more competitive than the small and micro firms as they are able to pay high commission fees to tourist guides and taxi drivers that bring tourists to their shops. Micro-sized enterprises depend on the retail shops to access the market and cannot determine the price of their products, unless tourists purchase directly from them. Almost all quality products can only be found at large retail shops. Although some small firms also own retail shops, they are less competitive compared to the medium size firms that have recruited most of the skilled workers in the cluster, as they are able to pay better daily wages. Most of the small firms are currently struggling with the shortage of skilled workers due to the significant movement of skilled labor from the lacquerware industry to the service sectors.

This has increased the income gap among the different firm sizes, as well as among their workers. The income gap between employees at a micro firm and a medium-sized firm can be up to 40%.

### C. Workers

The workers are important players in the lacquerware industry due the labor intensive production process. In Bagan, all workers at lacquerware enterprises are locals. The average age of employees working at the small and medium sized lacquerware workshops is 20 to 30 years. The study concludes, that:

- There are no types of contracts between the employers and the employees
- Employees are paid on a daily basis and there is no requirement for them to come to work every day
- They do not need to submit a formal request letter for leave
- There is no legal or formal binding between the employers and the employees after they leave the firms

Common working hours at the lacquerware workshops in Bagan may vary. The most frequent working hours are listed on the next page:

- 7:00 am to 4:00 pm
- 7:30 am to 4:30 pm
- 8:00 am to 5:00 pm

The average daily wages<sup>3</sup> (in Kyats) for employees (workers, not apprentices) working in the lacquerware sector are:

Gender	Micro-size	Small-size	Medium
Male	2500 – 3500	3000 – 4000	3500 – 5000
Female	2000 - 3000	2500 – 3500	3000 – 4000

The ranges of daily wages are very much based on the skills and years of experiences of individuals rather than on a fixed or standardized pay system.

The workers are sometimes given additional social and medical allowances. For example, married working couples may receive some financial allowance when they have a new child and a worker who is sick and hospitalized will be given a medical allowance by the firm. However no written legislation is applied to these cases.

The owners, co-owners and co-workers of home-based or micro enterprises are middle-age or older. The main reasons are:

- They are married and have children who they need to take care of
- They prefer flexible working hours
- They possess specific skills or lacquerware making techniques that help them earn more revenue compared to daily wages at the other lacquerware workshops

#### **D. Suppliers of raw materials**

Direct suppliers of raw materials are traders from mountainous areas such as Shan State, Kachin State, Monywa Township, Katha Township and upper Myanmar. They have close business relationships with local traders in Bagan, who buy the raw materials from the direct suppliers and stock them in Bagan for sale to lacquerware enterprises, especially the micro and small businesses. Some of the small and medium sized lacquerware firms have direct linkages with the raw material suppliers from other towns or cities. The main objective of this is to secure the good quality of the raw material, such as lacquer sap and bamboo and obtain better prices.

#### **E. Subcontractors and franchisers**

Although there is no practice of formal contracting or subcontracts, informal subcontracts are common between different sizes of lacquerware enterprises. There have been almost no signed or formal contracts between different parties in the lacquerware cluster. There are also some franchising practices, though not significant. The linkages between such actors will be further discussed in the section of horizontal linkages.

#### **F. Marketers: dealer, retailer and commissioner (tourist guide)**

The main marketers for lacquerware products are the retail shops in Bagan. About 50 to 80% of the stocks being displayed at the retail shops in Bagan are purchased from the smaller and micro-enterprises, which are commonly home-based. Although the major retailers are also family-owned, they have a much larger scale of sales and control up to 90% of the market in Bagan. There are also retail shops in some major cities including Yangon and Mandalay, that are regular customers to small and medium-sized enterprises in Bagan.

There are some levels of informal dealerships among the different sizes of firms. This topic will be further discussed below in the section on the vertical linkages.

<sup>3</sup> Unskilled/hard work daily wage: min \$2, median \$3, max \$5.

Large retailers (6-8 businesses, 0.8% of all lacquerware producers) control the tourist market in Bagan and usually have connections with tour guides or tour groups. The tourist guides or taxi drivers who bring the tourists to the retail shop are usually paid 30% of the revenue from sale (if both are present, tourist guide receives 20% and driver receives 10%). This practice helps large companies and retailers to link with tourists and increase their revenues. However, micro and small companies cannot compete, as they cannot afford to pay the commission fees to tourist guides.

## G. Supporting institutions

There are a number of supporting institutions to the lacquerware cluster in Bagan, even though the linkages between them and the cluster are very weak. Through the provision of POS machines, bank institutions have contributed to the increase in sales in the past years. PACT-Myanmar, a non-governmental organization, also offers microfinance services to the locals, particularly for women. The NGO provides up to MMK 5 lakhs or 500 USD at a low interest rate. The services offered by PACT-Myanmar are not just for lacquerware producers, but for other industries as well. The cooperative department of the government also provides micro loans to some families, but again this service is not exclusively targeting lacquerware businesses.

The government's Lacquerware Technology College is considered as a supporting institution for the cluster. However, there has been very limited linkage between them in the past decade. In order for the college to be an effective supporting institution to the cluster, it is necessary that the college improves its facilities, curriculums and provides practical short-term and long-term training programs to potential and existing workers involved in the cluster.



## V. OVERVIEW ON ANALYSIS OF BUSINESS OPERATIONS

There are six to eight medium-sized<sup>4</sup> lacquerware enterprises in Bagan and each of them employs between 51 to 100 workers. These businesses have their own retail shops that display all kinds of lacquerware products from the region. Some of these firms include U Ba Nyein Lacquerware Workshop, Tun Handicrafts, Bagan House, Ever Stand, Mya Thit Sar and Shwe La Yaung. Their businesses were started several generations ago and passed from one generation to another. These companies control the local tourist market, as they have well-trained and English speaking sales and marketing staff at their workshops and retail outlets. These medium enterprises rely heavily on the smaller or micro firms that supply either semi-finished or finished products. About 60 to 80% of the finished products being displayed at their retail shops are supplied by smaller firms.

Even though the main buyers are tourists from different countries including France, Italy, Spain, Germany, Japan, Korea, China and Thailand, most of the medium enterprises also have regular customers from major cities such as Yangon, Mandalay and Inle Lake. The increase of tourism in the region has significantly contributed led to a significant growth of this cluster. The availability of POS machines has also had a positive impact on this development. The sale to tourists account up to 80% of total sale for some enterprises.<sup>5</sup> For marketing, most of the enterprises rely on the tourist guides who bring tourists to the workshop. The retail shops pay from 20 to 30% of sale price to the tourist guide or/and taxi drivers who bring the customers to the shop.

These medium firms employ some of the most skillful workers in the industry by paying them comparatively better salaries. These skilled employees make good quality products for foreign customers or consumers. The daily wage for skilled labor working at these firms range from 3500 Kyats to 5000 Kyats for male workers and 2500 to 4000 for female workers per day. No employee is paid on monthly basis and there is no contract between the employers and the employees.

Compared to small and micro firms, larger firms have a higher level of entrepreneurship background, as several of the current and former owners of the enterprises received training abroad. Some of the entrepreneurs even brought back technology from Japan, especially bamboo and cane related technologies and applied them in their works.

Almost all micro enterprises and many of the small-sized firms see the larger firms as their markets, as they have been given informal subcontracts and offer their finished products to them. Micro firms also supply with semi-finished or finished products to small firms that have informal wholesale contracts with medium firms or regular customers in other cities including Yangon and Mandalay.

In Bagan, not every family is involved in production of lacquerware. Many of them are involved in trading of raw materials such as bamboo, lacquer sap, wood and coloring materials. These traders have strong linkage with suppliers of raw materials from Shan State and upper Myanmar.

# VI. CLUSTER MAPS

Figure 2: Lacquerware Cluster Map of Nyaung-U Township

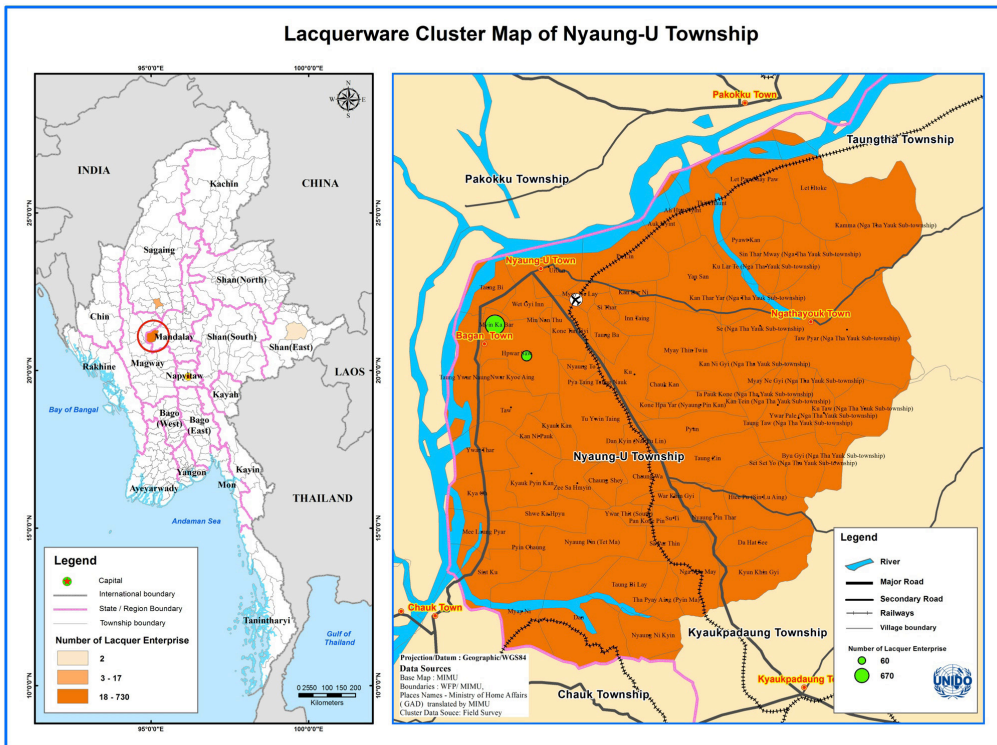
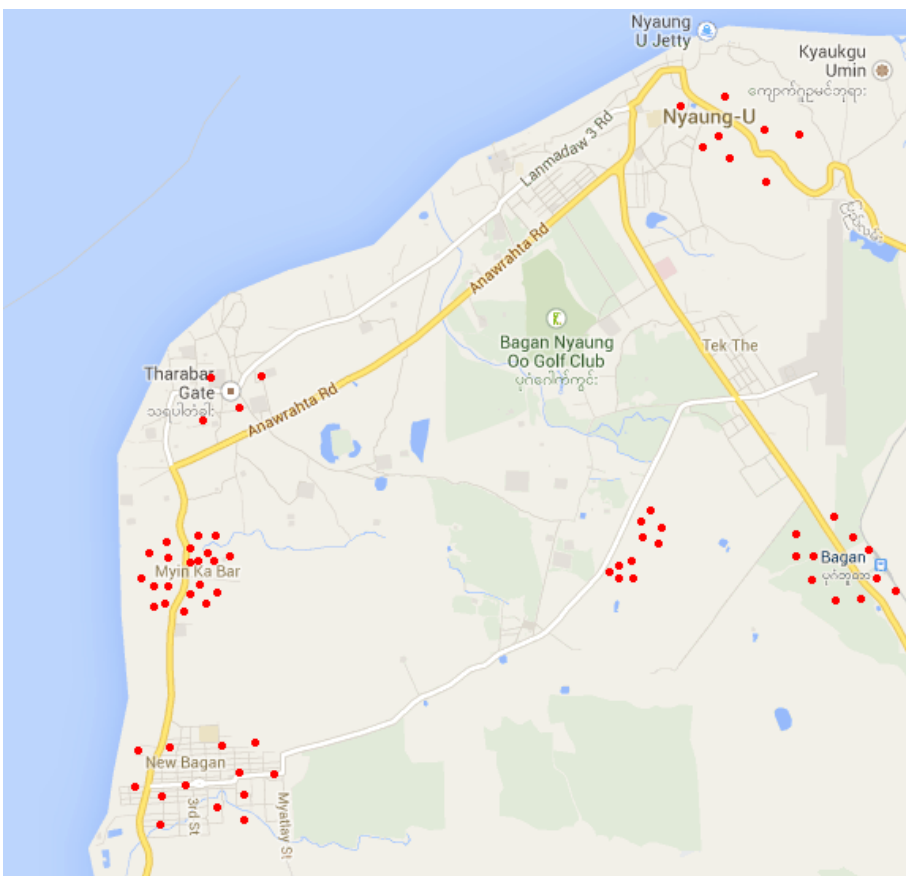


Figure 3: Location of small and medium lacquerware enterprises



## VII. STAKEHOLDER LINKAGE ANALYSIS

A matrix of stakeholder linkage analysis was conducted in order to explore levels of linkages among the major stakeholders including lacquerware enterprises, direct raw material suppliers, government's lacquerware technical college, financial Institutions (banks, regional business association (MRCCI)), local business association at township level, BDS providers, other supporting institutions, such as cooperatives, PACT-Myanmar, tourist guides/taxi drivers, etc.

The scoring criteria for the stakeholder linkage analysis was set as follows:

1.	No linkage or no cooperation or no impact on each other	0
2.	Poor linkage or weak cooperation or very little impact on each other	1
3.	Fair linkage or some cooperation among them or some impact on each other	2
4.	Good linkage or good cooperation among them and has significant impact	3
5.	Very good linkage or excellent cooperation among them and excellent impact	4

As depicted in the matrix below, the highest level of linkages among the stakeholders are:

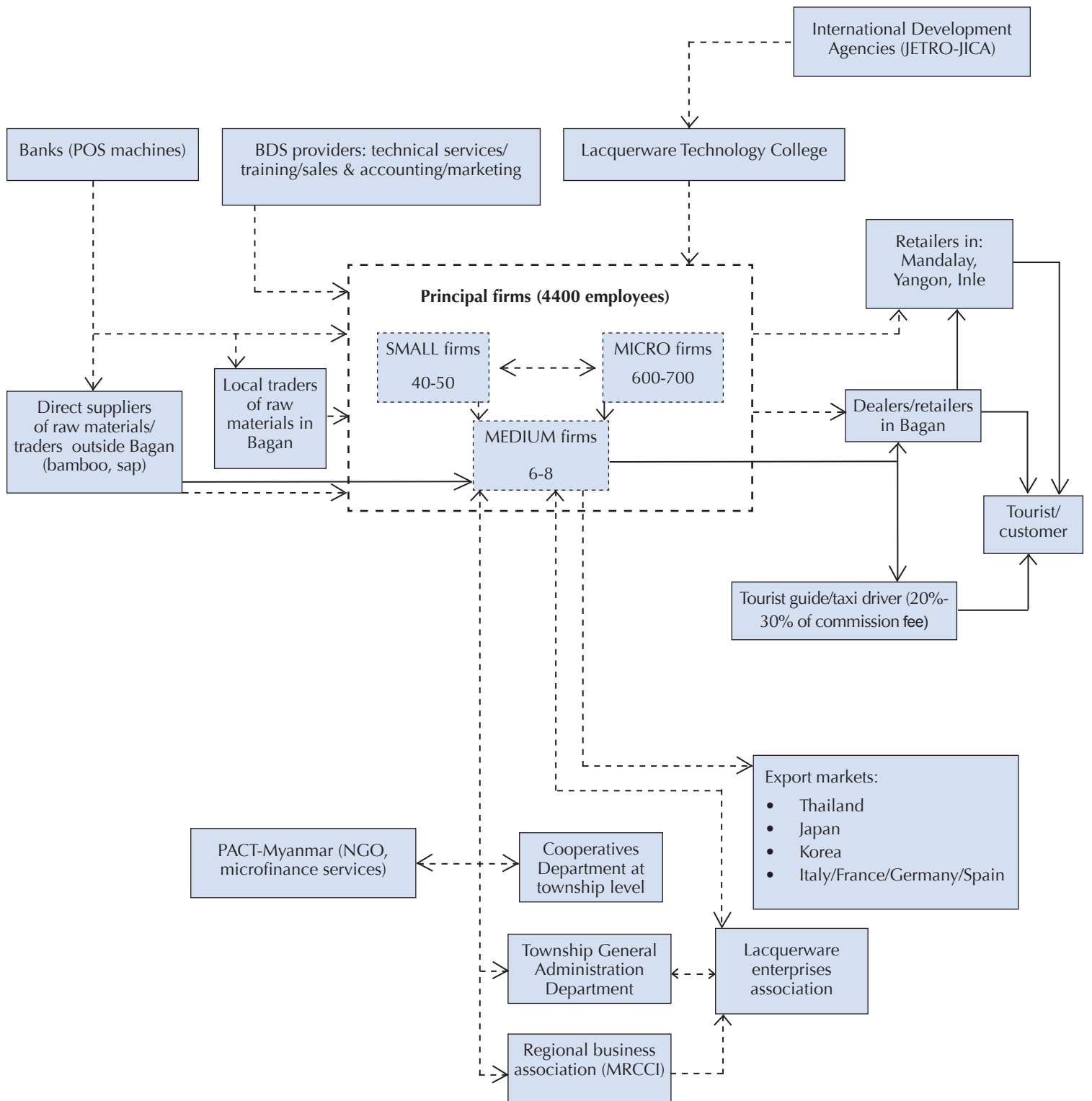
- Between the lacquerware enterprises with different sizes – by number of employees
- Medium sized enterprises that own large retail shops and tourist guides/taxi drivers who take tourist to the shops
- Direct raw material suppliers and medium-sized enterprises
- Matrix on the level of linkage among the major stakeholders in the lacquerware cluster



	Micro firm (less than 10 employees)	Small firm (11 – 50 employees)	Medium firm (51 – 100 employees)	Direct raw material supplier	Government's lacquerware technical college	Financial Institution (Banks)	Regional business association (MRCCI)	Local (township level) business association	BDS provider	Other supporting institutions (Cooperatives, PACT-Myanmar)	Commissioner or tourist guide (who brings tourists to workshops)
Micro firm (less than 10 employees)	0	2	3	1	0	1	0	1	0	2	1
Small firm (11 – 50 employees)	2	0	2	2	0	2	0	1	0	1	2
Medium firm (51 – 100 employees)	3	2	0	3	1	2	1	1	1	0	3
Direct raw material supplier	1	2	3	0	0	0	0	0	0	1	0
Government's lacquerware technical college	0	0	1	0	0	0	0	0	0	0	0
Financial Institutions (Banks)	1	2	2	0	0	0	0	0	0	1	0
Regional Business Association (MRCCI)	0	0	1	0	0	0	0	1	0	0	0
Local (township level) business association	1	1	1	0	0	0	1	0	0	0	0
BDS provider	0	0	1	0	0	0	1	0	0	0	0
Other supporting institutions (Cooperatives, PACT-Myanmar)	2	1	0	0	0	1	0	0	0	0	0
Commissioner or tourist guide (who brings tourists to workshops)	1	2	3	0	0	0	0	0	0	0	0

# LACQUERWARE CLUSTER MAP

(Dashed lines show weak linkages)



## VIII. INSTITUTIONAL LINKAGE ANALYSIS

### A. Government's Lacquerware Technology College

Founded in 1924 in Bagan, the lacquerware training school was upgraded to Myanmar Lacquerware Institute in 1995. In 2003, the institute was renamed as Lacquerware Technology College, offering one-year and two-year lacquerware technology diploma courses. Each academic year about 350 to 400 students mostly from Nyaung-U district are enrolled. The curriculum includes basic lacquerware, English, mathematics, accounting, statistics, management and ICT. With support from Japanese Development Agencies, such as JICA and JETRO, the college has established exchange programs with institutions in Japan.

However, the linkage between the lacquerware cluster and the college is very weak due to the following reasons:

- The students attend the college not because they are interested in lacquerware business, but rather because the college is seen as a stepping stone to continue higher education at other universities, such as Monywa Economics University. Therefore, the students who are trained at the college rarely work in the lacquerware industry
- The college recruits only the students who graduate from high school, giving no opportunities to young people that have not graduated from high school, but are in fact involved in the lacquerware industry
- The college lacks required facilities for teaching (e.g., it doesn't have enough budget to purchase required raw materials, such as bamboo, wood, lacquer and other tools needed for practical training purposes)
- The college does not have short-term or long-term vocational training programs that are suitable for existing workers
- The college does not have a research and development department to conduct in-depth studies on the lacquerware industry
- The college does not reach out to the lacquerware enterprises for collaboration
- Even though the college used to organize promotional events, such as contests, exhibitions, such events have halted mainly due to mismanagement or lack of proper management of the college
- On the lacquerware industry side, the enterprises lack trust in the college
- The enterprises prefer to use traditional way of teaching and training new apprentices
- The enterprises also do not like to send their workers for short-term trainings to the college due to the lack of belief that the trainings will be beneficial to their businesses

### B. Financial institutions

All banks are located in Nang Oo, which is closer to the airport, but quite far away from most lacquerware businesses. None of the banks offer special products or services for the lacquerware industry yet. All lacquerware shop owners get standard services and conditions at the banks. During the study no significant loans or credits to the lacquerware businesses could be detected.

The most requested financial services from the lacquerware businesses are:

- Remittances to other townships within Myanmar
- Foreign exchange (mostly USD into Myanmar Kyat MMK)
- POS (Point of sale) machines, so customers can pay by credit card in the lacquerware shops (lacquerware businesses have to pay a 2% fee on every transaction).

Often, major business owners have two POS machines due to low connectivity (one for the telephone line, one for the internet/GPS). This infrastructure is expected to be improved by the new telecommunication providers operating in Myanmar (Telenor/Oredoo).

Banking institutions in Bagan	POS installing service	Clients with Lacquerware background	Comments
Aya bank	✓	Around 10	Plans to open 2nd branch in New Bagan to be closer to more clients in 04/2014
Tun Foundation Bank	x	< 10	Best FX rates sometimes and most professional booth at the Bagan Airport
KBZ	✓	> 50	Best remittance service due to most branches in Myanmar, has a 2nd building closer to the market for FX exchange
CB Bank	✓	< 20	Just opened 3 months ago, in the process of increasing number of clients

### C. Business associations

Only in early March 2014, the first lacquerware enterprises association (Bagan, Nyaung-U) was formed in the region with the encouragement from the Mandalay Region Chamber of Commerce and Industry (MRCCI). The formation of the local association was driven by the necessity for the lacquerware enterprises to deal with supporting institutions, particularly development agencies. The major lacquerware enterprises are planning to strengthen the association and its role within the industry.

In term of the linkage between the newly formed association and the cluster, some positive backward linkage was observed, since the establishment of the association has helped building a trusted relationship between larger lacquerware enterprises or retail shops and smaller suppliers, who get informal sub-contracts in the process of making lacquerware products. The interviews conducted with members of the new association for the purpose of this study revealed a strong vertical linkage between micro and medium enterprises.

Such business associations within the cluster can be formalized as supporting institutions that promote both, forward and backward linkages. Furthermore, they can organize promotional events, such as exhibitions, contests and auctions to enhance forward linkages, as well as arrange capacity building trainings and partnership matching to promote backward linkages.

### D. Horizontal linkage and inter-firm collaboration

There is a weak horizontal linkage among the medium enterprises that consider each other as competitors. These firms compete with each other in terms of access and control of markets, recruitment of skilled workers, access to good quality raw materials and design innovation (new design ideas and techniques tend to be copied). Among the micro and small enterprises, there is a fair horizontal linkage as they cooperate with each other in the value chain or production processes. For example, when a micro or small enterprise gets a contract with a medium-sized enterprise, but is not able to complete the work because limited production capability and management skills, it will approach its neighbor enterprise to seek for cooperation.

Due to the traditional production process of making lacquerware based on moving back and forward the handicrafts from the drying cells, sapping phase, design and polishing, it is necessary and critical, that the teams of workers or individual workers in one firm cooperate with each other to ensure the quality of products. The study observed an excellent inter-firm linkage within the cluster.

There is also a strong inter-firm linkage between the production teams and the retail shop. The results of the study indicate that this is mainly due to the fact that the retail shop owners want to control the quality of products being displayed at the retail shops.

## **E. Vertical linkage: sub-contracting and franchise practices**

There are very strong linkages among the different sizes of enterprises in the lacquerware industry in Bagan. The micro and small enterprises rely on the medium-sized enterprises that own larger retail shops for accessing the markets and generating revenue from sales. At the same time, the medium enterprises also rely heavily on the micro and small enterprises for integrating their own production or to outsource or contract some semi-finished products.

Most of the micro or home-based lacquerware producers supply their semi-finished or finished products to retail shops without contract. When there are no orders, they go to the shop that offers the best price and try to sell them. If the products are rejected due to lack of quality or the retail shop has enough products on stock, they go to the next one, even if that one will offer a lower price. If the shop also refuses to buy the products, they will go to the next shop until they find one that is willing to take their products for a negotiated price.

In terms of accessing the tourist market, the micro and small enterprises find it difficult to compete with the medium-sized companies that own large retail shops and also offer competitive commission fees to tourist guides and taxi drivers who bring potential customers, particularly the tourists.

Due to the shortage of skilled labor and increasing daily wages for workers, the medium enterprises that own large retail shops in Bagan usually give informal contracts to home-based or micro enterprises for making some types of lacquerware, either parts of the production process or the finished product.

Regular customers from other cities, such as Yangon and Mandalay also make orders to the small and medium enterprises to produce lacquerware products for sale in their retail shops and/or for export. However, the study shows, that micro firms do not have regular customers from other cities.

There is no paperwork, such as signed or formal contracts among micro, small and medium enterprises in the lacquerware cluster – both in the production process and value chain. The agreement or collaboration among them is rather based on mutual trust.

## **F. BDS providers**

There are almost no business development service providers for the lacquerware industry in Bagan, except the advertising agencies and the Government's Lacquerware Technology College, which has a very weak linkage with the cluster. The small and medium lacquerware enterprises provide their own trainings to new workers and apprenticeships young individuals who join the enterprises as unskilled workers. The lack of professional BDS providers in the industry is mainly due to the local enterprise culture where individual firms are self-reliant for their business from every aspect including capacity building, production, management, marketing, sale and others.



## G. Opinion leaders and implementing institutions/agencies

The main opinion leaders in the lacquerware industrial cluster are:

- Owners the medium and small sized enterprises
- Leaders of lacquerware enterprises association at township level
- Entrepreneurs
- International development agencies or organizations
- Officials who are involved in SME development
- Designers or artists working at the lacquerware workshops
- Customers
- Researchers.

The implementing institutions or organizations for the development of the cluster include:

- Lacquerware enterprises association
- International development agencies
- Government institutions including the Lacquerware Technology College and cooperatives
- Medium-sized firms
- BDS providers.



## IX. CROSS-CUTTING LINKAGE

### A. Linkage with tourism sector

In 2013, about 200,000 tourist arrivals were registered to Bagan, which was about a 20% increase to the prior year.<sup>6</sup> The significant increase in tourist arrivals has led to a boom of the tourism-related industries, such as hotels, construction and services. Moreover, the sudden growth in the tourism industry has strong forward and backward linkages with the lacquerware industry.

Positive forward linkage and negative backward linkage for the lacquerware cluster are noteworthy.

There is strong positive forward linkage, as rising tourist arrivals increase demand and sales of the lacquerware products in Bagan, thus giving the opportunities for the lacquer enterprises to generate significant revenue. For instance, 80% of the total sales revenue of the Bagan House, one of the largest enterprises in Bagan, is from tourists.<sup>7</sup> Micro enterprises in smaller villages, such as Pwar Saw and Min Nan Thu also see the growth of tourism as an opportunity, as they are able to increase their direct sales to tourists who appreciate the arts and respect the labor-intensive and traditional way of making lacquerware. Foreign tourists who visit Bagan mentioned their appreciation, not just on the 2500 red-bricked temples, but also on the unique culture of lacquerware.

However, despite the increase in demand of lacquerware products in Bagan there is a strong negative backward linkage for the lacquerware cluster in terms of production, as workers including trained and skilled ones move from the lacquerware industry to tourism-related industries (as mentioned before growing very fast), such as hotel and construction. This negative backward linkage has led to the shortage of skilled labor in the lacquerware industry.<sup>8</sup> The study indicates, that the high level of movement of semi-skilled or skilled labor from lacquerware industry to other tourism-related industries, are mainly due to the following reasons:

- Younger generations prefer to work in hotels, to sitting all day long in the lacquerware workshops and getting their hands dirty<sup>9</sup>
- Working at hotels receive monthly salaries as well as tips from tourists and thus ensure higher income
- Younger generations prefer professional careers, as they can plan for better social ladder
- The social perception of “inferior job” for working at lacquerware workshop when compared to the jobs at other sectors
- Working environments at other sectors are comparatively better than that in the lacquerware workshops
- Parents prefer their children to pursue professional careers rather than working in the lacquerware workshops

The small and medium lacquerware enterprises in Bagan have lost half of their workers in the past year.<sup>10</sup> These enterprises are now facing the shortage of qualified workers to expand their businesses, especially as it takes up to three years of training to acquire the necessary skills.

Some lacquerware enterprises have even downsized their businesses and moved from lacquerware industry to other sectors, such as hotels due to the shortage of skilled labor. For instance, the owner of Shwe Bagan lacquerware workshop has opened a small hotel next to his lacquerware retail shop. His family eventually earns more regular revenue from the hotel business than through their the lacquerware retail shop.

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7 Ibid

8 “Skilled labour shortage poses threat to traditional lacquerware”, The Mizzima News, 11 February 2014, <<http://www.mizzima.com/opinion/features/item/-10897skilled-labour-shortage-poses-threat-to-traditional-lacquerware/-10897skilled-labour-shortage-poses-threat-to-traditional-lacquerware>>

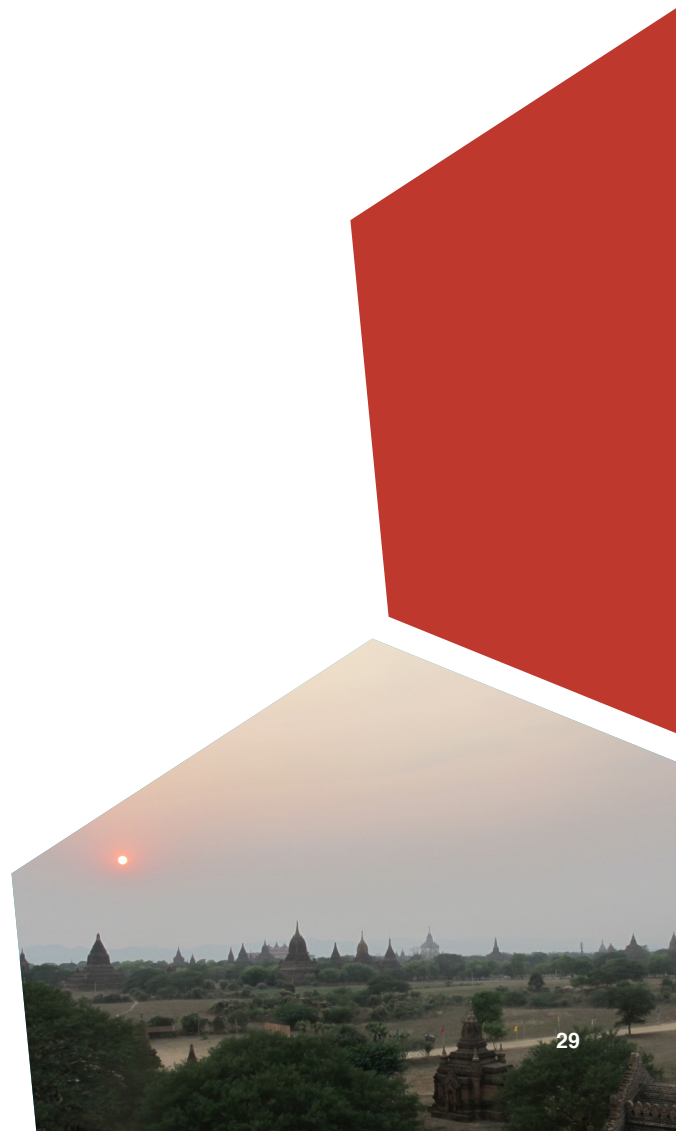
9 Ibid

10 “Bagan’s tourist growth a double-edged sword for lacquer trade”, The Irrawaddy, 22 January 2014 <<http://www.irrawaddy.org/business/bagans-tourist-growth-double-edged-sword-lacquerware-trade.html>>

## **B. Linkage with forestry sector**

The lacquerware business cluster in Bagan has a strong backward linkage with the forestry sector, as major raw materials including lacquer sap, bamboo, cane and wood are forestry products. While bamboo is mostly from Monywa area and Shan State, other raw materials such as lacquer sap, cane and wood are from mountainous regions of the country.

In the past two years, the prices of such raw materials increased 20-30% due to increasing demand related to the overall economic growth of the country. For instance, a quality 15-foot bamboo now costs MMK 2,500 (USD 2.5) and used to cost MMK 2,000 (USD 2) in 2012. Regarding sap, the declining supply might have played a role. When the lacquer sap producers in Ya-mae-tin township moved to gold mining because it became more profitable in 2011, the price of quality lacquer sap increased by 30 %.



## X. SWOT analysis on the cluster

Based on the data collected, a SWOT analysis was conducted in order to analyze the current situation and particularly target the strengths, weaknesses, opportunities and threats of the lacquerware cluster in Bagan. The following sections provide implementable strategies and recommendations in line with the results of the SWOT analysis.

<b>SWOT Analysis Lacquerware Business Cluster in Bagan, Nyaung-U</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>▪ “hand-made” products or handicrafts</li> <li>▪ Strong traditions in the production process</li> <li>▪ Uniqueness in terms of designs</li> <li>▪ Consumers appreciate and acknowledge the product for the labor intense production process, traditional value and regional characteristic</li> <li>▪ Unskilled or skilled workers can be trained</li> <li>▪ Skill transfer through traditional teaching or apprenticeship</li> <li>▪ Enterprises have capability to produce good quality and diversified products</li> <li>▪ Strong vertical linkage among micro, small and medium enterprises</li> <li>▪ Understanding local and domestic markets</li> <li>▪ Flexibility in working environments and hours</li> <li>▪ Recent formation of new local lacquerware association</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of access to international markets</li> <li>▪ Rising prices for raw material and no certification of quality of raw materials</li> <li>▪ No proper or systematic business management (e.g. marketing, accounting, sales)</li> <li>▪ Lack of access to finance for micro and small enterprises</li> <li>▪ Weak supporting institutions (e.g. such as lacquerware college, vocational trainings)</li> <li>▪ Shortage of skilled workers including designers or artists</li> <li>▪ Limited coordination and cooperation among stakeholders</li> <li>▪ Limited information and data on lacquerware business cluster</li> <li>▪ Limited practical support from government institutions to the cluster</li> <li>▪ Lack of advanced technology such as humidity/temperature controller</li> <li>▪ Lack of quality control regulations or systems - from raw to finished products</li> <li>▪ Limited adoption of proven best-practice techniques in areas such as product development of lacquerware</li> <li>▪ Lack of understanding on the concept of cluster development</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Increasing number of tourist arrivals to Bagan</li> <li>▪ Better political and business environments</li> <li>▪ Availability of international markets, as economic sanctions have been lifted by western governments</li> <li>▪ Availability of POS machines – UnionPay, MasterCard, VISA, MPU, etc</li> <li>▪ Tourists’ appreciation on the products and process of making them</li> <li>▪ Location – being in Bagan</li> <li>▪ Strategic location as products can easily be shipped to other parts of the country or to neighboring countries</li> <li>▪ Availability of cheap labor</li> <li>▪ Availability of support from both governmental and international organizations</li> <li>▪ Availability of microfinance institutions</li> </ul>	<ul style="list-style-type: none"> <li>▪ High level of movement of skilled labor from lacquerware cluster to others</li> <li>▪ Use of chemicals or cheap materials such as adhesive latex by some enterprises in making the products</li> <li>▪ Use of easy techniques and ignoring traditional ways by some enterprises</li> <li>▪ Availability of fake products</li> <li>▪ Poor working environments for workers</li> <li>▪ Fierce competition in the international market</li> <li>▪ Lack of trust among major stakeholders</li> <li>▪ The practice of paying commission to tourist guides and drivers</li> <li>▪ Lack of effective and efficient shipping and transportation options</li> <li>▪ Rising costs of good quality raw materials</li> <li>▪ “Keeping skills secret”</li> </ul>

Summary of formulated strategies based on SWOT analysis	
Strategies using strengths to address opportunities	Strategies to reverse weaknesses to address opportunities
<ul style="list-style-type: none"> <li>▪ Promote traditions in view of increasing sales to tourists</li> <li>▪ Improve the role of lacquerware enterprise associations in the cluster and recruit more members by providing technical or managerial assistance to the associations</li> <li>▪ Improve and use vocational apprenticeships to train cheap labour</li> <li>▪ Use lacquerware related associations to expand the domestic markets and enter international markets</li> <li>▪ Standardization, classification and certification of products to enter international market and increase exports</li> </ul>	<ul style="list-style-type: none"> <li>▪ Get assistance from governmental and international organizations to have access to international markets</li> <li>▪ Get assistance from financial institutions and international organizations to invest in building better facilities, particularly drying cellars</li> <li>▪ Employ cheap workers train them to become professional workers</li> <li>▪ Provide seminars, (e.g. firms hire consultants/ employ trainers to improve business performance (like management, marketing, etc.)</li> <li>▪ Use location – Bagan – as large production center keeping the traditional production process – but obtain higher productivity (through adjustments in cooperation forms or technology, e.g. drying cellars) and enter the neighboring markets.</li> <li>▪ Penetrate other international markets by promoting the products through tourism and tourists and via different media tools (e.g. provide better information about products, producing process, labor used, hours for making each product, documentary videos, stories, books, etc.)</li> </ul>

### Strategies to counter threats with strengths

- Attract skilled workers by improving their social status (e.g. workers involved in the cluster should get better financial and social benefits in order to make this career option more attractive and promote the perception of this cluster)
- Use traditional way of training or apprenticeship and foster the creation of better qualified and skilled workforce
- Use associations to organize meetings among stakeholders, build trust among them and promote standardized quality requirements
- Use existing capacity and skills to diversify products targeted at specific markets – by geographical locations and purposes of products
- Use associations to prevent the use of chemicals or cheap materials that might be threats to the reputation of traditional lacquerware products and the environment
- Improvement of working environment will attract more skilled workers to the cluster and enhance quality of the products; high quality standards shall lead to an increase in appreciation of the products by the consumers

### Strategies to fix vulnerabilities and eliminate threats

- Building trust and cluster development for coordination and cooperation among stakeholders to set up and consistently improve quality control mechanisms
- Building trust and cluster development to coordinate stakeholders and organize promotional events such as product show, competitions or contests, auctions of high quality products domestically and internationally
- Introduce transport system or logistic supporting firms that specialize in packaging and transporting or shipping lacquerware products to different cities in the country as well as other countries
- Promotion of products as “major artistic products” and enhance appreciation on products that are for decoration
- Conduct laboratory tests on “use-quality products” and issue certificates as safe products for daily use
- Building trust and cluster development to coordinate stakeholders and award firms based on “quality of products”, “excellent working environment”, “creativity”, etc...

## XI. Vision

All stakeholders including primary firms, supporting institutions, BDS providers, development and government agencies, etc. shall come together to develop a vision that will provide a strategic direction for the long term development of the cluster. The following issues can lead to a more inclusive vision statement:

Lacquerware products from Bagan, Myanmar, are the ones that all stakeholders including producers, marketers, buyers, customers, end-users, BDS providers and government institutions are proud of because of their good quality, traditional way of making them and also their contribution to job creation and poverty reduction. All end-users in foreign countries will have a pleasant memory about “Made in Myanmar” excellent quality and long lasting lacquerware products that are usable in daily life. All customers will also enjoy the art, history and culture embedded in the products for the purpose of decoration.

