

OVERVIEW

IFC, a member of the World Bank Group, has a holistic approach to promoting the competitiveness of Cambodia's garment sector—one of the country's top-three industries¹. Apparel exports account for 80 percent of the nation's export earnings. A lower-middle-income country of Cambodia has about 700,000 citizens employed in the sector; between 90 and 92 percent of these workers are women.

Strengthening the position of the Cambodia's garment sector in global supply chains, IFC helps to improve working conditions and increase resource efficiency in the sector—while actively advancing its future growth through the development of a new industrial strategy. IFC also enables factories to access affordable short- and medium-term financing.



¹ "Country Overview/Context: Cambodia," accessed March 23, 2017.

<http://www.worldbank.org/en/country/cambodia/overview#1>

² "Better Factories Cambodia," accessed March 22, 2017. <http://betterwork.org/where-we-work/cambodia/>

³ "Better Factories Cambodia and its 15-year journey," accessed March 30, 2017. <http://betterwork.org/blog/2016/10/20/op-ed-better-factories-cambodia-and-its-15-year-journey/>

⁴ "Better Factories Cambodia Transparency Database Report," accessed March 30, 2017. <http://betterwork.org/blog/portfolio/better-factories-cambodia-transparency-database-report/>

⁵ "Evidence on the Relationship Between Firm Survival and Social-Protection Compliance," accessed March 30, 2017. <http://betterwork.org/blog/portfolio/better-work-discussion-paper-series-n19-survival-of-the-fittest-and-most-compliant/>

⁶ "Cambodian garment factories see gains from advancing working conditions," accessed March 22, 2017. <http://betterwork.org/blog/2017/03/10/cambodian-garment-factories-see-gains-from-advancing-working-conditions/>

⁷ "Better Factories Cambodia: Our programme," accessed April 3, 2017. <http://betterwork.org/where-we-work/cambodia/bfc-programme/>

⁸ "The Business Case Against Verbal Abuse," accessed March 30, 2017. <http://betterwork.org/blog/portfolio/the-business-case-against-verbal-use/>

⁹ 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/Financial+Markets/Trade+and+Supply+Chain/GTSF/.



IFC Engagement in the Cambodian Apparel Sector

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

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Better Factories in Cambodia

Better Factories Cambodia (BFC)—an IFC–International Labour Organization (ILO) partnership—mobilizes factories, buyers, and brands in the apparel industry to boost competitiveness through improved working conditions. In Cambodia, 557 factories take part, representing 49 international brands and retailers and assisting 546,290 workers by providing labor assessments and training and advisory services².

As the first country to pilot (in 2001) the program that became Better Work, Cambodia offers exemplary results, including the following:

- Nationwide, nearly all factories pay the minimum wage. In 2004 (when the baseline was established), less than 70 percent paid minimum wage.³
- There has been a 46 percent increase in factories' full compliance with 21 legal requirements (including functional emergency-exit doors, the absence of child labor, and the like) since the beginning of BFC Public Transparency initiative in 2014.⁴
- An independent assessment by Tufts University shows that factories that were more compliant with labor laws—a key objective of Better Work—were more likely to survive the 2008 financial crisis. This is a very significant, positive result for an IDA country like Cambodia.⁵

A new report⁶ using data from BFC shows that factories' increased compliance with international labor standards is associated with the following:

- Higher productivity
- Increased profitability
- Improved employee retention
- Higher incomes for workers and their families⁷
- Smaller gender wage gaps

The data has also helped establish the business case against verbal abuse in factories.⁸

Trade-Development Support

A new task force with the Cambodian Ministry of Economy and Finance and the Supreme National Economic Council will create an industrial strategy for the garment sector in Cambodia. The strategy-development initiative will advance the country's industry technologically, so that it can compete in global supply chains and continue to provide formal job opportunities, particularly for women.

IFC and ILO support the task force to ensure the use of evidence-based data and stakeholder consultations in strategy development. The organization will lead work in the following areas:

- Review the data and evidence base of BFC for best practices
- Design a comprehensive questionnaire for evaluating garment factories
- Use the questionnaire in interviews with factory managers and in focus-group discussions
- Convene stakeholders to review and refine the strategy and to incorporate feedback
- Analyze the data gathered and recommend specific policy actions
- Meet again with stakeholders to review and refine the strategy, incorporating feedback from the consultations to finalize the strategy.

Global Trade Supplier Finance Program (GTSF)

Launched in 2010, the GTSF program⁹ provides short-term, post-shipment capital to suppliers in emerging markets, immediately after the buyer agrees to pay. GTSF...

- Determines supplier's interest rates based on a combination of the buyer's cost of credit and the supplier's performance against the buyer's E&S standards
- Offers suppliers monetary incentives to make E&S improvements

With GTSF, IFC is providing financing for apparel suppliers manufacturing in Cambodia and selling to Polo Ralph Lauren and Puma. GTSF was launched in March 2017. Since then, IFC has disbursed \$700,000 to these brands' suppliers.