

Digitizing Import-License Applications in Myanmar

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IGC GW –

LONDON JUNE 1ST-3RD 2016

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Background

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- **Garments in Myanmar**
 - **one of priority sectors in Myanmar 2013 NES**
 - **>60% of classified manufacturing exports**
 - **30% annual growth rate**
 - **(Alongside Ethiopia) emergent sourcing hub for international brands**

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- **Partners:** **MGMA**, Ministry of Commerce, Information Matrix, Revo Tech, IGC
- **Timeline:** November 2013 – June 2016 (& onward ...)

Goal & Solution

- Find a doable, self-contained, intervention that would be useful for MGMA and provide us with an entry point to build long term relationships in the sector

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 Digitizing Π application system within MGMA

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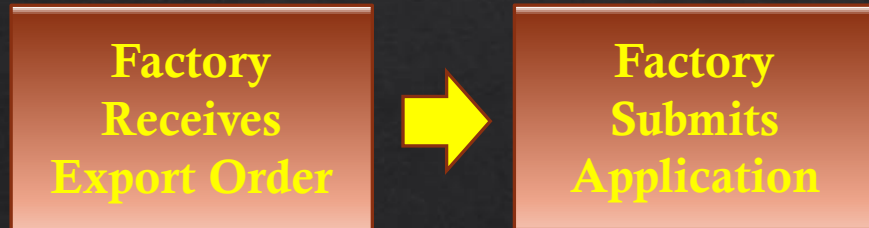
MGMA endorses IL application before MoC approval

Import Licensing Process



1. **Factory receives an export order**

Import Licensing Process



- 2. Factory submits to MGMA an application, detailing export order and the corresponding detailed inputs**

