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CAMBODIA

LABOR/ INDUSTRIAL PRODUCTIVITY ACTIVITY EVALUATIONS

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Evaluation of USAID/Cambodia's Labor and Industrial Productivity Activities

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USAID LABOR/ INDUSTRIAL PRODUCTIVITY EVALUATION

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ACRONYMS AND ABBREVIATIONS

AAFLI	Asian-American Free Labor Institute
AC	Arbitration Council
ACF	Arbitration Council Foundation
ACILS	American Center for International Labor Solidarity
AFD	Agence Francaise de Developpement
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
BFC	Better Factories Cambodia
CAMFEBA	Cambodian Federation of Employers and Business Associations
CBA	collective bargaining agreement
CCTU	Cambodian Confederation of Trade Unions
CLC	Cambodian Labour Confederation
CLEC	Community Legal Education Center
CPP	Cambodian People's Party
CSDC	Cambodia Skills Development Center
CSR	corporate social responsibility
CTSWF	Cambodian Tourism and Service Workers Federation
DCHA	Democracy, Conflict, and Humanitarian Assistance Bureau (USAID)
DOL	Department of Labor (US)
EIC	Economic Institute of Cambodia
FDC	fixed duration contract
GDP	gross domestic product
GIPC	Garment Industry Productivity Center
GMAC	Garment Manufacturers Association of Cambodia
GTI	Garment Training Institute
IFC	International Finance Corporation
IFI	international financial institute
ILO	International Labour Organization
IMS	Information Monitoring System (for the BFC)
IT	information technology
ITC	Institute of Technology of Cambodia
LCLF	Lean Chinda Law Firm
LDRP	Labour Dispute Resolution Project
MOLVT	Ministry of Labour and Vocational Training
MRS	Most Representative Status (for unions)
MPDF	Mekong Private Sector Development Facility
NGO	non-governmental organization
NZAID	New Zealand's International Aid & Development Agency
RGC	Royal Government of Cambodia
SME	small and medium enterprise

SOW	scope of work
SRP	Sam Rainsy Party
UDC	undetermined duration contract
UN	United Nations
USAID	United States Agency for International Development
USDOL	United States Department of Labor
USG	United States Government
WTO	World Trade Organization

SECTION 1: EXECUTIVE SUMMARY

1.1 Context

Political

- Much progress has been made over the last decade in creating political stability and a climate conducive to market-based economic growth.
- The political system remains authoritarian and the institutions of governance continue to be largely underfunded and weak.
- The CPP has consolidated its position as the ruling party in the 2008 elections. It now remains to be seen whether it will use that position to strengthen public institutions and allow greater public participation in the governance process, or will focus on maintaining its position simply by resort to authoritarian tactics.

Economic

- From 2000 to 2006, Cambodia averaged compound economic growth of 9.4 percent per year. In 2007, growth reached 10.2 percent. Poverty declined from 45-50 percent in 1993-94 to 30 percent in 2007.
- Cambodia remains one of the poorest countries in the region, along with Laos and Myanmar, according to the World Bank's measure of Purchasing Power Parity.
- Garments, tourism, construction and agriculture were the economic drivers over the past decade. Continued growth in these sectors and others is critical in order to absorb the roughly 250,000 Cambodians entered the workforce annually and to deal with an estimated rate of underemployment of 30-40 percent.
- The current worldwide economic downturn is affecting demand for Cambodian garment exports, reducing the number of tourists and reducing financing available for construction. A recent World Bank report estimates Cambodian economic growth at 6.7 percent in 2008 and projects 4.9 percent for 2009. Many analysts expect lower results.

The Garment Industry

- Cambodian exports have been dominated by the garment industry, which grew from a total of \$27 million in 1995 to \$2.7 billion in 2007 – a hundred fold increase. Over 75 percent of the garments are exported to the US and Canada.
- At its peak in 2007, the export industry employed as many as 350,000 workers in over 300 factories, mostly in low value-added cut, sew and trim operations.

- Despite experiencing explosive growth, the garment industry is characterized by low productivity, a severe shortage of skilled personnel, contentious labor relations with frequent strikes, high electricity and transportation costs, and inefficient trade processes reflecting weak and often corrupt governance.
- Major competitors in the region, including China, Vietnam and Bangladesh, seriously threaten Cambodian garment exports.
- The current worldwide financial crisis and economic slowdown are likely to reduce Cambodian garment production by at least thirty percent over the first half of 2009. The number of factories in operation at the end of 2008 was estimated at around 280 with more closings or suspensions of operations expected.
- Despite the current downturn, the aforementioned structural weaknesses in the industry, and the threats from regional sources of competition, garments will likely remain Cambodia's major export industry for many years.

Labor

- An estimated 250,000 individuals are eligible to enter the Cambodian labor force every year. At best, the formal sector will take in less than one quarter of these new entrants, with the rest consigned to the informal sector, underemployment or unemployment.
- Comparatively low levels of education, literacy and lack of employable skills make it difficult to easily employ Cambodian labor in the formal sector and put the country at a disadvantage compared to regional neighbors such as Vietnam.
- The explosive growth of the garment-for-export industry fostered a similarly explosive growth in organized labor. Twenty-eight labor federations now operate in the garment sector alone, with over thirty-five federations operating in all economic sectors, organized into several larger confederations.
- Like the garment industry, the labor union movement is new with only a decade of experience. Its development has been marked by a high degree of politicization and a general lack of democratic structures and practices.
- In the garment industry, the multiplicity of union federations (28 at last count) has often led to a large number of unions active in a given factory, on occasion more than ten. Labor-management relations have often been difficult, marked by a high number of strikes, most of them illegal by the terms of Cambodian labor law.
- Labor-management relations in other industries stand in stark contrast to the garment industry. In tourism, where unionized business establishments typically have only one union present and have successfully negotiated collective bargaining agreements, strike activity in these establishments is negligible.

- The growth of the garment industry and the dysfunctional state of labor-management relations in the industry, characterized by union proliferation and excessive illegal strikes, were largely responsible for the creation of the set of activities under review in this evaluation: the Garment Industry Productivity Center (GIPC), Solidarity Center's (ACILS) work in Cambodia, the Labor Dispute Resolution Project carried out by the ILO, and the Better Factories Project also carried out by the ILO.

1.2 Garment Industry Productivity Center (GIPC)

Evaluation Findings

- With its focus on improving productivity, GPIC remains definitely relevant for the Cambodian garment industry in particular and the manufacturing industry in general. Cambodia must improve productivity to meet threats to its garment industry and to progress toward more sophisticated types of garment manufacturing and into other products.
- GIPC has been effective. It has set up a successful productivity center and a Cambodian non-government organization, named Cambodia Skills Development Center, to carry on its work. GIPC has reached over 15 percent of exporting garment factories with training and consultancy services. These factories employ 40 percent of workers in the export business. It has sponsored and disseminated valuable studies on workforce development, factory level value chain and garment industry compensation. It has developed course materials, helped train unskilled persons entering the workforce, and educated union leaders on the competitive realities of the garment industry. It has met, or will by its end, its monitoring and performance targets.
- GIPC activity has a tremendous impact on productivity in the factories assisted. Conservative estimates of expected benefits show benefits at eight times costs.
- Sustainability remains a serious question. Present plans seem inadequate, especially in light of current economic hardships, resistance from Chinese garment managers and supervisors, and subsidized training competition from other donor funded programs.
- GIPC has cooperated well with other donor, private sector and government activities, especially on workforce development efforts. Unfortunately the reverse cannot be said as actions of some other donor funded activities have undermined GIPC efforts at sustainability.

