



Evaluation Summary



International
Labour
Office

Evaluation
Office

Improving the garment sector in Lao PDR: Compliance through inspection and dialogue

Quick Facts

Countries: Lao PDR

Final Evaluation: June 2017

Mode of Evaluation: Independent External

Administrative Office: Co-Bangkok

Technical Office: DWT Bangkok

Evaluation Manager: Anandon Menon

Evaluation Consultant: Chris Morris

Project End: August 2017

Project Code: LAO/13/01/IDA

Donor & Project Budget: IDA, \$1,350,000

Keywords: Labour inspection, Labour administration, Workplace Compliance, Supply chains, Garment sector, Strategic Compliance, social dialogue, working conditions

Background & Context

Summary of the project purpose, logic and structure

The project aimed to improve working conditions, productivity and competitiveness in the Lao garment manufacturing sector by strengthening the labour inspection system to ensure compliance with national labour laws in line with international standards. It worked with the Ministry of Labour and Social Welfare (MoLSW) to strengthen the capacities of the Labour Management Department (LMD) to improve labour inspection in Lao PDR. The project also worked to improve knowledge of rights and responsibilities, and improve working conditions in garment factories

through work improvement committees (WICs) and work improvement plans (WIPs), with the goal of improving competitiveness and productivity. The project is funded by a multi-donor fund through the 2nd stage of the Trade Development Facility, administered by the National Implementation Unit (NIU) of the Ministry of Industry and Commerce, and available to Lao PDR through the International Development Association (IDA) of the World Bank. The development objective of the project was: "To improve compliance and working conditions and to increase competitiveness of the Lao garment industry."

The project had three immediate objectives:

"Immediate Objective 1: The capacity of the labour inspection system in Lao PDR is improved so that it can effectively undertake labour inspection functions for the benefit of workers and employers in the garment sector.

Immediate Objective 2: Workers and employers in the garment sector are aware of their rights and obligations and understand how to achieve compliance.

Immediate Objective 3: Factories improve working conditions and productivity through workplace cooperation using the Project advisory and training services"

Present Situation of the Project

The project was scheduled to start in June 2014 and designed to run for 33 months until February 2017.

Due to delays in negotiating the contract, the project eventually started in January 2015. In mid-February 2017, the donor agreed to a no-cost extension (NCE) to run until August 2017.

Purpose, scope and clients of the evaluation

The purpose of this evaluation is to assess the relevance of the intervention objectives and approach; establish how far the intervention has achieved its planned outcomes and objectives; the extent to which its strategy has proven efficient and effective; and whether it is likely to have a sustainable impact. It is an opportunity to take stock of achievements, performance, impacts, good practices and lessons learned from the implementation of the project to improve productivity, competitiveness and labour standards in the garment manufacturing sector, where a majority of workers are female.

The intended users (or clients) of the evaluation are the management team of the project, the GOVERNANCE unit of ILO, ROAP (the administrative unit), and IDA as the donors. The evaluation is also intended for use by MoLSW, LFTU, LNCCI, ALGI, and other implementing partners who have an interest in the project. Evaluation questions were set within the five OCED/DAC criteria for evaluation; relevance, effectiveness, efficiency, impact and sustainability, with the additional criteria of gender equality and special concerns to be addressed (answered within the other criteria). Two other criteria, validity of project design and effectiveness of management arrangements, were included in the report at the suggestion of ILO. This was for ease of reading and did not include new evaluation questions.

Methodology of evaluation

The evaluation used a mainly qualitative methodology, combining a desk review of secondary data with skype calls, semi-structured interviews, and a short stakeholder rating survey. The evaluation was conducted by an external evaluator who had no prior connections to the project. A field visit of 5 days to Laos allowed for data collection from various

stakeholders including MoLSW, the core group of Labour Inspectors, the Association of Lao Garment Industry (ALGI), Lao National Chamber of Commerce and Industry (LNCCI), the Lao Federation of Trade Unions (LFTU), the Garment Skills Development Centre (GSDC), employees at garment factories, donors, and various consultants and staff who had worked on the project. A stakeholder de-brief to present initial findings and discuss recommendations was held at the end of the evaluation mission.

