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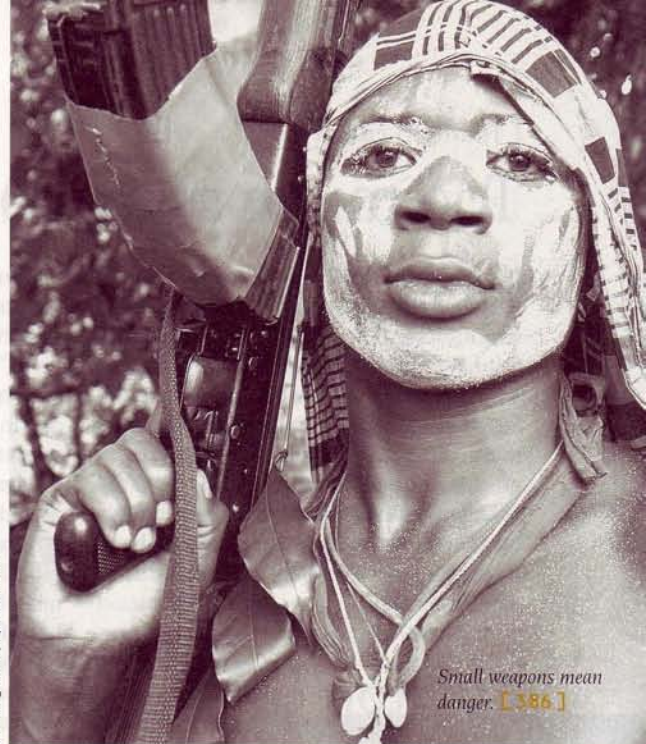
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Small weapons mean
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Unwarranted optimism

Budget support is considered an instrument to improve governance of many poor countries. Related approaches, however, failed in the past. According to development expert **Peter Molt**, subsidising state budgets in poor countries is more likely to turn their bureaucracies into donors' implementing agencies than to boost a responsible sense of ownership. [380]

[Tribune]

Cooperation, not violence

Fresh water is becoming scarce. Population growth means that less and less is available per capita. Making matters more conflict-prone, international rivers are among the most important bodies of water. Along the Mekong and the Nile, there are promising beginnings of cross-border cooperation. They should be expanded, writes political scientist **Timo Menniken**. [382]

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Determined women

An association of female entrepreneurs in India is cooperating cleverly with government agencies to improve the investment climate. [388]

[Debate]

Israel's crucial front

Israel violently responded to Hizbollah's aggression in July. Doing so was justified in legal terms, but unwise. Excessive bombings have cost Israel much sympathy. Israel must assume leadership now and make peace proposals to Palestinians. D+C/E+C staff member **Tillmann Elliesen** argues that doing so can weaken its most dangerous enemies. [394]

The true price of cheap T-shirts

KarstadtQuelle, the German retail giant, is pushing for improvement in working conditions in the textile industry in Bangladesh. In order to do so, it has teamed up with the government-owned German Investment and Development Company (DEG), a Bengali research institution and a consortium based in Cologne.

[By Stephan Kunz]

➔ Textiles and clothing from Asian production facilities have become noticeably cheaper in Germany since the end of 2004. You can now buy T-shirts for as little as €1.99 each, Bermuda shorts for €5.85 and towels for €3.50. The Multi-fibre Arrangement (MFA) expired on 1 January 2005. It had protected the textile industries in rich nations from cheap competition since 1974 and dominated trade policy debates for decades. Above all, the MFA restricted exports from large manufacturing countries such as China and India by applying fixed supply quotas.

The German retail trade is pleased with the rising sales volumes that are fuelled by the cheaper products. Consumers in Germany complain that everything is becoming more expensive, yet cut-price clothing sold rapidly in the summer sales. Thoughts about child labour, minimum wages and working hours in poor countries barely cross the minds of European consumers, even though it is a matter of course that tough working conditions help to keep the prices low. Consumers have an influence on market practices and production conditions.

The guiding principles of the clothing trade in Europe have changed. Increasingly cut-throat competition and the growth of discounter outlets are forcing the traditional retailers to reposition themselves. While there used to be one summer and one winter collection a year, fashion houses now offer up to 18 collections per year. The bulk of these products can be considered disposable goods. Furthermore, the product range is highly segmented according to the age and income of the consumers.

Naturally, fashion remains an emotional business. Because of that, campaigns by various non-governmental organisations (NGOs) have been able to exert pressure internationally on companies such as Nike, Tchibo, Adidas or the German retail giant KarstadtQuelle. Companies feel hurt because damage to their image tends to last. Out of concern for their reputation, brand producers and retail companies now take an interest in social and environmental standards.

Accordingly, managers need the exchange with manufacturers in Asia, Africa, Eastern Europe and South America. But dialogue about standards is not enough. To date, the instrument most commonly used to safeguard standards is audits, but they merely describe the production conditions without providing any tangible solutions for deficiencies in the factories.

A network of the most important European trading companies and their associations set up a Business Social Compliance Initiative (BSCI) under the umbrella of

◀ Indispensable preventive measures.



the Foreign Trade Association. Its objective is to define and maintain a common stance in matters of social responsibility. But the Initiative does not have any legal standing. It is the competition that determines the business, not the wishes of the industry associations. Despite numerous attempts to harmonise standards and codes of conduct with initiatives and NGOs such as the Clean Clothes Campaign, Fair Labour Association et cetera, each company is pursuing its own strategy. Moreover, joint solutions would make it difficult for NGOs to raise funds for their specific activism.

Shop floor reality in Bangladesh

On 11 April 2005, the nine-storey building of Spectrum Sweater, a clothing company, collapsed in Savar, north of Bangladesh's capital Dhaka. The multi-storey building was not originally designed for industrial use and did not withstand the strain. In Bangladesh, there are neither construction laws nor governmental building-inspection processes in place to prevent such cases of blatant misuse.