## XII. Major issues, problems and implementable strategic recommendations

This section points out major issues or problems identified in association to the clusters being, the rationale for intervention and implementable strategic recommendations to resolve the main problems:

Major issues and problems in the cluster	Rationale behind the issues or problems	Recommended strategic solutions to deal with issues or problems
<b>1. Shortage of skilled workers – in production process</b>	<ul style="list-style-type: none"> <li>▪ Very high level of movement of skilled workers from lacquerware cluster to other industries (e.g. service related industries)</li> <li>▪ Lack of interest in lacquerware business by younger generation as it is not perceived as an attractive career option</li> <li>▪ Parents encourage their children to pursue other professional careers rather than engaging in a lacquerware related career</li> </ul>	<ul style="list-style-type: none"> <li>✓ Firms can attract skilled labour by creating better working environments and providing financial and social incentives (e.g. planned social ladder)</li> <li>✓ The government can add vocational training programs to the current Lacquerware Technical College</li> <li>✓ The government can also create a research center at the college and conduct research-oriented studies on the lacquerware markets both at domestic and international levels, how to improve the production process, how to improve the work environments at the firms</li> <li>✓ Associations, development agencies or government institutions can conduct studies on the existing traditional way of teaching/learning and improve the efficiency and effectiveness of on-the-job learning</li> </ul>

<p><b>2. Lack of finance</b></p>	<ul style="list-style-type: none"> <li>▪Lack of financial institutions that provide loans and services to MSMEs</li> <li>▪Lack of access to international markets</li> <li>▪MSMEs cannot sell their products or stocks on time to generate revenue and increase working capital</li> </ul>	<ul style="list-style-type: none"> <li>✓ Many micro and small enterprises are looking for finance to improve their facilities used in the production process, particularly building better drying cellars</li> <li>✓ Government and financial institutions can design tailored financial services to meet the needs of MSMEs, particularly for lacquerware businesses (but it is worthy to note that MSMEs prefer to generate revenue or raise capital from sales and to increase their working capital rather than getting loans).</li> <li>✓ The government, development agencies, financial institutions should provide funding that covers promotional events to help enterprises generate revenue, marketing of the products, trainings that improve skills of the existing workers, and build good quality drying cellars</li> <li>✓ Development agencies, government institutions can strengthen the supporting institutions including BDS providers</li> </ul>
<p><b>3. Limited market access</b></p>	<ul style="list-style-type: none"> <li>▪ Lack of experience in international markets</li> <li>▪ Limited marketing skills and promotional events</li> <li>▪ High level of competition by other substituting products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Development agencies and the government can strengthen the supporting institutions including business associations</li> <li>✓ Enhancing coordination and cooperation among stakeholders in organizing promotion, marketing and sale events such as fair, product shows, auctions, contests, etc</li> <li>✓ Development agencies, the government, supporting institutions and major firms can use different media tools to introduce lacquerware products from Bagan at domestic, regional and international levels; Media tools such as documentary videos, stories and product catalogues.</li> </ul>



<p><b>4. Limited cooperation among stakeholders</b></p>	<ul style="list-style-type: none"> <li>▪ Limited trust among stakeholders</li> <li>▪ Very low linkages among major stakeholders</li> <li>▪ Firms and stakeholders lack long term strategies</li> </ul>	<ul style="list-style-type: none"> <li>✓ Associations and supporting institutions can facilitate cooperation among stakeholders by providing information, networks, organizing business events</li> <li>✓ Development agencies, government institutions and associations can organize or sponsor trainings, workshops and capacity building events to increase cooperation</li> <li>✓ They can also work together to promote the concept of intellectual property rights</li> <li>✓ Associations, development agencies and government institutions can educate the stakeholders about competitive environments in foreign markets to promote the cooperation among them</li> <li>✓ Development agencies can fund the cooperative activities by stakeholders</li> </ul>
<p><b>5. Inappropriate business and managerial skills</b></p>	<ul style="list-style-type: none"> <li>▪ Lack of quality education in the country</li> <li>▪ Owners focus more on production than business management such as marketing, sales, managing HR, etc</li> <li>▪ Enterprises are not willing to invest in the development of business management skills of employees</li> </ul>	<ul style="list-style-type: none"> <li>✓ The government should add business-oriented courses or programs to the curriculums at Lacquerware Technical College</li> <li>✓ Promote competitive working environment in business management by offering financial and social incentives</li> <li>✓ Introduce BDS providers to some major enterprises</li> </ul>
<p><b>6. Weak supporting institutions and lack of efficient and effective logistic support</b></p>	<ul style="list-style-type: none"> <li>▪ Supporting institutions are weak mainly due to past and current weak public administration and political problems</li> <li>▪ Lack of coordination among supporting institutions</li> <li>▪ Lack of logistic support that specialize in transport and shipping of lacquerware products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Administrative reform at all levels is a must in order for the government to support the businesses, particularly the private sector, so as to eliminate corruption, improve transparency and coordination among stakeholders including supporting institutions such as associations</li> <li>✓ Strengthen supporting institutions including business associations and BDS providers by offering technical and financial assistance</li> <li>✓ Improvement of logistic infrastructure will shorten the time of transporting or shipping domestically made products including lacquerware products</li> </ul>

<p><b>7. Lack of product quality control and control of quality raw materials</b></p>	<ul style="list-style-type: none"> <li>▪ Use of cheap chemical or raw materials by some smaller enterprises</li> <li>▪ Lack of quality control mechanisms</li> <li>▪ Some smaller enterprises use easy and short-cut techniques which lead to low quality products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Leading business associations can encourage enterprises to avoid using non-traditional materials and even to conduct laboratory test to certify products which are for daily use</li> <li>✓ Leading business associations, supporting institutions and other stakeholders can coordinate to design and set up quality control mechanisms (e.g., clear classification of products by purpose, size, weight, materials used etc...)</li> <li>✓ Supporting institutions can set guidelines and educate the enterprises about best practice techniques</li> </ul>
<p><b>8. Production process and technology issues</b></p>	<ul style="list-style-type: none"> <li>▪ Limited innovative ideas and techniques in the process of production</li> <li>▪ Shortage of skillful designers and artists in decoration works</li> <li>▪ Lack of modern facilities such as humidity/temperature controllers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Supporting institutions including business associations and the college can organize or sponsor contests for the enterprises and producers – in term of quality, production processes and design for consistent improvement of the products</li> <li>✓ Government and international development organizations can provide financial support to enterprises for building better and weather resistant drying cellars</li> </ul>



### XIII. Annex – List of interviewed firms, organizations and individuals

Date	Primary firms	Others	Interviews conducted by
6 March 2014	Ever Stand lacquerware shop*		Sai Aung Mane
6 March 2014		Several locals and tourists	Sai Aung Mane
7 March 2014		Several workers at hotels, restaurants and small shops	Sai Aung Mane
8 March 2014	“Family” lacquerware shop**		Sai Aung Mane & Tim Scheffmann
8 March 2014		Several micro and home-based firms in the villages****	Sai Aung Mane
9 March 2014	Mya Thit Sar lacquerware shop*		Tim Scheffmann
9 March 2014	Shwe Sin Jey lacquerware shop**		Sai Aung Mane
9 March 2014	Su Yat Di lacquerware shop**		Sai Aung Mane
9 March 2014		“Htay Family” lacquerware shop***	Sai Aung Mane
9 March 2014	Myo Myo**		Sai Aung Mane
9 March 2014	Shwe Bagan lacquerware**		Sai Aung Mane
9 March 2014		Some tourists	Sai Aung Mane & Tim Scheffmann
10 March 2014	Shwe Hla Yaung lacquerware shop**		Sai Aung Mane
10 March 2014	Chan Tha Tu lacquerware**		Sai Aung Mane
10 March 2014	Bagan House lacquerware*		Sai Aung Mane
10 March 2014	U Ba Nyein lacquerware*		Sai Aung Mane
10 March 2014	Tun Handicrafts*		Sai Aung Mane
10 March 2014		KBZ bank	Tim Scheffmann
10 March 2014		Aya Bank	Tim Scheffmann
10 March 2014		CB Bank	Tim Scheffmann
10 March 2014		Tun Foundation Bank	Tim Scheffmann
10 March 2014		Principal of lacquerware college	Sai Aung Mane
10 March 2014		Senior staff of lacquerware museum	Sai Aung Mane
10 March 2014		Some tourists	Tim Scheffmann

\* Medium-sized firms

\*\* Small-sized firms

\*\*\* Micro-sized firms

\*\*\*\* Brief interviews with home-based and micro firms that do not have business names. They are subcontractors or suppliers of semi-finished or finished products to retail shops

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# Diagnostic Study of Meiktila Textile Cluster and Wundwin Textile Cluster

November 20, 2014

Submitted to:  
United Nations Industrial Development Organisation  
(UNIDO)

Submitted by  
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Foundation for MSME Clusters

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## List of Abbreviations

S.No.	Abbreviation	Full Form
1.	ADB	Asian Development Bank
2.	BOD	Biochemical Oxygen Demand
3.	C	Celsius
4.	CAD	Computer Aided Design
5.	CETP	Common Effluent Treatment Plant
6.	CMS	Centimeters
7.	COD	Chemical Oxygen Demand
8.	DISI	Department of Industrial Supervision and Inspection
9.	DSA	Daily Sustenance Allowance
10.	ETP	Effluent Treatment Plant
11.	GAD	General Administration Department
12.	Gol	Government of India
13.	H <sub>2</sub> S	Hydrogen Sulphide
14.	HCN	Hydrogen Cyanide
15.	Kgs	Kilograms
16.	MIZ	Meiktila Industrial Zone
17.	MLD	Million Litres per day
18.	Mt	Minute
19.	Mtrs	Meters
20.	OD	Oxygen Demand
21.	pH	Potential of Hydrogen
22.	PPM	Picks Per Minute
23.	QC	Quality Circle
24.	RO	Reverse Osmosis
25.	SHGs	Self Help Groups
26.	SIDBI	Small Industries Development Bank of India
27.	SOP	Standard Operating Procedure
28.	SWOT	Strengths Weaknesses Opportunities and Threats
29.	TDS	Total Dissolved Solids
30.	UF	Ultra Filtration
31.	UK	United Kingdom
32.	UNIDO	United Nations Industrial Development Organization
33.	USD	UD Dollars
34.	WWA	Wundwin Weavers Association

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## Executive Summary

The Meiktila and Wundwin textiles clusters are situated in the Meiktila district in the Mandalay region. The two clusters are separated by a distance of 30 kms. The clusters are known for the production of male and female longyis<sup>1</sup> by power loom. It is estimated that all the 1000 odd units, of the two clusters, produce male longyis. An estimated 25 per cent of the units also produce female longyis. A handful of units also make dress materials. The units use cotton yarn of the variety 1/40 (wherein 1 pound of hank yarn contains 40 hanks).

It has been estimated that the total daily production by all the units of the clusters, comprising of 7000 looms, is 150,000 yards/day. At an average price of USD 1.2 for one yard of male longyi, the estimated turnover of the cluster is USD 50 million per annum. Total direct and indirect employment is estimated at 10,000, 57% being female. The size distribution of units in the clusters is estimated as shown in the table below:

	Number of units	Total Number of Units		Number of Units with dyeing facilities	
		Meiktila	Wundwin	Meiktila	Wundwin
1	Large ( defined as having 20-40 looms )	10	20-25	10	20-25
2	Medium (defined as having 10 – 19 looms)	50	250	35	150
3	Small (defined as having less than 10 looms)	110	465	0	0
	<b>Total</b>	<b>190</b>	<b>735</b>	<b>45</b>	<b>170</b>

Medium and large firms source the principal raw material, i.e. yarn and dye from suppliers in Yangon and Mandalay city. Cone making, pirn preparation and weaving is done by all (large, medium and small) firms. Whereas, cone making and warping, as well as dyeing and post weaving operations are done by large and medium firms only. All types of firms of the clusters are engaged in doing work for other units (job work). Large and medium units do job work for big dealers (wholesaler and/or retailers) in Mandalay and Yangon, while the small units are engaged in job work for the large and

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<sup>1</sup> Male longyi is a 2.2 yards long fabric which is stitched end to end to make a cylindrical piece of apparel. Female longyi is a also a 2.2 yard fabric and is with stitched and non-stitched. Male longyis are called *paso*, and female longyis are called *thamain*.

medium units in each cluster. A few large units are doing direct sales under their own labels.

Some of the support institutions include the Meiktila Industrial Zone (MIZ) (at Meiktila), the Wundwin Weavers Association (WWA) (at Wundwin), the Weaving School (at Meiktila), the Municipal Department (at Wundwin), the Department of Cooperatives, as well as local banks, loom mechanics, loom manufacturers, etc.

Overall, the cluster is performing reasonably, as the profit rate has not declined over the last few years. However, the cluster faces several challenges that could hinder the development of the cluster. These include the following:

1. Low productivity weaving technique
2. Manual dyeing requires huge space allocation and the colour usage is inefficient
3. Manual drying is dependent on weather and climate conditions
4. Inadequate knowledge of pollution control
5. No usage of proposed pollution control device, which is yet to get nod from the Ministry of Environment
6. Lack of control of pollution at source
7. Limited exposure to modern technologies
8. Lack of availability of trained weavers for the shuttle looms currently being used by the firms
9. Lack of availability of finance (small firm) to employ weavers, buying new looms
10. Lack of product diversification
11. Scope for export of longyis

In order to address the challenges and opportunity listed above, it is suggested that the cluster development programme may take up the following activities:

1. Conduction of an exposure visit to textile machinery/high level powerloom clusters to get firsthand knowledge about the technologies available. The units will also come to know about the nuances of their usage by interacting with the powerloom units and machinery suppliers in the cluster.
2. Establishment of a resource centre (for usage by both the clusters) for display and training of (a) shuttle-less looms (to train current weavers and students), (b) cabinet dyeing, dryer, cone dyeing, etc. (to train current dyers and students) Computer Aided Design (CAD) (to train current weavers and students), etc; This will ensure

continuous availability of trained technicians for making the product. The resource centre can be established at the Weavers' School.

3. Training of trainers on usage of rapier looms and maintenance, cabinet dyeing and machine drying techniques, CAD, etc.: To create a pool of local resources who can train the industry in Myanmar for usage of latest machinery as proposed in the Resource Centre.
4. Introduce various diploma courses in dyeing, advanced powerloom weaving, Computer Aided Design (CAD), inventory management, etc. with a target to train at least 200 students per year.
5. Organize a Study and Workshop on optimum dyeing methodologies to identify and suggest appropriate Standard Operating Procedures (SOPs) to minimize pollution at source and joint sourcing of raw material.
6. Creation of a colour depot: Common purchase of key dyes and chemicals from standard sources will allow cost reduction and contribute to enhancing the profitability and competitiveness of the industry. At least one and if possible two such depots, one for each cluster, may be created.
7. Creation of a Common Effluent Treatment Plant (CETP) each for Meiktila and Wundwin cluster.
8. Create a training video on sources of pollution and showing means to minimize pollution at source, particularly addressing the dyeing process and wide spread circulation of the video in the clusters.
9. Create a 1:1 model of the current pollution control device, subject to approval of the pollution reduction system elaborated by the local municipality by the Ministry of Environment.
10. Using of mask to protect from air pollution
11. Usage of Dust collectors
12. Study to identify products where import substitutions can be done through introduction of modern technology
13. Study to identify potential export markets longyis and indicate strategies for linkage creation
14. Introduce special loan scheme for weavers
15. Introduce Credit Guarantee system through proper study and designing and handholding
16. Study on inventory management

The proposed action plan envisaged the activities listed below:

S.No.	Activities	Proposed Project Contribution (USD)	Proposed Contribution by Industry
1	Exposure visit to cluster	20,000	3000
2	Interaction with suppliers		
3	Visit to Hi-Tech Apparel Park and Powerloom Park		
4	Creation of resource centre	110,000	Cost of Boiler
5	Exclusive Training of Trainers	32,000	
6	Preparing a 2 months' curriculum		
7	Preparing a report on cleaner production	6,600	
8	Preparing a film on Dyeing SOP, Cleaner Production	15,000	
9	Creation of colour depot by cluster	2,000	
10	Creation of quality circles	0	All meeting cost to be borne by industry
11	Study on product diversification	6,000	
12	Study on potential of export market of longyi	15,000	
13	Industry-Institution Linkage: Promoting Internship	0	All meeting cost to be borne by industry
14	Industry-Institution Linkage: Diploma in Powerloom Weaving	0	All meeting cost to be borne by industry
15	Creation of Capacity of Weavers School	2,000	
16.1	Feasibility study of Credit Guarantee Fund Product	30,000	
16.2	Creation of a Credit Guarantee Fund Product	500,000	
17.1	Preparatory Phase (2 DPRs) Cost of 1 CETP: 55000 Cost of 2 CETPs: 50000	55,000	
17.2	Implementation of Meiktila CETP	924,000	
18	Study on Inventory Management and Workshop	5,500	
	<b>Total (Excluding implementation of Meiktila CETP and creation of Credit Guarantee Fund Product)</b>	<b>299,100</b>	
	<b>Cost of implementation of Meiktila CETP and creation of Credit Guarantee Fund Product</b>	<b>1424000</b>	

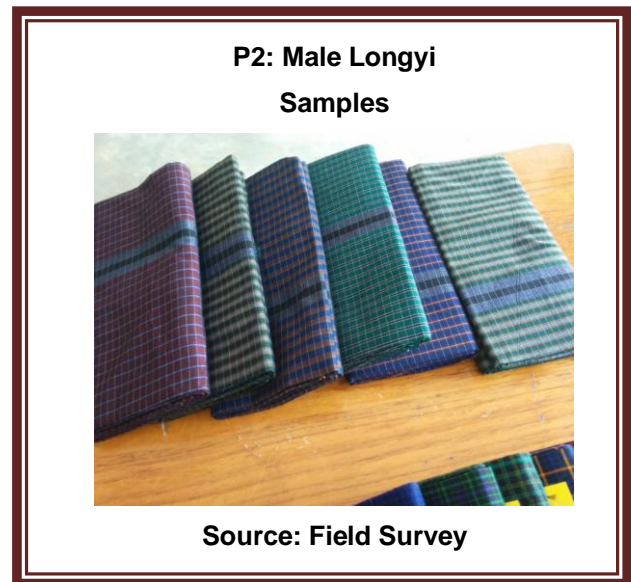
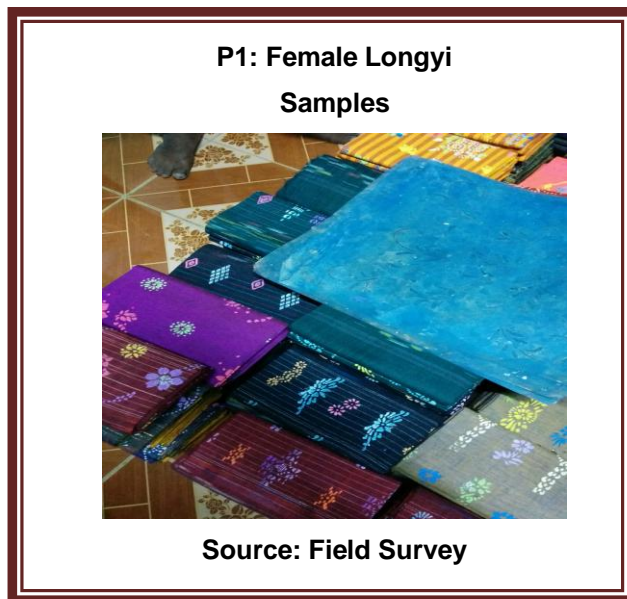
## Diagnostic Study of Meiktila Textile Cluster and Wundwin Textile cluster

### 1. Background

The textile clusters of Meiktila and Wundwin produce longyis by power loom. The clusters are separated by a distance of 30 kms. As we will discuss below, both clusters have similar types of firms, nature of business, strengths, weaknesses, opportunities and threats. Therefore, instead of two different diagnostic studies, we are presenting one diagnostic study with differences between the two clusters, outlined wherever applicable.

### 2. Cluster Product

All the units in both clusters produce male longyi. Some (estimated at 25%) produce female longyis and even fewer produce dress materials<sup>2</sup>. The male longyis are generally plain with chequered designs. The female longyis have floral designs. All use cotton yarn of the variety 1/40 (which means that in 1 pound of hank yarn there are 40 hanks).



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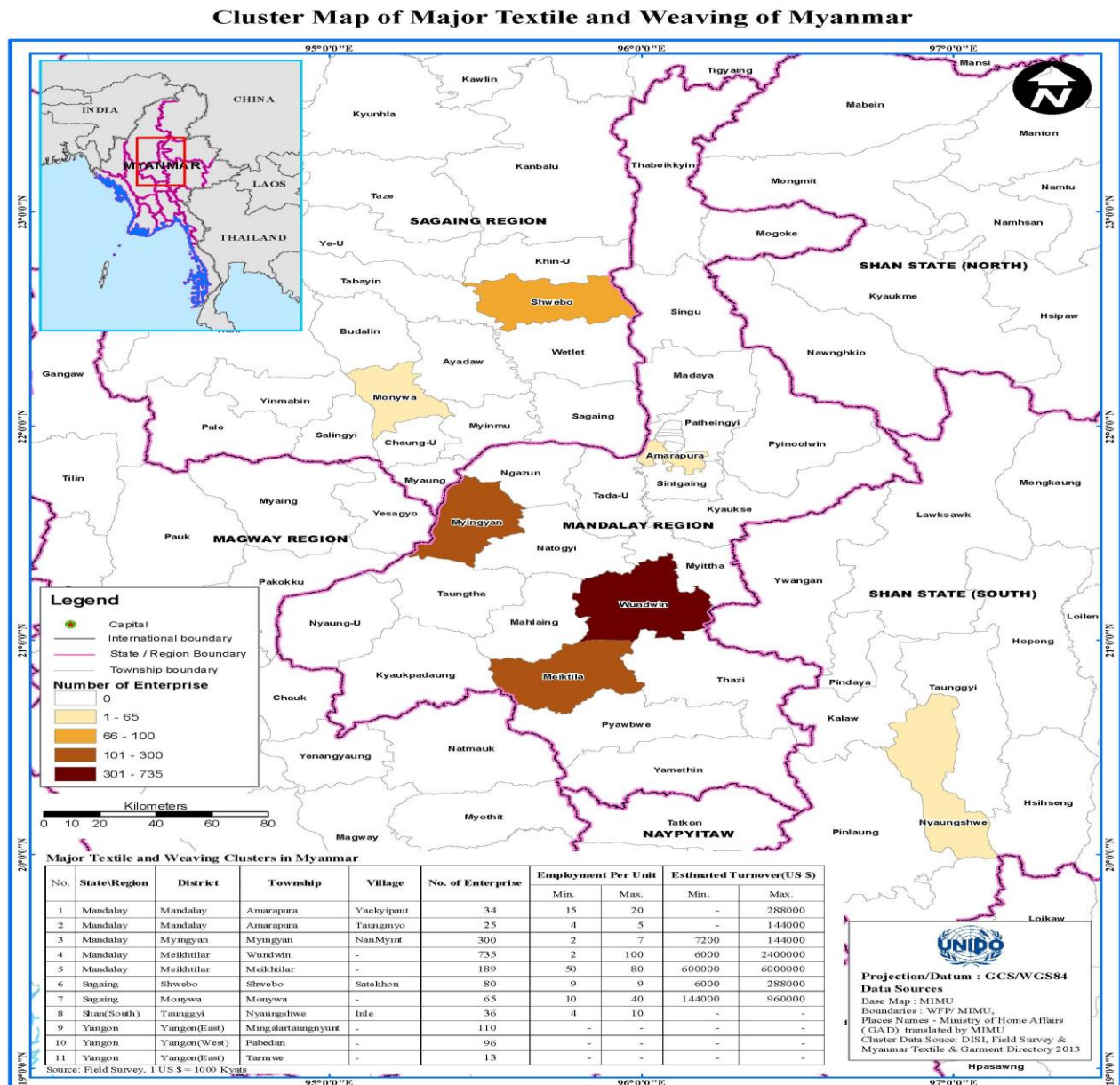
<sup>2</sup> Male longyi is a 2.2 yards long fabric which is stitched end to end to make a cylindrical piece of apparel. Female longyi is also a 2.2 yard fabric and is with stitched and non-stitched. Male longyis are called *paso*, and female longyis are called *thamain*.



### 3. Cluster Place

Both clusters are situated in Meiktila district in the Mandalay region. In Meiktila, the units are situated in the Meiktila Industrial Zone within the Meiktila Township. In Wundwin, the cluster is situated both in the Wundwin township (Wundwin 1, 2, 3, Thedaw 1, 2, 3) and the villages of Tamakone, Seinpanpin, See, East Hteehlaing, West Hteehlaing, Lainpin, Yaysone, Shawpin, Zachankone, Ywatan and Gonkway.

**Figure 1: Geographic location of the clusters**



**Source:** DISI and UNIDO field assessment

#### 4. Number of Units

The total number of units in Meiktila is 190 and that in Wundwin is 735 (Source: DISI) (Tables 1, 2 and 3). According to data from Meiktila Industrial Zone, weaving units are 129. The primary survey revealed that there are 3 types of firms, i.e. small, medium and large.

It may be noted that the definition of small, medium and large, in this document, does not necessarily correspond to the definition of small, medium and large as defined in Myanmar. However for the sake of simplicity we continue to call the firm/unit as small, medium and large only, based on the “number of looms” they have. Accordingly, small firm/unit is being defined here as the one having less than 10 looms, medium firm/unit is one having 10-19 looms and large firm/unit is one having more than 40 looms on an average.

Medium and large firms source the principal raw material, i.e. the yarn and dye from suppliers in Yangon and Mandalay city. They then prepare the yarn for weaving and do the weaving both by themselves and also by sub contracting it to small firms, who do the weaving and give them back the materials.

**Table 1 and 2: Number of units in Meiktila and Wundwin Township**

**Table 1**

S.No.	Township/Quarter	No. of Units
	<b>Meiktila Township</b>	
1	Meiktila Industrial Zone	189
	<b>Total</b>	189
	<b>Wundwin Township</b>	
1	Wundwin(1)	113
2	Wundwin(2)	117
3	Wundwin(3)	31
4	Thedaw (1)	45
5	Thedaw (2)	8
6	Thedaw (3)	11
7	Tamakone Village	33
8	Seinpanpin Village	5

**Table 2**

S.No.	Township/Quarter	No. of Units
	<b>Wundwin Township</b>	
9	See Village	8
10	East Hteehlaing Village	6
11	West Hteehlaing Village	2
12	Lainpin Village	48
13	Yaysone Village	107
14	Shawpin Village	54
15	Zachankone Village	61
16	Ywatan Village	51
17	Ywathit Village	30
18	Gonkway Village	5
	<b>Total</b>	735

**Source: Department of Industrial Supervision and Inspection (DISI)**

**Table 3: Basic Data of Weaving in Wundwin and Meiktila Township**

S. No.	Township/Quarter	No. of Units	No. of Looms	No of Labourers	Product / day (yds)	No. of units also dyeing	Amount of Dyeing / day (lb)
	Meiktila Township						
1	Meiktila Industry Zone	189	1835	2350	36700	48	7500
	<b>Total</b>	189	1835	2350	36700	48	7500
	Wundwin Township						
1	Wundwin (1)	113	1024	1574	24576	25	5782
2	Wundwin (2)	117	1054	1424	25296	27	5952
3	Wundwin (3)	31	223	432	5352	5	1259
4	Thedaw (1)	45	77	190	1848	12	434
5	Thedaw (2)	8	52	112	1248	6	293
6	Thedaw (3)	11	499	539	11976	4	2817
7	Tamakone Village	33	388	402	9312	20	2190
8	Seinpanpin Village	5	40	50	960	1	225
9	See Village	8	64	74	1536	4	360
10	East Hteehlaing Village	6	48	98	1152	5	270
11	West Hteehlaing Village	2	20	35	480	1	112
12	Lainpin Village	48	250	380	6000	8	1411
13	Yaysone Village	107	488	568	11712	8	2755
14	Shawpin Village	54	183	250	4392	14	1032
15	Zachankone Village	61	196	250	4704	13	1106
16	Ywatan Village	51	97	150	2328	10	547
17	Ywathit Village	30	110	150	2640	5	620
18	Gonkway Village	5	46	50	1104	2	259
	<b>Total</b>	735	4859	6728	116616	170	27424
	<b>Grand Total</b>	924	6694	9078	153316	218	34924

Source: Department of Industrial Supervision and Inspection (DISI)

Cone making and warping are done by large and medium firms; pirn preparation and weaving are done by all (large, medium and small) firms and post loom preparations are done by medium and large firms (see figure 2). The estimated distribution of the small, medium and large firms based on discussions and data support by Directorate of Industrial Supervision and Inspection (DISI) are as follows (Tables 4 and 5):

**Table 4: Size Distribution of Units at Meiktila Industrial Zone, Meiktila Township**

S.No.	Number of looms	Number of Units	Units having Dyeing Facility
1	20-40 (large)	10	10
2	10-19 (medium)	50	35
3	Under 10 (small)	110	0
	<b>Total</b>	<b>190</b>	<b>45</b>

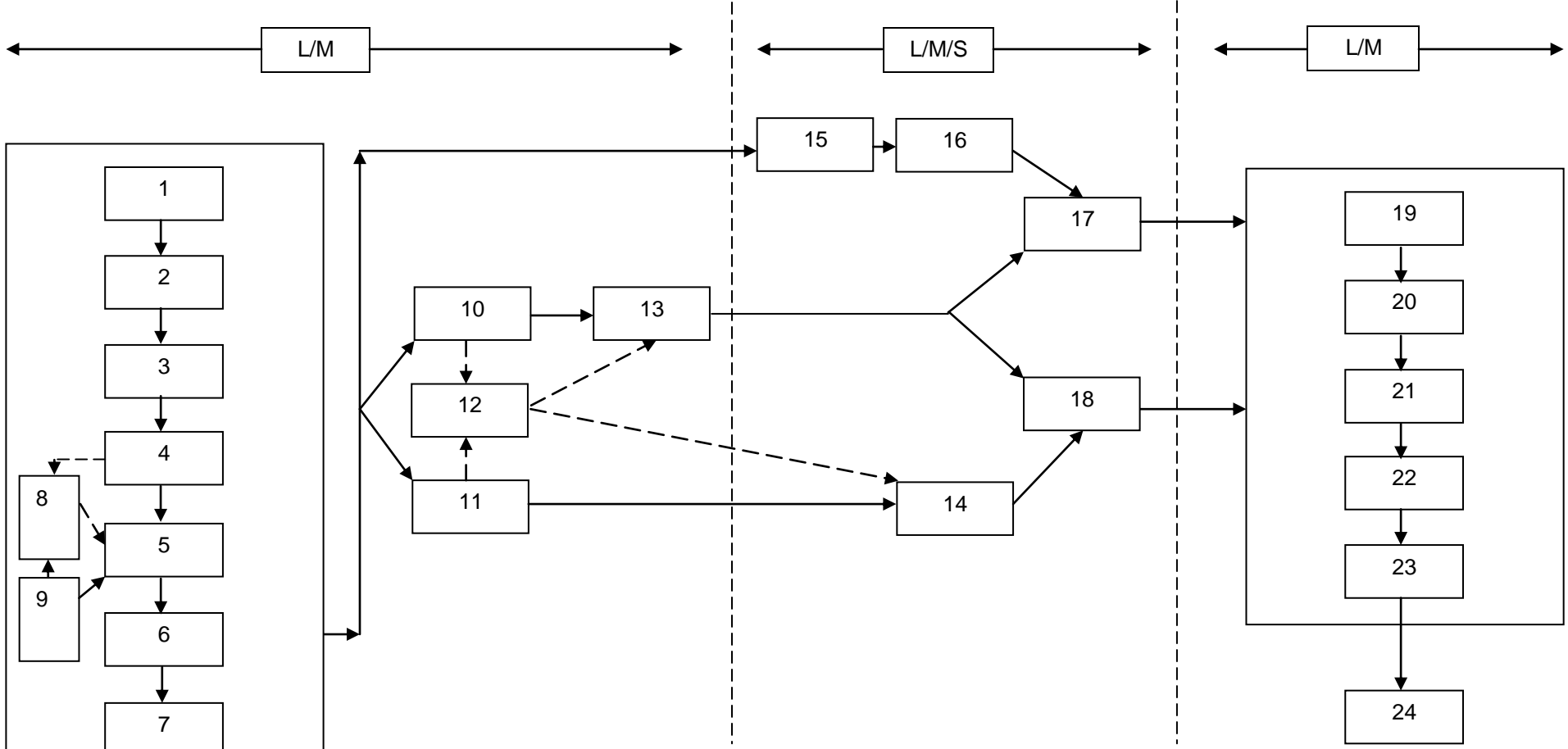
**Table 5: Size Distribution of Units at Wundwin and nearby villages**

S.No.	Number of looms	Number of Units	Units having Dyeing Facility
1	20-40 (large)	20-25	20-25
2	10-19 (medium)	250	150
3	Under 10 (small)	465	0
	<b>Total</b>	<b>735</b>	<b>170</b>

Source: Field visit and DISI

While the large and medium units do work for the big dealers in Mandalay and Yangon, the small units do order based work for the large and medium units based in the cluster. Some units though are doing direct sales (see section 11) and therefore providing without any order.

Figure 2: Activities done by Large, Medium and Small Units



1 – Raw undyed hank yarn  
 2 – Soaking with or without chemicals  
 3 – Pressing with feet and Beating  
 4 – Rinsing  
 5 – Dyeing  
 6 – Starching  
 7 – Sun Drying  
 8 – Bleaching  
 9 – Hot water plant

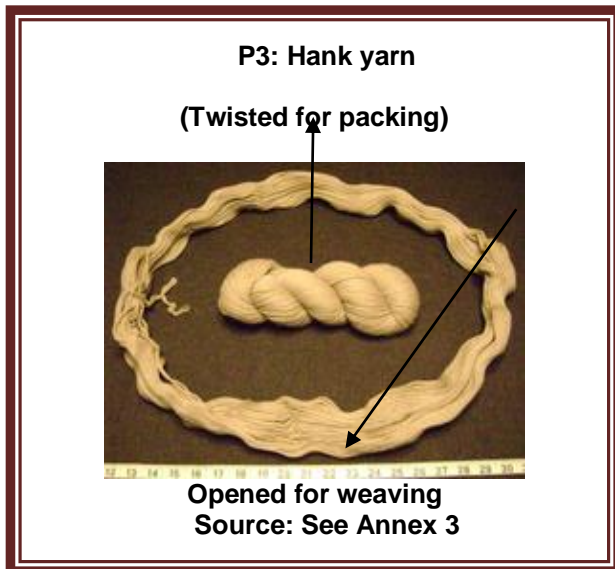
10 – Coning  
 11 – Coning  
 12 – Twisting  
 13 – Warping  
 14 – West (Pirn)  
 15 – Coning  
 16 – Pirning  
 17 – Looming  
 18 – Looming

20 – Cutting  
 20 – Burning of edges  
 21 – Stitching  
 22 – Pressing  
 23 – Packaging  
 24 – Shipping  
 L – Large unit  
 S – Small unit  
 M – Medium unit  
 - - -> Sometimes done  
 - -> General Flow

## 5. Benchmark Technology

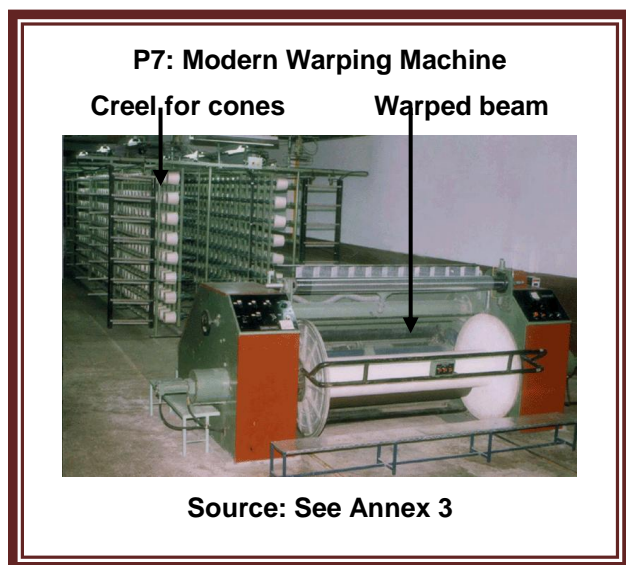
### Hank Yarn and Cone Yarn

Yarn is the basic raw material for making cloth. The yarn produced in spinning mills is packaged for end use in two formats-cones and hanks. Power looms use mostly cone yarn (P4). Hank yarn (P3) is used by handlooms. Sometimes, to take advantage of duty concessions power looms also use hank yarn by rewinding the hank yarn into cone yarn using a hank-to-cone winding machine (P5 and P6).



## Warping

In a modern warping machine (P7) of cones depending upon the width of fabric are placed on a creel, and yarn from each cone is drawn and wound on a beam, called the warper's beam. This is an automatic warping machine (P8) and may cost around USD 8,000 to USD 10,000. In powerloom industry locally made simple machines are used. Yarn on warping beam is passed through a sizing solution (hot starch and some chemicals) to temporarily strengthen yarn to withstand the stress during weaving. After sizing, the yarn is wound on a weaver's beam.



## Weft Preparation

Weft is prepared by manual winding (in case of handlooms), 2 or 4 spindle pirn winding machine, semi-automatic pirn winding machine and fully automatic pirn winding machine. The image below is a fully automatic pirn (10 spindles) (P9) winding machine. Once winding on pirn tube is complete, it automatically drops down and an empty pirn tube is loaded and winding starts.

P10 demonstrates a 4 spindle (two machines combined together) semi-automatic pirn winding machine for small powerloom units. Cost of this machine is around USD 500 plus cost of motors.

**P9: Fully Automatic Pirn Winding Machine**



**Source: See Annex 3**

**P10: 4 Spindle Pirn Winding Machine**



**Source: See Annex 3**

## Twisting

For the manufacture of yarn dyed fabrics, twisted yarn is predominantly used. The grey yarn is double or multiple twisted by a twisting machine, converted into cones and dyed. Twisting of dyed single yarn is also commonly done. Twisted yarns generally give some bulkiness to the fabric and to a limited extent twisting adds strength to the yarn. Use of twisted yarn depends upon the end use of fabric. Twisted yarn is made from single yarn only. Multiple twisting of yarn is also possible and used in making heavy fabrics (P11 and P12). Small powerloom units can have one or more sections depending upon their requirement. Price of twisting machine depends upon the number of spindles. It varies anywhere from USD 2,000 to USD 10,000.

**P11: Modular Twisting Machine**



**Source: See Annex 3**

**P12: Two Drums High Speed Twisting Machine**





## Dyeing of Hank Yarn

Hank yarn dyeing has various mechanical solutions. These include:

- a) Cabinet dyeing single colour (P13) and double colour (P14)

**P13: Single Colour Hank Yarn Dyeing Machine**



Source: See Annex 3

**P14: Two Colour Hank Yarn Dyeing Machine**



Source: Visit to Indian Cluster

**P15: Hank Yarn Dyeing Machine**



Source: See Annex 3

The price range of these machines in India is as follows:

**Table 6: Cabinet Hank Yarn Dyeing Machine**

S.No.	Capacity (kgs)	Price (USD)	Water requirement/wash (in litres)	Dyeing time/Wash (hrs)
1	50	3000 - 4000	500 - 750	3.5 - 4
2	100	3500 - 6000	900 - 1500	3.5 - 4
3	200	6000 - 7500	1300 - 3000	3.5 - 4
4	300	6900 - 9000	4500 - 6000	3.5 - 4
5	400	9000 - 11000	6000 - 8000	3.5 - 4
6	500	9000 - 13000	7500 - 10000	3.5 - 4

Note:

- (1) These details are for cotton yarn only
- (2) The prices of the machinery have been taken through phone calls/internet search/expert opinion
- (3) These are prices in India and does not include taxes as applicable

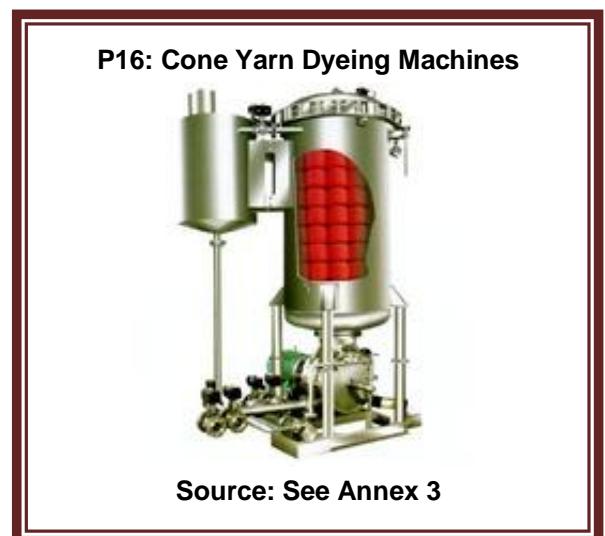
**Table 7: Hank Yarn Drying Machine**

S.No.	Capacity (kgs)	Price (USD USD + taxes as applicable)	Time taken
1	50	14000	Per hour production
2	100	16500 - 22000	Per hour production
3	150	25000	Per hour production
4	200	33000	Per hour production

Note:

- (1) These details are for cotton yarn only
- (2) The prices of the machinery have taken through phone calls
- (3) These are prices in India and does not include taxes as applicable

**Cone Yarn Dyeing Machine:** There are many models. At times, manufacturers do direct cone dyeing too. The price varies depending upon the capacity of machine. A simple machine may cost around USD 2000. There are many models (P16).



Post loom: In post loom operation like cutting, pressing and folding have got mechanized loom (P17).

**P17: Machinery in Powerloom Sector  
Folding**



**Source: See Annex 3**

### **Weaving<sup>3</sup>:**

**Shuttle Loom:** The shuttle loom is the oldest type of weaving loom which uses a shuttle which contains a bobbin of filling yarn that appears through a hole situated in the side. The shuttle is batted across the loom and during this process, it leaves a trail of the filling at the rate of about 110 to 225 picks per minute (ppm). Although very effective and versatile, the shuttle looms are slow and noisy. Also the shuttle sometimes leads to abrasion on the warp yarns and at other times causes thread breaks. As a result the machine has to be stopped for tying the broken yarns.

**P18: Shuttle Looms**



**Source: See Annex 3**

### **Shuttle less Looms**

Shuttle looms have the following disadvantages:

- The weft insertion rate is very low. The rate of weft insertion in a conventional powerloom is around 180-200 meters per minute. Even the so called hi-speed automatic looms are capable of achieving weft insertion rate of around 300-400 metres per minute only.
- Noise and dust levels are high.

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<sup>3</sup> The weaving technique is described 'Modern Weaving Technology', by Arora, JK (2011), Abhishek Publications, New Delhi

- Break downs are high resulting in low productivity.
- High fabric defects due to improper stop motions, shuttle fall out and empty pirns

In order to overcome these disadvantages of shuttle looms research and development has been going on in all major loom machinery manufacturing countries like, UK, Germany, Switzerland, Belgium etc. The major focus has been on increasing the rate of weft insertion. As a result of these global efforts shuttleless looms have been developed. Heavy shuttles have been dispensed with and new devices and methods for weft insertion have been invented.

The shuttleless looms fall under 4 categories on the basis of the method adopted for weft insertion, namely:

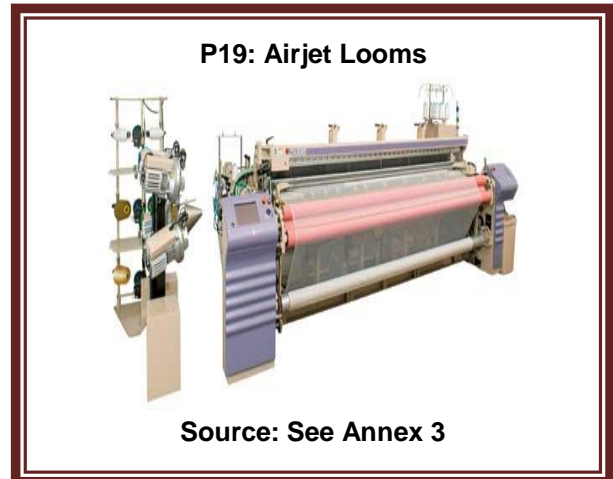
- Air Jet
- Water Jet
- Rapier
- Gripper (Projectile)

The advantages of shuttleless looms are:

- Shuttleless Weaving Machines are generally of wider widths enabling the simultaneous weaving of two or more widths; upto 400/420 cms in the case of air jet, water jet and rapier and upto 540 cms in case of gripper.
- High rate of weft insertion. The weft insertion rates achieved are 1500, 1000 and 2000 Mtrs/Mt for Gripper and Rapier and above 2000mtrs/minute, Air Jet and Water Jet looms respectively.
- Productivity is very high due to wider width, split width fabric weaving facilities, instant stop motions, non-stop pirn changing, auto tying or splicing of broken warp threads
- Noiseless and clean due to in-built dust collection arrangements

There is huge demand for fabrics woven on shuttleless and products made out of such fabrics in international markets

**Air Jet Looms:** In the air jet weaving looms, a jet of air is used to propel the weft yarn through the shed at speeds of up to 1200 ppm. Uniform weft yarns are needed to make fabrics on this loom. Also heavier yarns are suitable for air jet looms as the lighter fabrics are very difficult to control through shed. However, too heavy yarns also can't be carried across the loom by air jet. In spite of these limitations, air jet loom can produce a wide variety of fabrics.



**Rapier Loom:** Rapier loom comes in many types. Early models of it use one long rapier device that travels along the width of the loom to carry the weft from one side to the other. These are called single rigid rapier. The other types of rapier looms have two rapiers, one on each side of the loom. There are three types. Double rigid, double flexible (coiled in) and double telescopic. In each case, one rapier feeds the weft halfway through the sheds of warp yarns to the arm on the other side, which reaches in and carries it across the rest of the way. The picks of the double flexible rapier can be 1000 ppm. These looms can manufacture a variety of fabrics ranging from muslin fabric to drapery fabrics and even upholstery fabrics.



Some of the other types of looms are:

## Water Jet Loom

P21: Water Jet Loom



Source: See Annex 3

## Projectile Loom

P22: Projectile Loom



Source: See Annex 5

## 6. Technology of the Clusters

**Weaving:** Although the loom technology has gone from ordinary shuttle loom to semi automatic to automatic followed by shuttle less looms like rapier loom, air jet loom, water jet loom, etc, at present, the cluster industries are basically weaving through semi automatic looms (P23). The male longyis are made from ordinary looms. Female longyis with designs are made from dobby looms. Dobby is an attachment which is attached to the looms for making particular design. The picks per minute are estimated around 110 (See Value Chain Analysis). This is much lower than ppm in general for Semi automatic looms, around 200 ppm and shuttleless loom at over 1500 ppm, each pick being a length of 1 metre (See section 5).

P 23: Semi Automatic Loom



Source: Field Survey

P 24: Semi Automatic Loom with Dobby



Source: Field Survey

## Dyeing

The entire dyeing process is manual. Thus the level of technology is low compared to automatic dyeing and drying process prevalent in the industry (see section 5). The cloth is first soaked in water (with or without chemicals) for a day or two. It is then taken out and physically rinsed by feet (P25) and then it is batted (P26). Meanwhile dye gets prepared (P27) by heating (through boiler or wood based heating) and the rinsed yarn (P28) is then soaked in the dye in succession 3-4 times and each time vigorously rotated for 2-3 minutes (P29). The dye is then thrown out in open by medium units or in by large units (P30). The hank yarn is again rinsed and kept in open air for oxidation. Ultimately it is taken out for sun drying (P31).

**P25: Degumming – Beating with  
Legs**



**P26: Beating with Batton**



Source: Field Survey

**P27: Colour Preparation (Continuous  
heat loss)**



Source: Field Survey

**P28: Rinsing**



Source: Field Survey

**P29: Colouring by Dipping and Movement of Yarn**



**Source: Field Survey**

**P30: Pollution throwing water away**



**Source: Field Survey**

**P31: Dyeing in Sunlight**



## **Warping**

The warping process is also manual and suited for the current size of loom. It takes almost two days to prepare a weavers beam of 1000 yarns and two persons are involved (P32). In contract modern warping, machines are automatic and also have sizing facility (see section 4). No sizing of weft yarn is done post warping in these clusters.

**P32: Medium firm Traditional Warping**





## Post Weaving

Cutting of fabrics are done manually (P33) and then hand folded. Since it is done manually, therefore the loose threads come out. These loose threads are burnt by a lamp (a crude process) (P34). The folded fabric (longyis) is then pressed by mechanical process (P35). In modern technology cutting and the folding are done through machine (See section 4).

