



# Evaluation of Dutch IRBC policy

## Bangladesh Report

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# Abbreviations

Accord	Accord on Fire and Building Safety
AGT	Dutch Sector Agreement on Sustainable Garments and Textile
BDT	Bangladesh Taka
BCC	BUFT Centre for CSR and Sustainability
BWB	Better Work Bangladesh
BUFT	BGMEA University of Fashion and Technology
CBI	Centre for the Promotion of Imports from Developing Countries
BIDA	Bangladesh Investment Development Authority
BGMEA	Bangladesh Garment and Manufacturers Export Association
BKMEA	Bangladesh Knitwear and Manufacturers Export Association
BSCI	Business Social Compliance Initiative
DIFE	Department of Inspections for Factories and Establishment
EBA	Everything But Arms
EIPS	Employment Injury Protection Scheme for workers in the Textile and Leather Industries
EKN	Embassy of the Kingdom of the Netherlands
ELC	Estimated Landed Cost
ETI	Ethical Trade Initiative
FMO	Dutch Entrepreneurial Development Bank
FOB	Free on Board
FDI	Foreign Direct Investment
GBV	Gender Based Violence
GDP	Growth Domestic Product
GoB	Government of Bangladesh
ICSR	International Corporate Social Responsibility (often used interchangeably with CSR)
IRBC	International Responsible Business Conduct
IFC	International Finance Corporation
ILO	International Labor Organization
IMU	Initial Mark Up
IOB	Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs
IRBC	International Responsible Business Conduct
MACS	Multi Annual Country Strategy Plan
MoU	Memorandum of Understanding
NI	National Initiative
OECD	Organisation for Economic Co-operation and Development
PaCt	Partnership for Cleaner Textile
PSI	Private Sector Investment Programme
RBC	Responsible Business Conduct
RCC	Remediation Coordination Cell
RMG	Ready Made Garments
RVO	Netherlands Enterprise Agency
SRHR	Sexual and Reproductive Health and Rights
SME	Small and medium-sized enterprises
ToC	Theory of Change

# Executive Summary

## Aim and focus of the report

This report is the result of a case study conducted in Bangladesh as part of the evaluation of Dutch policy on International Responsible Business Conduct (IRBC) by the Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs (IOB).

The Bangladesh case study aimed to evaluate how different Dutch IRBC policy instruments manifest in Bangladesh and how they influence (Dutch) companies to contribute positively to economic, environmental and social progress while minimising adverse effects. Due to its economic importance, the report focuses on the Ready Made Garment (RMG) sector. The report investigates the implementation of Embassy activities as well as selected private sector instruments and their ICSR frameworks (where applicable). An assessment of the Dutch Agreement on Sustainable Garments and Textile is also included but constitutes a relatively smaller share of the empirical research due to its early stages of implementation and the prominent role of Embassy activities and private sector instruments in the Bangladesh context.

## IRBC policy instrument 1: private sector instruments

Three projects falling under the Private Sector Investment (PSI) programme and the Centre for the Promotion of Imports from Developing Countries (CBI) were investigated in this study. Under PSI, responsible business conduct (RBC) was addressed mainly through compliance with the programme's ICSR framework, and meeting criteria for increasing payment above minimum wage (10%) and increased women employment. This indicates a low relevance of PSI for promoting RBC in Bangladesh, as wage and increasing number of women employees are not the most urgent RBC issues in the country.

In comparison, our findings across the three domestic suppliers in the CBI programme show that CBI's RBC activities were more holistic, linking improved product quality to different social, political and environmental risks (e.g. safety), increased company competitiveness and bargaining power with Dutch-based importers. With the emphasis on coaching, there was more direct contact with Bangladesh suppliers to tackle a number of risk areas, primarily around safety, but also around other issues such as grievance mechanisms and freedom of association. CBI's strength was its focus on adding value to the product as an entry point for Bangladeshi suppliers to manoeuvre more financial space to invest into RSB (better wages and improved working conditions). This not only demonstrates coherence with the suppliers' business perspective, but also speaks to additionality by supporting Bangladesh companies to leverage in new business based on better quality linked to improved RBC compliance. However, a notable limitation across both PSI and CBI was their inability to deal with bigger systemic issues of pricing practices and the fact that RBC does not always pay. For both programmes, and most notably CBI, an additional disadvantage was its limited spill-over to other companies due to the absence of scale out strategies.

## IRBC policy instrument 2: Dutch Embassy activities

Following Rana Plaza in 2013, the Dutch Embassy has given special attention to labour conditions in the RMG sector under its auspices to transition away from traditional aid relations (EKN, 2017; 2018). This enabled the Embassy to embark on a number of activities prioritizing safety and working conditions in the RMG sector: strategic projects, international diplomacy and agenda-setting events, and integration of RBC across other sectors. The relevance of the Embassy's activities on RBC in RMG can be assessed as high. From our interviews and data analysed we conclude that the Embassy is regarded as a formidable player in the RBC scene, particularly within the RMG sector. It is considered as one of the few embassies with a holistic perspective combining development, economic, and political considerations. The combination of strategic investments in relevant RMG RBC projects together with the 'soft influencing' behind the scenes was critical to making the Embassy relevant and coherent with other Dutch RBC interventions and international actors working in the sector and with Bangladesh law (e.g. Partnership for Cleaner Textile with the International Finance Corporate, Dutch Strategic Partnership for Garment Supply Chain Transformation and ILO Better Work). Additionality is more

difficult to assess given the number of actors in the sector. Nevertheless, based on different stakeholders' viewpoints, the Embassy's strategic investments and political manoeuvring were reported as being critical contributions to addressing working conditions (particularly safety) following Rana Plaza. Moreover, the choice of investments has clearly contributed toward a broader enabling environment for due diligence through institutional capacity building and international diplomacy efforts within Bangladesh (impact level).

### **IRBC policy instrument 3: Dutch Agreement on Sustainable Garments and Textile**

The Agreement on Sustainable Garments and Textile (AGT) was set up in 2016 to support Dutch or Dutch-based companies to identify and address specific social and environmental risks in the garment and textile supply chain over three to five years. Core to its approach is an emphasis on due diligence of companies active in the Dutch market supported by collaborative efforts to address risk that companies cannot address themselves. Signatories undergo an assessment framework to assess risks and develop action plans around due diligence with special attention to child labour, forced labour, living wage, health and safety standards and freedom of association. Throughout the three to five years, there is a critical reflection on brands' processes, including attention to how changes can be made to support sustainable purchasing practices and sourcing decisions.

Our study indicates that it is too soon to assess the outcomes of the sector agreement. Moreover, our study was limited by the small sample of respondents. Nevertheless, a number of core observations were made. Our findings reinforce the salience of considering the country context in projects and collective in-country activities. Dutch Embassy staff, in particular, expressed concern about the limited coordination from The Hague with current responsible business conduct initiatives and events within Bangladesh. Our study also revealed recognition of the strategic value of the sector agreement's direct entry point with the brands. This includes its potential to tackle systemic issues related to brand's purchasing and sourcing practices and lack of transparency in how value is distributed along the supply chain.

### **Conclusion**

The Dutch Embassy emerged as the most relevant and effective Dutch IRBC instrument to implement RBC policies in Bangladesh compared to the other instruments. Within the RMG sector, the Embassy's contextual approach to Bangladesh, looking through a lens on responsible business which combines politics, economics and development, has been key. With this lens, the Embassy has strategically analysed where it can add value, selectively address niches in the enabling environment not addressed by other donors, and focus on sectors where Dutch companies show an interest. Examples of key Embassy activities on RBC include a range of investments to strengthen Bangladesh institutions and regulation in factory safety such as ILO's RMG project focused on the National Initiative. The outcomes of these investments result from the Embassy strategically operating in relevant international and domestic forums to influence negotiations around due diligence and workers' rights. This emerges in relation to the EU Sustainability Compact, ILO conferences, tariff free market access to the EU under the preferential Everything but Arms (EBA) arrangement and buying commitments and transparency by international brands under the Bangladesh Accord, thereby leveraging both national and international efforts on responsible business conduct. The Embassy investments have clearly contributed towards an enabling environment for enhanced due diligence in the RMG sector.

Based on the small sample of private sector instruments reviewed for this evaluation, we cannot conclude that the PSI programme was effective in addressing the most relevant RBC issues in Bangladesh beyond the beneficiary companies. By contrast, CBI demonstrated more a concerted effort to improve outcomes on RBC awareness, implementation and management and link this to improving Bangladesh companies' ability to negotiate better prices. In both cases, PSI and CBI programmes' inability to share learnings and practices beyond the target group limit its broader potential impact with regards to spill-over to other companies.

It is too soon to draw conclusions on the AGT and our findings were limited by the small sample of interviewees. Nevertheless, our study reinforced two key issues. First, the value of considering the country context in identifying the most strategic ways to optimize impact on salient risks. This entails

using local stakeholder consultation and awareness of the ongoing status of Bangladesh's responsible business interventions to optimize the impact of proposed due diligence actions. Second, it was widely recognised that the AGT should continue to leverage its strategic entry point with brands to address purchasing and sourcing practices as well as transparency around the distribution of value in the supply chain.

A common challenge across all Dutch IRBC policy instruments was their inability to address the business case for RBC. A shared frustration reported by Bangladesh partners, particularly those who displayed exemplary RBC behaviour, was the lack of support from buyers and brands to cover the extra costs of RBC. Improvements in social compliance will not be secured unless this is matched by reciprocal arrangements to cover the financial costs of RBC compliance and demonstrate that enhanced RBC does lead to genuine benefits, not only for workers, but also for business.

Across all instruments, there is also a need for a more holistic and systemic approach to addressing gender issues as a cross-cutting issue within RBC, particularly in the RMG sector as the industry technologically evolves and innovates with potential negative effects on the position of women in the industry.

### **Recommendations to improve the effectiveness of private sector instruments on responsible business conduct**

1. Given the varied interpretations and motivations for responsible business conduct by Bangladesh partners, the evaluation team proposes that PSI and CBI instruments closely monitor how RBC is internalized and operationalised by participating companies in Bangladesh. Currently, interviewed Bangladeshi counterparts experience the demanded compliance with RBC frameworks/standards as an add-on activity. They expressed frustration around the checklist approach to RBC, lack of follow-up and limited reward for compliance. From their perspective, the latter together with frustration around purchasing and sourcing practices was hindering the business case for RBC. This is an opportunity for the programme administrators of the investigated private sector programmes (RVO) to leverage existing monitoring frameworks to engage in more systematic approaches to collecting participating Bangladesh companies' experiences (participating in PSI and CBI) of ICSR frameworks. This learning could be used to improve the effectiveness and relevance of the frameworks in promoting responsible business conduct.
2. It is recommended to include the Dutch Embassy in the efforts to enhance RBC operationalisation of companies under private sector instruments, linking this with the Multi-Annual Country Strategy Plan (MACS) process of the Embassy. New efforts for stricter assessment and monitoring need to be linked to making available the necessary resources. This is an opportunity for RVO to work more closely with the Embassy to encourage Dutch companies to carry out continuous follow-up to ensure long term sustainable change. This will provide more effective opportunities to ensure relevance, coherence and additionality to RBC outcomes.
3. Peer-to-peer learning on RBC between companies in Bangladesh receiving support from private sector instruments can further enhance more effective and relevant RBC activities through joint reflection and sharing best practices. This seems to be particularly relevant for CBI where spill over effects could be significantly enhanced. It was acknowledged by interviews with the Embassy and CBI implementers that the success of CBI is reliant on its long term intensive coaching and combination of attention to responsible business conduct in relation to product development and export marketing. Nevertheless, there is an opportunity to use the CBI program to showcase the business case for responsible business conduct and harvest best practices of how to operationalise responsible business conduct in the Bangladesh context for others. Provided sufficient resources are available, the Dutch Embassy could play a facilitative role to stimulate knowledge sharing across different private sector instruments and ensure coherence through the MACS<sup>1</sup>.

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<sup>1</sup> Note that the MACS was in the process of being prepared during the time of study.

## **Recommendations to improve the effectiveness of Dutch Embassy activities on responsible business conduct**

4. It is recommended that the Ministry of Foreign Affairs enables the Dutch Embassy in Dhaka to continue to invest in a dedicated team on corporate social responsibility and responsible business conduct in the RMG sector – if the Netherlands wishes to maintain its key role in the RMG dossier that has defined its transition agenda in the past five years. Phasing out of the RMG sector was noted as risk given that it continues to dominate the country's economy. The value of staff time and long term engagement was repeatedly mentioned as being a crucial ingredient for navigating the political discussions regarding RBC in RMG sector. Without staff time there is a risk to return to fragmented efforts of separate projects that could hinder a consistent and coherent multi country strategy from taking off.
5. The Ministry of Foreign Affairs should give specific attention to using the Embassy-led MACS to support better coordination with other IRBC policy instruments. In the context of RMG, where possible and with the appropriate resources, the Embassy could support the AGT to leverage its proximity to Dutch brands by serving as a focal point and feeding back context-specific issues in Bangladesh. Areas to collaborate include: a) supporting Bangladesh suppliers to develop longer term relationship with Dutch brands; b) combined advocacy around sustainable sourcing and pricing practices; c) more support to Bangladesh to transition away from a low-cost labour model to more increased productivity and efficiency; d) advice on how to engage with trade unions; and e) more context-specific approach to living wages aligned with where Bangladesh is situated in the debate.
6. For broader RBC activities with Dutch companies beyond RMG, the Embassy could focus on sectors where Dutch companies show an interest. This can be supported with efforts to gather evidence on the business case for RBC, to provide input to RVO and the Dutch Government to lobby Dutch companies in the Netherlands on their due diligence practices and link this to pricing and sourcing practices. Resources for this would need to be made available to support this.

## **Recommendations to improve the effectiveness of the AGT on responsible business conduct**

7. The importance of context highlighted by different stakeholders across NGOs, UN organisations, international and local trade unions and donors reinforce the need for the AGT to invest in aligning its activities to the country context, particularly in the case of projects and collective in-country activities. With its strategic overview of responsible business efforts, the Dutch Embassy is better placed than relying only on ministry colleagues in The Hague. The Embassy can play a facilitative role in supporting the AGT Secretariat in strategizing how it engages at the country level, advising on local stakeholder consultation including country level rapport building and networking. The MACS of the Embassy provides an opportunity for this alignment and coordination.
8. Based on triangulation with Embassy stakeholders, UN organisations, NGOS, trade unions and Bangladesh RMG suppliers and employers' associations, action on sustainable sourcing and purchasing practices remains a significant gap. This suggests that the AGT Secretariat should continue mainstreaming attention to purchasing and sourcing practices as well as transparency in the supply chain through all its activities. This was observed by Embassy stakeholders and two donors as a major leverage point of the AGT relative to other Dutch IRBC instruments in Bangladesh.
9. Given the frustration expressed by interviewed stakeholders from Bangladesh suppliers, NGOs and UN organisations around multiple auditing practices and their linkage to RBC, the AGT Secretariat should continue exploring opportunities for convergence around auditing frameworks with the Social and Labour Convergence Program, ILO Better Work Bangladesh, the Fair Wear Standard and the Sustainability Compact. This is also an opportunity for Dutch Government in The Hague to encourage the EU Commission to advocate for convergence as part of the EU Responsible Business Conduct Strategy.

# 1. Introduction

## 1.1 Evaluation of Dutch IRBC policy

This report forms part of the Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs' (IOB) evaluation of Dutch policy on International Responsible Business Conduct (IRBC)<sup>2</sup>, comprising (i) sector agreements on IRBC, (ii) private sector instruments, (iii) Dutch Embassy guidelines/activities, (iv) international cooperation and legislation, and (v) government procurement policy. These IRBC policy instruments aim to promote responsible business conduct in settings where human rights, worker health and safety, and environmental protection are at risk. The evaluation period covers the timeframe of 2012 until 2018. The evaluation itself was conducted in April-September 2018.

To verify the results of Dutch IRBC policy instruments on the ground, the IOB evaluation is supported by detailed case studies in four countries: Bangladesh, Colombia, Ethiopia and India. With all four countries, the Netherlands maintains comprehensive and increasingly mature economic relationships. While Colombia and India are characterised as 'trade partners' by the Dutch Ministry of Foreign Affairs, which implies that the emphasis lies on activities that benefit Dutch companies and employment, Bangladesh and Ethiopia fall under the category of 'partner countries' with 'transitional relationships'. This entails that the Netherlands also runs development programmes aimed at reducing poverty and promoting the priority themes of Dutch development cooperation policy.

Doing business in these four countries is an important component of Dutch activities to promote economic growth and private sector development. However, in all four countries these activities take place in an environment characterised by an array of social, environmental and political risks, i.e. risks of violations against human, labour and workers' rights, poor governance and weak rule of law, and environmental degradation, among others. These risks also occur in sectors in which Dutch companies, partially supported by private sector instruments of the Dutch Government, are active as producers, traders or buyers; for example, in the mining sector in Colombia and the textile and garment sectors in India and Bangladesh. Dutch experiences in Bangladesh, Colombia, Ethiopia and India therefore offer information-rich examples of different IRBC policy instruments and their (expected) effects in countries and sectors where various social, environmental and political risks are prevalent and constitute important bottlenecks to sustainable development.

This report details the findings for the country study in Bangladesh.

## 1.2 Aim and structure of the report

This report aims to evaluate how different IRBC policy instruments manifest in Bangladesh and to what extent they promote and incentivise (Dutch) companies to contribute positively to economic, environmental and social progress and minimise adverse effects of company operations on the environment, employees and (surrounding) communities.

The report is structured as follows. Section 2 describes the methodology, including evaluation approach, methods of data collection and data analysis as well as the limitations of the study. Section 3 provides the context of the evaluation in Bangladesh, focusing specifically on the RMG/textiles sector. The empirical findings of the study are presented in Sections 4-6: private sector instruments in Section 4, Dutch Embassy activities in Section 5 and the sector agreement on garments and textiles in Section 6. Section 7 reflects on the opportunities and limitations of implementing IRBC policy instruments in Bangladesh, and what this implies for the underlying assumptions of IRBC policy instruments. The main conclusions of the study are presented in Section 8, including a brief methodological section.

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<sup>2</sup> The evaluation commenced using the terms International Corporate Social Responsibility (ICSR) and corporate social responsibility (CSR) (according to the Terms of Reference). This has been amended in the final phases of this evaluation, following the lead of IOB, to correspond to the terminology used in the OECD Guidelines. As a result, the terms used now are International Responsible Business Conduct (IRBC) and responsible business conduct (RBC).

## **2. Methodology**

### **2.1 Evaluation approach**

This study follows a qualitative, theory-based approach to evaluation to facilitate an in-depth understanding of the workings of Dutch IRBC policy instruments in Bangladesh. In the absence of a clear counterfactual, such an evaluation approach is both practically feasible and delivers a context-specific understanding of why and how observed results occurred. Moreover, a qualitative approach to evaluation is well suited to build an in-depth understanding of processes of change, and to bring in the perspectives and voices of beneficiaries and stakeholders.

This implies that this study does not serve as an impact evaluation. Instead, the study traces the Theory of Change (ToC) of the different policy instruments and aims to identify (existing and potential) linkages between IRBC policy instruments and observable or expected outcomes in a context where there are multiple influencing factors (e.g. national regulation or international RBC policies). Validating the ToCs of the different IRBC policy instruments with empirical evidence thus serves to indicate the extent to which these instruments have made – or are likely to make – a difference (Mayne, 2012).

### **2.2 Country selection**

Bangladesh was selected as a focal country to study Dutch IRBC policies abroad, together with India, Ethiopia and Colombia, based on the following criteria: (i) countries are important trade and aid partners of the Netherlands, with significant social, environmental and political risks in the supply chain; (ii) countries have relevant economic sectors for which Dutch sector agreements have already been concluded; (iii) countries are important receivers of Dutch private sector instruments; and (iv) countries cover different geographical regions and are in different stages of development.

### **2.3 Case selection**

The country study in Bangladesh focuses on the textile and garment industry given the importance of the sector to its economy. Concerning Dutch IRBC policy instruments, the study pays most attention to the implementation of Embassy activities as well as selected private sector instruments and their RBC frameworks/activities. The instrument of the sector agreement on sustainable garments and textiles (AGT) was also included, but constitutes a relatively smaller share of the empirical research due to the early stage of implementation and limited sample of respondents. The instrument of international cooperation and legislation is not included as due to limited direct activities in the Bangladesh. Rather, relevant international diplomacy and agenda setting events in the sector were discussed in the Embassy activities. Dutch Government procurement was excluded from this study due to the limited expected weight outside of the Netherlands.

Within the different IRBC policy instruments, all cases were selected based on the following criteria: (i) cases involve (sub-)sectors with substantial social, environmental and political risks; (ii) cases affect or involve Dutch companies; (iii) cases have a clear IRBC relevance, either because they primarily aim to promote responsible business conduct or have IRBC as secondary objectives or eligibility requirements; and (v) cases are information-rich and information can be collected from different viewpoints (e.g. company accounts to be juxtaposed with beneficiary voices – or those who did not benefit from a particular investment). A detailed overview of the cases studied within Bangladesh can be found in Annex 1.

## 2.4 Data collection

This study involved both a desk review and field research for the purposes of data saturation and data triangulation. Field research was conducted in Bangladesh from June until August 2018, especially in the form of semi-structured interviews and field observations. Data collection was supported by Dr Nasrin Sultana, and independent consultant. During the first week of data collection, a senior evaluator by IOB (Otto Genee) joined the field research activities in Dhaka. Desk research was conducted in April-September 2018.