Recommendations

For USAID

- Definitely continue to support, but also increase planned time and resources for CSDC/GIPC to improve the likelihood of becoming sustainable. In particular, extend the current 2 ½ years by two years and add funding of \$1.1 million.
- Provide funds for CSDC/GIPC to continue to engage on broader issues and activities, such as developing certification of competencies, introducing university courses on the garment industry and industrial organization, spreading ready-to-work programs, and carrying out key studies. \$100,000 a year or \$400,000 for the total extended period should be sufficient.
- In total, an additional \$1.5 million and a two year extension are recommended for GIPC.
- Engage other donors and Cambodian government on training strategy for the garment industry. It is essential to reach agreement on what to subsidize and how to coordinate on implementation.

For CSDC/GIPC

- Keep focused on bottom line sustainability and carry out your business plan. Behave like a for-profit firm to explore new products and markets, form alliances, and develop staff.
- More aggressively and systematically attack penetration issues. The key to sustainability is to engage in marketing tactics that will overcome the difficulties and reluctance of foreign ownership and management in the garment industry.
- After a year or so, revisit key issues of sustainability and institutional form. In a year the impact of the current global downturn will have likely lessened; the relevant plans and understandings of donors, industry, and government, including the proposal for a Garment Training Institute, should have crystallized; a new law on NGOs should have been enacted; and CSDC/GIPC and its board will have gained valuable experience.
- Charge enough for services. It is essential to cover costs wherever and whenever possible, including for those services provided to SMEs.
- Lastly, quantify results. Keep up the outstanding job of quantifying productivity gains and add a quantitative element on income to the survey of trainees.

1.3 Solidarity Center

Evaluation Findings

- Solidarity Center continues to play a vital role in spreading union democracy and reforming Cambodia's labor regulatory system.
- In the face of declining orders in the garment industry, Solidarity Center's programs to promote worker rights and labor relations stability are critical to maintaining the industry's reputation with buyers for respecting internationally recognized fair labor standards for its workers.
- By emphasizing the training of union leaders and activists in how to achieve Most Representative Status, Solidarity Center is enabling independent unions to achieve collective bargaining agreements that protect worker rights together with effective workplace grievance procedures and concomitant assurances of no work stoppages.
- In contrast to union proliferation and excessive strikes in the garment industry, Solidarity Center has demonstrated in the tourism and construction industries that its union training efforts can lead to representation at the enterprise level by single independent unions, to successful negotiations for good quality collective bargaining agreements, and to facilitating labor-management cooperation, including the resolution of labor disputes without strikes and without invoking government intervention. Examples of such salutary results have begun to spur initial labor relations progress in garment factories.
- Women have been empowered in the labor movement through Solidarity Center's advocacy and training programs. Examples include the formation of the Cambodian Women's Movement Organization, women holding top positions in the tourism and construction industry federations, and a woman heading a union federation in the garment industry.

Recommendations

- USAID should continue and strengthen Solidarity Center's education and training of union leaders and activists in organizing workers, negotiating collective bargaining agreements, and adopting enterprise level labor-management dispute resolution procedures. Union interviewees unanimously spoke of needing more assistance and urged an increase in Solidarity Center's capacity. Solidarity Center should be strengthened by adding a position to be filled by another individual with strong experience and expertise in labor union development and collective bargaining.

- USAID should enable the restoration of critically needed legal services by the Lean Chinda Law Firm, which uniquely has the depth of experience to expertly advise and represent unions and workers facing continuing violations of their basic rights, vindictive and unfounded lawsuits and criminal charges, and contentious collective bargaining and dispute resolution matters.
- Solidarity Center should be enabled to reopen its Siem Reap office in order to provide regular assistance to the labor federations and unions there, which remain vulnerable to politically inspired opportunistic unions, and which need to continue their promising organizing and bargaining momentum.
- USAID should provide \$300,000 to \$400,000 annually for the next four years for the continuation and recommended strengthening of Solidarity Center operations.

1.4 Labor Dispute Resolution Project (ILO)

Evaluation Findings

- The LDR project's principal achievement is the creation and successful operation of the Arbitration Council, which has received 653 cases through December, 2008. By its own reckoning, the Council successfully resolves approximately two-thirds of its cases.
- The AC's success is limited by the non-binding nature of its awards, which, in turn, has undermined its standing among some factory owners and unions and undercut its potential for deterring strikes.
- Garment factory-level dispute resolution has often been hampered by multiple and competing unions present in one factory and by mutual suspicion between labor and management.
- Recent efforts by LDR and associated projects to train labor union leadership and management on dispute resolution techniques and collective bargaining processes, and its work with the MOLVT to clarify procedures for a union to obtain Most Representative Status, have begun to produce results.
- At least eight garment factories now have collective bargaining agreements in place and others are under negotiation. Training in the collective bargaining process for unions with MRS status appears to have substantially reduced strikes in those business establishments where these unions operate. However, just eight CBAs in place in an industry with 280-300 garment factories shows that there is much work yet to be done.
- The LDR project has worked extensively with the MOLVT to improve its conciliation process in particular, but the systemic underfunding of government operations in Cambodia has undermined results.

- The LDR project's work in improving the legal and regulatory environment for labor, such as the MRS process and the Prakas to establish the AC, has proven extremely valuable.

Recommendations

- Since future financing of the Arbitration Council is about to be supported by the World Bank, no additional financing from USAID or any other donor is required.
- USAID, and other donors, should continue to finance the ILO's work to support further improvements in factory-level dispute resolution and prevention, especially efforts focused on expanding the number of unions with MRS status, and efforts to expand the number of factories with CBAs in place.
- USAID, and other donors, should continue to finance the ILO's work with the MOLVT and other Cambodian entities to assure that changes in Cambodian labor law are well drafted, in keeping with international agreements concerning labor, and promote achievement of a functional industrial relations system in the country.
- USAID, and other donors, should continue to support ILO efforts to improve MOLVT's conciliation service, with a focus on management and reporting functions, and with a close tie to ongoing financial and structural reforms of the Cambodian government.
- USAID should contribute in a range of \$300,000 to \$400,000 annually for the next four years to support all of these efforts for a total of \$1.2 to \$1.6 million.

1.5 Better Factories Cambodia (ILO)

Evaluation Findings

- BFC remains relevant in Cambodia as a reliable vehicle for measuring factory compliance with international and Cambodian labor standards.
- BFC has put into place a comprehensive monitoring and reporting system that reaches all garment exporting factories and whose reports are now paid for in part by a substantial number of international buyers.
- The project is now in the process of improving and expanding its training efforts for factories to assist them in complying with labor standards. While this effort still lags the monitoring effort in scope, greater emphasis on training and other forms of collaboration will improve BFC's image and position with factory owners and managers.

- BFC management has done an outstanding job of expanding financial sources of support, which include not only international donors and garment buyers, but internal support from factory owners through GMAC, the RGC and, to a much lesser extent, the unions.
- Despite the increasing number of financial supporters, sustainability questions remain, including the ultimate institutional structure for BFC and how the integrity of its work can be maintained without the leadership of the ILO.

Recommendations

- When the major longitudinal study of progress in the level of labor compliance is completed by BFC in 2009, the techniques used should be institutionalized so that the process of properly measuring progress in achieving results can be continued.
- BFC's recent focus on expanding its training and advisory services to factories to meet their compliance commitments should be continued.
- Given the volume of financial resources now committed to the project, there is no critical need for continued financing of BFC by USAID.
- However, given the USG's founding role in this project, and as a means of signaling its continued interest in labor standards compliance, USAID may wish to continue some modicum of financial support to the project.
- Another means of supporting the project could involve financing some aspect of the public-private partnership which the project has encouraged between itself and the international garment buyers. This partnership might take the form of an agreement between USAID/Washington and the ILO's Better Work project, which could not only support BFC, but also the extension of the project model beyond Cambodia.