**P33: Cutting and Folding**



**P34: Burning Thread**



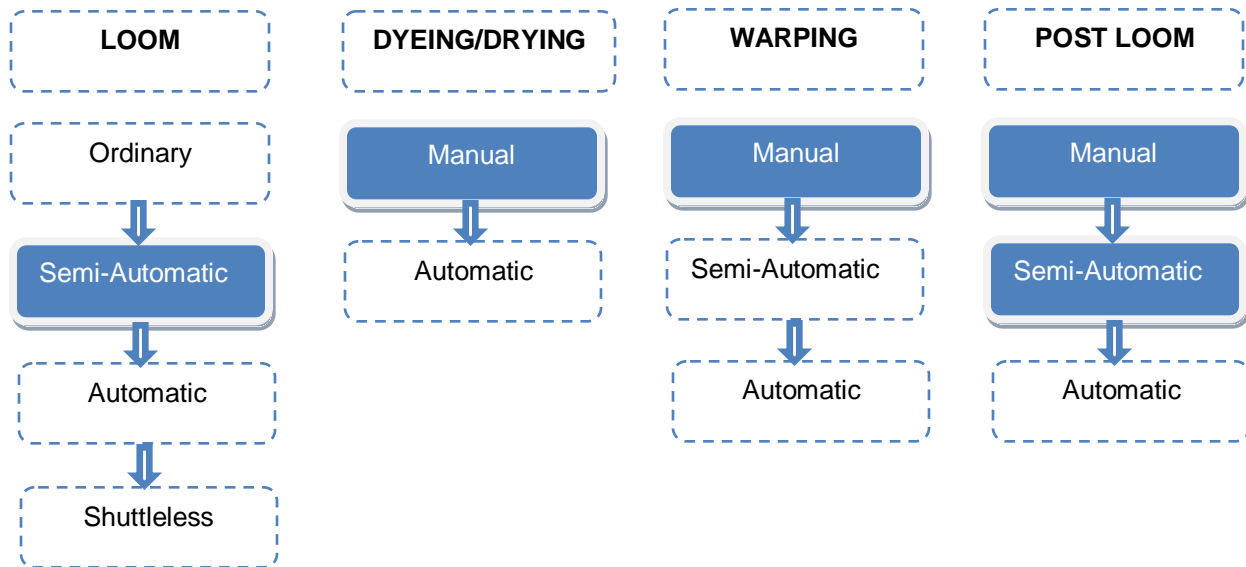
**Source: Field Survey**

**P35:  
Packaging**



Hence the technology vintage of the cluster can be depicted as follows:

**Figure 3: Technology Vintage of the Clusters**



## 7. Turnover

Out of 10 units visited all units were making male longyis and 5 units were making both male (mostly) and also female longyis. Only one unit was making female longyi. If we assume that these units were giving similar amount of time for producing male and female longyis then, out of these 10 units 75% of the production was male longyi and 25% were female longyis, barring 2 big units which were also making other products. Hence, for the sake of simplicity we are calculating the turnover on the assumption that all the units are making male longyis only<sup>4</sup>.

Total length of longyis produced is estimated at 150,000 yards/day (See table 3)

- Average price of 1 yard of male longyi is  $2700 \text{ Kyat} / 2.3 = 1173.9$  (say 1200) Kyat
- Estimated annual turnover of the cluster: 150,000 yards of @1200 Kyats (1000 Kyats = 1USD) per yard, working 285 days per year (5.5 days a week) =  $(150,000 \times 1200 \times 285) = 51,300,000,000 \text{ Kyat} = \text{USD } 50 \text{ million}$  (rounded off)

<sup>4</sup> It is assumed that the time and cost of making same male and female longyis will be proportional to the time and will not affect this calculation.

## 8. Employment

Total direct and indirect employment is estimated at 10,000, 57% being female. The total direct employment in weaving, pre and post weaving is estimated at 9078 (See table 3). With two looms being managed by one person and there being an estimated 7000 looms, thereby loom level employment is 3500-4000. Besides, two persons are employed for making cone and pirn in each medium and large unit, and thus there being an estimated 300 such units, around 600 persons are employed here. In the small units, the cones are supplied by medium/large units and pirn preparations are done by one person. Hence 600 persons are employed here too. On an average one to two persons are employed in warp preparation in the 300 medium and large units, with an estimated employment of 500. Large units employ around 10-15 persons in dyeing and medium units around 2 to 4. Hence on estimation 7 persons are employed on an average in the 218 dyeing units with an estimated employment of 1500. Around 2 persons in medium and 6 persons in large units are involved in post loom operations, thereby giving employment to 700 persons. Besides, there is one supervisor in each small unit and 1 to 3 supervisors in medium to large units thereby employ around 1200 persons. About 25 percent of the supervisors are females.

**Table 8: Employment in the Cluster**

	<b>Female</b>	<b>Male</b>
<b>Direct Employment</b>		
Weaving	4000	
Warping		500
Weft Preparation	1200	
Dyeing		1500
Post Loom Operations	200	500
Supervisors	300	900
Total direct employment	5700	3400
<b>Indirect Employment</b>		

Loom Manufacturers		500
Others (transporters, loom mechanics, local suppliers, electricians, utility suppliers, etc)		500
Total Indirect Employment		1000
Total Employment	5700	4400
Total Employment in both males and females	10100	

## 9. Cluster stakeholders

### a. Department of Industrial Supervision and Inspection (DISI)

It is headquartered in Nay Pyi Taw and has a very active office in Meikhtila. DISI Meikhitila collects information from the clusters with respect their numbers, capacity utilization, employment, etc. DISI also has very good relation with the units, the associations and with other technical and support institutions in the clusters. However at present no developmental work is happening in DISI, barring registration of units. Hence the linkage may be termed as medium.

### b. Meiktila Industrial Zone (MIZ)

Meikhtila industrial zone was established in 1995 and is located beside the Yangon-Mandalay High way road (old) road. 1,056 plots (100' x 100') were allocated in Meiktila industrial zone. 766 plots are using for industrial purpose and currently 544 plots are running with seven business types. 296 business units are under operational status and employ 4,300 workers. Out of 296 operational units, weaving business is the largest in the Meiktila industrial zone. There are around 189 weaving units out of total 299 industries.

It has an informal committee that looks after the general welfare of the units and the workers. The current chairperson of the organisation is owner of a powerloom unit. The committee meets and discusses the general problems of the industrial zone and workers. The association has its own building and land (around 1 acre) and they have services like fire fighting equipments along with fire engine, first aids, ambulance and mortuary services. There is no specific joint activity for addressing the business issues of the cluster. However the land and building

available with the committee may be used for training and demonstration purposes. The current chairman is dynamic and has good relationship with local government, departments and unit owners.

c. Wundwin Weavers Association (WWA)

This has 250 members, led by a Chairman. The majority of the units in Wundwin township are operating from residential areas. However, much of the residential areas have got converted in industrial activities (as observed in the rapid survey, more samples need to be taken though), including weaving and those related to weaving, for example, warping, dyeing, and post loom operations, etc. WWA has already requested the local government to consider converting the residential area into an industrial area. The association was also very keen to take up activities related to loaning. The association also took interest in organizing land for creation of resource center as well as for Common Effluent Treatment Plant (CETP).

d. Weaving School

The Weaving School is situated in Meiktila. It has two trainers (principal of the school and a support trainer). They train around 20 students every year. Training is given in both handlooms and powerlooms. However the handloom section is more equipped having 20 looms as compared to the powerloom section which is around 6 looms. It is situated around an area of 1.5 to 2 acres and also has an ample scope of creation a resource centre. At present, we could find, hardly any link between the Weaving School and the powerloom weavers. However its linkage with the handloom weaving unit is excellent.

e. Municipal Department at Wundwin

It is very proactive with respect to the pollution issue. With the support of a firm they have designed an Effluent Treatment Plant (ETP) (see annex 1, for plant design). The Department can become an effective promoter of pollution norms and can also provide training and handholding to the firms in installing effective treatment plant. The Department is sure to play an important role in promoting CETPs and providing trainings related to reducing pollution to the units in the two clusters

A demonstration unit of much smaller size has also been created in the same land where the municipal association office is situated. They have also

experimented with this ETP by treating the polluted water. However they are keen that this message of prevention of pollution and pollution control needs to be spread far and wide among the cluster units. A demonstration was also given to the Ministry of Environment.

f. General Administration Department (GAD)

Understandably, at present the weavers do not have much link with the GAD. However, the support of GAD will be a must for getting necessary land and clearances when the Project will go for making the resource center and the CETPs.

g. Military Textiles Mill

It is situated in Wundwin. It is said to have modern looms and also its spinning unit. A ginning mill in Meikhtila supplies it with cotton. The Mill has good linkage with the Weaving School in Meikhtila, whose students prefer and generally get employed in the mill. The cluster has no linkage with the mill.

h. Department of Cooperatives

Department of Cooperatives has their units both in Wundwin and Meikhtila town. However, they are mostly working with Self Help Groups (SHGs) and their maximum loan size is 500,000 kyats. This amount is too small for lending purposes to even a very small weaving unit.

i. Department of Environmental Conservation, Ministry of Environmental Conservation and Forestry

They are the highest authority for providing final nod on pollution issues. They do not have branch office in Meikhtial and Wundwin. They are situated only in Mandalay. Although they are physically situated outside the geographic boundary of the cluster, they will provide an important role regarding all issues related to pollution reduction.

j. Loom Mechanics

The only strategic service provider that was located in the cluster is loom maintenance/repairing person. There is no short supply of such individuals while the large and medium looms having 20-40 looms have their individual loom repairing individuals stationed in-house, the small weavers depend on service providers to come on a call basis and provide the necessary services.

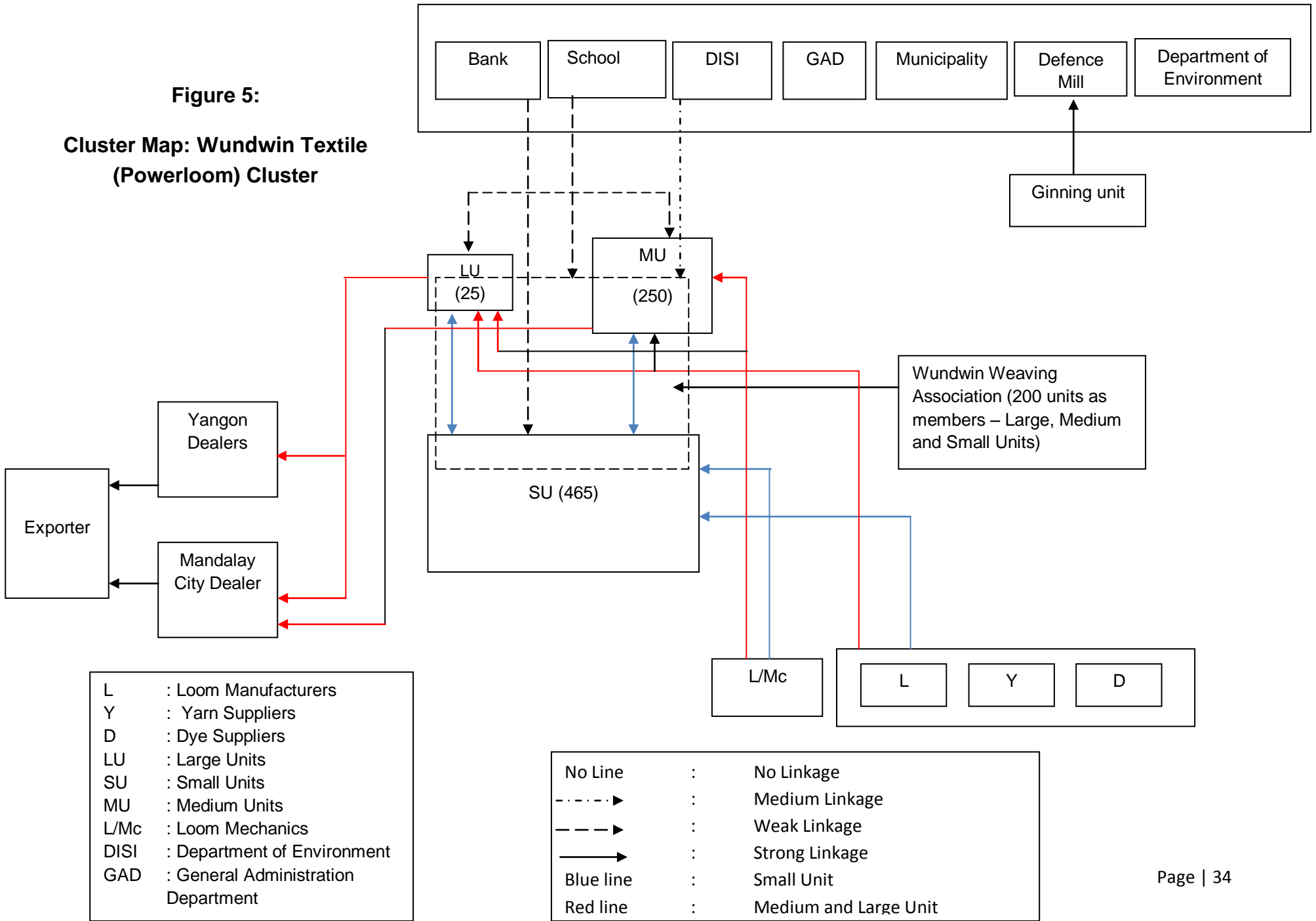
k. Loom Manufacturers

It is estimated that there are 15 loom manufacturers in Meiktila and 50 loom manufacturers in Wundwin. On an average 5-10 persons work in units and the loom manufacturers have more dearth of business. One of the units we visited had orders booked for 10 months. It is estimated that around 400 to 500 persons are drawing their livelihood from loom manufacturing. Most of these looms are replica of age old (1950s) Japanese shuttle looms (example Hirano). The cost of loom is around USD 1600.





**Figure 5:**  
**Cluster Map: Wundwin Textile**  
**(Powerloom) Cluster**



## 10. Value Chain Analysis

**Table 9: Costing of a Longyi (in Kyat, 1000K=1 USD)**

	Item	Value	Units	Data Source
1	Price of hank yarn 10 lb	21000	Kyats	Field Survey
2	Length of 1 hank of yarn	800	Yards	Field Survey
3	Number of hanks per lb	40	Number	Calculated
4	Length of yarn in 1 lb	32000	Yards	Calculated
5	Length of 10 lb	320000	Yards	Calculated
6	1 square inch	80 by 80	Yarns	Field Survey
7	Length of a Longyi	2.2	Yard	Field Survey
8	Width of a Longyi	47	Inch	Field Survey
9	Number of warp yarns in a Longyi	3760	Number	Calculated
10	Number of weft yarns in a Longyi	6560	Number	Calculated
11	Total length of warp yarns in a Longyi	8564	Yards	Calculated
12	Total length of weft yarns in a Longyi	8577	Yards	Calculated
13	Number of Longyis per 10 lb of hank yarn (1/40)	18	Numbers	Calculated
14	Yarn cost per Longyi	1165	Kyats	Calculated
15	Loom maintenance cost per month per loom	15000	Kyats	Field Survey
16	Time taken to produce 1 Longyi	1	Hour	Field Survey
17	Picks per minute (PPM)	110	Picks	Calculated
18	A loom works 2 shifts, 20 days per month, produces	332	Longyi/month	Field Survey
19	Loom maintenance cost per longyi	50	Kyats	Calculated
20	Labour cost per longyi	250	Kyats	Field Survey
21	Dyeing cost for 10 lbs	4500	Kyats	Field Survey
22	Cost of dyeing per longyi	250	Kyats	Calculated
23	Electricity consumption per longyi	0.8	Units	Field Survey
24	Cost of 1 unit of power connection	120	Kyats	Field Survey
25	Cost of power consumption per longyi	100	Kyats	Calculated
26	Cost of Warp preparation (1000 yards)	25000	Kyats	Field Survey
27	Number of Longyis from 1000 yards	770	Numbers	Calculated
28	Cost of Warp preparation per longyi	35	Kyats	Calculated
29	Cost of Weft preparation per longyi	35	Kyats	Calculated
30	Total cost per longyi	1900	Kyats	Calculated
31	Overhead @ 15% (cost of land, taxes, management, etc.) of a small unit: Guestimated	275	Kyats	Calculated
32	Total	2175	Kyats	Calculated
33	Profit margin per longy for a small unit	125	Kyats	Calculated
34	Sale price longy for a small unit to a medium/large unit	2300	Kyats	Field Survey

35	Overhead @ 15% (rent, taxes, labour and material for packaging, etc.) by a medium/large unit, selling to a wholesaler at Yangon/Mandaley	345		Estimated
36	Profit margin per longyi for a large/medium unit	55		Calculated
37	Sale price of longyi by medium and large unit to a retailer in Yangon/Mandaley	2700		Field Survey
38	Sale price in retail	3000	Kyats	Varies

The Value Chain Analysis provides the following suggestions

- a. On an average a labourer makes 16 longyis per day and earns a wage of around USD 4. The net earnings of a small unit is 175 kyats/longyi.
  
- b. The maximum earning by a small unit having 10 looms is as follows:
  - Each loom on a double shift basis makes 16 longyis/day
  - Each longyi giving them a net margin of 175 kyat
  - Therefore their earning per day (10 looms) is around  $16 \times 175 \times 10 = 28000$  kyat = USD 28
  
- c. Prima facie it appears that the cost price of a simple cotton by cotton longyi is 3 USD in retail. This is 66% of the price of a near similar longyi in India priced at USD 4.3
  
- d. PPM is very low at 110
  
- e. Low usage of water, although there is no way of measuring the authenticity of this data
  
- f. There is investible surplus particularly with the large units. This also got reflected during the interaction with the large weavers

## **11. Analysis of Business Operations**

### **11.1. Technology**

There is a huge scope of development in technology area with respect to loom, dyeing, warping and also post weaving operations.

#### **a. Looms**

Not even one unit has a shuttle less loom. The productivity of loom as of now is estimated at 110 ppm which is much lower than 200 ppm in semi automatic looms and 300-400 ppm in high speed automatic looms. There is also a constraint in width of fabric, which holds them back from product diversification, for example, bed spreads, bed sheets, bed covers, made ups, etc. The capacity to handle different counts of yarns is also limited in semi automatic looms.

Globally a wide variety of shuttle less looms are available (see section 5). Usage of these looms can raise productivity 10 times. However, cost of these looms for example Rapier loom varies from USD 8000 to USD 10000 which is 6 times the price of semi automatic looms currently in practice. Apart from being fast, these new generation looms can also produce a variety of yarn and hence a variety of products can be prepared.

#### **b. Dyeing**

The cluster has a constant pressure of availability of labourers and also huge pressure in terms of working capital to retail the labourer in form of advances to be given to them. Yet, every dyeing unit has a huge labour involvement as well as space requirement. A unit dyeing around 300 kgs of yarns per day has a dyeing space of 6000-10000 sq. ft. and 15-20 labourers.

The process of dyeing is completely manual and hence the starch removal process has high chances of being imperfect. This might be leading to improper absorption of dyes and colour bleeding complaints as well as rejections (estimated around 5% maximum).;

While the large units use boilers for heating, the medium units mostly use fire wood. There is a huge energy loss in this process. In the current process of dyeing, water is stationary and the yarn is moving. This process of dyeing has low colour absorption and

leading to a lot of colour loss wherein the coloured water after dyeing process is thrown into the open. Also the yarn is dyed in quick succession with a gap of 5-10 minutes in the same dyeing bath kept in the open (hence with falling temperature) leading to inefficient colour absorption and result in dye loss.

The type of colour used is both branded and non branded and measurement process was not observed, although weighing machines were seen in large but not found in medium units). The units have no clue about the cabinet dyeing machine.

### **c. Drying**

The standard drying process is sun drying. Hence, time taken for drying is a function of nature of weather. It is but natural that the drying process is very time consuming and tedious during the rainy season and winters. The units have no clue about machine drying.

### **d. Warping**

The warping technology is manual and yarns from around 200 cones are warped at a time. There is no sizing of warps, which, at times might have been pre sized. Units have no clue of automatic sizing and warping machine.

## **11.2. Pollution**

At present the units are not using any pollution control measures. Pollution is happening through different sources

- Degumming and release of water
  - Bleaching and release of water
  - Dyeing and release of water
  - Drying process
  - Rinsing of yarn at various stages and release of water
  - Starching
- 
- In medium units, the dyeing, drying and degumming process are done on non concrete floors. This leads to direct seepage of polluted water into ground. These units also do not have a proper drainage system for all the above sources of water pollution.

- Most of the large units have concrete base on which the dyeing and other related processes are done. However no proper drainage system could be observed which guarantees collection of polluted water into a single source.
- Total estimated discharge per day for the cluster is as follows:  
150,000 yards of Longyi: Length of yarn in a longyi is 17,000 yards =  $32000/17000 = 0.5$  lb. Hence weight of yarn in 1 yard of longyi:  $0.5/2.3 = 0.220$ . Hence weight of 150,000 yards of longyi material =  $150,000 \times 0.22 = 33,000$  pound. Field survey suggests usage of water @ 50 gallons for 10 lbs of yarn dyeing and bleaching. Hence estimated water usage =  $(33,000/10) \times 50$  gallons  $\times 4.5$  litres per gallon =  $742,500 = 750,000$  litres per day.

The Ministry of Environment has come out with standards (see annex 2), however the units have no clue. One round was done and test results were taken on 3 parameters: TDS, Ph and OD only.

The 4 tanks process is an old method of treating effluents. In this process colour is removed. However it is extremely difficult to control BOD, COD for which oxidization is necessary. Moreover this process often fails to reduce TDS. If the pollution control authorities legally approves this process then its fine (chances low).

d) Air pollution: Since units are using shuttle looms, a lot of cotton flies in air which can be seen as deposits of thick cotton. The labourers work here in double shifts with this cotton. Also it is a common practice for the labourers to stay back in dwellings within the units. They stay at a stretch of 5 days and then go home for 2 days, which is in nearby village premises, for 2 days. During their stay in the unit they stay with family and children who also inhale this air because of most of the labourers are women.

### **11.3. Marketing:**

At present with very less variation 3 products are being manufactured:

- a) Male longyi
- b) Female longyi
- c) Dress material, etc.

Here there is a huge scope of product diversification. They can produce a number of other products including made ups, towels, bed spreads, etc. Also the range of longyis being produced can also be enhanced. Longyi is a national dress of Myanmar. Hence they wear it in all important parties, marriages, religious occasion, office and also daily wear. Differently designed longyis are the dress code for a typical office. Males, females, boys, girls, school children, college goers, all wear longyi. Only rarely they wear pants. But the designs of male and female are very restricted. Also 100% this is cotton by cotton only in the cluster. No silk usage in the cluster, at least. Hence there is a scope for introducing designer longyis for different tastes like children, male, female, teenagers, etc.

#### **11.4. Labour**

- a) Non-availability of trained weavers
- b) The only school has a capacity of 20 trainees per year – 50 per cent going to military factory
- c) Female labourers leave after getting married
- d) Insufficient infrastructure and Human Resource at Weaving School – no modern dyeing, no modern loom, 16 handlooms and 6 power looms, no shuttle less looms
- e) Faculty not exposed to latest technology
- f) No regular internship
- g) No link with industry

#### **11.5. Finance**

- a) Buying new looms
- b) Sometimes they have to give advance to the tune of 500,000 to 800,000 Kyat per labourer
- c) Collateral not suited to loan value

#### **11.6. Production Organization**

The medium and large units are not well organized. There is hardly any use of IT and the units and shop floors are disorganized and ill planned. The store rooms of large firms are in a mess.

## 12. SWOT

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Very low cost of dyeing (<b>see attachment 4</b>)</li> <li>• Low usage of water (45 litres, per kilogram of hank yarn), although no way of measuring its authenticity.</li> <li>• Easily available machinery and loom manufacturer</li> <li>• Industry doing very well – produce as much as you want</li> <li>• One loom manufacturer has his booking done for 10 months</li> <li>• Rate of profit has not declined</li> <li>• Land may be easily available in Meikhtila and industry is willing to invest</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Manual technology in dyeing, drying, warping</li> <li>• No pollution control device</li> <li>• Health risk in dyeing due to continuous exposure to water and dyes</li> <li>• Limited product rate</li> <li>• Low production technology in weaving</li> <li>• Limited exposure to modern technologies</li> <li>• Lack of control of pollution at source</li> <li>• Lack of availability of trained weavers</li> <li>• Lack of availability of finance (small firm) to employ weavers</li> <li>• Lack of product diversification</li> <li>• Lack of use of IT, especially for production and delivery management</li> <li>• Lack of strong institution for technology improvement and for providing training in modern technology</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• New products</li> <li>• Export markets</li> </ul>	
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Likely enforcement of environment standards</li> <li>• Lack of standards</li> <li>• Industry operating from residential area in Wundwin</li> <li>• Availability of land for CETP in Meikhtila</li> </ul>	

## 13. Strategy for Implementation

### 13.1 Backdrop

As mentioned earlier, the units are doing good business to start with and has investible surplus. However their future growth rate will be dependent on the degree of modernization, cleaner production and availability of finance.

Full-fledged modernization, i.e. modernization in weaving, dyeing and drying techniques will be more required if they want to do product diversification and also eye export markets. Even in its current pace loom modernization can free them lot of space and so also modernization in dyeing and drying techniques. This will also necessitate need for (a) creation of demonstration unit for propagation of ideas and (b) training for its actual



usage and creation of service providers. The current productions are traditional longyis. However there is scope for product diversification both in logyis and also in other products including furnishings and dress materials.

Also whether there is modernization or not, even in its current state of affairs, there will be immediate need for reduction in pollution, both due to upcoming legal needs and also if the units plan to export in the future. Above all pollution reduction at source will cut down the cost of production and cost of pollution control (running cost). Simultaneously there will be need for trained labourers who are in constant short supply. There will also be need for appropriate financial products to address the finance shortfall problems even at current level of production and expansion. The need will be paramount as and when the cluster tries to modernize in a full-fledged manner. Accordingly, the various activities suggested are as follows.

### **13.2 Technology**

The strategy here is to learn from global best practice, create a local resource centre to guide the entrepreneurs into this new generation technology and provide training services to create the requisite human resource to benefit from the new system as and when it picks up. The proposed activities are as follows:

- a) Exposure visit to textile machinery/high level powerloom clusters in India/ China: The objective is to expose them to different technologies and then tie up for future procurement. The units will also come to know about the nuances of their usage by interacting with the powerloom units and machinery suppliers in the cluster.
  
- b) Creation of resource centre for display of modern shuttle less looms, cabinet dyeing, dryer, cone dyeing, CAD, etc: The objective of creating a resource centre is to provide hands on practical knowledge and training to the dyers of the unit and also to students who want to become trained dyers in the cluster. It is proposed that the resource centre to start with can have 2 hank yarn cabinet dyeing machine of size 50 kgs and 300 kgs. The 50 kg machine can be used for training purpose while 300 kg machine can be used for industrial service.
  - 1 hank yarn drying of capacity 50 kg/hour
  - Accessory
  - 1 rapier and 1 air jet loom
  - 1 CAD machine and software

- c) Colour depot: During this workshop the expert will also suggest optimum quantity of dye needed by the cluster and suggest common purchase of some key dyes from known sources leading to further cost cutting and enhancing the profitability and competitiveness of the industry. The colour depot in Meiktila can be put up at the Meiktila Industrial Zone office itself. A proper place needs to be identified for Wundwin.
- d) Training of trainers on usage on usage of rapier looms and maintenance, cabinet dyeing and machine drying techniques: The objective of this training is to create a pool of local resources who can train the industry back in Myanmar for usage of latest machinery as proposed in the Resource Centre.

### **13.3 Pollution**

This is an immediate need. The strategy here is to minimize pollution at source and provide savings to the unit owners so that they become interested in doing lesser pollution. There is need to propagate the same too. Simultaneously there will be need for creation of pollution reduction at the end of the tunnel and

- a) Study and Workshop on optimum dyeing methodology: The objective of this is to study in detail various types of dyes used (for example direct dyes, sulphur dyes, etc). The process and quantities used and suggest appropriate SOPs and demonstrate the same during the workshop. This will be 6 day mission by a dyeing expert consisting of 4 days of study and 2 days workshop, 1 each in Wundwin and Meiktila. As a result of this, the units will use lesser quantity of dyes more effectively leading to lesser burden on pollution and higher dye utilization leading to cost reduction.
- b) Create a movie on sources of pollution and means to minimize it especially for dyeing and its wide spread circulation.
- c) If the current system of pollution reduction as created by local municipality is approved by the Ministry of Environment then 1:1 model be created in a unit and training may be provided to other unit owners.

- d) Creation of a CETP: CETP can take an area of 3-4 acres of land. Land for this purpose can be available easily in Wundwin. However possibility of land seemed difficult in Meiktila.
- e) Reduction in Air pollution: This can be done by promoting usage of mask or dust collectors can also be used as they are not very costly.

### **13.4 Marketing**

- a) Although they are not making many items which can be done on powerlooms therefore Myanmar must be importing these items. So a study needs to be done as to what are the products where import substitutions can be done on shifting to modern technology. Such products can be furnishings and dress material required by apparel making units/clusters in Myanmar
- b) Since the longyi currently being produced is very competitive a study can be done to identify export market.
- c) Also the scope for working on designer longyis can also be worked out

### **13.5 Labour**

Here there is need for providing training to the existing and potential new generation labourers in the following areas and also by strengthening the number of trainers in modern methods:

- a) Enhance staff of weavers' school or create a new training-cum-resource centre with adequate staff
- b) CAD training
- c) Give diploma in dyeing and powerloom and advanced powerloom weaving
- d) Give diploma in CAD
- e) Train at least 200 students per year, keeping the growth profile in mind
- f) Training of Trainers
- g) Training in inventory management (please see section on production organization)

### **13.6 Finance**

Finance is required for expansion and also to manage working capital to pay in advance to labour. The following can be explored:

- a) Special loan scheme for weavers for purchase of additional looms and working capital
- b) Identify, design and introduce a leasing scheme for new looms in coordination with other agencies (e.g. ADB)
- c) Credit Guarantee is a system which has been introduced by many countries under which credit is given without any collateral to a small and medium enterprise. Instead of collateral the government gives the guarantee to the bank under which any loan which is not repaid, the 75% of the amount is paid by bank under guarantee and 25% of the loss is borne by the banker as to the wrong judgment of the loan. The credit guarantee fund which is a trust gives this guarantee on behalf of government charges and the fund also a fee called guarantee fee to cover the risks of guarantee loans of the units. Since the industries in the cluster are growing at a very fast pace and there is a lack of working capital credit guarantee seems to be a very good option for weaving units.

### **13.7 Production Organization**

A time and motion study to suggest appropriate production organization and also a study to appropriately code and stack items and stacking techniques need to be worked out.

## **14. Action Plan: Objectives and Costing<sup>5</sup>**

- 1. Exposure visit to benchmark powerloom cluster**
- 2. Interaction with raw material and machinery supplier**
- 3. Visit to Hi-Tech Apparel Park**

Programme and costing details of 1, 2 and 3: Exposure visit to (a) powerloom clusters of Erode/Komarapalaym (manufacturing longyi and dress material) to identify and experience the new age machinery (b) raw material and machinery suppliers in Coimbatore and (c) Hi-Tech Apparel Park and Powerloom Park in Tirupur and Pallavam. Note all these places are in the southern India state of Tamil Nadu and within a distance of about 100 kms from Coimbatore. Erode is centrally located. The team can stay in Erode and visit all the clusters.

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<sup>5</sup> Note: All local travel cost of experts to be borne by industry

Cost of coordination pre and during programme: USD 4000

Cost of local transport for 5 days: USD 1000

Cost of stay for 10 persons @ USD 60 each (twin sharing) for 5 nights: **USD 3000**  
(**contribution of industry**, else it will be difficult to select)

Travel to India for 10 persons from Myanmar @ USD 1000 each: USD 12000

DSA for 10 persons: USD 3000

**Total cost: USD 20,000** (excluding the contribution by industry)

#### **4. Creation of resource centre**

Price in India excluding local taxes

4.1 One hank yarn cabinet dyeing machine (50 kg): USD 4000

4.2 One hank yarn cabinet dyeing machine (300 kg) : USD 9000

4.3 One hank yarn drying machine (50 kg per hour): USD 14000

4.4 One rapier and one air jet loom (Chinese/Taiwanese made): USD 30,000 (USD 12,000 and USD 18,000 respectively).

4.5 One CAD machine with software: USD 35,000

4.6 One boiler: Made in Myanmar (**contribution of industry**)

Total: **USD 110,000** (USD 92,000 plus USD 18,000 coordination cost of expert for organising discussions with suppliers, assisting in finalisation of machinery, placing order, follow up, delivery, installation, commissioning and training and one time post sale service.) Built-up space of around 20,000 square feet to be made available in Myanmar by cluster.

#### **5. Exclusive Training of Trainers in Modern Machinery Dyeing and Weaving**

#### **6. Preparation of a 2 month curriculum for diploma training in modern dyeing and weaving**

Programme and Costing details of 5, 6: This will be four weeks' (25 person days per expert) training in Myanmar by two experts (one loom expert and one dyeing expert) in two phases, with a gap of 4 weeks between two phases. During this gap period two junior experts (one loom expert and one dyeing expert) will stay in the cluster. This will happen after the setting up of the Resource Centre. The training programme will help fine tune a 2 months' curriculum for diploma training in modern dyeing and weaving (5 person days per expert from home).

Expert fees: Two experts @ USD 200/day for 60 days = 12,000

Expert Travel (two travels @ USD 2000 each for two experts): USD 4000

Expert DSA: @ 100 USD for 50 days = USD 5000

Junior expert fees: @ USD 100 for two for 25 days each = USD 5000

Junior Expert travel: USD 2000

**Junior expert stay: Supported by cluster**

Coordination fees and one visit: USD 4000

**Total: USD 32000**

## **7. Preparation of a report on cleaner production, creation of SOP and a training workshop**

This will be 7-day visit by one textiles dyeing and one textiles machinery expert to study the dyeing cycle in details and suggest SOP and usage technique to minimise pollution. Appropriate colours and sources and pricing will also be suggested.

Expert fees: @ USD 200/day for two experts, 7 days each = USD 2800

Expert Travel (two travels): USD 2400

Expert DSA: @ 100 USD for two for 7 days each = USD1400

**Total: USD 6600**

## **8. Preparing a film on Dyeing SOP and cleaner production: USD 15,000**

9. **Creation of colour depot by cluster** (All cost by local industry. Providing remote guidance and linkages, expert fees of **USD 2000**, home based)

10. **Creation of quality circles (QC):** QCs are a group of firms (say 3 to 10), who will discuss the usage of learning among each other and results, so that they can boost confidence of each other in cleaner production and technology changes (***all meeting cost met by industry***)

11. **Study on product diversification:** This study will identify possible products which the units can pick up and its sequencing and entry strategy and business model. This can be done by local Myanmar expert (**USD 6,000**)

12. **Study on potential of export market of longyi:** This study will identify possible countries where the units can export longyis and its sequencing and entry strategy and business model and provide linkages. India being a big market, this study can be done in India for two states (**USD 15,000**).

13. **Industry-Institution Linkage: Promoting internship of trainees of Weavers School** (***all meeting cost met by industry***)

14. **Industry-Institution Linkage: Evening Diploma for Powerloom Weaving.** Here one can have discussions and create a pool of private trainers from among the industry and provide this training. It will be paid training programme with pre-job offers to be collected by the Weavers School from among the industry (***all meeting cost met by industry***)

**15. Creation of Capacity of Weavers School (Department of Cooperatives) and/or Creation of a Powerloom Training Center (DISI):** This can be the resource centre itself with curriculums as prepared above. The Project may be led by industry with home based expert support for Project design, HR requirement, etc. of 10 days **(USD 2000)**

**16.1 Feasibility study for creating a Credit Guarantee Fund Product for Powerloom**

Cost: USD 30,000

**16.2 Creation of a Credit Guarantee Fund Product for Powerloom Industry by the Small Industries Development Bank of India (SIDBI).** This will be a 200 person day Project and the cost will be around **USD 500,000.**

**Suggestion:** A separate budget line approval may be sought from Gol for this purpose by UNIDO.

16.3 Identification and implementation of a leasing scheme for new looms in coordination with other agencies (e.g. ADB). The cost will be beard by an international agency or a donor partner.

17. If the current pollution control system does not get the positive nod of Ministry of Environment, then as per our thoughts we need to go for CETP. There will be need for two separate CETPs, one each for Meiktila and one for Wudwin. The Project can consider creation of one of the two CETPs. This will have a preparatory phase and a delivery phase, as detailed below and will be done by a team of two experts.

**17.1 Preparatory Phase**

- First visit for assessing the volume, location of CETPs, effluent parameters, discussion with industry and pollution control authorities, sampling and testing of effluents etc., (5 full days stay)
- Designing of CETP will include all the steps required e.g. equalization, normalization, sludging, polymer filtration, colour separation, chlorination, ultra filtration (UF), reverse osmosis (RO), collection of water, solar evaporation, redistribution of water, etc.. There will be flow chart, engineering drawing of CETP, construction drawings, ground preparation suggestion, quotation, etc.
- After designing the CETP one visit will be required for vetting the design by industry and pollution control authorities. This will require 3 full days stay.
- Third visit will be for presenting the draft report. This may require 3-4 days stay.

- Fourth visit will be for presenting the final report. This may require 3 days.
- It may be necessary to involve local resources for some activities like measuring the length of pipeline, soil testing, preparing civil drawings and estimates etc.
- **Total Cost will be USD 55,000 (two CETPs) and USD 50,000 (one CETP) for powerloom units only**

## 17.2 Implementation Phase

The current estimated water usage at Meiktila is 600,000 litres and 150,000 litres per day (see section 11.2 (c) above). However, if they turn from manual to machine dyeing, water usage will increase by say 25%. The water volume will be 750,000 litres and 180,000 litres respectively. If we consider that the industry is growing by 7% to 8% every year (we need an estimate) and we plan for the CETP for 10 years, the water usage will double. So we may need a planning for 1.5 million litres per day (MLD) for Wundwin and 0.4 MLD for Meiktila. The approximate cost of a plant is USD 210,000 per 0.1 MLD. Hence if the project supports one plant (Meiktila), the cost will be USD 840,000 and 10 per cent consultancy cost for doing the plant and giving it the first run. So total cost for Meiktila CETP will be **USD 924,000**

**Suggestion: This amount may be supported by some other donor agency**

## 18. Study on Inventory Management and Workshop (see section 11.6 above): USD 5500

**Table 10: Time Chart**

S.No.	Activities	Proposed Project Contribution (USD)	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Proposed Contribution by Industry
1	Exposure visit to cluster	17000	√								3000
2	Interaction with suppliers		√								
3	Visit to Hi-Tech Apparel Park and Powerloom Park		√								Cost of Boiler
4	Creation of resource centre	110000			√						



5	Exclusive Training of Trainers	32000				√					
6	Preparing a 2 months' curriculum						√				
7	Preparing a report on cleaner production	6600		√			√				
8	Preparing a film on Dyeing SOP, Clearner Production	15000		√							
9	Creation of colour depot by cluster	2000				√					
10	Creation of quality circles				√	√	√	√	√	√	All meeting cost to be borne by industry
11	Study on product diversification	6000		√							
12	Study on potential of export market of longyi	15000			√						
13	Industry-Institution Linkage: Promoting Internship	0		√							All meeting cost to be borne by industry
14	Industry-Institution Linkage: Diploma in Powerloom Weaving	0			√						All meeting cost to be borne by industry
15	Creation of Capacity of Weavers School	2000						√			
16.1	Feasibility study of Credit Guarantee Fund Product	30000			√						
16.2	Creation of a Credit Guarantee Fund Product	500000							√		
17.1	Preparatory Phase (2 DPRs) Cost of 1 CETP: 55000 Cost of 2 CETPs: 50000	55000					√				
17.2	Implementation of Meiktila CETP	924000						√	√	√	

18	Study on Inventory Management and Workshop	4500		√							
	<b>Total (Excluding implementation of Meiktila CETP and creation of Credit Guarantee Fund Product</b>	<b>295100</b>									
	<b>Cost of implementation of Meiktila CETP and creation of Credit Guarantee Fund Product</b>	<b>1414000</b>									

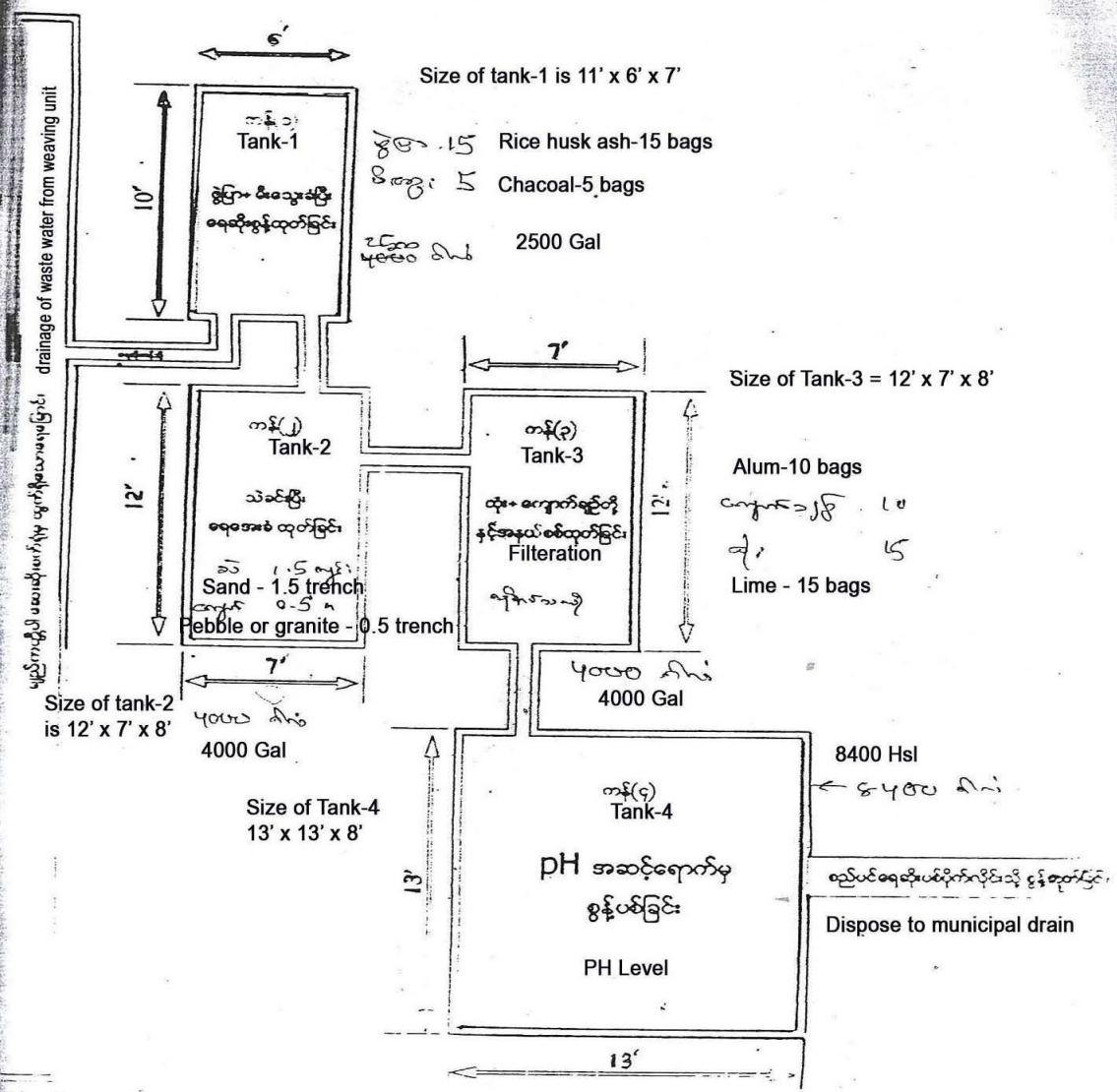


ထုန်ဆင်းကုမ္ပဏီလီမိတက်  
**HTON SIN COMPANY LIMITED.**

No. :H-86 . Mandalay Industrial Zone (1). Pyigy Tagun T  
 Mandalay Ph: 95-2-54162 , 53992

Waste Water Treatment System for Dying Unit

ချည်ကတ္တီပါ ဆေးဆိုးစက်ရုံ၏ရေဆိုးစွန့်ပစ်မှုအစီအစဉ်



### Allowable Waste Effluent Standards in Myanmar

B.O.D (5 days at 20C)	max	20 ppm or more but not exceeding 60ppm, depending on geography of waste discharging points
Suspended Solids	max	30 ppm
Dissolved Solids	max	2,000 pm
pH Value	Between 5 and 9	
Permanganate Value	max	60 ppm
Sulphide (as H <sub>2</sub> S)	max	1 ppm
Cyanide (as HCN)	max	0.2 ppm
Oil and grease	max	5 ppm
Tar	max	
Formaldehyde	max	1 ppm
Phenols and cresols	max	1 ppm
Free Chlorine	max	1 ppm
Zinc	max	5 ppm
Chromium	max	0.5 ppm
Arsenic	max	0.25 ppm
Copper	max	1.0 ppm
Mercury	max	0.005 ppm
Cadmium	max	0.03 ppm
Barium	max	1.0 ppm
Selenium	max	0.02 ppm
Lead	max	0.2 ppm
Nickel	max	0.2 ppm
Insecticides	none	
Radioactive materials	none	
Temperature	max	40C
Colour and Odour	Not Objectionable when mixed in receiving water	

**Source: Ministry of Industry, Water and Air Pollution Control Plan, Standing Order No. 3**

## Sources of Photographs

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**DRAFT ONLY**

**Formulation of a Cluster Marketing Strategy  
for the  
Bagan Lacquerware Cluster,  
Nyuang-U, Myanmar**

**by**

**Joe Vlahek**

**December 24, 2014**

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## **Acronyms**

UNIDO – United Nations Industrial Development Organisation

AMA – American Marketing Association

LTC – Lacquerware Technology College, Bagan

FAO – Food and Agriculture Organisation

USA – United States of America

EU – European Union

BBC - British Broadcasting Commission

ADB – Asia Development Bank

AGD – Asia Green Development Bank

MEB – Myanmar Economic bank

MICB – Myanmar Investment and Commercial Bank

MFTB – Myanmar Foreign Trade Bank

KPMG – Global business service firm and one of the world’s ‘Big 4’ auditors.