Main Findings & Conclusions

The evaluation found the project to have implemented the majority of activities and achieved most of the short-term outputs identified in the PRODOC. The project has been implemented in a short period of time, and the project has supported some significant policy changes and strengthened capacities of various partners. However, the long-term impact of the project is very much dependent upon the actions of the tripartite constituents in the next six months to one year. The work of the project requires follow-up to ensure the changes are institutionalized. Final judgements on value for money, long-term impact, and sustainability are dependent upon the willingness and resources of the tripartite constituents, particularly MoLSW, to consolidate the gains of the project.

Relevance

The project was found to be relevant to the needs of the stakeholders in Lao PDR. The project was initially designed to address issues of competitiveness within the garment industry through strengthening the capacities of the labour inspectorate to support the factories to improve working conditions, and worker and management knowledge of labour rights and obligations. The project has evolved to focus on strengthening the labour inspector system as a whole through using the garment factories as pilots for new policies, procedures and training. The strengthening of the labour inspectorate is very relevant to the needs of country as a whole, not just the garment industry. It aligns with Lao PDR's strategic plans and its attempts to align with various international labour

standards and the Sustainable Development Goals (SDGs).

The project has responded effectively to the needs of the LMD, and to a lesser extent to the garment industry and its workers. The project has not been particularly effective at mainstreaming gender and thus responding to the specific needs of women who work in the industry, the majority of whom are under 25, poorly educated, and new to the capital.

The project aligned with ILO's strategic priorities. It supported targets with the Lao PDR Decent Country Work Programme (DCWP), the Programme and Budget Outcomes for 2018-19, and various ILO conventions, in particular C.81.

Validity of Project Design

The problems identified during the project design are still relevant. Awareness and respect for labour law, working conditions in the factories, and concerns over productivity levels remain, although some improvements have been made on the first two in the pilot factories. The labour inspectorate is a key tool in addressing many of these issues, and the strengthening of the LMD is relevant to the context.

The project responded effectively to most of the recommendations of the mid-term evaluation. Relevant adjustments to the project were made to support the achievement of the immediate objectives (I.O.s). Outstanding issues are being addressed in the closing months of the project.

The main concerns with project design come from the ambitious nature of the project and whether the systems used in the project are sustainable. The project was too short to ensure the changes from the project are systematized with tripartite partners' operating procedures. The design also created a system where Labour Inspectors provided in-depth support for participating factories. Although this allowed the project to encourage participation of the factories, and gave the Labour Inspectors a platform to test their new skills and tools, it is not a sustainable approach in the long-run. The project was unable to expand to more factories as originally

planned, and the lack of mandatory elements meant the participation of the pilot factories was very varied. The participation is on voluntary basis, and the project works with an industry which in Lao PDR faces considerable competitive disadvantages compared to neighbouring countries, magnifying the profit considerations of the factories

Effectiveness

The project has achieved most but not all of its I.O.s, and questions remain about the long-term impact and sustainability of the gains made by the project. The project has strengthened the capacity of the LMD and improved the functioning of the labour inspectorate. Improvements in knowledge of labour rights and obligations have been made in the pilot factories, and there is evidence of at least some improvement in working conditions in many of the pilot factories. However, the scope of the gains in the factories is less than the original ambition of the project, as the project did not expand the number of pilot factories after the first year. The gains in knowledge and working conditions vary between factories, and it is not clear how well project gains have been disseminated among factory floor workers. It is not possible to identify whether productivity has improved or not as a result of the project.

The project has had the support of the tripartite constituents but would have been supported by better pro-activity from the LFTU, ALGI, and the LNCCI. Ownership of the project since the mid-term has improved, particularly from LFTU as they have become involved in more activities, but there is still a tendency to see the project as owned by ILO and MoLSW, rather than a coordinated effort of all the parties. Progress towards achievements was often dependent upon government processes, and the volume of responsibilities of some key MoLSW staff delayed responses to requests and activities at times during the project.

