



# Evaluation Summary



International  
Labour  
Office

Evaluation Unit

## *Better Work Global – Stage II Evaluation*

### Quick Facts

**Countries:** *Cambodia, Haiti, Indonesia, Jordan, Lesotho, Nicaragua, Viet Nam*

**Mid term Evaluation:** April 2012

**Mode of Evaluation:** *independent*

**Technical Area:** *Better Work ED/DIALOGUE*

**Evaluation Management:** *Eval Unit*

**Evaluation Team:** *Nexus Associates*

**Multiple Donors – GLO/10/24/NET**

### Background & Context

Building on the experience of Better Factories Cambodia, the International Labour Organization (ILO) and the International Finance Corporation (IFC) launched the Better Work program on a cooperative basis in January 2007. The objective of the program is to increase the rate of compliance of enterprises in developing countries with international labor standards and national labor laws. In addition to improving working conditions, it is believed that greater compliance will lead to increased productivity and improved competitiveness.

Stage I of the Better Work program ended on 30 June 2009. At that point, Better Work had established a governance structure, assembled a professional team in Geneva, put in place mechanisms for regular stakeholder consultation, developed core tools and systems, and had programs in four countries: Cambodia, Haiti, Jordan, and

Vietnam.<sup>1</sup> All of these programs focus on the garment sector.

Stage II began on 1 July 2009 and is scheduled to end on 30 June 2012.<sup>2,3</sup> It was envisioned that new programs would be designed in up to 10 countries and implemented in six over the three-year period and that consideration would be given to broadening the scope of the compliance assessment to include environmental issues and expanding into new sectors such as agribusiness, electronics, ship breaking and tourism. It was expected that 3,000 enterprises would be registered with Better Work and receiving services by the end of the period. Significantly, it was expected that country programs would be “independent and self-financing within five years” of launch. Cambodia was expected to achieve this status by 2011.

In order to support the country programs and ensure the overall success of Better Work, plans called for, *inter alia*, upgrading STAR and other information systems, strengthening staff development and quality assurance, developing new training curricula for enterprises, implementing a robust monitoring and evaluation system, and enhancing knowledge management. As presented in the *Project Document*, the proposed three-year budget for Better Work Global (excluding the budgets for country programs, which are treated as distinct projects) was US\$15 million.

<sup>1</sup> Another country program in Lesotho had been designed and was ready for implementation pending donor funding.

<sup>2</sup> *Better Work Stage II Project Document* (undated)

<sup>3</sup> Agreement of Cooperation between ILO and IFC (11 May 2009).

## Aim and scope of the evaluation

The ILO retained Nexus Associates, Inc. to undertake an independent evaluation of Better Work Stage II. As stated in the terms of reference (TOR), the evaluation has five objectives: assess the progress of the Better Work Global (BWG) program made against the immediate objectives identified for Stage II; assess the effectiveness of the global Better Work team in providing support to the country programs; assess the quality of program operations and management systems within Better Work; assess the effectiveness of stakeholder engagement and governance mechanisms; and identify lessons learned and good practices in the above areas in order to inform Stage III strategy and operations. In keeping with the scope of the assignment presented in the TOR, the evaluation does not include detailed analyses of the operations of individual country programs or an independent assessment of the effectiveness of the program in terms of increasing compliance, boosting productivity and/or raising worker income.

The evaluation draws on four methods: document review, review of operating and financial data, interviews with key informants, and field visits to countries in which Better Work has established programs.

## Principal Findings

### Relevance and strategic fit

- Countries generally recognize the importance of protecting worker rights and improving working conditions, but enforcement is challenging.
- Corporate codes of conduct and traditional auditing mechanisms are insufficient to ensure compliance with international labor standards and national labor law.
- The multiplicity of auditing mechanisms adds uncertainty and cost.
- Some governments have mandated participation in the Better Work program.
- The relevance of Better Work is evidenced by the willingness of brands and factories to pay for services.
- Better Work is aligned with the strategies of both ILO and IFC.