SWOT – Strengths, Weakness, Opportunities and Threats

FDA – United States Food and Drug Authority

SPDC – State Peace and Development Council

EIU – Economist Intelligence Unit

GDP - Gross Domestic Product

MNPED – Ministry of National Planning and Economic Development, Myanmar

CIA – United States Country Intelligence Authority

BEWG – Burma Environmental Working group

UK – United Kingdom

UNESCO – United Nations Environment and Social Cultural Organisation

BC – Before the time of Christ

AD – After the Death of Christ

IHNSCAS – Institute of the History of Natural Sciences and Chinese Academy of Sciences

PC - Personal Computer

R&D – Research and Development

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# The Formulation of a Marketing Strategy for the Bagan Lacquerware Cluster in Nyaung-U, Myanmar

## 1.0 Introduction

### 1.1 Definitions and Purpose

*This study and report is based on the principles outlined in the UNIDO (2010) technical paper titled Cluster development for pro-poor growth: the UNIDO approach and the UNIDO (2013) report titled, The UNIDO approach to cluster development: Key principles and project experiences for inclusive growth. This cluster marketing strategy report forms part of UNIDO's Phase 3: Cluster Diagnostic development stage and specifically focuses on further developing marketing strategies for the external and internal marketing environments of the Bagan Lacquerware Cluster; with the aim of enhancing their competitiveness at local, national, regional and international markets.*

*Socio-economic development is a multi-disciplinary, social science and the discipline of marketing is an intrinsic part of the development process (Ingenbeek, P.T.M. and Aad von Tilburg 2009; Henderson, E., Brady, C., Bauer, J.-M. and Sanogo, I. 2013). Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (AMA 2014). Marketing is directly linked to industry cluster development theory (Hu 2011) and more than other activities, it offers the greatest opportunities for economic development (Drucker 1958).*

Cluster marketing is defined as the convergence of distinct activities within an industrial cluster, with the view to achieve as a whole, organizational objectives by participating more effectively in the competitive market process and the larger macro-environment, ensuring competitive advantage through better efficiencies and innovation (Hu 2011; UNIDO 2010). Furthermore, significant cluster marketing advantages can be gained through synergies in market research, new market development, access to current and new markets, market share, product development, distribution channel development, dissemination of information, sales promotion, etc. through cooperative strategies (Zhu 2003, cited in Hu 2011).

Marketing strategy development should look outside the business to sense changes, trends, threats, and opportunities and to create strategies that are responsive (Aaker 1988, *Preface*). The foundation stone for any marketing strategy is the situation analysis. A situation analysis is defined as the delineation of the internal and external strategic options through a better understanding of strengths and weaknesses, opportunities and threats (Jain, 2009). A diagnostic study was undertaken by UNIDO (*unpublished, written 2014*) and the strategic recommendations were presented in a report titled *Diagnostic Study on Lacquerware Clusters in Bagan and Nyaung-U, Myanmar*. This marketing strategy report contributes further to the *Diagnostic Study* already undertaken but differs in that it focuses on the needs, wants and expectations of current and potential target markets (demand side) in order to satisfy the goals of Bagan Lacquerware Cluster participants (supply side).

## 1.2 Objectives of the Cluster Marketing Strategy

The objective of this project is to formulate a pro-poor, cluster marketing strategy for the Bagan Lacquerware Cluster that would ultimately create better coordination and cohesiveness amongst the cluster participants in order to satisfy lacquerware customer needs and wants, and finally increase the cluster member's profits, household incomes and improve their standard of living, within a targeted three years.

## 1.3 Methodology

This project adopts the approach of a deductive social science enquiry that applies qualitative methods and relevant literature derived from concepts and theories related to economic development, sustainable livelihood development, industrial cluster development, marketing, cluster marketing and branding, industry up-gradation and value chain analysis.

The process included;

- 1) Undertaking independent field analysis to better understand the Bagan Lacquerware Clusters' current marketing environments and to identify strategic marketing issues.
- 2) Facilitating a marketing strategy training / workshop to allow cluster members to directly participate in the strategy formulation process. This was conducted by;
  - a) Explaining the marketing concept, the differences between selling and marketing and the marketing strategy formulation process.
  - b) Conducting participatory SWOT analysis on the current marketing environments, in order to identify the clusters key strategic marketing issues.
- 3) Cross-verifying independent field analysis with training/workshop analysis.
- 4) Based on the analysis findings outline the key strategic marketing recommendations by developing an action plan for implementation.

Applied qualitative research methods included a broad review of relevant secondary data, informal personal interviews, structured and unstructured observations, recorded transects and a training/workshop, undertaken during late November 2014.

Field analysis included interviews that were held with convenience samples from the following respondent groups;

Bagan Lacquerware Value Chain Members (supply side );  
8 Micro Lacquerware Enterprises (Households)  
8 Small Lacquerware Enterprises  
5 Medium Lacquerware Enterprises

Lacquerware Buyers (demand side);  
12 International Tourists (various nationalities)

11 Myanmar Tourists (various states)

UNIDO Cluster Focal Point

Lacquerware Technical College (LTC) – Academic.

See *Appendix 1: Bagan Field Research Activities* for further details regarding the interviews, observations and transects that were undertaken.

A Strategic Marketing Workshop was conducted to analyse the clusters external and internal marketing environments, 60 participants attended the workshop. See *Appendix 2: Marketing Strategy Workshop Report* and *Appendix 3: Workshop Powerpoint Presentation Slides* for further details regarding the workshop contents and evaluation by participants.

The results of the unstructured qualitative interviews were used to gain an understanding of the marketing environments and the data collected was compared with the participatory workshop environmental analysis to verify the key primary strategic issues from an external perspective as well as an internal cluster perspective.

#### **1.4 Brief Bagan Lacquerware History and Background**

*Lacquerware* are objects decoratively covered with lacquer which is sometimes inlaid or carved. Lacquerware includes boxes, tableware, and furniture painted with lacquer and produced in cultures from Eastern Asia (Wikipedia 2014).

The Bagan Lacquerware Museum houses fragments of lacquerware basketry which was recovered from the Lay Myet Hna Temple. The history of this temple suggests that lacquerware in Bagan was being produced during the 13<sup>th</sup> century. Prior ancient history of lacquerware in Myanmar remains inconclusive (Htun 2013). With at least 800 years of evidenced history in lacquerware production, the Bagan area has become the epicentre of what is today's Myanmar's lacquerware industry.

Throughout this 800 year history, out of the 19 settlements that existed in the Bagan area, the main centre for production was the town of Bagan itself. The town had dwindled since the 'golden era' of King Anawrathra (reigned 1044-77), but remained situated within the city walls with its well established infrastructure for the production of lacquerware. Myinkaba, a township south of the Bagan wall had established itself at approximately the same time as Bagan. Myinkaba supplied the walled community with labour and bamboo construction materials, and on the side, the Bagan lacquerware masters with their coiled bamboo bases (Gritsenko 2013).

During the 1970's, several households in Myinkaba had established fully functioning lacquerware workshops, these were not of the same high standard as their Bagan counterparts and they primarily specialised in betel nut boxes and bowls (*ibid*).

*The dynamics between Myinkaba and Bagan changed when the Bagan populace was relocated to a new place in 1990, 4 km to the south, to what is now called New Bagan. Apart from going through tremendous stress, they also lost their cellars (thyiks), which was a major blow to their lacquer production chain as the cellar is at the centre of lacquer production. Whilst Bagan lacquer masters were adjusting to new conditions, Myinkaba workshops*

*started to gain in prominence. In 1996 Burma [Myanmar] was opened to tourists and for the lacquer business unfortunately it created a niche for very cheaply produced, bad quality lacquer to cater for this sudden surge of foreign visitors. (Gritsenko 2013: p.1-2)*

Over the ensuing 25 years, the Bagan Lacquerware Cluster has had to rebuild itself within the shadows of the burgeoning tourism industry. Thanks to a handful of lacquerware masters and entrepreneurs, they have kept the traditions of Bagan lacquerware alive, (Respondent 18, November 24, 2014). Presently, it is estimated that between 550 – 750 households in the Bagan area are involved in the lacquerware cluster (Myo Myo interview, November 24, 2014; UNIDO Diagnostic Study *unpublished* 2014). These households represent a large majority of what is the Myanmar Lacquerware Industry today.

Bagan (and therefore Myanmar's) lacquerware is unique to the world in method, form and etching design (Bagan House 2014). The majority of raw materials required for production are imported to the area. The black lacquer sap (thitsi) comes from indigenous trees which grow in the forests of Shan State in Myanmar. Bamboo comes down the Ayeyarwady River from Sagaing State. Colour pigments come from India, China, Germany and Japan. Stripping and coiling bamboo begins the process that creates the 'white base'. The lacquer (thitsi) is mixed with either fine bone ash (consumes more of the valuable thitsi) or cow-dung (which uses less thitsi) to create 'thayo' which is applied to the white bases early in the lacquering process. From start to finish the proper lacquerware production process can take from five to eight months before it is ready for sale. As a point of reference, it takes the Nissan motor plant in Japan approximately 18 hours to complete a car from start to finish (Berengueres 2007).

### **1.5 Formulation of the Cluster Marketing Strategy**

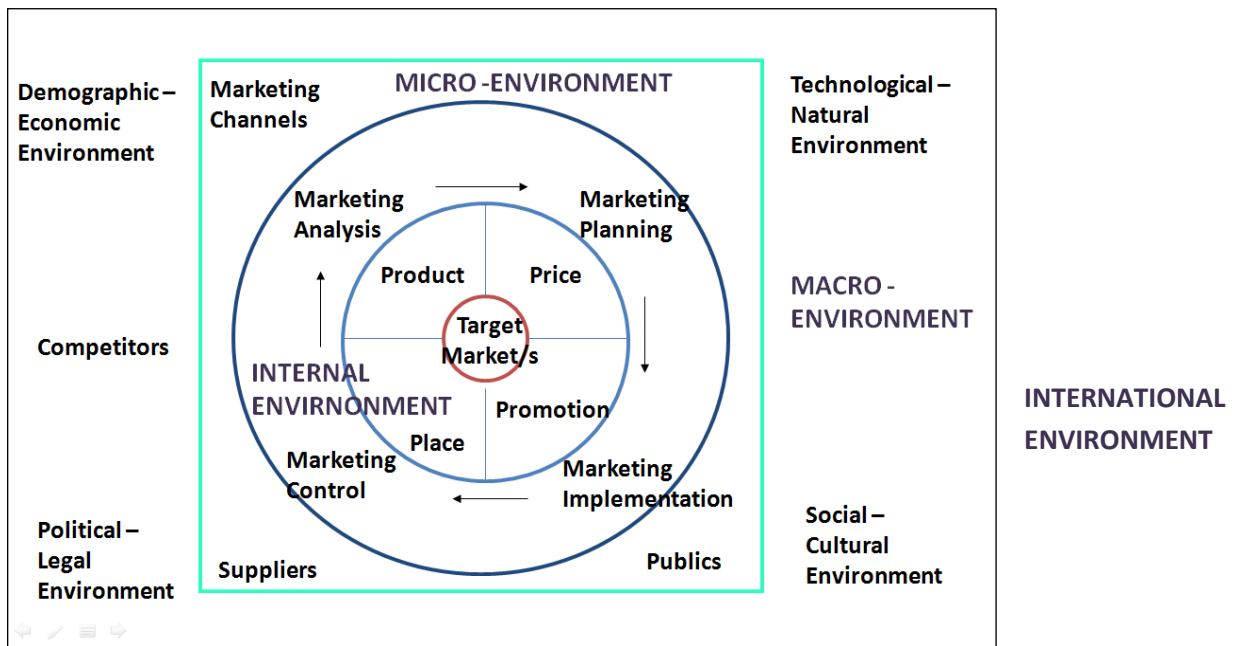
Successful organisations take an outside-inside view of their business. They recognise that the marketing environment is constantly presenting new opportunities and threats and they understand the importance of continuously monitoring and adapting to that environment (Kotler 2003, p.158).

A marketing strategy is an ongoing, cyclical process which commences with the marketing environmental analysis (the focus of this report), followed by the planning phase, implementation phase and the evaluation and control phase (Aaker 1988; Abell & Hammonnd 1979; Etzel, Walker & Stanton 2004; Kotler & Armstrong 2004).

This study commences the participatory formulation of the marketing strategy process for the Bagan lacquerware cluster by firstly conducting a workshop to introduce interested cluster members to the discipline of marketing, followed by an explanation of the marketing strategy formulation process and then a SWOT analysis of the macro, micro and internal environments conducted with workshop participant inputs. This report, with its suggested strategic recommendations and action plan is then to be translated and disseminated amongst the cluster members for their consideration prior to the next workshop on the Strategic Market Planning. At the next workshop, the recommendations are to be introduced, debated and then an agreed set of strategies and objectives established that are endorsed and validated by participants.



**Fig.1: Marketing Environment Overview**



Source: Adapted from FAO, (<http://www.fao.org/docrep/W5973E/w5973e03.jpg>) [Accessed December 4, 2014]

## 2.0 Macro Environment Analysis

### 2.1 Demographic Environment

Myanmar has a population of 51.4 million people with 10.9 million households. The most populated states include Yangon, Mandalay and Ayeyawady – these states represent 36% of the total population (Myanmar Census 2014).

Myanmar’s central government recognises a total of 135 ethnic groups living in the country. The largest nine of which represent approximately 95% of the total population, including Bamar (68%), Shan (9%), Karen (7%), Rakhine (3.5%), Chinese (2.5%), Mon (2%), Kachin (1.5%), Indian (1.25%) and Chin (1%). The remaining 5% are represented by the Kayah, Wa, Naga, Lahu, Lisu, Rawang, Moken, Padaung and other minority ethnic groups (Myanmarburma.com 2013; Wikipedia 2014).

#### 2.1.1 Demographic environment implications for the Bagan Lacquerware Cluster:

- a) Size of market is important when selecting target markets and in forecasting future sales (Aaker 1989). When targeting national markets, the cluster could commence by focussing on the most populated areas in Myanmar, i.e. Yangon, Mandalay and Ayeyawady, respectively. When targeting the tourist markets nationally, the cluster could consider current and potential tourist areas such as Taunggyi (Inle Lake), Thandwe (Napoli Beach), Bago, Sagaing, Myiek etc, if tourist visitor numbers continue to increase in these areas.

b) A large ethnic base brings with it a vast variety of cultural symbols and designs that are uniquely from Myanmar. These could be used by the Bagan Lacquerware Cluster to stimulate ideas and creativity for new designs that would still be authentically from Myanmar that could be incorporated into traditional Bagan designs.

## **2.2 Political / Legal Environment**

Myanmar has undergone two decades of direct military rule, six decades of civil wars, and estrangement from the international community. Since 2010 the country has embarked on a process of wide-reaching political and economic reforms. Many political prisoners have been released, media restrictions have been relaxed, civil liberty restrictions have been eased, ceasefires have been negotiated with many of the armed ethnic minority groups, and a process of engagement with the global economy is underway, (BTI 2014). The liberalisation allowed for what was internally and externally agreed to be free and fair by-elections to take place in April of 2012 in which the National League for Democracy (NLD) won in a landslide. This has given fresh impetus for the reform drive in the country, (*ibid*). Myanmar is undergoing intense and rapid changes and the policies formulated today will determine the future path of political and economic development (Thorpe 2014).

Based on these significant democratic political reforms, most of the economic sanctions placed on Myanmar by USA and the European Union (EU), were eased immediately after the April 2012 by-elections. In April 2013, the EU abolished all remaining economic sanctions except for military equipment (BBC 2014). The United States continued with some economic sanctions remaining: as at 22 February 2013, U.S. nationals are allowed to conduct financial transactions with four banks, namely; AGD, Ayeyarwaddy Bank, MEB and MICB. Other banks, such as Myawaddy Bank Ltd, Innwa Bank and MFTB still remained on the sanctions list (KPMG 2013, p.14).

The U.S. President, Barack Obama's statement earlier in 2014 reflects their country's cautiousness on foreign relations with Myanmar: "[Myanmar's] political opening remains nascent, and concerns persist regarding ongoing conflict and human rights abuses in ethnic minority areas, particularly in Rakhine State, and the continued role of the military in the country's political and economic activities," (Reuters 2014).

The Myanmar general elections are set to take place in late October or early November 2015 (Irrawaddy, 21 October 2014). The workshop participants (28 November 2014), classified the Myanmar elections as a threat, rather than an opportunity in the macro environment SWOT analysis.

Furthermore, in the broader international environment, various countries have regulations and laws in place that could prohibit the import of lacquerware, for example the United States, Food and Drug Authority (FDA) maintain strict regulations, guidelines and certification processes for products that are used with food (Respondent 30, November 25, 2014). Other countries like Australia, maintain strict customs controls over the fumigation and importation of bamboo products (Australian Department of Agriculture 2014).

These brief discussions on the political and legal macro environments have direct implications for the Bagan Lacquerware Cluster. Although these factors are beyond their control, cluster members can plan for such contingencies and legal regulations.

### 2.2.1 Political / legal environment implications for the Bagan Lacquerware Cluster:

- a) The macro environment is changing rapidly in Myanmar therefore regular analysis is required to update and modify the clusters marketing strategy.
- b) International financial bank transfers with Myanmar banks requires further detailed analysis prior to establishing objectives for potential export markets.
- c) The 2015 elections are causing some cluster members anxiety (Workshop Participants, 28 November 2014). Political analysts have shared concern that a repeat of the 1990 elections would allow the SPDC to continue to maintain control of government, with their version of a 'roadmap to disciplined democracy', (Jones 2014; Kumar 2012).

The Economist Intelligence Unit (EIU) in their recently published *Country Profile: Myanmar* (December 2014, p.18) stated "we maintain our forecast that the government's policies toward the Rohingya will undermine political stability as well as strain relations with some allies and potentially jeopardise international aid".

These statements indicate that if the Myanmar government fails to address some of their political challenges, international sanctions may be re-applied and tourist visitor numbers may fall dramatically. This would lead to devastating financial hardship for cluster members who are estimated to receive 80% of their revenues from the tourist market, (UNIDO Diagnostic Study *unpublished*). The cluster members should consider contingency plans that are ready to implement, if such an event were to occur.

- d) Potential export target markets need to be fully analysed to ensure all legal, import and health regulations can be effectively met by the Bagan Lacquerware Cluster prior to objectives being set.

## **2.3 Economic Environment**

With the new policies and reforms taking place, a more flexible exchange rate has been introduced with the help of the IMF, the financial sector has been strengthened, and the introduction of an independent central bank is underway. Nevertheless, the economic situation remains complex. With virtually no property rights in place, competition remains weak, and the socioeconomic situation is still fragile. The country is the least developed in Southeast Asia, with a high degree of poverty, high rates of unemployment, and low expenditures for education and health (BTI 2014).

GDP growth is expected to continue to grow to a rate of 7.8% in 2015. Inflation is set to nearly reach 7% and the current account deficit is expected to decrease marginally to -4.8% in 2015 (ADB 2014). See Table 1 below for further details. 'The average inflation rate between 2011-2012 was 2.5%. But at the beginning of 2014 inflation rose to 6.0%. It is very critical to regulate inflation carefully', stated Dr. Kan Zaw, Union Minister for National Planning and economic Development during the Phyithy Hluttaw session on 26 November 2014 (Mizzima Weekly, 4 -11 December 2014, p.20).

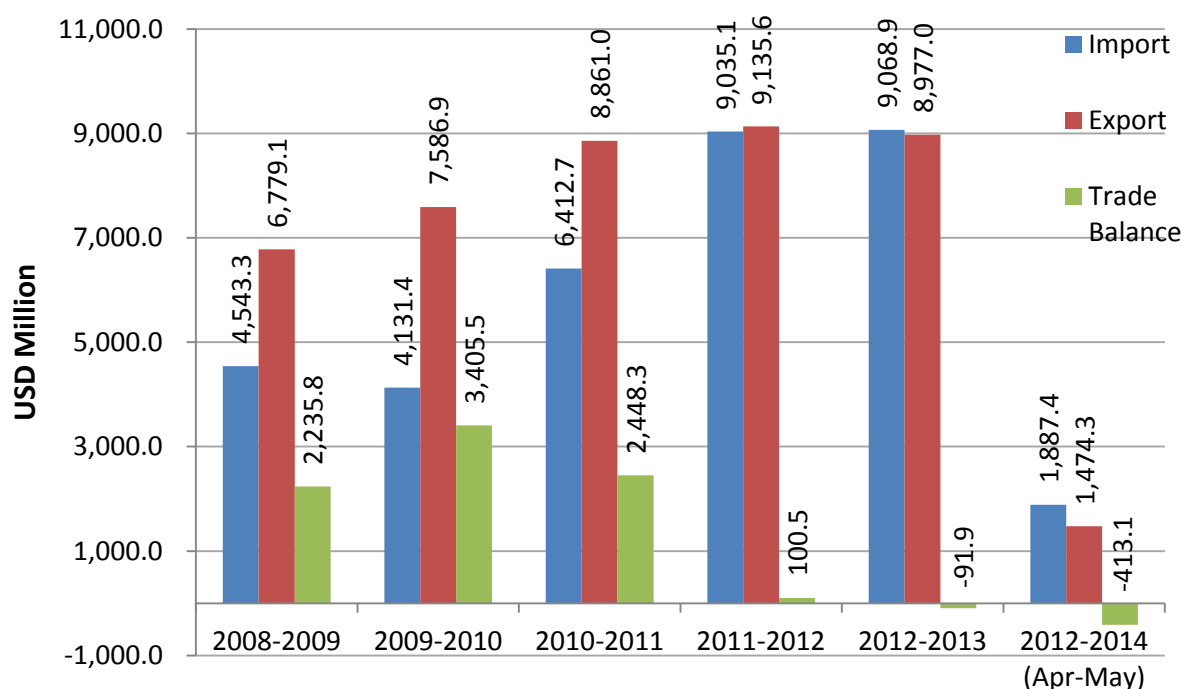
**Table 1: Basic Economic Indicators**

Selected Economic Indicators (%) - Myanmar	2014		2015	
	ADO 2014	Update	ADO 2014	Update
GDP Growth	7.8	7.8	7.8	7.8
Inflation	6.6	6.6	6.9	6.9
Current Account Balance (share of GDP)	-5.1	-5.1	-4.8	-4.8

Source: ADB estimates.

In Myanmar’s fiscal year March 2012 to March 2013, for the first time in modern history imports surpassed exports (see Fig. 2 below), leading to a deficit in trade balance (MNPED 2014).

**Fig. 2: Myanmar Import / Export Trade Performance (2008 – 2013)**



Source: Ministry of National Planning and Economic Development, Myanmar.

In 2013, the microfinance sector in Myanmar disbursed a UNCDF estimate of USD500 million in micro credit that was provided to approximately 3.6 million micro clients; annual interest rates varied with some providers charging 30%, (KPMG 2013, p.24).

Risks to the economic outlook come from vulnerability to bad weather or natural disasters, and as raised in the political environment, from ethnic and sectarian tensions and the possibility that reform momentum may slow in the lead-up to general elections scheduled for late 2015 (ADB 2014).

**2.3.1 Economic environment implications for the Bagan Lacquerware Cluster:**

- a) The economy is growing and is forecasted to continue to grow into the medium term.

b) With inflation expected to hover at around 7%, the Bagan Lacquerware Cluster needs to target income growth to be greater than the rate of inflation (i.e. greater than 7% for 2015).

b) Export of lacquerware should be seen favourably by Myanmar government which could assist in reducing the current trade balance deficit.

## **2.4 Technological Environment**

Myanmar's technological capital depends on foreign technology imports and the transfer of know-how. Suffering from technological disadvantages and lower productivity, the potential to "leap frog" expensive research and development efforts and implement clean, state-of-the-art technology is significant, (Welford & Zieger 2013, p.1). On the other hand, improvements in transport, power, and information technology infrastructure are needed to mobilize domestic and foreign investment and lay a foundation for long-term growth, (ADB 2014).

In September 2012, MasterCard became the first international payments network to issue a licence to a local Myanmar bank. Myanmar's first ATM allowed since the banking crisis in 2003 was installed at the same location, on the corner of 23rd Street and Strand Road in Yangon, in November 2012, (Zaw Win Thar & Aye Thidar Kyaw 2012). Mastercard has established partnerships with eight local banks and one financial institution, which include CB, KBZ, Myanmar Apex Bank (MAB), Myanmar Citizens Bank, Myanmar Oriental Bank, United Amara Bank (UAB), Ayeyarwady Bank and Asia Green Development Bank (AGD). In December 2013, there were 2,500 credit card payment terminals across the country and to date approximately 300 ATM machines, mostly found in Yangon. Meanwhile, VISA has partnerships with KBZ, Myanmar Oriental Bank, MAB, UAB, Myanmar Citizen Bank, AGD and Ayeyarwady Bank with 200 ATM machines and 600 terminals across the country. Power shortages continue to affect the ability to process credit cards (Mudditt 2013). Financial technologies are advancing rapidly in Myanmar and this should allow tourists and nationals to more easily consume and purchasing goods.

In late 2010, the National Telecommunications Commission (NTC) presented the 2011-16 Universal Service Obligation (USO) plan, aiming to achieve broadband internet coverage for at least 80% of the population by 2016 (Mongkolporn, December 14, 2010). The government revised their teledensity goal to 50% coverage by 2015 (Deloitte 2012). In 2013, mobile phone user levels were thought to be at around 10% and internet and fixed line usage was in the region of 2% of the population. (CommuniCast 2013).

On 27 June 2013, Telenor and Ooredoo were awarded licenses to provide telecommunication services to Myanmar. Ooredoo plans to spend \$15 billion over the 15-year licence period and Telenor claimed that it would achieve full national coverage within 5 years. (Aung HlaTun & Ferrie, J. June 27, 2013). Telecommunication infrastructure in Myanmar is set to improve considerably in the future.

Over half of Myanmar's current mobile internet users came online within the last 12 months. Of all internet users, 49% access the web only through their mobile device and it appears that the people of Myanmar are skipping the era of PC's entirely. Out of the 5.4 million mobile phone users in

Myanmar, 95% use an android, of which 79% are Huawei branded models. 58% of Myanmar android users also use Facebook (Millward, June 24, 2014).

#### 2.4.1 Technological environment implications for Bagan Lacquerware Cluster;

a) Banking technologies would allow international tourists to utilise their credit cards if they do not have cash-at-hand to purchase lacquerware. The cluster should consider implementing point-of-sale credit card terminals.

b) The Bagan area had only one major internet service provider at the time of writing this report. The band width is currently limited and workable access is limited to hours between 11.00pm and 7.00am (Observation, November 23-28, 2014). The use of telecommunications is imperative in the contemporary global marketplace (US Federal Communications Commission 2014) but with the current access issues in Bagan, commencing internet based communication programs may still prove difficult in the short term.

c) There is no doubt that communications will improve in the short to longer term and the cluster should consider implementing online communications, once emails can be easily downloaded during working hours.

d) The current increase in mobile internet usage in Myanmar indicates that android communications could be a viable strategy for the lacquerware cluster to communicate with national target market audiences.

## **2.5 Natural Environment**

Myanmar is resource rich in oil, gas, mining and timber (CIA 2013). Yet it remains one of the least developed nations on earth (BEWG 2011). Obtaining current economic data on these natural resources has proven difficult although one source stated that in 2011, 43% of exports was in petroleum gases, 17% for dried or shelled legumes and 8% in saw logs and veneered saw logs (Hausman and Hildago 2011).

Foreign investment is flowing into the country in oil and gas, which represents a third of total foreign investments in 2013 (Ko Ko Gyi 2014). Myanmar Oil and Gas Enterprise (MOGE) stated that as a consequence of foreign investment it has directly created hundreds of jobs and that thousands more have been indirectly created to service the industry. More job opportunities will be provided when exploration and production activities begin in the 20 offshore blocks and 16 onshore blocks for which contracts were awarded earlier in 2014. Foreign oil and gas companies contribute to socio-economic programs. As well as maintaining high workplace safety standards, foreign companies have contributed to the transfer of technology to Myanmar-based firms providing services to the sector as well as knowledge transfer ranging from operating advanced drilling technology to aviation maintenance, (Ko Ko Gyi 2014).

In the *Jade trade*, Myanmar recorded over 1 billion US dollars in export value during fiscal year 2013-2014, although there is still a thriving illegal trade in jades and gems, of which many are sourced from conflict areas where rule of law and controls are scarce, despite increasing attempts to stamp

down in smuggling (Eleven Myanmar 29 July 2014). The timber industry also has isimilar problems with smuggling whereby nearly three-quarters of Myanmar’s timber trade is illegal, according to government figures analysed by the Environmental Investigation Agency [EIA] and released in a report on March 26, only days before the country-wide ban on log exporting came into effect, (Di Certo and O’Toole 2014). Contrary to the official government line that timber smuggling is only endemic in rebel-held zones, the EIA report said that at least 20 percent of this illegal trade is occurring in government-controlled areas. The value of the illegal trade was estimated to be US\$6 billion, or four times the 2013-2014 national budgets for education and health combined, the EIA said (*ibid*).

Obtaining data on land tenure also remains very weak in Myanmar. The state owns all the land and resources in Myanmar, with most villagers having no formal land title for their customary agricultural land. New policies have been put in place allocating land concessions to private entities which do not respect customary land rights or informal land holdings, (BEWG 2011, p.8). “The legal framework for land use in Myanmar is a mess; more than 70 active laws, orders, amendments and regulations have been passed by different governments and remain in force”, (Mizzima Weekly, 4 December 2014, p.16).

There is hope as the integration of income generation activities with conservation through community investment shows promise, but generally the natural capital is threatened by the exploitation of natural resources, destruction of ecosystems and loss of biodiversity, (Welford et.al 2014), as a result from the construction of large dams, oil and gas extraction, mining, deforestation, large-scale agricultural concessions, illegal wildlife trade and climate change (BEWG 2011).

In addition to the above mentioned natural resource challenges, the UK-based *Maplecroft* had stated that Myanmar is one of the countries with the greatest proportion of their economic output exposed to natural hazards. Myanmar has demonstrated poor capability to recover from significant events in the past and this exposes investments to risk of supply chain and market disruptions. This could lead to sizable business interruption costs, in addition to material damage to essential infrastructure. (Boot, August 21, 2012).

#### 2.5.2 Natural environment implications for the Bagan Lacquerware Cluster;

- a) Illegal activity for natural resources appears to be rampant throughout Myanmar and this could affect the supply of lacquer (thitsi) from the Shan State.
- b) Land grabs appear to be occurring within the walls of Old Bagan as new hotels obtain land and permits to establish themselves (Observations, November 23-28, 2014; Tour Guide, November 25, 2014; Respondents 34, November 26, 2014) prior to UNESCO’s World Heritage listing in the next few years (Irrawaddy, October 13, 2014). This is creating some solicitude amongst local area community members.
- c) The Bagan Lacquerware Cluster should consider creating contingency plans for the event of natural disasters.

## 2.6 Socio-Cultural Environment

In the health care sector, Myanmar has 337 hospitals and 17,480 medical doctors (Medical Myanmar 2014). Myanmar spends roughly 2% of its GDP on healthcare; neighbour Laos spends 4.5%, and Cambodia 5.6% (Shobert 2013). There has been a significant increase on healthcare spending in the 2013 budget and Myanmar's political leadership appears to understand the need to upgrade its country's healthcare system. Malaria is the leading cause of morbidity and mortality in the country. TB rates in Myanmar are estimated to be three times the global rate, and the majority of cases are drug-resistant. Doctors are poorly paid and have to accept additional funds from patients directly. Regardless of these concerns, the government's additional spending on medical goods and services is an important step forward that holds the potential to improve healthcare in Myanmar (*ibid*).

The general national education statistics published by the Myanmar Ministry of Education (2008), showed that 40.2% of the household population has primary education, 18.0% middle school education, 8.2% high school education and 4.2% university education; thus, about 58.2% (primary and lower secondary) of the household population has basic education. Because education has a direct relationship with productivity, investing in education is an important strategy for national development. Aspirations of building a modern developed nation are to be materialised through education, which forms the core element to systematic planning and management in various areas in all sectors (Myanmar Ministry of Education 2008). The government has a clear understanding of the importance that education plays in the economy.

Since ancient times, people in Myanmar have enjoyed freedom of worship. Buddhism is practised by 89.4% of the population, Christianity by 4.9%, Islam by 3.9%, Hinduism by 0.5% and animism by 1.2%. The largest civil society groups that influence social development in the country have a religious base; of these, the most numerous are Buddhist monks (490,000), whilst other faith-based groups are active in their representative communities. The country's cultural potential suggests that once aggressive investment and institutional reforms are in place, Myanmar's human capital could increase rather rapidly (Yoon Ah Oh 2011).

### 2.6.1 Socio-cultural environment implications for the Bagan lacquerware cluster:

- a) Although health care budgets have improved in Myanmar recently, cluster members will have to remain reliant upon their own finances for their health care needs into the medium term as the medical infrastructure development gets rolled-out.
- b) The Bagan Lacquerware cluster is well aware of the social and economic importance that education plays in their children's lives (Workshop Participants, 28 November 2014).
- c) A large majority of Myanmar population is Buddhist by religion. The traditions of Bagan lacquerware are steeped with Buddhist history. The etchings commonly depict Buddhist scenes and replicate the many Buddhist frescos that adorn the walls of the nearly 4,000 local pagodas. Buddhism is a central social and cultural component of the Bagan lacquerware products as well as to the Bagan Lacquerware Cluster participants and this should be embraced within the marketing promotions.



d) Artisans in Myanmar generally receive great respect from all levels of Myanmar society (Cohen *no date*).

## **2.7 Competitor Environment**

### 2.7.1 Direct Regional Competitors

During the Shang Dynasty (ca. 1600–1046 BC) of China, the sophisticated techniques used in the lacquer process were first developed and it became a highly artistic craft (Webb 2000). Although, the earliest lacquer object to be discovered was a red wooden bowl (ca. 5000 BC), unearthed at the Hemudu excavation site in Zhejiang, China (Fung 1994). The knowledge of the Chinese methods of the lacquer process spread from China during the Han (206-581 AD), Tang (618-907 AD) and Song (960-1279 AD) dynasties and eventually it was introduced to Korea, Japan, and to other cultures in Southeast and South Asia (IHNSCAS 1983). It appears that lacquerware is an Asian based product and that other regions of the globe do not produce lacquerware.

Currently, nations producing and exporting lacquerware include China, India, Japan, South Korea, Vietnam, Thailand, Laos, Cambodia, Bangladesh, Sri Lanka, Indonesia, Philippines and Myanmar (FAO 2014; Hirigana Times October 2011; Travel China Guide 2014; Song Bang-Ung 2014; Han Kukjin 2014; Oriental Home 2014; Miyazato, Lu, Honda & Miyakoshi 2013; Saarc Tourism 2009; Miles 2011). To the Bagan Lacquerware Cluster, these are the primary regional export competitors. Details regarding trading partners and volumes of trade from these countries are scant and proved difficult to source, further research and analysis is required.

### 2.7.2 Direct National Competitors

Apart from Bagan, the Shan townships of Laikha and Mongnai, the 'Kayin' township of Kyaukkyi and some areas of Rakhine still produce tribal lacquerware. Sadly, their remaining workshops are barely surviving. (Htun 2013, p.12-13). Further to this list, workshop participants (28 November 2014) discussed and explained that a handful of micro/small workshops exist in Sagaing and around Inwa, near Mandalay. This makes the Bagan Lacquerware Cluster the last lacquerware centre remaining in Myanmar, and hence, its members represent what is the Myanmar Lacquerware Industry today.

### 2.7.3 Substitute and Unrelated Product Competitors

The following are competitors with substitute or unrelated products that seek the same consumer dollar (Etzel et.al. (2004) as is sought by the lacquerware industry:

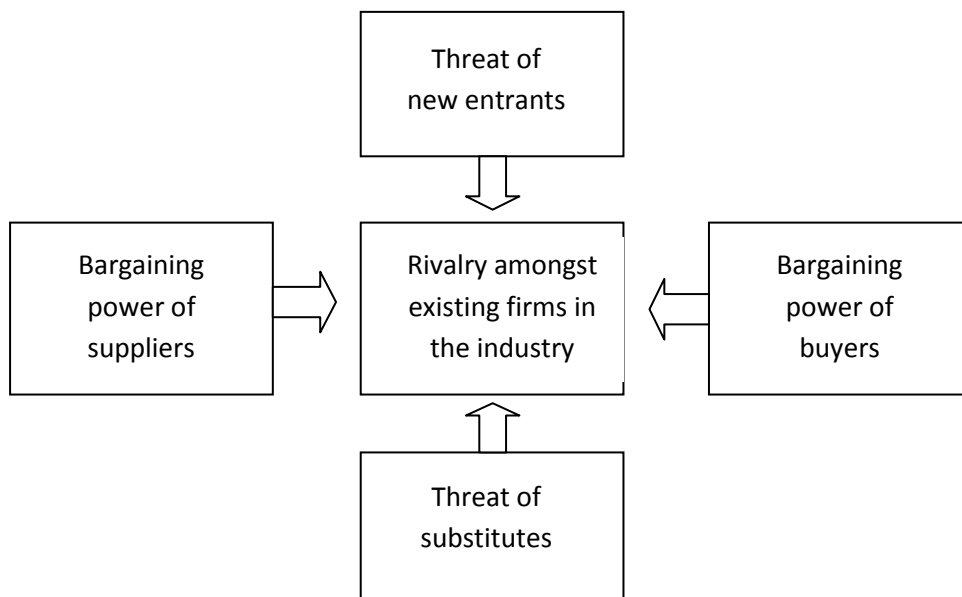
a) Other handicraft speciality industries found in Myanmar include silverware producers, woodcarvers, gold guilders, umbrella producers, jewellers, textile producers etc. All are vying for the same national, tourist and export dollars, as the Bagan Lacquerware Cluster.

b) Utility items such as utensils, tableware, serving trays etc made from plastic, glass, metal and various other materials are also considered as competitors. China is of particular concern with their endless supply of plastic-ware (Workshop Participants, November 28, 2014).

### 2.7.4 Porters Five Forces Model for Analysis

Porter (1980) put forward that five main forces shape competition and that a systematic analysis of each can assist management in identifying the keys to competitiveness in their particular industry, (Hooley et.al. 2004). See Figure 3 for details. This model was applied during the Bagan Lacquerware Cluster Marketing Strategy Workshop to analyse the competitive forces that influence the sale of their lacquerware products.

**Fig. 3: Porters (1980) Five Forces Model**



Source: Hooley, G., Saunders, J. & Piercy, N. (2004). Marketing strategy and competitive positioning (3rd Ed.). Pearson Education Limited, UK. p. 119 which was adapted with permission of the Free Press, from Competitive Strategy: Technologies for Analysing Industries and Competitors by Michael E. Porter (1980).

**2.7.4.1 Threat of new entrants:** was considered as a ‘low threat’ by the workshop participants (November 28, 2014) due to;

- i) lack of skilled labour and knowledge,
- ii) climatic conditions,
- iii) low incomes, and
- iv) the time required to make a return on investment.

**2.7.4.2 Threat of substitutes:** was determined as a ‘high threat’ due to;

- i) cheaper alternative products such a Chinese made plastics “swamping” the local and national market,
- ii) handmade glassware gaining popularity and
- iii) general threats from ceramic and metal producer growth in the tableware products markets.

2.7.4.3 *Bargaining power of suppliers*: was considered as being 'strong and powerful' due to;

- i) limited number of known suppliers from Shan states who collect thitsi (lacquer)
- ii) small volumes being purchased by individual workshops and,
- iii) suppliers set and vary the price according to their demands (vermillion 'red' dye pigment suppliers literally name whatever price they want).

2.7.4.4 *Bargaining power of buyers*: was determined as being 'weak and limited' due to;

- i) small volume purchases,
- ii) limited financial resources to purchase in bulk, and
- iii) limited negotiations regarding prices for quality variances in raw materials.

2.7.4.5 *Competitive rivalry*: is highly evident amongst lacquerware producers.

- i) Methods and etched designs are strongly protected. Many workshops have private rooms, which are separated from their main showroom, to display their quality wares and unique designs – in these quality rooms no photos are allowed.
- ii) Price cutting amongst producers to win orders with retailers was prevalent.

Applying *Porters Five Forces* to the Bagan Lacquerware Cluster showed participants their overall competitive position, on a macro level and made them aware of where their threats are coming from and where their bargaining vulnerabilities lie. Workshop participants understood that if they worked as a cluster that they would have stronger negotiating power with suppliers which could lead to lower prices and higher quality of raw materials to each individual micro-producer.

#### 2.7.5 Competitor environment implications for the Bagan Lacquerware Cluster:

- a) Regional competition requires further detailed research and investigation.
- b) Product differentiation and branding may distinguish Bagan lacquerware as 'different' from other regional competitor's lacquerware methods and designs. When compared to Japanese, South Korean, Vietnamese and Indian lacquerware, the Bagan lacquerware can easily be identified. But when compared to Thailand, Laos, Cambodian and some Chinese works it can be difficult to visually distinguish them apart from lacquerware being produced in Bagan.
- c) As far as the Bagan lacquerware cluster participants are concerned, there is no substantial national competition in lacquerware. Basically due to the miniscule number of other lacquerware artisans and workshops that remain as viable business operations across all of Myanmar. Also, the natural drying techniques of lacquerware is far better suited to the Bagan climates than to their national competitors localities and climate, which ensures a natural competitive advantage. The cluster is aware that drying technology could reduce their natural climatic advantage and that they would annually need to review national competitor operations.

## 2.8 The Myanmar Tourism Industry

In 2012, for the first time in its history, Myanmar hosted over 1 million international tourists (Watkins 2013). In comparison, its neighbours Thailand obtained 22.3 million visitors (Wikipedia 2013c) whilst Laos recorded 3.3 million international visitors (Wikipedia 2013d). Myanmar received the highest relative growth [for in-bound tourists] in Southeast Asia, at 52 per cent (UNWTO 2013, p.7). Although 'Myanmar is currently experiencing rapid growth in tourist demand' (MHT 2012, p.3), it still remains the least visited country in the Southeast Asia region (Eleven Media 2013). For 2013, Myanmar was expecting to obtain over 1.5 million visitors (Cha 2013), but it actually doubled the 2012 figures to just over 2 million (Zaw Win Than, 24 February 2014). The MHT Myanmar Tourism Plan was expecting to receive 3 million visitors by 2015 (MHT 2012) but this figure is expected to be achieved by the end of 2014 (Eleven Myanmar, 30 September 2014). President Thein Sein announced in a parliamentary speech in March 2014 that Myanmar now expects to receive 5 million visitors by end of 2015 (Eleven Myanmar, 27 March 2014). It appears that the newfound political freedom is bringing with it a surge in tourism to this once isolated country (Whitehead 2013). Myanmar's natural beauty, history and previous isolation appear to be its main draw for tourists (Kahle 2013) and is often advertised as *exotic* and *untouched* (Luxury Travel 2013; Rustic Pathways 2013; Sedunia Holidays 2013).