The project has made important steps in strengthening the capacity of MoLSW on information management and monitoring and evaluation (M&E). ILO supported the development of a labour inspection checklist, compliant with C.81, and the Labour Inspectors have been training on its use and piloted tested it recently. However, to ensure the sustainability of these gains, MoLSW needs to ensure the information management system to collect, collate, and analyse information from the provinces and districts is installed and Labour Inspectors given training on its use. MoLSW also needs to ensure the management structure and system for coordinating with the provinces and districts is clear so the information is obtained in a timely manner. The project has been less successful in strengthening the M&E capacities of the garment industry. WIPs were developed, but it has proved difficult for updated plans to be obtained, which may be a function of a lack of clarity of who is responsible for doing this.

Effectiveness of Management Arrangements

The management of the project has been effective. The project received support from technical experts in Bangkok, which supported capacity building and the development of tools. The project was open to the use of innovative approaches from the technical experts.

The national staff provided a strong team to support the CTA but the loss of the national staff in February 2017 because of them identifying other positions before the NCE was approved was a minor challenge to implementation at the end of the project, but more importantly means the loss of institutional knowledge within ILO.

Efficiency

The project budget was \$1.3 million. The project will not utilize all of the budget. The project has used project resources in an efficient manner, with the exception of the purchase of a vehicle which has not been used due to a lack of budget for a driver. The distribution of resources between I.O.s is justified,

and the project has been able to leverage the support of technical expertise in Bangkok effectively.

A judgement on the overall value for money of the project depends upon the actions taken to ensure sustainability by the project partners in the coming months. If the gains can be sustained, particularly by institutionalizing the policy changes in the LMD, then the impacts of the project should spread to sectors and workers beyond the immediate beneficiaries, and the value for money of the project should increase. However, if the necessary steps are not taken and so the impact is not felt beyond the short-term impacts during the project itself, it would be hard to justify the donor's investment.

ILO should also consider if there are ways they can reduce the cost of expatriate staff for smaller projects. The cost of the CTA took up 36% of the budget. Whilst very effective, and needed for the project, it is a high cost, particularly compared to the cost of national staff. Cost-sharing expatriate positions by more than one project could address this issue.

The project was too short for its ambitious nature. The project required significant policy changes in I.O.1 to support the activities in I.O.2 and I.O.3. The original timeline expected these changes to be made in the early months of the project. This was too ambitious, and these changes took time. Although most of the project activities will be complete by the of the project, the impact of them is lessen by the limited time-frame of the project, and questions about sustainability increase as a result.

Impact

The evaluation found the project had made a positive contribution to policy changes and updated labour inspectorate practices within I.O.1. The approval of Ministerial Decision 4277, the development of the labour inspection checklist and the requirement for its use to be mandatory during labour inspections, and the development of a labour inspection manual

covering 7 key areas of labour inspection, have been good developments in the goal of establishing a functioning labour inspectorate that supports Lao PDR's compliance with international standards and norms. The impact on the ground is yet to be felt significantly because the development and approval of the policy and guidelines took time.

The project also had some impact in the pilot factories. Supporting the development of WIPs and WICs had ensured working conditions had improved in the factories which had addressed the concerns raised in the WIPs. The project had also been successful in increasing awareness of labour rights and obligations within factories, although because of the difficulty in obtaining permission for workers to attend training, or meet with the survey consultant and evaluator, it is not clear how effectively these messages have been spread to the factory floor workers. LFTU has begun to address this concern, but their work has been limited to date. There was general agreement along the project stakeholders that the impact on productivity was either limited or there simply was no way to assess the impact.

Sustainability

The sustainability of the project, and by extension the overall judgement on success, will be dependent upon actions taken by the tripartite constituents, with the support of ILO, in the next few months and years. The major impact of the project has been in the LMD. The project has supported the development of policy and practical changes which give the possibility of a strong and effective labour inspectorate developing in the coming years. The changes could allow for the inspectorate to reach not just the garment industry, but also other key industries in Lao PDR, such as construction, mining, agricultural, and tourism. However, to achieve this, MoLSW needs to ensure their strategic plan is finalized, provincial inspectorate plans which complement the national plan are developed and implemented, a suitable budget for the LMD is secured, the information management system is

finalized and operationalized, and clear lines of reporting for the Labour Inspectors are finalized in a manner which provides mentoring, back-up, and management. The Government of Lao PDR will need to support regulatory enforcement as well. This is a challenge which impacts the ability of the Labour Inspectors to take enforcement action. If this is addressed and the above actions are taken, then the policies and tools put in place by the project should prove sustainable.