### Validity of project design

- Better Work Global plays a pivotal role in the overall Better Work program.
- The design of the program is generally well founded. Key elements include the following:

- BW country programs are designed to monitor compliance of registered factories and help them address identified deficiencies.
- Better Work engages with major international brands to foster collective behavior.
- Better Work policy stipulates that suspected violations of “human rights” be reported immediately to government authorities and brands
- Public release of the results of compliance assessments is intended to reinforce positive behavior.
- Better Work engages with key national stakeholders to foster a productive dialogue on labor issues and strengthen the capacity of important institutions.
- Country programs are expected to evolve into independent, financially self-sufficient organizations after five years of operation.
- That said, there are several issues warranting discussion. (These are detailed in the report.)

### Effectiveness of management arrangements

- The Management Group and Advisory Committee are functioning as intended.
- BWG has established policies and procedures to ensure consistency across country programs.
- BWG plays a key role in staff development within country programs.
- Monitoring, budgeting and financial systems have been established.
- Better Work has delegated certain aspects of financial management to country programs.
- BWG has worked closely with other departments in ILO, but greater coordination is needed.
- IFC has played an instrumental role in the program and the IFC and ILO are looking for ways to further capitalize on relative strengths.

### Project progress and effectiveness

#### Program expansion

- Since June 2009, Better Work has established new country programs in Lesotho, Indonesia, and Nicaragua and has begun designing another country program in Bangladesh.
- Developing and launching three new country programs in less than three years, while supporting operations and expansion of four other country programs is no small feat; original objectives were overly ambitious.
- Better Work has considered the potential for expanding into environmental services and is undertaking a pilot program in Vietnam.
- Better Work assessed the feasibility of expanding the program into four new sectors and determined that none were promising.

- Better Work is looking at the possibility to expand into sectors more directly related to garment, including footwear.

#### Development of tools and systems

- STAR (V3.0/3.5) is still in the process of development.
- BWG has developed a web-based application (WorkSpace) for Better Work staff.
- BWG has developed public websites for the global program and four country programs.
- Better Work has developed training programs for factory managers and workers.
- On-line self-assessment tools for factories are in the process of being developed.

#### New funding mechanism

- Consideration has been given to the establishment of a multi-donor trust fund, but a final decision has yet to be made.

#### Buyer relations

- Better Work has been working closely with international brands. Twenty-five have signed the BW Buyer Principles.
- BWG is in the process of rolling out a new model for buyer engagement.

#### Efficiency of resource use

- Better Work has been successful in raising significant funds for BWG and country programs.
- ILO spent more than US\$10.6 million on BWG between 2009 and 2011; another US\$2.1 million was encumbered for 2012.
- Over the last three years, roughly US\$1 was spent on BWG for every US\$1.23 spent on country programs. Put another way, 45 percent of total expenditures were incurred in head office operations.
- Since 2009, ILO has spent roughly US\$23.7 million worldwide, including BWG and country program. To put this in context, as of 31 December 2011, BW was working with roughly 570 registered factories employing over 600,000 workers.

#### **Impact orientation and sustainability of the project**

##### Impact orientation

- Since the inception of the program, Better Work has been committed to a rigorous assessment of its impact.
- Better Work has produced four discussion papers; more are in the pipeline.
- Better Work held a conference in October 2011 to disseminate research results and promote a better understanding of the role of compliance in global supply chains.

##### Sustainability of country programs

- Better Factories Cambodia is still operating under the auspices of the ILO and still requires donor support to cover the cost of its operations.
- The ability to establish a local organization that offers the full array of services currently provided through BW country programs without donor or government support is unlikely.
- It may be possible to offer specific services on a full cost recovery basis in some markets.
- While an appropriate licensing agreement could be developed, the argument for spinning off core services is debatable.
- Long-term sustainability requires fundamental changes in institutions.

#### **Principal conclusions**

**Better Work Global has accomplished a great deal over the past three years:** Since the inception of Stage II, BWG has designed and launched programs in three new countries, while continuing to support the development of programs in four others. Work on designing an eighth country-program is underway. As the head office of a global program, it has established policies, procedures and systems to drive operations and ensure consistency across the seven country programs. As part of this process, it has instituted new approaches within ILO, including fees for service, decentralized financial management, and different reporting lines. STAR and self-assessment tools are still under development. While BWG has not achieved all of the original objectives, its accomplishments are significant.