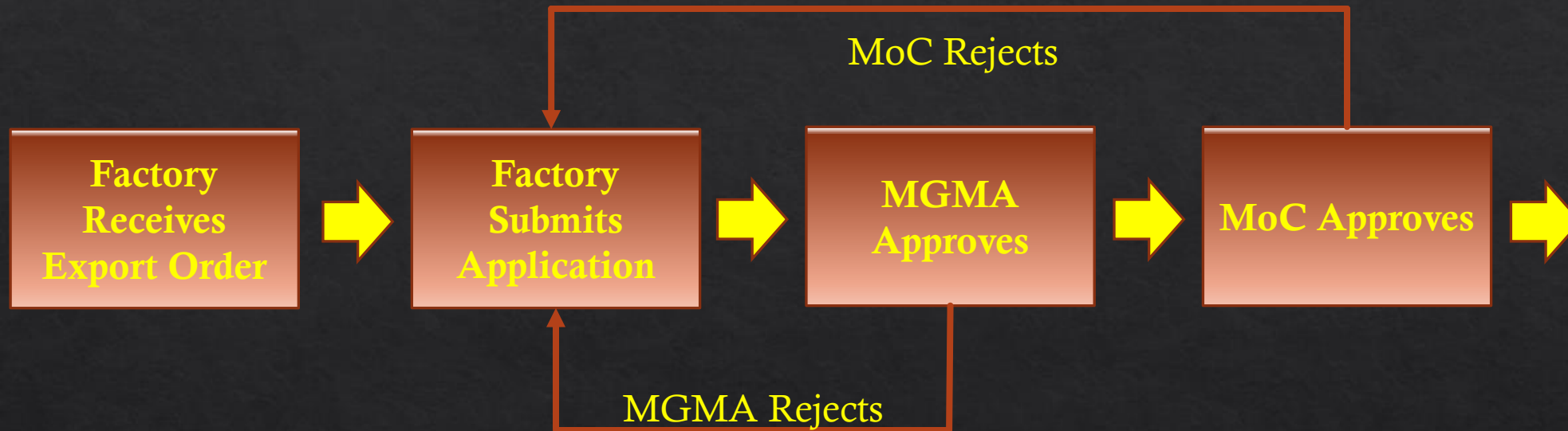
Import Licensing Process



3. MGMA reviews the application

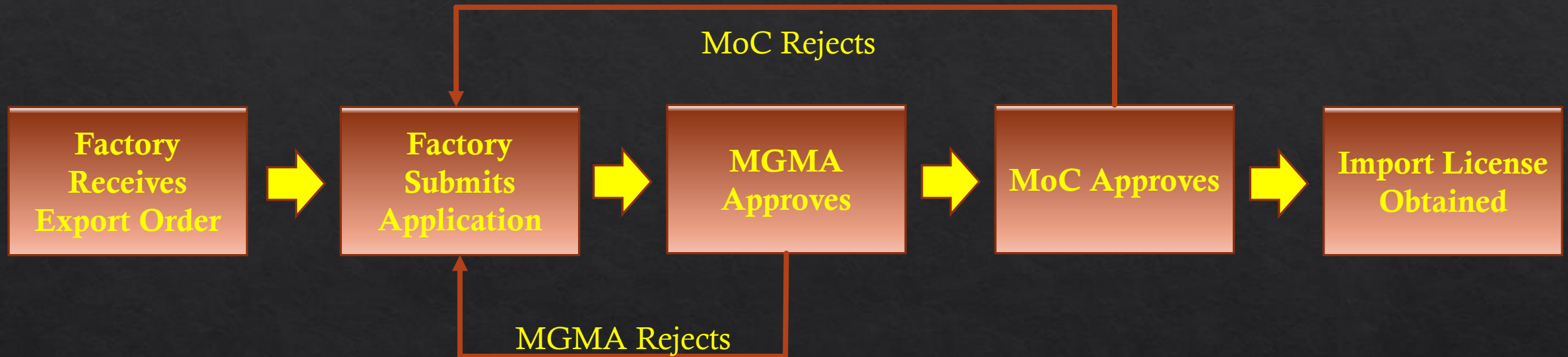
(is the amount of imports on which duty exemption is requested compatible with export contract?)

Import Licensing Process



4. MGMA approves, factory applies to MoC for an IL

Import Licensing Process



5. Import of intermediate inputs can happen

Initial Gap

All steps were carried out on paper & in person

→ enormous amount of paperwork for the firms

Paper Application

ကုမ္ပဏီအမည် **Supreme Asia Garment Factory Ltd.** FC
 ကုန်စည်အမျိုးအစား **Yangon**
 တင်သွင်းမည့်ကုန်ပစ္စည်းအမျိုးအစား **KNITTED PANEL & ACCESSORIES**
 တင်သွင်းမည့်အရေအတွက် **6 ITEMS**
 တင်သွင်းမည့်ပစ္စည်း၏ CIFတန်ဖိုး **USD - 29491.71**

စဉ်	တင်ပို့မည့်ပစ္စည်း အမျိုးအစား	အရေအတွက်	FOBဈေးနှုန်း	CMPဈေးနှုန်း
1	LADIES' KNITTED SWEATER	18850 U	3.00	0.60
TOTAL		18850 U		

မြန်မာနိုင်ငံအထည်မျှင်လုပ်ငန်းရှင်များအသင်းသည် Supreme Asia Garment Factory Ltd.၏ သွင်းကုန်လိုင်စင်
 လျှောက်ထားလာခြင်းအား ခွင့်ပြုပေးနိုင်ပါရန် ထောက်ခံအပ်ပါသည်။

Activate Windows
Go to Settings to activate

PORT OF LOADING : CHINA,HONG KONG(CHINA),MALAYSIA,SINGAPORE,THAILAND
 COUNTRY OF ORIGIN : CHINA,JAPAN,HONG KONG(CHINA)
 INVOICE NO : SAR - 0021 / 2014
 DATE : 26 - 05 - 2014

WM-061

SR NO	H-S CODE	DESCRIPTION OF GOOD	UNIT	QUANTITY	UNIT PRICE (USD)	AMOUNT (USD)
1	5512190000	KNITTED PANEL & ACCESSORIES 67% ACRYLIC 33%POLYESTER KNITTED PANEL (5 PIECES = U = 1 SET)	U	18850	1.50	28275.00
2	5401109000	THREAD SEWING THREAD (3000 - 5000) METER	U	100	0.70	70.00
3	5807900000	ACCESSORIES MAIN LABEL (BRAND NAME)	U	18850	0.02	377.00
4	5807900000	LABEL (SIZE,CARE,WASH,CONTENT)	2U	18850	0.02	377.00
5	4821109000	TAG (HANG,PRICE,MAIN,IMAGE)	2U	18850	0.02	377.00
6	4821109000	TAG PIN (1 DZN = U)	U/DZN	1571	0.01	15.71
TOTAL AMOUNT						29491.71

TOTAL : UNITED STATE DOLLAR TWENTY NINE THOUSAND FOUR HUNDRED NINETY ONE AND CENTS SEVENTY ONE ONLY***.

