

Leading Garment Brand Representatives Remain Positive About Sourcing From Cambodia

Twenty-eight representatives from leading garment brands came to Cambodia last week for a two-day meeting of the International Buyers' Forum organized by the International Labour Organization (ILO) and the International Finance Corporation (IFC). The representatives stated they are recommending that their companies continue sourcing from Cambodia.

Forum participants remain very optimistic about Cambodia's garment industry, said Mr. Tuomo Poutiainen, Chief Technical Advisor of ILO's *Better Factories Cambodia* program. "Participants told me that subject to customer demand, on-going monitoring from *Better Factories Cambodia* and continuing good results, their companies are very positive about producing garments in Cambodia."

Membership in the Forum comprises 32 brands which buy 60% of Cambodia's garment exports. Cambodia's garment sector is worth \$ 2.6 billion and is critically important to the estimated 350,000 workers and their extended family members who depend on the industry (a total of at least 1.7 million people).

The Forum, which takes place twice a year in Cambodia and Hong Kong, was convened by ILO and IFC to discuss the current work and future of ILO's *Better Factories Cambodia*, and to discuss how to support increasing the competitiveness of the industry so that it continues to survive. BFC provides labor monitoring, remediation, and training for exporting garment factories. The Forum is implemented in partnership with and funded by MPDF, a private sector development initiative in Vietnam, Cambodia, and Lao PDR managed by IFC, whose donors are Australia, Canada, Finland, IFC, Ireland, Japan, New Zealand, the Netherlands, Norway, Sweden, and Switzerland.

Buyers' representatives met initially on their own for half a day, then separately with manufacturers, and then unions. On the second day, all four garment industry stakeholders - Forum members, manufacturers, unions and government met together to create a joint vision for the future of the industry.

Mr. Tuomo Poutiainen said that the meeting was a great success. "It confirmed both the relevance and importance of *Better Factories Cambodia* and stakeholders' belief and support for its new directions. There was consensus too that industry actors need to work more closely together, and the program needs to move beyond monitoring, and expand training and remediation. This view was widely shared by all the stakeholders."

Ms. Naurin Muzaffar, Senior Manager, Global Partnership, for Gap Inc. praised evolution of the Forum and BFC. "Over the years, the meetings keep getting better and better. The engagement with the unions in this Forum was the best yet. The discussion was well structured and productive. BFC has also evolved greatly from just monitoring, to adding advisory services, capacity building and all the mechanisms required for these."

H&M's Code of Conduct Manager, Mr. Erik Carlborg, said that compliance with labor standards is a very important part of H&M's business strategy, and that they firmly believe that BFC is a positive contributor to the good compliance level in the Cambodian garment industry.

GMAC's representative, Mr. Kaing Monika, spoke about what the industry is doing to improve national competitiveness. "As this is the global industry, it always has to do with global competition, so building national competitiveness is the key challenge for us" he said. He added that reducing transaction costs is very important for enhancing competitiveness, and the government has been very responsive in this regard, but given the current economic situation, we need more support. Having harmonized industrial relations is also crucial for stable production and buyers' confidence. Last, but not least, there is a need to raise workers' awareness about their jobs. They should have the motivation to not only improve their current skills, but also to learn new skills."

Union representatives attending the Forum asked for buyer support in key areas including promoting collective bargaining rights and freedom of association. Speaking for the Coalition of Cambodia Apparel Workers' Democratic Union and more than ten other unions participating in the Forum, Mr. Ath Thorn, CCAWDU President, said unions were concerned about how workers would cope with high inflation, and asked buyers to place long-term orders with factories so that workers have better job security.

Speaking at the closing luncheon of the meeting, Ms. Karla Quizon, Manager of IFC's Program Manager for Environment and Social Sustainability in the Mekong Region, said the meeting was very productive. "This year even more brand representatives attended the meeting and by the end, promised even greater engagement to ensure that Cambodia's industry continues to thrive for the long term."

In his address to the buyers and other stakeholders, H.E. Cham Prasidh, Senior Minister and Minister of Commerce, stressed the importance of BFC. "The monitoring scheme of ILO's *Better Factories Cambodia* is a world class system that helps buyers trust Cambodia as a source for garments. I have received many requests from other countries to come and learn from our experience here. The government will continue to lend full support to this project and develop more mechanisms for dialogue with the unions and GMAC."

With regard to improving competitiveness, David Adrian Ross, General Manager of New Island Clothing (Cambodia) Ltd. said he is very optimistic about the prospects for improving Cambodian garment workers' skills and productivity. "The productivity, quality standards and commitment from my workforce is second to none. We are also very proud of the fact that our factory is nearly 100% managed by Cambodians. At the end of the day, the objective is not to employ expatriates, it's to employ Cambodians."

During the two-day Forum, members told ILO and IFC staff that they were very pleased at the way the Forum gave them an excellent opportunity to hear directly about the concerns of factories, unions and government. "Forum members say that in the coming months they plan to continue collaborating with these stakeholders to find solutions to the problems raised in the Forum," said Tuomo Poutiainen.

"As for the future of *Better Factories Cambodia*, it was clear from the meeting that Cambodia's garment sector continues to be special and attractive to global garment brands, and that ethical purchasing remains an important factor in the success of the industry."

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About BFC

Better Factories Cambodia is a unique program of the International Labour Office. It benefits workers, employers and their organizations. It benefits consumers in Western countries and helps reduce poverty in one of the poorest nations of the world.

It does this by monitoring and reporting on working conditions in Cambodian garment factories according to national and international standards, by helping factories to improve their productivity and by working with the Government and international buyers to ensure a rigorous and transparent cycle of improvement.

The project grew out of a trade agreement between the United States and Cambodia. Under the agreement the US promised Cambodia better access to US market in exchange for improved working conditions in the garment sector. The ILO project was established in 2001 to help the sector make and maintain these improvements.

About IFC

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled \$16.2 billion in fiscal 2008, a 34% increase over the previous year. For more information, visit www.ifc.org.

About the ILO

The International Labour Organization was established in 1919 by the Treaty of Versailles and became the first specialized agency of the United Nations system in 1946. Its work in setting and monitoring international labour standards has provided the framework for national labour law and practice in virtually all countries. The ILO's total budget for 2006-2007 is just over US\$900 million, including a regular budget of US\$594 million plus US\$306 million in extra-budgetary funds associated with special technical cooperation projects. For more information, visit www.ilo.org