#### **Governance mechanisms are functioning as intended:**

The organization has established a joint Management Group that brings together two institutions with different perspectives under a common agenda. The decision-making process appears to be working well, albeit some decisions are not well documented. The lack of a clear resolution on a proposed new funding structure for Better Work is contributing to some tension in the partnership.

The Advisory Committee provides a vehicle for stakeholders to offer their views on program-related issues and debate the merits of different courses of action. While the composition of the AC is in line with approved policy, given the geographical focus of the current program, it might benefit from greater representation of Asian brands and employer organizations. If Better Work expands into new sectors, the structure and composition of the AC would need to be adjusted accordingly.

**Better Work is learning by doing:** While the basic concept for the program was in place before the start of Stage II, there has been a steep learning curve on how to plan, organize, direct and control it. BWG has put structures in place such as the Operation Management Team (OMT) to provide a mechanism for discussing critical issues that

emerge during the course of day-to-day operations and developing a common approach to address them. BWG commissioned an external review of its operations in January 2011; the final report was delivered in April 2011 and many of the recommendations were adopted. BWG fosters communication and knowledge-sharing within the organization.

**The compliance assessment process is well designed, but several issues merit attention:** The assessment process revolves around determining whether a particular factory is not in compliance with international labor standards and national labor laws. The compliance assessment process is generally valid and reliable; however, there are several challenges that need to be addressed, including the difficulty in establishing workplace discrimination and freedom of association, dealing with ambiguous national laws, and ensuring that the instrument is applied in a consistent manner. In addition, while publishing assessment results for individual factories in Synthesis Reports may encourage greater compliance among participating factories, it could have adverse consequences in countries where participation is voluntary both in terms of legal mandates and buyer requirements.

**Better Work is entering a crucial stage of development:** Various program documents emphasize the idea that the program is market-driven, relying on market incentives to drive greater compliance with labor standards. At this point, however, governments in four of the seven countries – Cambodia, Haiti, Jordan and Lesotho – have or are considering regulations mandating participation in Better Work. The jury is still out on whether a sizeable share of garment factories in Vietnam and Indonesia will elect to join the program. The program is entering a crucial phase where it needs to demonstrate that it can reach a substantial percentage of garment factories operating in these countries. The strong encouragement of buyers is crucial. The new buyer partnership model is intended to secure a greater commitment from major international brands to the program.

**The current service delivery model is not scalable in large markets such as Bangladesh, Indonesia and Vietnam:** The current approach to conducting compliance assessments and providing advisory services is very labor intensive. Better Work would need to increase the number of EAs in Indonesia and Vietnam and substantially to reach a significant share of garment factories. Similarly, Better Work would need a large number of EAs to reach a sizable portion of factories in Bangladesh. In addition to the cost implications, finding and retaining a large number of qualified staff is likely to be difficult. Better Work is aware of this issue and is exploring various options.

**An understanding of the full impact of the program awaits further research:** Research conducted in Cambodia suggests that Better Work has contributed to improved working conditions and that compliance with labor standards did not reduce the prospect of firm survival during the recent global recession. The results of rigorous impact studies are still pending.

**Sustainability is challenging:** Some services might be able to be provided on a full cost-recovery basis, which arguably could be provided by local organization under a licensing agreement with ILO/IFC. The terms of such an agreement, including standards of performance and procedures for ensuring compliance, have not yet been defined by BWG. Moreover, continued ILO/IFC management of programs may be needed for an extended period, particularly in countries with poor governance and weak institutional capacity. Furthermore, the integration of core services and efforts to foster social dialogue under one roof may have benefits. Long-term sustainability requires fundamental changes in institutions. The conditions under which Better Work would exit completely from a country have yet to be defined.<sup>4</sup>

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<sup>4</sup> BWG has been working on defining an approach to sustainability over the past eight months in concert with the MG and AC. A strategy paper was prepared in September 2011.