1.6 Coordination with Other USAID Activities and Other Donors

- There is a remarkable degree of coordination between the ILO, Solidarity Center and GIPC, both in terms of strategic planning and actual execution, all designed to foster the development of a functional Cambodian industrial labor-management relations system.
- Given the World Bank's advent as a major player in this arena with its financing of the Arbitration Council, efforts must be made to include the Bank in this highly collaborative process. All parties will benefit as a consequence.
- Solidarity Center and the East-West Management Institute (EWMI), which manages USAID/Cambodia's Human Rights/Rule of Law program, should share experiences and look for useful ways to collaborate in the area of legal aid.

- EWMI and ILO implementers should also share knowledge and experience on the overall process of legal and regulatory reform in Cambodia.
- USAID should assure that it is proactive in ensuring that donor programs do not unintentionally undermine GIPC so that the real productivity gains that GIPC is able to create for the industry are not lost.

SECTION 2: CONTEXT

2.1 The Cambodian Political and Social Context

It is impossible to discuss the current status of the Cambodian social and political environment without referring to the events of the last thirty to forty years. The Cambodian civil war following the American withdrawal from Vietnam led to the short-lived but horrific regime of the Khmer Rouge from 1975 to 1978. Under this regime, cities were emptied, past governmental structures and records were destroyed, and at least 1.7 million people, including the most educated, died in an attempt to build a rural agrarian communist state. The resulting chaos was followed by a decade of government control by Vietnam in the 1980s which made little progress in overcoming the legacy of the Pol Pot regime.

By 1992, a U.N.-led coalition government began to rebuild state institutions and restore some stability to the country. This effort was hampered by the presence of Khmer Rouge forces still in control of parts of the countryside and simmering disputes among rival political forces nominally collaborating within the government. This weak structure created a climate ripe for human rights abuse and weakness in the rule of law. Only in the last ten years, since the death of Pol Pot in 1998 and the final collapse of the Khmer Rouge forces, has enough stability begun to emerge to promote an economic resurgence, some improvement in the human rights environment, and the beginnings of efforts to strengthen the institutions of the public bureaucracy. However the legacy of the recent past has left major impediments to progress:

- Major weaknesses and lack of trust in government institutions writ large;
- Significant shortages of trained, educated manpower to support both public and private sector needs (literacy stood at 67% in 1998 according to the RGC census; recent testing shows in reality it may be lower –see Section 2.3 below);
- A demographic structure skewed heavily to the young; some 34% were 14 years of age or younger and the median age was 21 in 2007;
- Increased pressure on natural resources, especially land, as demand is fostered by the high population growth rate (about 1.7% in 2007) and increased economic growth; and
- A public culture of corruption and authoritarianism which is aided by the lack of countervailing checks by strong government institutions and effective oversight by the civil society.

This is not to denigrate the growing sense of stability and economic and social progress that has been achieved over the past ten years. However, the legacy of recent Cambodian history explains at least in part the current weakness in governing institutions, including legal and regulatory bodies that are crucial to good governance.

The July 2008 parliamentary elections, the fourth since 1993, further consolidated the power of the ruling Cambodia People's Party (CPP) and its leader, Hun Sen, who serves as Prime Minister. The old royalist parties have largely ceased to play a major role in the

political process, and the opposition, of which the largest group is the Sam Rainsy Party, has been further weakened. However, this consolidation of political power comes just at the time of worldwide economic crisis which, as discussed below, will not leave Cambodia untouched. The decade-long upswing in economic growth in Cambodia will be slowed or perhaps even halted in the short-term. The key test for the CPP-led government in the next several years will be how it responds to this situation, whether by strengthening key public institutions needed to support improved economic governance and by expanding participation of the society in the governance process, or by focusing on maintaining its position by use of authoritarian tactics.

2.2 Economic Setting

As of January 2009, great apprehension and uncertainty surrounds the prospects of the Cambodian economy and the garment industry. The global financial crisis, radiating from the US sub-prime mortgage market collapse, and the global slowdown – US, Europe and Japan are all in recession together for the first time in half a century or more – are impacting quite negatively on Cambodia.

Cambodia is a poor country and among the poorest countries in the region, ranking 153 out of 194 countries in per capita income, based on the latest World Bank Purchasing Power Parity figures. This ranking is the lowest in the region, slightly behind Laos (148), and Myanmar (151). In broader terms Cambodia ranks 136 out of 179 countries in the Human Development Index, again the lowest in the region, although only slightly less than Laos (133) and Myanmar (135). Life expectancy, at 61 years, is the lowest in the region.

With greater stability in the mid-1990's following decades of war and genocide, Cambodia had been experiencing until recently remarkable economic growth. From 2000 through 2006 the average compound economic growth was 9.4 percent a year. In 2007 growth reached 10.2 percent. Per capita income more than doubled from \$288 to \$583. Poverty was reduced from 45-50 percent in 1993-94 to 30 percent in 2007.

The World Bank study on “Sustaining Growth in a Challenging Environment,” attributes the unusually strong growth, despite a poor governance situation, to the historical and geographical setting, political and macroeconomic stability, and integration into the region. During this growth period, which followed the Paris Peace Accord, Cambodia was recovering from decades of conflict and undergoing a demographic transition which reduced the number of dependents during a period of rapid global growth. After baby booms in the 1980s and 1990s, Cambodia experienced fewer non-working age Cambodians over the last decade. This added 1 to 2 percentage points to per capita growth per year. Cambodia’s integration into the global economy was aided by Cambodia being a coast state, located in the high-growth East and Southeast Asia region.

Garments, tourism, construction and agriculture were the drivers of the economy over this period. Garment exports increased from \$27 million in 1995 to \$2.7 billion in 2007 – a 100 fold increase (see Annex C.1). Garments, textiles and footwear accounted for 89

percent of the growth in manufacturing between 2001 and 2006 and 76 percent of all Cambodian manufacturing. Over this period, tourism grew at 10 to 20 percent a year. Generally agriculture has had strong growth of over 5 percent a year. Construction was a leading growth sector until 2007 when its growth rate dropped dramatically.

Looking to the future, the need for continued strong growth is clear. Around 250,000 young Cambodians enter the labor force every year. Furthermore, much of the workforce is underemployed, last estimated at 30 to 40 percent by the National Institute of Statistics. Garment and other manufacturing workers typically come from agriculture, the most inefficient part of the economy, which has considerable potential to provide additional recruits. While 84 percent of the population and 57.4 percent of the labor force are in agriculture, its production is only 30.1 percent of the Gross Domestic Product (GDP).

Recent world developments threaten Cambodia's growth. The demand for garments, the number of arriving tourists, and funding for construction projects have all declined. The World Bank has just released "East Asia: Navigating the Perfect Storm," an economic update for the East Asia and Pacific Region. The report projects economic growth for Cambodia of 6.7 percent in 2008, down substantially from 10.2 percent of 2007, and only 4.9 percent in 2009. The projected decline in economic growth for Cambodia from 2007 to 2009 of 5.3 percentage points is the largest decrease projected for any country in the region. Many are expecting a substantially more serious negative impact on growth, although it is unlikely to turn negative overall as long as the weather is good and agriculture does well.

