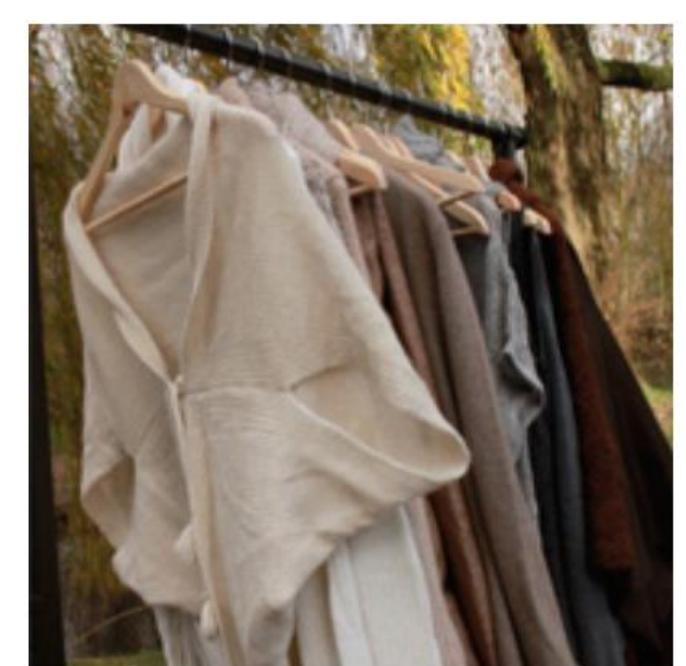


Key issues in the garment supply chain and what to do about them

Preliminary results of a study for the EC

Rupa Ganguli and Bart Slob |
Brussels | April 25, 2016



About us

Rupa Ganguli

CLOTHING
CONNECT.

Bart Slob

 ethics at work

Focus on garment in the textile and garment value chain



Structure of the study

Sections

- Part 1: Sustainability initiatives in the garment sector
- Part 2: Country “hot spots”
- Part 3: Engaging in responsible management of the garment supply chain at EU level – looking ahead



Part 1

Sustainability initiatives in the garment sector

Criteria - mapping initiatives

- Origin (government, civil society, industry, trade unions, multistakeholder)
- Country of origin
- Year in which it started
- Sectoral focus (garments, textiles, apparel, cotton)
- Thematic focus (social, environmental, supply chain management, cross-cutting)
- Where (global or focus on specific country)
- Ambition to grow
- Willingness to partner

Some findings - initiatives

- Many initiatives do not connect with each other
- Few existing initiatives reach scale (new members, market share)
- Very high standards show constraints in adoption of initiative
- Some initiatives willing to collaborate, but we're far from harmonisation
- Country focussed initiatives are on the rise (eg. Bangladesh, Myanmar, Vietnam)
- Lots of attention for building safety and worker health and safety
- Transparency across the supply chain continues to be a challenge
- Gender equity in the supply chain is not a specific focus area

Part 2

Country “hot spots”



Criteria for hot spots – to select and analyse countries

- Trade flows (top exporters and some emerging exporters of importance of chapters 61 and 62 to EU)
- Economic importance of the garment sector in the country
- EU trade and development interests
- Potential for garment export development

Selected countries

- Bangladesh
- Cambodia
- China (as investment partner)
- India
- Indonesia
- Morocco
- Pakistan
- Sri Lanka
- Tunisia
- Turkey
- Vietnam
- Ethiopia (emerging)
- Myanmar (emerging)

