

OVERVIEW

IFC, a member of the World Bank Group, has a holistic approach to addressing challenges in the garment and textile sector—an industry with many factories located in developing and new emerging economies. Vietnam is a lower-middle-income country with 2.5 million citizens employed in the garment industry. Since establishing an office in Hanoi in 1997, IFC has supported Vietnam's garment sector by mobilizing efforts to promote better working conditions, economic equality between men and women and resource efficiency—and to provide factories access to short- and medium-term financing to address capital needs.



1. *Progress and Potential: How Better Work is improving garment workers' lives and boosting factory competitiveness*; Briefs Tab, accessed January 24, 2017. <http://betterwork.org/blog/portfolio/impact-assessment/#1474552589197-d236d062-907c>.
2. *Ibid.*, Progress & Potential Report Tab.
3. IFC.org. "Trade and Supply-Chain Finance," accessed January 24, 2017. http://www.ifc.org/wps/wcm/connect/CORP_EXT_Content/IFC_External_Corporate_Site/Solutions/Products+and+Services/TSCF.
4. Health and child-care facilities contributed to 10 percent reduced staff turnover, 50 percent reduction in absenteeism, and no strikes for 8 years. IFC. *Investing in Women's Employment: Good for Business, Good for Development*, accessed January 24, 2017. http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/learning+and+adapting/knowledge+products/publications/publication_report_investinginwomensemployment



IFC Engagement in Vietnam's Apparel Sector

How IFC Supports Vietnam's Position in the Global Apparel Supply Chain

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Better Work

Better Work—an International Labour Organization (ILO)-IFC partnership—mobilizes factories, buyers, and brands in the garment industry to boost competitiveness, productivity and profitability through improved working conditions. In Vietnam, 417 factories take part, covering 557,000 workers (81 percent female), providing labor assessments, training and advisory services. IFC is helping 20–30 of the factories to improve their environmental compliance.¹

An independent Impact Assessment² of the program shows many improvements in Vietnam's apparel factories, including the following:

- 22 percent increased productivity, resulting from training for female line supervisors
- Decreased concerns about sexual harassment, low pay and overtime
- 40 percent decrease in overtime
- 12.5 percent growth in the minimum wage & 12 percent increase in minimum-wage compliance
- Reduced gender wage gap

Global Trade Supplier Finance Program (GTSF)

Launched in 2010, the GTSF program³ provides short-term, post-shipment capital to suppliers in emerging markets immediately after the buyer agrees to pay. GTSF...

- Determines suppliers' interest rates based on a combination of the buyer's cost of credit and the supplier's performance against the buyers' environmental, health, safety and social (E&S) standards
- Offers suppliers monetary incentives to make E&S improvements
- Helps suppliers pay their workers fully and on time

In Vietnam under GTSF, IFC has joined forces with NIKE, PUMA, and other brands and has cumulatively disbursed more than \$270 million to their suppliers.

Gender

Equality of economic opportunity between women and men drives productivity, profitability and performance. This is why IFC helps private-sector clients promote competitiveness through gender diversity. One way employers can support diversity is to provide daycare, which helps them retain female workers.

As an example, in Vietnam, IFC research showed that workplace policies supporting women's participation at work—such as an onsite kindergarten provided by Nalt Textile, a garment manufacturer with an 85 percent female staff, to its workers' children between the ages of 2 and 5—contributed to enhanced labor-recruitment and retention.⁴ Nalt is a Better Work member and supplier of Ann Taylor, the Gap, Target and other well-known fashion brands.

Vietnam Improvement Program (VIP)

IFC fosters sustainable manufacturing in the apparel, textile, and footwear sectors by promoting resource efficiency. As of mid-2017, IFC works with 50 Vietnamese factories that supply VF Corp., Target Corp., PUMA, New Balance, Adidas, and Levi Strauss & Co.

IFC is advising, facilitating financing and working with supplier factories to implement projects that save water, energy, and chemicals. These projects help factories decrease operating costs, increase productivity, and achieve environmental co-benefits. In the first 18 months of the program, strategic suppliers of leading global brands have achieved average water and energy savings of more than 20 percent. The highest-achieving factories have attained more than double the average savings. To-date, resource-efficiency projects implemented in these factories show the following results:

- \$15 million in annual cost savings because of resource savings and productivity gains
- \$10 million in project financing facilitated by IFC partner banks and other funding sources
- 100,000 tons of greenhouse gas emissions avoided annually

Future plans include promoting the use of renewable energy throughout supply chains and scaling up VIP further for broader, sector-wide impact.