2.3 The Garment Industry

Coming off decades of violence and conflict in the 1990's, Cambodia sought to catch up on economic development and industrialization by starting with the apparel industry, which requires relatively low levels of investment and worker skills. By converting its small number of state-owned garment factories into an export industry, initially attracting producers from Hong Kong, Taiwan, Malaysia and Singapore, Cambodia earned foreign exchange and created jobs for its underemployed workforce.

After explosive growth in the late nineties and early 2000s, the garment industry basically stagnated in 2007 and likely declined slightly in 2008. Exports in 2007 totaled \$2.7 billion with over 75 percent to the US and Canada and 22 percent to Europe. In 2007 garments accounted for 88 percent of all Cambodian exports.

At its zenith, Cambodia likely had over 300 factories that produced for export, almost all foreign owned and managed. Recently the number has been dropping, with a net loss in 2008 of 31 export garment factories and a concomitant loss of over 22,000 workers. The number of factories is currently below 280 and is likely to go lower yet during the next year. The same applies to workers in those factories which may have reached as high as 350,000 but is now certainly lower than that.

The same garment export surge, coupled with substandard working conditions, produced fertile ground for unions. With assistance from the ILO and Solidarity Center, coupled with international pressure to adopt basic labor standards, Cambodia enacted its first modern labor code in 1997. The code sets minimal requirements for union formation and registration and permits multiple unions to operate in the same establishment. This led, particularly since 2003, to an increasingly unwieldy proliferation of garment workers labor unions, most of them instigated or supported by political parties. This has led to chaotic labor relations, including an excessive number of strikes, in many garment factories, particularly where multiple unions claim to represent workers in the same factory (see Annex C.2 which provides an overview of Cambodian union federations).

Prospects are not good for 2009. The financial crisis has already made obtaining supplier credit and financing difficult for some garment factories. Orders are down in general. Anecdotal evidence points to increased factory closures or suspension of operations (around 30 over the last several months). Some factories are reporting lack of orders beyond January, although normally they would have orders through June or July at this time. Some have substantially cut prices to maintain production. Others claim no noticeable change.

In general, the consensus is for a substantial decrease, easily 30 percent, in garment production over the next six months, although the severity and duration of the expected decline is unclear. However, even without major further growth and despite its current decline, garments will remain Cambodia's major export industry for years to come, but not forever. It is hard to imagine such a narrow economic base surviving over an extended length of time in the midst of an intensely competitive global industry and economy.

Despite a well deserved reputation for relatively good working conditions, Cambodia continues to be a fragile producer of garments with great competitive challenges, both internal and external. Cambodia has low value-added cut, sew and trim operations and is plagued by low productivity, contentious labor relations with frequent strikes (see Annex C.3), rising wage pressures being driven by inflation, low education levels of its workforce, a severe shortage of skilled personnel, high electricity costs, inefficient trade processes, corrupt and inefficient governance, and a short value chain. In the region China, Vietnam, and Bangladesh – all pose serious threats to Cambodia's garment exports.

2.4 The Labor Setting

Cambodia's prospects for sustained socio-economic development are hindered by a myriad of problems, including serious weakness in its labor market. The immense annual number of new labor force entrants, together with the existing large numbers of unemployed and underemployed workers, results in a huge labor supply, which the Cambodian economy lacks the capacity to absorb into good paying jobs. The formal sector, at best, will take in less than one quarter of new entrants, consigning the rest to the informal sector, including subsistence agriculture, underemployment or unemployment.

Cambodia's labor market compares unfavorably with most countries in the region, including Vietnam, with which it competes for apparel exports and other sources of foreign income and investment. Low levels of educational attainment and productive skills contribute to Cambodia being one of the poorest countries in the region.

Although there is a paucity of recent education data, it appears that only 23 percent of the workforce has any schooling above the primary grades, and 29 percent have no schooling at all. Women fare worse, with only 16 percent in post-primary grades and 38 percent have received no schooling. Little more than one percent has attended vocational, undergraduate or graduate schools. The low average level of education of the labor force is reflected in the high incidence of illiteracy, which poses a substantial barrier to productive employment generation. Although surveys have produced somewhat differing results, it appears on the basis of administered literacy tests that among those over age 15 about 63 percent – 52 percent of men and 71 percent of women – are either completely illiterate or can read and write only a few words and numbers.

These low levels of education and skills create risks for workers and employers in developing countries in such industries as garment manufacturing. Workers with low education and skill levels risk low pay and benefits, poor working conditions and job insecurity. Employers risk uncertain worker capability, high turnover, constant job training, and workplace instability.

Cambodia managed to overcome these risks to have a decade or more of exceptional growth in the garment industry. This was due largely to a unique confluence of major developments involving world trade and international labor standards that coincided with Cambodia's initial steps to transform its garment industry in the mid-90s. Quota restrictions on other countries created opportunities and incentives for garment exports from Cambodia.

By 1998, Cambodia's burgeoning garment exports to the US triggered demands that it be brought under the quota system. Meanwhile, demonstrations and strikes by Cambodian garment workers led US labor, consumer and student groups to pressure the US government to review sweatshop working conditions in Cambodia's garment factories. That included the AFL-CIO, which brought attention to Cambodia by filing a complaint to the USTR that Cambodia's new unions faced intimidation and mass firings, giving Cambodian producers an unfair advantage over their competition in other parts of the world. Thus, the convergence of demands for quotas on Cambodia's apparel exports, and demands for its compliance with basic labor standards, resulted in the first, and only, trade agreement – the US-Cambodia Bilateral Textile Agreement – that established apparel quota limits subject to annual increases conditioned on ensuring substantial compliance with its labor laws and internationally recognized labor rights.

Growing public opposition to sweatshops in poor countries led buyers, primarily in the US and Europe, to apply protective labor standards down their value chains through Corporate Social Responsibility (CSR) programs. Garment factories around the world were then required to operate in compliance with basic labor standards for their workers

under private company codes of conduct, and to accept on-site monitoring by independent inspectors. Although an important step, such private monitoring without full public access to the reported results was recognized in the US as insufficient.

That gap was filled by the four innovative projects covered by this evaluation, which became critical to achieving labor rights progress in the garment industry, and which all the stakeholders knew would be a challenge to sustain following the expiration of the garment quota system in 2005.

First, neither the private monitoring organizations nor the labor inspectorate of the Cambodian government had sufficient capacity or credibility for the assessments needed to determine whether progress in improving garment factory working conditions would justify the prospective quota increases. So the US and Cambodia turned to the International Labor Organization (ILO), with its long history of setting international labor standards and supervising compliance, to establish its first system of periodic on-site monitoring of workplaces. With encouragement from both the employers and unions in Cambodia, the ILO agreed to establish what became the highly respected and effective Better Factories Cambodia program for inspecting the workplaces and reporting the results to the public.

Second, in a country having virtually no history of independent labor unions with the capacity to effectively represent the interests of garment workers, the nascent Cambodian labor movement was much in need of guidance and training in organizing workers, responsibly representing them in resolving workplace disputes, bargaining over terms of employment, and workplace labor-management cooperation. Recognizing that such assistance would best come from an institution that could quickly earn the trust and confidence of Cambodian workers and unions, and that could bring practical industrial relations experience in negotiating over working conditions, Solidarity Center, launched by the AFL-CIO in 1997, established a presence in Cambodia with that as its focus, along with labor regulatory reforms, playing a significant role in the 1997 labor code reform.

Third, workplace labor disputes far too often led to disruptive strikes and demonstrations in garment factories where tight delivery schedules are the norm. With the investigation and resolution of workplace labor disputes being administered and enforced by an inefficient government bureaucracy and court system widely perceived as corrupt, the stakeholders recognized the critical need for a new adjudicatory body that would be perceived as competent and neutral. Turning again to the ILO, employers, labor unions and the government agreed on the creation of the Labor Dispute Resolution Project, which, among other accomplishments, assisted the RGC in the creation of the widely respected Arbitration Council.

