

IFC's Engagement in the Apparel & Textile Sectors in Emerging Markets



Overview The UN Sustainable Development Goals (SDGs)¹ chart the path for the global community to eliminate extreme poverty and to foster shared prosperity. One of the ways IFC works toward achieving the SDGs is by acting as a catalyst in the creation of high-quality jobs, including many in the labor-intensive garment sector—which worldwide is estimated to employ about 60 million people.²

At the beginning of 2017, the apparel and footwear industry was worth \$1.7 trillion worldwide.³ Projected growth for the next year is about 2.5 percent;⁴ if the industry were a country, its GDP would make it the eighth-largest economy in the world—the equivalent of Italy.⁵ About 80 percent of employees in the sector are women, typically between the ages of 18–35. For many, a garment-factory job represents their first employment in the formal economy.

IFC works with apparel businesses and brands to build their competitiveness while also helping their suppliers to address the environmental and social challenges in the garment sector. With initiatives on resource efficiency; partnerships, such as Better Work (an IFC–ILO partnership); gender programs; and financial innovations, such as Global Trade Supplier Finance, IFC helps private-sector apparel firms improve sustainability and labor conditions while increasing productivity, creating jobs and supporting economic growth.

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Global Trade Supplier Finance (GTSF) Launched in 2010, the GTSF program⁵ provides short-term, post-shipment capital to suppliers in emerging markets, immediately after the buyer agrees to pay. The financing is automated, making capital available to suppliers quickly and conveniently. From the program's inception through spring 2017, IFC has provided \$1.2 billion in short-term financing to global apparel and footwear suppliers.

Some of the benefits GTSF offers suppliers, their workers and the environment include the following:

- Suppliers' interest rates are based on a combination of the buyers' cost of credit and suppliers' performance against the buyer's Environmental and Social (E&S) standards (buyers include Levi's, Puma and Nike).
- Suppliers receive monetary incentives—in the form of lower interest rates—to make E&S improvements.
- Suppliers of all sizes get a more level playing field, because they are provided with access to finance at competitive terms.



Better Work A partnership between the UN's International Labour Organization and the World Bank's International Finance Corporation, Better Work convenes representatives and stakeholders from across the garment industry—from labor to management, suppliers to brands, and regulating bodies to multinational businesses—to boost competitiveness through improved working conditions. Worldwide, 1,450 factories and more than 100 international brands and retailers take part. The partnership assists 1.9 million workers by providing labor assessments and training and advisory services to garment factories.⁶

Since 2007, Better Work has expanded from the Better Factories Cambodia program into six other developing and emerging economies. In these countries, the program has improved working conditions and productivity at the factory level, strengthened industrial relations, and influenced national, international, and corporate policy.

Under its new 2017–2022 strategy, the program will continue factory-level work but expand its impact from having reached 3 million workers since 2007 to reach 8 million by 2022. Better Work will accomplish this by (1) influencing business practices affecting the international garment supply chain by convening the global brands and retailers who participate in the program; and (2) concentrating on policy work at the national and global levels. To date, the accomplishments of Better Work include the following:

- Increased productivity: Factories that provide Supervisory Skills Training to women workers showed a 22 percent jump in productivity.
- Higher profitability: After four years in the program, factories in Vietnam showed a 25 percent increase in profitability.
- Improved position in supply chains: As factories improve their reputations with the help of Better Work, buyers tend to offer them better contract terms.
- Larger order sizes: As factories improve their compliance with labor laws and ILO core labor standards, they receive larger orders from buyers and brands.
- Fewer audits: Many businesses and brands accept Better Work's factory assessments and do not feel the need to replicate them.

Resource Efficiency In partnership with global brands, supplier factories, industry associations and governments, IFC works with factories seeking to adopt state-of-the-art practices and technologies to reduce water, energy and chemical use in the garment and textile industry. These practices help factories become more competitive by lowering operating costs, increasing their productivity, and reducing their impact on the environment. Considering the garment and textile sector's rapid growth, its increased export activity, and its significance to developing economies, IFC's focus on the sector provides an avenue for promoting sustainable private-sector growth. Through demonstration effects, IFC also catalyzes the use of cleaner energy and resource efficiency in other manufacturing sectors.

Suppliers of leading apparel, textile, and footwear brands participating in IFC resource efficiency programs in Bangladesh, China, Pakistan and Vietnam have cumulatively achieved the following results to date:

- 36 billion liters of water saved per year
- 16 billion liters of wastewater avoided per year
- 685,000 tons of greenhouse-gas emissions avoided per year
- \$64 million in operating costs saved per year
- \$200 million of capital investment facilitated

Gender IFC's Gender Secretariat works with companies to enhance employment opportunities for women while also promoting business competitiveness. Companies that invest in women's employment gain an important competitive advantage, because they reach a wider talent pool, realize enhanced productivity and improve staff retention.