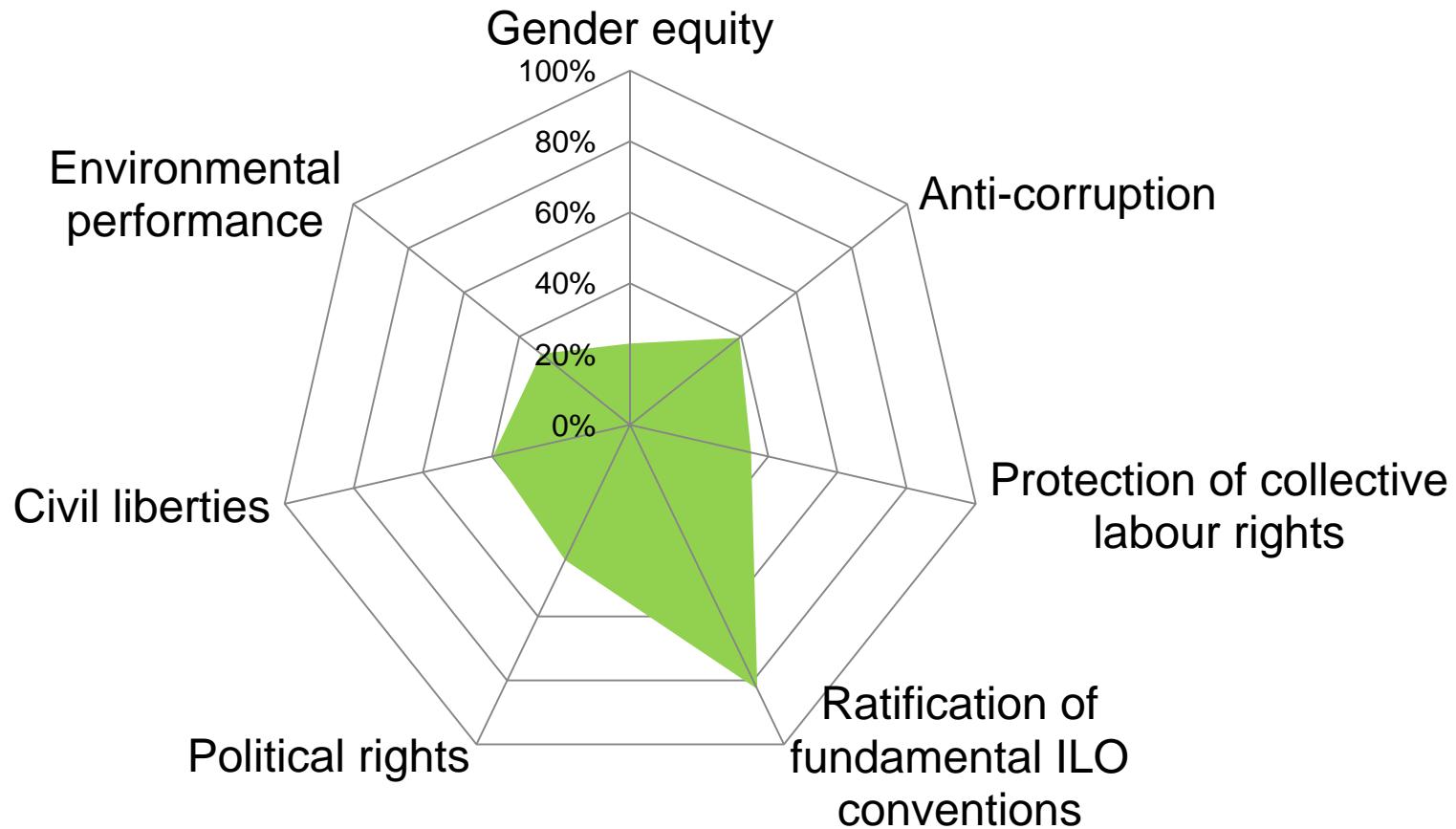
Common trends

- Some big brands are interested in collaborating with existing initiatives to adopt and integrate instead of setting up something by themselves
- Multistakeholder initiatives are more successful in achieving scale than private initiatives
- Building safety and worker health and safety has been gaining importance
- Some garment sector associations are focussing on developing national guidelines and standards at the country level
- Almost all the country hot spots have (or are in the process of negotiating) preferential EU access