Finally, it was recognized that complying with international labor standards and improving pay, benefits and working conditions in garment factories may come at a price that could jeopardize the industry's profitability and Cambodia's most important source of foreign earnings. In such a highly competitive industry, it is essential that the labor costs of such gains be matched by practices that promote concomitant productivity and

quality gains at the factory level. Increasing private sector competitiveness through management and technical training to increase productivity is the focus of the Garment Industry Productivity Center (GIPC) in Cambodia. As part of its efforts to improve economic governance, GIPC has collaborated with Solidarity Center and the ILO in providing training to garment industry labor unions so that they and their members better understand the relationship between labor costs and productivity growth.

SECTION 3: GARMENT INDUSTRY PRODUCTIVITY CENTER (GIPC)

3.1 Description

The Garment Industry Productivity Center (GIPC) project or activity is formally entitled “Improving Competitiveness and Labor Productivity in Cambodia’s Garment Industry.” GIPC started in October 2005 and will end in January 2009 as a separate activity. It began as a \$3.4 million, three year activity, which was then extended by four months at no cost. However, GIPC will continue for another 2 ½ years as a component of the Business Enabling Environment (BEE) Activity. Hence, this is essentially a mid-term evaluation.

GIPC’s objective from its scope of work (SOW) is “...to improve the competitiveness of the garment manufacturing industry in Cambodia by creating the Garment Industry Productivity Training Center, which will develop competitive strategies and implementation plans for outreach training programs and best practices management systems.”

GIPC’s three main tasks from its SOW are:

Task 1: Creation of the Garment Industry Productivity Training Center,

Task 2: Provision of consultancy and training services to the garment industry through the Garment Industry Productivity Center, and

Task 3: Provide technical assistance to improve the ability of garment sector firms and associations in Cambodia to formulate strategy, identify and develop products that can compete globally. Coordinating with other donors and building on existing activities, provide a good governance vision for the productivity and prosperity of Cambodian garment and other manufacturing industries.

Nathan Associates, Inc. with technical support of Werner International, Inc. and AIRD, Inc. implemented the GIPC activity. Nathan will continue under the new BEE activity to implement GIPC. Until a Cambodian was recruited to be director in the middle of the second year, an American expatriate managed operations. The original expatriate continues as chief of party and provides short term support from the US. An Indonesian expatriate also serves as the Project Administrator. Two foreign engineers provide the regular short term support to GIPC, especially in training and mentoring the local staff. Frequent contributions were also made by two economists on workforce development, value chain, and project monitoring. Over the course of the activity, eight Cambodians – four in the first group -- were recruited, trained and mentored to be the local training and technical staff. Currently GIPC also employs local persons as an accounting / information specialist, a general office person, a driver, and a cleaner.

In the first year GIPC overcame the lack of a ready market for training and engineering services and the lack of qualified candidates to be local Trainers and Technical Advisors.

GIPC proved itself and built demand for its services and transformed Cambodians with limited or no industry experience into credible technical resources.

Among its major achievements, GIPC was able in the first year to establish an equipped, staffed center with the support of local and foreign stakeholders; obtain significant productivity gains in three out of the four pilot factories; develop five technicians/trainers; train 61 persons from eight companies in four courses; and carry out a workforce assessment. Three challenges were noted: most of the factories being foreign owned limited the scope for value added activities and made decision making difficult for improving productivity; new entrants started to compete with GIPC on providing productivity training; and the shortage of skilled Cambodian labor created difficulties for GIPC in recruiting local managers and technical personnel and in having its Cambodian technicians perceived as capable.

In the second year, GIPC transitioned to a Cambodian director and substantially expanded operations, working with more than twenty one companies on assessments (11), trainings (15), consultancies (4), and production of sheets with markings, or markers, for use in cutting fabric (3). GIPC trained 145 persons from 11 companies in 5 training sessions.

Major other achievements in the second year included: carrying out a Value Chain analysis of internal production costs; surveying jobs, skills and compensation in the garment industry; sponsoring a Career Forum on the garment industry with participation of 8 factories, GMAC and over 5,000 upper level students and graduates; in collaboration with the Solidarity Center, adding understanding of the global garment industry to training for labor leaders; providing key expertise to the development of a Cambodian garment industry training strategy; developing the first university course materials on the garment industry; and conducting a study trip to Vietnam for factory managers, labor leaders and government officials.

Lessons learned or challenges from the second year included three. The first was the resistance to change from expatriate Chinese supervisors and managers; they were reluctant to adopt different production methods despite proven substantial productivity improvements. Programs of other donors with subsidized training programs often provided direct competition, instead of complementary, cooperating activities. Workforce development, as a multi-stakeholder initiative, was dependent on the contributions of others and, hence, subject to delays and blockages.

In the third year and into the extension period, GIPC continued to expand, play a growing role in public / private sector dialogs, and take steps to ensure continuation. GIPC worked with 36 companies, over 10 percent of all garment export companies in Cambodia; provided 18 training sessions for 247 participants from 20 companies; acquired and introduced two new styles of advanced sewing machines; and established a Cambodian non-government organization (NGO) named Cambodia Skills Development Center (CSDC). CSDC is now the structure for the GIPC operations. It will use GIPC as its brand for the garment industry.

In addition, GIPC engaged in a range of activities to further competitiveness, workforce development, and governance in the garment industry. GIPC partnered with the International Labor Organization (ILO) to develop and test a four hour module on basics of garment industry economics. GIPC delivered 11 sessions of the module to 160 labor union leaders preparing to engage in collective bargaining. GIPC presented the results of the Value Chain Analysis of factory level costs in 11 meetings with key stakeholders from the private sector, labor organizations, donors, academia and government. GIPC trained lecturers from four universities on garment industry economics and provided materials to be added to their courses. The Center also collaborated with the National Polytechnic University and the Cambodia Federation of Employers and Business Associations (CAMFEBA) in developing a training program for unskilled workforce entrants.

Ongoing challenges included the resistance to change, especially among the foreign supervisors and managers, and the competition arising from other donor projects which do not strive to cover their costs. Rising challenges included the recognition of the importance of continued involvement of foreign experts to encourage the local technicians to move into other industries outside of garments and for credibility in the eyes of most factory managers. Another challenge is that while the garment industry would benefit from hiring personnel already educated in the industry's basics, firms remain reluctant to pay for training.

3.2 Previous Findings

GIPC has not been formally evaluated before this exercise. The activity did carry out its own internal reviews and, of course, provided quarterly and annual reports.

3.3 Relevance

GIPC was and remains extremely relevant to Cambodia's economic challenges. When the project was conceived, the major concern was the expected end of the quota system, including those on Vietnam, and the end of safeguards on China put in place after the end of Multi-Fiber Agreement in 2005. The fear was that these countries would completely replace or at least seriously reduce Cambodia as a source of garments. At that time garments were already the number one private sector employer and exporter in the country.

Cambodia has so far survived the removal of quotas on Vietnam with its joining of World Trade Organization (WTO) in January 2007, although Vietnam remains a serious threat. The activity remains extremely relevant because of the removal of the safeguards on China at the end of 2008, the rise of other competitors, such as Bangladesh, and the negative impacts of the global financial crisis and economic slowdown. While over the longer term, heavy dependence on garments creates dangers as global competitiveness shifts and adjustments are required, for the immediate future and intermediate period, garments will remain Cambodia's number one activity.

