

# Sustainable Apparel and Footwear Initiative (SAFI)

MFA Forum International Convening 2009



# The Need

The Global Economic Downturn Is Devastating One of the Single Largest Sources of Employment in Developing Countries

- Regression of Development Goals: the disenfranchisement of women devastates families
- Regression of Labor Rights: we are losing achievements over the last decade in a precarious industry
- Accelerated Structural Shifts in the Industry into two divergent paths: a race to the top and the race to the bottom. This is demonstrated by:
  - global supply chains which organize around the benefits of being close to their markets and which emphasize productivity and technical innovation and
  - supply chains which continue to depress labor and environmental standards as a means to compete in an increasing “commoditization” of apparel by consumers leveraging price as their sole competitive advantage.

*While financial markets may be stabilizing, the economic crisis is far from over for retrenched or underemployed workers.*

# Sustainable Apparel and Footwear Initiative (SAFI) – Initial Proposition

SAFI aims to promote interventions that provide workers with immediate economic support, prevent job loss, and advance their skills through three inter-related outcomes:

1. Assist in mitigating the real downsides of the current recession, especially for young women through social protection programs
2. Support the easing of trade finance in the short term for viable and responsible suppliers in global apparel and footwear supply chains, and
3. Leverage the current crisis to shape a vision and pathway for the future of the sector aligned to a competitive model that supports key development and environmental imperatives.

The Responsible Transition Guidelines also inform the action agenda for short and longer-term response.

# Update: Social Protection and Nets

## **Agitation phase – initial success**

- Individual outreach with wide range of key stakeholders
- Global Convening in May, hosted by IFC, with input from ILO, UNDP, World Bank, brands, TU's, NGO's and MSI's
- Scoping visit to India to ascertain interest in social protection interventions

## **Implementation phase – missed swift response, but one is still needed**

- Have struggled to form large-scale public-private partnership on this issue.
- Internal and external confusion about how MFA participants would execute this phase
- Appetite for immediate partnership may still exist, but need more clarity on “the ask” and “the offer”

## **Setting Future Direction**

- *How much should we focus on multi-lateral coherence?*
- *What issues should we engage on now to prepare for the next industry shift? (e.g. new regulatory positions or financial instruments around severance)*

# Update: Trade Finance

## **Agitation phase –Initial success**

- Catalyzed conversations between IFC and a few select buyers around “financial products” that might assist with trade credit
- Not sure if there is enough awareness across the industry about how IFC works in this area
- Have sparked a longer-term conversation about use of financial instruments as incentives for enhanced labor standards

## **Implementation phase for trade finance – Past time horizon?**

- Seemed unable to align IFC products with brand/supplier interests
- Steep learning curve in how to engage effectively

## **Need to leverage IFC interest for longer-term opportunities**

- *IFC committed to exploring different approaches to managing severance*
- Possible inter-relationship between severance commitment and financial incentives
- Join up thinking between IFC and Social Protection arm of the Bank

# Futures: Defining SAFI action plan

**What should the long-term focus of a multi-stakeholder initiative be to best shape the development of a new model of competitiveness of the apparel and footwear industry? Possibilities include:**

- Promote a unified agenda for a sustainable industry across key multilaterals: ILO, UNDP, IFC, World Bank, etc.
- Develop models that internalize full spectrum of costs: socialize with buyers and manufacturers
- Scenarios research for developing and predicting needs, issues and responses for lean, green manufacturing and green job design
- Work on regulations, incentives, and tripartite discussions that include regional and national level capacity building
- Build local economies and markets: shifting export led to consumer demand by promoting discussions and advancing living wage as a key tool
- Take the competitiveness discussion down to national level (more tailored approach)