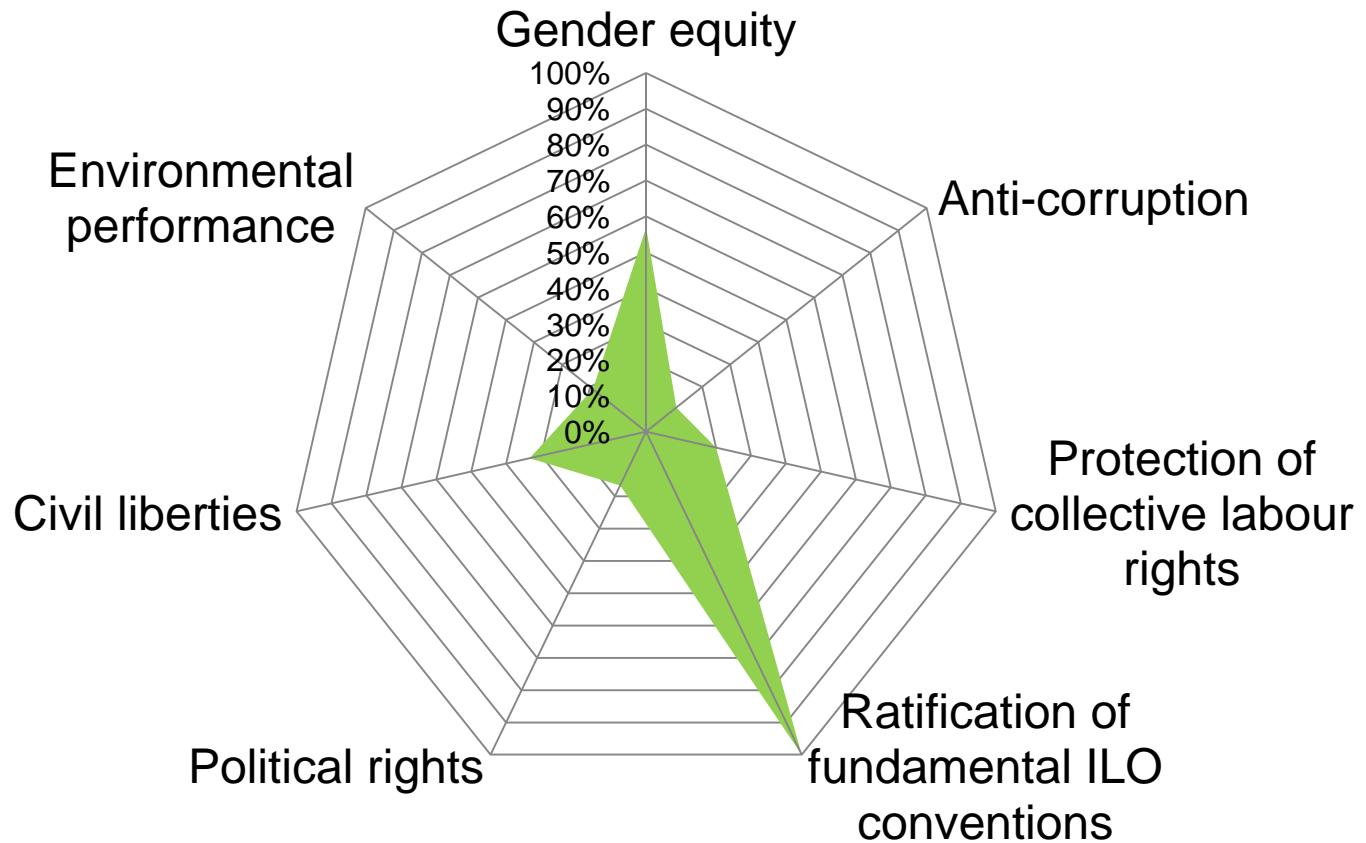
Common challenges

- Lack of significant impact or outreach in initiatives focussed on women's participation as work force (80 – 90 % in most garment factories are women)
- Workers' rights remains a concern despite many initiatives (mainly led by or in collaboration with ILO) in the past two decades
- Too many audits, often with confusing requirements from different buyers, resulting in high costs for producers
- Lack of transparency across the chain is a major issue
- Environmental issues (water use, waste, energy) are overshadowed
- Lack of clarity as to which initiative the factory should sign up to and what the added benefit could be compared to others
- Price is still the determining factor for most buyers