The analysis of 2005 remains valid. The June 2005 study of the garment industry, “Measuring Competitiveness and Labor Productivity in Cambodia’s Garment Industry,” emphasized “...the substantial scope for increasing labor productivity through improved management systems and training.” It recommended, “The most effective and lowest-cost strategy for raising labor productivity and quality ... is training to address Cambodia’s weaknesses in professional development, production controls and engineering, and organization of work. The highest priority is to train Cambodians in middle management – line supervisors and industrial engineering personnel.”

Most Cambodian garment factories only operate at 30 to 35 percent efficiency. This makes it difficult to compete globally, move up scale in the production of garments, and expand into other industrial activities. The highest priority remains training Cambodians in middle management. Labor productivity is a key element for Cambodian competitiveness in order to maintain and expand its position in global markets.

3.4 Effectiveness

GIPC has been effective in terms of its objective in broad terms, tasks, and in meeting its monitoring targets. In general GIPC has contributed to improving the competitiveness of the garment industry, although not yet by creating a self-sustaining productivity center. GIPC has made excellent progress on the first task of creating a productivity center. It has clearly achieved task two and three – providing training and consultancy and helping the industry to compete globally.

On the first task of creating a productivity center, GIPC has recently converted itself under Cambodian law into a non-government organization (NGO), named the Cambodia Skills Development Center (CSDC). It has assembled an excellent board of business, donor and government personnel. GIPC selected this form of organization as the best available option. It allows easy transfer of USAID owned property and the seeking of further contributions.

GIPC was and is not ready to be a commercial firm, although this may very well be a viable option in the future. GIPC has not yet built a sufficient base of clients with sufficient charges for services to support a for-profit entity. This is due mainly to dealing with a foreign owned industry, mainly concentrating on the low value-added cut, sew and trim operations; resistance to training and changes to improve productivity, especially from Chinese managers and supervisors; and the competition from other donor funded, subsidized alternative training.

GIPC has been charging fees for most of its services since the beginning. In its third year GIPC raised \$50,000. However, due to increased costs, the revenue did not cover 50 percent of the core costs. Over the three years, GIPC has earned over \$98,000, of which, after some expenditures, around \$83,000 is in a sustainability fund to be used after the end of USAID support.

GIPC discussions with an existing technical training center to provide a home and space did not succeed. Likewise approaches to the Garment Manufacturers Association in Cambodia (GMAC) did not bear fruit. The main reason seems to be the promotion of an alternative concept for a larger, much more comprehensive Garment Training Institute (GTI) with possible Agence Française de Développement (AFD) financing. An expert to GMAC, funded by AFD, has been promoting GTI and in doing so seemingly has been promising much more to various institutions than GIPC would be providing. One informant from another training institute indicated that the promotion of GTI was currently making it difficult for other current and proposed training and technical assistance activities to compete on equal footing with this ambitious proposal.

In terms of the second task of providing training and consultancy services, GIPC has done an excellent job. It has reached over 15 percent of all exporting garment factories in Cambodia. The reached factories employed over 40 percent of the garment workers. Annex D.1 contains the summary list of services provided to factories. As of the end of September 2008, 46 different factories have been assisted, most of them more than once -- 11 factories were assisted in the first year; 21 in the second year; and 36 in the third year. Services include assessments (29), trainings (involving personnel from 42 factories over the three years in 29 different training programs), consultancies (12), use of the automated machine for preparing marking sheets (7), and demonstration in the factory of better sewing machines (4).

Over 453 persons have been trained through the first three years of GIPC. 32 sessions of four types of training have been given to 10 companies in the first year, 11 in the second, and 21 in the third. Annex D.2 presents the details on training.

In terms of task 3 on improving the ability of the industry to compete globally, GIPC has contributed prominently through a number of activities, mainly related to information needed for strategy, governance, and workforce development. GIPC sponsored and disseminated to Cambodia and the garment industry important studies, including Cambodia Garment Industry Workforce Assessment: Identifying Skill Needs and Sources of Supply, Factory-Level Value Chain Analysis of Cambodia's Apparel Industry, and Garment Industry Salary Survey 2007-8. GIPC provided the main author for preparing "Cambodia Garment Industry Training Strategy: Toward a Multi-Stakeholder Consensus on Industry Training and Education Priorities."

GIPC also fruitfully furthered this task by such activities as presentations on the Value Chain Analysis; a study trip to Vietnam for factory managers, labor leaders and government officials; and modules on the global garment industry and economics in trainings of the Solidarity Center and ILO for labor leaders. Value chain presentations were made to 11 separate audiences, including the Minister of Commerce; Deputy Prime Minister, members of the Council of Ministers, Secretary of State for the Ministry of Labor and Vocational Training (MOLVT), other government officials, donors, NGO's, GMAC, and labor unions. The participants from the Vietnam study trip are still regularly interacting. Employers report that labor leaders who have attended the training sessions

with GIPC participation are demonstrating much better understanding of the financial realities of the garment industry.

In workforce development, in addition to the Assessment, Strategy and modules listed above, GIPC effectively worked with a number of organizations on several activities. GIPC has developed course materials and provided training to universities lecturers from four universities to help them offer courses on the garment industry. GIPC has been working to achieve certification for competencies in the garment industry and to help with ready-for-work training for unskilled persons entering the labor force.

In terms of monitoring targets, GIPC has done well. In the 2008 Portfolio Review, GIPC achieved 5 of the 7 operation plan indicators and 8 of the 10 Performance Monitoring Plan Indicators, with expectations of fulfilling all the indicators in both lists by the end of January. See Annexes D.3 and D.4 for the September 2008 portfolio results against targets.

3.5 Impact

GIPC has had substantial, documented impact on productivity in many of factories assisted. The impact on productivity on potential value added far exceeds the cost of the program.

In a conservative and believable method GIPC has estimated the return on investment for its activities. The estimate is conservative as they only estimated the gains on a limited number of activities for a limited number of factories for a limited period.

The methodology involves estimating the potential increase in value added of the factory arising from improvements in productivity. The changes in productivity are based on monthly reports from the factories. The implications of changes are based on reported labor costs, obtained from GMAC for at least one month of each year, within the framework of a typical factory based on the results of the September 2007 study “Factory-Level Value Chain Analysis of Cambodia’s Apparel Industry.” See “Garment Industry Productivity Center in Cambodia Return of Investment (ROI),” of October 2006 for more details.

This evaluation has taken the provided information of the return on investment and made it into a more formal benefit/cost analysis by discounting costs and benefits and projecting that the gains last at least three years beyond the initial year for each factory. See Appendix D.5 for the calculations.

At a discount rate of 10 percent, the present value of benefits (potential value added over the project’s life and projected for the next several years) exceeds the present value of costs by over 8 times or 800 percent. This is definitely an economically and financially worthy activity from the viewpoint of the engendered productivity increases.

In terms of training, the previous results clearly show that it has positive results. In terms of the individuals, GIPC has sponsored three evaluations, two carried out by the Economic Institute of Cambodia (EIC) and one by BDLINK Cambodia, Inc. The most recent study was undertaken in early January 2009; however it is not yet written up. The latest completed report was written up in May 2008, the “Draft Report on the Impacts of GIPC Training Courses on Garment Workers in Cambodia.” The report presents the survey results on 88 trainers (82 female) from 10 garment factories. 94.5 percent of the interviewed trainees agreed that the GIPC training had positive impacts on their job performance. 70.5 percent reported increased job responsibilities. 21.6 percent reported being promoted and 43.2 percent revealed higher salaries.

3.6 Sustainability

Sustainability is the crucial issue facing GIPC. It has not yet reached sustainability.