Data collection served to obtain in-depth information on the different IRBC policies and to validate or refute the causal logic of the ToCs. Specifically, the interviews aimed to elicit feedback on whether and how relevant RBC issues and risks are addressed in the textiles and garment sector in Bangladesh, including the role of Dutch IRBC policy and behaviour by (Dutch) companies or Bangladesh suppliers as a proxy. Different interviews were conducted per case, so that all findings are based on information from at least two interviewees from different backgrounds (e.g. juxtaposing company interviews with NGO interviews), complemented by secondary data.

Interview respondents comprised wide variety of actors, such as staff of the Dutch Embassy in Dhaka, Bangladesh and Dutch companies under selected PSI and CBI instruments, national government organisations, national employers' associations, Bangladesh labour unions, local and international NGOs working on trade unions and labour rights, international organisations, international donors, representatives from one Dutch brand CSR representative linked to the sector agreement and two associated Bangladesh suppliers. In addition, a number of factory visits were undertaken (see Annex 2 and 3 for a detailed overview). In total, 37 interviews were held in Bangladesh and 4 interviews in the Netherlands.

Secondary data complemented the information obtained through primary research. To this purpose, a desk review was conducted, comprising published reports and studies, evaluations, policy and programme documentation, internal documents of the Ministry of Foreign Affairs, websites of the IRBC policy instruments (including the sector agreement) and independent websites on the social, environmental and political risks and responsible business behaviour in Bangladesh (see References for more detail).

## 2.5 Data analysis

The collected data was analysed by means of content analysis and context analysis. Content analysis is "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use" (Krippendorff, 2004, p. 18). This research technique is a widely used method in qualitative research (Hsieh & Shannon, 2005) and is useful for this evaluation as it allows for creating categories to understand and trace policy influence. The focus of content analysis lies on identifying emerging patterns and issues which are then grouped into themes. These serve to identify and understand the complex workings of the different IRBC policy instruments, including implementation processes, barriers and limitations, and (possible) impact areas. Context analysis of Bangladesh was employed in this study as a complementary method to content analysis. It was used to examine the validity of the data obtained through interviews as well as to contextualise data obtained for a more in-depth understanding.

A differential and inclusive approach was used in data analysis. Although communities were not interviewed, social categories of analysis such as gender, age and ethnicity were taken into consideration during the various phases of the study (design, data gathering, analysis and report writing).

## 2.6 Limitations of the study

Firstly, it should be stated that the amount of data and information available varied per IRBC policy instrument; among others, depending on accessibility and openness of respondents. This implies that the level of detail of evaluation differs per case and not all areas of interest (and evaluation questions) could be covered equally for each case and IRBC policy instrument. In the case of Bangladesh, the study was limited in that few Dutch companies operate directly in Bangladesh in the RMG sector, since the majority of factories are Bangladeshi-owned (95%), and foreign buyers and brands and clothing chains have limited direct investment in the country itself (IOB, 2018). Hence, within the RMG context, it was not possible to make the link from Embassy activities to changed business behaviour of Dutch companies in RMG sector because Dutch RMG factories do not work directly in Bangladesh. Rather, the evaluation focused on illustrative examples of how the Dutch Embassy (EKN) influences Bangladesh RMG factories (as a proxy) through efforts to address the enabling environment for responsible business. Similarly for the private sector instruments, the evaluation was also limited in that there were few RVO projects (projects with an explicit ICSR framework) within the portfolio within the timeframe, with only one PSI project with a Dutch partner falling within the evaluation period.

Secondly, the theory-based approach to evaluation recognises that attributing identified effects – e.g. improved due diligence of companies – to a specific IRBC policy instrument is nearly impossible, as impact is determined by various factors, including other policies, costs/benefits of “doing no harm”, competitive pressures on companies, and leadership and organisational culture of businesses. The study addresses this by collecting rich data for a better picture of the context and other major external factors that may play a role in addressing risks and (Dutch) company behaviour. It is hoped that this makes the findings particularly useful to the organisations working in the contextual settings referred to, specifically, but not limited to, the Dutch Embassy in Bangladesh and the AGT.

Thirdly, the absence of baseline data presents a clear limitation and makes a comparison across time difficult (in essence, comparing the situation in horticulture before and after the IRBC policy instruments). To some extent, this was mitigated by resorting to recall techniques, i.e. investigating through secondary data and asking respondents to position observed changes within a temporal timeframe.

Fourthly, it should be noted that this report is not a general effectiveness evaluation, but pertains exclusively to questions of RBC promotion. For instance, the study includes a number of private sector instruments and empirically investigated two PSI projects, one CBI project in Bangladesh. However, the study is neither an evaluation of the general effectiveness of these instruments nor of the effectiveness of the sampled projects. The entire study was guided by questions of how different Dutch IRBC policy instruments (e.g. private sector instruments) aim to promote responsible business conduct and how this affects companies involved in the instruments. Similarly, the study was also limited in its ability to fully assess the sector agreement as it was in early stages of implementation. Moreover, there is a full evaluation of the sector agreement scheduled for 2019. We were also limited by fact that we could only speak to one Dutch brand amongst 70 signatories during the time frame of the evaluation. The brand was one of the frontrunners of responsible business conduct. We spoke to the RBC representative in Bangladesh and two of their Bangladeshi suppliers and one foundation linked to a different Dutch brand.

Finally, in view of the research methods and the limited cases, there is no attempt at generalisation in a “sample-to-population” approach. Rather, the question of whether findings from Bangladesh have any applicability in other settings should be considered as a matter of transferability (Patton, 2002): What can be learned from the setting of Bangladesh that might be relevant for other – similar, but not identical – settings?

### 3. Evaluating Dutch IRBC policy in Bangladesh

#### 3.1 Relevance of IRBC in Bangladesh

Bangladesh is renowned for its extraordinary progress over the past two decades on reducing poverty by nearly one third (World Bank, 2018ab)<sup>3</sup> and making significant progress on life expectancy, nutrition, literacy and per capita food production. This has been driven by a steady six percent growth rate up to 7.3 percent in 2018, which has secured Bangladesh's status as a lower-middle income country in 2015 (World Bank, 2018b). The ready-made garment (RMG) sector is regarded as a major driving force for rapid economic growth, constituting the country's main export industry (82 percent of total export revenue) and employment (EC, 2017).

Currently, Bangladesh is at a critical turning point to reach its ambition of securing upper-middle income status by 2021 (Bangladesh's 50<sup>th</sup> birthday) (World Bank, 2018b) and graduating from the UN's Least Developed Countries (LDC) list by 2024. The CSR Risk Checker identifies a total of 90 risks, of which the majority (50) relate to labour rights around health and safety, wage and remuneration, labour conditions, child labour, freedom of association, labour exploitation and human trafficking (MVO Nederland, 2018). Challenging social, political and environmental risks and corruption are noted as one of the key bottlenecks (Triodos, 2013) as reflected in following figures. Bangladesh currently ranks as the 106 out of 138 countries in attractiveness of doing business and investment climate (World Economic Forum, 2017), 177th place out of 190 countries for 'Doing Business' (World Bank, 2017), and 145 out of 176 on Transparency International Corruption perception index (2016). Corruption and lack of governance continue to be a major obstacles to companies operating in Bangladesh and supporting the transition from aid to trade, not only in terms of attracting direct investment, but more so in navigating the challenges when operating in Bangladesh.

#### 3.2 Bilateral relations and trade between Bangladesh and the Netherlands

In spite of Bangladesh's tremendous growth achievements, 22 million people continue to live below the poverty line with a per capita income of US\$ 1.90 per day (World, Bank, 2018). Whilst on track to achieve middle income status by 2021, the country is still characterised by deep inequalities. These issues have set the frame for Bangladesh's status as one of the Netherlands' 15 priority transitional<sup>4</sup> countries from 1972 and evolving bilateral relationship from aid to trade. Historically, Dutch development cooperation and investment has focused on three areas: water, sexual and reproductive health and rights (SRHR), and food security. In the period 2013-2016, an average of €49 million was spent per year in Bangladesh, spread over water (developing the Bangladesh Delta plan) (50%), food security (16%) and SRHR (15%). Following the Rana Plaza tragedy in 2013, the Embassy has given special attention to labour conditions and safety in the RMG sector under its auspices to transition away from traditional aid relations (2%) (IOB, 2018) (see Annex 4).

It is expected that the Embassy will continue its development cooperation programme in Bangladesh in the coming years whilst intensifying its activities in economic diplomacy. Whilst RMG is still highlighted as an important issue in recent BHOS Kaag ministerial letter, the degree of support remains uncertain as other risks have escalated up the political agenda such as the Rohingya crisis (pers. comm. Embassy).

The Dutch focus on transitional relationships is also reflected in the growing bilateral trade. The Netherlands holds the position of the 10<sup>th</sup> largest export market (2.6% of total), and 37<sup>th</sup> largest import market (0.4% of total) for Bangladesh (ITC, 2015). From 2008 to 2015, approximately €600 million worth of goods were imported from Bangladesh and €126 million worth of goods were exported, with an

<sup>3</sup> Bangladesh reduced poverty from 44.2% in 1991 to 13.8% in 2016/17 (World Bank, 2018a)  
<http://www.worldbank.org/en/country/bangladesh/overview>

<sup>4</sup> Bangladesh is one of eight partner countries classified as a transition country for the aid and trade agenda and receives its own delegated budget.

average negative total of goods balance of €475 million per year. The average import of goods in 2011 was €430 million, and increased to €771 million in 2015 and a billion euros in 2016. Out of this, the majority of the imports are clothing (90%) followed by crustaceans (5%). In comparison, Dutch exports of goods increased from €94 million to €158 million in 2015, comprising of machines, animal feed and rubber products.

A recent IOB assessment of the Embassy concludes that EKN has good oversight of the active Dutch business community, size of investment (trade/direct investment), employment created and possible ICSR activities. However, there are some delays in registration in Achilles (IOB, 2018). There are different figures estimating the size of Dutch direct investment in Bangladesh. According to DNB, total FDI from the Netherlands in 2015 was €77 million excluding SFIs, and €178 million including SFIs (IOB, 2018). This is in contrast to the estimates of the Central Bank of Bangladesh which note Dutch direct investment of US\$ 735 million at end of 2015. Overall, the trade/FDI figures are considered modest in light of the growth potential for investment (particularly in areas of logistics and port development) and supportive legal frameworks in place to promote bilateral trade. In 2011, Netherlands was the 8th biggest export market for Bangladesh (ITC, 2017). These include the 1993 bilateral protection agreement to avoid double taxation on goods, bilateral investment agreement (IBO, 1996), and privileges for FDI in sectors of textiles, clothing and construction. In practice, these are hampered by a number of obstacles; namely corruption including getting permission from Bangladesh Investment Development Authority (BIDA) for transfer of capital and profits, and monopolisation of Bangladeshi cartels across different sectors, coupled with broader negative perception from Dutch business of doing business in Bangladesh and the recent terrorist attacks targeting foreigners.

### 3.3 The Ready Made Garment (RMG) sector in Bangladesh

Bangladesh is currently the second largest apparel exporter globally of RMG following China. The sector is widely acknowledged as the main driver of reducing the number of Bangladeshi's living below the poverty line from 44 percent in 1991 to 13 percent (World Bank, 2018b). The sector will continue to play a major role in supporting the country to achieve its target of achieving middle income country status by 2024. The RMG sector employs approximately 4.2 million people, of which 55-70 percent are women (ILO, 2017). The EU remains the Bangladesh's largest export market for RMG products (60%), with the Netherlands more recently emerging as the 7<sup>th</sup> top destination for exports from Bangladesh (IOB, 2018 forthcoming; Bangladesh Export Promotion Bureaux, 2018<sup>5</sup>).

Bangladesh's prominent role is attributed to two main factors. First, due to elimination of tariffs and quotas under the Everything But Arms (EBA) initiative for countries categorized as Least Developed Countries under the generalised system of preferences (GSP) since 2001 and the relaxation of rules of origin for textiles and clothing in 2010 (Anner, 2017; Vogt, 2018). Second, Bangladesh's wages continue to be amongst the lowest globally in the apparel exporting countries. With the move towards 'fast fashion', Bangladesh's global competitive edge is fuelled by its ability to provide cheap abundant labour, high volume production, fast turn around and light regulation (Barret et al, 2018; Vogt, 2017). Note that the first factor is likely to change once Bangladesh graduates from Least Developed Country category status in 2024, where there will be a three year transition period<sup>4</sup>.

The rapid and unregulated growth of the RMG sector together with small profit margins has led to considerable rights violations around occupational safety and health. The Rana Plaza disaster in 2013, killing 1,136 following closely after the Tazreen Fashions fire (where 112 died) catapulted the Bangladesh RMG/textiles sector under the global spotlight as one of the worst industrial accidents worldwide (Barret et al, 2018; Wiersma, 2018). The result has been a massive mobilisation effort between the Government of Bangladesh (GoB), RMG employers' associations, global and local unions

<sup>5</sup> Within Europe, Germany and the UK are the largest export market in 2018 based on Bangladesh government official data: <https://www.textiletoday.com.bd/bangladesh-exports-germany-higher-us-market-jul-feb/> and <https://rmgbd.net/2017/07/exports-to-major-destinations-drop/>

international brands, civil society and development partners to address safer working conditions and workers' rights (Barret et al, 2018; Vogt, 2017). It was clear that business could no longer continue as usual resulting in the need for a major re-haul in factory safety, inspection and social compliance to protect workers to retain the interest of global buyers. In response, several key initiatives emerged to address workers' safety challenges: Sustainability Compact, brand led initiatives (Bangladesh Accord and Alliance), and Government of Bangladesh (GoB) led National Initiative.

The Sustainability Compact<sup>6</sup> (Compact) is a joint initiative set up in the aftermath of Rana Plaza by the EU, GoB, USA, ILO and later Canada (EC, 2017). It required the GoB to fulfil a number of time-bound commitments related to fire and building safety, freedom of association and collective bargaining, reform of GoB labour law and responsible business in order to maintain its trade benefits. Lack of compliance is increasingly being linked to the threat of EBA suspension (Vogt, 2017<sup>7</sup>). In parallel, global brands established two initiatives using the threat of withdrawing their orders to impose compliance. The Bangladesh Accord on Fire and Building Safety (Accord), set up by global brands and retailers and trade unions in the European market, and the Alliance for Bangladesh Workers Safety founded by US, Canadian and Australian apparel companies, launched a similar Bangladesh Worker Safety initiative. Both include five year legally binding agreements to address safety conditions in RMG factories following an independent inspection process, development of Corrective Action plans (CAPs), democratic election of health and safety committees, and set up of complaints mechanisms. The power of the schemes is that they can terminate sourcing relationships between brands and suppliers who do not uphold fire and building safety requirements. However, both the Accord and Alliance do not cover suppliers working as sub-contractors which are often engaged to meet the demands of fast fashion (i.e. extra volumes and shortened lead times) and to accommodate lowering price margins, suppliers meeting the domestic market and markets beyond Europe and the USA (Anner, 2017; 2018). This is left to the GoB led National Initiative (NI) implemented by the Remediation Coordination Cell under the Department of Inspections and Fire, the GoB's main regulatory system for covering the remaining sector. The NI is supported by the ILO and funded by the UK, the Netherlands and Canada. In spite of these initiatives making headway on issues of safety, there remains considerable challenges facing the sector related to wages, working conditions, gender discrimination, and overall freedom of association. The issue of **wages** in RMG sector is politically sensitive since it underpins Bangladesh's competitiveness. At the time of the evaluation (June 2018), the national minimum wage in the sector was BDT 5,300 which equates to approximately € 54. In practice, most workers work overtime to make an average of BDT 8,827 per day, compared to BDT 16,765 by supervisors (SANEM, 2018). In December 2018, the GoB announced that the minimum wage will increase to BDT 8,000 (€ 85).

Nevertheless, it is well acknowledged that the minimum wage is not adequate to cover living costs related to high rent in areas surrounding factories, and other costs related to food, education, etc. In other words, the current minimum wage is not sufficient to cover the level of wages needed to meet the basic living needs of an average-sized family in a particular economy (otherwise known as the living wage).

Recent research suggests that the current living wage in Bangladesh should be around BDT 16,460 (€168)<sup>8</sup>. Since Rana Plaza, wages have increased over three moments in time within the last five years,

**Box 1: Pressure for increasing wages not matched by increasing prices**

Since Rana Plaza, there has been a 5.9% decline in the nominal US dollar price paid per kilogram of T-shirt imported to EU whilst there has been a 77% increase in the minimum wage, and mean per supplier increase in building safety expenses of US\$ 256,930. Meanwhile lead times reduced by 8.14% since 2011 and frequent changing of order specifications. More alarming is the findings that workers' rights violations had increased during same time frame when buyers reduced prices and shortened lead times culminating in the massive strikes in Ashulia in 2016 resulting in the arrest of 34 union leaders and firing of 1,600 workers.

Source: Anner (2017)

<sup>6</sup> Full name known as the Compact for Continuous Improvements in Labour Rights and Factory Safety in the Ready-Made Garment and Knitwear Industry in Bangladesh.

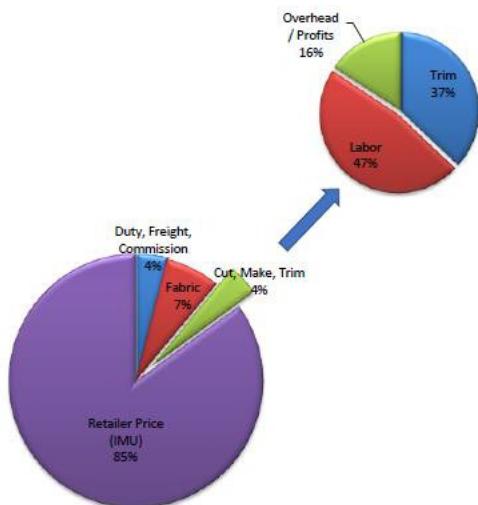
<sup>7</sup> 2015, Trade Commissioner Cecilia Malmström indicated that the EU might reconsider its stand on the EBA if compliance with the terms of the Compact did not improve (Malmström, 2015 cited in Vogt 2017:81).

<sup>8</sup> [https://www.isealliance.org/sites/default/files/resource/2017-12/Dhaka\\_Living\\_Wage\\_Benchmark\\_Infographic.pdf](https://www.isealliance.org/sites/default/files/resource/2017-12/Dhaka_Living_Wage_Benchmark_Infographic.pdf)

yet prices of products offered by importers have decreased (see Box 1). Closer analysis of what makes up the pricing considerations for international buyers is important to identify opportunities to reduce prices and increase efficiencies in the system.

Box 2 illustrates the breakdown of costs for garments, highlighting that only four percent of the total retail price of a garment comes from the cut-make-trim segment relative to 85 percent of the applied mark up. Cut-make-trim represents the final cost of the garment assembly where the majority of work, labour costs and overheads for supplier factories are captured (large pie chart). This is relative to the Free on Board (FOB) costs related to inputs, and the Estimated Landed Cost (ELC) costs related to international freight, tariffs and duties, and Initial Mark Up (IMU), which is the price that the product is sold for (Alvanon, 2017 cited in Anner, 2017). The small pie chart shows that within the cut-make-trim segment, labour accounts to 1.6 percent of the final retail price of garments. These figures highlight the relative small share of labour cost compared to the overall retail price. These are stark reminders of the political sensitivities and double standards around demands for living wages vis-à-vis the global drive to reduce costs and make profit in supply chains.

**Box 2: Cost breakdown in Garments**



Source: Alvanon (2017) cited in Anner (2017)

Overall **working conditions** remain problematic (Mariani & Valentini, 2016; SANEM, 2018). Working hours continue to be excessive, with many working beyond the legal 10 hours per day to make ends meet. Recent studies show that although health care facilities are available, they are not always visited by registered medical staff; lack of female medical staff was a barrier to uptake of services; and workers are not always aware of their entitlements to such services (SANEM, 2018; SNV, 2015). Moreover, inconsistent responses from workers and supervisors within the RMG sector relative to other industrial sectors suggest that many were not aware of services, nor their rights to the services.

Another contentious issue concerns **gender rights related violations**. Although the industry has been hailed for empowering women to escape traditional gender roles and enter the formal workforce, it exposes them to different types of discrimination and risk (Raworth, 2004; ILO, 2018; Morris & Pillinger, 2016). Women typically occupy lower skilled jobs and are excluded from higher paid jobs, which are either more physically demanding or higher up in supervisor positions (IFC, 2018). Women on average tend to get less time for training than men, are not featured in factory management plans for upgrading skills, and often are not prioritized for learning new machine operations (Mahmud & Afrin, 2017).

**Wage discrimination** is rife and women earn 21 percent less per hour than men (SANEM, 2018a; ILO, 2017). Major gaps also exist in addressing women's needs related to **maternity benefits**, adequate services for child care and SRHR. Recent studies confirm very low rate of pregnancies amongst married

women (6% amongst married women) and low uptake of maternity leave and benefits (SANEM, 2018; UNICEF, 2018). Whilst official figures on sexual harassment and gender based violence are officially low<sup>9</sup>, there is concern these do not reflect the full situation (SANEM, 2018; SNV, 2018). Many stakeholders working on the issue note that harassment does take place in workplace, and particularly on the commute to and from workplace, and in the accommodation surrounding the workplace. The main reason for low figures is that it is un-reported due to the fear of losing jobs, the culture of denial/stigma around GBV, lack of confidence in speaking out against it (FWF, 2013). Meanwhile, the declining statistics of women's representation in the workforce from 80 percent to around 61 percent point towards a **de-feminisation of the workforce**, which raise new challenges for due diligence processes and inclusive employment opportunities (SANEM, 2018; ILO, 2018). There are different explanations offered captured in Box 3.