There is less evidence of sustainability of the project within the garment sector. The project designed a structure which saw the Labour Inspectors providing regular advisory services through support in setting up WICs and implementing WIPs. While this allowed the core group of Labour Inspectors to develop their skills and pilot test products, it does not support scale up to other factories or industries, because the Labour Inspectors will not have the time to provide this. To continue the work in the garment factories, either the factories themselves, ALGI, and LFTU need to take more initiative to implement activities, or another project needs to be designed to provide support. If another project is designed, it should include mandatory elements that require participation in certain activities from the participating factories.

The project has had some success in building local capacities. The capacity of MoLSW to run a functioning labour inspection system has increased through adopted policies, improved strategic planning, and stronger knowledge of Labour Inspectors. MoLSW has been conducting training itself to the provincial Labour Inspectors which is a positive sign. The caveat to this, is that the issues listed above need attention to ensure sustainability, and MoLSW is under-staffed and under-resourced which increases the challenges of completing all necessary activities. There is some evidence the understanding of LFTU towards the need for factory floor representation and collective bargaining is increasing, but more work is needed to solidify this.

ALGI and LNCCI have also been involved in training during the project, and their awareness of labour inspection and labour law has increased. However, more pro-activity by the garment sector is needed to take on tasks necessary for compliance which should be the responsibility of the garment sector and not the Labour Inspectors.

Gender Concerns

Although some gains have been made during the project, awareness of gender equality and issues such as sexual harassment remain low. Project participants have received training on gender equality, and the labour inspection checklist contains sections on gender and other forms of discrimination, which is a positive development. However, the evaluation gave a clear impression that stakeholders do not consider these issues to be particularly serious or widespread, despite the factory survey consultant being privately told of a number of serious issues.

The project did not mainstream gender in the manner laid out in the PRODOC. The needs assessment at the start of the project makes only fleeting references to gender concerns, and the project has not supported the factories in developing policies on sexual harassment.

Given the low baseline the project started at, the gains that have been made should be welcomed. It is also not surprising that intentions such as helping factories develop policies on sexual harassment could not be completed. Simply ensuring that training could be given to factory employees is a start. However, it would be wrong to say the project did all it could have on gender issues. For future projects, it would be advisable to have gender mainstreaming issues as a specific output or outcome of the project, and also to identify a women's organization as an implementing partner either during the design or early stages of implementation of the project.

Recommendations & Lessons Learned

1. Ensure the provinces develop plans for labour inspections which complement the national labour inspection plan
2. Identify who will mentor and manage the Labour Inspectors after the project has ended. Clarify reporting lines.
3. Finalized the database and develop standard operation procedures listing responsibilities, including what analysis will take place.
4. Identify ways to strengthen the capacity of the Labour Inspectors to conduct training.
5. Be more flexible on visits (especially visits which include training.) Schedule at times which are easiest for workers to attend.
6. Authorise other partners to support Labour Inspections. LFTU, ALGI, and LNCCI all have something to offer the labour inspection process.
7. Strengthen presence of LFTU in factories by ensuring LFTU lead training, promote collective bargaining, and support the separation of management from Union leaders.
8. Identify who will lead the WIC process.
9. Support in developing case studies of emerging good practices to help sell the project to new stakeholders
10. Try to include support for Labour Inspection in new project in different sectors. There are synergies to other work; rural development, OSH, women's empowerment.
11. Consider a specific objective on gender equality. Conduct a stakeholder analysis at the start/design stage of projects to identify women's groups that could be an implementing partner for the project.
12. Review how ILO can provide more continuity for projects and staff for stand-alone project, considering the lack of a country office.
13. If vehicles are included in a project, ensure either budgeted for a driver or driving requirement included in TORs. Review process of handing over vehicles in similar situations.