The accident took the lives of 62 people and gave rise to renewed outcry in Europe about dangerous working conditions, inadequate social rights, marginalised trade unions and the exploitation of child labour in the Ganges Delta. Pressure on the retail companies increased and they, in turn, put pressure on their suppliers.

An important addressee in this context is the Bangladesh Garment Manufacturer and Exporter Association (BGMEA). In recent years, this association has entered into various activities in cooperation with the ILO and UNICEF. But such endeavours have often remained confined to initiatives, fora and analyses. Billboard campaigns about minimising workplace hazards hardly suffice in a country where 41% of the adult population cannot read. Bangladesh did in fact ratify the fundamental ILO conventions a long time ago, but the implementation of them in the factories leaves much to be desired.

Since the accident, Bangladesh must not only fear the competitive advantages held by China and India. The country must also deal with criticism of its poor compliance with social and environmental standards. Retailers today consider the commitment to social responsibility a third exclusion criterion after price and quality. However, fora and campaigns are not enough to remedy deficiencies at small and medium-sized production sites. Rather, management and employees in the companies need to gain better professional qualifications.

Long-lasting, convincing compliance with the standards requires practical, systematic approaches which go beyond audits alone – whether they are scheduled or not. It is also not enough for textile merchants placing orders to require suppliers to provide a written guarantee that all the regulations have been met, as the

Federal Association of German Textile Retailers (BTE) has been proposing lately. Its suggestion to rely on stickers printed in four languages is, of course, similarly inadequate.

In May, social tensions once again triggered strikes in Dhaka and the seaport Chittagong. Trade unions and industry have promised to agree on a new minimum wage for workers in the textile and apparel industry by the end of October. The minimum wage, so far, amounted to only 930 Taka per month (equivalent to a little more than €10). Independent observers estimate that the new minimum wage will probably be around 3000 Taka.

But even if the minimum wage should be thus more than tripled, that step must not be over-estimated. The suppliers of KarstadtQuelle and other large retail corporations in rich countries would only marginally feel the impact of the new regulation. After all, the official minimal wage applies, if at all, only in the production of the most basic cotton vests. In the manufacture of high-quality cashmere sweaters, workers in Bangladesh already earn around 15,000 Taka. And as the example of the collapsed multi-storey building proves, wages are not the only relevant topic in labour relations.

How the situation may be rectified

In this context, KarstadtQuelle reacted at a local level. The retail giant initiated a public-private partnership (PPP) in cooperation with the KfW Banking Group affiliate German Investment and Development Company (DEG), the 3P Consortium from Cologne and the Bangladesh Centre for Advanced Studies (BCAS). The objective of the project is to bring 20 companies with around 29,000 staff up to scratch. It covers the transfer of practical knowledge, the introduction of simple management methods to monitor the required practices and long-lasting compliance with the important social and environmental requirements. This approach complements endeavours – by German Technical Cooperation (GTZ), for example – to persuade the government of Bangladesh to design and enforce stricter workplace regulations.

Criteria taken from relevant standards such as SA8000, WRAP, BSCI and FLA have been filtered and collated and are used as the basis for performance monitoring. Questionnaires, tips and training material are provided in Bengali. Numerous small instruments have been developed to record wages, working hours and overtime. There are concepts for fire drills, staff meetings and waste disposal as well as for documenting such activities. Introductory seminars build trust, and deficiencies in the factories are investigated with a partnership approach. Not only managers, but workers too, are involved in such talks and investigations.

The implementation of corrective measures is managed by the local organisation BCAS and coordinated



◀ Clean workplace, adequate light, ergonomic seats.

with the 3P Consortium. Regular visits and training sessions conducted by the German partner in Bangladesh transfer additional know-how. Purely technical aspects of security are as much on the agenda as are sociological matters, such as setting up workers' councils, for example. As a general rule, corrective measures require three to nine months to become established. During this period, three monitoring visits by 3P are generally sufficient. Most companies now have a compliance officer and are eager to take advantage of all opportunities to receive advice.

All processes are strictly confidential. KarstadtQuelle only receives information regarding trends. However, the corporation is called upon from time to time to remind certain manufacturers of their obligations. Only after certification are statements made in performance reports on compliance with various criteria – such as freedom to unionise, child labour, wage payments, working hours or discrimination. The objective is always to ensure that the company can comply with the criteria on a long-term basis. Improvements are therefore worked on gradually. Within the framework of the PPP, this first step is co-financed by the project partners. The entire project will cost € 370 000 over two years, DEG is providing 48% of the funds.

Meanwhile, the PPP is geared towards offering this kind of assistance on a long-term basis. In a way simi-

lar to how banks carry out credit assessments, 3P Consortium has created a database, which makes the practices of the trained factories transparent. The first manufacturers have already announced that they want to continue to take advantage of this kind of monitoring and documentation when the PPP project ends and that they are prepared to pay for such measures themselves. The managers know that doing so will serve the competitiveness of their companies

Retail companies require information that goes beyond the price and quality of goods. Social and environmental criteria have already been mentioned. They also need operational data – for example on qualifications and responsibilities – that help to identify reliable suppliers. In the case of KarstadtQuelle, the retailer is therefore prepared to take on social responsibility and to acknowledge compliance with social and environmental norms as a key criterion in selecting suppliers. Meanwhile, other German companies have also expressed interest in the type of cooperation that KarstadtQuelle is practising with DEG, 3P and BCAS in Bangladesh.

If all the German textile retailers got involved in this strategy, this would naturally have far-reaching consequences which the consumers would also have to bear. Social responsibility for millions of people would take priority, rather than the dumping price of €1.99 per T-shirt. ➔



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