**Box 3: Different hypotheses for the de-feminisation of RMG workforce**

Rising automation and innovation in the sector has reduced the demand for low-skilled jobs that women predominate. Low career advancement opportunities for women and increasing selectivity from factories for more skilled positions imply that it is difficult to compete with men who have better access to training opportunities and higher literacy. Another hypothesis is that women are opting out due to the sheer amount of work after dedicating 5-8 years of intensive physical work (they have burn out). In parallel, the rise of domestic markets (working in beauty parlors) are seen as more respectable and less arduous working conditions for new generation of women. Another challenge is the perceived lack of sustainability and prospect of long term economic empowerment in the sector. In the past women, regard this as an ad-hoc short term employment opportunity which supports raise savings for dowry, after which they can then quit the job after marriage is fixed.

Source: (pers. comm.)

Limited headway has been made on all of these issues beyond safety due to a fragmented and politicised union movement. **Freedom of association** is notoriously difficult in Bangladesh. The Compact has made some progress in advancing pro-union labour reforms (increasing threshold of membership, and freedom of trade unions in export processing zones) as a condition for maintaining the tariff benefits under EBA, resulting in a proliferation of unions. However, there is concern that these do not tackle the root problem which is a deeply hostile attitude towards union activity by the GoB (Vogt, 2017). These underpin a range of subtle strategies to repress union activity including official requirements to inform police in advance of meetings; having sufficient time to meet, threat of violence or losing jobs. This is in addition to reports of 'laptop/briefcase/pocket unions' to describe fake or bought unions which have no connection to the workers.

<sup>9</sup> A recent ILO baseline study noted that 2.47% workers reported sexual harassment or unwanted touching from a sample of 2,184 workers (SANEM, 2018).

## 4. Private sector instruments in Bangladesh

### 4.1 Objectives and activities of private sector instruments

The following private sector instruments were looked at in Bangladesh: the Private Sector Investment Programme (PSI) and a programme run by the Centre for the Promotion of Imports from Developing Countries (CBI). Whilst the PSI did not address RMG sector directly, it was intended to stimulate responsible business through entry point of joint ventures between a Dutch company and Bangladesh company and compliance on key RBC criteria. In contrast, the CBI program was specifically designed to upgrade Bangladesh suppliers production quality as well as RBC compliance. It is important to note that the evaluation was limited in that there were few RVO projects within the portfolio, and only one PSI project falling within the evaluation period.

- PSI, formerly known as PSOM (Programme for Cooperation with Emerging Markets), was a subsidy programme for innovative pilot investments to stimulate financial growth, create employment and generate income. It sought to achieve three main outcomes: the establishment of innovative businesses in developing countries, job creation and knowledge transfer, and the implementation of policies concerning RBC, gender equality and environmental sustainability (Ape, 2016; RVO, 2016). PSI has supported three projects in Bangladesh, of which one was included in this study: a joint Bangladesh/Dutch venture producing specialised mattress covers for the European and regional market (PSI09/BD/02). A second former PSOM recipient was included at the request of EKN because of its relevance as an exemplary RBC frontrunner in Bangladesh. This joint venture focused on large size packing bags known as Flexible Intermediate Bulk Containers designed to carry dry goods (sand, fertilizer etc.) (PSI09/BD/01) (see Annex 5).
- The CBI export coaching programme (Garment Bangladesh: 2014-2017) focused on upgrading Bangladesh garment manufacturers from the low end of market to higher EU market segments and to contribute to a higher degree of RBC compliance. It worked with a group of Bangladesh front runners at different levels (22 companies doing dying, washing, printing) to reach higher EU market segments and serve as positive examples of quality and compliance. The programme specifically aimed to tackle the negative image of Bangladesh as a low end supplier hampered by safety and labour conditions issues (CBI, n.d.g).

It should be mentioned that none of the selected private sector instruments were established for the purpose of RBC promotion, but are *private sector development instruments* and include RBC as one of their (many) sub-components.

For PSI, all participating companies must adhere to PSI's ICSR framework which refers to OECD Guidelines, and ILO conventions and rights at work. The Dutch partner is expected to use its influence and leverage with local partners to mitigate negative impacts along the supply chain, particularly to avoid child labour or forced labour amongst suppliers. In both cases, the division of responsibility entailed the Dutch partner taking care of paper work and administration of PSI support in The Hague, whilst the Bangladesh partner focused on manufacturing and the Bangladesh administrative side. The analysed cases differed in the depth of operationalisation and ability to put RBC into practice because of exposure to different circumstances and their different RBC motivations as highlighted below. The most common way to check adherence to CSR compliance was through demonstrating passing certain RBC certification (environmental, quality, social responsibility). On social responsibility these included Fairtrade, ETI and SA8000 and were often driven by clients in export markets rather than the PSI applicant.

For the CBI programme, whilst the focus was not on Dutch companies per se, there was a direct attempt to influence Bangladesh manufacturer's RBC practices as a leverage point to improve their bargaining power with European including Dutch trading companies. The main activities included: 1) export coaching and training on RBC, marketing and design which a key focus on a self-assessment activity; 2) developing an export marketing/branding strategy focused on improving the image of Bangladeshi garment sector; and 3) strengthening relevant export services such as EU market information, sourcing expertise, professionalizing trade fair participation.

## 4.2 Results of private sector instruments

It was observed that the five Bangladeshi companies consulted for this study engaged in RBC to varying degrees which influenced their reported RBC outcomes. The two companies participating in PSI primarily addressed RBC mainly through international certification, and criteria stipulating salaries 10 percent above minimum wage and increased women employment. In comparison, across the three CBI factories there was appreciation for deepening their understanding and awareness of RBC particularly in the area of safety and reported ability to use RBC activities as well as improved to leverage and negotiate better prices with European market.

### *Working conditions*

All Bangladeshi companies noted that they follow the Bangladesh labour law, but there were variances depending on their intrinsic motivation. One of the biggest challenges across the CBI portfolio has been around the issue of working hours, where it was observed that delays in orders can cause overtime which factories are often not well equipped to deal with. Not only does it increase costs for the company (providing extra food and pay), it also adds stress to the worker. Through CBI, they were coached on how to calculate cost of overtime as a strategy to mitigate excessive overload during peak time.

On safety, all manufacturers noted their involvement in Accord/Alliance assessment or National Initiative and associated Corrective Action Plans (CAP). CBI factories reported that the CBI scheme in particular had deepened their knowledge on how to deal with safety in dying and using chemicals. They have improved their handling of chemicals and using protective equipment (needle guards, eye protection, chemical protection). The advances in safety in the printing and chemical management were noted as being very informative in making practices more safe for workers (needle safety, eye protection). This was particularly important in the dying and printing facilities where there are higher risks. RBC on environmental compliance was also significantly improved through the assistance of CBI.

On due diligence of labour rights, we observed that across the PSI and CBI factories, worker participation committees were in place, but it was not clear how functional these were. This reflects larger PSI evaluation findings that trade union participation was weak, where workers were either not allowed or discouraged (APE, 2016:104; RVO, 2016). CBI had made efforts to at least ensure these committees were elected and not appointed by management. CBI's regular monitoring checks reported increased efforts to increase awareness of workers' rights through displaying the BSCI code of conduct, increased training opportunities on rights. This was also reported in the more advanced PSI case linked to the election (rather than selection) of worker participation committees (and in one case a trade union) as a forum for workers to approach and provide more structured feedback to management about complaints and working conditions. Grievance mechanisms in the shape of complaint boxes, with explanations on how to use it (on notice boards) were made available as well as efforts to elect female welfare officers to ensure that complaints were also more comfortably reported to women.

For health benefits, there were similarities across both PSI and CBI companies where both reported either ensuring a doctor was available on premise or provided access to health centres in surrounding committee which provide pre-medical services and medicines free of cost. These were often linked to other awareness programmes providing information on reproductive health. Child care rooms were made available, but were often not used. The more advanced RBC poster child company had taken health benefits one step further by ensuring a more comprehensive package as one of its key strategies to avoid absenteeism together with recruiting female supervisors (see Annex 5 for case study of Dutch Bangla Pack).

### *Wages*

All companies reported they adhered with the GoB minimum wage of BDT 5,300<sup>10</sup>. Across the PSI cases, wages were slightly higher varying from BDT 6,200 to BDT 7,450 for lowest grade workers; thus reinforcing the findings of the PSI evaluation showing how salaries were well above the minimum wage

<sup>10</sup> Note that since the period of evaluation, the GoB has announced it will increase the minimum wage to BDT 8000 in December 2018.

ceiling and that salary and overtime payments were being followed according to Bangladesh labour laws (APE, 2016). This is not surprising as it is one of the conditionalities of the PSI grant is to offer a wage that is 10 percent higher than the minimum wage.

Across the CBI portfolio, wages were not higher than the minimum wage as the programme was never aimed at advocacy on wages. A recent survey of wages to support study of living wages by CBI found that the majority were paying a minimum wage as per Bangladesh law with yearly increments. This applied to starting employees who have yet to learn the trade whereas the skilled workers were already on higher wage scales. The assumption is that when companies get more orders because of improved RBC practice, production will increase and this will translate in trickle down effects to improve wages and timely payment for workers. All companies reported to be paying bonus time and overtime. The exception was one of the PSI cases which deliberately chose to incorporate overtime payment into daily wages to avoid incidence of working overtime (see Annex 5). Ironically, some workers left because they wanted to receive overtime. However, it is important to note that wages differ by types of workers. In some cases, contract workers are hired during peak season and these get paid by piece, and are managed by a leader who can negotiate the payment.

#### *Gender*

Both PSI cases made active steps to meet the 50 percent criteria of women employment. However, as noted by the PSI evaluation, these do not serve to address systematic inequalities (APE, 2016; RVO, 2016). The advanced PSI company made additional efforts to upgrade women to supervisory roles supported by specific training for women. It also sought to provide private hostels for women at subsidized rates to deal with security concerns related to travelling to and from work (see Annex 5). The other PSI project advised women to travel before dark. Across the CBI portfolio, a common constraint to upgrading women to supervisor positions was the perception amongst management that the local context (norms against women in leadership position), location of factories outside of Dhaka, and longer working hours with this position were barriers for women taking up these positions. Interviews with workers across the three factories also noted that many women neither felt confident nor had time to take on these positions because of their other roles in the household (e.g. household care, child care).

It is notable that none of the companies had any anti-harassment committees in place since these issues were felt to be covered in the worker participation committees. From the workers' perspective in CBI it was reported that whilst grievance mechanisms exist, they are not commonly used because a) for small issues they felt it was better to report to a female welfare officer rather than making a written complaint; and b) there were few harassment cases reported<sup>11</sup>. Given the under-reporting on gender-based violence, it is difficult to take these comments at face value. Committees addressing this were more evident through specific project which had stronger gender articulated outcomes to support women such as through ILO Better Work Programmes and the SNV Working with Women project (see Section 5). However, it is important to situate these findings in the broader context of fact that the OECD guidelines themselves provide limited guidance on how to address gender-specific risks.

#### *Standards*

All factories noted that their past experiences of RBC were largely driven through requirement for certification from customers as a condition for doing business. Most of the factories have a range of social and environmental certification standards in place including BSCI, Sedex, ISO 9001, ISO1400 and Oeko-tex. Only one held SA8000 making it only one of two Bangladeshi companies to have SA8000 certification. It was noted by many that once the certification was acquired there was rarely any follow up from the customer to ensure compliance. An overarching comment by many of the Bangladesh suppliers working with Dutch and European companies was fatigue and frustration with the multiplicity of audits for different certification standards required by different clients. These not only increased costs, they also served to reinforce the interpretation of RBC as complying with standards.

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<sup>11</sup> It is difficult to take these statements at face value as the interviews were made with presence of factory management.

### *Corporate philanthropy and community engagement*

Many of the Bangladeshi companies reported undertaking a range of ‘charitable’ activities in the surrounding community. These included building a hospital, giving out scholarships to children of workers and offering subsidised food to workers. For companies with more advanced RBC activities and experience, additional funds have been secured to create employment conditions in the surrounding community and explore more of the environmental aspects related to RBC.

### 4.3 Relevance, additionality and coherence of private sector instruments

It was observed that the *relevance* of PSI addressing key RBC issues is low, as confirmed by recent evaluation of the PSI portfolio (APE, 2016, RVO, 2016<sup>12</sup>). PSI only addresses RBC through working conditions in relation to criteria on minimum wages and increasing number of women employees, which are not the most urgent CSR issues in Bangladesh. The issue of wages is politically sensitive given the double standards around pricing (Box 2) and controlled by Bangladesh Minimum Wage Board, and therefore cannot be directly influenced by PSI. Women’s representation in the workforce is not the most critical gender issue as noted by numerous interviewees since the workforce is already dominated by women. Rather, upgrading women’s position within the sector, access to maternity pay, and addressing gender-based violence and cultural norms concerning the different roles that women and men can play in the workplace are more relevant. Moreover, the focus on female employment figures whilst positive, did not address companies need to employ and retain women nor improve decent working conditions.

In contrast, the *relevance* of CBI can be assessed as medium to high. With the emphasis on coaching, there is more direct contact with Bangladesh suppliers to tackle a number of risk areas, primarily around safety, but also around other issues such as grievance mechanisms and freedom of association. Its advantage is its use of the private sector development angle to add value to the product as an entry-point for Bangladeshi suppliers to negotiate more financial space to invest into RBC (better wages, and improvement in working conditions). The assumption is that through better RBC practices, Bangladeshi companies will be able secure more European buyers (CBI, n.d.g). It also seeks to address some of root causes of Bangladesh rights violations related to low wages, but focusing on increasing Bangladesh’s competitiveness for higher value goods.

From the perspective of Bangladeshi supplier, there were notable benefits of involvement in a CBI funded programme. It increased confidence of Bangladeshi suppliers to understand their position in the value chain, upgrade their skills to innovate (through support for design, marketing) provide confidence to go out and meet new clients, rather than relying on old clients where there is price squeeze, and negotiate better prices with buyers to get higher profit margins. Bangladeshi suppliers noted that CBI was key in changing their mind-set to be more proactive and confident to negotiate better prices from the standpoint that they were offering products from an environment which was more RBC compliant. In doing so, it demonstrates *coherence* with GoB and employers’ associations priorities to tackle the negative image of Bangladesh and addressing the price squeeze of brands and the need for innovation. Thus, the CBI programme has the potential to address some of the root causes of non-compliance linked to Bangladesh competitive edge related to cheap labour. With the emphasis on adding value it supports suppliers to have more bargaining power with buyers, to secure better prices for products, with the assumption that it will lead to savings on efficiency that will translate into better wages and investment in RBC.

More broadly, the programme is also well regarded by other actors across the GoB and the employers’ association. It is regarded as a scheme that supports Bangladesh’s branding overall and helps with negotiating better prices for Bangladeshi products. However, there was concern that its influence is limited as it only focuses on a small number of Bangladeshi factories, and that there remains more work to share learnings with other factories to ensure spill over.

In terms of *coherence* with other Dutch IRBC policy instruments, there was mixed evidence. For the

<sup>12</sup> Within the APE evaluation of 6 countries (Bangladesh, Bosnia, Peru, Egypt, Sierra Leone, Uganda), from a sample of 49 cases, 8 case studies came from Bangladesh.

PSI programme there was more evidence of EKN supporting the PSI than vice versa. This was demonstrated by EKN's efforts to showcase the joint venture as the RBC frontrunner and motivate others on the added value of RBC. EKN was also critical in dealing with corruption, by personally going to BIDA to ensure the release of FMO funds from BIDA. In The Hague, Embassy staff also carried out advocacy with RVO and FMO to show that CSR also has costs, as an effort to do more lobbying with Dutch companies to pay higher prices.

With regards to CBI, EKN made active strides to learn from the programme to explore how to incorporate more of a private sector development angle in its RBC efforts as an entry point to increase Bangladesh's competitive edge and branding. CBI was appreciated by EKN as a scheme that supports Bangladesh companies to move up the value chain and add value to their product; thereby improving their negotiating power with customer. This recognises that in the long term, wages are becoming less important than the need for speed of innovation in the market. The example of a Bangladesh denim entrepreneur involved in CBI was given to illustrate how CBI has supported him to innovate and produce his own designs using new sustainable technologies to produce denim jeans and advance RBC. This was done by organising denim expos to showcase how new technology can be used to produce more sustainable and socially responsible denim; thus escaping the trap of producing commodities at low prices and relying on low skilled labour. According to the Embassy, their own exposure to CBI has contributed to advancing their deeper understanding of how to connect RBC to private sector development angle, thereby demonstrating *additionality*. Similarly, for Bangladeshi suppliers linked to CBI, the exposure to other clients through matchmaking activities has generated new Dutch and other European clients which would not have been possible without engagement in CBI, therefore demonstrating *additionality*.

Our study indicates that evidence for *additionality* from PSI is low. Only in the case of the frontrunner company in RBC, was there some evidence of additionality whereby PSI funding may have helped to leverage access to other Dutch funding (FMO loan) to advance their RBC activities. Rather, there was more evidence of other Dutch IRBC instruments such as the Embassy and the Dutch company itself seeking to identify opportunities to expand on the initial CSR activities brought through the PSI. For example, the Embassy was reported by the joint venture as being supportive to lobby private sector actors and the Dutch government in The Hague. One instance was reported where the Embassy was able to use the visit by the Bangladesh Prime Minister to the Netherlands as an opportunity to showcase the joint venture as role model for RBC in Bangladesh. This further demonstrates coherence between Dutch IRBC Instruments initiated from Embassy rather than from the PSI.

#### 4.4 Discussion of private sector instruments

The different PS instruments shed insights into the different challenges of integrating RBC from the entry point of Dutch companies through joint ventures, as well as from the bottom upwards through Bangladesh companies directly.

##### *Drivers of responsible business conduct*

The motivation for engaging in RBC varied across the PS instruments and the ability to benefit depended on the company's own intrinsic motivation and circumstances. From our small sample of Bangladesh domestic suppliers linked to the two PSI joint ventures and the CBI programme, RBC is externally driven – first, as a conditionality to receive the private sector grant (in the case of PSI) and second, to meet certification requirements to access market (in the case of CBI). For the PSI case<sup>13</sup>, the perceived added value was to secure funds to cover the costs of equipment and deal with an economically difficult situation. RBC was regarded more as a luxury that bigger companies (particularly integrated companies involved in spinning, dyeing and manufacturing) could afford. Rather, the main challenges by these companies included staying afloat and economically competitive when faced with political challenges, corruption and limited market demand for its product. This was also the view for Bangladesh companies linked to CBI, who were motivated to engage in CBI for its entire package, not

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<sup>13</sup> This refers to the PSI case that did fall under the evaluation time frame and not the exemplary CSR case.

just the RBC components as noted by their overarching comment that the greatest benefit was to improving quality production rather than RBC per se. For CBI recipients, RBC was interpreted as doing a 'bit extra over Bangladesh law' compared to PSI recipients where RBC was perceived as something the Dutch partner should take care of. As such, both private sector instruments appeared to be doing little to improve overall awareness of the OECD Guidelines or improving both the Dutch company or Bangladesh partner's ability to report on risks.

Yet, for those where there was already a prior interest to practice responsible business behaviour, the instruments provided a platform to deepen their activities. For example, with Dutch Bangla Pack (see Annex 5), the PSI grant facilitated an exploration of how a responsible business approach could tackle absenteeism. The combination of RBC activities, including women supervisors as well as an on-site hostel, produced real benefits. With female supervisors, management was able to understand root causes of absenteeism ranging from issues related to food provided on-site to female hygiene problems, which arguably were not voiced to male supervisors. This was a big contrast to the past where they would send a doctor or nurse to check when workers were unwell who were unable to go deeper into root causes of illness. Interestingly, some attempts also backfired, whereby the abolishment of overtime led some staff to leave due to their opinion (mind-set) they could get more money through overtime by going elsewhere. Their journey with RBC also enabled them to leverage additional Dutch funds (FMO funds) to deepen some of their RBC activities as well as expand their business. The result is that they have become the poster-child for exemplary CSR across all Dutch Bangladesh joint ventures.

#### *Approach to responsible business conduct*

In practice, the approach to responsible business conduct varied. An overarching comment by several respondents was the broad interpretation of RBC in Bangladesh as a barrier for implementing RBC. Interviewees from different sectors commented that it is important to distinguish between Dutch and Bangladesh interpretations. For Bangladesh companies working with Dutch companies, upholding GoB law was regarded as the bare minimum and anything extra was considered philanthropic activities; thus supporting broader literature (Masud et al, 2013; Porag, 2014; Rahman & Juy, 2016). This manifested itself in Bangladesh companies establishing separate foundations to engage in the provision of education stipends to workers children, or subsidised food/meals, and setting up hospitals.

For non-Bangladesh stakeholders, it was noted that the understanding of RBC was too broad to grasp, spanning from environmental to social issues. Many interpreted it more as compliance to certification standards, or prioritized the social aspects like working hours rather than thinking of personal protective equipment. This explains why, when asked about exposure to 'responsible business', many Bangladesh companies responded that they were already engaging in RBC activities prior to the engagement with Dutch companies, as evidenced by their compliance with buyers standards (especially through the use of certification standards) and corporate philanthropic activities.

The reliance on certification was problematic in both PSI and CBI because of the assumption that it will lead to all due diligence issues being sufficiently addressed. It was observed that certification does not necessarily mean RBC issues are taken care of, nor will be sustained in the long-term. One concern was that certification (e.g. BSCI, SA8000) could be 'bought' from a third party and was treated more as a 'tick-box' cosmetic to secure foreign contracts. These findings can partly be attributed to how RBC conditions were introduced through upholding certain criteria (in the case of PSI emphasising minimum wage and women's employment) and through self-assessments by applicants linked to certification standards. Rather, what was found to be more effective was the hands-on coaching of CBI which deepened a broader understanding of RBC beyond what was stipulated in Bangladesh law.

An overall observation was that the approach to RBC by Bangladesh companies was influenced by their intrinsic motivation (i.e. PSI appears to work better with entrepreneurs that are already interested in RBC) and enabling environment. One PSI case remarked that they were not able to fully benefit from the instruments at all because of political unrest, corruption and fluctuation of market demand for specialised products. These business risks hinder the ability to implement RBC.

### *Responsible business conduct does not pay*

It was observed that the business case for RBC does not always hold from the perspective of the Bangladesh company. A common frustration voiced by Bangladesh companies was that Dutch and European buyers were more interested in certification as indicator of compliance and that attention to responsible business dissolved from the Dutch customer once standards were achieved with no subsequent follow up. From the perspective of the Bangladesh partner, practising and implementing RBC has costs linked to auditing processes and keeping the activities in place and ongoing monitoring. These were exacerbated by the need to adopt different auditing processes (for meeting different standards) to accommodate the different requirements of different clients. RBC does not pay off if the client is not interested beyond the point of making an order. It was observed that the cost of genuine compliance and maintenance including ongoing monitoring as well as costs for maintaining more than one certification standards was high. Moreover, investment in RBC was not necessarily rewarded with longer term commitments and supplier ratings when rigorously followed. This was very challenging with the production of highly specialised products. For example, when a Bangladesh company made a genuine effort to secure all of the state of art RBC compliance certification and go the extra mile, there was no genuine interest from foreign investors beyond 'getting through the gate'. Rather, issues to do with the product quality were prioritised by the customer. It was noted by respondents that part of challenge was the disconnect between customers procurement and RBC teams back in country who rarely communicate; resulting in the Bangladesh companies losing out when they cannot incorporate the costs of RBC into the price of their product. Unless the company is able to see benefits for how RBC contributes to the efficiency and profit of the business, relying on market demand for RBC was an insufficient motivator.

Related to this is the need to test the assumption implicitly embedded in CBI and voiced by some of the Bangladesh partners that higher prices for goods will facilitate more investment in RBC, which will feed into a virtuous circle to attract more business. This will need further testing to see if these assumptions hold. More importantly, these assumptions need to be situated in the broader context of good product quality, acceptable delivery times and supplier reliability which are also key drivers of attracting more business.

### *Limited reach and scale*

A far wider concern was the reach and scale of influence of such instruments. In terms of reach, there is low uptake of such schemes overall. This is illustrated through the fact that less than one million euro per year was spent by RVO in such instruments in Bangladesh in the past ten years (IOB, 2018). This is a reflection of the limited interest of Dutch business community to invest in Bangladesh (Embassy, pers. comm.).

Amongst the instruments, CBI was the most appreciated for its hands-on approach to RBC, expertise at its disposal and business/private sector angle to link RBC to more productive and quality business. However, there was concern expressed by different categories of stakeholders that the reach and scale was limited to a privileged few as CBI only covers 22 factories, making them a 'drop in the ocean'. Moreover, there were no plans to disseminate lessons learnt and share learnings beyond the 22 Bangladesh factories involved. Advocates note that the reach is limited precisely because of its design. Whilst scale out could be possible, this is conditional upon substantial investment. Nevertheless, there was consensus that there was room for manoeuvre in exploring more effective mechanisms for sharing lessons learnt.

## 5. Dutch Embassy activities in Bangladesh

### 5.1 Objectives and activities of Dutch Embassy activities

The Dutch Embassy (EKN) in Dhaka focuses on three areas: water, food security and sexual reproductive health and rights (SRHR). Attention to responsible business conduct in EKN emerged as a cross-cutting issue under its trade and economic development portfolio as part of the transition from aid to trade and economic development over the last decade. Following Rana Plaza in 2013<sup>14</sup>, and with the active support of former Minister of Foreign Trade and Development Cooperation (Ploumen), RBC within the RMG was prioritised resulting in its own dedicated budget of approximately € 3 million per year and the creation of a dedicated Embassy team on corporate social responsibility in the RMG sector, comprising of two staff an international and local staff who were also supported by two members from the economic diplomacy team. This has resulted in a core number of RBC initiatives in the RMG sector which responded directly to the safety crisis and then more crosscutting RBC issues with the sector as a whole (see Annex 6).

#### 1. RMG strategic projects

EKN invests a substantial amount of its overall private sector development (PSD) budget in co-financing to **ILO project on improving working conditions in the RMG industry**<sup>15</sup> (ILO RMG project) together with the UK and Canada<sup>16</sup>. Phase 1 (2013-2017) was an emergency response to address building and fire safety following Rana Plaza. It focused on building the capacity of the GoB National Initiative through improved legislation, enforcement and oversight of regulatory agencies through implementation of workplace level system to improve working conditions by employers and workers. One arm also includes **ILO's Better Work** (BWB<sup>17</sup>) programme which focuses on working conditions at factory level through harmonised assessment and tailored support. Phase 2 of the ILO RMG project (2017-2020) deepens these activities focusing more on the long term exit strategy. EKN also contributes €1 million co-financing towards the **Employment Injury Protection Scheme for workers in the Textile and Leather Industries** (EIPS), a €5 million project funded by the German Federal Ministry for Economic Cooperation and Development and implemented by GIZ and the Bangladesh Ministry of Labour and Employment. EKN has also invested in strategic research to assess the capacity of apparel enterprises to undertake economic transformation as well as to upgrade physical and social compliances during the post-Rana Plaza period (CPD, 2016).

#### 2. International diplomacy and agenda setting events

This includes the Netherlands' initial chairing of the intergovernmental 3+5+1 policy dialogue linked to the monitoring of the Compact<sup>18</sup>. It also includes the Local Coordination Group for Private Sector Development (LCG-PSG), a donor coordinating forum for all private sector discussions, which includes sub-group on RMG; also chaired by the Netherlands during initial phases. EKN has also used PSD APPS<sup>19</sup> funds to organize agenda-setting events tackling political sensitive topics within the RMG sector such as sustainable sourcing in garment sector (2016) and a roundtable discussion on living wages.

<sup>14</sup> Attention to ICSR emerges amongst embassy activities across a number of areas. ICSR within RMG/textiles was already flagged in 2012 as prominent issue to invest business due to the dominance of Bangladesh export to Europe.

<sup>15</sup> Improving Working Conditions in the Ready-Made Garment Sector in Bangladesh Programme. ([www.ilo.org/dhaka/Whatwedo/Projects/safer-garment-industry-in-bangladesh/lang--en/index.htm](http://www.ilo.org/dhaka/Whatwedo/Projects/safer-garment-industry-in-bangladesh/lang--en/index.htm))

<sup>16</sup> Although uncertain if Canada will fund phase 2.

<sup>17</sup> [http://www.ilo.org/dhaka/Whatwedo/Projects/WCMS\\_402978/lang--en/index.htm](http://www.ilo.org/dhaka/Whatwedo/Projects/WCMS_402978/lang--en/index.htm)

<sup>18</sup> The forum comprises secretaries of the Bangladesh ministries (commerce, labour, foreign affairs), ambassadors from 4 donors (UK, Canada, US, and alternate EU country) and the ILO.

<sup>19</sup> PSD APPS are a portfolio of small funds at RVO at the disposal of embassies to create a business-enabling environment, remove trade barriers and in matching local and Dutch business partners, in order to shape the local implementation of the Dutch agenda for Aid, Trade and Investment. Activities they are used to fund include: Matchmaking, Government to Government assistance, training of managers and entrepreneurs, trade missions to and from developing countries, transfer of knowledge between educational or knowledge institutions such as universities in a given country and in the Netherlands are some examples of these initiatives.

### **3. Responsible business conduct as a cross-cutting theme in water, SRHR and food security**

In water, EKN together with the International Finance Corporation (IFC) addresses environmental risks related to the RMG sector through the Partnership for Cleaner Textile (PaCT I, 2013-2017). In SRHR, RBC issues in RMG are made through the SNV project on Working with Women (Www): promoting sexual reproductive health rights (SRHR) through inclusive business practices in the RMG industry in Bangladesh. In food security, less direct links to CSR were made through the provision of fortified rice to RMG workers.

### **4. Economic diplomacy**

Beyond the RMG sector, RBC is also integrated across the EKN's economic diplomacy efforts to boost productivity, increase trade and Dutch investment in Bangladesh through embedded RBC principles. The Embassy provides dedicated services to the incoming Dutch business community on smoothening entry with guidance on both IRBC issues and how to do business in Bangladesh. EKN carries out a background check using its networks to ensure potential Bangladesh partners do not have a bad reputation, follows standard labour law, and do not have a reputation for child labour. During consultation, OECD Guidelines are referred to and linkages to potential Bangladesh partners are made. This includes reference to a RBC page set up through Nyenrode partnership ([www.nbbp.org](http://www.nbbp.org))<sup>20</sup>. EKN also uses PSD APPS to fund business scans in sectors where the Embassy is not active, yet has commercial potential but high social economic and political risks. This includes a leather scan (RVO, 2017) and a second scan on jute, ship building and fishing was initiated from MVO (Bakker et al, 2018)<sup>21</sup>.

## **5.2 Results of Dutch Embassy activities**

*Enhanced knowledge and willingness of government to integrate responsible business conduct in national policies and regulations:* A key outcome of the Embassy's financial investments in strategic projects (e.g. ILO RMG project and Better Work) has been its contribution towards the institutional strengthening of Bangladesh organizations directly responsible for safety and working conditions; thereby supporting longer-term sustainable change. A recent evaluation of Phase 1 of the ILO RMG project concludes that the project was effective in providing a timely response in record time to fire, electrical and structural integrity to Rana Plaza and the institutionalisation of the GoB Department of Inspections of Factories and Establishments (DIFE) (ILO, 2017).

Whilst too early to assess the Employment Injury Protection Scheme (EIPs), the anticipated benefits would be considerable in addressing IRBC risks across the whole country through the introduction of a rights-based approach to injury across all sectors. This moves away from a one-off lump sum to supporting injured workers through ongoing medical compensation to eventually return to work. In supporting such initiatives, the Dutch Embassy is contributing towards longer lasting sustainable change within the country by working on the enabling environment of RBC. However, there is no assurance of success in this area because of resistance from employers' associations (BGMEA, BKMEA). Arguably more important is the use of investments into strategic projects (e.g. ILO RMG project), to cement EKN's role as a legitimate actor in the RBC scene and strengthen EKN's lobbying power with the GoB, together with broader international diplomacy efforts around worker's rights in RMG.

*Cooperative and diplomatic approach in dealing with social, economic and political risks in country with*

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<sup>20</sup> In 2012, delegated PSD support funds were used to fund a three year partnership with Nyenrode Business University to promote sustainable bilateral business-to-business cooperation in water, food processing/safety, IT and logistics. The post was later absorbed into the Embassy and supported by local staff complemented by frequent cross-fertilisation/collaboration with the dedicated ICSR RMG team

<sup>21</sup> The leather scan (RVO, 2017) was born out of recognition that the sector was overlooked because not as economically significant as RMG and does not face the same brand pressure, yet has some of most shocking rights violations and high incidence of child labour in tanneries. The scan on jute, ship building and fishing was initiated from MVO (Bakker et al, 2018) built upon an opportunity to match fund core funding to build a consortium of companies who want to do responsible business. The scan was envisaged as a stepping stone to establish joint ventures that emerge from the scan and tap into already existing funds to set up these ventures. However, the leather sector was dropped due to lack of Dutch company interest.

*Bangladesh government and other stakeholders:* The efforts by the ambassador(s) during formal policy dialogues (3+5+1) and behind the scenes were appreciated by a number of actors for being the most informed and vocal during strategic discussions around RMG working conditions, particularly in the early stages during Dutch chairing of the group. The support of the dedicated RMG corporate social responsibility team to feed the ambassador with relevant information was recognised as being instrumental to the ‘behind scenes’ preparation to inform relevant inputs. Although difficult to attribute directly, interviews with different donor community members indicate that the Netherlands was an important player amongst donors in contributing towards lobbying Bangladesh stakeholders to make remedial actions. These eventually resulted in the removal of the ‘special paragraph’ signalling out Bangladesh’s violation of rights in RMG sector at the 2017 ILO conference. In the run-up to the conferences, the Dutch Ambassador, together with the American and EU delegations, lobbied the GoB and BGMEA on reforming legislation on increasing the minimum wage and reducing the freedom of association threshold at factory level from 30% to 20%. From the perspective of Bangladesh authorities, the Dutch Embassy was appreciated for promoting a more positive view of responsible business and an opportunity to showcase and strategically position the branding of ‘made in Bangladesh’. For other stakeholders, the Embassy, and particularly the Ambassador were appreciated for their political support when facing pushback from GoB and employers association as evidenced through sending Embassy staff to court cases linked to the Accord implementation.

The latter was deemed as critically important in lieu of the concern regarding the capacity of DIFE to take up the same rigor of the Accord. Although DIFE anticipates that it will have 325 inspectors, of which 65 will be women by 2018, only 200 are operational. These figures do not match the current estimate that approximately 2,000-2,500 staff would be needed to take on inspections of the whole RMG sector and that it would take up to 15 years to perform the job at the same standards of the Accord. It is in this context that many respondents from the international community feel that more time is required to build up the capacity of the Remediation Coordination Cell (RCC) to be an efficient GoB industrial safety agency capable of providing a one-stop service for all factory licences and permits across all sectors. It was reported by some that the state of RCC was where the Accord was in 2014. It is in this context that EKN’s investment in ILO project is further reinforced, particularly since Phase 2 places more emphasis on a sustainable exit strategy to support national institutions to carry forward the programme once external funds end. This is particularly crucial given the GoB lobbying to end the presence of Accord in a second phase. In spite of these challenges and shortcomings, the ILO RMG project is valued as the key initiative for building a sense of ownership from GoB.

*Enhanced knowledge sharing leading to enhanced overall knowledge of responsible business conduct in the RMG sector:* Overall there was appreciation amongst different stakeholders for the Embassy’s agenda setting events tackling issues that a) were not addressed by other donors b) for raising debate about sensitive issues that are not discussed openly c) for convening different actors together and creating a safe space to discuss sensitive topics without being prescriptive and top down. For example, the living wage roundtable event (2017) was appreciated for the way in which it addressed a political sensitive issue in a non-confrontational manner. In particular, the sustainable sourcing event<sup>22</sup> (2016) opened by Minister Ploumen was lauded for being ‘brave’ and tackling the issue head on in a timely manner. For the Accord, the event provided an important opportunity to show endorsement by key European markets including the Dutch, debunking myths and showing how they work in an open forum covered by the local media. An initial indicator of success is the fact some of the brands initially who were sceptical attended. As a follow up, the International Apparel Federation (IAF), one of co-initiators of event has developed a curriculum of sustainable purchasing practices. The curriculum aims to bring together different actors in the supply chain to collectively identify more efficient ways to cooperate and save funds that can in turn be invested towards paying higher wages to workers. These actors include the commercial staff in buying departments, suppliers, and factory management responsible for production lines. As a result of these activities the Embassy has also been asked to participate in wider knowledge sharing events related to sustainable sourcing and fair pricing. For example, the Embassy

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<sup>22</sup> The event was attended by different actors including international brands, industry people, embassies, civil society and culminated in a conference report. It opened a debate about the tensions of sourcing practices and provoked discussion about the root causes of many worker rights violations linked to narrow price margins and unrealistic lead times in fast fashion provided by Western Buyers. It was noted that there were many of the sectors ‘heavy weights’ present which served to make stakeholders across the board take notice

was requested to be part of an transparency action group of a further follow up 3-day transparency event organised by C&A Foundation, Ethical Trading Initiative (ETI) and BRAC in February 2018. The Embassy was also asked to act on steering group for follow up digital mapping study funded by C&A Foundation to map all the export oriented factories in Bangladesh; this is a massive contribution to unveiling the transparency of the supply chain. Another positive spin off reported by Embassy staff was how these events increased their own knowledge of the sustainable sourcing practices and ability to strategize and make linkages to other RBC initiatives in the sector.

*Enhanced awareness of RMG specific social political and environmental risks):* On environmental risk, PACT implemented together with International Finance Corporation (IFC) was praised by different stakeholders including GoB and employers' associations (BGMEA and BKMEA) for being a frontrunner around environmental RBC compliance, particularly water waste management and introducing the idea of zero hazardous chemical waste. Its success is evidenced through its replication by the Danish, second phase's expansion to 250 companies and inclusion of energy efficiency. All of these are testament to the Dutch's reputation for being forefront of water technology in Bangladesh (IFC, 2017).

In relation to gender, we observed promising outcomes linked to EKN's investments. The extent to which these can be attributed directly to the Dutch is difficult to distil given that other donors are also involved. Across EKN's strategic investments, the effort to become more intentional with gender mainstreaming in phase 2 of the ILO RMG project with the development of a Gender Strategy was appreciated by different actors for tackling more systematic issues of gender discrimination. Also related is the ILO Better Work (BWB) piloting of IFC 'work-progression and productivity training leadership programme'. A recent assessment shows promising results in changing attitudes towards having women in supervisory positions amongst both women themselves as well as management. The assessment shows a 5% increase in average efficiency in lines supervised by female supervisors (IFC, 2018). More direct interventions of EKN on gender and RMG is evidenced through the SNV Working with Women (WwW) project through its 'power plus package' which includes activities to support women to speak out against gender based violence (See Annex 6). The outcome of these activities remain to be seen in future evaluations.

*Direct engagement with companies beyond RMG sector via economic diplomacy:* The extent to which EKN can increase awareness of Dutch businesses beyond RMG on OECD guidelines and tools is limited to when the company actually approaches the Embassy. Many of the 100 active Dutch companies in Bangladesh as of 2017 cover the fields of textiles, agriculture and water. Of these, 54 have private offices, 18 are represented by local agents and 30 have no local representation. Both EKN and RVO reported that there were few enquiries about RVO instruments. In the Achilles system, 46 requests concern requests for information and mediation support were registered in 2016 and 34 in 2017.

However, a major obstacle to the Embassy is the overall limited interest of Dutch companies beyond RMG sector to invest in Bangladesh. This is also reflected through the limited use of RVO instruments by the Dutch business community as demonstrated by an average of one million euros spent per year (pers. comm.). Corruption and challenges with infrastructure, logistics and energy supply remain the main obstacles to investment. Bangladesh is perceived by investors as a hostile investment location plagued by natural disaster, insecurity, poor infrastructure. The recent terrorist attacks targeting foreigners in 2015 and 2016 further exacerbated the negative perception of Bangladesh as a high risk location for business. Hence, the limited presence of Dutch investors makes it difficult to report on RBC results of Embassy activities with companies.

Whilst the Nyenrode partnership was appreciated for its proactive approach in generating business demand as evidenced by securing Fenedex embassy prize (2014), the Dutch Embassy realised it could not continue to invest staff time and fund this long term. The *Holland Business Hub*, a privatized one stop shop service for prospective Dutch investors for business advice, legal services and linkages to the Dutch Chambers of Commerce, with RBC mainstreamed across services was envisaged as a solution. Following the terrorist attacks of 2016, the project was never able to get off the ground and secure a business case for funding. Consequently, the Embassy's support has shifted towards a demand driven approach for dealing with Dutch companies directly. It was noted that Dutch companies who approach the Embassy often come for information on a specific market and want to know who are

the key players and potential partners for bilateral corporation rather than RBC guidance. EKN makes a specific effort to discuss RBC issues in Bangladesh overall. This consists of a detailed overview of RBC issues relevant to that sector, signalling of potential investors and tailored advise on who could be potential responsible business partners backed through labour intensive background checks that can take up to ten days. From this point onwards, the level of engagement is largely on a need-basis depending on challenges the Dutch company might face. It was noted by EKN staff that the larger well established Dutch companies such as Unilever, Heineken and Philips do not require support as they already have well established RBC guidelines and have been operating in the country for some time. In the last year, most of the economic queries have come from agriculture sector (seeds, technology, value chain infrastructure) and IT (Embassy, pers. comms). In comparison, EKN has limited oversight of Dutch RMG brands engaging in Bangladesh as these are managed by brands directly, rather EKN has some requests from smaller SMEs working as buying houses for smaller boutiques.

Embassy staff commented that the far more pressing challenge was its ability to support Dutch companies with both preventing and dealing with corruption. Without prior experience of doing business abroad and a reliable local joint venture partner who is well connected (right political contacts), many business become prone to extortion from local mafia or government. Embassy staff are mandated to report any instance of corruption, therefore creating a dilemma in providing relevant advice to Dutch investors. The Embassy notes that this creates challenges to implement RBC. It hinders the embassy's ability to promote and support Dutch business to the same level of extent compared to when the role was performed through the Nyenrode partnership. From experience, they note that it is Dutch companies with prior experience of working abroad and an internal drive for RBC who are the most able to thrive. In comparison, EKN received more queries around trade within maritime sector and IT. Within the maritime sector where there is huge Bangladesh demand for ships and for river dredging equipment where there is no ODA money involved. There is also interest from FMO.

The business scans funded by the PSD APPs generated mixed results. Embassy staff noted that the scans have been instrumental in supporting EKN staff to get oversight of RBC issues in different sectors, and to provide advice tailored RBC advice to Dutch companies in high risks areas. For the leather scan, a round table hosted in the Netherlands attended by 15 companies only generated interest amongst three to four Dutch companies who import and export hides rather than direct investors. Whilst the leather sector was dropped as there was insufficient Dutch business interest, there has been one positive off-spin. Recently, a Dutch company (Myomy) producing leather bags who secured funding through the Dutch Good Growth Fund looking for new suppliers, approached the consultant who carried out the business scan to link them up to potential Bangladesh partners. Whilst the services of the Embassy were not directly sought, the business scan has contributed towards making that link. It is also worth highlighting that the Dutch company owners has a strong track record/interest of working on RBC given her past experience working on RBC with MVO. For the second scan, outcomes included a follow up roundtable discussion with potential Dutch investors in the Netherlands. From the sectors, there was only interest in Jute from a processing perspective where there was potential to link up to *EuroJute* to explore business opportunities and improved standards for working conditions and compliance using RVO trade promotion instruments.

### 5.3 Relevance, additionality and coherence of Dutch Embassy activities

The relevance of the Embassy's activities on RBC in RMG can be assessed as high. The Rana Plaza disaster highlighted massive rights violations in workers safety and working conditions. Following the tragedy, there was a mushrooming of donor initiatives in the Bangladesh RMG sector. Our evaluation observed that the Embassy has strategized where it can add value and not duplicate effort. Rather, it has chosen to focus on activities where it perceived it could contribute towards the long term sustainability and institutional strengthening to address the most urgent social, environmental and political risks. This is part of a wider strategy to support local accountability (i.e. "putting responsibility where it should be") whilst recognising their own limitations and positionality as an outsider (pers. comm.).

The Embassy's strategic use of its delegated funds to invest in long term system building through co-financing ILO RMG project is evidence of the Embassy's responsiveness to most relevant<sup>23</sup> and pending rights violations issues during a time of emergency; thus also demonstrating *additionality*. As it enters the second phase, EKN financial contribution is recognised as being critical to continue building DIFE's and RCC's capacity to take over Accord/Alliance functions. Meanwhile, EKN continues international diplomacy efforts related to the Sustainability Compact to advocate against the premature termination of Accord whilst simultaneously working with Accord to develop a road map for RCC with milestones for transition. These activities are evidence that it is tackling one of the most relevant RBC RMG issues through different strategies. This is also demonstrated through its financial support to EIPS which has potential to become the main GoB led institution across all sectors to distribute accidental insurance provided that the current resistance from employers association is overcome. On the other hand, there has been mixed response to the ILO Better Work. Whilst the move towards one system of auditing and unified code of conduct to boost industry is appreciated there is scepticism over whether this is achievable without buy-in from the brands. This is linked to broader frustration amongst Bangladesh stakeholders with the multiplicity of auditing systems used by different brands and progress towards with commitments to responsible business in the Compact<sup>24</sup> which has shown no improvement over the years.

There were mixed views within and outside EKN concerning the relevance<sup>25</sup> and outcomes of the SNV WwW project. There was concern regarding the long term sustainability of the component on health insurance; particularly whether employers and workers would continue to be willing to pay into a scheme when there is not a culture of paying into private insurance in Bangladesh. Amongst the critics, the scheme was perceived as potentially creating dependence of workers on their employers and reinforcing disparities between export oriented sectors with leverage and domestic sectors. More enthusiastic advocates countered these concerns with the argument that Phase 2 had specific emphasis on institutional capacity building involving different stakeholders with expertise in align with the GoB law. From an economic perspective, the health insurance model was regarded by some as addressing a serious gap. Whilst there are GoB plans to provide a health financing strategy targeting those below the poverty line and employees within civil service, there is a gap for RMG workers who sit in the middle. Although the Employment Injury Protection scheme would address some of these needs, it was not regarded as a comprehensive health insurance. This is recognised as a space that could not be easily addressed with 'one formula' and requires further exploration by donors to investigate a mixture of innovative micro-insurance schemes or GoB social protection. In this context, the SNV WwW health insurance component was appreciated by some interviewees as a legitimate effort to explore the potential of a market driven approach to insurance and provide an affordable solution to a genuine lack of government services.

With regards to other RBC challenging areas such as minimum wage, freedom of association and gender based discrimination, the Embassy has adopted a more measured approach informed by an astute understanding of the Bangladesh political economy made possible by having a dedicated team in place.

The issue of minimum wage and living wages is a sensitive and political topic in Bangladesh since low

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<sup>23</sup> Stakeholders also noted that there was a need to extend the coverage of factories supplying the domestic market. These were noted as the higher risks areas for CSR violations; yet are the least traceable as they cannot be linked to brands. It was noted that the leverage of export markets is very powerful and it is difficult to create the same leverage in domestic market unless related to supply chain.

<sup>24</sup> Sceptics argue that the Sustainability Compact is unlikely to address workers right for a number of reasons. First, GoB is unlikely to change its hostile stance to workers right because of the prominent role RMG plays in its economy, reliance on low-wage competitiveness to retain this global prominence, politicisation of the sector, and fact that it has yet to receive economic penalty for anti-unionism. Second, the European Commission's interpretation of GSP regulation is deemed problematic. Namely its avoidance of sanctions, means that its threats to withdraw privileges through special paragraphs are not considered serious. Moreover, should the privileges be withdrawn the implications to EU-based companies would be considerable resulting in higher costs. Lastly the delegation of decision to issue special paragraph to an unelected body of employers in the supervisory committee of ILO raises questions concerning their ability to act unbiased. Third, without the global brands taking on responsibility for the repercussions of their efforts to cut costs in the supply chains and be more transparent about their supply chains, little progress will be made on responsible business conduct (Vogt, 2017:85).

<sup>25</sup> The efforts to mainstream attention to SRHR into RMG workers' rights debates was appreciated for its effort to align with Bangladesh law openings and in making the link to gender based violence which is rife within the sector. However, the packages related to health insurance and menstrual hygiene were more disputed.

wages have been a driving force of Bangladesh's global competitive edge. In response, EKN has taken a cautious approach to broach the issue of living wage through commissioning research (CPD study), and organising a round table discussion to convene stakeholders to openly explore in a non-confrontational manner the feasibility and options in which higher wages can be secured through more efficient and sustainable sourcing practices. The Embassy's efforts to link the issue of wages to systemic problems related to sourcing and prices as an effort to hold brands accountable was appreciated by many Bangladesh stakeholders including GoB and textile employers' associations. This served to improve rapport and strengthen relations. Equally appreciated was the EKN staff's efforts to connect issues of Bangladesh branding to the bigger picture of the future of the RMG sector to innovate and move up the value chain. This reflects a high degree of *coherence* with Bangladesh context and recognition by EKN of when and where to put pressure on different RBC issues whilst protecting the rapport created through longer term engagement in strategic RBC projects (e.g. ILO RMG project). The way in which ILO BWB sought to include additional effort to address sustainable sourcing in their training package as a result of participating in the conference can also be considered evidence of Embassy's *additionality*. EKN's investment in such events overall are evidence of its efforts to increase awareness of the root causes of how many of the worker's rights violations are linked to challenges around the competitive market forces and conduct of buyers and brands. This highlights the need to invest in sustainable sourcing for a fair and responsible market and increased lobbying with consumers and brands around pricing. Such events also supports Bangladesh stakeholders to discuss these issues at the global scale<sup>26</sup>, thereby demonstrating *additionality*.

To a lesser extent, the Embassy has addressed gender discrimination as a social risk through one of the packages (power plus) of inclusive business services provided through the SNV WwW. On the one hand, internal critics within the Embassy argue that the focus on SRHR through the entry point of RMG workers' rights and the link to responsible business conduct of buyers is far-fetched and not desirable. Nevertheless, the power plus model demonstrates relevant efforts to address more systemic gender discrimination issues in the sector through its efforts to build anti-harassment committees to tackle gender based violence; thereby also complementing other centrally funded Dutch NGOs work such as the *Strategic partnership for Garment Supply Chain Transformation (2016-2021)* involving FWF, and Dutch trade unions Mondiaal FNV and CNV International. This makes concerted efforts to align with Bangladesh policy on setting up and making anti-harassment committees functional as per the guidance of the Bangladesh high court ruling. Financial support to BWB through the ILO RMG project also indirectly addresses some aspects of gender discrimination with its attention to upgrading women to supervisory positions and inclusion of sexual harassment committees aimed at improving women's ability to report on violence and remediation processes. Further evidence of external *coherence*, are instances where EKN has pro-actively sought to coordinate Dutch RBC initiatives working on RMG to promote cross-fertilization. This is demonstrated through facilitating an MoU between SNV and ILO BWB to train BWB enterprise advisors on the different business models. Another example includes cooperation with the UNICEF Better Business for Children project<sup>27</sup> which focuses on exploring the impact of child and family friendly business approaches in RMG on children. Here, the UNICEF staff position is funded through central Dutch funds.

Less directly addressed by the Embassy is the issue of freedom of association for calculated reasons. On the one hand, EKN has deliberately refrained from engaging, deeming it not a good use of development corporation funds due to fragmentation of trade union activity, lack of social dialogue in Bangladesh, and activities of other donors working on the issue. Rather it has invested its energies in where it perceived it could add more strategic value. For example, it has indirectly addressed freedom of association through local and international diplomacy efforts related Sustainability Compact discussions, most notably with the reduction of Trade Union threshold membership at factory level from 30 to 20% in Export Processing Zones. This demonstrates considerable *coherence* with other donors around RMG RBC issues and *alignment* with GoB efforts. However, some Bangladesh stakeholders were critical of how different trade union members were engaged to date (i.e. emphasis on the more

<sup>26</sup> For example, Bangladesh was invited to discuss its business conduct with OECD and outsiders at recent side event linked to the global forum for responsible business conduct in June 2018. The issue of purchasing practices and securing better prices in order to get better wages for workers is also addressed by the [ACT](#) (act, collaboration, transformation) initiative, a global partnership between brands and trade unions to address issue of purchasing practices.

<sup>27</sup> [https://www.unicef.org/bangladesh/knowledgecentre\\_10635.html](https://www.unicef.org/bangladesh/knowledgecentre_10635.html)

vocal and who could communicate).

There was evidence of less coordination and coherence between centrally funded RBC initiatives in The Hague with EKN RBC activities, which at times caused frustration amongst EKN staff as it could disrupt the delicate balance of rapport already established with Bangladesh stakeholders. EKN notes that it has poor insight into what happens with central resources. Where possible the Embassy has sought to encourage centrally driven initiatives to coordinate, and where necessary attempts to cooperate and support them in their relations with Bangladesh government and industry. However, the Embassy reported it is not always timely and adequately involved in the development of these type of central level projects which can result in poor reception in Bangladesh. This includes liaising on the issues of social dialogue, gender based violence and living wage taken up centrally by actors in The Hague under the *Strategic partnership for Garment Supply Chain Transformation (2016-2021)* involving FWF, and Dutch trade unions Mondiaal FNV and CNV International<sup>28</sup>. With regards to the sector agreement, there was frustration from the Embassy side concerning the limited coordination and insufficient attention to Bangladesh context of discussions on RBC issues (see Section 6). With regards to private sector instruments, the EKN team have at times sought to provide support in dealing with challenges that occur for Dutch counterparts of joint ventures (see Section 4). However, the tension between a demand driven versus a needs-based approach to attracting Dutch companies remains a constraint for EKN to manage. Following the conclusion of the Nyenrode partnership, EKN has noted it has not been able to attract new business to come, primarily due to a lack of interest from Dutch business.

#### 5.4 Discussion of Dutch Embassy activities

The Embassy is regarded by stakeholders from the international community (donors, ILO, NGOs) and Bangladesh as a formidable player in the RBC scene, particularly within the RMG sector. They are regarded as being one of the few embassies with a holistic perspective that combines development, economic, and political standpoints. This is reported to support a more analytical results driven approach to addressing challenging issues. Beyond RMG, they were appreciated for ‘sticking out their head’ and troubleshooting when it mattered using networks and rapport generated that goes beyond political relationships. From the perspective of GoB and the employers’ associations, they were singled out for their personal and hands-on approach. The Embassy is appreciated for their ability to convene different stakeholders (otherwise known as the Dutch polder approach) around sensitive issues in a non-confrontational manner. These features were attributed to a number of enabling factors and opportunities. The international attention surround Rana Plaza coupled by the personal efforts and interest of Ploumen paved the way for the Embassy receiving additional funds and a dedicated team on corporate social responsibility in the RMG sector; thereby constituting a unique combination.

Having a dedicated team on corporate social responsibility involving expat and local staff meant that staff could dedicate large proportion of their time to exploring and navigating the political economy of the RMG sector which can be characterized as a ‘state within the state’ in Bangladesh. Having local staff on board who understand the Bangladesh RMG context together with Dutch staff who knows how to navigate politics back in The Hague and to bring in Dutch business perspectives was regarded as critical combination to achieve results. This team provides an important backbone for higher level international diplomacy discussions. The value of having the “personal connection” to build relationships and do the “soft influencing” behind the “hard money” of projects was vital to being able to navigate the political space in RBC discussions.

The integrated perspective of the Embassy team on corporate social responsibility was valued for facilitating a more holistic perspective on RBC issues which balances the perspectives of different

<sup>28</sup> The partnership focuses on improving labour conditions in the garment industry through developing practical solutions to key problems in the garment supply chain and support evidence based dialogue between trade unions, NGOs, governments and progressive brands and factories, to ensure that all supply-chain actors are engaged in eight countries (Bangladesh, India, Indonesia, Myanmar, Pakistan, Cambodia and Vietnam). It prioritizes three issues: living wages, gender based violence prevention and social dialogue. FairWear Foundation also has activities focused on strengthening the negotiation position of local Bangladesh companies with buyers to pay higher wages linked to living wage.

stakeholders. From the GoB perspective, the more sympathetic view of EKN towards Bangladesh expressed through its critical stand on purchasing practices of buyers and brands earns EKN respect. From the ILO, EKN's effort to engage with wider policy issues distinguished it from other development partners, and was welcomed as providing a new approach. In particular, EKN's efforts to consider the evolution of RMG and textile industry (particularly the drive to automate and innovate in the use of material and equipment) in the positioning of Bangladesh's competitiveness in global market beyond its low labour costs was appreciated by many Bangladesh stakeholders for going beyond the traditional development debates. This integrated perspective at times was not only facilitated through the commitment of the RMG and economic diplomacy RBC team, but also through its strategic investment in business scans as a drive to educate themselves on new sectors and associated economic, social and environmental risks and explore potential Dutch business interest. This is evidence of the Embassy's measured and balanced approach to RBC support.

The combination of strategic investments in relevant RMG RBC projects together with the 'soft influencing' behind the scenes was critical to making the Embassy relevant. Many respondents within and beyond EKN commented that this choice of investment gives the Netherlands more legitimacy in discussions with GoB and BGMEA on rights violations. Aligning with the ILO, was noted as strategic choice to allow the Netherlands to be more vocal in other forums such as 3+5+1, which is the governing structure for the Sustainability Compact. Because of EKN's active role in the RMG, external stakeholders (particularly from the international community) have expressed concern around EKN's planned phasing out of RMG sector and dilution of the team. Currently, the dedicated RMG team on corporate social responsibility has been reduced to one staff, and there is uncertainty whether the expat post will be replaced. A number of stakeholders commented that it is unwise to discontinue this role and investment in RMG at this critical juncture because it risks diluting the existing work on RMG and loss of instant access needed for effective dialogue. The importance of staff time to be informed and prepare positions to maintain political pressure and manoeuvre the political landscape was stressed by many.

The creative use of PSD APPs to address RBC issues within and beyond RMG sectors has been an asset. Having flexibility to tap into small central funding streams has enabled EKN to use funds in creative and innovative ways to leverage RBC impact as noted through the outcomes of the sustainable sourcing events, studies and business scans. It reinforces how small amounts of money, supported by staff time, when used strategically can be used to leverage impact. Nevertheless, a number of limitations of Embassy activities and outcomes were also observed.

1. EKN cannot do much to stimulate more Dutch companies to come to Bangladesh. It was noted overall that the EKN is restricted in the extent to which it can engage with Dutch companies, let alone discuss RBC because many do not want to come to Bangladesh in the first place. This creates a tension between demand driven versus a proactive approach.
2. EKN does not have any control nor mandate over Dutch companies (who approach them) to ensure whether RBC activities are implemented. For RVO funded investments, the assumption is that this taken care of through the RVO ICSR framework monitored from The Hague.
3. EKN cannot fully support Dutch companies to deal with pervasive corruption. It was noted that this is widespread problem, not just in Bangladesh. EKN's has a dilemma in its role as it is obliged to report cases of corruption in which Dutch companies are involved.
4. EKN noted it is not their role to influence Dutch companies behaviour in RMG nor did it see itself equipped to lobby Dutch companies on unfair pricing practices/pricing squeeze. EKN noted all these issues are better addressed by the sector agreement. Rather, the Embassy sees its own value added to leverage its investments towards the enabling environment for RBC in Bangladesh.

## 6. The Dutch Agreement on Sustainable Garments and Textile (AGT) in Bangladesh<sup>29</sup>

### 6.1 Objectives and activities of the AGT

The AGT<sup>30</sup> was set up in 2016 to support Dutch companies to achieve progress on improving the situation for groups experiencing adverse impacts around specific risks in the garment and textile supply chain in 3-5 years. Whilst the agreement is voluntary, all participating companies commit to addressing discrimination, child labour and forced labour and support a living wage, health and safety standards of workers and the right of independent trade unions to negotiate wages collectively. Companies agree to undergo an assessment framework to assess areas of risks and develop action plans around due diligence with special attention to areas of child labour, forced labour, living wage, health and safety in the work place, environment (raw materials, water pollution, use of chemicals and energy) and animal welfare. To date, the number of brands signed up to the agreement has increased to 70 brands which constitutes 42-45% of the Dutch garment industry. Signatories are required to draw up an annual action plan following a self-assessment to address identified risks in the supply chain in accordance with OECD and UN guidelines on due diligence. A core component of the action plans involves a discussion on how the company's own purchasing and sourcing practices contributes to adverse impacts. This is used to discuss possible mitigation measures. In addition, the company also commits to providing increasing levels of information (in confidence to the AGT Secretariat) to promote transparency in the value chain through the course of three years (year 1: countries where Cut, Make Trim products are manufactured; year 2: raw materials used; year 3: subsequent links in production or supply chain including raw material suppliers, spinning mills, weaving mills and dye works). Currently, there are 383 Bangladesh production sites reported as supplying participating companies.

Our evaluation of the AGT in Bangladesh was limited in that only one brand, a frontrunner of RBC, was included in the study. Information on the AGT was triangulated with other stakeholders who are party to the AGT: one supporting NGO, one representative from the Dutch Government, two representatives of an international organisation, and two representatives from key Bangladesh trade unions. A discussion with a representative from the AGT Secretariat served to cross-check the results.

In Bangladesh, the sector agreement has been involved in a number of activities detailed below:

- **Publishing list of suppliers:** The AGT Secretariat published a new list of production sites (2 July 2018) in an effort to address transparency of the supply chain. Whilst this lists all the 383 Bangladesh suppliers of companies signed up for the AGT, it does not publicly make available which Dutch companies source where because of the commercial sensitivity of this information. Anyone who has suspicion or concern about risks at the level of suppliers of the sector agreement can contact the secretariat after which the organisation will be brought in contact with the brand. As part of the annual due diligence review, the secretariat will follow up whether the brand has played its part in remediating the issues at hand. As of 2019 signatories need to demonstrate an ever increasing insight into the supply chain beyond tier 1, whose names will be added to the production location list.
- **Lobbying on minimum wage:** The AGT Secretariat, together with the Fair Wear Foundation, sent a letter (July 13, 2018) to the Bangladesh Prime Minister, requesting an increase in the minimum wage.
- **Projects focusing on priority themes:** During the evaluation, one project on combatting child

<sup>29</sup> Our evaluation of the AGT in Bangladesh was limited in that only one brand, a frontrunner of RBC, was included in the study. Information on the AGT was triangulated with other stakeholders who are party to the AGT: one supporting NGO, one representative from the Dutch Government, two representatives of an international organisation, and two representatives from key Bangladesh trade unions. A discussion with a representative from the AGT Secretariat served to cross-check the results.

<sup>30</sup> For more detail on the sector agreement see: <https://www.ser.nl/-/media/ser/downloads/engels/2016/agreement-sustainable-garment-textile.pdf>

labour in the design phase was observed. This included a larger collaboration with UNICEF Better Business Project and Fair Labour Association to link a global supply chain mapping with a smaller study mapping two Dutch brand's supply chain in Bangladesh as an opportunity to minimise child labour.

## 6.2 Results of the AGT

The envisaged results and outcomes of AGT are to contribute towards an improvement in working conditions and wages in textile producing businesses as well as in animal welfare and environmental protection by 2021. Its key focus is on identifying and remedying the most salient risks. Attention to sustainable sourcing and purchasing practices are mainstreamed through the assessment and annual appraisal meetings. In Bangladesh, as is the case for other countries, it was too early to report on results at the time of the research, seeing also that commitments by AGT signatories are set against a certain timeframe, as explained above.

According to the one Dutch frontrunner brand consulted, company-internal discussions on aligning with the AGT were managed by higher level RBC-management based in the Netherlands, mostly in the context of lobbying or specific projects under way. In terms of day-to-day activities in Bangladesh, it was reported that the AGT did not provide anything new or additional to the company's existing RBC strategy or code of conduct. The brand already had its own RBC quality assurances in place including a code of conduct which adheres to international law based on ILO conventions which were in place prior to the sector agreement. Suppliers to the brand are often signed up to multiple international sector standards such as BSCI, SEDEX, Oetex to meet with demands of different clients. Compliance and due diligence is monitored through regular inspections triangulated with different actors (management and workers) by RBC personnel based in the country supported by quality assurance team visits, and third party audits for suppliers. The RBC staff from the brand consulted in this study had also delivered a two day training to senior management of the Bangladesh supplier on RBC issues (e.g. gender discrimination, harassment, disciplinary action). In the aftermath of Rana Plaza and being signatory to Accord, it was noted that Bangladesh was quite advanced already in its attention to fire safety and social compliance relative to other countries it engaged with.

From the visited Bangladesh suppliers perspective linked to the Dutch brand (as well as those receiving support through CBI, see Section 4) there was no awareness of the AGT. Similarly, awareness of the AGT amongst different Bangladesh stakeholders such as Bangladesh suppliers, GoB and employers association was limited. This was to be expected given that the AGT's assessment framework and accompanying RBC requirements take place at the brand (signatory) level.

At the same time, consulted Bangladesh trade unions were aware of the AGT because of their engagement with Dutch trade unions and their involvement international forums on rights issues engagement with Dutch also involving the AGT. There was also awareness of the AGT amongst Bangladesh stakeholders involved in the MVO Netherlands NICHE programme (NICHE-BGD/199) targeting RMG professionals. Currently, one of the three short courses offered by the BGMEA University of Fashion and Technology (BUFT) Centre for CSR and Sustainability (BCCS) to RMG professionals provides an introduction to the sector agreement and its approaches to due diligence and action plans, as part of broader introduction to RBC. The Dutch brand consulted for this study reported that they were actively engaged to provide facilitation for RBC sessions and offer factory sites of suppliers for exposure visits (see Annex 7).

Interestingly, the majority of Bangladesh suppliers consulted in this study noted that many of the AGT's principles were already being implemented through their existing RBC practices. However, when probed, it was clear that there were varying interpretations of due diligence and responsible business conduct which at times were at odds with the OECD Guidelines. For example, Bangladesh suppliers gave illustrations of their due diligence efforts through citing examples of maternity benefit packages that extended the number of days beyond national law requirements, nutrition allowance for pregnant workers, day care centre for children, free medical check-up and free medicine, accidental insurance, free snacks. Examples of RBC were also confused with corporate philanthropic activities in the

community supporting physically challenged people and a range of NGO projects working on family planning/reproductive health, sale of subsidised products to workers, education stipends to workers children and environmental conservation projects.

For the non-Bangladesh stakeholders consulted, including Dutch NGOs, bilateral and UN organisations, engagement with the AGT Secretariat took place in the Netherlands linked to specific projects or lobbying events related to the core themes such as living wage or freedom of association. Of all the stakeholders consulted, the Embassy was the most aware and vocal about the expected outcomes of the sector agreement. They recognised the strategic added value of the AGT with its proximity to brands in the Netherlands to urge for more sustainable buying and sourcing practices. However, they expressed concern regarding the choice of lobbying issues and initiation of projects on issues that were politically sensitive (e.g. living wage). From their perspective, the choice of projects was not always contextually grounded and lacked sufficient consultation with Bangladesh stakeholders. This was symptomatic of broader frustration with perceived lack of coordination with The Hague-driven RBC activities more generally.

### 6.3 Relevance, additionality and coherence of the AGT

Whilst it is too early to make comments about the overall relevance of the AGT, a number of observations can be made. The *relevance* of the AGT's attention to transparency in the value chain is high because it can support strengthening the accountability and credibility of brands to address labour right abuses around working conditions along their chain of suppliers (HRW, 2017). It helps identifying brands who source from suppliers that abuse workers' rights; sending strong messages that brands need to be accountable to labour rights abuses. It builds up more trust amongst workers, consumers and trade unions to pin-point where action along the chain is required. In the case of the Accord/Alliance, the focus on factory safety issues has proved to be an effective external pressure. As such the recent declaration on transparency is welcome. This is an opportunity for better *coordination* with internationally driven Bangladesh focused activities. For example, it will support existing initiatives led by C&A Foundation on digital mapping of Bangladesh suppliers as well as global initiatives such as the Open Apparel Registry. The OAR is an open source tool that maps garment facilities worldwide and is used to identify apparel facilities and their linkages by collating supplier lists from industry stakeholders in one central open source map and database.

The relevance of living wages in Bangladesh by the AGT (relative to other issues of responsible business conduct) is medium. Living wages was raised as a complex issue in Bangladesh by international stakeholders, Embassy staff, local NGOs and local trade unions. Given the disparities on wages in Bangladesh (Section 3.3), all recognise that it is an important issue that needs to remain high on the political agenda. However, what warrants attention is the manner in which living wages is approached in Bangladesh. Given the practicalities and politics of achieving progress on living wages, different stakeholders (Embassy staff, international community as well as Bangladesh trade unions interviewed) urged for a cautious approach that is cognizant of the bigger picture of where the debate on minimum wages is currently at in Bangladesh. Many stakeholders from both the Bangladesh and international community reported that the issue of living wages is not appropriate *at this point in time* for many different reasons. First, from the perspective of international community this includes the prioritization of working conditions and safety being more relevant given Rana Plaza because of the threat of the suspension of Accord. Second, from both the international community (Embassy, NGOs and local and international trade unions), Bangladesh suppliers and buyers associations consulted in this study because of the sensitivities around the double standards of Bangladesh's competitive edge driven by its low cost labour and inequitable pricing practices from brands (Box 2). Linked to this has been concern amongst international community, particularly NGOs, around whether improved pricing practices will be invested in higher wages. Third, from the perspective of Bangladesh suppliers, there were concerns about the practicalities of rolling out a living wage when one supplier might be supplying multiple brands with different cost mark ups.

The *relevance* of AGT's emphasis on sustainable sourcing and purchasing practices remains high. This

was an issue that repeatedly emerged as being important from both the international community engaged in advocacy around responsible business conduct as well as different RMG Bangladesh stakeholders. Currently there are a number of activities promoted by the AGT Secretariat to support signatories around the issue. This includes yearly appraisal meetings with the brand's RBC staff and those responsible for purchasing to discuss payment terms, lead times and longer term contracts. The sector agreement has also signed up to the Better Buying global initiative which allows suppliers to anonymously rate their buyers who are signatories to AGT on purchasing practices. More recently, annual trainings on buying practices were also arranged.

The *relevance* of pushing for convergence around auditing processes is also high. Bangladesh suppliers bemoaned the costs and inefficiencies of multiple auditing systems required by different brands, requesting the need for one unified standards auditing assessment. As a signatory of the 'Social and Labor Convergence Program' (SLCP), AGT supports and advocates for the development and use of one universal audit method to assess social and labour conditions in global supply chains<sup>31</sup>. It aims to support brands, manufacturers and other stakeholders to move away from endless audits to free up resources that can be redirected to tangible programs for lasting improvements.

The overall *coherence* of the AGT with other Dutch IRBC instruments cannot yet be assessed due to the early stage of the AGT. However, there were reported instances of a lack of coordination with existing RBC efforts of the Embassy. The limited engagement by AGT with Bangladesh stakeholders on the ground and existing RBC initiatives in Bangladesh and RBC context was reported as problematic. The issue of how to address living wage is a prime example where the recent lobbying letter to GoB caused tension. Some commented it was an inappropriate strategy because GoB stakeholders were not aware of the AGT. The letter was perceived by the Embassy as poorly timed given the political discussion related to future of the Accord and Compact agreements. More importantly, it risked destabilising the existing rapport and relationships developed by the Embassy with GoB and industry stakeholders around other RBC issues.

Similar arguments were put forward towards a proposed project by the AGT to develop a multi-factory collective bargaining agreement in Bangladesh. The emphasis on Bangladesh was regarded as problematic due to the fatigue of being the 'test-tube' and constantly under the negative spotlight. In response to advocacy from the Embassy and consultation with an array of stakeholders, the project was dropped by the AGT Secretariat. In spite of these complexities of working on living wages, this does not suggest that it is not an important issue in Bangladesh. Rather, it highlights the value of a multi-stakeholder approach.

#### 6.4 Discussion of the AGT

Whilst it is too soon to evaluate the AGT and our sample was limited, our review sheds important insights triangulated through different sources. In summary, whilst the social, political and environmental risks addressed by the sector agreement are highly *relevant*, the manner in which they have been addressed in Bangladesh warrants attention. The AGT, by design, is focused on engagement in the Netherlands with brands, NGOs, trade unions and Dutch policymakers. With the brand as the primary entry point, it is understandable that the focus is on due diligence risks within the designated supply chain. However, for these risks to be adequately addressed in the supply chain, it was recognised that there is a need for the AGT to adopt a more context-specific perspective in determining its approach. This requires sensitivity to the local context and awareness of where there is room for manoeuvre on the key priority themes of the sector agreement. This could be supported through more coordination between the secretariat and the Embassy to assist with consultation with Bangladesh stakeholders. Liaising with the Embassy as the key focal point could be more effective than relying solely on the

<sup>31</sup> The Social and Labor Convergence Program (SLCP) is a multi-stakeholder initiative that seeks to implement a first industry-wide framework to assess social and labour conditions in global supply chains (i.e. the Converged Assessment Framework). It aims to support brands, manufacturers and other stakeholders to move away from endless audits to free up resources that can be redirected to tangible programs for lasting improvements. Signatories include manufacturers, retailers and brands, agents and audit firms/service providers, as well as organizations in the public sector, standard holders, civil society organizations and multi-stakeholder organizations <https://slconvergence.org/>

coordination with Ministry in The Hague. The Embassy has more strategic oversight of what is happening around responsible business conduct in the country. They can provide support with local stakeholder consultation to ensure that the approaches used to identify prioritized risks are contextually relevant.

Many noted that the AGT has considerable potential to get traction on issues of sustainable sourcing and purchasing practices given its direct link with The Hague and Dutch brands. This would plug a major gap observed across other Dutch IRBC policy instruments which the AGT could leverage. The effectiveness of the Accord (brand driven) is testament to the power of brands to push for change. This is an area where the AGT has added value and should continue to prioritize in its discussions with

## 7. Discussion: IRBC policy instruments in Bangladesh

An evaluation of Dutch IRBC instruments needs to consider the political economy of Bangladesh in which these instruments play out, particularly the unique circumstances which unfolded in the RMG sector following Rana Plaza. This critically influences how Dutch IRBC policies are operationalised in practice and how Bangladesh is perceived by Dutch companies within and beyond the RMG sector.

The reduction of RMG tariffs globally especially in the zero duties in the EU together with low labour costs fuelled Bangladesh's RMG sector growth, securing its position as the second largest apparel exporter; making it *the* key contributor to Bangladesh's economy. The Rana Plaza disaster has been instrumental in improving RBC practices in Bangladesh and brands' (including Dutch brands) attention to RBC. Bangladesh was thrust into the international spotlight and became a 'test-tube' for a range of new RBC practices and projects. Most notably, this included the brand-led initiatives of Accord/Alliance focused on safety issues and the Sustainability Compact which have dominated international efforts to monitor and to some extent enforce Bangladesh's compliance on RBC efforts over last five years.

As such, Bangladesh has been at the forefront of pioneering new approaches to RBC, particularly in the field of safety. Many of Bangladesh suppliers are now well versed in international RBC standards and the different codes of conducts introduced by different brands as part of their certification process for standards. This can be considered a valuable leverage point for Dutch IRBC policy to build upon. Meanwhile, from a national point of view, there is considerable fatigue with the international pressure, Bangladesh's perceived status as a 'test-tube' for RBC practices and frustration with double standards from Europe demanding RBC compliance whilst maintaining high pricing practices. Many of the problematic RBC issues related to safety and working conditions highlighted in this report are inherently linked to vagaries of 'fast fashion' within the international and some of the European export market.

Our study confirmed the highly paradoxical challenge of addressing RBC in the RMG sector related to the uniqueness of Bangladesh. This includes the observation that improvements in social compliance will not be sustainable unless Bangladesh companies are able to innovate to secure higher prices rather than being driven by the 'low cost' business model. At the same time, it faces the hypocrisy of being pushed for better RBC when brands reduce their prices and do not cover the costs for improved RBC compliance. This highlights a fundamental incompatibility between RBC and the low cost business model that Bangladesh thrives on. As noted by Barret et al. (2018: 14), there is "painful irony in brands retailers offering financing help at same time as they apply relentless downward pressure on garment prices". Without global brands taking on responsibility for the repercussions of their efforts to cut costs in the supply chains and be more transparent about their supply chains, little progress will be made on responsible business conduct (Vogt, 2017). This is also relevant in the case of brands signed up to Accord/alliance which have promised contributions to maintain orders and funding compliance cost for corrective actions plans for factories. Bangladesh now envisages its main task to improve its image and branding and innovate so that it can improve its competitiveness for goods to move beyond a business model that relies on cheap labour towards one that supports higher segment goods with more added value. These wider issues are important factors that influence the effectiveness of Dutch IRBC policy.

### 7.1 Underlying and explicit links between the Dutch IRBC policy instruments

Overall, we observed that the Dutch IRBC instruments reviewed have different entry points (Dutch company versus Bangladesh supplier/partner) to address wide-ranging RBC. The choice of entry points is a feature of the specific circumstances of Bangladesh where there are few Dutch companies operating in RMG sector and the overall lack of interest of Dutch companies beyond the RMG sector. For example, some focus more on introducing conditionalities to secure RBC outcomes (e.g. private sector instruments stipulate criteria for increased wages, quota for women), whilst others concentrate on hands-on coaching of Bangladesh companies on risks assessments and risk mitigation strategies (e.g. CBI). Others focus more on the enabling environment and institutional capacity building (e.g. the Embassy's activities and investment in ILO RMG project and Compact).

All instruments have addressed *relevant* RBC issues, particularly in the RMG sector. Efforts of the Dutch Embassy in particular were appreciated in discussions around issues of safety and working conditions linked to the National Initiative, Accord and Compact. Accordingly, the Embassy as well as some components of the private sector instruments (e.g. CBI) have played a key role in contributing towards enhancing Bangladeshi companies' due diligence for those in direct circle of influence and a broader enabling environment around the issues of safety. In particular, the efforts of the Embassy to address the bifurcated market segment of Bangladesh companies who supply the European market (via support to Accord) as well domestic market and sub-contractors (via support to ILO's RMG project) demonstrates considerable effort to address the whole sector. There have also been novel efforts by the Embassy to connect RBC issues to the broader systemic issues driving working conditions linked to sourcing practices. However, as was noted by the other country studies, it is very difficult to attribute a single instrument to improved due diligence by Dutch, let alone Bangladeshi companies behaviour (perhaps with the exception of the CBI programme). Indeed, in the case of Bangladesh RMG sector, following Rana Plaza, there was a plethora of donor and brand led initiatives to address RBC. Therefore, the level of *additionality* of Dutch IRBC policy instruments alone cannot be assessed as strictly high or low. However, what can be said is that the choice of investments has played an important role in contributing towards the broader enabling environment of RBC in Bangladesh. For example, the recognition of the Embassy following Rana Plaza as being amongst the most vocal and one of the *key donor players* on RBC can therefore be considered *additional* through its contribution to the overall enabling environment.

However, we did observe room for improvement to increase *coherence* between three instruments; meaning that opportunities to strengthen RBC results and particularly the due diligence efforts of Dutch companies were not always taken advantage of. Whilst the Embassy has made every effort to coordinate and align RBC activities on RMG efforts on the ground, centrally driven Dutch RBC initiatives from the Dutch government as well as the sector agreement have sometimes either by-passed necessary consultation on the ground or not sufficiently appreciated the sensitivities of the Bangladesh context.

Moreover, we also observed the untapped potential of a more systematic approach to address gender aspects of RBC across all the instruments. To date many of the Dutch IRBC policy<sup>32</sup> instruments have approached gender either through checklist activities aimed at increasing number of women employed (e.g. PSI), upgrading women in supervisory positions in workforce or inspection (e.g. ILO Better Work and RMG project), or through the entry point of SRHR to look at sexual harassment issues and gender based violence (e.g. SNV WwW project). Neither of the instruments fully address the systemic underlying and multi-faceted inequalities that make women vulnerable in first place or prevent them from taking advantage of career advancement opportunities. This evaluation noted that much of the RBC efforts prioritized immediate issues related to safety, working conditions but few focused on tackling women's own attitudes and mind-set. Women's voice and representation (in safety committees and workers participation committees) was also cited as warranting attention. It was noted that many women are not motivated to be part of these committees because they neither feel prepared nor confident and perceive that it is not their place to 'lead'. The need for more role models of women higher up in the sector was cited as an area to explore. In this regard, the work of ILO RMG project and Better Work has much potential to develop women's confidence to speak up on how these issues affect them both within and beyond the workplace. Less discussed was the extent to which women had control over the income they secured from the sector. With the growing evidence pointing towards a de-feminisation of the RMG work-force, this is an area that warrants more attention (See Box 3, Section 3). However, it is important to situate these findings in the broader context of fact that the OECD guidelines themselves provide limited guidance on how to address gender-specific risks. All of the above highlights the potential value of Dutch IRBC policy and broader transition of the Dutch development agenda from aid to trade to explore opportunities to upgrade women within the RMG sector and to support women to move out of the sector.

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<sup>32</sup> Although it is worth highlighting that there were novel efforts to address gender based constraints within some of the instruments through supporting projects that included a gender component (e.g. gender strategy in ILO RMG project, efforts to upgrade women to supervisor positions in Better work, SNV project on working with women).

## 7.2 Outcomes and underlying assumptions of the IRBC policy instruments

*Increased awareness of risks to responsible business conduct in the RMG sector (and beyond):* Dutch policy instruments have to a varying extent contributed to an increased awareness of risks in the RMG sector through different activities depending on the target group. Across the private sector instruments, CBI was found more effective in deepening Bangladesh companies understandings of the different types of risks through the assessment processes, and tailored coaching to identify relevant actions and risk mitigation strategies. However, both PSI and CBI have limited spill-over to other suppliers as their reach is limited to the few beneficiaries in its associated suppliers whom it directly affects. From our limited sample, the PSI's ability to generate increased awareness of risk was a useful starting point, but was dependent on the motivation of the ability of Bangladesh partner and support of Dutch partner to take forward.

In comparison, the Embassy's strategic investments have contributed overall to the knowledge base on how to better address safety and working conditions to mitigate harm and also remedy harm when it occurs and environmentally through PACT. In addition, various of the agenda setting events have contributed to Bangladesh stakeholder's knowledge base on tackling larger systemic issues driving RBC risks related to sourcing practices and wages. It remains to be seen how helpful the AGT will be in supporting brands to practice responsible business conduct and address salient risks in the supply chains through the assessment framework and accompanying action plans. A key area to monitor in going forward is how the AGT catalyses its strategic entry point with brands to advocate for more sustainable sourcing and purchasing practices.

Overall, it was observed that there remains a need to deepen understanding of responsible conduct more broadly. Many different categories of stakeholders commented on the mismatch between Bangladesh interpretations of responsible business conduct and those advocated through Dutch IRBC instruments. From the Bangladesh perspective, it is interpreted as adhering to Bangladesh labour law and a sprinkling of corporate philanthropic activities and complying with certain private standards to access the market. Embassy staff also noted that there needs to be more effort from the Hague (centrally) to explain RBC and how it could be applied to the Bangladesh context. Outside the RMG sector, the Embassy has played an active role in generating new business scans to explore new sectors with a RBC lens where perceived risks are high (e.g. jute, ship-building, fisheries, leather). When a Dutch company does approach the Embassy directly, the Embassy has sought to provide a tailor made overview of RBC risks for that business.

*Improved companies' due diligence:* Beyond the RMG sector, it is difficult to directly assess the impact of Embassy guidance on RBC as there is no effective mechanism nor capacity (time, resources) to follow up and monitor.

In contrast, the Embassy's work at the RMG sector level have played an important role in pressuring brands to improve Bangladesh companies' due diligence on safety conditions in the RMG sector. This extends beyond financial investment (ILO RMG project and Better Work) to its strategic work (facilitated through these financial investments) around international diplomacy discussions linked to its position in EU commission and monitoring of Compact as well as simultaneously supporting the Accord. The planned phase-out of the brand-driven Accord towards the Bangladesh-led Bangladesh Remediation Coordination Committee (RCC) remains politically sensitive. The fear by many is that if this is only Bangladesh-led, it will become politicised and the rigour of the safety assessments and Corrective Action Plans and monitoring will decrease. Currently, the main advantage of Accord/Alliance is that brands finance and enforce independent safety supervision of their connected factories through their purchasing policies. Hence, the Embassy's involvement in the ILO RMG project strengthens its political legitimacy in engagement in international diplomacy around the Sustainability Compact. The latter being an important vehicle in improved diligence in the RMG sector overall where safety and working conditions are regularly reviewed, backed by the implicit threat of withdrawing tariff preferences for RMG under EBA, as well as ongoing political pressure from NGOs and trade unions in the EU. This highlights the need for ongoing political diplomacy through Embassy activities which could also be catalysed and leveraged with pressure from participating brands through the AGT.

Overall, it was noted that there remains the need to look at risks beyond safety into broader issues on the agenda of the Compact such as freedom of association. This was also linked to a broader observation of the lack of practical examples of how grievance mechanisms work in practice and how grievances are resolved. Whilst there are promising cases of projects seeking to revive these processes through sexual harassment committees and safety committees as entry points to talk about rights and address risks, it remains to be seen how these can become functioning grievance mechanisms. This is particularly relevant given the profile of the workforce and lack of culture and confidence of speaking up and current state of affairs around restrained freedom of association. There is thus a need to look further into how RBC processes can increase overall workers participation and in particular, women's voice and representation (in safety committees and workers participation committees).

*Social impact mitigation strategies:* Domestic companies who are recipients of private sector instruments and those engaged with the sector agreement demonstrated various levels of corporate philanthropic activities. The extent to which these could be linked back to the Dutch IRBC instrument was not always obvious. In the case of RMG companies, many were already engaged to some extent in philanthropic activities prior to being engaged in CBI or through the sector agreement<sup>33</sup>. The only exception was the RBC frontrunner who had used PSI funds to leverage and deepen its do-good activities into mutually beneficial RBC activities (See Annex 5).

*Government's RBC policy in RMG developed:* The Dutch Embassy, relative to the other Dutch IRBC instruments, has played a critical role in contributing to Bangladesh's government evolving factory safety policy and to some extent wages and freedom of association. This has been made possible through the strategic financial support to the ILO RMG project, together with local efforts in the context of international diplomacy around Compact and the Accord made possible by a core Embassy team on corporate social responsibility and a vocal ambassador. Whilst attributing changes in Bangladesh law directly to the Dutch Embassy alone is not possible given that these activities are undertaken with other donors in which the Dutch have collectively strategized (e.g. 3+5+1 dialogue and LCG PSG), their contribution has been unanimously acknowledged by different stakeholders. The sticky issues of wages and freedom of association remain a source of sensitivity which the Embassy together with other donors have strategized where they can add value. This is an area where other Dutch IRBC instruments such as the AGT and The Hague centrally-driven initiative have potential to support. This is conditional on being open to the Embassy's strategic vantage point on the current status of RBC issues in Bangladesh and guidance on where the respective initiatives can add value to optimize impact on RBC.

### 7.3 Limitations of IRBC policy instruments

A number of limitations to the effectiveness of Dutch IRBC policy instruments in the RMG sector and beyond have been observed, which have the potential to limit further effectiveness of instruments as well as outcomes in the sector:

- Lack of presence of Dutch companies in Bangladesh was a constant limitation of the IRBC policy instruments, resulting in RBC playing out in different ways through Bangladesh suppliers or partners. This has limited the direct influence of different IRBC instruments and their ability to monitor and follow up.
- Lack of coordination with centrally-driven Dutch IRBC instruments including specific projects meant that the coherence between the instruments could have been better leveraged to enhance impact.
- Instruments were currently not able to tackle the bigger systemic issues concerning sourcing and pricing practices that underpin many of labour right violations and frustration around 'RBC does not always pay'. Unless Dutch IRBC policy also engages with these broader economic forces to create a level playing field for both buyers and suppliers in the supply chain, their effectiveness will remain limited. Improvements in social compliance will not be secured unless

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<sup>33</sup> Note that the AGT does not corporate promote philanthropic activities as part of its due diligence focus.

this is matched by reciprocal arrangements with companies to pay higher prices to cover the financial costs of RBC compliance. Whilst the results of sector agreement on this issue are too seen to see, this is an area where it has the most potential.

- Lack of a systematic approach to address gender aspects of RBC across all the instruments means that many of the RBC gains do not always proportionality benefit women, and women continue to lose out on opportunities to equally benefit.

## 8. Conclusion

### 8.1 Dutch IRBC policy in Bangladesh

In Bangladesh, the limited direct investment of Dutch companies hinders the overall direct leverage of Dutch IRBC policy. A key obstacle to the transition from aid to trade is the lack of interest by Dutch companies to invest in Bangladesh due to the negative perceptions around security, corruption and infrastructure bottlenecks. The exception is the RMG sector where there is sufficient interest in trade and activities financed through official development assistance. As such, all three Dutch IRBC policy instruments are limited in that there are not many Dutch companies directly operating in Bangladesh in the first place.

It is in this context, in addition to the unique circumstances in RMG and the economic dependence of Bangladesh on the sector that we conclude that the **Embassy** is the most relevant and effective RBC instrument of Dutch policy. Within the RMG sector, the Embassy's contextual approach to Bangladesh grounded in a RBC lens combining politics, economics and development has been key. This has allowed the Embassy to strategically analyse where it can add value and address niches not addressed by other donors. For example, the financial investment in ILO RMG project and Better Work has contributed towards strengthening Bangladesh institutions and regulations. It has also facilitated its ability to operate in relevant international forums to influence negotiations related to the Sustainability Compact, ILO conferences, and Accord; thereby leveraging both national and international efforts on IRBC. Through EKN's agenda setting activities on controversial issues such as pricing, purchasing practices and living wages it has enhanced the knowledge of different stakeholders on RBC nationally. It has also contributed to RBC in RMG through different entry points. This includes the reduction of industrial pollution of surface water by RMG factories through PACT programme which demonstrates positive effort to address environmental issues; and the more explicit approach to gender issues under SRHR portfolio in RMG. However, connections with food security sector were less tenuous and there were concerns about the long term sustainability of proposed market driven insurance mechanism for RMG employees.

Through these activities the Embassy has played a key role in connecting different initiatives of Dutch actors (companies, NGOs, trade unions, sector agreement) towards different types of Bangladesh stakeholders (government, business, NGO) around discussions of RBC. Together, this provides evidence of the holistic and careful approach of the Dutch Embassy to strategize efforts for where there is potential for creating a long lasting legacy through institutional capacity building. However, the Embassy's support beyond the RMG sector is limited to the point of contact when Dutch company approaches the Embassy for support. Ongoing implementation of RBC practices depends on monitoring via RVO in The Hague and the intrinsic motivation of Dutch companies. Internally there are mixed views on how to address the Embassy's role to manage lack of presence of Dutch companies in Bangladesh vis-à-vis a demand-driven and pro-active mobilisation of business. In conclusion, whilst we cannot point to changed Dutch business and due diligence behaviour directly at outcome level, the Embassy's activities have clearly contributed an important role toward the broader enabling environment for due diligence in the RMG sector through its institutional capacity building and international diplomacy efforts within Bangladesh (impact level). This has been sustained through the long term engagement of staff to manoeuvre the political landscape and support IRBC efforts.

Whilst the study was not able to look at Dutch company behaviour directly, analysis of the impact of **private sector instruments** through our limited sample of Bangladesh suppliers linked to PSI Bangladesh/Dutch joint ventures were revealing. Valuable insights on non RMG Dutch companies behaviour were also gained through the embassy's economic diplomacy activities. The factors that influenced Bangladesh companies' ability to leverage the different private sector instruments (PSI and CBI) to secure RBC outcomes were found to depend upon the Bangladesh's companies pre-existing exposure to RBC, own intrinsic motivation, and external enabling environment rather than the private sector instrument itself. Predominant issues that emerged during discussions was the extent to which RBC is largely market driven as a condition to access customers. Paradoxically, those companies that

were intrinsically motivated to adopt RBC and expand into philanthropic activities, found that RBC did not pay, and that customers tended to be more driven by price and the quality of the goods in the value chain rather than responsible business. Once certification processes were passed, there was rarely any follow up from Dutch company side. We therefore conclude from that private sector instruments (in the sample we reviewed) were limited in promoting comprehensive RBC compliance, with the exception of CBI. CBI with its hands on approach demonstrated a more concerted effort to improve outcomes on IRBC awareness and management and link this to improving the Bangladesh companies' ability to negotiate better prices based on upgrading quality of goods. Yet paradoxically, both CBI's and PSI's inability to share learnings and practices beyond the small target group (spill over) are a considerable limitation to its broader potential impact.

The conclusions on the **AGT** are limited in view of the timeframe of this sector agreement. Nevertheless, discussions with different stakeholders in Bangladesh revealed relevant insights for the future successful implementation of the sector agreement. Whilst the AGT is not supposed to have a specific geographic orientation, our findings reinforce the salience of a country-specific approach. Embassy stakeholders in particular expressed concern about the limited coordination with The Hague overall (which includes coordination with the AGT Secretariat) with Bangladesh responsible business conduct initiatives. Our study also revealed acknowledgement by the international community of the AGT's strategic value through its direct entry point with the brands. This includes its potential to tackle systemic issues related brand's purchasing and sourcing practices and lack of transparency in how value is distributed along the supply chain.

An overarching observation across all IRBC policy instruments was that in spite of some of their weakness, they all had potential to address different dimensions and add value to RBC from different entry points. This includes the Embassy's being well positioned to work on the enabling environment of IRBC with Bangladesh stakeholders, the AGT with Dutch companies, and private sector instruments with Dutch companies themselves in supporting their interaction with Bangladesh partners. Yet, to date it appears that the synergies between them is yet to be catalysed.

These findings illustrate how RBC practices in Bangladesh are highly contextualised and shaped by the local political economy, rather than under the direct influence of Dutch IRBC policy. Managing the competing interests across the political economy landscape is a daunting task that cannot be managed by one stakeholder alone. For Dutch IRBC policy, this implies implementing RBC requires a careful balance of promoting responsible business conduct based on international conventions within the confines of Bangladesh law, together with coordinating its added value across the plethora of other RBC activities taking place. Although the Embassy has a good overview and control over activities that the Netherlands performs (who, what, where) compared to other transition countries, there is risk of fragmentation and duplication if this is not tackled in a coordinated manner through the proposed multi-year country strategy with a dedicated team. This is a key opportunity to create synergies and align decentralized activities with main activities in The Hague. The transition towards MACS that were underway at the time of the study are a promising move towards more coordination and alignment.

In conclusion, if the Netherlands wishes to continue to fulfil its key role in the important dossier of RMG that has defined its transition agenda in past five years, the Embassy will require a dedicated RMG team on the ground to continue to coordinate activities. This reinforces the importance of a tailored RBC policy which is flexible to local context and engages in a holistic approach with different actors both in the Netherlands and in Bangladesh.

## 8.2 Methodological reflection

The theory-based approach used in this evaluation makes the attribution of observed effects to specific IRBC policy instruments difficult, if not impossible. Therefore, the study focused primarily on the identification of major factors – enablers – which contributed (or are likely to have contributed) to observed effects. For instance, Chapter 5 explores the Dutch Embassy's approach to responsible business conduct that is tailored to the uniqueness of the Bangladesh context. Different stakeholders ranging from the international community to Bangladesh community (businesses, NGOs, and trade

unions) highlighted the value added of the Embassy's holistic and contextual approach that combines politics, economics and development. Whilst there are many factors that have influenced Bangladesh's regulation in factory safety following Rana Plaza, triangulation from different stakeholders reinforced that the Embassy's investments and international diplomacy contributed towards the enabling environment for enhanced due diligence in the RMG sector.

Furthermore, as in any evaluation, there is the question of generalisability. It should be stated that many of the investigated policy instruments in this study, while falling into broader categories, are unique. This is applicable for the Embassy's approach based on the uniqueness of the RMG sector. The point here is thus not to generalise findings, but to bring underlying patterns, factors, barriers and enablers to the surface in order to guide future policy implementation. The specific features of the RMG sector are a key reason for the approach to RBC adopted by the Embassy.

This is slightly different for the private sector instruments and the AGT which affect or are implemented in different countries at the same time. The question of generalisability thus becomes more pertinent, but should not be misunderstood. Findings from the interviewed companies and other stakeholders in Bangladesh are not representative of other companies participating in private sector instruments and the AGT. This is particularly the case with the AGT which is still in early stages of implementation. First, our focus was on how the AGT plays out in Bangladesh (rather than with Dutch-based brands). Second, our study was limited by interviewing one of the Dutch brand signatories and two of their accompanying suppliers; all of which were frontrunners on RBC. However, findings may well be transferrable to other companies in other settings, based on the underlying logics exposed. Readers and users of this study are therefore invited to evaluate in how far the findings (are likely to) apply to other settings. The findings of the KIT country studies in Colombia and Ethiopia (which also looked at private sector instruments) and India (which looked at the sector agreement on garments and textiles) offer further insights in this regard.

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## Annex 1. Detailed list of cases in Bangladesh

Table 1. List of cases in Bangladesh

IRBC policy	Program	Case	Relevance to evaluation	Participants	Location
Private sector instruments	PSI	Project-E.G.T. Textiles Ltd, a joint venture for the production of wider width jacquard mattress tickings	Textile sector PSI ICSR framework as condition for project implementation Relevance for workers' rights and working conditions	<i>Private companies:</i> <i>Dutch:</i> Enterprise Global Trading BV (Dutch trader in Enter) <i>Other:</i> Apex Jersey Ltd, Bangladesh (sweater manufacturer)	Gazipur, North of Dhaka, also Uttara office
	PSI	Introducing the production of PP / PE multi-layer wide width liners and coatings for Flexible Intermediate Bulk Containers	Textile sector	Dutch Bangla Pack Ltd Bangladesh: LC Packaging International B.V	Gazaria
	CBI	Upgrading garment exporters	Textiles & RMG Includes one element focused on RBC compliance to EU market linked to ILO Better Work (see below)	Need to identify sample of relevant recipients of training linked to CSR compliance	Around Dhaka
	PSD APPS	Conference on sustainable sourcing in the garment sector	Textiles & RMG Sustainability focus	IAF, NASH International,	

IRBC policy	Program	Case	Relevance to evaluation	Participants	Location
Sector Agreement		Garment and Textile Agreement (2016)	Textile and Garments sector agreement focuses on RBC Comparatively “mature” (signed in 2016) compared to other sector agreements	Front runner Dutch brand (anonymous)	Around Dhaka
International cooperation & legislation		See below relevant international agenda setting activities under Embassy activities Bangladesh Accord, Sustainability Compact, ILO better work	Netherlands commits itself to promoting (Dutch) companies to respect the principles of RBC		
Embassy guidelines / activities	IRBC project	ILO Improving Working Conditions in the Ready-Made Garment Sector in Bangladesh (RMGP Programme), (2013-2023)	RMG sector Includes 5 relevant elements: building/fire safety, strengthening labour inspection, training for workers, trade unions on occupational health, rehabilitation of victims, implementation of ILO Better work compliance programme *see below)	ILO, GoB Dept of Inspections for Factories, Employer Organisations (BGMEA, BKMEA, BEF, IBC), workers group (NCCWE)	
	IRBC project	ILO Better Work (collaboration between IFC and ILO) to improve worker conditions and promote competitiveness in garment industry	RMG sector Promoting compliance with ILO to build social responsible export strategies	ILO, IFC, selected Dutch Partners.	Dhaka
	Legally binding agreement	Bangladesh Accord on Fire and Building Safety	RMG Safe working conditions	Selected Dutch companies' partner trading organisations/buying houses	Dhaka

IRBC policy	Program	Case	Relevance to evaluation	Participants	Location
	International agreement	Sustainability Compact	RMG Focus on management influence of Dutch on compact RBC issues related to 3 elements: respect for labour rights, structural integrity of buildings and occupational safety and health, responsible business conduct	EKT, European Commission	Dhaka
	Embassy activities	Private sector development dialogue activities	RMG Round table on living wages in RMG Study on Minimum wage board for garment sector LCG- Dutch led- Private sector development co-chairing by EKN (2013) focused on improving labour standards in garment sector; monitor commitments made by GoB for improving labour conditions in garment sector after Rana Plaza.	EKT, other members of discussions	Dhaka

## Annex 2. List of interviews for Bangladesh

*Table 2. List of interviews conducted in Bangladesh and Netherlands*

Category	Organisation	Respondent	Date	Location
Dutch Government	Embassy of the Kingdom of the Netherlands	Ambassador	18 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	Deputy Head of Mission	18 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	First Secretary, Economic & Political Affairs, Press and Cultural Affairs	18 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	First Secretary - Economic Affairs and RMG	18, 19, 25 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	First Secretary, SRHR & Gender	19 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	First Secretary, Water	19 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	First Secretary Food Security	19 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	Senior advisor of economic and commercial affairs on PSD	25 June 2018	Dhaka
	Embassy of the Kingdom of the Netherlands	Senior policy advisor food security	25 June 2018	Dhaka
	CBI	CSR advisor	13 August 2018	Netherlands, Dhaka
Bangladesh Government	RVO	CBI Project officer	23 May 2018	Netherlands
	RVO	PSI Project Officer	6 June 2018	Netherlands
	Department of Inspection for Factories & Establishments (DIFE)	Inspector General	24 June 2018	Dhaka
	Department of Inspection for Factories & Establishments (DIFE)	Deputy Inspector General	24 June 2018	Dhaka
	Department of Inspection for Factories & Establishments (DIFE)	Additional Inspector General	24 June 2018	Dhaka
Other governments	Ministry of Labour and Employment	Additional Secretary	26 June 2018	Dhaka
	Ministry of Labour and Employment	Deputy Chief	26 June 2018	Dhaka
	UK Department for International Development	Private Sector Development Advisor	26 June 2018	Dhaka
	Embassy of Federal Republic of Germany	Counsellor for Development Corporation; Advisor for Development Corporation	25 June 2018	Dhaka
	ILO Better Work	Programme Manager; Enterprise Officer	21 June 2018	Dhaka

Category	Organisation	Respondent	Date	Location
NGOs and International Organisations	ILO RMG project	Senior Communications Officer, Knowledge Management Officer, Programme Officer, M&E	21 June 2018	Dhaka
	ILO RMG project	Gender Advisor	17 July 2018	Dhaka
	UN WOMEN	Gender Advisor	17 July 2019	Dhaka
	Solidarity Centre	Country Program director; senior program advisor, senior legal advisor	21 June 2018	Dhaka
	SNV	Inclusive business advisor	24 June 2018	Dhaka
	Fair Wear Foundation	Country representative	23 June 2018	Dhaka
	UNICEF	Head of child rights and business	22 June 2018	Dhaka
	Accord	Executive Director	22 June 2018	Dhaka
	GIZ	Technical Advisor Employment Injury Projection Scheme for the workers in Textiles and Leather industry	21 June 2018	Dhaka
Companies / private sector	C&A Foundation	Programme Manager, Supply Chain Innovation and Transformation	20 June 2018	Dhaka
	Frontrunner Dutch brand (anonymous)	CSR officer	9 July 2018	Azampur
	Epilion Styles	Deputy General Manager, HR, Admin and CSR	24 July 2018	Gazipur
	DUTCH BANGLA PACK	Deputy Managing Director; Manager special projects	23 June 2018	Dhaka
	LC Packaging	Communications and sustainability Manager	25 September 2018	Netherlands
	EGT Textiles Ltd	Managing Director	23 June 2018	Dhaka
Labour unions	Seotex	General Manager, Factory Manager	10 July 2018	Dhaka
	Awaj Foundation	General secretary	28 June 2018	Dhaka
Sector / business organisations	Bangladesh Garments & Industrial Workers Federation (BGIWF)	President	28 June 2018	Dhaka
	Bangladesh Garment Manufacturers and Exporters Association (BGMEA)	President, Deputy Secretary	20 June 2018	Dhaka
Research	Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)	First Vice President, Managing Director, Assistant Joint Secretary	21 June 2018	Dhaka
	Bangladesh Institute of Labour Studies (BILS)	Executive Director	23 June 2018	Dhaka
	BUFT Centre for CSR and Sustainability	Business Development Manager, Assistant Professor, Associate Professor	9 August 2018	Tongi/Turag
Total number of interviews	37 interviews			

## Annex 3. List of field observations in Bangladesh

*Table 3. List of field observations in Bangladesh*

Location	Observation	Date
Gazipur	Visit to Epillion Style Factory Observation of RMG working conditions	24 July 2018
Munshiganj	Visit to Seacotex dyeing factory set up in accordance with CBI program. Observation of RMG working conditions Discussion with factory manager Focus group with 7 factory men workers.	13 August 2018
Narayanganj	Visit to Seacotex sewing factory set up in accordance with CBI programme. Observation of RMG working conditions Discussion with factory manager Focus group with 7 factory women workers.	13 August 2018
Uttora/Tongi	Visit to Shanta garments factory set up in accordance with CBI programme. Observation of RMG working conditions Overall view of women workers and manager	14 August 2018
Gazipur/Tongi	Visit to Jamuna Apparels Factory set up in accordance with CBI programme. Observation of RMG working conditions Discussion with management	14 August 2018

## Annex 4. Delegated and central budget for Bangladesh from the Netherlands

Figure 1. Total delegated budget Bangladesh (2013-2017)