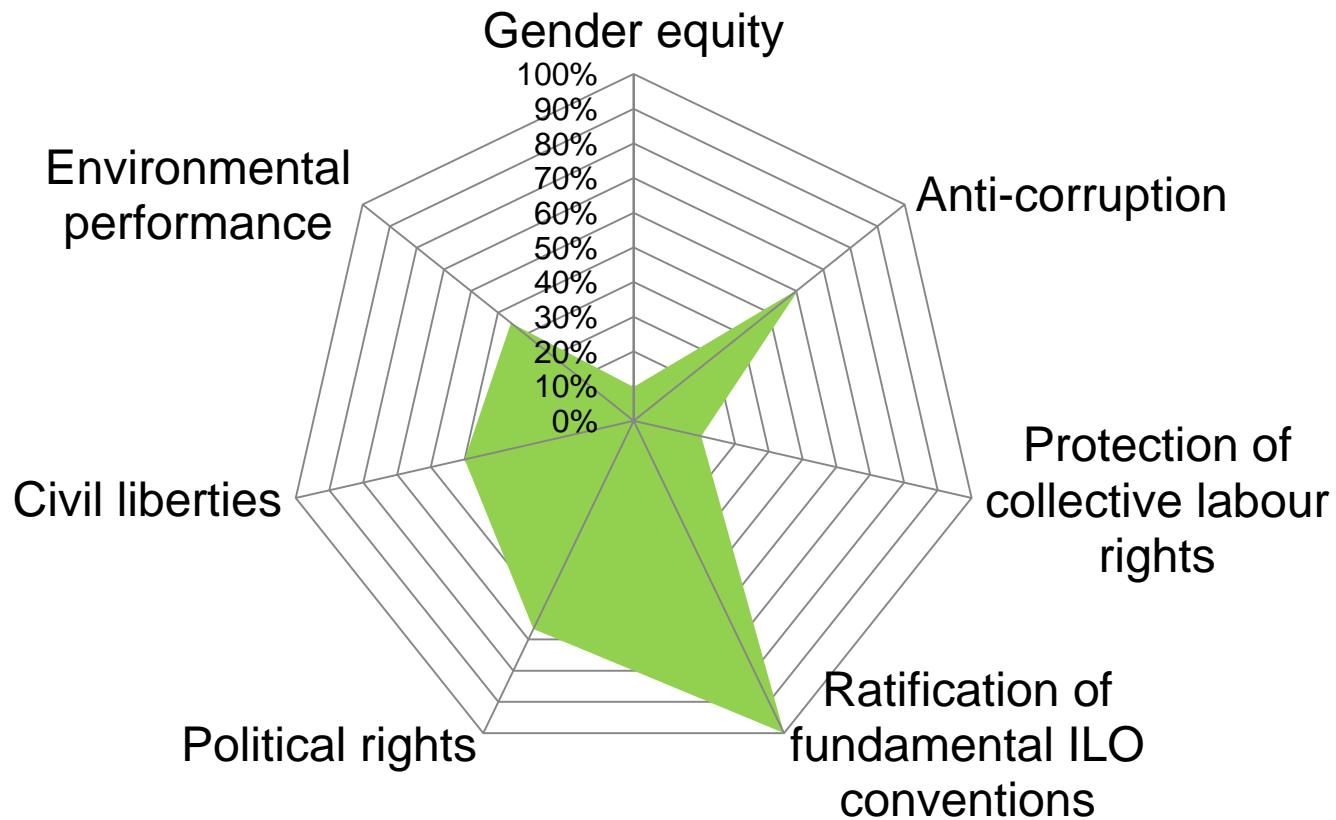
Gaps: average performance of hot spot countries on key criteria