Activate Windows
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1> THE SUPPLIER SHOULD PROVIDE THE PRODUCER AS A RAW MATERIALS THE FOLLOWING FOR THE PRODUCER OF GARMENT AGREED UPON BETWEEN THE TWO PARTIES UNDER THE TREM OF CONTRACT.
 2> THE PRODUCER AGREES THE IMPORT OF RAW MATERIAL UNDER THE TERM AND CONDITION SET OUT BELOW:

1> COMMODITY : KNITTED PANELS & ACCESSORIES
 2> QUANTITY : 6 - ITEMS
 3> AMOUNT : USD - 29491.71

1> DESTINATION : YANGON, MYANMAR
 2> ARRIVAL DATE : JULY- 2014
 3> IMPORT FIRST SHIPMENT : END OF JUNE-2014

1> EXPORT ITEM : LADIES' KNITTED SWEATER
 2> EXPORT QTY : 18850 PCS
 3> CMP CHARGE : USD-0.6/PCS

1> FINAL EXPORT : JULY - 2014 TO AUGUST - 2014
 2> FINAL DESTINATION: JAPAN,EUROPE,HONG KONG,ITALY
 3> REMARK : IF ANY CUSTOM DUTY ARISES, THE SUPPLIER SHALL TAKE THE ANYRESPONSIBILITY TO PAY IMPORT RAWMATERIAL AND ACCESSORIES ARE NOT SUITABLE TO USE IN MYANMAR

Activate Windows
Go to Settings to activate

CMPစနစ်ဖြင့် ကုန်ကြမ်းပစ္စည်းများတင်သွင်းပြီးကုန်ချောပစ္စည်းများထုတ်လုပ်တင်ပို့ရန်အစီအစဉ်
 မြန်မာနိုင်ငံအထည်မျှင်လုပ်ငန်းရှင်များအသင်းသည် Supreme Asia Garment Factory LTD.
 ထ.သ.က အမှတ်။ HTA-THA-KA 31512

စဉ်	တင်သွင်းမည့်ကုန်ကြမ်းပစ္စည်းများအမည်	ရေတွက်ပုံ	ဈေးနှုန်း	အရေအတွက်	တန်ဖိုး	မြန်မာနိုင်ငံတင်ပို့မည့်ကုန်ချောပစ္စည်းများ				မြန်မာနိုင်ငံတင်ပို့မည့်ကာလ	မှတ်ချက်				
						အမျိုးအမည်	ရေတွက်ပုံ	အရေအတွက်	CMP			FOB			
KNITTED PANEL & ACCESSORIES															
1	67% ACRYLIC 33%POLYESTER KNITTED PANEL (5 PIECES = U = 1 SET)	U	1.50	18850	28275.00	1	LADIES' KNITTED SWEATER	U	18850	0.60	11310.00	3.00	56550.00		
THREAD															
2	SEWING THREAD (3000 - 5000) METER	U	0.70	100	70.00										
ACCESSORIES															
3	MAIN LABEL (BRAND NAME)	U	0.02	18850	377.00										
4	LABEL (SIZE,CARE,WASH,CONTENT)	2U	0.02	18850	377.00										
5	TAG (HANG,PRICE,MAIN,IMAGE)	2U	0.02	18850	377.00										
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TOTAL															
							USD		29491.71						

END
OF
SEPTEMBER

Paper Application (Cont'd)

CONTRACT အရ လူတ်လုပ်မည့် ကုန်ပစ္စည်းများအတွက် လိုအပ်ချက်ကို ဖော်ပြသောဇယား

Contract No&Date	လူတ်လုပ်မည့် ပစ္စည်းအမျိုးအမည်	အမေ့ အတွက်	စဉ်	တင်သွင်းမည့်ပစ္စည်းအမျိုးအမည်	ယခုတင်သွင်းမည့် အရေအတွက်	တစ်ယူနစ် အတွက်	Unit	အသုံးပြုပုံ
SAR-0021/2014	LADIES' KNITTED SWEATER	18850	U	KNITTED PANEL & ACCESSORIES 67% ACRYLIC 33%POLYESTER KNITTED PANEL (5 PIECES = U = 1 SET) THREAD 2 SEWING THREAD (3000 - 5000) METER ACCESSORIES 3 MAIN LABEL (BRAND NAME) 4 LABEL (SIZE,CARE,WASH,CONTENT) 5 TAG (HANG,PRICE,MAIN,IMAGE) 6 TAG PIN (1 DZN = U)	18850 100 18850 18850 18850 1571	U U U 2U 2U U/DZN	1 21.22 M/Pcs 1/Pcs 1/Pcs 1/Pcs 1/Pcs	SET သုံးမျိုးချည်ထည်စ အပ်ချည် အဓိကတံဆိပ် တံဆိပ် တံဆိပ် တံဆိပ်တပ်ရာတွင်သုံးသောပင်