From the beginning, GIPC has charged for services. It generated around \$98,000 over three years and has around \$83,000 left in a sustainability fund for use after USAID support ends. But the rate of revenue generation is not yet enough to support the Center on a continuing basis. In its third year, GIPC earned around \$50,000, which is somewhat over a third of what is estimated to be needed to support the Center on a continuing basis.

Four reasons seem to explain why the Center is not yet sustainable. First, the time span was just too short. Three years is clearly not long enough for creating, proving, training staff, and institutionalizing such a center. It was too ambitious a time frame. Second, the garment industry is foreign owned, concentrating on the low value-added cutting, sewing and trimming operations. Hence, the industry’s interest in improving productivity in Cambodia is minimal and communications with decision makers are difficult. Third, expatriate, mainly Chinese, factory managers and supervisors were extremely resistant to change, even reversing demonstrated successful changes. Fourth, subsidized, donor funded alternative training and a proposal for a Garment Training Institute clearly undermined GIPC efforts to charge reasonable prices and to form partnerships.

After GIPC initiated productivity training, some other donor funded training activities copied the successful efforts, but at subsidized rates. For example, with AFD assistance, GMAC offered productivity training. The Japanese funded technical expert to CGTC adopted a number of GIPC activities, program names and metrics. IFC’s Mekong Private Sector Development Facility (MPDF) is now providing overlapping, but differentiated, productivity training as they focus on helping supervisors improve their communications and motivation skills while GIPC concentrated on the technical side. Furthermore often mistaken as competitive with GIPC was the existing, subsidized Better Factories Cambodia’s orientation module on productivity, which focused on the “soft” side rather than the “hard” side of productivity.

The key question is, then, how will GIPC successfully generate sufficient revenues? The supplementary questions are what institutional form should it take, what partnerships should it form, and what investments are needed to achieve its potential?

Sustainability definitely seems possible as the garment industry is large, the needs clear, and the potential productivity gains are immense. The garment export industry in Cambodia has somewhat less than 300 factories with 300,000 some workers and \$2.7 billion in exports. In general these factories are only operating at 30 to 35 percent efficiency. No other sustainable productivity training and industrial engineering services exist. GIPC has proven and documented gains in productivity that far exceed the costs of the training and consultancy.

The present center could be made sustainable by expanding existing services to garment factories by 40 to 50 percent (possible within present capacity), coupled with increasing fees by two thirds or so. Increasing consultancy services to factories to work directly on productivity through improving, for example, line balancing, factory layout, or quality control is likely to be particularly fruitful. Such services can directly lead to noticeable and measurable productivity gains and, hence, can be appropriately priced. Some portion of the needed increase in revenue could come simply from less discounting in pursuit of additional business.

Other options for sustainability include expanding the range of services offered, reducing costs through institutional support, or gaining direct financial support. Increasing revenues through expanding services to other industries, such as footwear and motorcycle assembly, or regionally, in countries like Vietnam, are strong possibilities. Obtaining space for offices and training facilities and utilities from GMAC or a training institute would substantially reduce costs. Receiving partial funding from the Cambodian government, GMAC, or other donors would, of course, be of great assistance. Presently GIPC is the brand name of the services being offered to the garment industry by the newly formed Cambodia NGO Cambodia Skills Development Center (CSDC). Before forming an NGO, GIPC explored a number of options, including becoming part of an existing Ministry of Labor and Vocational Training (MOLVT) institution or merging with the GMAC training center Cambodia Garment Training Center (CGTC). GIPC's decision to create an NGO and to stand alone was one forced on the activity by difficulties in negotiation acceptable arrangements with an existing institution and by the outside efforts to create a Garment Training Institute.

For GIPC to be a non-profit NGO is not necessarily the best arrangement as it goes forward. It is extremely difficult to create a successful stand alone NGO. It is much easier to be a commercial firm, be part of a larger institution, and have connections with an existing body which can provide at least part of the core funding on an ongoing basis. While in theory for-profit and non-profit operations might be run the same, in practice the for-profit-firm has the advantage of focus, motivation, and agility to adjust. In addition, Cambodia is in the process of passing a new law on NGOs which may create difficulties for CSDC in carrying out its mission and necessitate a review of status.

USAID will be providing additional support for GIPC under the new Business Enabling Environment activity. However, the time period is limited to 2 ½ years and the level of funding is essentially a survival level. While sustainability at the end of this short period

with this level of existence funding may be possible, it is questionable. Most likely with the current plans CSDC/GIPC will struggle along over the next two and half years, cutting costs and trying hard, but failing in the end to reach sustainable size and competence.

To build on the work to date to achieve sustainability, more time and resources for building and transiting are likely to be needed. GIPC is not ready to stand on its own and scarcity of time and resources will likely doom GIPC to disappear as an effective organization. This is especially true because of the current and coming economic problems, uncertainty over the GTI proposal, and the efforts needed to be successful with the foreign owned, Chinese staffed garment industry. More time and resources are needed to strengthen staff and consultancy work; to develop, market, and promote services, including through initial discounts; to overcome the garment industry's reluctance; and to build connections and arrangements with other institutions.

3.7 Evaluation Findings

- Garment Industry Productivity Center (GIPC) was and is definitely relevant, not only for the garment industry, but also for manufacturing in general in Cambodia. The problem of low productivity still persists and the challenges to Cambodia's industry have intensified with the removal of safeguards on China, emergence of new competitors, and the global financial crisis and economic slowdown.
- GIPC has been effective, especially in providing training and consultancy services. It has set up a NGO Cambodia Skills Development Center (CSDC) as the basis for a self-sustaining entity. GIPC has contributed substantially to the governance, workforce development and competitiveness of the garment industry in support of global competitiveness.
- The GIPC activity has an unusually well-documented and tremendous impact on productivity in the factories assisted. Under extremely conservative assumptions, GIPC is expected to generate benefits eight times costs.
- Sustainability remains a question. The establishment of CSDC seems to have been the best choice available at the time. However, doubts remain as to whether, especially under current plans, CSDC will be self-sustaining. Additional resources and time are needed to improve the likelihood of success and to continue other worthwhile activities.
- As discussed in Section 7, GIPC has cooperated well with other donor, private sector and government activities.

3.8 Recommendations

Treating this evaluation as a mid-term one, this report provides recommendations both for USAID and for GIPC itself.

Recommendations for USAID

- Definitely continue to support, but increase planned time and resources for CSDC/GIPC to improve the likelihood of becoming sustainable.

The expected severe contraction in the Cambodian garment industry in the next six months has greatly intensified the need for GIPC. The global financial crisis and economic downturn, combined with heightened competition from China, because of the removal of safeguards, and other countries, such as Vietnam and Bangladesh, are leading to an expected dramatic drop in demand for garments from Cambodia. Hence, improving productivity is more urgently needed now than before. This is both to moderate the potential contraction and to speed recovery, but also over time to strengthen foundations for Cambodia moving up the scale to more demanding manufacturing activities in and out of garments. The future of manufacturing and jobs in Cambodia depends on improving productivity.

Extend the current plans by two years and add more resources. The original three years was clearly not enough time to develop staff, products, market and an institutional structure. The presently planned two and half more years with minimum support is seriously questionable as adequate. This is especially true in the face of the expected, already begun hardship times for garment manufacturers in Cambodia, and the confusion over the structure and form of garment industry training among donors, the industry and Cambodian government.

An additional two years and an additional \$1.1 million more in funding would greatly improve the probability of GPIC becoming a healthy, active and effective entity. More time and resources are needed for GIPC to ride out the economic downturn, to reach agreement on garment industry training strategy with the key stakeholders, and to develop further.