Example: Cambodia



Example: Turkey

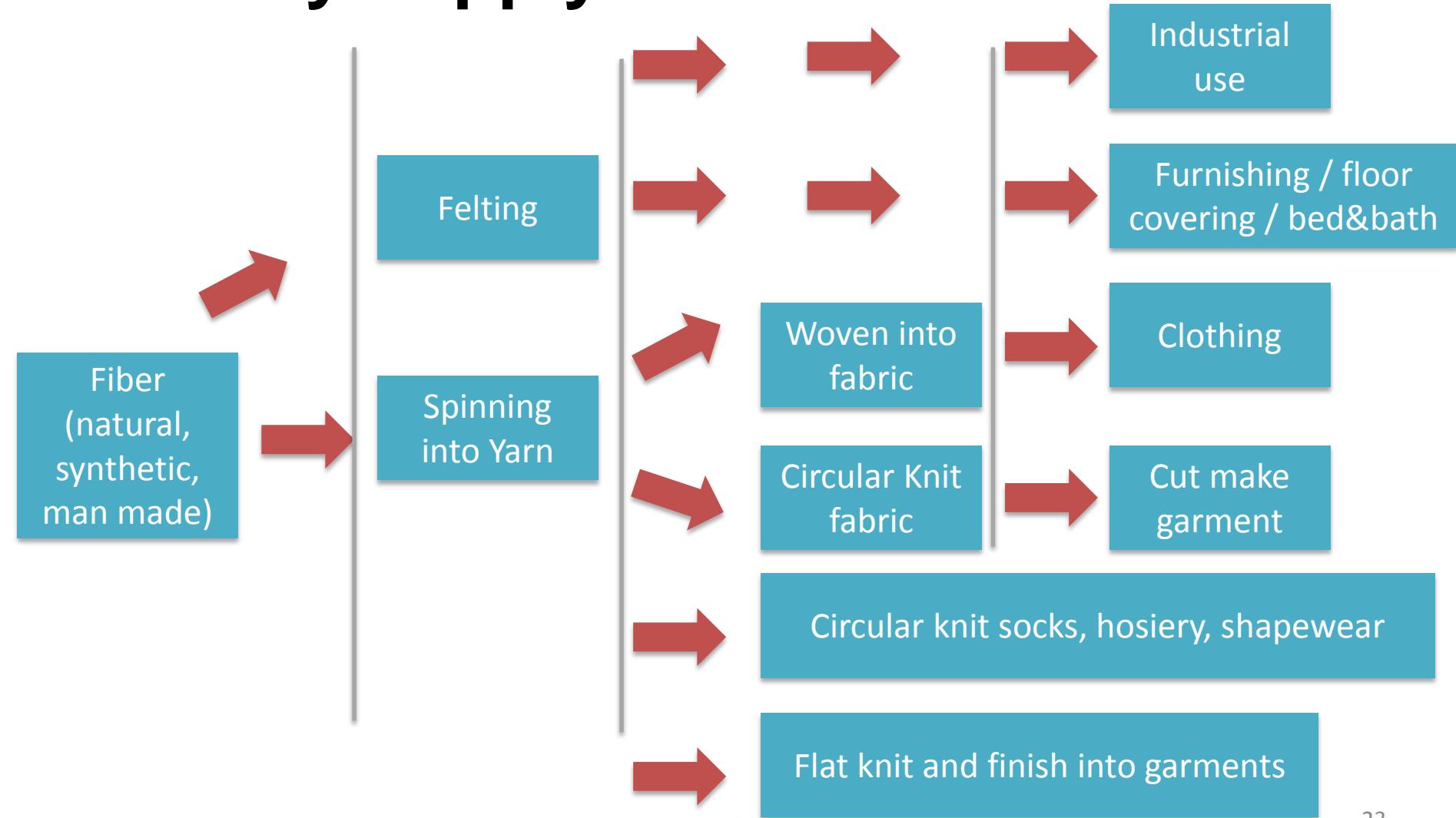




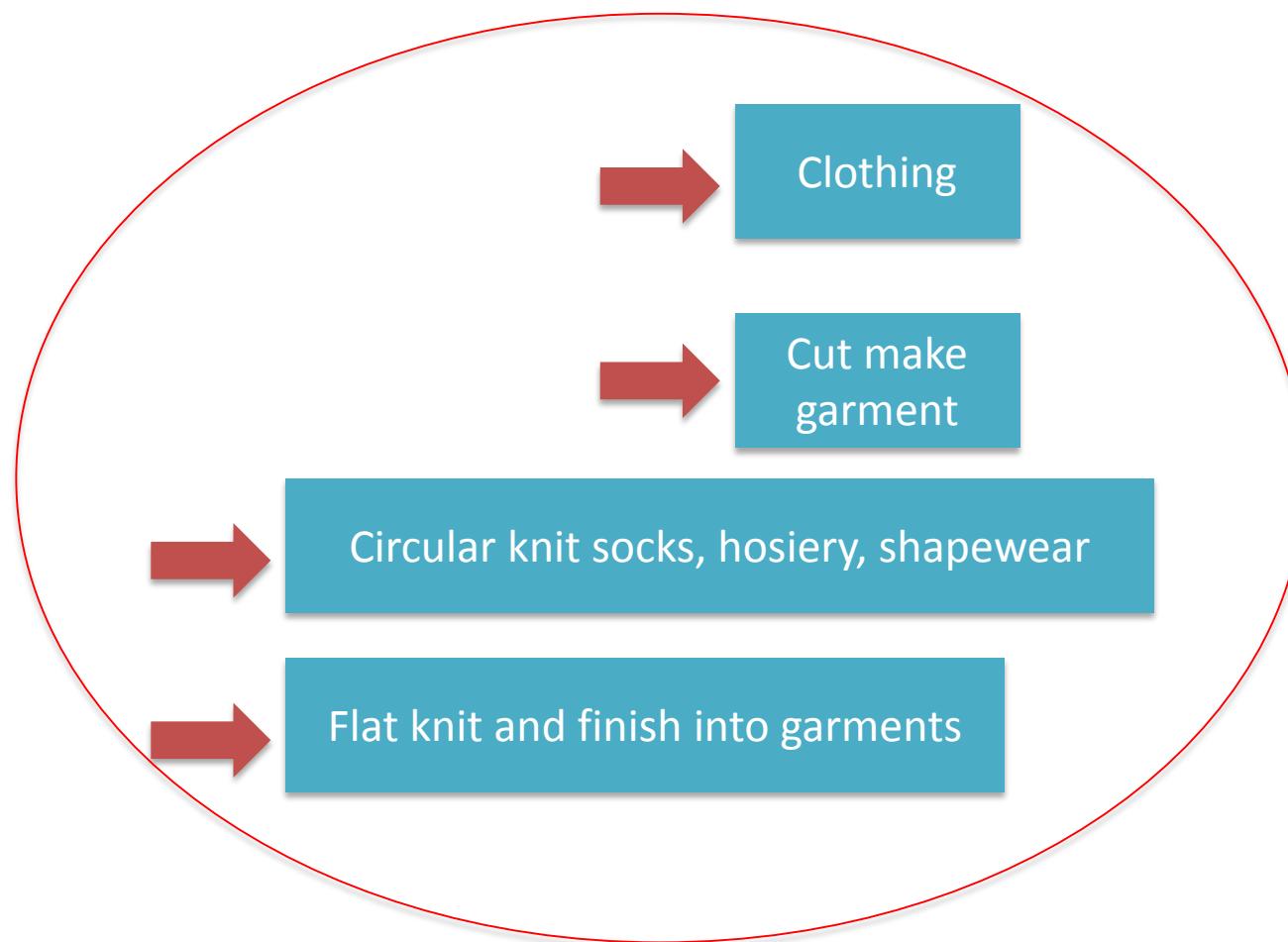
Part 3

Engaging in responsible management of the garment supply chain at EU level – looking ahead

The simplified textile and garment industry supply chain



The garment part (chapters 61 and 62)



The key areas for action identified across initiatives and hot spots - gaps

- Gender equity: most initiatives do not address or have solutions for gender related challenges in a structured manner
- Environment: still very low levels of adoption on environmental issues across garment sector due to lack of policy or incentives
- Workers' rights: although ILO leads the way, there are still many gaps to be addressed
- Supply chain transparency: currently a big challenge in the garment sector due to:
 - illegal subcontracting at the garment manufacturing level
 - lack of traceability from garment to the fibre due to the many tiers

What can be done?

- Make the issues and gaps identified visible : gender, environment, workers' rights, transparency
- Offer a platform of best practises for the identified areas in line with EU values
- Stimulate the adoption of best practises in garment suppliers exporting to the EU
- Engage in developing (or supporting the development of) initiatives in the gap areas
- Decrease the number of non compliant (to the suggested initiatives) suppliers accessing the EU market
- Increase knowledge about the identified gap areas amongst suppliers and EU brands

Where can it be done?

1. Countries where EU already has an interest from a growth and policy perspective
2. Key exporting countries to the EU
3. Countries where garment industry has a large impact and have a large component of exports in garment

Strategy 1: Action / measures under an EU initiative in the hot spot countries and beyond through a phased approach. Start with pilots in one or two countries

Strategy 2: Action / measures in one or few countries where EU projects / programmes are already active. This could also mean supporting existing initiatives that are focussed in the identified areas

Strategy 3: Action / measures in one of the emerging countries

How can it be done?

1. Through permanent dialogue and stakeholder engagement on key gap areas

This could be in the form of a series of forums bringing together key stakeholders in the EU from private and public sector to identify solutions and best practises as well as requirements going forward. This could support dialogue in the EU from across all states for the core identified areas: gender, environment, transparency, workers' rights



How can it be done?

2. By backing / supporting organisations / agencies developing initiatives in priority area

Identify / select initiatives or agencies that focus on addressing the identified issues. Support them to develop and introduce the initiatives in selected hot spot countries through projects.



How can it be done?

3. Through incentives

Setting best practices and encouraging garment suppliers to adopt them by offering 'preferential status' / EU wide 'visibility'. For this a scorecard system could be used, with points for suppliers who achieve certain levels of compliance in all the identified areas. Another possibility is an online system / platform at the EU level providing a list of visible 'sustainable / ethical' suppliers who rate highly on the score card / point system thus offering brands and buyers the opportunity to engage with compliant suppliers.



How can it be done?

4. Through regulation at the EU level

Requirements for sustainable production based on key criteria could be set for preferential access of exports to the EU. Another option is to create an EU wide legal requirement for garments comparable to REACH.



How can it be done?

5. Through mandatory due diligence

Demanding that companies that want to sell garments to or in Europe conduct due diligence, without necessarily describing the method. Many organisations have been working on tools and approaches to conduct due diligence. The OECD, for instance, is developing Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. In order to further explore this policy option, a collaboration with the OECD initiative and other relevant initiatives is recommended.

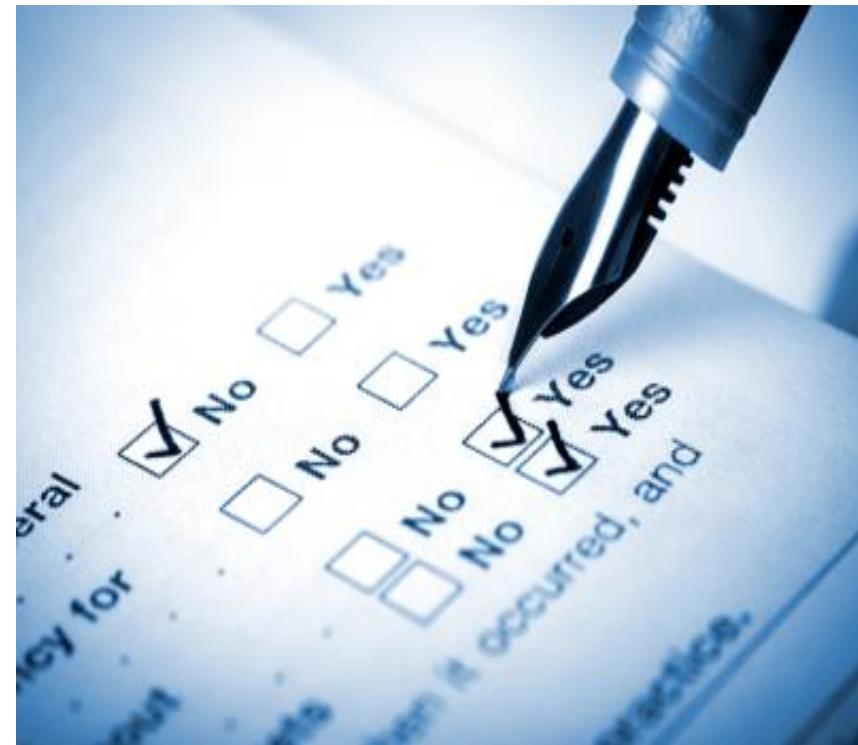


Image credit: <http://www.bizben.com/artwork/small-business-checklist.jpg>



Rupa Ganguli
rupa@clothing-connect.com

Bart Slob
bart@ethicsatwork.eu