Although the Burmese tourism industry is growing at a rapid rate, Myanmar's infrastructure development has been reported as 'woefully inadequate to accommodate an influx of tourists - transport links, airports and telecommunications requiring mass investment' (Lay 2012: p.19; Zaw Win Than, February 24, 2014). Furthermore, of the country's sparse number of hotel rooms (25,000), only 8,000 rooms were considered suitable for international visitors (Lay 2012). This shortage has incited a hotel boom with 15 new hotels under construction in Yangon, with many others at the planning stages (Watkins 2013). In just 2 years from Lay's (2012) publication, an additional 10,000 rooms have been added with 35,000 hotel rooms now available nationally (MHT 2014). The 'hotel boom' is expected to continue as the *Myanmar Tourism Master Plan 2013-2020* looks to obtaining 7.5 million tourists by 2020 (Boot 2013). New airport and telecommunication tenders have already been awarded to address some of the concerns raised (Kyodo 2013).

### 2.8.1 Myanmar Tourism Implications for Bagan lacquerware cluster:

- a) Large increase in tourism to Myanmar means larger tourist numbers visiting Bagan and buying lacquerware.
- b) With the hotel and restaurants industries expected to continue to mushroom for the next 5 years, the cluster should consider directly targeting the hospitality sector at a national level for lacquerware sales.

**Table 2: Macro Environment SWOT Analysis; Combined qualitative data and workshop participation**

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>• Large national population (51.4 mil)</li> </ul>	<ul style="list-style-type: none"> <li>• Current national income averages are very low</li> </ul>
<ul style="list-style-type: none"> <li>• Large increase in tourist numbers visiting Myanmar is expected over the longer term</li> </ul>	<ul style="list-style-type: none"> <li>• No national medical or insurance schemes</li> </ul>
<ul style="list-style-type: none"> <li>• Bagan climatic conditions are ideal for cellar drying lacquerware</li> </ul>	<ul style="list-style-type: none"> <li>• Many national tourists are ‘usually’ sponsored to visit Bagan and cannot afford to buy lacquerware</li> </ul>
<ul style="list-style-type: none"> <li>• Government liberalisation policies are advancing</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge of the international banking procedures for exports</li> </ul>
<ul style="list-style-type: none"> <li>• Government is supportive of export potential</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge regarding potential international target market legal, import and health regulations</li> </ul>
<ul style="list-style-type: none"> <li>• Bagan lacquerware artisans obtain respect from Myanmar population</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of knowledge of what international tourists want and their buyer behaviour</li> </ul>
	<ul style="list-style-type: none"> <li>• Internet is available but speed makes it unworkable during office hours</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• Economy improving leads to increased income for national population</li> </ul>	<ul style="list-style-type: none"> <li>• Political disturbances; ethnic conflicts, human rights abuses, land grabs and the 2015 national elections could cause tourists to stop coming to Myanmar</li> </ul>
<ul style="list-style-type: none"> <li>• Large increase in international tourists is expected over longer term</li> </ul>	<ul style="list-style-type: none"> <li>• Political international sanctions re-introduced</li> </ul>
<ul style="list-style-type: none"> <li>• Myanmar’s Hotel and Restaurant boom</li> </ul>	<ul style="list-style-type: none"> <li>• Substitute and unrelated products vying for the same consumer dollar</li> </ul>
<ul style="list-style-type: none"> <li>• Large ethnic base in Myanmar from which to draw Myanmar designs</li> </ul>	<ul style="list-style-type: none"> <li>• Inflation surpassing national income increases</li> </ul>
<ul style="list-style-type: none"> <li>• New product designs that cater toward national and international market demands</li> </ul>	
<ul style="list-style-type: none"> <li>• Mobile (android) internet phone usage is growing exponentially in Myanmar</li> </ul>	

### 3.0 External Micro Environment Analysis

Analysing the micro environmental forces of the markets, suppliers, marketing channels and the public are essential to understand how these externalities affect the marketing activities of an organisation (Etzel et.al., 2004).

#### 3.1 The Markets

A market may be defined as a place where buyers and sellers meet, goods or services are offered for sale, and transfers of ownership occur, or simply defined as the demand made by a certain group of potential buyers for a good or service (Braudel, 1982). For marketing purposes, a market is defined

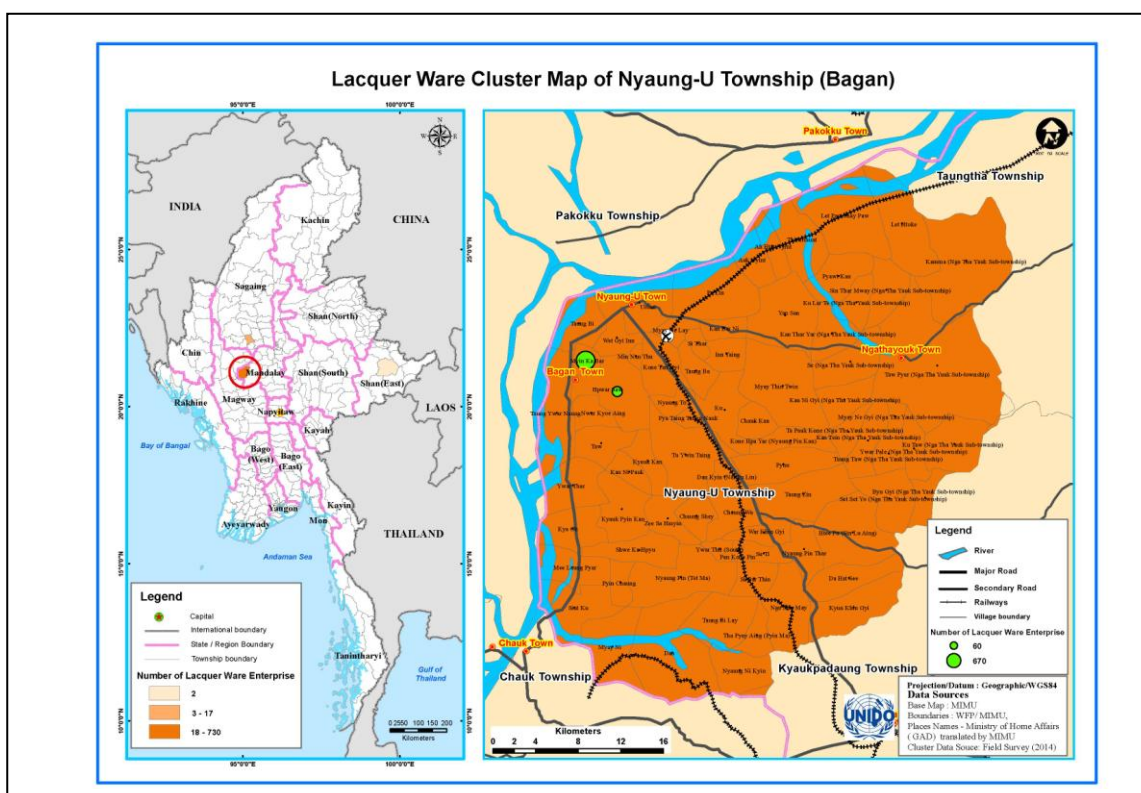
as people or organisations with needs to satisfy, money to spend and the willingness to spend it (Etzel et. al. 2004).

For general handicraft products, there are only three types of buyers – Nationals, Tourists and Export (O’Connor, 2006). These three types of buyers can be physically found in four geographical market locations; 1) local market, 2) national market, 3) regional market and 4) global market.

### 3.1.1 Local Bagan Lacquerware Market

The spatial local market geographical area for this project encompasses the area surrounding Nyaung-U Airport, Nyaung-U, Old Bagan, New Bagan, and Hpwar Saw, see Fig. 4 below

**Fig. 4: The Local Bagan Lacquerware Market Area**



Source: UNIDO (Myanmar), 2014.

The local Bagan market area offers two types of retailers: i) micro retailers (vending stalls) which are usually situated near pagodas that are famous tourist attractions; and ii) small and medium sized lacquerware retailers in the area are predominantly clustered in Myinkaba, New Bagan, Minnanthu, Hpwar Saw (east and west), Nyaung-U, Wet Kyi and Old Bagan (UNIDO, unpublished 2014). Both types of retailers receive national, tourist and export customers.

#### 3.1.1.1 National Buyers

The Myanmar national buyers in the business-to-consumer (B2C) market that are visiting the Bagan local market area, comprise mainly of Buddhists on pilgrimage and workers sponsored by their employers. These market segments have very little incomes to spend on

lacquerware and earn less than US\$120/month, (Workshop Participants, November 28, 2014). The national buyers that are of more affluent middle / upper income earners are far fewer in number. For this market segment, lacquerware preferences included trays, tea cups, betel nut boxes and divided serving plates with lids (Respondents 22 & 23, 25 November 2014).

The business-to-business (B2B) markets include small to medium sized retailers predominantly from Yangon, Mandalay and other main cities or towns nationwide, whose owners personally visit the Bagan area to place their orders. Their orders are usually supplied by the local medium retailer/producers. In recent years, respondents have witnessed a slight increase in hotel, restaurant and business owners coming to Bagan to place orders directly. At the time of this study, Respondent 39 (27 November 2014) was working on light shades and bed side lamps for an order from an undisclosed hotel.

### 3.1.1.2 International Tourist Market

The international tourist market represents approximately 80% of the total lacquerware sold in the local Bagan area (Workshop Participants, 28 November 2014). International visitors to Bagan (see Table 3: Annual Bagan Visitor Numbers) come from a vast diversity of countries that include Germany, France, UK, Nordic countries, Switzerland, Italy, USA, Australia, Canada, Japan, Korea, China, Malaysia and Singapore, plus others (MHT 2014; Observations, November 23-28, 2014; Respondents 14, 15, 16, 19, 20, 26 & 35). Lacquerware preferences were toward rice and medium sized serving bowls (Respondents 6, 7, 22 and 23). The international tourist market is essential for the on-going prosperity and sustainability of the lacquerware industry in Bagan. As discussed earlier, international tourism is expected grow rapidly over the next 5 years (MHT, 2012), but the political issues are seen as a possible threat to its sustainability.

**Table 3: Annual Bagan Number of International Visitors**

March 2010-2011	March 2011-2012	March 2012-2013	March 2013-2014	March–Dec 2014
85,288	120,194	187,781	195,372	112,269

Source: Bagan Tourist Information Centre, New Bagan (8 December 2014).

### 3.1.1.3 Export Buyers Market

Although a good proportion of the producers and retailers have had some experience (although limited) with exports, most of these were for small volume orders. These export orders were primarily gained through tourist contacts. Respondent 31 (26 November 2014) had recently completed an order from a couple to the value of US\$20,000 in various lacquerware furniture, for their home in Switzerland. This order was placed after the couple visited their workshop and showroom as tourists. Export orders predominantly came from USA, France, Germany, Korea, China and Nordic countries but were all 'very small' in quantity (Respondents 1, 2, 3, 6, 7, 8, 9, 17, 18, 31, 32 and 40, November 23-December 15, 2014).

### 3.1.2 The National (Domestic) Market for Bagan Lacquerware

The national lacquerware market area is confined to the borders of Myanmar. Small and medium sized retailers selling lacquerware throughout Myanmar are mostly found in the ‘tourist golden triangle’ in and between Yangon, Inle Lake, Mandalay and Bagan, and all of them appear to be targeting the tourist market. Other tourism and hospitality related sectors such as hotels and restaurants as previously discussed, are also a primary national target market.

According to the Myanmar Tourism Statistics 2013 (MHT 2014), there are 923 hotels, motels and guest houses in Myanmar with 34 834 rooms available. If each room was to have one piece of Bagan lacquerware valued at approximately \$15 each this could represent a national hotel market value of approximately half a million US dollars. Quantitative data on lacquerware retailers and restaurants (targeting international tourists) in Myanmar was not obtainable and further research is required.

### 3.1.3 The Regional Market for Bagan Lacquerware

The regional lacquerware market area includes both neighbouring countries and Asian Buddhist based cultures such as China (and HK), Japan, Korea, Singapore, Malaysia, Thailand, Vietnam, Laos, Cambodia, India and Bangladesh, see Table 4 below. Countries where consumers have a higher GDP per capita and ability to purchase quality lacquerware, large market size and where importers have the ability and market potential to purchase larger volumes should be prioritised for further research and investigation.

**Table 4: Comparative economic data between neighbouring and Asian countries**

Asian Country	Population	2013 GDP Annual Growth	2013 GNI (US\$) per capita	2013 Inflation	2013 Unemployment	2013 Trade Balance
Myanmar		6.3%	\$1,000	1.5%	5.4%	-1.7%
Singapore	5,500,000	1.3%	\$50,600	4.6%	1.9%	18.6%
Japan	127,000,000	2.0%	\$46,900	0%	4.4%	1.4%
Hong Kong	7,200,000	1.4%	\$36,600	4.1%	3.3%	2.4%
Korea	46,000,000	2%	\$23,600	2.2%	3.2%	0.3%
Malaysia	29,600,000	5.6%	\$10,200	1.7%	3.0%	7.5%
China	1,200,000,000	7.8%	\$6,100	2.6%	6.5%	2.6%
Thailand	67,400,000	6.4%	\$5,400	3.0%	0.7%	-0.7%
India	1,200,000,000	6.5%	\$1,500	9.3%	8.5%	-4.4%
Vietnam	92,500,000	5.0%	\$1,500	9.1%	4.3%	-0.3%
Laos	6,700,000	8.3%	\$1,400	4.3%	2.5%	0.3%
Cambodia	15,200,000	6.5%	\$900	2.9%	0%	-10.6%
Bangladesh	164,000,000	6.1%	\$700	8.7%	5%	-0.8%

Source: Forbes Available at [www.forbes.com/places/](http://www.forbes.com/places/) [Accessed, December 11, 2014].

Thailand requires primary target market attention since since Myanmar receives 15.53% of its total international tourists from Thailand nationals (MHT 2014), and more than half of the current international visitors who enter Myanmar by air, board their flight in Bangkok, Thailand (MHT 2014). See Table 5: Asian Visitors by Nationality. Following Thailand, China, Japan, Korea, Malaysia, Singapore and Taiwan top the list of Asian international tourists visiting Myanmar.



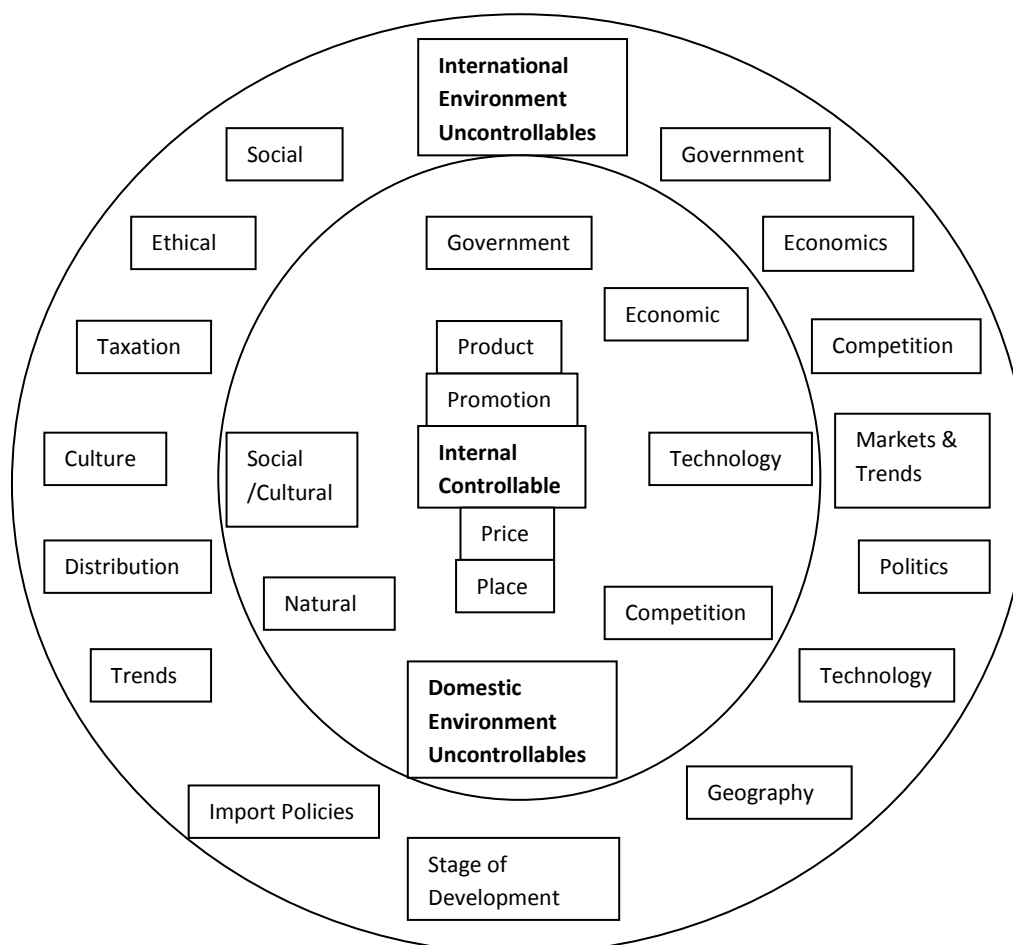
**Table 5: Myanmar’s Asian International Visitors by Nationality**

No.	Country	2013	%
	ASIA	630399	70.03
1	Thailand	139770	15.53
2	China	90550	10.06
3	Japan	68761	7.65
4	Korea	54934	6.10
5	Malaysia	39758	4.42
6	Singapore	39140	4.35
7	Taiwan	30699	3.41
9	Hong Kong	7874	0.87

Source: MHT (2014). Myanmar Tourism Statistics 2013. Accessed 14 December 2014 at <<http://www.myanmar-tourism.org/images/tourism-statistics/myanmar-tourism-statistics-2013.pdf>>

Based on the rudimentary economic and tourism data presented, it appears that Japan, Singapore, Korea, China, Thailand, Malaysia and Hong Kong are the primary regional target markets after Thailand. Obtaining statistical data (volume, value, trading partners) on lacquerware traded in these countries was not achievable given limited time constraints. Further in-depth research and analysis is required on each of the countries selected. Such country-level investigations could include further environmental analysis as suggested in Fig. 5: International Market Environments below.

**Fig. 5: International Marketing Environments**



Source: Adopted from FAO, Global Agricultural Marketing Method, Chapter 1: Introduction to Global Marketing, Figure 1.4 Foreign "uncontrollables"-in the global macroenvironment. FAO Corporate Document Repository. Available at <http://www.fao.org/docrep/W5973E/w5973e02.htm> [Accessed December 15, 2014]

### 3.1.4 The Global Market for Bagan Lacquerware

The global lacquerware market area includes developed nations such as those found within Western Europe, North America, Oceania and the Middle East. A quick assessment of these global regions' economic and tourism data was conducted as shown respectively in Table 6 and Table 7 below.

**Table 6: Global Economic Comparisons**

Region	Country	Population	2013 GDP Annual Growth	2013 GNI (US\$) per capita	2013 Inflation	2013 Unemployment	2013 Trade Balance
Europe	Switzerland	8,000,000	1%	\$79,100	-0.7%	2.9%	10.5%
Europe	Austria	8,200,000	0.8%	\$48,500	2.6%	4.4%	2%
Europe	Germany	81,100,000	0.7%	\$41,900	2.1%	5.5%	6.1%
Europe	Belgium	10,400,000	-0.2%	\$46,400	2.6%	7.6%	-1%
Europe	France	66,000,000	0%	\$39,600	2.2%	10.3%	-2.2%
Europe	UK	63,400,000	0.2%	\$38,500	2.8%	8%	-2.4%
Europe	Italy	61,500,000	-2.4%	\$32,800	3.3%	10.6%	-1.5%
Europe	Spain	47,400,000	-1.4%	\$28,500	2.4%	25.1%	-1.4%
Nth America	USA	316,700,000	2.2%	\$49,500	2.1%	8.1%	-3.1%
Nth America	Canada	34,600,000	1.8%	\$52,600	1.5%	7.3%	-3.3%
Oceania	Australia	22,300,000	3.6%	\$69,300	1.8%	5.2%	-3.1%
Middle East	United Arab Emirates	5,500,000	3.9%	\$65,600	0.7%	2.4%	7.5%
Middle East	Saudi Arabia	26,900,000	6.8%	\$27,000	4%	10.6%	20.6%

Source: Forbes Available at [www.forbes.com/places/](http://www.forbes.com/places/) [Accessed, 11 December 2014].

**Table 7: Myanmar International Visitors by Nationality**

No.	Country	2013	%
	<i>Western Europe</i>	<i>158163</i>	<i>17.57</i>
1	France	35462	3.94
2	UK	33203	3.69
3	Germany	27712	3.08
4	Italy	11728	1.30
5	Switzerland	9547	1.06
6	Belgium	5946	0.66
7	Spain	5588	0.62
8	Austria	3959	0.44
	<i>North America</i>	<i>62628</i>	<i>6.96</i>
1	USA	53653	5.96
2	Canada	8975	1.00
	<i>Oceania</i>	<i>28079</i>	<i>3.12</i>
1	Australia	24718	2.75
2	NZ	3318	0.37
	<i>Middle East</i>	<i>3396</i>	<i>0.38</i>

Source: MHT (2014). Myanmar Tourism Statistics 2013. <http://www.myanmartourism.org/images/tourism-statistics/myanmar-tourism-statistics-2013.pdf> [Accessed 14 December 14, 2014]

From these tables of indicators, it appears that from the Western Europe region, France, Switzerland, Germany, UK, Austria, Belgium and Italy are consecutively viable target markets. From other regions, USA, Australia, United Arab Emirates and Canada could be targeted, in that order.

The international marketing environment (regional and global) requires further detailed analysis on each country and as analysis is conducted it should be added to an international environment database in an ongoing process. The analysis should include demographic, economic, social/cultural, technological, political, legal, technology, market trends etc. As indicated in Fig. 5: International Market Environments above.

### **3.2 Marketing Channels (Business-to-Business (B2B))**

Marketing channels of distribution include intermediaries that are independent organisations who directly aid in the flow of products between a producer and its markets. Usually these include;

- 1) Resellers - like wholesalers, distributors and retailers and,
- 2) Facilitators that provide transportation, warehousing, financing and other business services.

These intermediaries operate between organisations and their markets and between an organisation and its suppliers (Etzel et.al. 2004).

#### 3.2.1 Local Bagan Lacquerware Distribution Channels

##### *3.2.1.1 Inbound Logistics and Raw Materials Suppliers*

- i. Thitsi: this traditional lacquer sap comes from the indigenous *melanhorrea usitata* hardwood tree found in the densely forested Shan State and also grows in the upper areas of the Ayeyarwady River (Thanegi, 2013). The Bagan lacquerware producers felt that the production of thitsi is probably decreasing and the primary reason for the price hikes that have been experienced. It is also believed that the deforestation of the habitat in Shan State and lack of availability of labour that go to jungles and collect lacquer, is putting pressure on supply (Sarkar, *unpublished*).
- ii. The most common method of purchasing thitsi is through wholesalers from Shan State who regularly come to Bagan and offer samples for testing. Local producers then test the thitsi – which can take up to one week – and then buy. During the thitsi non-harvesting periods (monsoon season) the producers purchase from local suppliers at escalated prices for lower quality (Sarkar, *unpublished*). Different grades of thitsi are sold and used in Bagan. The highest grade has a high gloss finish and sells for up to 250,000 kyat (~US\$250) for 10 vis (~18 litres or 4.5 gallons). Lowest grades sell for around 120,000 kyat (~US\$120), for same volumes (Respondent 10, November 26, 2014). Initial coats of lacquer are completed in lower grades of thitsi and the later coats with a higher grade. The cost of thitsi varies from between 10 and 20 percent of total cost of production, dependent on how many layers are applied (Sarkar, *unpublished*). During monsoon season (May – September) and during the

hot March-April periods (combined this represents more than half of the year), purchases of thitsi are avoided as the thitsi becomes too unstable to properly dry (Thanegi, 2013). This contradicts remarks made by Respondent 11 (November 24, 2014), who stated that drying time is considerably reduced during monsoon season. Production during monsoon season requires further investigation.

- iii. Bamboo: five to six metre natural bamboo stalks come mainly from neighbouring Sagaing State (Workshop Participants, 28 November 2014) and are regularly transported down the Ayeyarwady River to Bagan. The lacquerware producers buy them directly from the source at the river for larger volumes or purchase from local suppliers. Cost of bamboo is approximately 2,500 kyat per stalk. One stalk of bamboo can produce approximately 20 medium sized woven baskets (Sarkar, unpublished). The basket bases in their raw form have one thick layer of 'thayo' (a mixture of thitsi and cow dung or bone ash) applied, dried for five to seven days in dry cellar) and then scrapped back to their original raw form. This is the first stage of the lacquer layering process. They are then sold to finishing producers for around 1200 kyat (Respondent 11, November 24, 2014; Sarkar, unpublished).
- iv. Colour pigments: the colour pigment suppliers (3 families in Myinkaba) maintain an oligopoly over colour pigments. The vermilion (cinnabar) used to make the red pigment, is imported from India or China in its natural form. This is then ground into a powder and added to red thitsi before applying. The blue pigment is from powdered indigo and for yellow, yellow orpiment is used. For the white colour, organic earth powder is used – its production method is kept as a 'trade secret' that only three families know.
- v. Bone Ash: The best quality is beef or cow bone ash, although it is well known that other bones have been used as substitutes (Respondent 10, November 25, 2014). These bones are burnt in wood fires until they become charcoal, and then sold as bone ash. The Bagan population do not eat much beef, as most cattle are used in agriculture for pulling carts or ploughing, hence the supply of bone ash is limited. No information regarding the costs of cow bone ash could be obtained during this study. Only four producers from the workshop participants (November 28, 2014), used bone ash mixed with thitsi (thayo) in their production process.
- vi. Cow dung (which is commonly used in the thayo mixture) is readily available in the villages in the Bagan local area. Farmers use cow dung also as fertiliser and it is a well traded commodity. Costs were not obtained.
- vii. Cotton material: this material acts as a binding agent for the thitsi but still allows a certain amount of movement and flexibility when dropped and resists chipping. Many producers experiment with different types of cotton weave until they find the one that suits them best. When using cotton material the cotton absorbs more thitsi, therefore the object becomes heavier and costs more to produce. Most of the producers have opted out of using cotton material and apply more cow dung in their thayo, to act as the binding agent. More cow dung in the thayo makes the lacquerware more brittle and more likely to crack under duress.

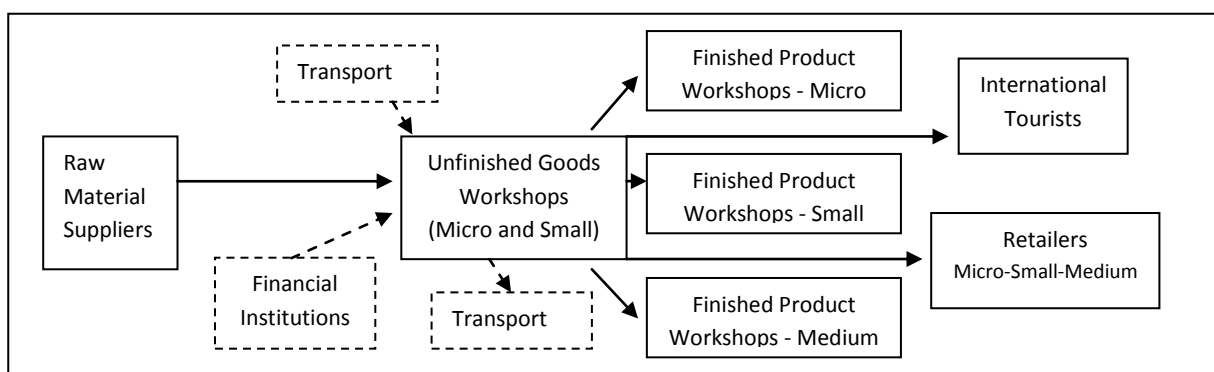
- viii. Other supplies: etching tools and hand lathes are usually made by the individuals in workshops or purchased (purchased 'tools' are usually made in China, India or Thailand).

### 3.2.1.2 Unfinished Goods Workshops

Unfinished goods workshops produce partially completed products that are ordered and then sold to finishing workshops which complete the production process, ready to be sold for use. The lacquerware production process begins with bamboo being cut into ½ inch (1.2cm) wide strips of approximately 1 metre lengths and then each strip is further spliced into approximately eight to ten saps. These saps are either tightly coiled in on each other to make the bamboo 'white' bases for plates and bowls, or are woven into small baskets, for cups, betel boxes or food vessels (soon-oke's). This process can take up to 30 days to complete. Some workshops only produce 'white' bases whilst others produce 'black' bases – these are white bases with a differing number of thayo layers, cotton and thitsi as requested by the workshops that placed the order. These processes can take up to 80 days to complete, (UNIDO Diagnostic Study, unpublished).

Some workshops are producing unfinished goods as final products by applying thitsi onto some areas whilst leaving most of the white coiled or woven, natural bamboo, still exposed. Aesthetically pleasing, these products have proven successful and tourists are buying them, see Fig. 6: Marketing channels for unfinished goods producers. One producer of these 'unfinished goods' stated that their micro-enterprise has enough orders from New Bagan retailers to keep their workshop going for the next year, (Respondent 12, November24, 2014). It is unknown as to how many households/workshops are involved in producing these types of unfinished goods.

**Fig. 6: Marketing Channels for Unfinished Goods Producers**



### 3.2.1.3 Finished Product Workshops

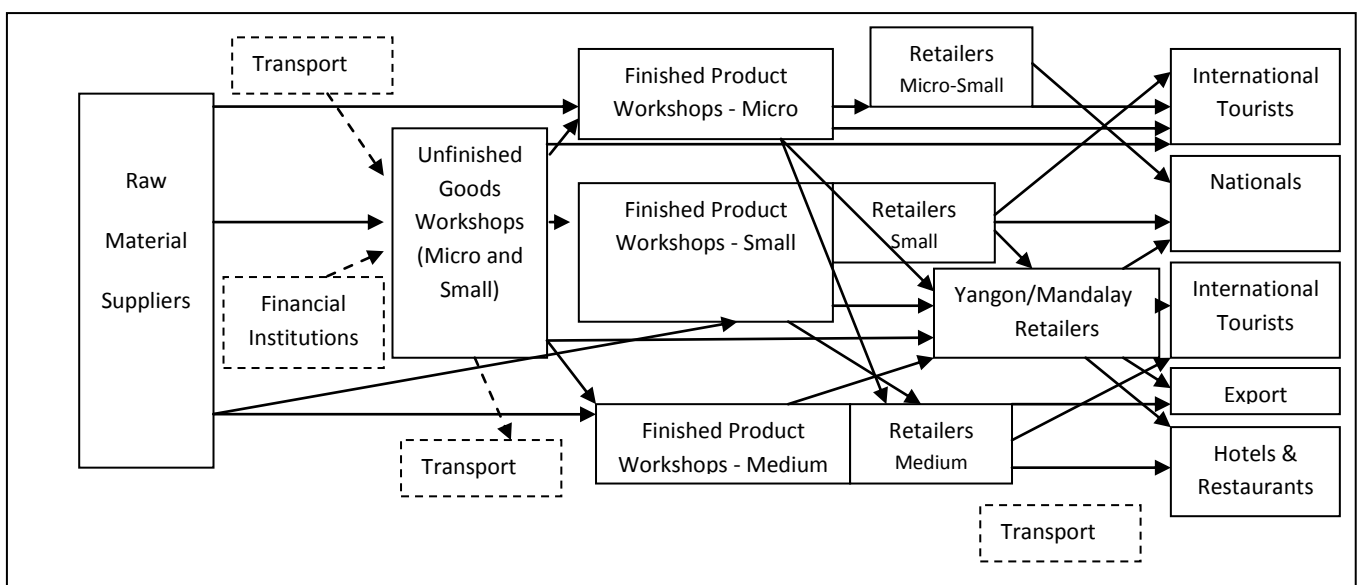
Lacquerware producers who produce finished products either buy white or black bases, or entirely complete the base-making processes within their own workshops. Furthermore, they apply various layers of thitsi, mixed with bone ash or cow dung that are dried in cellars, then sanded down and

polished prior to applying further layers. The outer layer/s is usually coated with higher quality, pure thitsi. This process, including drying time can take up to 120 days to complete (UNIDO, unpublished).

Then the designers (usually men) etch the overall design whilst the women do the detailed etching for the colour dying process. Etching is conducted in stages for each colour that is applied. The final coat is 'rubbed' with petrified wood and vegetable oil, used to create a glossy sheen. The etching and colouring process can take up to 60 days to complete and the final product is ready for distribution and sale. Some of the micro and small workshops have their own retail premises or vendor stalls, whilst all the medium finished product producers owned sizable retail premises on site of production. Protective packaging (other than newspaper) was not evident during the entire field study (Observations, 23-28 November 2014).

Two micro producers stated that their greatest weakness to their operations was retailers rejecting orders or not collecting and paying for orders. Respondent 11, (24 November 2014) pointed to a pile of lacquerware (approximately 75 pieces) sitting on a bamboo table under a thatched roof. Respondent 11 stated that "This was ordered by a New Bagan retailer and they gave me a 20% deposit. Now they say they do not want it. This has caused financial stress for my family and this month is very difficult for us. Last year too when tourists did not come, I had another order that wasn't collected. This is a problem for us." Respondent 3 (23 November 2014) claimed that a medium sized retailer rejected an order by stating that the quality was no good and they offered a much lower price than what had been previously agreed upon, 4 months ago, stating "I make it good and it was what they ask. I refused to sell them this work for the lower price they wanted." Culturally, no formal, written contracts exist in the Bagan lacquerware cluster (UNIDO Diagnostic Study, unpublished). These examples emphasise the need for *certified quality standards* being established.

**Fig.7: Marketing Channels for Finished Product Workshops**



In the local Bagan lacquerware market, micro and small workshops of finished and unfinished goods supply the majority of their goods to medium size workshops and retailers in the Bagan area, see Fig. 7: Marketing channels for finished product workshops. The medium size retailers maintain up to 95% of the local tourist market share in the Bagan area (UNIDO, Diagnostic Study, *unpublished*), this forces the micro and small workshops to depend on the oligopolistic medium sized retailers for their livelihoods. These medium-sized retailers have nearly full control over the purchasing prices offered to micro and small producers.

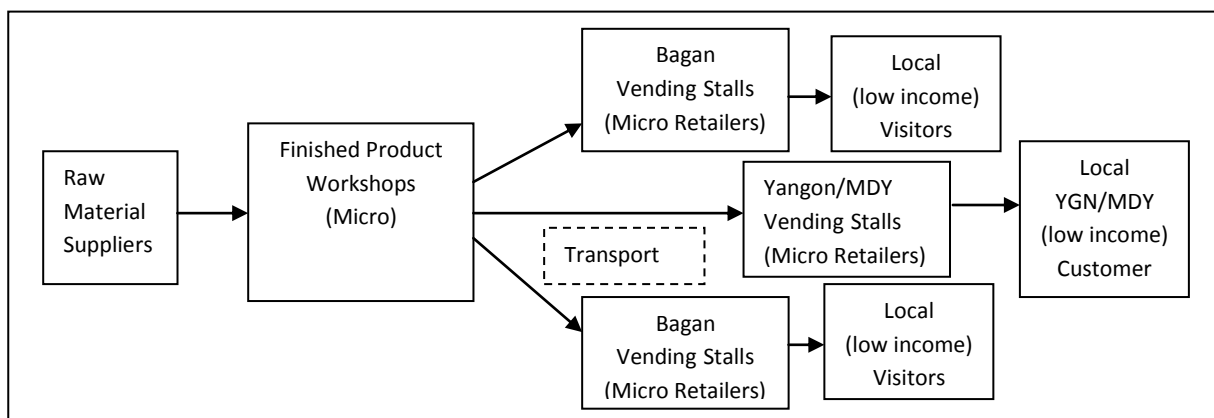
The Bagan tourist market share is captured by the oligopoly of medium sized workshop/retailers by simply offering large incentives to tour guides and bus drivers in the form of commissions for bringing tourists to their shops. Various respondents (Respondents 5, 6, 17, 18, 23 & 31, November 23-28, 2014) have claimed that guides received 20% commissions whilst drivers received 10% for all goods purchased by the tourists that they brought into the store. This verifies the data from the UNIDO, Diagnostic Study (*unpublished*). Usually, these tour guides and drivers come from other areas of Myanmar resulting in a 30% financial leakage from the Bagan lacquerware cluster micro-economy. Respondent 31, (November 26, 2014), a small retailer, stated that they now also offer such commissions. They tried to avoid paying the commissions but business was bad. Since they introduced the same 30% commission scheme, business has improved significantly.

### 3.2.2 National Bagan Lacquerware Markets

#### 3.2.2.1 Low Income Market

Low income Myanmar customers in the local Bagan lacquerware market area and in the national Yangon/Mandalay areas are usually presented with cheap, low quality lacquerware products at small, 'relocatable' vending stalls that are usually located in or around major pagodas or tourist attractions, see Fig.8: *Marketing channels for low income buyers*. Some of these products have bases that are made from plastic or paper-maché, others have rushed paintwork designs rather than the etched workmanship found in the better quality lacquerware. These items sell from between 1,000 kyat to 6,000 kyat (US\$1.00 – US\$6.00). The majority of the local (low cost) market did not appear to enter the small or medium sizes retail outlets (Observations, November 23-28, 2014).

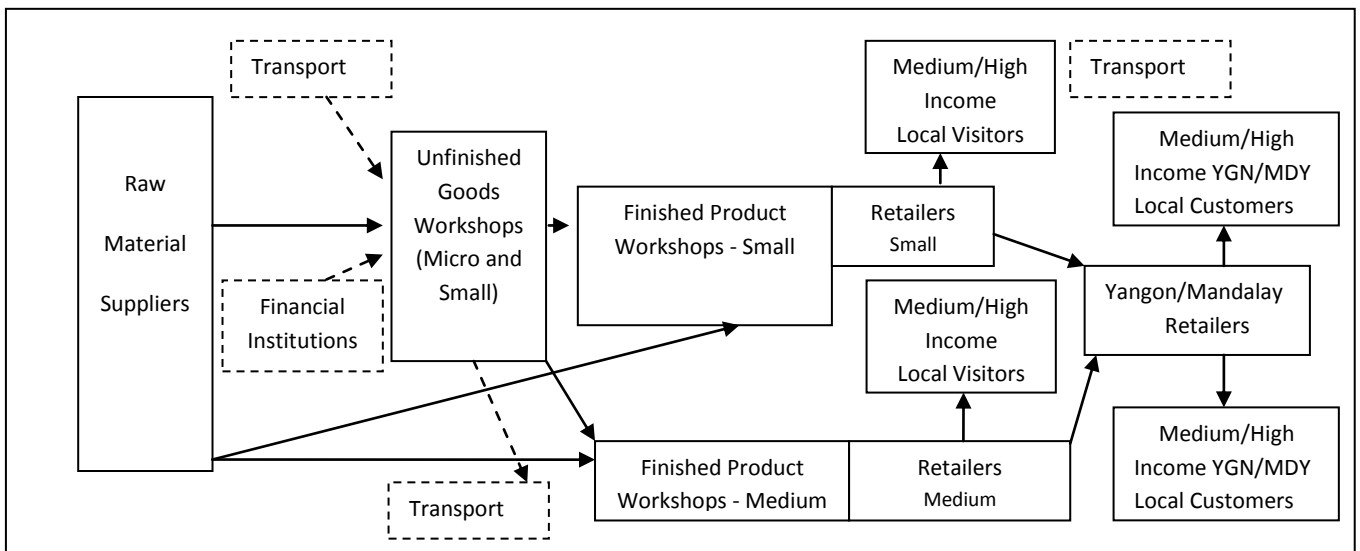
**Fig.8: Marketing Channel for Local (low income) Buyers**



### 3.2.2.2 Medium / High Income Market

The medium/high income Myanmar customers in the Bagan market area appeared to be specifically seeking lacquerware as a cultural status good (Respondents 27 & 28, November 25, 2014) that are often of higher quality and value. As per Myanmar cultural norms, guests to the house are presented with food and drinks with utensils and tableware of the best quality that the household can afford: a demonstration of the hosts' respect to their guests (Tour Guide, November 24, 2014). This market segment appears to prefer to purchase in the more affluent, medium sized retail outlets most likely due to perceptions of higher quality products being offered in such stores, see Fig.9: Marketing channels for local (medium/high) buyers. The medium/high income market although currently small in number, is expected to continue to increase in number with the projected GDP increases and further economic development outlook (ADB 2014). This market appears to remain lucrative for years to come.

**Fig.9: Marketing Channels for Local (medium/high income) Buyers**



### 3.2.3 International Tourist Market

International tourists seemed to be purchasing lacquerware for three distinctive purposes;

- i) as trinket gifts to their friends and families - usually very low in quality and cost
- ii) as special gifts to those they hold dear, usually in the medium to high pricing category,
- iii) as precious souvenirs for themselves or as conversational pieces, usually in the medium to high quality range.

(Respondents 15, 16, 19, 20, 26 and 35, November 23-28, 2014).

Unfortunately, the majority of tourists interviewed found it difficult to distinguish between high, medium and low qualities of lacquerware (*ibid*). On several occasions whilst observing retail outlets

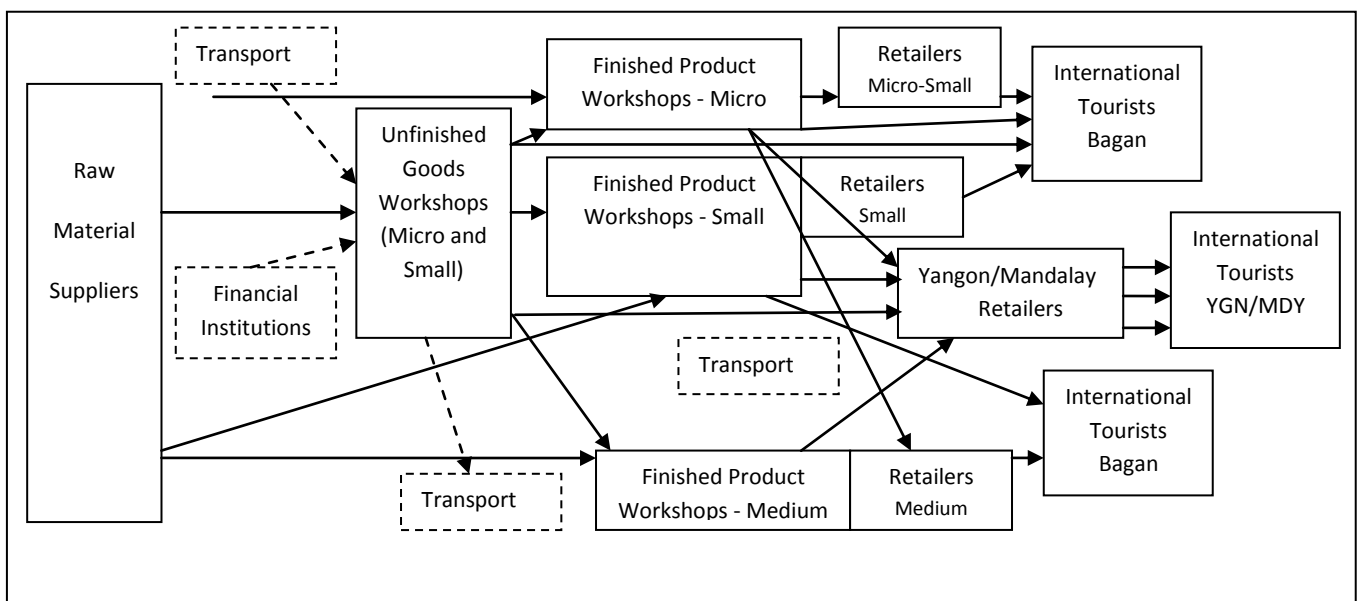


it was found that some sales staff misrepresented the quality level of the lacquerware products. “This piece has over 20 layers of lacquer applied! Very strong, look... ”, and they put it on the floor and stand on it. In this demonstration selling technique example, the larger bowl (~25cm diameter) was sold to a German couple on a bus tour for US\$120, and they were given the standard 10% discount. Similar bowls in other stores were selling for between US\$30-\$50. In another retail store, a low quality rice bowl available for \$3 directly from micro-producers in Myinkaba was sold as a medium quality piece for \$20 (Observation, November 23-28, 2014). These issues highlight the need of establishing certified quality standards and branding to avoid such misrepresentations from occurring.

Two international tourists claimed that the lacquerware products all start to look the same after you visit a few stores. When asked what type of lacquerware they would prefer to see, one replied “I don’t know but they should look a bit different from workshop to workshop - don’t you think?” (Respondent 15, November 24, 2014). The other stated that they would prefer to see more modern etching designs, or even jewellery like broaches with gold gilding and genuine gem stones from Myanmar inserted in them (Respondent 20, November 25, 2014).

When asked about prices, one tourist stated that lacquerware is much cheaper in China. Several tourists stated “It is expensive but when you look at the work they put in, they are well worth it!” Another said “You get what you pay for”. As discussed, the latter is not always the case in Bagan retail outlets. The international tourists are buying trinket lacquerware from vending stalls, and the special items from small or medium retailers (see Fig.10). Only two international tourists interviewed actually bought goods directly from micro-producers (Respondents 15 and 26, November 23-28, 2014).

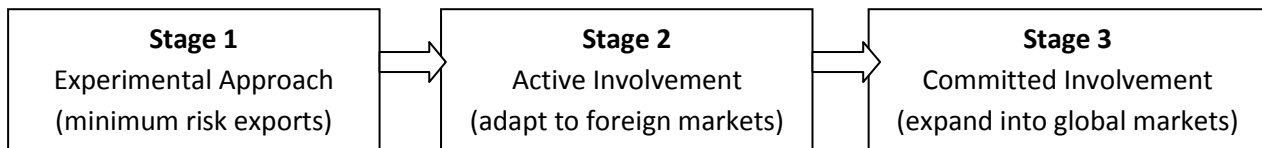
**Fig.10: Marketing Channels for International Tourist Market**



### 3.2.4 International Export Markets

As previously stated, the small amount of exports conducted by local producers or retailers based in Bagan occurred initially through tourist contact. This is in line with *Cavusgil's (1984) Three Stage Model to Export Development* (see Fig.11), which commences with the experimental approach of trying to do exports with a few small orders and as this experimentation increases in occurrence they move to stage two of active involvement; Finding appropriate international trade partners and delivering goods in accordance to conventional and stipulated international terms of trade requires the clusters active involvement in coordinating and adapting the internal environment to meet the needs of international customers. Once the adaptation stage has proven itself successful, the focus then turns to expanding into further global operations - stage three.

**Fig.11 Cavusgil (1984) - Three Stage Model to Export Development**



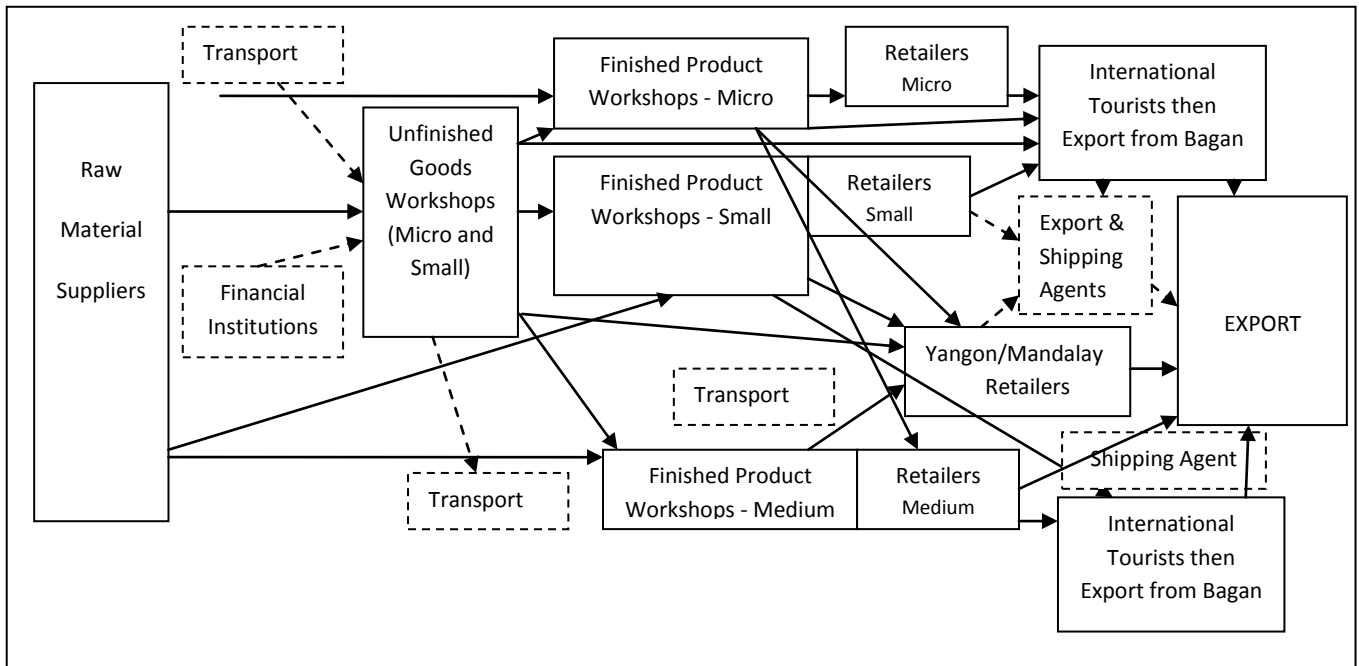
Source: Cavusgil, S. T. "Differences among Exporting Firms based on Degree of Internationalisation". *Journal of Business Research*, Vol. 12, 1984. p.195-208.

Data previously discussed under the International Tourist Market section on p.19, suggests that the Bagan Lacquerware Cluster are currently 'experimenting' with some exports which were obtained through tourist contact, see Fig. 12 below. However, their path to international markets following Culgvil's model is riddled with pitfalls as partially explained in the following anecdote.

Respondent 1 had established a full container order to a USA small retailer and due to mould the container was subsequently rejected and returned with all costs being borne by the producer. The producer now has limited interest in pursuing other export opportunities. In the marketing strategy workshop, the same respondent advised all the participants to be very cautious when dealing with exports and contracts. Stage two of active involvement and adapting to international markets could be pursued, but the evolution from domestic village operations to global operations will be a lengthy and at times, bumpy process which requires ongoing commitment from all stakeholders in the Bagan Lacquerware Cluster.

Export products must respond to new demands and specifications. These new products have to meet more exacting standards of quality and may require more sophisticated artwork or finishing than those which are sold in local markets. (FAO, *no date*).

**Fig.12: Current Marketing Channels for International Markets (Regional & Global)**



### 3.3 Summary of the Primary Target Market Segments

#### International Tourist Market

- Low costs / Low quality: gift and souvenir international tourist market
- Medium cost / Medium quality: personal souvenir, gift giving and conversational tourist market
- High cost for those tourists that can afford and demand the best, lacquerware enthusiasts and collectors.

#### National (B2C) Markets -

- Low Income Nationals
- Medium/High Income Nationals

#### National (B2B) Markets –

- Low, medium and high-end retailers throughout Myanmar (Yangon, Mandalay)
- Hospitality Industry – hotels and restaurants

#### Regional International (B2B) Markets

Japan, Singapore, Korea, China, Thailand, Malaysia and Hong Kong

#### Global (B2B) Markets

- Europe - France, Switzerland, Germany, UK, Austria, Belgium and Italy
- North America – USA and Canada
- Other – Australia and United Arab Emirates

### **3.4 Technology**

The traditional art of lacquerware has undergone little change in production techniques for over 800 years. It is this history and craftsmanship that has been handed down from generation to generation which is embodied in a product, that acts as an allure to customers and visitors who are seeking authentic cultural artefacts to use in formal cultural rituals, to give as gifts, keep as souvenirs of their holiday experience or to display in their homes as conversational pieces (Chang, Wall and Chang 2008). Introducing technologies to the traditional production process could detract from what the customers perceive as being an authentic cultural product and due care and consideration is required not to disturb this traditional appeal by introducing new technologies in to the process (Swanson and Timothy 2012).

Traditional thitsi (lacquer) drying time in dry cellars consumes many months of the lengthy (up to 180 days) of the production process. Reducing these drying times would increase productivity levels, reduce costs and increase profits. The question that must be raised is whether introducing technologies in the drying process would detract from the customer's perceptions of the products traditional authenticity? Only further buyer behaviour research can answer this question.

Technology in communications has been discussed in the macro environment analysis, and is already utilised in the micro environment as was witnessed by the majority of workshop participants who owned and used android phones (Workshop Participants, 28 November 2014). This technology can ideally be used in marketing communications by lacquerware industry as part of an integrated marketing communications (IMC) strategy – see the Marketing Mix 4P's of Promotion for further details.

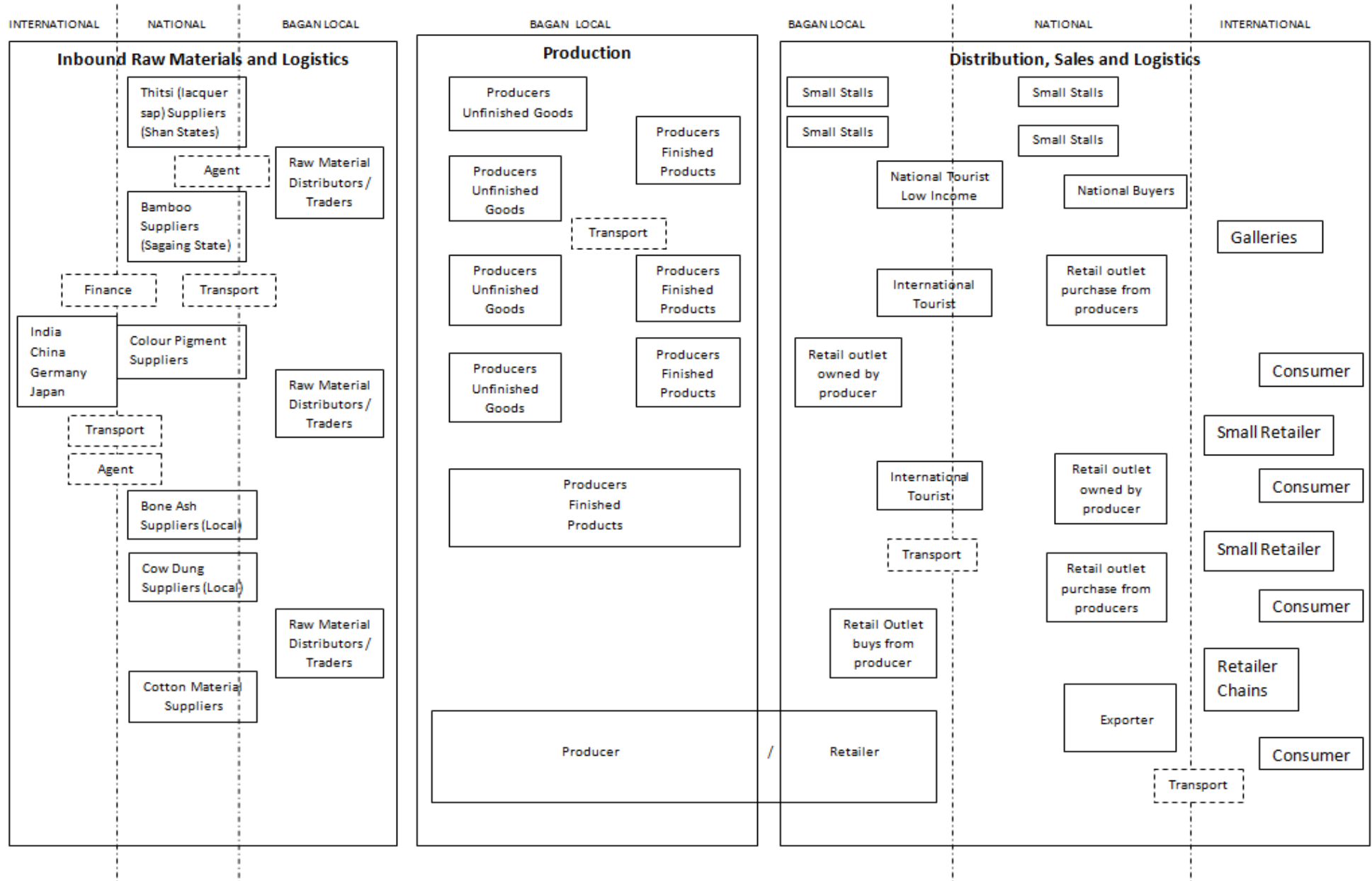
### **3.5 Publics**

3.5.1 Local Bagan Communities: Everyone appears to know everyone in the Bagan area. The networks and linkages which exist among Bagan households are complex and mixed with social, tourism and lacquerware related relationships. Observation and transects reveal that the entire area is in some form or another connected to the lacquerware and tourism industries. The community has an overwhelming sense of pride in their local history and their lacquerware traditions, which was evident in almost all discussions held with local community members and international tourists.

3.5.2 Local Government: When respondents were questioned about local government support to the lacquerware industry, not one person spoke favourably. The workshop participants simply stated that "there is no government support." It was later learned that several local government officials were participating in the workshop. The relationship between local government and the lacquerware cluster appears to require improvement.

3.5.3 Local Training Institutions: The Lacquerware Technological College (LTC) is the only technical institution in the Bagan area that specialises in lacquerware. There is no doubt that the staff of this public facility are working tirelessly to educate their students on the production and management of lacquerware - yet few, if any, of their graduates remain to work in the local Bagan lacquerware industry.

Fig.13: Porters Value Chain Analysis; An Overview



Predominantly, the LTC students use this institution as a stepping stone to enter other universities and many of their graduates, with skills and knowledge of lacquerware, end up establishing careers in the financial industry (Respondent 30, November 25, 2014; UNIDO Diagnostic Study, unpublished). The LTC have made several attempts to engage the local lacquerware producers in formal forums and events, yet the producers still speak negatively about the college with complaints ranging from nepotism regarding the issuance of design awards, to accusations of not sharing its technologies in dye pigmentation with the local producers (Respondents 1, 18 and 31, November 23-28, 2014).

LTC does not offer vocational training courses for the local Bagan population. To enter LTC, students require a secondary school certificate and this precondition excludes many of the lacquerware producers. Clearly, the current relationship between LTC and the Bagan lacquerware producers needs to change. The Ministry of Science and Technology announced in December 2014 that they had doubled the number of Government Technical Institutes (GTI) from 10 in 2013 to 20 in 2014 and they plan to open 10 more GTIs by the end of 2015. The Minister for the Presidents Office, U Tin Naing Thein stated that more technical and vocational schools were urgently needed to equip students with the skills needed by the private sector employers (Htoo Thant, December 15, 2014). The government appears to be well aware of the urgent vocational needs which is also occurring at the Bagan Lacquerware Technology College.

**Table 8: Micro Environment SWOT Analysis: Combined qualitative data and workshop participation**

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>Raw materials are relatively easy to obtain</li> </ul>	<ul style="list-style-type: none"> <li>Majority of raw materials for lacquerware production are imported to Bagan from national and international suppliers</li> </ul>
<ul style="list-style-type: none"> <li>Bagan is well linked to national transportation networks within Myanmar</li> </ul>	<ul style="list-style-type: none"> <li>As individuals have low negotiating power with raw material suppliers</li> </ul>
<ul style="list-style-type: none"> <li>Beautiful scenery and history of the Bagan area</li> </ul>	<ul style="list-style-type: none"> <li>Seasonal fluctuations of raw material prices</li> </ul>
<ul style="list-style-type: none"> <li>Bagan is a major national tourist attraction</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing and obtaining red (vermillion) pigments, usually imported from India</li> </ul>
<ul style="list-style-type: none"> <li>Artisanal pride for Bagan’s history and lacquerware production</li> </ul>	<ul style="list-style-type: none"> <li>LTC does not offer vocational training in lacquerware</li> </ul>
	<ul style="list-style-type: none"> <li>Packaging and Shipping</li> </ul>
	<ul style="list-style-type: none"> <li>Availability of large loans for production development</li> </ul>
	<ul style="list-style-type: none"> <li>Lack of support from local government</li> </ul>
	<ul style="list-style-type: none"> <li>Distribution channels are stifled by the time taken to fulfil orders, quality of products and low prices offered</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>Collective purchasing of raw materials increase in economies of scale would offer buyer power in negotiations, better quality and lower prices</li> </ul>	<ul style="list-style-type: none"> <li>Quality and supply of lacquer sap - ‘thitsi’</li> </ul>
<ul style="list-style-type: none"> <li>Establish quality standards and branding for differing quality levels of lacquerware produced in Bagan</li> </ul>	<ul style="list-style-type: none"> <li>Red colour pigment supply</li> </ul>
<ul style="list-style-type: none"> <li>Business capital in the form of large bank loans</li> </ul>	<ul style="list-style-type: none"> <li>Local retailers offer woefully low prices for lacquerware. With no quality standard established this has created a lack of trust between retailers and producers regarding the level of lacquerware quality - this has led to lower prices being offered.</li> </ul>
<ul style="list-style-type: none"> <li>Potential for export markets and joining global value chains</li> </ul>	<ul style="list-style-type: none"> <li>Competition from substitute products available in local market area</li> </ul>
<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Skilled labour shortage and youth unwilling to fill the void due to low incomes</li> </ul>

## **4. Internal Environment Analysis**

### **4.1 Financial Position**

Quantitatively, the financial position of the Bagan lacquerware cluster participants remains unknown. From this qualitative study, it appears that many in the Bagan lacquerware industry are barely surviving financially. As stated previously, a limited few (the oligarchs) are financially prospering but are also taking advantage of other cluster and value chain members on pricing (Workshop participants, November 28, 2014).

Six participants in the workshop had taken out micro finance loans, more to cover costs of living than business opportunities. All of these loans were with small interest rates of between 1% and 3% and all six participants claimed that the loans given are too small and not enough to do anything meaningful in terms of business.

### **4.2 Human Resources**

No quantitative data exists regarding Bagan lacquerware producers' human resources. However, throughout the field visit, lacquerware producers constantly complained of a lack skilled labour. Respondent 31 (November 26, 2014) stated that "Just last month we had to reject a large order from a Yangon retailer. We just don't have the people to do the work. See these ladies here – they all come from villages like Pwazaw. It costs a lot of money and time to train them for 3 years and then many of them leave to do tourism business. Business is good for us now but it could be much better if we had more skilled lacquerware workers." The problem is not simply the lack in the number of skilled workers but also in retaining those workers that have been trained.

"We have business but we are dying – our people and children go to work in the tourism business. It is better for them ... they make more money." (Workshop Respondent: November 28, 2014).

This data verifies the skilled labour shortage in the UNIDO's Diagnostic Study (*unpublished*) findings and Roughneen's (January 22, 2014) article published in *The Irrawaddy*.

### **4.3 Production Facilities**

'Dry cellars' are the most necessary and central component of the production process for workshops engaged in lacquering (Respondent 18, November 25, 2014). Precise temperatures and moisture are required to 'set' the thitsi to dry properly (usually five to nine days is required for each layer), and the underground dry cellars used in Bagan offers one of the best climatic conditions in Myanmar to achieve this (Workshop respondents, November 28, 2014). Other than the initial investment of building a dry cellar, only work space, raw materials and skilled labour is required to produce lacquerware products. Therefore the cost of entry into the lacquerware industry is low. Some workshops require lathes for wood turning; several workshops have electric lathes, whilst many others used the traditional hand driven lathes (Observation, November 26, 2014; Respondent 39, November 27, 2014).

### **4.4 Health & Workplace Safety**

Workshop participants stated that a lack of health insurance is a concern to them. If they become sick, they not only have to deal with their illness but high financial costs to pay for treatment,



especially at a time when they are unable to work to bring income. From this statement, it appears that lacquerware producers have limited savings to deal with such unforeseen events occurring.

Detailed etching work causes great strain on the eyes while many workshops had poor natural light conditions. At two workshops, groups of women sat outside on mats, with no shade, in order to do their etching (Observations, 23-28 November 2014).

All lacquerware work is conducted whilst sitting on the floor or ground with back arched over their work. It is understood that this is cultural and a well accepted practice, but further investigation is required to determine if there are any back pain issues related to this type of work.

#### **4.5 Research and Development**

Undertaking research and development (R&D) practices is an investment in the future (Vaitilingam 2010). However, when the lacquerware producers are barely surviving today, it is difficult for them to look to and invest in the future (Respondent 11, November 24, 2014).

One producer (Respondent 18, November 25, 2014) stated that they had spent many years of trial and error testing to develop a new thitsi colour that resembles the colour of an egg plant – a black-purple hue. Finally, they got it. After being shown the eggplant thitsi colour on a *lathed burl-wood circular tray*, the aesthetic beauty of this newly developed colour on a unique product that was far beyond any other lacquerware piece observed during the entire field study. Perhaps, the aesthetic beauty was simply due to its uniqueness. This anecdote highlights, how with committed research and development (R&D), new and exciting colours and products can be conceptualised and developed for added commercialisation value within the Bagan Lacquerware Cluster. Eggshell lacquerware (known as Japanese style) is another positive example of R&D. Unfortunately, these examples are not representative of the current R&D culture exhibited amongst the majority of Bagan lacquerware producers (Workshop Participants, November 28, 2014). It appears that they need help. Further details are addressed in the 4 P's *Product Design* section below.

#### **4.6 Location and Local Area Market Access**

Several of the workshop participants stated that location is important to sell directly to the tourists. Respondent 6, (November 23, 2014) stated that because his workshop is far from the main road, regular tourists don't come to them. He has no interest in paying the high 30% commissions to tour bus operators to bring him tourist traffic, so he goes on his motorcycle and gives out business cards (with a small map on the back) to tourists that he sees with parked bicycles and electric motorbikes. "When they are on their bikes, tourists can easily come to my workshop. Yesterday, I got 7 tourists to come!" When asked if there was a common market place for lacquerware sales in Bagan? He laughed, "I wish there was but there isn't".

In further interviews with micro and small workshops and international tourists, the issue of a common lacquerware marketplace was raised and discussed. Nearly all with whom the topic was raised agreed that they would benefit from such a marketplace if it existed. Four of the micro to small workshops interviewed argued that the general management of such a facility should be elected from the local producers but be overseen by an external party, not a local. They were concerned with nepotism and corruption.

The concept of a *common lacquerware marketplace* in Bagan would give micro and small producers direct access to the lucrative tourist market. Tour bus operators would not be able to claim their

30% commissions from such a marketplace and the oligarchic retailers would no longer have the ability to control unfinished and finished product prices. This is further discussed under the *recommended strategies* section of this report.

## **4.7 The Marketing Mix (4P's)**

The *marketing mix* was first proposed by McCarthy (1964) in his seminal *Basic Marketing* text, in which he stated that for each particular market segment the product, price, promotion and place marketing factors should be altered or 'mixed' to meet the specific needs and wants of each targeted market. The Bagan Lacquerware Cluster is also required to mix and adapt their 4P's to match the needs and wants of their specific target market segments (see *Summary of the Primary Target Market Segments*, p.31). The following is a review and analysis of the Bagan Lacquerware Clusters marketing mix.

### 4.7.1 Product

The product is the key element in the marketing offering (Kotler and Armstrong, 2004). In general terms, a product is a set of basic attributes assembled in an identifiable form - but from a marketing perspective, a product is a set of benefits that satisfy needs and wants (Etzel et.al. 2004).

### 4.7.2 Product Attributes

#### *4.7.2.1 Quality*

Customers tend to judge lacquerware quality on their general appearance and etched designs - but with lacquerware the quality is hidden in the layers under the surface of its visual appearance (Respondent 18, November 25, 2014). Without physically destroying lacquerware it is extremely difficult to determine the amount of thitsi applied, whether it has bone ash or cow dung mixed with the thitsi in the thayo, or to determine if cotton material was or was not used and whether or not PVC glue was used in the earlier stages. Only after using the product for sometime will the true quality of the product show itself. Cracks and chips that appear early in the lacquerware life, is a sign of poor quality and/or workmanship. Unfortunately, customers cannot break the products to check the structures before buying. But an authoritative body that is responsible for the certification of quality standards - can. The Bagan Lacquerware Cluster needs such an authoritative body with quality standards and branding.

#### *4.7.2.2 Price / Quality Relationship*

Prices vary from simple bowls selling at vendor stores for US\$3 to large lacquerware tables found in the backrooms of the larger retailer stores for a price of US\$17,000 (Observation, 26 November 2014). Various workshops deliver various levels of quality, for various market segments, at various prices. Low income nationals have low budgets therefore they accept the lower quality offered at the lower prices that they can afford. Middle to high income nationals are willing to pay higher prices so long as they get the higher quality products. As mentioned previously, tourists buy different products for different purposes at different prices. Price should vary with the level of

quality. To win customers, the key is to maintain the price levels through efficiencies, whilst increasing quality.

#### *4.7.2.3 Physical Characteristics of Lacquerware*

Lacquerware is usually light in weight when compared to other tableware such as ceramics and glass. It has utility in function and is fit for purpose. Lacquerware cups and bowls for example are resistant to high temperatures but cannot be placed in an oven or microwave machine. The manufacturing process and intricately etched designs are unique to Myanmar. Bagan lacquerware is aesthetically pleasing and they are art pieces that can be used specifically for decorative or ornamental purposes.

#### *4.7.2.4 Brands*

Most of the higher quality workshops have a signature or symbol that they use for branding their quality products. Unfortunately, most of the products found in stores don't display any brand or mark (majority of which are purchased from other local producers). Branded products are seldom found on the main shelves of retail stores but some branded pieces can be found in private 'backrooms'. Producers only put their name or brand on it if it is genuinely a high quality product (Observations, November 23-28, 2014). This behaviour appears to come from past history, when "ancient masters branded all their work and if customers had cracks or chips in their lacquerware, they would have them sent back to the workshop where they would repair or replace it for free", (Respondent 18, November 25, 2014).

The majority of Bagan lacquerware producers understand the relationship between branding, reputation and the customer expectations from the brand. However, the large majority of lacquerware sold in Bagan is sold through a few medium retail stores and the proprietors do not want the producers' brands or names on the products. This gives the false perception to the tourists that all the products sold in those retail premises are made within their workshop, with the same level of quality workmanship that was exhibited to them prior to entering the retail store (Respondents 18, 25 November 2014). Again, this highlights the need to develop a certified quality standards system within the Bagan Lacquerware Cluster.

#### *4.7.2.5 Packaging*

As previously stated, newspapers and tape is the most common form of packaging used in retail outlets throughout the Bagan area. Assistance with improving packaging is needed.

#### *4.7.2.6 Design*

The forms of lacquerware available throughout Bagan are mostly tableware, betel nut boxes, food offering containers (soo-oke's), and some furniture items. Most producers, maintain standard shapes, sizes and dimensions for each product category, with little variance between workshops. The only visibly distinguishing feature is the etched designs and colouring, however, even the designs are now becoming difficult to distinguish between workshops as producers tend to copy each other's best selling designs. Some tourists are left feeling that "it all looks the same" (Respondents 15 & 20, 24 and 25 November 2014). Curiously, some lacquerware guitars and motorcycle helmets were observed in two different stores, but they seemed more for showing the workshops customisation abilities, rather than for sale. Overall, creativity and new ideas appears to

be stifled throughout the Bagan Lacquerware Cluster. This could be due to retailers placing specific demands on the etched patterns to be used, although this was not verified during the study.

Workshop participants acknowledged and agreed that they need new designs. A medium sized workshop/retailer stated that “The best designs being produced in Bagan are done by a foreigner, and we should all learn from her.” But just copying other producers etched designs does not help in establishing a culture of creativity, new ideas and concepts. New product development and new designs could add to new lines of products being developed and commercialised, which are needed to stimulate further growth in sales.

#### *4.7.2.7 Warranty*

None of the retailers interviewed had any warranty policies. The need for establishing a ‘certified quality standards and branding system’ is again highlighted.

#### *4.7.2.8 Colour*

Variances in colour amongst finished lacquerware are limited. All the producers purchase the same colour pigments which are obtained from the same sources, as was discussed in the raw material suppliers section whereby three families control the dye pigment supply. Predominantly, the thitsi is black and therefore black is the most dominant colour amongst most of the lacquerware products produced in Bagan, followed by red. The rule-of-thumb appears is to be 50% of the product should display the natural thitsi whilst the remaining 50% is simply left etched or is coloured, ranging from 1 to 5 colours (Observations, November 23-28, 2014). Introducing new and exciting colours, such as the ‘eggplant purple’ previously discussed, could add commercial value to the lacquerware produced in Bagan.

#### *4.7.2.9 Sellers Image and Reputation*

In Myanmar, Bagan lacquerware is well known and the artisans are awarded high respect from other nationals (Workshop participants, November 28, 2014). Generally speaking, the artisans are proud of their history and their lacquer work. Most are Buddhists, who appear to have a true inner-desire to do their best and not to cause harm to others or their environment. These are excellent foundations on which to further build the cluster’s reputation through promotions.

#### *4.7.2.10 Sellers Services*

It was observed that almost all the medium retailers had a display table and pictures that showed the process and method of producing lacquerware. One such retailer had English speaking staff escort foreign visitors through the process and stages of the lacquerware production and answered all questions. With near perfect marketing and selling methods employed, the tour ended in the sales room. Many tourists interviewed stated that the educational aspect offered a genuine learning experience and allowed them to appreciate the workmanship, skills, materials and time that it takes to make one piece of Bagan lacquerware (Respondents 15, 16 & 35, 23-28 November 2014).

Three medium sized retailers in Bagan were seen to have VISA credit card services available for purchases over \$100 and almost all retailers stated that they could arrange shipping back to the visitor’s home country.

### 4.7.3 Promotion

*4.7.3.1 Personal Selling:* requires face-to-face communications between a supplier and a buyer. In the Bagan area most of the sales staff observed spoke reasonable English, were friendly, sociable and not too pushy with customers. In a few stores, however, it was found that sales staff engaged in hard sell methods, which usually deters international customers rather than enticing them to buy (Observations, November 23-28, 2014). Sales training is required in order to enhance some of the retail stores sales performance.

*4.7.3.2 Advertising:* no broadcasting or print media advertising was observed. Road signage and premises signs were observed for all the bigger workshop/retailers. The micro and small producer/retailers on the other hand, had no signage visible on their premises or on the roads. Generally, advertising methods were limited.

*4.7.3.3 Electronic Communications:* Only three medium sized retailers of the Bagan Lacquerware Cluster have websites. Almost all micro-producers have android mobile phones but unfortunately they are not used for promoting their lacquerware products and businesses (Observations, November 23-28, 2014). Integrated marketing communications strategies are needed to better communicate with current and potential customers and the most common methods in Myanmar appear to be through the use of social media such as Facebook and Viper (CommuniCast 2013).

*4.7.3.4 Sales Promotions:* Very little sales promotion techniques were evident throughout the field research. A limited few retailers packaged goods in 'bundles'. There were no 'clearance sales' or another promotional 'sales' for that matter. Almost all retailers offered a token 10% discount for purchases made. Sales promotion strategies are lacking.

*4.7.3.5 Public Relations:* There was no evidence of any producer or retailer involved in preparing news articles, newsletters, involvement in civic and charitable agencies and no authoritative lobbying structures in place. Public relations methods have been overlooked by many cluster participants although four of the small to medium workshop / retailers claimed that good reviews in travel guides like Lonely Planet, Frommers, and Tripadvisor have lifted sales significantly and they always reminded customer to please write positive reviews (Respondents 1, 6 & 7, 23 November 2014; Respondent 31, 26 November 2014).

It is evident that the majority of cluster members are unaware of the multitude of promotional options that are available to them.

#### 4.7.4 Place

Place has been well covered under micro environment section, see *Marketing Channels of Distribution and Location and Local Area Market Access* sections.

#### 4.7.5 Pricing

A large majority of the producers and retailers would not speak openly about pricing methods. Of those that did, stated that they simply add up all the costs and then establish their price, which indicates a 'Cost Plus' method of pricing. After detailed transects and observations (23-28 November 2014), it appears that a majority of the producers and retailers are actually applying 'Perception Pricing', i.e. basically being opportunistic and offering a price they think their customer is able or willing to pay. However, this cannot be confirmed with any data and more research is required.

#### 4.7.6 Currently Applied 'Key Marketing Success Factors' in the Bagan Lacquerware Cluster based on the Marketing Mix Analysis

1. Educating buyers on the process of producing lacquerware.
2. Displaying artisans performing 'quality craftsmanship' for visitors to see and experience first-hand.
3. Highlighting the skills, traditions and authentic methods.
4. In store demonstrations of durability (quality).
5. Low price, unique and appealing forms, designs, styles and colours.
6. Rudimentary promotions (signage, website, effective not-pushy sales staff, attractive retail premises with air-conditioning)

Although producers and retailer's who undertake these current key success factors, do gain competitive advantage over those in the cluster that do not - the scope to improve on these basic methods appears endless.

**Table 9: Internal Environment SWOT Analysis; Combined qualitative data and workshop participation**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Traditional and unique craftsmanship is practiced</li> </ul>	<ul style="list-style-type: none"> <li>• Low incomes, low profit margins and no savings</li> </ul>
<ul style="list-style-type: none"> <li>• Respect toward lacquerware tradition exhibited by artisans</li> </ul>	<ul style="list-style-type: none"> <li>• No training programs available</li> </ul>
<ul style="list-style-type: none"> <li>• Demand for lacquerware   increasing</li> </ul>	<ul style="list-style-type: none"> <li>• Dry cellar: lengthy time required to dry product</li> </ul>
<ul style="list-style-type: none"> <li>• Understanding of branding and its purpose</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of health care</li> </ul>
<ul style="list-style-type: none"> <li>• Community who personally know each other and often work in networks</li> </ul>	<ul style="list-style-type: none"> <li>• No occupation health and safety standards</li> </ul>
<ul style="list-style-type: none"> <li>• Respect is given from general society</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of research and development culture</li> </ul>
	<ul style="list-style-type: none"> <li>• Limited access to tourist market</li> </ul>
	<ul style="list-style-type: none"> <li>• No quality standards</li> </ul>
	<ul style="list-style-type: none"> <li>• Limited branding</li> </ul>
	<ul style="list-style-type: none"> <li>• No proper packaging</li> </ul>
	<ul style="list-style-type: none"> <li>• Lack of investment capital</li> </ul>
	<ul style="list-style-type: none"> <li>• Women earn less than men and told that they cannot etch outline designs like the men</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• New product development through design upgrading and research and development</li> </ul>	<ul style="list-style-type: none"> <li>• Low incomes forcing skilled labour to leave lacquerware for the tourism industry and youth choosing tourism over lacquerware careers</li> </ul>
<ul style="list-style-type: none"> <li>• New colour pigments</li> </ul>	<ul style="list-style-type: none"> <li>• Political disturbances causing tourist numbers to decrease</li> </ul>
<ul style="list-style-type: none"> <li>• International banking and credit card facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Copying designs from each other</li> </ul>
<ul style="list-style-type: none"> <li>• Export markets</li> </ul>	
<ul style="list-style-type: none"> <li>• Women to be paid equally if they match the standard of male capabilities</li> </ul>	
<ul style="list-style-type: none"> <li>• New drying technologies</li> </ul>	

## 5. Proposed Marketing Strategies

A detailed SWOT analysis of the external macro and micro environments, and of the internal environment of the Bagan Lacquerware Cluster, has been conducted using secondary data sources, independent qualitative research methods as well as collaboratively with the internal cluster actors through workshop participation. These data were then cross verified and analysed within this report, to deduce the key strategic marketing recommendations in the form of objectives, strategies and actions.

The detailed objectives, strategies and action plans are the outcomes of this marketing strategy formulation study which were finalised independently of the cluster and are to be used only as a suggestions for the cluster to determine their own priorities or to validate these suggested priorities as they see fit, during the next marketing strategy planning workshop to be scheduled in early 2015 (see Appendices 4, 5 and 6 for the methodologies applied in deducing objectives from SWOT components and Appendix 7- Action Plan Timeline).

### 5.1 Establishing the objectives, strategies and action plans

#### 5.1.1 Comparative Judgement SWOT Rankings

Ranking of SWOT outcomes was conducted using the Pairwise Comparison Scale (Saaty 2001), see Table 10: Fundamental Scale for Pairwise Comparisons for the scaling criteria used. This analytic hierarchy process (AHP) method is based on three principles: first, structure of the model; second,

comparative judgment of the criteria and/or alternatives; third, synthesis of the priorities, (Gorener 2012). See Appendix 4 – Comparative Judgement of SWOT Analysis for the outcomes of this process.

**Table 10: Saaty (2001) Fundamental Scale for Pairwise Comparisons**

Intensity of Importance	Definition	Explanation
1	Equal Importance	Two criterion contribute equally to the objective
3	Moderate Importance	Experience and judgement slightly favour one over another
5	Strong Importance	Experience and judgement strongly favour one over another
7	Very Strong Importance	Criterion is strongly favoured and its dominance is demonstrated in practice
9	Extreme Importance	Importance of one over another affirmed on the highest possible order
2,4,6 and 8	Inbetween the above	Used to represent intermediate values. Intensities 1.1, 1.2, 1.3 etc can be used for elements that are very close in importance.

Source: Gorener, A. (2012). Comparing AHP and ANP: An application of strategic decisions making in a manufacturing company. International Journal of Business and social Sciences. Vol.3. No.11; June 2012. p. 195.

### 5.1.2 Objective and Strategy Setting from SWOT Factors

Objectives were set to address each of the SWOT analysis factors as shown in Appendix 5 – Objectives for SWOT Factors. These primary objectives were then ordered by categories which included; i) Analysis, maintenance and control, ii) International tourist market, iii) National tourist market, iv) Export Market, v) Production, vi) Product, vii) Promotion, viii) Place, ix) Price and x) Skills and Training. To see the deduction process please see Appendix 6 – Primary Objectives and Final Ranking. Utilising these methodologies has resulted in the following objectives, strategies and actions plans proposed for the Bagan Lacquerware Cluster.

## **5.2 Objectives, Strategies and Actions Plans**

5.2.1 Objective 1: Create a *Bagan Lacquerware Cluster Database* of all participating households in the cluster, within 3 months.

Strategy 1: Conduct full-coverage quantitative Bagan Lacquerware Cluster Baseline Surveys, to analyse, maintain and update records on all participating cluster members (to be conducted annually to measure outcomes).

Action Plan 1.1: The CDA and UNIDO (Myanmar) management are to prepare the Baseline Survey Instrument (in English and Burmese) based on Lacquerware Household Livelihoods Assessment, 1 month to prepare survey. Printing costs: US\$600.

Action Plan 1.2: The CDA and UNIDO (Myanmar) management prepare an Excel spreadsheet to act as the cluster database, ready for data entry (2 days). No additional costs.



Action Plan 1.3: The CDA employs a data collection team of 10 people selected from the lacquerware cluster and conducts a 1 day training session on data collection methods, (US\$300). Each data collector is to be given a specified geographical area and asked to conduct 6 lacquerware household surveys per day. To obtain full coverage of the lacquerware households in the area (estimated 750 households) should take approximately 14 working days of data collection. Cost of data collectors and training: US\$7,100.

Action Plan 1.4: The CDA is responsible for the *Baseline Survey* data entry into the *Bagan Lacquerware Cluster Database*. Two weeks. No additional costs.

Action Plan 1.5: The CDA and UNIDO (Myanmar) management jointly analyse the data and create a Bagan Lacquerware Baseline Survey Report, translated into Burmese and disseminated amongst the cluster participants. Translation, printing and distribution costs US\$800.

Estimated total costs to conduct Objective 1: US\$8,800

5.2.2 Objective 2: Actively involve the Bagan Lacquerware Cluster in the decision making process of the strategic market plan, to be implemented within 3 months of first marketing strategy workshop.

Strategy 2: Conduct a 4 day, Strategic Market Planning Workshop on developing vision and mission statements, validate or change the suggested objectives and strategies of this report, validate or change the suggested ranking and priorities of the objectives and strategies and to educate participants on contingency planning for unforeseen shocks and vulnerabilities.

Action Plan 2.1: UNIDO (Myanmar) contracts a technical *strategic market planning specialist* to deliver a 5 day workshop in Myinkaba, Nyuang-U, with the Bagan Lacquerware Cluster participants and based on the outcomes of the workshop, update the proposed strategies and action plans of this report, as agreed by the cluster participants. Approximate budget for contract fee US\$7,000.

Action Plan 2.2: Contracted specialist and CDA (acting also as translator) conduct the 5 day planning workshop as per the outlined strategy. Approximate budget for workshop facilities, workshop banner, printed handouts, coffee breaks etc. US\$1,200

Action Plan 2.3: During workshop discussions on Strategy 5, 6, 8 and 10, the contracted specialist and CDA shall establish lists and contact details of those participants who would be interested in creating; a) *Quality Standards Workgroup*, b) *Branding Workgroup* to plan the designing of the logo, c) *Lacquerware Market Workgroup*, to plan and implement the process of establishing such a facility, d) *Lacquerware Cluster Buying Workgroup* to plan and implement the process of establishing purchases of thitsi, bamboo, dye pigments, tools and to investigate new technology equipment e) *Research and Design Training Workgroup* to plan and implement ongoing training programs for the cluster in research and development and design and f) *Export Consortium Workgroup* to plan and implement the processes to effectively and efficiently establish, manage and conduct exports on behalf of the cluster. The CDA is to inform those interested in participating in the respective workgroups of the dates for the workgroups first meetings.

Action Plan 2.4: Contracted specialist to update the proposed strategies and action plans of this report, as agreed by the cluster participants. Budget included in contract fee.

Estimated total costs to conduct Objective 2: US\$8,200

5.2.3 Objective 3: Create vocational training programs in lacquerware production and management skills specifically for the Bagan Lacquerware Cluster, within 6 months.

Strategy 3a: Establish dialogue with Lacquerware Technical College (LTC) and the appropriate and relevant departments of government to determine the feasibility of LTC delivering vocational training specifically for the skill based needs of the Bagan lacquerware cluster.

Strategy 3b (Contingency strategy for negative outcomes to Strategy 3a): Establish an informal 'Myinkaba Lacquerware Training Centre' in conjunction with Strategy 6 and Strategy 8.

Action Plan 3a.1: UNIDO (Myanmar) to arrange meetings with heads of LTC to discuss the possibilities of LTC delivering vocational training specifically for the Bagan lacquerware cluster.

Action Plan 3a.2: Dependent upon the outcomes, UNIDO (Myanmar) to arrange meetings with appropriate and relevant Myanmar government departments. Estimated mission costs, (travel, accommodation, DSA etc), US\$3,000.

Action Plan 3a.3: If outcomes of Action Plan 3a.2 are positive, LTC to prepare a vocational training plan to present to the cluster at the Marketing Strategy Implementation Workshop (Strategy 11), for debate and cluster decisions. Estimated budget required to run 3 month vocational lacquerware training programs, 2 novice programs and 2 upgrading skills programs for 30 people per program would cost approximately US\$18,000. If outcomes of Action Plan 3a.2 are negative, then proceed to the following action plan.

Action Plan 3b.1: UNIDO (Myanmar) to incorporate the plan to establish the informal 'Myinkaba Lacquerware Training Centre' in with Strategy 6: establishing the Bagan Lacquerware Market place, and Strategy 8: establishing the Bagan Lacquerware Research and Design Program, US\$18,000.

Estimated costs to complete Objective 3: US\$21,000.

5.2.4 Objective 4: Conduct extensive international tourist market research on lacquerware, within 3 months.

Strategy 4: Conduct quantitative survey of international tourists to determine their lacquerware needs and wants, consumer buyer behaviour and customer satisfaction levels. In preparation for the international tourist marketing mix strategy of the marketing plan (Strategy 13).

Action Plan 4.1: UNIDO (Myanmar) to either contract marketing research specialist or LTC to create the survey instrument, undertake the survey, analyse, report on the results and offer recommendations for the international tourists marketing mix strategy (Strategy 13). Six weeks total to complete. Estimated cost for specialist contract or LTC, \$14,000.

Action Plan 4.2: Consultant or LTC are to prepare the survey instrument and have the international tourist database ready for data entry (2 weeks). No additional costs.

Action Plan 4.3: Consultant or LTC to employ and train data collectors in conducting the quantitative random survey of 400 international tourists in the Bagan area. Eight surveys per data collector per day would require 10 data collectors a total of 5 days to obtain 400 completed surveys. Cost of English speaking data collectors: US\$3,200.

Action Plan 4.4: Consultant or LTC to arrange data entry and analysis of results. (2 weeks). No additional costs.

Action Plan 4.5: Consultant or LTC to report the findings and make recommendations for the international tourists marketing mix strategy (see Strategy 13) and amend the marketing strategy and action plan accordingly, (2 weeks). No additional costs.

Action Plan 4.6: CDA to translate report into Burmese and disseminated amongst the cluster participants (2 weeks). Translation, printing and distribution costs US\$800.

Estimate costs to complete Objective 4: US\$18,000

5.2.5 Objective 5: Build on a quality image, minimise quality misrepresentations by producers to retailers and retailers to customers, increase customer satisfaction and unify the cluster, within 6 months.

Strategy 5: Establish certified quality standards and effective branding system.

Action Plan 5.1: The CDA, (based upon workgroup lists obtained in Action Plan 2.3) convenes a meeting with those interested in participating in the *Quality Standards Workgroup*. In order to plan the processes for establishing the standards, certification process and control mechanisms for 3 quality variance levels in the production of 'traditional lacquerware'. It is recommended that these 3 levels of quality be distinguishable, for example: a) Bagan Top Quality (Gold), b) Bagan Medium Quality (Silver), c) Bagan Low Quality (Bronze). In addition, a fourth level for 'modern' lacquerware which is distinctive and separate from the traditional lacquerware quality standards (modern designs may not necessarily use traditional methods) could be classified as, d) Bagan Modern (Purple). Workshops that produce both 'traditional' and 'modern' etched designs may apply for both standards and brand both certified standards on such products. For control mechanism it is recommended that random testing be carried out quarterly (every 3 months) by the CDA visiting 40 randomly selected workshops. The Quality Standard Inspection Team should comprise of the CDA (permanent member), 2 external members (appointed for one year) and 7 randomly selected cluster producers (rotated every 3 months). These should be paid positions of an estimated US\$15 per day. Once the standards and procedures have been drafted they shall be presented at the Marketing Strategy Implementation Workshop (Strategy 11) for debate and validation. Budget of \$7,500 should be reserved for testing purposes per year. US\$800 for printing and disseminating the draft standards and procedures and a salary budget of 60 days per year is estimated to be US\$8,100 (60 days x 9 positions x \$15). Total to achieve Action Plan 5.1 is US\$16,400.

Action Plan 5.2: The CDA, (based upon workgroup lists obtained in Action Plan 2.3) is to convene a meeting with those who showed interest in participating in the *Branding Workgroup*, in order to plan the process of determining the designs of a logo to be used on all certified Bagan lacquerware

products. It is recommended that the logo be less than 5 mm in diameter and that the cluster be involved in the designs (they are all artists). Prizes could be used as an incentive to participate. Apply a one month deadline to submitting logo's. The branding workgroup is then to select the top 10 designs and present them to the cluster at the Marketing Strategy Implementation Workshop (Strategy 11), at which time a vote is to be cast to choose the best logo to represent the Bagan Lacquerware Cluster quality standards. The logo selected shall be awarded US\$250, US\$150 for second prize and US\$75 for third prize all to be awarded at the workshop. Budget required for prizes plus printing and dissemination, US\$1,400.

Estimated costs to complete Objective 5: US\$17,800

5.2.6 Objective 6: Increase micro/small producer incomes by giving them direct access to international and domestic tourist markets, reduce the financial leakage from the micro economy by not paying bus operator's commissions and restore balance of power in negotiations between micro/small producers and value chain retailers/distributors through competitive market pricing, to be completed within 18 months.

Strategy 6: Build a common *Bagan Lacquerware Market* place to accommodate 350 lacquerware workshop stalls, food court, toilet facilities, office space for the Bagan Lacquerware Cluster management, buying centre and workgroups, and to act as a venue for meetings, trade exhibitions and events.

Action Plan 6.1: UNIDO (Myanmar) is to discuss with all relevant government departments and levels regarding the allocation of land (4 acres / 16,000 sqm) for such a market place, in or around the Myinkaba area. Also discuss potential for financial contributions to the project (a buy-in), 3 months to determine outcome. Cost of this action plan and further such joint missions with government personnel over the course of construction for 18 months, (travel, DSA, etc) is estimated at US\$14,000.

Action Plan 6.2: The CDA, (based upon workgroup lists obtained in Action Plan 2.3) is to convene and chair a meeting with those who showed interest in participating in the *Lacquerware Market Workgroup* to plan and implement the process of establishing such a facility (3 months). It is recommended that the facility be at least 5500 square meters in size, have ample natural light, be fully air-conditioned, have an adequate diesel generator, paved parking for 12 coach buses and be able to accommodate over 1,500 visitors per day - this allows for expected future tourism growth and to have appropriate toilet facilities (see Fig. 14: Internal Visual Image of a 5500sqm Market Facility). Based upon the 2013, Bagan Number of Visitors (195,372, see Table 3) - currently, such a facility would have to accommodate over 500 visitors per day. If each visitor in 2013 was to spend an average of \$20 on lacquerware, this would produce US\$4,000,000 in market turnover per year. This would lead to good incomes for the micro/small producers PLUS retail profit margins at 15% would offer an additional US\$2,000 (approx.) per stall holder/workshop per year, which they would not have otherwise obtained. To build such a facility it is estimated to cost approximately US\$1,375,000 (calculated at US\$250 per sqm) - not including the cost of land.

Action Plan 6.3: The Lacquerware Market Workgroup shall present their plan and implementation process (including Market rules, estimated costs and proposed facility management structure) to the

cluster at the Marketing Strategy Implementation Workshop (Strategy 11) for discussion, debate, changes and validation of the plan. Estimated budget for Lacquerware Market Workgroup (for printing and meetings - which may include several missions to Yangon) is US\$3,900.

Fig. 14: Internal Visual Image of a 5500sqm Market Facility



Source: [www.MyProperty.ph](http://www.MyProperty.ph) Available at <http://www.myproperty.ph/properties-for-rent/warehouses/makaticity-manila/high-ceiling-warehouse-for-lease-w-5000-sqm-in-makati-city-603331> [Accessed December 18, 2014]

Action Plan 6.4: The CDA is to arrange and facilitate employment of relevant persons for the ongoing Bagan Lacquerware Market Management Group to represent and manage the construction of the facility on behalf of all cluster participants, for one year. The Market Management Group should be agreed by the Bagan Lacquerware Cluster during the Implementation Workshop. It is recommended that the group comprise of the CDA, 3 members from the Bagan Lacquerware Cluster (to be elected), 2 local construction experts, 2 community members, 1 Nyaung-U government official, and 1 Bagan tourism official with relevant and appropriate skills and experience that could contribute to successful outcomes of the construction project. The Market Management Group would also be responsible for the tendering process and construction work. Deadline for candidate selection and the date of elections from lacquerware cluster - to be announced at the Marketing Strategy Implementation Workshop (Strategy 11). Excluding the CDA, the 9 management positions need to be paid a stipend of US\$15 per day. The Market Management Group shall be responsible for liaising with the Bagan lacquerware cluster, UNIDO, government, building contractors, etc on all market facility building and establishment issues. Total annual cost for management is estimated to be at US\$49,500 plus an estimated US\$70,000 for administrative and functional purposes (one year). Total estimated cost to manage the building of the facility for this action plan is, US\$119,500.

Action Plan 6.5: The Market Management Group first task shall be to call an expression of interest for allocations of space from cluster participants for stall allocations, food and beverage entrepreneurs and freight companies. No workshop or vendor is entitled to more than one stall space. Stall categories 2 x 3 metres of floor space will be free for daily use (100 spaces allocated and require to be booked one day in advance). Permanent stalls 3 x 3 (150 spaces) should be rented for US\$30 per month (US\$360/annum) and permanent stalls 3 x 5 (150 spaces) rented for US\$50 per month (US\$600/annum). 12 food stalls each rented for \$80 per month (\$960 per annum). If space is fully allocated this should bring facility revenues of over US\$160,000 annually to cover ongoing management, maintenance, utilities and promotion of the facility. The permanent stall locations should be drawn from a hat at the official opening (Action Plan 6.6), and repeated annually so that

advantages with certain stall positions will be fairly rotated amongst cluster participants. Budget already included under Action Plan 6.4.

Action Plan 6.6: Market facility to be operational within 18 months. Upon final completion of the facility, the Market Management Group is to arrange an official opening ceremony. Budget US\$12,500.

Estimated budget to complete the '*world's largest lacquerware market*' and Objective 6:  
US\$1,525,000

5.2.7 Objective 7: Improve quality of raw materials, increase micro/small producers negotiation power when purchasing raw materials and lower the price of raw materials, within 6 months.

Strategy 7: Develop a collective buying centre with raw material quality testing processes.

Action Plan 7.1: The CDA, (based upon workgroup lists obtained in Action Plan 2.5) is to convene and chair a meeting with those who showed interest in participating in the *Lacquerware Cluster Buying Workgroup*, to plan and implement the process of establishing purchases of thitsi, bamboo, dye pigments, bone ash, cotton, tools (with projected price savings and benefits to cluster participants) and to establish raw material quality testing procedures and investigations into new technology equipment, 3 months.

Action Plan 7.2: The *Lacquerware Cluster Buying Workgroup* shall present their plan and implementation process (including quality testing procedures, new technologies and proposed cluster buying management structure) to the cluster at the Marketing Strategy Implementation Workshop (Strategy 11) for discussion, debate, changes and validation of the plan. Estimated budget for Lacquerware Cluster Buying Workgroup (for printing and meetings - which may include some travel to Shan, Sagaing, India and China) is, US\$6,800.

Action Plan 7.3: With the CDA chairing the meetings, the cluster members are to select 3 people from the cluster to create the Bagan Lacquerware Buying Group to conduct all functions of management for the buying centre. These should be paid positions at approximately \$15 per day. The deadline for candidates and selection time to be declared at the Marketing Strategy Implementation Workshop. Total budget required for action Plan 7.3 is approximately US\$16,500.

Action Plan 7.4: Once elected, the Buying Groups first function should be to locate and rent storage space (until Lacquerware Market is established (Strategy 6). At the same time, the Buying Group is to take orders with 5% deposits (as per the pricing stipulated by the workgroup's plan presented during Strategy 2). Once the order numbers reach required levels for economies of scale and testing of products have been conducted, the purchases can be made and stored at rented storage facility (or at the Lacquerware Market once established). Those who placed orders could come and complete their purchases with an additional 5% buying management fee to cover ongoing operating costs of the *Buying Group*.

Action Plan 7.5: To establish initial purchases the *Buying Group* would require a no interest loan to cover the initial raw material purchases. This could be established by incorporating *Strategy 12: development of tailored financial and banking services*. If the outcome with financial institutions is negative then an additional budget of US\$50,000 is required to be reserved for raw material purchases.

Estimated budget to complete Objective 7: US\$73,300

5.2.8 Objective 8: Invigorate growth in total sales by 10% of Bagan lacquerware by introducing new products and new designs that specifically target one or more of the relevant target markets, within one year.

Strategy 8: Establish the *Bagan Lacquerware Research and Design Program*.

Summary: This strategy is interconnected and directly dependent on Strategy 3. The following Action Plans in establishing the Research and Design Program would ideally be implemented in cooperation with the LTC - but if that is not possible, it could be conducted independently and informally at a separate location.

Action Plan 8.1: The CDA shall convene and chair a meeting with the Research and Design Workgroup from the list obtained in Action Plan 2.6, to plan and implement the Research and Design methodologies for the cluster and to outline the content and schedule of the training programs to be made available for the cluster over the course of one year, 3 months to prepare.

Action Plan 8.2: The Research and Design Workgroup should investigate the potential of having international experts in research and design to attend and deliver 4 training programs in Bagan throughout the year. It is recommended to specifically investigate European interior and decor designers willing to participate due to the well accepted generalisations and perceptions that European designers are 'amongst the best designers in the world' and this prestige would add value to the Bagan quality and standards brands, (see Strategy 5). In terms of lacquerware forms, based on perceptions the Japanese researchers and designers are most revered and should be included in such training programs. A lead designer in Bagan with good English skills should be elected at the implementation workshop to educate the designers on traditional lacquerware production and design techniques used in Bagan. Total cost for conducting 4 research and design symposiums with international research and design experts is estimated to be at US\$38,000.

Action Plan 8.3: The Research and Design Workgroup shall present their plan and implementation process (including research and design symposiums) to the cluster at the Marketing Strategy Implementation Workshop (Strategy 11) for discussion, debate, changes and validation of the plan. Estimated budget for the Research and Design Workgroup is US\$22,000 - (which may include some travel to Europe and Japan, US\$20,000 and printing and meeting costs in Bagan \$2,000).

Estimated budget to complete Objective 8: US\$60,000

5.2.9 Objective 9: Determine suitable technologies to reduce the drying time within the lacquerware production process and increase production efficiencies by reducing costs and time whilst increasing product quality, within 6 months.

Strategy 9: Conduct drying technology analysis by engaging an engineering specialist in drying techniques.

Action Plan 9.1: UNIDO (Myanmar) contracts *engineering specialist in drying technologies* to research and investigate potential methods and existing technologies that could be applied to the

lacquerware production drying process to increase efficiency by reducing drying time. Three months in total to complete. Estimated cost for specialist contract, \$21,000.

Action Plan 9.2: The Research and Design Workgroup assisted by the Buying Workgroup, shall oversee and assist the engineering specialists work. This may include some travel to either China, Japan and/or India \$6,600, tech tools and equipment \$7,500 and printing and meeting costs in Bagan \$1,200) Estimated costs total US\$15,300.

Action Plan 9.2: The engineering specialist, Research and Design and Buying Workgroups shall present their findings and offer a plan of implementation to the cluster at the Marketing Strategy Implementation Workshop (Strategy 11) for discussion, debate, changes and validation of the plan.

Estimated budget to complete Objective 9: US\$35,300

5.2.10 Objective 10: Increase cluster profitability by 12% through export markets, within 18 months. (This allows for a real profit increase of 5% over the expected 7% inflation rate in Myanmar).

Strategy 10: Establish Culvugils 'active involvement' export infrastructure by creating an export workgroup to plan and implement regional and international market development and product diversification strategies.

Action Plan 10.1: The CDA, based upon workgroup lists obtained in Action Plan 2.3, is to convene and chair a meeting with those who showed interest in participating in the *Bagan Lacquerware Export Consortium Workgroup* to plan and implement an export process that would effectively and efficiently establish, manage and conduct profitable exports on behalf of the cluster.

Action Plan 10.2: The Export Consortium Workgroup is to conduct further analysis of herewith listed export target market countries and create a Marketing Information System database for ongoing analysis. Budget required of approximately US\$2,000 for computer and software and US\$4,800 for export consortium workgroup training on the use of software. Total cost for this action plan is US\$6,800

Action Plan 10.3: The Export Consortium Workgroup should hold relevant meetings and discussions with all stakeholders including relevant Myanmar government departments, UNIDO, private export BDS, chambers of commerce through diplomatic missions and other potential buyers to determine the most suitable methods and structure that need to be established. Total estimated budget for meetings in Bagan, Yangon and Nay Pyi Daw and for administration and printing costs is US\$6,200.

Action Plan 10.4: The Export Consortium Workgroup should present their findings and offer a plan of implementation to the cluster, regarding methods to establish, manage and conduct profitable exports, at the Marketing Strategy Implementation Workshop (Strategy 11). The cluster may then open discussion, debate, changes for the validation of the plan.

Action Plan 10.5: Ongoing management structure requires careful consideration by the cluster during Strategy 11. It is recommended that an experienced international exporting specialist be employed for one year to guide and head the operations of Export Consortium (est. US\$130,000) with two full-time, experienced Myanmar nationals employed as *export business development officers* (est. US\$28,800), to assist the head. Other Export Consortium management (part-time) members could include the CDA, 3 cluster participants, 2 logistics and shipping representatives, 1 international trade lawyer and 1 government official (est. 3 mths per year at \$600 per month by 7



equals annual total of US\$12,600. Ongoing administrative budget of \$36,000 per annum would be required for travel, rental and BDS services. Total budget required for this action plan is US\$207,500.

Estimated budget for Strategy 10: US\$220,500

**5.2.11 Objective 11:** Coordinate, disseminate and conduct the presentations of the cluster workgroups planning reports for open discussion, debate, changes to be made and the implementation procedures for the proposed plans. To be conducted within 3 weeks of the workgroup reports being finalised and printed.

Strategy 11: Facilitate the Marketing Strategy Implementation Workshop

Action Plan 11.1: The CDA is responsible for the preparation and dissemination amongst cluster participants all the planning reports produced by the workgroups, two weeks before the commencement of the Marketing Strategy Implementation Workshop.

Action Plan 11.2: UNIDO (Myanmar) and CDA to contract a suitably qualified *strategic marketing implementation specialist* for 4 weeks to assist the CDA in coordinating the implementation process of the workgroups strategic plans. The various workgroups should be given direct access to the specialist for the final two weeks of their report and presentation deadlines to refine their strategies and approaches. The specialist assisted by the CDA would deliver the 5 day Marketing Strategy Implementation Workshop in Myinkaba, Nyuang-U with the Bagan lacquerware cluster participants. Approximate budget to contract specialist is US\$14,000.

Action Plan 11.3: The CDA and consultant are to facilitate the 5 day, Marketing Strategy Implementation Workshop with the following recommended tabulated agenda;

<b>Date &amp; Time</b>	<b>Topics</b>
Day 1, 9.00	Introduction and Workshop Agenda
10.00	Quality Standards Workgroup Presentation and Debate
12.00	Lunch
13.00	Quality Standards Workgroup Decisions
14.00	Branding Workgroup Presentation and Debate
17.00	End of Day 1
Day 2, 9.00	Branding Workgroup Decisions
10.00	Market Workgroup Presentation and Debate
12.00	Lunch
13.00	Market Workgroup Debate
15.00	Market Group Debate and Decisions
17.00	End of Day 2
Day 3, 9.00	Buying Group Presentation and Debate
12.00	Lunch
13.00	Buying Group Debate and Decisions
15.00	Research and Design Training Workgroup Presentation
17.00	End of Day 3
Day 4, 9.00	Research and Design Training Workgroup Debate and Decisions
12.00	Lunch
13.00	Export Consortium Workgroup Presentation and Debate
17.00	End of Day 3
Day 5, 9.00	Export Consortium Workgroup Debate and Decisions

12.00	Lunch
13.00	Open Discussions
16.00	Decision Conclusions and the next phase Control and Maintain Workshop

Total cost for workshop administration, facilities, tea breaks, awards and banner is estimated at US\$1,800.

Action Plan 11.4: Contracted specialist is to prepare a summary report of the Marketing Strategy Implementation Workshop outcomes and is to revise the marketing strategy report and recommendations in preparation of the Marketing Plan (Strategy 13). The CDA is to translate, print and disseminate the summary report, US\$800.

Estimated total cost to complete Objective 11: US\$16,600

5.2.12 Objective 12: Establish tailored financial and banking packages for cluster participants, within 6 months.

Strategy 12: Discussions with at least three leading Myanmar banks that are approved to conduct international financial transfers.

Action Plan 12.1: The CDA to discuss with cluster participants to determine the type of financial services that they need to grow their enterprises and to look toward export markets. No costs.

Action Plan 12.2: UNIDO (Myanmar) and CDA should conduct meetings with leading Myanmar banks (AGD, Ayeyarwaddy Bank, MEB or MICB) to discuss the ongoing possibilities of them offering tailored financial services to Bagan cluster members. It is highly recommended to specifically target the AGD bank as The Htoo Group (Tay Za) also own Air Bagan and other tourism and construction operations which could be of benefit to the cluster. Meetings in Yangon, CDA travel and expenses to Yangon approximately US\$1,100.

Action Plan 12.3: The CDA to report and disseminate financial and banking services information to cluster participants. Printing costs of approximately US\$800.

Estimated total cost to complete Objective 12: US\$1,900

5.2.13 Objective 13: Finalisation of the Bagan lacquerware cluster marketing plan ready for implementation, within 3 months.

Strategy 13: Strategic Marketing Plan Workshop

Action Plan 13.1: UNIDO (Myanmar) to contract technical *strategic market planning specialist* to deliver 5 day workshop in Myinkaba, Nyuang-U with Bagan lacquerware cluster participants and based on the outcomes of the workshop, create the final marketing plan with strategies and action plans established for 3 years, as agreed by the cluster participants. Approximate budget for specialist contract, \$14,000.

Action Plan 13.2: CDA to coordinate with Myanmar based packaging and shipping companies to arrange two (2) experts from each field (total of 4) to share their knowledge and services with the

Bagan Lacquerware Cluster. Cost for one day visit is estimated at \$600 per person, therefore total cost of packaging and shipping experts is approximately, US\$2,400.

Action Plan 13.3: The CDA and consultant are to facilitate the 5 day, Marketing Plan Workshop with the following recommended tabulated agenda;

<b>Date &amp; Time</b>	<b>Topics</b>
Day 1, 9.00	Introduction and Workshop Agenda
10.00	Market Pricing Methodologies and Book Keeping
12.00	Lunch
13.00	Selling and Sales Methods
15.00	Establishing a Public Relations group
17.00	End of Day 1
Day 2, 9.00	Developing the tourist marketing mix (4P's)
12.00	Lunch
13.00	Developing the tourist marketing mix (4P's)
	How to establish links with tourism cluster
17.00	End of Day 2
Day 3, 9.00	Developing the national marketing mix (4P's)
12.00	Lunch
13.00	Developing the national marketing mix (4P's)
	- Enhancement and better coordination of national distribution
	- The internet for national target markets
	- History, traditions, craftsmanship and uniqueness – primary benefits
Day 4, 9.00	Export and importing regulations; shipping, customs, controls, costs and buyer expectations
12.00	Lunch
13.00	Shipping and Packaging Specialists present to cluster
17.00	End of Day 4
Day 5, 9.00	Developing the export marketing mix (4P's)
12.00	Lunch
13.00	Developing the export marketing mix (4P's)
16.00	Summarise Outcomes
17.00	End of workshop

Total cost for workshop administration, facilities, tea breaks, awards and banner is estimated at US\$1,800.

Action Plan 13.3: Contracted specialist is to prepare the final version of marketing plan with recommendations and revised action plans, to be used as the official plan for the cluster. (2 months)

Estimated total cost to complete Objective 13: US\$18,200

5.2.14 Objective 14: Determine the health and safety issues that affect the lacquerware cluster, within 4 months.

Strategy 14: Conduct a health and safety audit and educate cluster on Myanmar’s new labour laws, working conditions, equal pay for equal work and other workplace women issues.

Action Plan 14.1: UNIDO (Myanmar) and the CDA should contract a *specialist in occupation health and safety* to conduct an audit of the clusters production facilities, conduct 3 day workshop on international best practices regarding working conditions and standards in particular focussing on women and youth work issues. Report the findings and offer recommendations. Estimated cost of consultant US\$21,000.

Action Plan 14.2: The Occupational Health and Safety (OHS) specialist with the CDA are to conduct a 3 day workshop in Myinkaba, Nyuang-U with Bagan lacquerware cluster participants. The OHS is to award the three best workshops based on their expert judgement with health and safety prizes and certificates (US\$200 first prize, US\$100, second prize and \$50 third prize). The total cost for workshop administration, facilities, tea breaks, awards/prizes and banner is estimated at US\$1,200.

Action Plan 14.3: The CDA to translate and disseminate the report to cluster participants. Translation and printing budget approximately, US\$600.

Estimated total cost to complete Objective 14: US\$22,800

**5.2.15 Objective 15:** Determine the potential impacts that global warming could have on the Bagan lacquerware cluster, to be conducted within 6 months.

Strategy 15: In cooperation with the Bagan tourism cluster, conduct research in global warming and climate change, as well as its potential impacts on the Bagan lacquerware production.

Action Plan 15.1: Bagan Tourism Authority and UNIDO (Myanmar) to jointly contract a specialist in global warming and climate change to conduct research on the effects (if any) that global warming and climate change could have on tourism and on lacquerware production, report the findings and offer recommendations. Estimated cost of specialist, US\$21,000, Tourism authorities to cover half the costs, requires an approximate US\$10,500, in budget.

Action Plan 15.2: The CDA to translate the report and disseminate amongst cluster participants. Cost of translation and printing estimated at US\$600.

Estimated total cost to complete Objective 15: US\$11,100

**Table 11: Indicative Budget Required to Complete Stated Objectives**

<b>Objective</b>	<b>Time</b>	<b>Strategy</b>	<b>Budget (US\$)</b>
Objective 1	3 months	Bagan Lacquerware Cluster Baseline Survey	8,800
Objective 2	3 weeks	Strategic Market Planning Workshop	8,200
Objective 3	6 months	Establishing Vocational Training Programs	21,000
Objective 4	3 months	Marketing Survey of International Tourists	18,000
Objective 5	6 months	Establishing Certified Quality Standards	17,800
Objective 6	18 months	Building a communal lacquerware market place	1,525,000
Objective 7	6 months	Establishing a Collective Buying Centre	73,300
Objective 8	12 months	Bagan Lacquerware Research and Design Program	60,000
Objective 9	6 months	Research on Improved Drying Technologies	35,300
Objective 10	18 months	Export Consortium Group	220,500

Objective 11	2 months	Marketing Strategy Implementation Workshop	16,600
Objective 12	6 months	Tailored Financial and Banking Packages	1,900
Objective 13	2 months	Marketing Plan	18,200
Objective 14	2 months	Occupational Health and Safety Audit and Workshop	22,800
Objective 15	2 months	Global Warming and Climate Change Report	11,100
<b>TOTAL</b>			<b>2,058,500</b>

## 6. Conclusion

This report has investigated the Bagan Lacquerware Clusters external and internal marketing environments to deduce their strengths, weaknesses, opportunities and threats. From this analysis, a set of detailed strategies and action plans were put forward to take advantage of the clusters strengths and opportunities whilst reducing their weaknesses and threats; with the primary aim of ultimately creating a better coordinated and cohesive cluster to satisfy national, tourists and export customers needs and wants and therefore enhance the clusters profitability, household incomes and livelihoods.

This study reviewed the market forces from both the supply and demand side by utilising 'marketing tools' which included; Porters (1980) Five Forces Model for Competitiveness, Marketing Distribution Channel Analysis, Value Chains Analysis, Marketing Mix Analysis - as well as local, national and export Target Market Analysis. The results of this analysis raised many issues, all of which can be addressed by cluster stakeholder commitment, cooperation and good management.

The primary issues of concern stem from a lack of certified quality standards and branding, restricted direct access to markets, limited skilled training opportunities, limited understanding of target market needs and wants and a general lack of creativity to reinvigorate and stimulate the market with new designs and new products. Recommendations to resolve these issues include (as outlined in the strategies and action plans) establishing a certified quality standards and branding process within the Bagan lacquerware Cluster, build a modern market place for over 350 micro producers to have direct access to markets, establish skilled lacquerware training programs, conduct marketing research and invest in research and design to reinvigorate and stimulate the market.

The framework for the process of strategic decision making (environmental analysis, planning, implementation and control) has been outlined within this report. These analyses, strategies and action plans are only intended to be used as a guide by the cluster, in their ongoing decision making processes to improve their profits, incomes and their standards of living. The Bagan Lacquerware Cluster has the opportunity to take their future into their hands - if they don't take control, then someone else will.

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## Mission Report

Follow-up action for lacquer ware cluster development in Nyaung-U (Bagan)

29-30 December 2014

### Objective

- To visit and meet with lacquerware units for discussing future activities
- To provide a training on UNIDO's cluster development methodology
- To explain UNIDO's action plan for lacquerware cluster development
- To follow-up for creation of network groups and organizing common purchase activities

<u>Date</u>	<u>Activities</u>	<u>Action Done</u>
28-12-2014 (Sunday)	Depart Yangon of Tint Khine for Nyaung-U by bus and	
29-12-2014 (Monday)	Arrive Nyaung-U a	
	Meet with cluster and discuss on future cluster activities and prepare organization of cluster awareness training	<ul style="list-style-type: none"><li>• Met with lacquerware units in Myinkabar Village for discussing future activities</li><li>• Preparation of cluster awareness training</li></ul>
PM	Depart Yangon of Maureen Seng Taung for Nyaung-U by bus	
30-12-2014 (Tuesday)	Arrived Nyaung-U of Maureen	<ul style="list-style-type: none"><li>• Preparation of cluster awareness training</li><li>• Participated in cluster awareness training</li></ul>
AM	Meeting with cluster and deliver UNIDO cluster development methodology by Tint Khine	<ul style="list-style-type: none"><li>• Cluster awareness training to 30 participates provided</li><li>• Discussed to create network group and start common purchase</li></ul>
PM	Depart Nyaung-U for Yangon by bus	<ul style="list-style-type: none"><li>• Tint Khine and Maureen Seng Taung</li></ul>

### Future project activities

- To prepare detail list of lacquerware units in Bagan/Nyaung-U including Myinkabar village
- To provide additional cluster awareness trainings in Bagan
- To identify CDA for lacquerware cluster in Bagan
- To follow-up future common purchase activities

### Contact persons

- 1) Thet Naing Oo, Ph: +959402774150, email: [thetnaingoo465@gmail.com](mailto:thetnaingoo465@gmail.com)
- 2) Han Zaw Oo, Ph: +959402611892, email: [hanzawtun66@gmail.com](mailto:hanzawtun66@gmail.com)



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## X. IT platform

## A BUSINESS-TO-BUSINESS OPPORTUNITY PLATFORM

MYANMARSMELINK is a business-to-business opportunity platform that connects Myanmar's SMEs and entrepreneurs with global business, capital and services. It is a unique resource point for SMEs to reduce information asymmetries and share business connections, resources, capabilities and the knowledge necessary to further develop their businesses. The platform offers an attractive array of services, including business matching, investment opportunities, alliances/JV partnerships, business services and up-to-date business news and information on Myanmar.







## CONNECTING MYANMAR SMEs

Connecting Myanmar SMEs with investors, partners, services providers and non-profit organizations (development agencies, business associations, NGOs, academic institutions), MYANMARSMELINK aims to improve the resources available to Myanmar's SMEs and enhance their ability to integrate with global value chains. Essentially, this platform will create an ecosystem around Myanmar SMEs thereby producing a multiplier effect in this key segment of the economy.

## REGISTERING ON MYANMARSMELINK PLATFORM

Registering on MYANMARSMELINK platform allows SMEs to manage their own webpage, where they can provide company details and, more importantly, highlight what business opportunities they might be seeking. In parallel, investors, partners, services providers and non-profit organizations, can create a similar profile page, focusing on the types of goods, services and relationships they might be seeking. By providing specific details – including business location, size of investment, industry, products and services – on their respective profile pages, registered



companies are able to create targeted searches and thus match business needs and aspirations efficiently and constructively.

Join This Community



(/success-stories)

## JOIN THIS COMMUNITY

Join this community as a Myanmar company or as an international company. You can apply to the following categories: SME (for Myanmar companies only), Business Partner, Service Provider, Investor, NonProfit Organization

Apply as  
Myanmar  
SME/Company

Apply as  
International  
Company

Apply as  
NonProfit  
Organization



## ADVERTISE WITH US

Position your brand in a business-to-business opportunity platform connecting Myanmar SMEs and entrepreneurs with global business, capital and services. The platform offers an attractive array of services, including business matching, investment opportunities, alliances/JV partnerships, business services and up-to-date business news and information on Myanmar.

[Advertising Information \(/advertise\)](#)

## MYANMAR TO YOUR BUSINESS



<http://www.youtube.com/embed/zIZPs-eRkVU?controls=0&showinfo=0>

The ASEAN Story [7:24]



(//www.youtube.com/embed/Rswa\_M1xKuo?controls=0&showinfo=0)

7 Things you need to know about ASEAN [2:25]



(//www.youtube.com/embed/Wc6ffmHCoco?controls=0&showinfo=0)

Myanmar's new entrepreneurs [4:16]



(//www.youtube.com/embed/MLirQqwfdAw?controls=0&showinfo=0)

Myanmar Business Forum | 25 March 2014 [4:35]



(//www.youtube.com/embed/Jmco2zbHynQ?controls=0&showinfo=0)

AustCham Business in Myanmar 2014 [3:21]



(//www.youtube.com/embed/vnvjluSw\_9Q?controls=0&showinfo=0)

Myanmar Focus Daily: Which business should invest now/later? : Doing business in Myanmar [2:45]



(//www.youtube.com/embed/dTes4QeW290?controls=0&showinfo=0)

Oxford Business Group launches The Report: Myanmar 2014 [3:11]



([//www.youtube.com/embed/fzfiU2k91GA?controls=0&showinfo=0](http://www.youtube.com/embed/fzfiU2k91GA?controls=0&showinfo=0))

Myanmar's business boom [2:35]

WITH SPECIAL THANKS TO THE FOLLOWING ENTITIES:





**Crowe Horwath**™

(<http://www.crowehorwath.net/hk/>)

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## MYANMAR SME LINK/ IT PLATFORM of *User Training* in Myanmar 2014

### Agenda

Date : 2 December 2014  
Time : 9:00 To 12:00  
Venue : Myanmar International Freight Forwarders' Association (MIFFA)  
Address : No 35/87, Lower Kyi Myint Dine Street, Ahlone Township, Yangon.  
(သခင်မြပန်းမြို့ရွှေ၊ မြန်မာ့ဆိပ်ကမ်းအာဏာပိုင်ရုံးဝန်းအတွင်း၊ တတိယအဆောင်)

### Programme

09.00 am	<i>Registration</i>
09:15 am	Opening
09.30 am	How to write "Company profile and Company background" to get interest from Business Partners or Investors
10.30 am	Coffee Break
10.45 am	Web user training
12.00 noon	<i>Closing</i>

#### Remarks:

- 1) For Website registration is free of charge.
- 2) Attendance is free of charge.

Please give the confirmation to Pann Su Mon , no later by **Sunday 30 November 2014**

Name : Pann Su Mon  
Email : [aungpanpan.27@gmail.com](mailto:aungpanpan.27@gmail.com)  
Phone : 0973208157 , 09798467008





UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

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## **XI. Country presentations**

## Myanmar economic transformation, UNIDO's contribution and opportunities for foreign companies

Bangkok, September 2014



**Michele Boario**  
Senior MSME Development Expert


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### Outline


1. Economic and industrial context
2. IZs, SEZs and FDI trends
3. Myanmar potential, challenges and risks
4. Promising sectors
5. Strategies for foreign investors
6. Italian support for the creation of JVs and PPPs
7. UNIDO's initiatives to encourage building partnerships

2



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### Economic brief as of 2012

GDP	55.8 \$B
GDP per capita	876 \$
Agriculture (%GDP)	44.6%
Services (%GDP)	35.6%
Industry (%GDP)	19.8%
Export	10.3 \$B
Imports	12.5 \$B
Top export	Natural gas and petroleum, wood products, and legumes
Top import	Vehicles, iron, Steel and other metal products
Top trading partner	China, Thailand, and Japan



Structure of Registered SMIs By States and Region

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### Registered companies by sector

31.7.2014

Sr No.	Commodity Group	No. Of Industrial Enterprises				
		Large	Medium	Small	Total	%
1	Food & Beverages	2660	4393	19601	26654	61.90
2	Clothing apparel & Wearing	468	525	1061	2054	4.77
3	Construction materials	676	851	2042	3569	8.29
4	Personal goods	486	419	344	1249	2.90
5	Household goods	136	81	67	284	0.66
6	Printing and Publishing	39	137	153	329	0.76
7	Industrial raw materials	174	184	141	499	1.16
8	Mineral & Petroleum Products	310	443	1343	2096	4.87
9	Agricultural equipment	13	20	31	64	0.15
10	Machinery & equipment	19	36	38	93	0.22
11	Transport Vehicles	122	34	14	170	0.39
12	Electrical goods	53	18	22	93	0.22
13	Miscellaneous	227	818	4863	5908	13.72
<b>Total</b>		<b>5383</b>	<b>7959</b>	<b>29720</b>	<b>43062</b>	<b>100</b>
<b>%</b>		<b>12.50</b>	<b>18.48</b>	<b>69.02</b>	<b>100.00</b>	<b>0.25</b>

4

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### Economic and Industrial assessment

- The agriculture is still the key sector of the economy
- 43,000 registered companies, small and medium 88%, SMEs are not growing significantly
- Significant reforms and new laws are in progress, but there are still many weakness (low ranking in IFC "doing business")
- Low productivity and weak enterprise culture
- IZs underutilized, affected by a number of serious problems (infrastructure, management, land, availability of skilled labor). Ongoing development of SEZs.
- More from the business survey (overall weak investment climate, corruption, lack of skilled labor and infrastructure).

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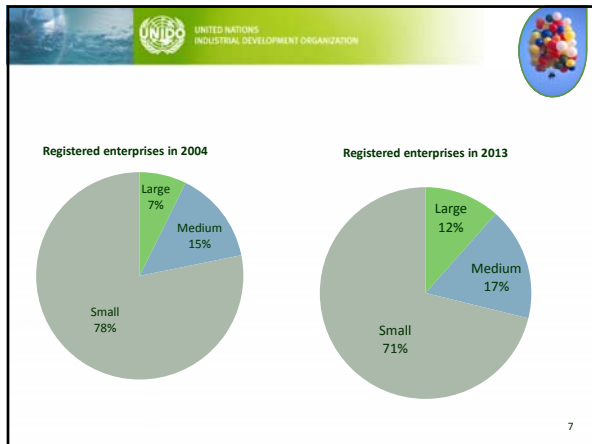
 UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
 

### Trend of registered enterprises



Year	Large (%)	Medium (%)	Small (%)
2004	7.30	14.50	78.2
2005	7.63	14.68	77.69
2006	7.94	14.84	77.22
2008	8.20	15.35	76.45
2009	8.24	15.40	76.36
2010	9.30	16.01	74.69
2012	11.02	16.83	72.15
2013	11.56	17.26	71.18

6



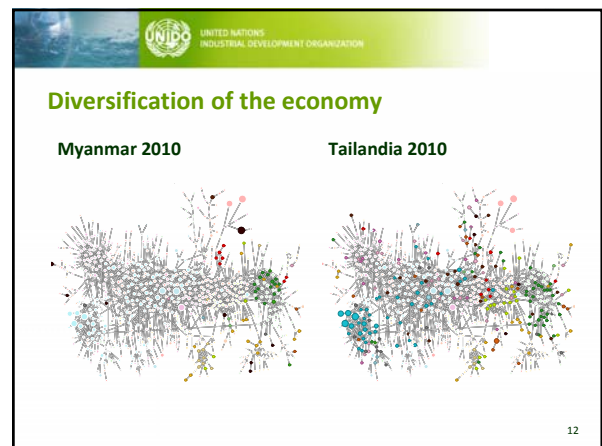
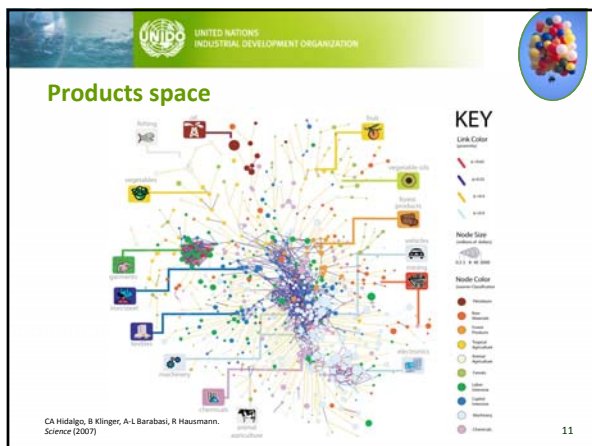
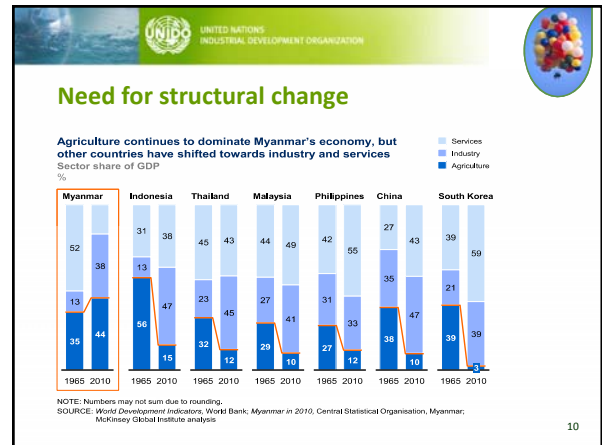
### FESR Myanmar Industrial Agenda: goals and principles

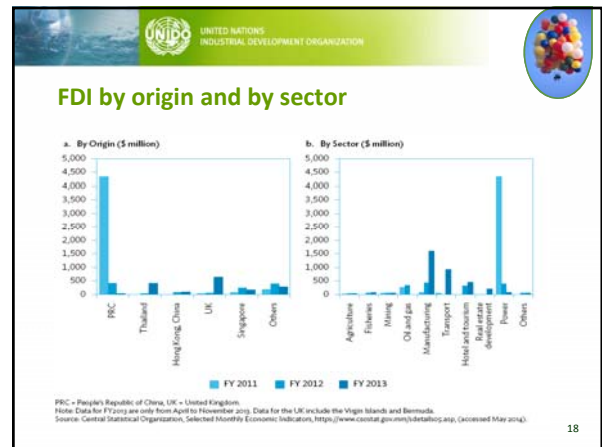
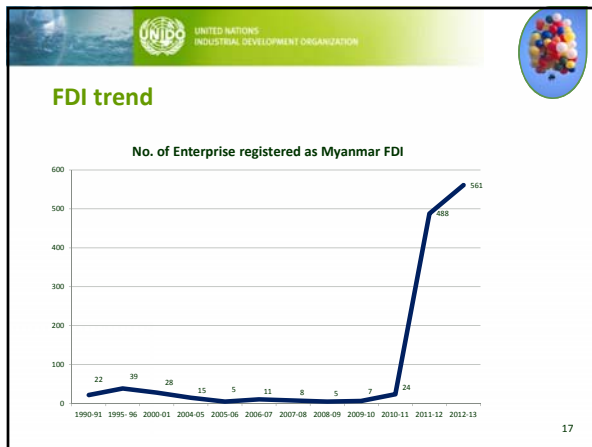
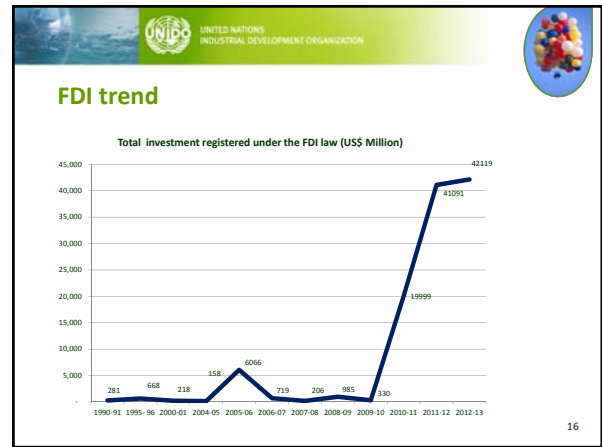
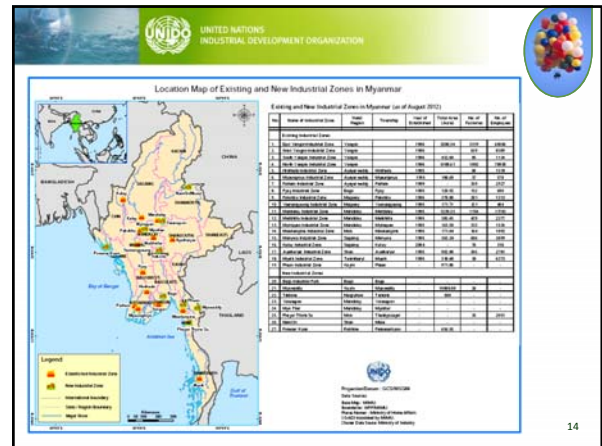
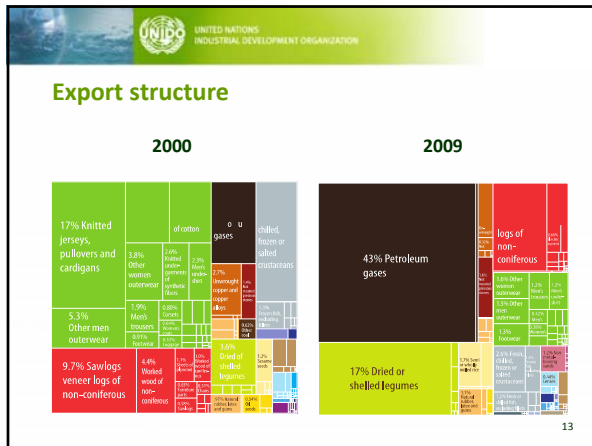
- Industrialization identified as a key driver for growth and poverty reduction
- Industrial contribution to GDP from the current 26% up to 32% by 2020
- SME development, FDIs, agro-processing, sustainable heavy industry, PPPs, sustainable use of resources

FESR: 42, 47, 62, 63, 69, 70, 108, 109, 110

### NCDP: 4 Strategies for industrialization

- Private sector-led industrialization
- SOE Restructuring and privatization
- Access to regional and global supply chain (FDI, export-oriented commodities)
- Establishment of SEZs and development of IZs (upgrading and new)



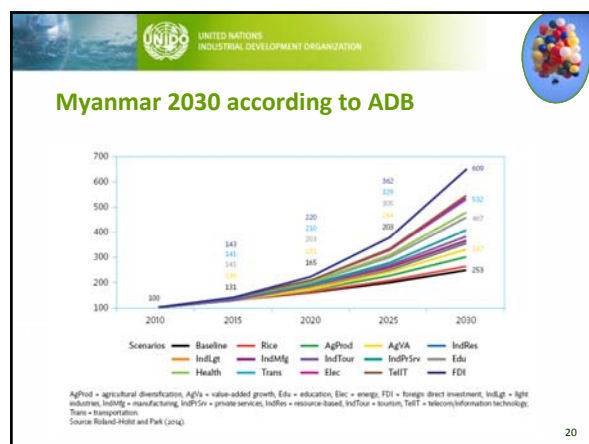


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### Myanmar 2030 according to McKinsey

- GDP \$ 200 billion (x4)
- Consumption 100 billion (x3)
- 10 million new jobs in industry and services
- Potential market of 500 million Asians (bordering areas of China and India)

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### Challenges and risks

- Myanmar risk rating by OECD: 7 (max)(no SACE yet)
- Ensure economic and political stability
- Structural change and diversification of the economy
- The development of the private sector, improving the investment climate
- The international integration
- Take advantage of new technologies

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### Promising sectors

1. Manufacture
2. Agro-processing
3. Infrastructure
4. Energy and mining
5. Tourism
6. Financing services
7. Business development services (including training and consultancy)
8. Telecom

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### Strategies for foreign investors

- Gain a competitive advantage as a first comer
- Long-term commitments that promote the improvement of the investment climate (training of manpower and infrastructure)
- Flexibility and readiness to seize opportunities in a fragmented market
- Local Partnerships (rapid growth, access to local resources)

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### Italian support to JVs and PPPs in developing countries

- Art. 7 L. 49/87 emended by law 98/13
- Development goals : jobs and local value added, no delocalization
- Italian Ministry of Foreign Affairs  
<http://www.cooperazioneallosviluppo.esteri.it/pgcs/italiano/LeggiProcedure/Strumenti/intro.html>

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## Eligible Sectors

- Industry, agriculture, livestock, fishing and processing activities;
- Handicrafts;
- Local services of public interest in the energy, communications, water, transport and waste;
- Micro finance services to small businesses, local trade, fair trade;
- Sustainable tourism;
- Protection and enhancement of the cultural and environmental heritage;
- Provision of medical services in the public interest and production of medicines;
- Vocational training and education.