Extended time and resources would allow the new CSDC organization and board to develop, try and market new products to new markets and to find additional funding sources, while keeping attention focused on becoming a self-sustaining operation, i.e. bottom line concern on costs and revenues. The additional funds and extension would allow local staff to gain considerable additional skills, knowledge, and most importantly seasoning with the support of the foreign technical advisors. More time and resources would allow furthering the development phase of GIPC to cover introducing new courses and products, retooling existing ones, reaching out to new industries, making another attempt at overcoming resistance at Chinese managed and supervised factories, developing further technical staff, marketing in general, and seeking other funding sources.

- Provide funds for CSDC/GIPC to continue to engage on broader issues and activities.

Many major GIPC contributions to the garment industry and Cambodia came from activities outside of its training and consultancy work – activities that are not being supported under the new contract. Additional funding could support such activities as introducing and strengthening university teaching on the garment industry and industrial organization, developing certification of competencies, revising and spreading the ready-to-work courses to rural vocational training institutions, creating internships for students and GIPC staff, and carrying out studies vital to the garment and other industries, such as updating the salary survey and the state of the garment industry. An additional \$100,000 a year or \$400,000 in total for the entire period, including a two-year extension, should be sufficient. Overall then, between this amount and the previous suggestion in section 3.8(a) above, an additional \$1.5 million and a two-year extension for GIPC are recommended.

- Engage other donors and Cambodian government on training strategy for the garment industry.

USAID must work actively with other donors, GMAC, and the Cambodian government on garment industry training issues. Donors, the garment industry, and the government need to sort out what the next steps will be in developing and applying the training strategy. This is essential to avoid duplication, increase cooperation, and allow the success of endeavors in general and of GIPC in particular. GIPC cannot succeed against subsidized donor funding training and consultancies in the productivity area.

At the moment confusion and differences in approaches exist within and between the donor, industry and government arenas. Basic issues to be settled include what should be done about the GTI proposal, what activities should be subsidized and what should not, and who will do and finance what.

For instance, regarding subsidies, provision of training at minimum charge seems quite appropriate for unskilled entrants to the workforce to prepare them for work. Likewise, donor or government funding seems desirable for preparing courses, course materials, training lecturers, and running pilots. Sharing training costs with the garment industry seems proper for sessions on labor relations, collective bargaining, labor law compliance, safety and health. However, when it comes to the bulk of training for already employed garment workers, especially for training which contributes directly and immediately to productivity gains, industry financing seems most appropriate. Industry financing at full cost will allow the development of commercially available training, such as being proposed by GIPC.

The future of GIPC is intimately connected to the GTI proposal. The promotion of GTI has essentially blocked GIPC efforts at building long term, mutually supportive relationships with GMAC and technical institutions. If GTI will have a solid institutional home and will be sufficiently funded to be successful, then

likely GIPC should become part of this institution. However, if GTI is a too ambitious proposal for the current time, hopefully attention can then be devoted to making GIPC a success in its own right. GIPC could be the kernel for growing a GTI over time.

Recommendations for GPIC

- Keep focused on bottom line sustainability and carry out your business plan.

CSDC/GIPC is facing many choices. In working through the alternatives, it is important to keep the focus on revenues and costs. Despite not being at the moment a for-profit firm, the foundation needs to be run like one.

The business plan includes many worthwhile activities. Without losing focus on the garment industry, it would be good to carry out some of the plans, such as developing non-garment markets, such as assembly plants and footwear; focusing more broadly on productivity across Cambodian industry; developing new products and adapting current products to meet new needs; forming alliances with key sponsors; and exploring incentive schemes for employees, such as profit sharing or stock shares if GIPC becomes a corporation.

- More aggressively and systematically attack penetration issues.

While GIPC has had great success in raising productivity, resistance still exists as to purchasing their services at prices which will support a self-sustaining entity. The need for reconsidering marketing strategy and further marketing efforts is clear. The key to a self-sustaining garment industry productivity center are clients who want services and are willing to pay for them. Crucial stumbling blocks include the difficulty of dealing with foreign owned factories and Chinese supervisors and managers. These hindrances must be systemically and aggressively attacked. This could involve hiring a senior marketing consultant who speaks Chinese and can interact with factory management, GMAC executive committee, and home officers; bringing in Chinese speaking industrial engineers; visiting headquarters in Hong Kong, Taipei, and mainland China; and using satisfied clients in a serious and sustained, orchestrated campaign. This needs to be a major, deliberate thrust of action.

- After a year or so, revisit key issues of sustainability and institutional form.

In a year or so, the situation hopefully will be clear enough for an in-depth revisit to these critical issues of sustainability and form. In a year the impact of the current global downturn will have likely lessened; the relevant plans and understandings of donors, industry, and government, including on the proposal for a Garment Training Institute, should have crystallized; a new law on NGO should have been enacted; and CSDC/GIPC and its board will have gained valuable experience.

Questions to be revisited include: What is wanted -- a distinct garment productivity center, a distinct productivity entity, or institutionalized robust efforts in GMAC, training center(s) and/or universities to improve productivity? Does sustainability means earning all the necessary funds or having regular support from the Cambodian government, GMAC, a technical institution or university, or other sources to guarantee continued existence? What form should GIPC take – continue as a non-profit NGO or become a for profit commercial firm, part of a training center or university, or form a partnership with an institution like GMAC? Considerations should again be given to forming a commercial for-profit company, maybe as a companion to the current NGO; joining a training institute or university, such as ITC (Institute of Technology of Cambodia); or perhaps joining with GMAC, to work with their GTI.

- Charge enough for services.

CSDC/GPIC needs to charge enough to cover costs for services wherever and whenever possible. Pricing schemes that are tied to productivity increases should be explored. Charges should apply to work done for SMEs under the new project. Since its objectives are quite different from the rest of the new project, CSDC/GIPC should maintain autonomy and independence to pursue its own ends. Hence, CSDC/GIPC should charge and charge sufficiently for services in its work with SMEs.

- Lastly, quantify results.

GIPC has done an outstanding job of quantifying productivity gains. This should be continued. In the future, evaluations of the training should include gathering information on the amount of increase in salary for those trained due to promotion or salary increase. In the case where the training is considered only partially responsible for increases, an attempt should be made to attach a value to the project's impact, at least in broad terms, e.g. 20, 40, 60 or 80 percent.

SECTION 4: SOLIDARITY CENTER

4.1 Description

Solidarity Center, formally the American Center for International Labor Solidarity (ACILS), was established by the AFL-CIO in 1997 with a mission to promote independent and democratic labor unions around the world and to raise awareness of abusive working conditions, particularly in less developed countries. In 1992 its predecessor organization, the Asian-American Free Labor Institute (AAFLI), started operating in Cambodia, where labor unions were virtually unknown. With USAID funding in 1993, AAFLI started work on developing a labor relations system and promoting worker rights in Cambodia. It sought to increase the capacity of the government, as well as NGOs, to make workers aware of freedom of association and their other basic rights, and to learn how to exercise those rights.

AAFLI continued with USAID funding for the next five years until it closed its office in the wake of the 1997 coup d'état, and ended its programs in Cambodia in 1998. A major focus during AAFLI's five year period was the development of the country's first modern labor code, which the RGC enacted in 1997 in an effort to qualify for US trade benefits. The garment industry had already begun its substantial growth by 1998. Along with the industry's growth, garment workers became discontent with conditions in the factories, engaging in strikes and demonstrations, and turning for help to labor unions, many of which had political party affiliation.

In 2000, with USAID support, