

RESEARCH BRIEF

In Bangladesh, over 5 million people work in the \$24.5 billion ready-made garment (RMG) industry. In 2013, the collapse of five factories in the Rana Plaza complex killed more than 1,100 garment workers and brought significant international attention from governments, fashion brands, and consumers to the weak system of labor rights protections in Bangladesh. Since the collapse, over a quarter of a billion dollars in funding has been committed to improve the industry. But despite these commitments, progress on fixing factories is slow—factory owners are apparently not making the investments identified as necessary in Accord and Alliance inspections, and brands are unwilling to underwrite the costs themselves. It is unclear how much money has been spent, and on what kind of activities. For a detailed discussion of issues around funding and a complete index of funding commitments, please see our recent report, *Beyond the Tip of the Iceberg: Bangladesh's Forgotten Apparel Workers*.

TIMELINE OF FUNDING COMMITMENTS

A diversity of public and private actors have made funding commitments to improve Bangladesh's RMG sector since Rana Plaza. This funding includes loans to factories for safety improvements, grants to non-governmental organizations and the International Labor Organization (ILO) for worker and management training programs, a trust fund for victims of the Rana Plaza collapse and their families, and more.

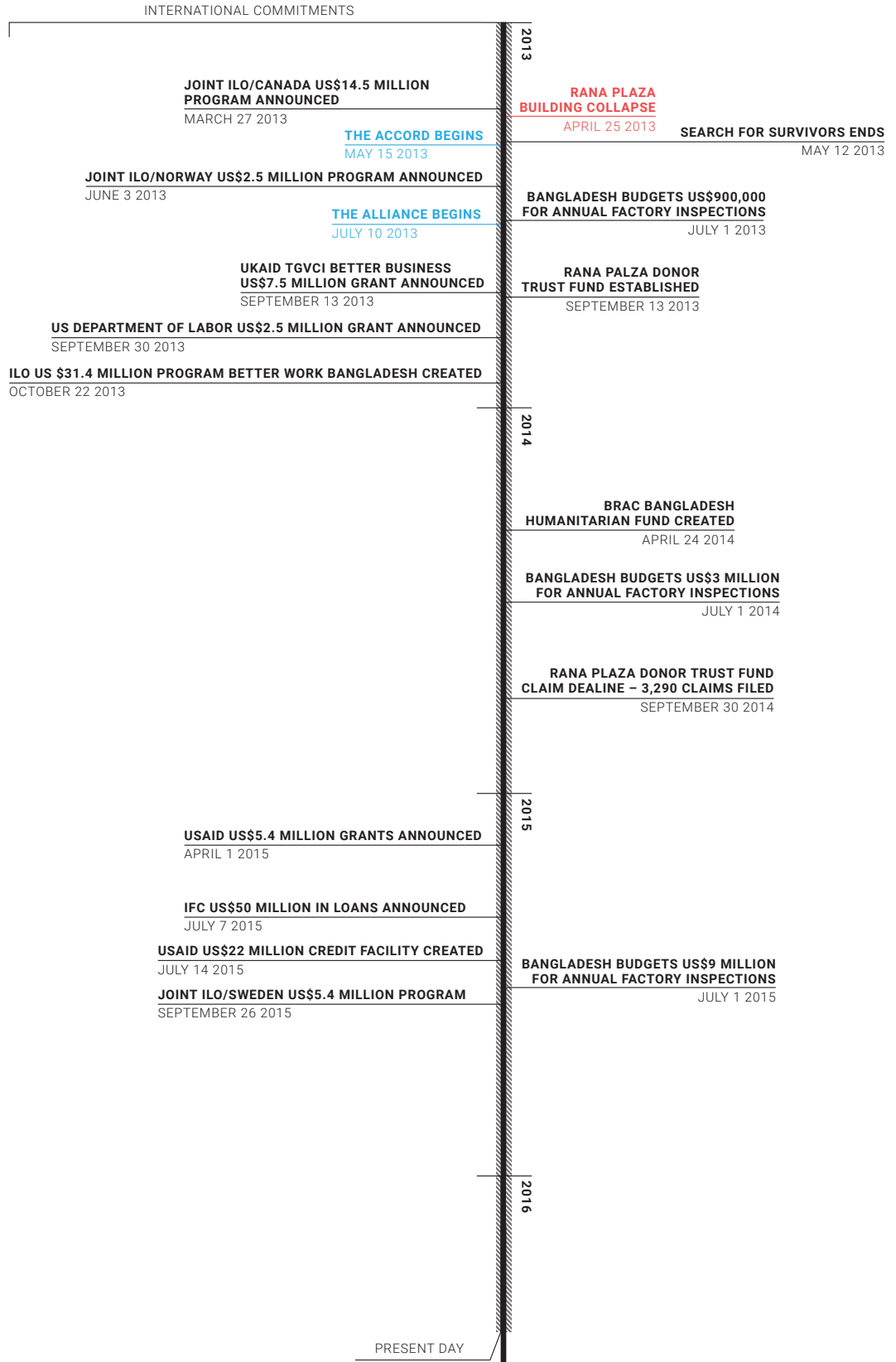
The top half of the timeline highlights commitments made in response to the Rana Plaza tragedy, in-

cluding the Rana Plaza Donors Trust Fund and the BRAC Humanitarian fund to compensate victims and their families. It also shows the yearly budget of the government of Bangladesh's factory inspection program, which increased from \$900,000 in 2013 (the year of the collapse) to \$9 million for 2016.

The bottom of the timeline displays international commitments following Rana Plaza. Green flags designate commitments made by global fashion brands through the Accord and the Alliance for factory loans and safety training programs. Blue flags represent funding commitments made by foreign governments to improve the garment industry in Bangladesh (one of these commitments – a joint ILO/Canadian government program focused on education for garment workers – was launched just before the collapse).

FUNDING PRIORITIES: LARGE, EXPORT-ORIENTED FACTORIES

Approximately \$183 million (through the Accord, Alliance, the International Finance Corporation, USAID, and the Bangladesh Government) has been committed in the form of direct grants or loans to improve factory conditions. The Accord and the Alliance are coalitions of international brands (such as Gap, H&M, Uniqlo, and Walmart) that assess fire and building safety of their members' supplier factories. Another \$78 million has been committed by international organizations and governments, such as the ILO, USAID, and UK Aid, for skills training and labor rights education programs.



Most of this funding is directed at improving those factories that maintain direct relationships with foreign brands. These factories tend to be the largest and most well-resourced of the more than 7,000 factories in Bangladesh. Our research estimates that there are approximately 3,200 direct exporting factories that are the targets of this \$261 million.

UNFUNDED: IMPROVEMENTS IN INDIRECT SOURCING FACTORIES

Our research shows that Bangladesh's apparel industry relies on a network of indirect sourcing, or subcontracting, factories that support the export capacity of larger factories. We estimate that there are approximately 3,800 of these factories, which includes a mix of formal, registered subcontractors and informal, unregistered subcontractors. These factories tend to be smaller than direct exporters and operate on much tighter profit margins. They are less familiar with international labor standards and have fewer discretionary resources to invest in safety or efficiency improvements. This part of the sector has remained largely invisible to the international community until now. Few resources or inspections are directed towards subcontracting factories or towards ensuring that workers in these factories enjoy minimum standards of safety and workers' rights. Our research did not reveal any significant sources of funding targeting subcontracting factories.

LOOKING AHEAD: ENSURING SAFETY AND DIGNITY FOR ALL WORKERS, IN ALL FACTORIES

It is significant that the international community has come together after the Rana Plaza tragedy to announce large monetary commitments.

However, our research finds that very little data is available about how much of the allocated money has actually been spent, or the impact it is having.

Almost all 1,900 factories acknowledged by the Accord and the Alliance have now been inspected, but only eight factories have passed final inspection. The Alliance estimates that each factory remediation will cost between \$250,000-350,000. Our research shows that the universe of factories producing for export is much larger than previously understood, and that indirect sourcing factories are a significant driver of production and employment. The Accord and the Alliance cover only 27% of factories in Bangladesh, leaving 2.8 million workers outside the scope of these initiatives.

To make the industry in Bangladesh safe and sustainable over the long term, all garment producing facilities in Bangladesh's RMG industry should meet minimum standards for safety and workers' rights. This will require an honest assessment of the true size and scope of the industry and a comprehensive, practical plan to achieve oversight of all factories accompanied by an agreement to share responsibility for the costs of a large-scale upgrading effort.