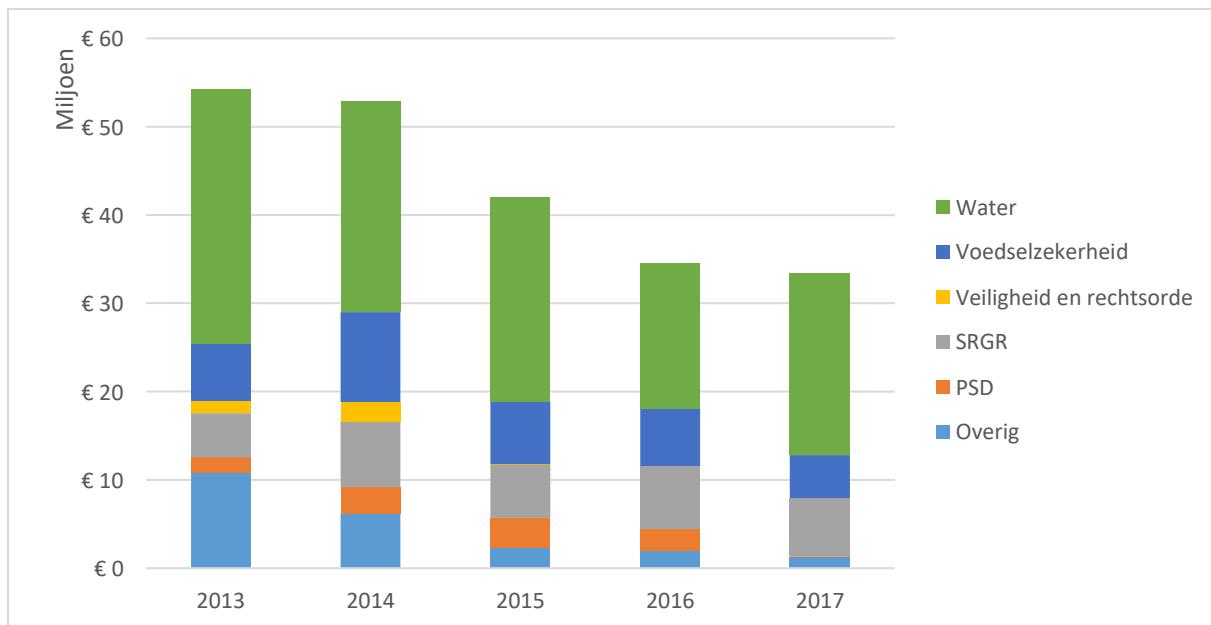
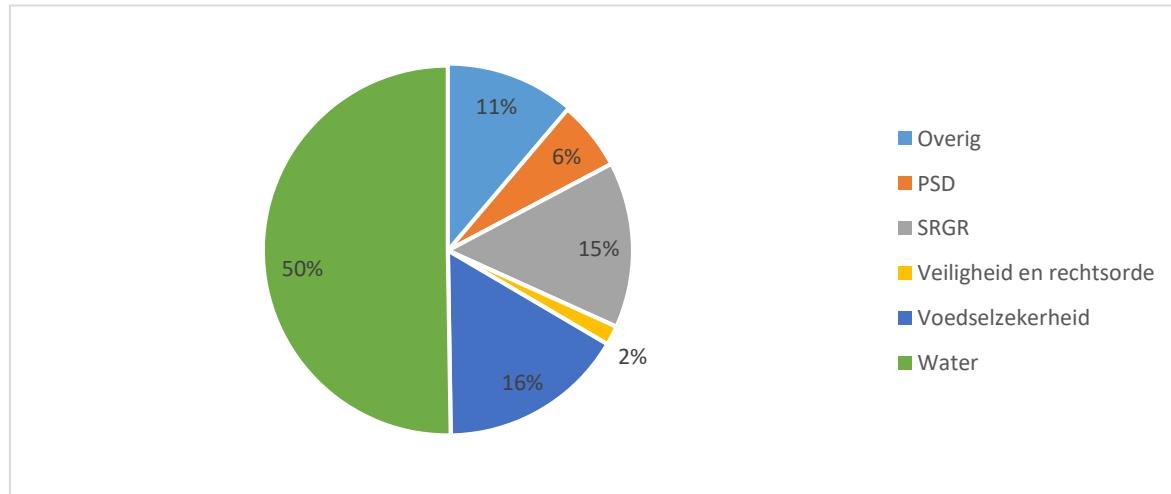
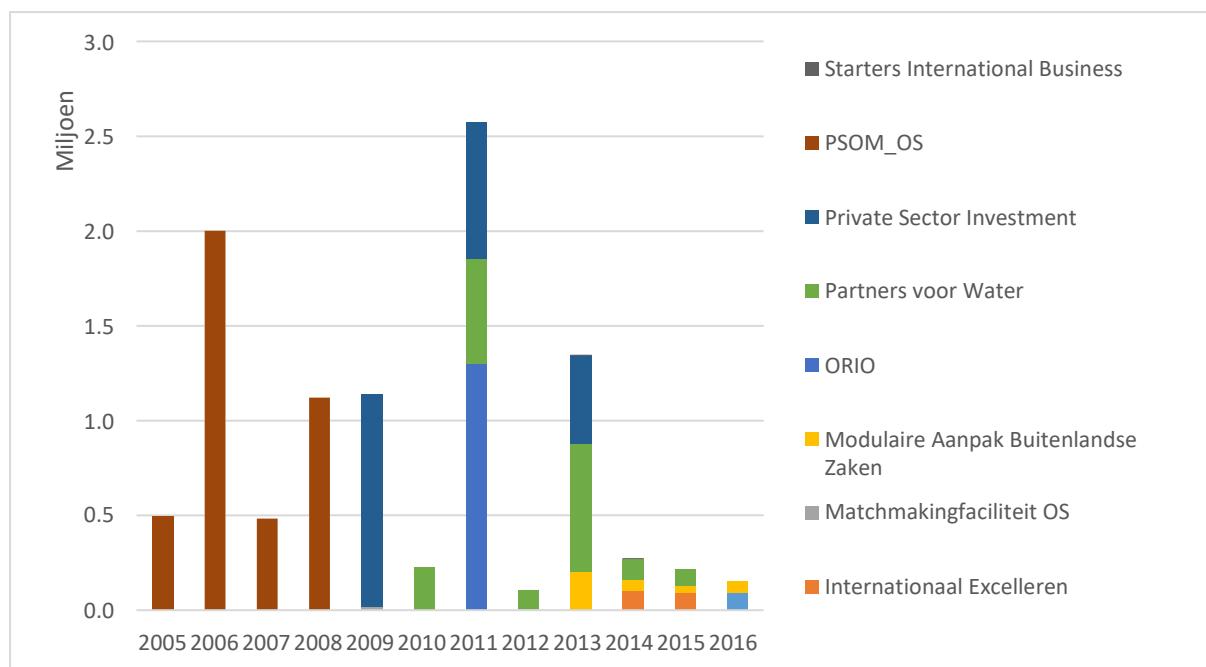


Figure 2.: Percentage ratio of OS expenditure across spearheads 2013-2016



Source: IOB (2018)

Figure 3. RVO Bangladesh expenditure per year of submission



## Annex 5. Dutch Bangla Pack Ltd

### Poster child for responsible business conduct

Dutch-Bangla Pack Ltd. (DBPL) is a 100% export oriented Joint Venture company established in 2007 by Bangladesh shareholders and LC Packaging International BV. It produces Flexible Intermediate Bulk Containers (FIBC) designed to carry dry goods (sand, fertilizer etc.). In 2009, it received PSI funds (formerly under PSOM) to finance the Coating and Liner Blowing sections of the DBPL factory at Gazaria, Munshiganj. Whilst this marked the first serious effort of the joint venture to proactively engage with CSR, the BD partner had a personal interest to 'European style of responsible business. It is one of the few companies to have ISO8000.

Its notable responsible business practices include:

- *Wages*: DBPL made deliberate effort to increase wages, and ensure no overtime.
- *Working environment*: proactive approach to address absenteeism involved free healthcare support for employees, involving the fulltime presence of a doctor, a paramedic, and a nurse in the factory, in addition to health insurance providing wide-ranging coverage. The package includes annual health check up with certain tests resulting in a digital medical record for every employee and first consultation for every employee.
- *Gender interventions*: Efforts to upgrade women to supervisor positions and provision of subsidised hostel so women don't have to travel at night. They found that female employees were more comfortable to report problems to woman supervisor and this led to dramatic drop in absenteeism. As a result, relevant solutions could be applied which paved the way for the reduction of absenteeism.
- *Worker benefits*: Provident fund - available to all permanent employees, Worker's participatory profit fund, Allowances for attendance, proper hygiene practices, night shifts etc.; Housing and food subsidy, Festival bonuses, Free medical check-ups and medicines. Hospital expenses for occupational accidents are also borne by the Company, Regular recreational activities and celebrations (picnics, victory day celebration etc.), Leave policy in accordance with national legal requirements.
- *Community activities*: It provides financial assistance to the children of its employees, who are not financially well off, to continue their education. The company has a policy to employ workers from the communities adjacent to the factory and thereby contribute to reducing poverty. In 2017, it applied for FMO capacity development fund to finance equipment to reduce waste. This commercial loan comes with additional training, knowledge transfer from Europe on better waste recycling technologies. The funds were also used to partner with local NGO to finance and facilitate the training of 100 underprivileged waste pickers in sewing and machine handling etc. The goal is to equip the trainees with sufficient expertise so that they are absorbed by mainstream industries like DBPL and thereby enable them to leave the dumpsite where they used to work as waste pickers in seriously unhygienic conditions. For more information see
  - <http://lcsupportsfoundation.com/projects/waste-pickers-of-dhaka/>
  - [https://www.deginvest.de/Newsroom/News/News-Details\\_469440-2.html](https://www.deginvest.de/Newsroom/News/News-Details_469440-2.html)
  - <http://lcpackaging.com/sites/default/files/sustainability/downloads/3-lc-packaging-and-fmo-sustainable-partnership.pdf>
- *Standards*: ISO 14001 (environment), SA 8000 (social compliance), OHSAS 18001 (occupational safety)

For more information on the CSR strategy of the Dutch Partner, LC Packaging see:

- Code of conduct and five year plan: <http://lcpackaging.com/sustainability/supplier-code-conduct>
- Sustainability  
[http://lcpackaging.com/sites/lcpackaging.com/files/files/LC\\_Packaging\\_Sustainability\\_Vision.pdf](http://lcpackaging.com/sites/lcpackaging.com/files/files/LC_Packaging_Sustainability_Vision.pdf) vision:
- Reporting to the UN Global Compact: <https://www.unglobalcompact.org/what-is-gc/participants/46601-Dutch-Bangla-Pack-Ltd-#cop>

For more information on Dutch Bangla Pack directly: <http://www.dbpackltd.com>  
<http://www.dbpackltd.com/csr.html>, [http://www.dbpackltd.com/OECD\\_draft\\_July%202016.pdf](http://www.dbpackltd.com/OECD_draft_July%202016.pdf)

## Annex 6. Overview of Dutch Embassy responsible business investments and funding

*Table 4. Overview of Embassy RBC investments*

Name	Details
ILO Improving Working Conditions in the RMG sector Phase 1 & 2	<p>The project has five components focused on strengthening the <i>National Initiative</i> through: conducting building and fire safety assessments, strengthening Labour Inspection &amp; Support Fire and Building Inspection, Building OSH awareness, capacity and system, rehabilitating and providing skill training for victims, and improving working conditions in factories through <i>Better Work Bangladesh (BWB)</i><sup>34</sup>.</p> <p>BWB is a separate project in collaboration with the International Finance Corporation (IFC) working across eight countries. It focuses on the factory level to improve working conditions and promote competitiveness. Through a package of services (global factory service model including harmonised auditing process, specialised training on supervisory skills targeting women) it promotes compliance with international labour standards as a foundation for socially responsible export strategies and enhancing enterprise level economic and social performance. At the policy level, RMG/BWB is also lobbying to address workplace harassment. In phase 1, ILO worked with DIFE to ensure the inspection checklist covered gender issues, particularly maternity benefit provision. The BWB complaint application tool also included special attention to sexual harassment.</p>
Employment Injury Protection Scheme for workers in the Textile and Leather Industries (EIPS)	<p>It focuses on introducing national employment injury protection scheme to ensure long term protection for the workforce against work-related accidents and occupational diseases from 2017-2019. EIPS focuses on building the capacity to implement this scheme, whilst ILO is looking at the legal changes required to introduce the system.</p> <p>It is envisaged that EIPS would be financed through a levy to employers contribution of 0.33%. However, there was pushback from BGMEA. There have also been delays in endorsement from GoB as the scheme would cover other sectors beyond RMG, and as such is being politicised as it is likely to be incorporated in Bangladesh's national social protection strategy. As a result, efforts have prioritized capacity development of Ministry of Labour to be prepared for the time of when such scheme would be implemented (realistically in 2030).</p> <p>Following Rana plaza there was much discontent with the lump sum payments to families with injuries. The GoB reached out to donors to support the design of a government led system under the Ministry of Labour and Employment linked to broader social protection system, and provide a limited starting capital for an insurance system for industrial accidents. It is novel in that it includes the leather industries which has high economic potential, yet is an uncharted sector with many social environmental and political risks.</p>

<sup>34</sup> The Better Work Programme is centrally funded by NL for other countries, but in case of Bangladesh, this is covered under the funding of the RMG project.

<b>RBC activities across other portfolios</b>	<p><b>Water: Partnership for Cleaner Textile (PaCT I, 2013-2017).</b> Its overarching goal is to reduce the environmental impacts from unsustainable practices in 200 textile wet processing factories (washing, dyeing and finishing units), particularly excessive groundwater extraction and surface water pollution. These risks include the intensive use of water resources, polluting effluent discharges from wet dyeing and finishing factories. Phase 2 (2018-2021) will widen its reach to include more actors in the textile value chain from weaving, spinning, wet dyeing and finishing of garment.</p> <p><b>SRHR: Working with Women (WwW): promoting SRHR through inclusive business practices in the RMG industry in Bangladesh.</b></p> <p>It focuses on improving health (including SRHR) and well-being of RMG workers through an inclusive business approach. It also aims to build evidence of the business case for investment in RMG workers health through entry point of SRHR linked to higher productivity; and thereby move away from philanthropic/charity arguments for RBC. Phase 1 (2015-2017) piloted ten different inclusive business (IB) models in 20 factories. Phase 2 (2017-2022) takes three models (Annex 5) from the pilot phase to further refine in 10 factories, and includes additional activities focused on system building/institutionalization, and evidence building to build sustainability to replicate in other factories.</p> <p><b>Phase 2: Testing three inclusive models</b></p> <ul style="list-style-type: none"> <li>• <i>Health plus:</i> The Health Insurance plus model covers all SRHR services including free medicalization and outpatient services (unlike most health insurances which only cover hospitalization). Overall it includes BDT 575 annual premium. In the first year, BDT 375 covered by project, and BDT100 by worker, and BDT100 by factory. Second year, project covers BDT275, BDT150 by worker, BDT 150 by employer. In last year, BDT 375 covered by employer and BDT200 by worker.</li> <li>• <i>Power Plus:</i> includes a gender based violence package implemented by Fair Wear with integrated mental health services</li> <li>• <i>Menstrual Hygiene Management (MHM):</i> includes access to sanitary pads and hygiene commodities and practices.</li> </ul> <p><b>Food security portfolio</b></p> <ul style="list-style-type: none"> <li>• Provision of fortified rice to RMG workers, funded by GAIN through Dutch central funds and implemented by the World Food Programme as part of its broader targeting GoB safety net programme (VGDDF). Dutch company DSM was involved to provide micronutrient pre-mix and capacity building to local companies to manufacture. The collaboration sought to persuade BGMEA to fund and institutionalise subsidised nutritious rice to workers. The proposed link to RBC was not through Dutch brands, rather through advocacy to BD employers association that improved nutrition status of workers (via subsidised nutritious meals for workers through fortified rice) will result in more productive workers. In contrast, SAFAL, a value chain development project in shrimp sector implemented by Solidaridad has sought to address both environmental and social RBC aspects.</li> </ul>
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*Table 5. Expenditure on RBC activities by Dutch Embassy*

<b>Projects</b>	<b>Amount in Euros (unless otherwise indicated)</b>
ILO project 2013	1.000.000,00
ILO project 2014	2.422.500,00
ILO project 2015	3.098.380,00
ILO project 2016	2.277.035,88
ILO phase 2	USD 6,671,755 from (2017-2020)
Living wage in BD research (2013)	64 255,10
EIPS 2017	999,561 (roughly 1 million from 2017-2019)
CPD research (2018)	BDT 27,410
CPD research (2016)	100,000
Business opportunity scan leather sector	31,330
Roundtable living wage (2017)	2,506
Sustainable and inclusive business scan (2017)	29,912
Conference on sustainable sourcing (2017)	138,849

Source: EKN records of PSD investment (2012-2016)

*Table 6. Outcomes of selected RMG investments*

<b>Project</b>	<b>Outcomes</b>
<b>ILO RMG project and Better Work Bangladesh</b>	<p>Key successes include:</p> <ul style="list-style-type: none"> <li>Assessment of 1,549 factories outside ACCORD/ALLIANCE factories by December 2015 based on harmonised standards and follow up through Corrective Action Plans (CAP) and DEAs (Detailed Engineering Assessments)</li> <li>Capacity building of the inspectors of DIFE and FSCD, development of tools and IKM activities</li> <li>training social partners on Occupational Safety and Health (OSH) involving workers, as well as supervisors and managers</li> <li>celebration of OSH days rehabilitation services to Rana Plaza survivors</li> <li>development of disability and social inclusion guidelines.</li> <li>Under BWB, 14 Enterprise Advisors (EA) provided advisory and technical services to 120 factories and 30 buyers.</li> </ul> <p>Better Work Bangladesh has also been recognised for its efforts to upgrade women to supervisory positions and providing evidence of how average efficiency in workplace increases by 5% with trained female supervisors</p> <p>Source: IFC (2018), ILO (2017)</p>
<b>SNV Working With Women (Phase 1)</b>	<ul style="list-style-type: none"> <li>Under Phase 1, 14 from 20 of the partner factories are continuing to invest in SRHR, workers are paying for SRHR services with 15,000 workers under the Health Insurance model, paying their premium contribution; some partner factories are introducing new SRHR services/products for workers (for example Hepatitis Vaccination programme, free sanitary pad provision) and six factories have integrated SRHR into factory training programs etc.</li> <li>The project's web-based system indicates that service utilization has increased from 3,434 in the 1st quarter of the IB model launch (Aug-Oct 2015) to 22,727 in the last quarter (Jan-Mar 2017), a 662% increase.</li> <li>The pilot phase evaluation show that there has been an increase from 0.8% in the baseline to 11.3% in the end line of workers using project service providers for family planning products and services. There was also an increase from 34.3% from 5.3% of pregnant garment workers conducting four or more antenatal care (ANC) visits</li> </ul> <p>Source: SNV (2017)</p>

## Annex 7. Overview of BUFT Centre for CSR and Sustainability (BCCS) (NICHE-BGD/199)

NICHE is a programme administered by the Netherlands organisation for international cooperation in higher education (NUFFIC) focusing on post-secondary education and training in developing countries through support to higher education and TVET in four Dutch policy priorities: food security, water, security, rule of law and women's rights. Note that this is not an activity steered by the sector agreement on sustainable garments and textile.

The BGMEA University of Fashion and Technology (BUFT) was awarded NICHE funds (NICHE-BGD/199)<sup>3532</sup> to set up BUFT Centre for CSR and Sustainability (BCCS) in partnership with Nyenrode University to support BUFT to become a centre of excellence for education and training on CSR, Sexual Reproductive health and rights and leadership in the RMG sector. The aim is to address a major gap to build skills of future professionals working in the sector and bring the business and academic community together to enhance the knowledge of the application of CSR and innovative leadership in RMG sector. It also seeks to align with other RMG initiatives such as ILO programme, PACT. The target group of these activities are the 'front-running innovative companies and early adopters'. The theory of change anticipated is that if 30% of the total group has adopted best practice on CSR and become the new leaders in the area, the rest of the sector will follow (BUFT website).

Key activities focused on capacity building and curriculum development for future RMG professionals, research, and consultancy (outreach). Capacity building activities centre around tailored training on CSR for professionals from textile and apparel industries on CSR, the Dutch sector agreement on Sustainable Garments and Textile, SRHR and its benefits in the RMG sector; bringing company recognition through CSR intervention. There is also a CSR foundation course titled corporate social responsibility and a separate course on ISO and Compliance provided for undergraduate and master students (See Table 7). Through the programme, 17 faculty members have received postgraduate diplomas on CSR, one PHD opportunity created at Nyenrode Business University, and 5 research projects on CSR implementation in practice have been undertaken; the number of female faculty staff has increased from 27 to 54.

So far, three short courses have been completed for 77 RMG professional and four batches of a total of 1400 students have completed the CSR foundational course. There has not been a full evaluation of the professional training courses or undergraduate courses, particularly how companies are able to take up the course and practice what they learn.

Table 7. Courses

Target group	Content
Short course for RMG professionals	<ol style="list-style-type: none"><li>1. Introduction to CSR and the Dutch sector agreement on Sustainable Garments and Textiles</li><li>2. Implementing CSR as a Business Case for Textile &amp; Apparel Industries</li><li>3. Bringing Company Recognition through CSR intervention</li><li>4. Sexual and Reproductive Health and Rights: Business and Social Benefits</li><li>5. Leadership for sustainability</li></ol> <p>(The short course on Dutch sector agreement was open for mid-level to top-level management i.e. Merchandiser to Managing Director. The short course on Leadership was only for top level management i.e. Manager to Managing Director)</p>
Undergraduate Foundation course: Corporate Social Responsibility	1. Corporate Social responsibility (CSR); 2. Sexual and Reproductive Health Rights (SRHR); 3. Innovative Leadership; 4. Sustainable Development; 5. Business Strategy
Undergraduate and masters	ISO & compliance

<sup>35</sup> Project titled Corporate Social Responsibility, SRHR, and Innovative Leadership in Readymade Garment Sector in Bangladesh (NICHE-BGD/199).