စာချုပ် / အမှာစာအရ သွင်းကုန်လိုင်စင်လျှောက်ထားမှု

အမည် SUPREME ASIA GARMENT FACTORY LTD. အမျိုးအစား MIC စွင့်ဖြစ်နံ့၊ စက်မှုလက်မှု အထည်မျှဝါ၊
အမှတ် 31512 (2.9.13) FC/MC အမှတ်၊ဇန.စွ မှတ်ပုံတင်အမှတ် အသင်းဝင်အမှတ်၊ဇန.စွ
လုပ်ငန်း GARMENT MC ၆၀၇/၂၀၁၃ သက်တမ်း M/S No-292
ဘဏ္ဍာနှစ် 2013-2014 (28.8.2013) လျှောက်ထားစေ (25-10-2013)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
No.	Cont.No	STYLE	CONT		တင်သွင်းရမည့်ကုန်ကြမ်း	ရေတွက်	အရေအတွက်	တန်ဖိုး	အကြိမ်	အရေ	တန်ဖိုး	လိုင်စင်	ဇန.စွ
	Order No.	NO	ORDER	ITEM	trnf	ပုံ	USD	USD	အတွက်	USD	အမှတ်		
1	SAR-0021/2014	WM-061	18850	U	KNITTED PANEL & ACCESSORIES 67% ACRYLIC 33%POLYESTER KNITTED PANEL (5 PIECES = U = 1 SET) THREAD SEWING THREAD (3000 - 5000) METER ACCESSORIES MAIN LABEL (BRAND NAME) LABEL (SIZE,CARE,WASH,CONTENT) TAG (HANG,PRICE,MAIN,IMAGE) TAG PIN (1 DZN = U)	U	18850	28275.00	၀၀၀	18850	28275.00		
						U	100	70.00		100	70.00		
						U	18850	377.00		18850	377.00		
						2U	18850	377.00		18850	377.00		
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TOTAL							USD	29491.71					

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(၁၃-၁၄နှစ်/ ၁၃-၁၄နှစ်) အတွင်း IMP IL တန်ဖိုး USD	(၁၃-၁၄နှစ်/ ၁၃-၁၄နှစ်) အတွင်း အမှန်တင်သွင်း KGS	(၁၃-၁၄နှစ်/ ၁၃-၁၄နှစ်) အတွင်း EXP EL တန်ဖိုး KGS	လျှောက်ထားသော သွင်းကုန် တန်ဖိုး USD	လျှောက်ထားသော ဖို့ကုန် တန်ဖိုး	လျှောက်ထားသော Euro/Us	လျှောက်ထားသော KGS	ပြန်ပို့ရန်ကျန်ရှိမှု အတွက် ရင်းလင်းမျက်	တင်ပို့ပြီး KG(%)
15	16	17	18	19	20	21	22	23
1036932.33	{ Dec - 2013 to Feb - 2014) 44335.19 KGS	130926.00	{ Dec - 2013 to Feb - 2014) 16694.45 KGS	0.00	0.00	0.00	-	33.22%
<p>MIC (28.8.2013)ဇန.စွပါ စွင့်ဖြစ်ချက်အမှတ် (607/2013)အရ အထည်မျှဝါလုပ်ငန်းလိုင်စင်ဖွင့်လှစ်ရန် (11.11.2013)ဇန.စွပါ လုပ်ငန်းစတင် လည်ပတ်ကြောင်း ကုမ္ပဏီမှ (၁၁.၁၁.၂၀၁၃)ရက်နေ့တွင် တင်ပြလာပါသဖြင့် အထည်မျှဝါလုပ်ငန်းစတင်ကာလဖြစ်ပါ၍ တင်ပို့မှု KG 0% ဖြစ်ပါသည်။</p>								

Initial Gap

All steps were carried out on paper & in person

- enormous amount of paperwork for the firms
- MGMA not able to effectively carry out assigned task
- Enormous waste of potentially precious information

Goals

- Develop **e-system** to digitize the process
 - Something simple, “self-sufficient”, not subject to future hold-ups
 - Compatible with **TradeNet** from MoC
- Longer term: **build a relationship**
 - Bring everyone on board
 - Will the system be useful?
 - Will factories use it? will system still be needed?
 - Will it impact MGMA financial position?
 - Vested interests?
 - ...