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## Financial scheme

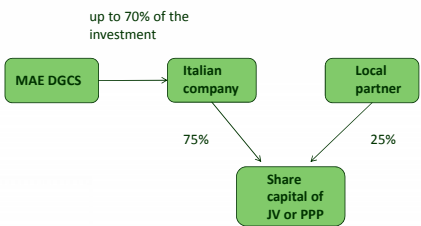
- ❖ Rotation fund: over **€ 100 ml**
- ❖ Maximum amount of credit financed: **€ 10 ml up to 70% of the investment**
- ❖ Subsidized interest rate: 15% of 3.98% = **0.59%** (February 2014)
- ❖ Grace period: **from 1 to 5 years**
- ❖ Reimbursement period: **min 3, max 10 years**
- ❖ Share capital of the Italian company (including international agencies) : **min 20%, max 75%**
- ❖ Share capital of the local company or government: **min 25%**
- ❖ Contributions in kind: maximum **20%** of the funding
- ❖ Bank agent: Artigiancassa
- ❖ Myanmar is one of the eligible country

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## How it works



```

graph TD
    MAE[MAE DGCS] -- "up to 70% of the investment" --> Italian[Italian company]
    Italian -- "75%" --> Share[Share capital of JV or PPP]
    Local[Local partner] -- "25%" --> Share
  
```

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## How to apply

- Ufficio 10 DGCS Ministero Affari Esteri
- <http://www.cooperazioneallosviluppo.esteri.it/pdgcs/italiano/LeggiProcedure/Strumenti/intro.html>

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## UNIDO's initiatives for an inclusive and sustainable development

- UNIDO is working on green industry, energy efficiency, quality standards, MSMEs, business partnerships, cluster development, value chains, institutional capacity building, policies, laws, rules and regulations.
- UNIDO will continue the promotion of **cluster development as a systematic, inclusive and sustainable approach** to increase the competitiveness of micro small and medium enterprises which will play a critical role in the structural change.

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## UNIDO support for building partnerships

- Policy dialogue to create a conducive environment for both local and foreign companies
- An IT platform to link local SMEs with foreign investors
- Study tours, international fairs (Marmomac), business missions, country presentations, twinning arrangements
- Cluster development

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### Contacts

- Michele Boario, UNIDO Yangon, [m.boario@unido.org](mailto:m.boario@unido.org)
- UNIDO, ITPO Rome, [www.unido.it](http://www.unido.it)

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### Myanmar economic transformation, UNIDO's contribution and opportunities for foreign companies

Turin, 19 October 2014



**Michele Boario**  
UNIDO Senior SME Expert  
MSME development in Myanmar  
Yangon, Myanmar

**Gerardo Pataconi**  
Chief, UNIDO Clusters and Business Linkages  
PM MSME development in Myanmar  
Vienna, Austria

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
Inclusive and Sustainable Industrial Development

### Outline

1. **UNIDO**
2. **Brief highlights of Myanmar – A UNIDO Assessment**
  1. Economic and industrial context
  2. FDI trends
  3. Myanmar potential and challenges
  4. Promising sectors
  5. Strategies for foreign investors
  6. Italian support to JVs and PPPs
3. **UNIDO's initiatives for a Sustainable and Inclusive Industrial Development In Myanmar**
  1. Focus of cooperation
  2. SME development – Italian funding

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
Inclusive and Sustainable Industrial Development

## UNIDO

**UNIDO is the business and industrial development arm of the UNITED NATIONS.**

As a UN specialized agency we promote industrial development for poverty reduction, inclusive globalization and environmental sustainability

The mandate of the United Nations Industrial Development Organization (UNIDO) is to promote and accelerate **inclusive and sustainable industrial development (ISID)** in developing countries and economies in transition.

UNIDO is the only UN organization promoting the creation of wealth and tackling poverty alleviation through sustainable industrial development

Focus on three inter-related thematic priorities:

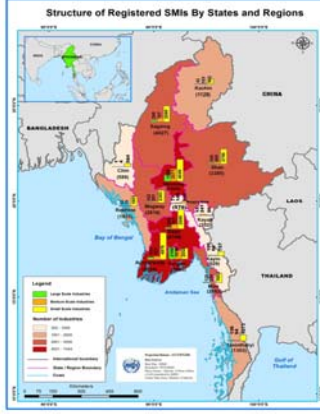
Poverty Reduction through Productive Activities

Trade Capacity-Building

Environmental and Energy

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
Inclusive and Sustainable Industrial Development


### Structure of Registered SMIs By States and Regions



Economic brief as of 2012	
GDP	55.8 \$Bil
GDP per capita	876 \$
Agriculture (%GDP)	44.6%
Services (%GDP)	35.6%
Industry (%GDP)	19.8%
Export	10.3 \$Bil
Imports	12.5 \$Bil
Top export	Natural gas and petroleum, wood products, and legumes
Top import	Vehicles, iron, Steel and other metal products
Top trading partner	China, Thailand, and Japan

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Inclusive and Sustainable Industrial Development

### Location Map of Existing and New Industrial Zones in Myanmar



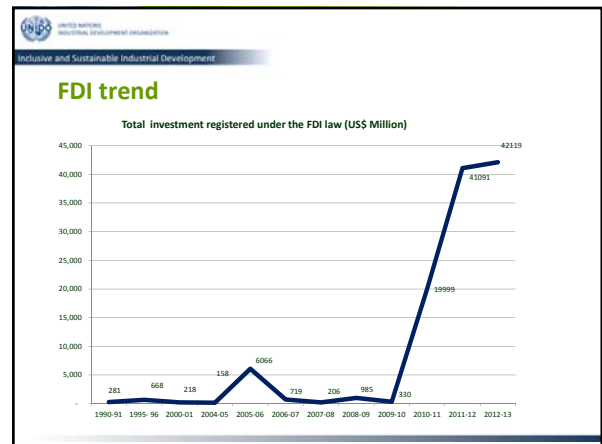
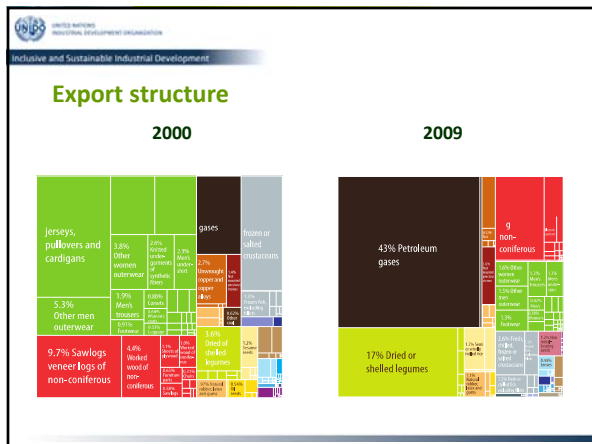
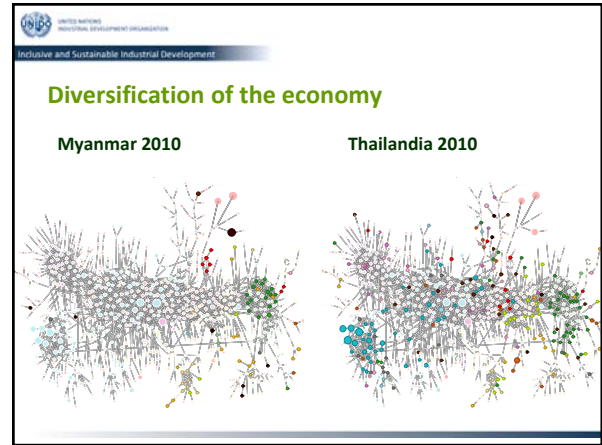
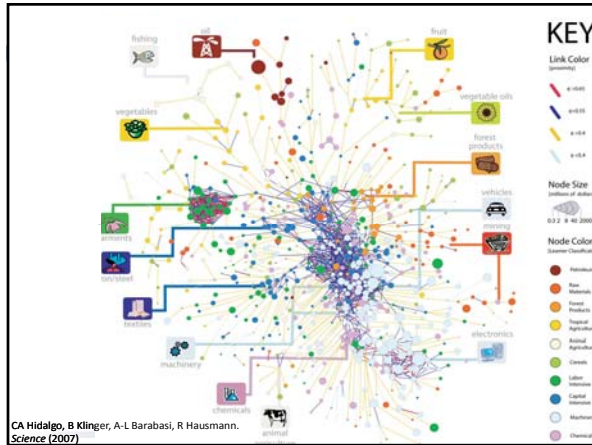
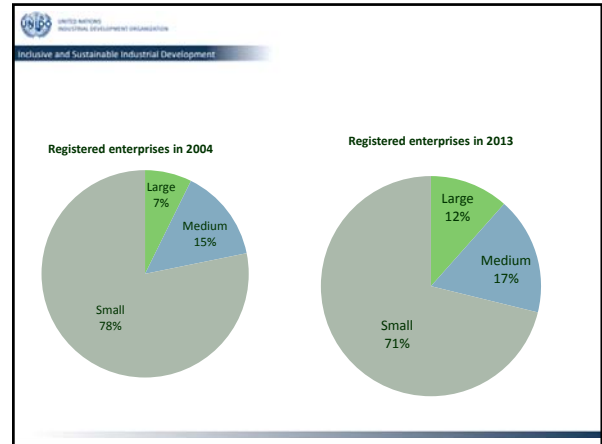
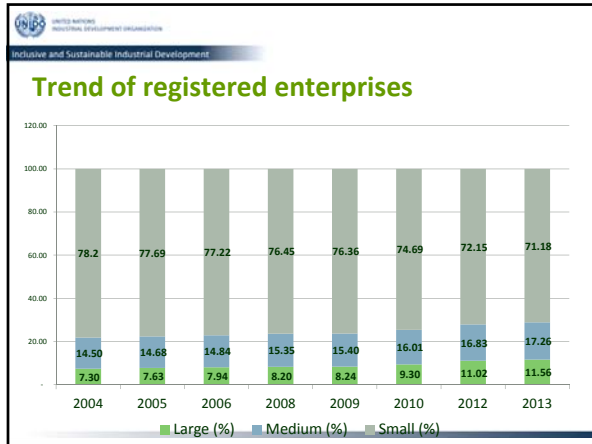
Existing and New Industrial Zones in Myanmar (as of August 2012)						
Zone of Industrial Zone	State/Region	Location	Type of Industrial Zone	Total Area (km <sup>2</sup> )	No. of Sectors	No. of Registered SMEs
<b>Existing Industrial Zones</b>						
1.	Yangon Industrial Zone	Yangon	General	1000	100	10000
2.	Yangon Industrial Zone	Yangon	General	1000	100	10000
3.	Yangon Industrial Zone	Yangon	General	1000	100	10000
4.	Yangon Industrial Zone	Yangon	General	1000	100	10000
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96.	Yangon Industrial Zone	Yangon	General	1000	100	10000
97.	Yangon Industrial Zone	Yangon	General	1000	100	10000
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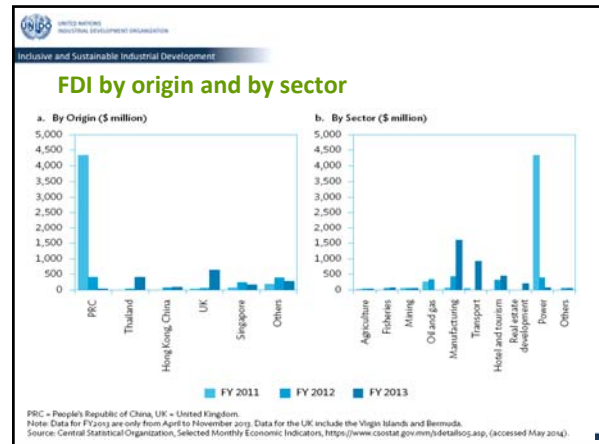
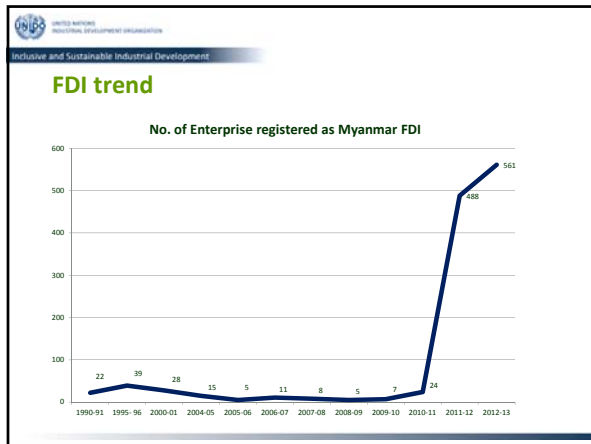
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### Economic and Industrial assessment

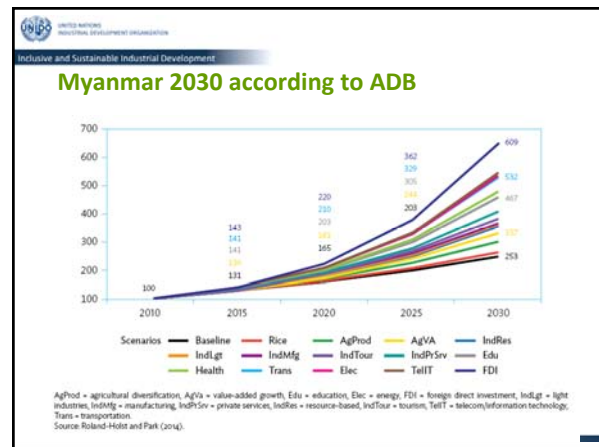
- Huge economic growth potential.
- Myanmar is part of ASEAN (800 ml)
- The agriculture is still the key sector of the economy.
- Few products and export concentration.
- 43,000 registered companies, 88% are small and medium, SMEs are not growing .
- Significant reforms and new laws are in progress, but weakness still there (limited skilled labor, poor infrastructure, low ranking in IFC “doing business”)
- Limited financial products
- Low productivity and weak enterprise culture







- ### Myanmar 2030 according to McKinsey
- GDP \$ 200 billion (x4)
  - Consumption 100 billion (x3)
  - 10 million new jobs in industry and services
  - Potential market of 500 million Asians (bordering areas of China and India)

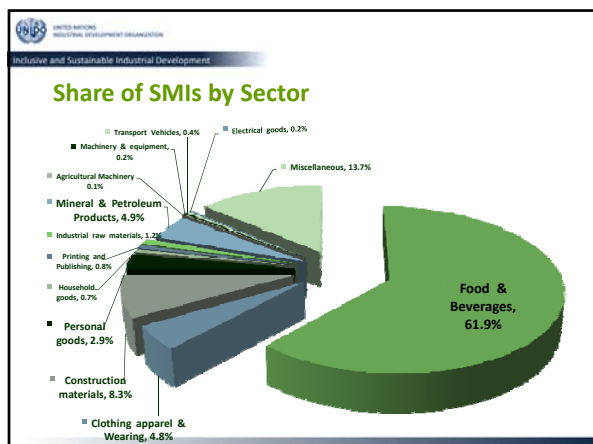


- ### Challenges
- Ensure economic and political stability
  - Structural change and diversification of the economy
  - Private sector development and investment climate improvement
  - Regional and international integration
  - Take advantage of new technologies

### Registered industrial companies by sector

Ministry of Industry 31.7.2014

Sr No.	Commodity Group	No. Of Industrial Enterprises				%
		Large	Medium	Small	Total	
1	Food & Beverages	2660	4393	19601	26654	61.90
2	Clothing apparel & Wearing	468	525	1061	2054	4.77
3	Construction materials	676	851	2042	3569	8.29
4	Personal goods	486	419	344	1249	2.90
5	Household goods	136	81	67	284	0.66
6	Printing and Publishing	39	137	153	329	0.76
7	Industrial raw materials	174	184	141	499	1.16
8	Mineral & Petroleum Products	310	443	1343	2096	4.87
9	Agricultural equipment	13	20	31	64	0.15
10	Machinery & equipment	19	36	38	93	0.22
11	Transport Vehicles	122	34	14	170	0.39
12	Electrical goods	53	18	22	93	0.22
13	Miscellaneous	227	818	4863	5908	13.72
	<b>Total</b>	<b>5383</b>	<b>7959</b>	<b>29720</b>	<b>43062</b>	<b>100</b>
	<b>%</b>	<b>12.50</b>	<b>18.48</b>	<b>69.02</b>	<b>100.00</b>	<b>0.23</b>



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### Promising sectors

- Manufacturing** (garment, textile, furniture, construction material, agricultural machines, marble and decorative stones processing, processing equipment/machineries)
- Agro-food** (edible oil, pulses and beans, horticulture, rice and sugar, fisheries...)
- Infrastructure, transport, telecommunication**
- Energy and mining**
- Tourism**
- Financing services
- Business development services (including training and consultancy)

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### Strategies for foreign investors

- Gain a competitive advantage as a first comer
- Long-term commitments that promote the improvement of the investment climate (training of manpower and building infrastructure)
- Flexibility and readiness to seize opportunities in a fragmented market
- Local Partnerships (rapid growth, access to local resources, incentives)
- Responsible and sustainable investment**

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### Italian support to JVs and PPPs in developing countries

- Art. 7 L. 49/87 emended by law 98/13
- Development goals : jobs and local value added, no delocalization
- Italian Ministry of Foreign Affairs  
<http://www.cooperazioneallosviluppo.esteri.it/pgcs/italiano/LeggiProcedure/Strumenti/intro.html>
- UNIDO Office in Italy for the promotion of Investment and Technology - ITPO Italia

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### Eligible Sectors

- Industry, agriculture, livestock, fishing and processing activities;
- Handicrafts;
- Local services of public interest in the energy, communications, water, transport and waste;
- Micro finance, local trade, fair trade;
- Sustainable tourism;
- Protection and enhancement of the cultural and environmental heritage;
- Medical services and medicines;
- Vocational training and education.

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### Financial scheme

- Rotation fund: over € 100 ml
- Maximum amount of credit financed: € 10 ml up to 70% of the investment
- Subsidized interest rate: 15% of 3.98% = 0.59% (February 2014)
- Grace period: **from 1 to 5 years**
- Reimbursement period: **min 3, max 10 years**
- Share capital of the Italian company (including international agencies) : **min 20%, max 75%**
- Share capital of the local company or government: **min 25%**
- Contributions in kind: maximum 20% of the funding
- Bank agent: Artigiancassa

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### UNIDO's initiatives for an inclusive and sustainable development in Myanmar

- Micro & SMEs development and youth employment
- Environment
- Social corporate responsibility and PPP
- Energy efficiency and renewable energy
- Quality standards and testing laboratories

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### UNIDO response to selected Myanmar challenges and problems

Challenges/problems	UNIDO response
<ul style="list-style-type: none"> <li>▪ <b>Structural change</b></li> <li>▪ <b>Regulatory environment</b></li> <li>▪ <b>MSMEs competitiveness &amp;</b></li> <li>▪ <b>Market Integration</b></li> </ul>	<p><b>POLICY ADVICE CAPACITY BUILDING PILOT PROJECTS TECHNOLOGY TRANSFER</b></p> <ul style="list-style-type: none"> <li>➢ Industrial strategy and policy</li> <li>➢ Policy dialogue (SME R&amp;R and policies, IZ law, industrial law)</li> <li>➢ Cluster and global value chain development, partnership building, PPP</li> </ul>

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### Fostering pro-poor and inclusive MSME development (preparatory phase)

**Results**

- Effective **institutional and working relationships** with counterparts and donors (DPs) established.
- **Cluster development awareness** created.
- **Training sessions** and discussions on cluster and MSME development for government officers (800), entrepreneurs (300) including 12 industrial zones management committees.
- **Technical reports** drafted and discussed with stakeholders: Snapshot Cluster Mapping; Myanmar Business Survey; Industrial Zones needs assessment,
- **Policy recommendations** on industrialization, MSME and cluster development provided to MoI, SME Center, and CDG.
- **Pilot project** on Bagan Lacquer ware cluster development

**Funded by the Italian Cooperation US\$500k + US\$1 ml**

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### Fostering pro-poor and inclusive MSME development (preparatory phase)

- **SME policy, law, rules and regulations** currently being drafted with UNIDO technical assistance.
- **Industrial Zones Law and industrial law** currently being drafted with UNIDO technical assistance.
- **Diagnostic study** of Bagan lacquer ware cluster, and Mekthila and Wundwin weaving clusters currently being finalized.
- **Lacquer ware association** trained and encouraged to restart their activities.
- **Italian entrepreneurs** briefed on business opportunities in Myanmar.
- Participation of **Myanmar entrepreneurs and senior officials** of Ministry of Mines in market access activities.

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### Fostering pro-poor and inclusive MSME development (phase I – 2015-16)

- ✓ Continue support to Micro and SME Development through **advisory services and Human and institutional capacity building** (policy, law, rules, Industrial Zones Law and industrial law...)
- ✓ Support cluster development and SME upgrading (lacquer ware, textile, food...)
- ✓ Foster decent and productive jobs through Youth and Women Entrepreneurship development
- ✓ Promote business and Knowledge partnerships and responsible and sustainable investment between Myanmar and Italy

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**Thanks!**

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Gerardo Patacconi  
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## Clusters, industrial parks and investment opportunities in Myanmar

Melbourne, 29 October 2014



**Michele Boario**  
UNIDO Senior SME Expert  
MSME development in Myanmar  
Yangon, Myanmar

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### Outline

1. UNIDO
2. Clusters and industrial parks
3. Brief highlights of Myanmar – A UNIDO Assessment of industrial zones and opportunities for foreign developers

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## UNIDO

**UNIDO is the business and industrial development arm of the UNITED NATIONS.**

As a UN specialized agency we promote industrial development for poverty reduction, inclusive globalization and environmental sustainability

The mandate of the United Nations Industrial Development Organization (UNIDO) is to promote and accelerate **inclusive and sustainable industrial development (ISID)** in developing countries and economies in transition.

UNIDO is the only UN organization promoting the creation of wealth and tackling poverty alleviation through sustainable industrial development

Focus on three inter-related thematic priorities:

Poverty Reduction  
through Productive  
Activities


Trade Capacity-  
Building

Environment  
and Energy

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### Why industrial parks ?

UNIDO has developed a comprehensive perspective and understanding of the role of industrial and eco parks.



**Tools to overcome diverse market and institutional imperfections**

- Encouraging **economic diversification** and sustainable industrial development
- Testing ground for **new reforms**, policies, and approaches to improve the business environment
- Solving **business infrastructure** problems in particular geographical areas
- Attracting **FDI**
- Fostering **skilled manpower**
- Facilitate the growth of local **SME clusters**

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### UNIDO programs for industrial parks


- The first **study tour (1980)** to establish a number of special economic zones in the Chinese provinces of **Guangdong** and **Fujian**
- **Projects** related to industrial parks in **Asia, Africa and Latin America**. An industrial park project was recently completed in Iraq. UNIDO also organized **regional workshops** on industrial parks in Central Asia, China and Eastern Europe.
- **Green industrial parks** along the land-based Silk Road in North-Western China and Central Asia.

"In the future, UNIDO will continue its efforts to promote the eco-industrial park approach, designed on the principles of cleaner production, a circular economy and industrial ecology

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### Clusters and IPs

clusters



industrial parks

Key to reduce transaction costs

*agglomeration effects*

- Economy of scale
- Spillovers
- Linkages
- Supply chain

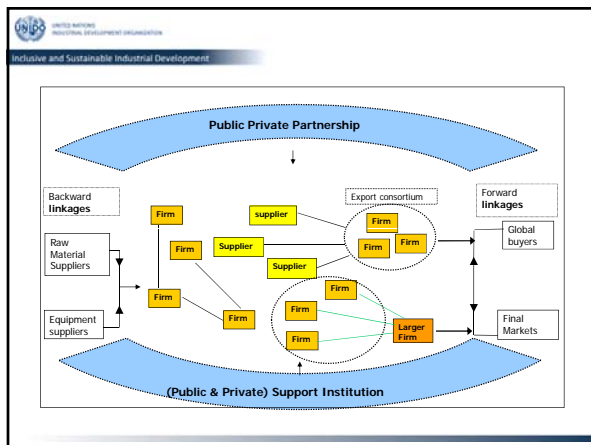
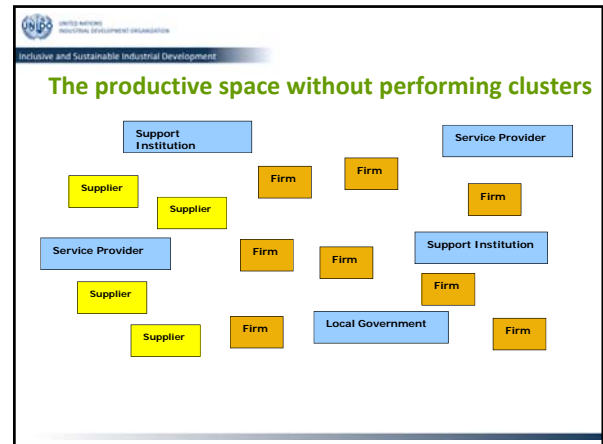
Conditions for clusters to flourish :

- common services, facilities and legal framework
- buyers, producers and suppliers can operate in the same location

Mitigate sector specific external shocks

**Principles for cluster-based industrial parks (CBID) development**

- Adapting the industrial park model to the social, economic, cultural and environmental characteristics of each region and community (provision of industry-specific on-site infrastructure)
- Building linkages: the critical role of trust and cluster development agents and champions
- Encouraging linkages between CBIPs-based firms and local firms
- Encouraging the role of the private sector
- Strong political commitment
- Land parcels and titles for lease to private zone developers
- Developing a zone not as on stand-alone but rather as an integrated industrial, commercial, residential, and recreational entity
- Industrial strategy, sound macro-economic policies and favorable business climate
- Social and environment sustainability



**Building trust: why is collaboration so difficult to achieve?**

- “Why shall we do business together?”
- “My direct neighbor is my most direct competitor”
- “I do not have time”
- “If I share information with him, he may used it to its benefit only”
- “I do not trust him!”**

**Building trust: lessons from Game Theory**

	<b>Cooperate</b>	<b>Defect</b>
<b>Cooperate</b>	300 \$ 300 \$	0 \$ 500 \$
<b>Defect</b>	500 \$ 0 \$	100 \$ 100 \$

Let's play!  
What's your choice: cooperation or defection ?

**How to Enhance Social Capital?**

- Promotion of forums
- Cross fertilization of ideas through umbrella organization
- Conduct and disseminate awareness on joint action
- Create cluster leaders who can conceptualize and implement projects
- Encourage agglomeration potential

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## Brief highlights of Myanmar

**A UNIDO ASSESSMENT OF INDUSTRIAL ZONES AND OPPORTUNITIES FOR FOREIGN DEVELOPERS**

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### Structure of Registered SMIs By States and Regions

Economic brief as of 2012	
GDP	55.8 \$Bil
GDP per capita	876 \$
Agriculture (%GDP)	44.6%
Services (%GDP)	35.6%
Industry (%GDP)	19.8%
Export	10.3 \$Bil
Imports	12.5 \$Bil
Top export	Natural gas and petroleum, wood products, and legumes
Top import	Vehicles, iron, steel and other metal products
Top trading partner	China, Thailand, and Japan

### Location Map of Existing and New Industrial Zones in Myanmar

Existing and New Industrial Zones in Myanmar (as of August 2012)									
No.	Name of Industrial Zone	State/Region	Year of Establishment	Total Area (Hectares)	% of Total Industrial Area	No. of Enterprises			
<b>Existing Industrial Zones</b>									
1.	Yangon Industrial Zone	Yangon	1950	1,000,000	25.0%	1,000			
2.	Yangon Industrial Zone	Yangon	1950	1,000,000	25.0%	1,000			
3.	Yangon Industrial Zone	Yangon	1950	1,000,000	25.0%	1,000			
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19.	Yangon Industrial Zone	Yangon	1950	1,000,000	25.0%	1,000			
20.	Yangon Industrial Zone	Yangon	1950	1,000,000	25.0%	1,000			
<b>New Industrial Zones</b>									
21.	Yangon Industrial Zone	Yangon	2012	1,000,000	25.0%	1,000			
22.	Yangon Industrial Zone	Yangon	2012	1,000,000	25.0%	1,000			
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29.	Yangon Industrial Zone	Yangon	2012	1,000,000	25.0%	1,000			
30.	Yangon Industrial Zone	Yangon	2012	1,000,000	25.0%	1,000			

### Structure of Registered SMIs in 19 Industrial Zones

Region	Zone	Year	Area (Hectares)	Enterprises
Yangon Region	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
	Yangon Industrial Zone	1950	1,000,000	1,000
Mandalay Region	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000
	Mandalay Industrial Zone	2012	1,000,000	1,000

### Location Map of Industrial Zones in Yangon

Zone Name	Year	Area (Hectares)	Enterprises
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000
Yangon Industrial Zone	1950	1,000,000	1,000

### Quantity and size of IZs

Region	Large (%)	Medium (%)	Small (%)
Yangon	73%	58%	44%
Mandalay	13%	10%	14%
Non-Polar Zones	16%	32%	43%





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### Economic assessment

- Huge economic growth potential
- Adoption of market oriented system for the allocation of resources
- Encouragement of private investment and entrepreneurial activity
- Opening of the economy for foreign trade and investment
- Clear political directive for legal and regulatory change
- Rapid pace of law revision and implementation of new laws
- Focus on encouraging economic development and foreign investment
- AEC directives driving force in encouraging regional access to Myanmar markets. Myanmar is part of ASEAN (800 ml)

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### Economic assessment

- The agriculture is still the key sector of the economy.
- Few products and export concentration.
- 43,000 registered companies, 88% are small and medium, SMEs are not growing .
- Significant reforms and new laws are in progress, but weakness still there (limited skilled labor, poor infrastructure, low ranking in IFC “doing business”)
- Limited financial products
- Low productivity and weak enterprise culture

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### CORRUPTION, LACK OF SKILLED LABOUR AND OF TECHNOLOGY CONSTITUTE MAJOR BARRIERS FOR BUSINESSES

The percentage of respondents who see the constraint as a very severe obstacle

Constraint	Percentage (%)
Corruption	28
Lack of skilled labour	27
Lack of technology	26
Other constraints	10-25

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### Trend of registered enterprises

Year	Large (%)	Medium (%)	Small (%)
2004	7.30	14.50	78.2
2005	7.63	14.68	77.69
2006	7.94	14.84	77.22
2008	8.20	15.35	76.45
2009	8.24	15.40	76.36
2010	9.30	16.01	74.69
2012	11.02	16.83	72.15
2013	11.56	17.26	71.18

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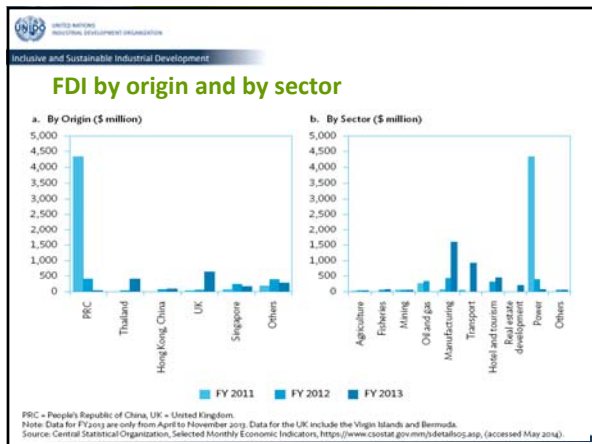
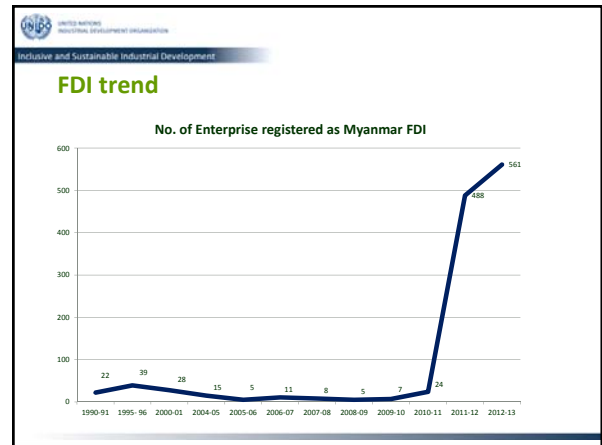
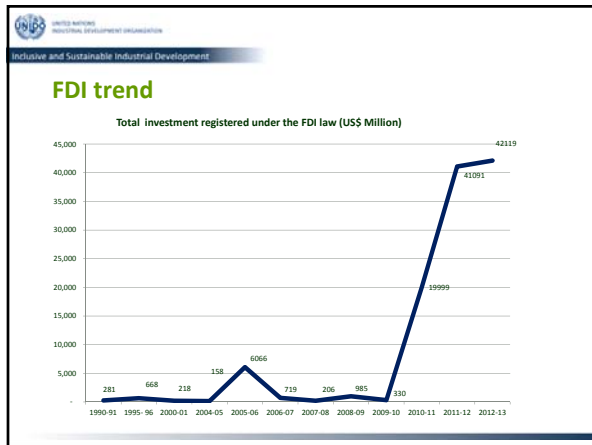
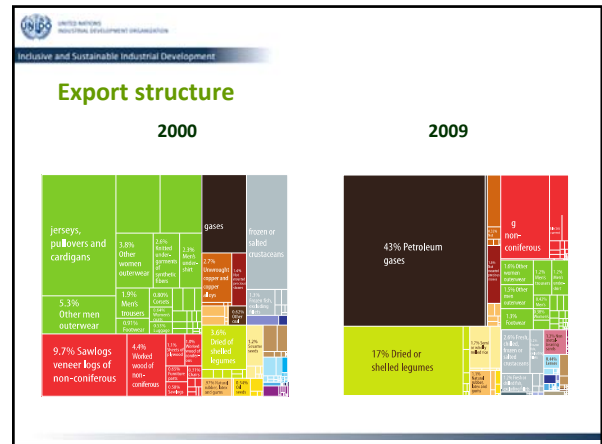
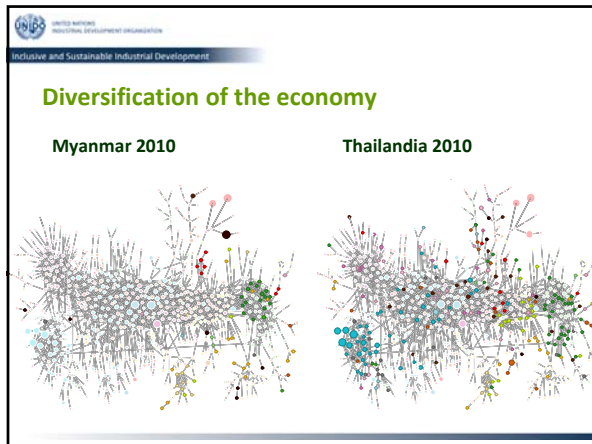
Registered enterprises in 2004

Registered enterprises in 2013

KEY

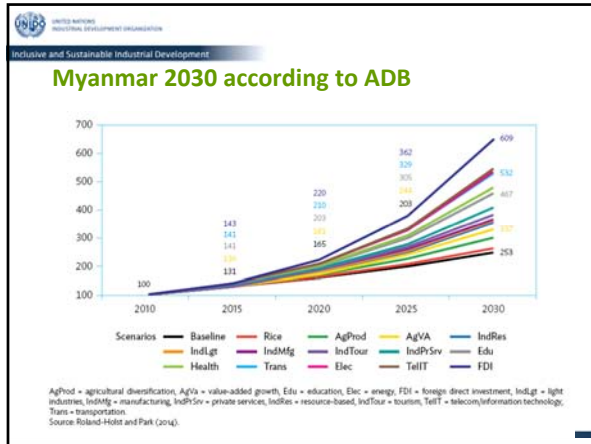
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CA Hidalgo, B Klinger, A-L Barabasi, R Hausmann. Science (2007)



**Myanmar 2030 according to McKinsey**

- GDP \$ 200 billion (x4)
- Consumption 100 billion (x3)
- 10 million new jobs in industry and services
- Potential market of 500 million Asians (bordering areas of China and India)

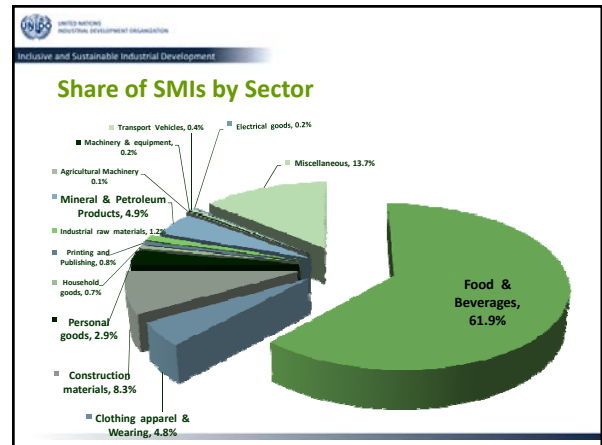


- ### Challenges
- Ensure economic and political stability
  - Structural change and diversification of the economy
  - Private sector development and investment climate improvement
  - Regional and international integration
  - Take advantage of new technologies

### Registered industrial companies by sector

Ministry of Industry 31.7.2014

Sr No.	Commodity Group	No. Of Industrial Enterprises				%
		Large	Medium	Small	Total	
1	Food & Beverages	2660	4393	19601	26654	61.90
2	Clothing apparel & Wearing	468	525	1061	2054	4.77
3	Construction materials	676	851	2042	3569	8.29
4	Personal goods	486	419	344	1249	2.90
5	Household goods	136	81	67	284	0.66
6	Printing and Publishing	39	137	153	329	0.76
7	Industrial raw materials	174	184	141	499	1.16
8	Mineral & Petroleum Products	310	443	1343	2096	4.87
9	Agricultural equipment	13	20	31	64	0.15
10	Machinery & equipment	19	36	38	93	0.22
11	Transport Vehicles	122	34	14	170	0.39
12	Electrical goods	53	18	22	93	0.22
13	Miscellaneous	227	818	4863	5908	13.72
	<b>Total</b>	<b>5383</b>	<b>7959</b>	<b>29720</b>	<b>43062</b>	<b>100</b>
	<b>%</b>	<b>12.50</b>	<b>18.48</b>	<b>69.02</b>	<b>100.00</b>	<b>0.23</b>



- ### Promising sectors
1. **Manufacturing** (garment, textile, furniture, construction material, agricultural machines, marble and decorative stones processing, processing equipment/machineries)
  2. **Agro-food** (edible oil, pulses and beans, horticulture, rice and sugar, fisheries...)
  3. **Infrastructure, transport, telecommunication (IZs and SEZs)**
  4. **Energy and mining**
  5. **Tourism**
  6. Financing services
  7. Business development services (including training and consultancy)

- ### FDI Law conditions and incentives
- Foreign investment through **100% foreign-owned companies, and joint ventures** with the Myanmar government or Myanmar nationals - except in restricted subsectors listed in the FIL Rules (percentage limits for investments have been set)
  - Even in some restricted sectors, foreigners can hold <80% of Shares
  - Entitles foreign investors to an (extendable) **5-year tax holiday**, tax exemption for profits reinvested in Myanmar within a year, accelerated depreciation, exemptions from some customs duties, and other potential tax relief
  - Allows for **remittance of foreign currency**: entitles foreign companies to hold foreign currency and a foreign currency bank account in Myanmar with no limitations on inward or outward remittances

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### FDI Law conditions and incentives

- Permits investment of capital and transfer of profits in foreign currency through Myanmar banks
- Foreign currency can be retransferred overseas at the discretion of the MIC
- Permits transfer of equity in an enterprise under FIL to foreigners and Myanmar citizens
- Permits foreign investors to **lease land from any party for up to 50 years**. Extendable to 2 additional terms of 10 years each (can be greater than 50 years when investing in less developed regions)
- Security can be taken on land and buildings
- Enforcement of dispute settlement mechanisms under Myanmar law or as specified in a contract (could enable **international arbitration**)
- Employment of foreigners**, granted adherence to the requirement that 'unskilled' workers are Myanmar citizens and an increasing min. quota of Myanmar citizens

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### Conditions and incentives for developers

- JVs (up to 85%) with local partners
- Income tax holiday for the first 5 years
- 50% income tax holiday for the second 5 years
- Training deductible from taxable income
- Duty free inputs
- Land lease for 50 years, (plus 15 +15+15 tbc)
- No expropriation

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### Strategies for foreign investors

- Gain a competitive advantage as a first comer
- Long-term commitments that promote the improvement of the investment climate (training of manpower and building infrastructure)
- Flexibility and readiness to seize opportunities in a fragmented market
- Local Partnerships (rapid growth, access to local resources, incentives)
- Responsible and sustainable investment**

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**Thanks!**

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