The American multinational clothing retailer Gap Inc. joined 12 other companies in the IFC-led SheWorks partnership to enhance women's employment opportunities and improve working conditions.

SheWorks¹² member companies implemented commitments and shared progress in the following areas:

1. Promoting women in business leadership and management
2. Recruiting and retaining female talent in the workforce
3. Implementing effective anti-sexual-harassment mechanisms
4. Supporting women as employees and entrepreneurs in value chains
5. Measuring and reporting on progress toward gender equality in the workplace
6. Showing corporate leadership's public commitment to women's employment as a smart business strategy



Fire & Buildings Safety in the Garment Sector

IFC works with the Bangladesh government to design and implement business-friendly policies, laws and regulations while strengthening the institutions that implement them.⁷ This improves the country's ability to attract business from international buyers and brands.

Building on this, IFC supports intensive private-sector fire-prevention and safety efforts,⁸ including:

- Providing \$40 million in financing for factories to upgrade their structural, electrical, and fire safety standards⁹
- Collaborating with Bangladesh Bank to build capacity in Environment & Social Risk Management (ESRM) for financial institutions lending to companies in the garment sector
- Piloting a quantitative tool for generating transaction-based E&S risk ratings for lending in the garment sector
- Conducted a study—co-funded by ILO—titled *Remediation Financing in Bangladesh' RMG Sector*,¹⁰ which analyzed the cost of safety improvements and factories' abilities to finance this work.

How the Garment Sector Can Help Achieve the SDGs

In its engagements with the global garment industry alone, IFC has the potential to help achieve directly or indirectly several of the SDGs.



Footnotes

¹ UN.org, "Sustainable Development Goals: 17 Goals to Transform Our World," accessed April 28, 2017. <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

² "Global fashion industry statistics - International apparel," accessed April 21, 2017. <https://fashionunited.com/global-fashion-industry-statistics>

³ "Global Apparel and Footwear Was \$1.7 Trillion Industry in 2016," by Vicki M. Young. *Women's Wear Daily*, accessed April 21, 2017. <http://wwd.com/business-news/business-features/global-apparel-footwear-1-7t-industry-in-2016-10757713/> Also in *Passport Apparel and Footwear Global*, by Euromonitor International. January 2017, accessed April 21, 2017. <http://www.euromonitor.com/>

⁴ McKinsey & Company. *The State of Fashion 2017*, accessed April 26, 2017. https://www.businessoffashion.com/site/uploads/2016/11/The_State_of_Fashion_2017.pdf

⁵ WorldBank.org, "World Development Indicators," accessed May 9, 2017. http://databank.worldbank.org/data/reports.aspx?Code=NY.GDP.MKTP.CD&id=af3ce82b&report_name=Popular_indicators&populartype=series&ispopular=y and WEFForum.org, "The world's 10 biggest economies in 2017," accessed May 9, 2017. <https://www.weforum.org/agenda/2017/03/worlds-biggest-economies-in-2017/>

⁶ BetterWork.org, "Better Work: The Programme," accessed April 21, 2017. <http://betterwork.org/about-us/the-programme/>

⁷ IFC.org, "Sustainability," accessed February 8, 2017. http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/manufacturing/sectors/textiles/manufacturing_textiles_sustainability

⁸ *Ibid.*, accessed March 16, 2017.

⁹ IFC will soon launch such medium-term financing for factories to upgrade their structural, electrical and fire-safety standards in other countries.

¹⁰ IFC.org, *Remediation Financing in Bangladesh RMG Sector*, accessed March 22, 2017. https://www.ifc.org/wps/wcm/connect/650e70d9-3744-41ff-875a-a790840b23b8/Report_Remediation+Financing_Bangladesh.pdf?MOD=AJPERES

¹¹ IFC.org, "Global Trade Supplier Finance," accessed January 24, 2017. http://www.ifc.org/wps/wcm/connect/Industry_EXT_Content/IFC_External_Corporate_Site/Industries/Finance+Markets/Trade+and+Supply+Chain/GTSF/.

¹² IFC.org, *SheWorks: Putting Gender-Smart Commitments into Practice*, accessed April 27, 2017. http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/priorities/employment/sheworks+knowledge+report+putting+gender+smart+commitments+into+practice