How does e-system work?

E-system: steps

- Factory logs in to the **e-System** using their credential and one-time-password on e-token issued by the MoC.

Online Application

Myanmar Garments ☰ 🔔 👤 supreme

1 Order Information 2 Export Items 3 Import Items 4 Consumption Ratio 5 Supporting Documents 6 Payment

☰ Applications
☑ New Applications
☰ Factories
☰ Factory Information
☰ ID and ED <

Order Information

Currency for Import/Export Items *

Total FOB Value *

Total CMP Value *

Total CIF Value *

Import/Export Items

How many types of Export Items *

Total Quantity of Export Items *

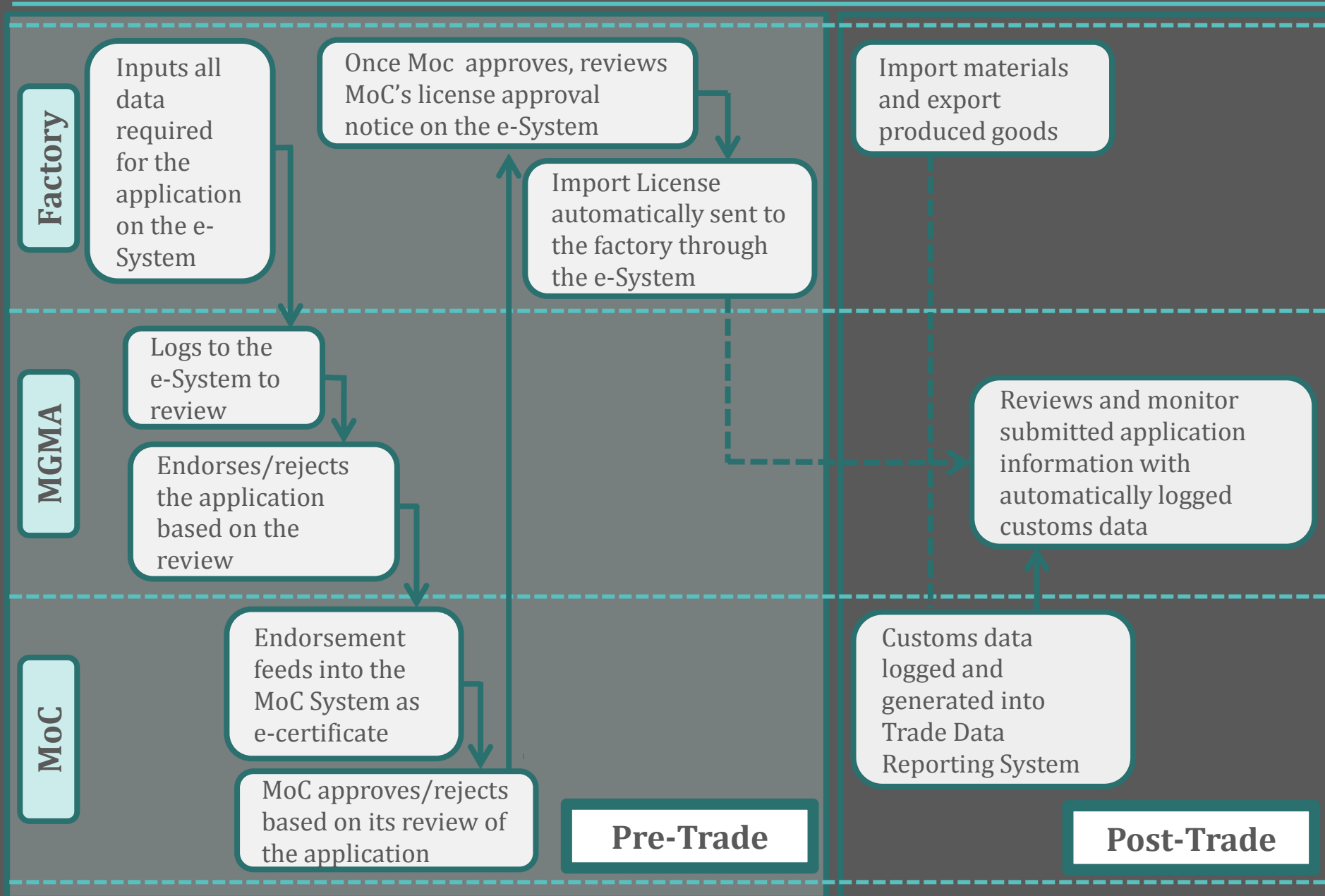
How many types of Import Items *

Activate Windows
Go to Settings to activate Windows.

E-system: steps

- Factory logs in to the **e-System** using their credential and one-time-password on e-token issued by the MoC.
- Factory inputs all required information in the **e-System**, and upload digital copy of pro-forma invoice and contract. Factory submits the IL application.
- MGMA receives the submitted application, and checks the information. MGMA endorses the application.
 - Algorithm automatically checks and flags issues in the application
- MoC receives the submitted application via *integration* between the **e-System** and MoC's **TradeNet**. MoC checks the information and issues the IL, which will be sent to the factory's registered email.

Import License Application Process Steps



Where do we stand ?

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- **May 26, 2016 – MGMA training**
- **May 27, 2016 – factory training**
- **May 30, 2016 – TradeNet & E-System launch event**

Factory Training and MoC Launch Ceremony



Where do we stand ?

- **May 26, 2016 – MGMA training**
- **May 27, 2016 – factory training**
- **May 30, 2016 – TradeNet & E-System launch event**
- **June 7th, 2016 – System launch !!**
 - **No take-up RCT: MGMA & MOC requested system to be compulsory 😊**

What can the system be used for ?

Data & System Policing

- Data on applications from factories are stored in the system
- (Eventually) Algorithm uses assigned input coefficients & automatically scores applications
- (To submit further applications) factories must match their original application to actual Import Declaration and Export Declaration from MOC
- Import/Export Customs data shared by MOC
- Automatic check of self-reported and actual import/export behaviour
 - De facto impossible with previous system

Real cases of **fraud** that can be avoided

