

Transforming Bangladesh's Garment Sector

At a Glance

- **The garment and textile sector in Bangladesh accounts for \$19 billion in annual exports**, 80 percent of total export earnings, and 20 percent of GDP. The industry employs 4.2 million workers—mostly women—in formal private sector jobs in more than 4,500 factories.
- **The growth of the garment and textile industry has helped raise incomes of low-skilled people** living in poverty, especially in creating job opportunities for women.
- However factory disasters in recent years, like the Tazreen fire and the Rana Plaza collapse—which together took the lives of 1,200 people—show that **standards for worker safety are poor** and must be dramatically improved to prevent future tragedies.
- In response, **international buyers have joined forces** to work in a coordinated way through the **Fire and Building Safety Accord** (mostly European companies) and through the **Alliance for Bangladesh Worker Safety** (a group of mostly North American buyers). These groups have committed to inspect their supplier factories and develop plans for training and remediation.
- In March 2013, **the government, business organizations and trade unions signed the National Action Plan on Fire Safety** which calls for action to improve legislation, expand labor inspection capacity and implement systematic inspections of all factories. The Alliance, the Accord and the National Action Plan have agreed to use a common standard for certification.
- **Challenges in this industry** include high structural building and fire safety risks, weak emergency preparedness, poor labor & occupational safety and health management practices at the company level, lack of financing for building upgrades, shortage of technical expertise in assessing building safety, insufficient and outdated building, fire safety and labor inspection procedures, and inadequate infrastructure. The textile industry is also the second largest polluter (after tanneries).

What IFC is Doing

- **IFC aims to transform the apparel sector in Bangladesh through a truly integrated approach.** We help facilitate investments, improve construction and fire safety, labor and environmental standards (e.g. through programs like streamlining construction permits, Better Work and PaCT) and, overall, establish the conditions for the apparel sector to grow and flourish in a sustainable way.
- **IFC is playing a convening role** in bringing together public & private stakeholders, including international apparel buyers, supplier factory owners and the Bangladeshi government, whose participation is required to bring about sustained improvements in working conditions.
- IFC works with stakeholders to **develop a local market for technical knowledge, equipment and services from qualified companies and experts on building, electrical & fire safety.**
- **Improving safety & working conditions for 350,000 workers through the Better Work program:**
 - IFC and the International Labour Organization (ILO) launched the Better Work program in Bangladesh in November 2013 with the aim to provide assessments of factory compliance with national law and international core labor standards, publish transparent public reporting on findings, and provide advisory support for factories to make necessary improvements. This program will become operational in January 2015. The program was launched following an 18-month collaboration with the government to implement changes to national labor law and to develop the government's Framework for Continuous Improvement.
 - This partnership between government, employers, unions, buyers, and other industry stakeholders will focus on promoting sustainable change in the sector by helping factories address working conditions, and to build factory-level capacity for labor administration and worker-management relations. The program will also provide training and advisory services to factories to improve working conditions and competitiveness.
 - IFC, ILO and Better Work Bangladesh will partner with other organizations already providing high-quality services to avoid duplication of efforts.
- **Building private sector capacity in addressing building and fire safety in the RMG sector, by:**
 - Developing SME linkages to increase the local supply of quality safety equipment, improving coordination and knowledge amongst brands and local companies in building safety, improving

the regulatory framework to allow for accreditation of private sector inspectors, and helping industry groups develop a local market for fire and safety goods and services.

- **Helping textile suppliers better manage working capital through IFC's Global Trade:**
 - The \$500 million multi-currency investment and advisory program offers short-term financing to suppliers based upon the acceptance of receivables by buyers approved by IFC. This way, suppliers convert sales receivables to immediate cash and access lower-cost financing. The program was successfully launched in Bangladesh with the first batch of Levi's suppliers. In FY15, IFC plans to roll-out onboarding for suppliers of multiple buyers.
- **Facilitating medium- to long-term capital investments in building upgrades and renovation:**
 - IFC is exploring ways to extend credit lines to selected suppliers to finance building and fire safety improvements that have been identified in audits and inspections.
- **Paving the way for the creation of new state-of-the-art industrial parks:**
 - IFC supported the enactment of the EZ Act 2010 to allow private sector participation in economic zone development and operation.
- **Investing in garment suppliers who operate their factories efficiently:**
 - IFC has directly invested in two ready-made garment suppliers in Bangladesh (\$6.25 mn in Ananta Apparels Ltd and DBL \$10.5 mn in DBL Color City) and is looking for other suppliers.
- **Helping government agencies improve processes for building inspections and permits:**
 - IFC has been supporting RAJUK, the Capital City Development Authority in Bangladesh, to strengthen and automate their factory building permitting processes, inspection processes and occupancy certification process.
- **Reducing environmental impacts in textile wet processing:**
 - In partnership with Solidaridad, a Dutch organization, and ten buyers, IFC worked with 52 wet processing factories to increase savings from energy, chemical & water usage and yielded \$6 million in savings. Under the Bangladesh Water Partnership for Cleaner Textile (PaCT) project, IFC is also working to facilitate the sectoral adoption of Cleaner Production practices and invest in technologies that reduce ground water extraction and surface water pollution.
- **Supporting short term finance through banks:**
 - IFC is playing a leading role in implementing a comprehensive trade support program to promote sustainable growth in the RMG segment through supporting banks with RMG exposure. IFC provided these banks \$300mn GTFP lines and \$105mn in short term funded working capital lines.
- **Investing in infrastructure & safer energy supply:**
 - IFC is investing in energy and power to improve grid power supply and reduce the need for dangerous rooftop generators. IFC is actively supporting development of critical infrastructure (power, gas supply, ports, transport) to improve the safety and the competitiveness of the garments industry by ensuring reliable power.

Results

- In FY13, **IFC provided about \$500 million in short-term working capital trade finance** through financial institutions in Bangladesh, and made direct investments in two ready-made garment suppliers in Bangladesh who operate with best practices.
- In November 2013, **IFC and ILO launched the Better Work program in Bangladesh.**
- In February 2014, **IFC co-sponsored the first Supplier Fire Safety Expo** which was organized by The Alliance for Bangladesh Worker Safety. Leading fire & safety experts and vendors demonstrated solutions related to electrical, fire and building safety. The Expo is expected to be held bi-annually.

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