

Executive Summary

1. Title: *Building sustainable “Social Compliance” and “Productivity” Capacity for the Bangladesh Readymade Garment (RMG) Industry*

2. Background: The RMG industry is the backbone and motor of Bangladesh’s economy. This industry developed rapidly over the past 30 years by taking advantage of the favourable trade quotas granted to Bangladesh by the international “Multi-Fibre-Agreement” (MFA). In addition, low labour costs have always been one of the competitive advantages for Bangladesh garments in the global sourcing market. Today, Bangladesh is the seventh largest RMG exporter in the world. About 4,200 apparel factories export garments worth nearly US\$ 10 billion, contributing more than 75% to Bangladesh’s total export earnings. The industry provides direct employment to over 2.3 million workers – mainly women - and indirectly supports the livelihood of about 20 million people.

Since the abolishment of the MFA in 2005 the RMG sector in Bangladesh faces much stiffer competition. Garment prices have been falling by as much as 10% annually over the last three years. On the other hand, increasing production costs are putting the industry in a very precarious economic situation. In addition, the pressure from buyers has been increasing, demanding from suppliers’ full compliance with internationally recognised social and environmental standards, quality products and short and reliable delivery schedules. The core problem is that under such conditions a significant number of the factories are not fit enough to survive in the global market. Main root causes include: (i) bad physical and administrative infrastructures, (ii) lack of good management, (iii) shortage of qualified professionals and workers, (iv) weak organisational and institutional capacities, (v) lack of knowledge and awareness especially about market trends, standards, codes, rules and regulations.

In order to rectify these areas of concern, the Government of Bangladesh revised the labour law which now meets minimum internationally recognised social standards. Moreover, the government established a Social Compliance Forum (SCF) which monitors the implementation of the new labour law and has introduced a large RMG skill development fund. Simultaneously, the international MFA forum initiated a multi-stakeholder forum which later was localised and named “*Multistakeholder Forum Bangladesh*” (MFB). The main task of MFB has been to produce this joint scope document, which in essence outlines a development program with priority measures for an initial period of three years. Hereinafter, the main features of the proposed program are summarised.

3. Program objectives: The overall program objective is to improve the competitiveness of the RMG industry in Bangladesh in a sustainable manner. Sub-objectives of the four priority measures or packages are to:

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- image building of the RMG industry, public awareness and advocacy on corporate social responsibility (CSR)
- enable main RMG service providers to offer services as demanded by the industry
- capacitate garment producers to enhance social and production standards
- improve the skill levels of garment workers, especially women

A more detailed overview regarding program objectives and indicators is shown in the attached log frame.

4. Program concept and implementation approach: The program has three thematic areas: (i) social compliance, (ii) productivity improvement and (iii) ethical buying practices. These three areas are interlinked and thus are addressed simultaneously. The bulk of the available resources are used to improve social compliance and productivity level. The plan is to categorize all factories in four groups, according to their current social compliance and productivity status, and upgrade them as quickly as possible starting with the worst cases and those who are most interested in the cooperation.

Another priority area is to support the government in implementing the national labor law through awareness raising, advocacy and monitoring activities. The program will strengthen the performance of main stakeholders involved in the development of the RMG sector including workers, professionals, managers, suppliers and buyers. Through technical and social skill enhancement activities, such as trainings, individuals will be enabled to better perform their work and exercise their social duties. Parallel, the program will strengthen and support all relevant RMG organizations such as NGOs, trade unions, entrepreneurs' associations (BGMEA and BKMEA), training institutes and relevant government ministries. Developing these organizations means improving their service capacity but also their organizational and leadership culture. For this purpose, physical and personnel upgrading measures will be implemented according to needs.

The program's implementation approach, in principle, builds upon projects which are currently being implemented successfully by various development partners e.g. GTZ, SEDF, UNDP, UNIDO, Oxfam, etc. The activities of these projects will be up-scaled in order to have a much wider area and factory coverage. MFB's main task is to monitor and evaluate program activities and implement program components in absence of competent partners and if administratively and financially justified.

5. Program beneficiaries: Direct beneficiaries of this proposed development program include:

- 4.200 factory owners who will be able to stay further in business
- 2.5 million workers especially young women whose income, employability and social status will improve
- 1.000 private and public service providers and their respective organizations and/or institutions which will benefit directly through increased business demands and improved organizational reputation.

Moreover, the government especially the *Ministry of Labour and Employment* and *Ministry of Commerce* will greatly benefit from different capacity development

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measures which will result for instance in a more efficient, transparent and reliable monitoring and information system.

6. Program costs: Estimated program costs total US\$ 18 for the initial three years.

The four following funding packages have been developed:

- Capacity building of private and public service providers (US\$ 2 million)
- Factory improvement program (US\$ 10 million)
- Support for workers and their organizations (US\$ 4 million)
- Image building and public awareness and advocacy (US\$ 2 million)