- **Importing and selling excess inputs on the domestic market**
 - MGMA checks the ratio of inputs to outputs (eventually this process will be semi-automated)
- **Factories importing using an import license, but never exporting**
 - **Factories are not able to apply for further licenses (1) unless they have matched their past licenses against actual export data, or (2) if the total export weight is below 70% of total import weight.**
- **Agents issuing import licenses without the factory's knowledge**
 - **Import license applicant must possess e-token (only one is issued per factory, and the password changes every 30sec)**

Platform to Build Further **Services**

- System generates real-time accurate data on exporters' operation
 - Extension to include information on capacity, capabilities, product lines, etc.
- Next steps: develop system potential
 1. **Match – making,**
 2. **Contract Enforcement / Rating systems**
 3. **Access to finance**
 4. **System can be easily transferred & integrated with Customs ES and MACCS**
 5. **Extend to other products & competing authorities (CMP, Wood, food...)**
- → **Trigger organizational change in MGMA**

Data & Research

(WIP with J. Cajal-Grossi & G. Noguera)

- Explores a similar dataset from Bangladesh (larger sample, but lower quality data)
- Matching inputs utilization to export transactions allows to recover transaction-specific mg costs and mark-ups
- Preliminary findings:
 1. Substantial variation in mark-ups even within exporters across buyers;
 2. Costs ↓ with experience in (HS6) export product (but not with exp. in other products);
 3. Within products, there are significant across-buyer externalities in learning;
 4. Cost reductions are largely passed down to buyers; but exporters gain from externalities;
 5. Significant heterogeneity in buyers' sourcing strategies (& effects)

Replication ?

- **Benefits (of research) are built in the approach:**
 - improve functioning of a particular institution / organization along a key dimension
- **Can we replicate this *modus operandi* elsewhere?**
- **Two opportunities (joint with A. Khandelwal & M. Teachout)**
 - **Thilawa SEZ**
 - **DICA**

Final Thoughts

- Relationship building with not-so-well functioning organization
 - Start small: find one small, doable, thing that could trigger broader change → prospect for future journey
 - Be there, be very patient
- Some differences with John's work in Ethiopia:
 - Context
 - Business Association vs. Investment Agency
 - Earlier stages in the journey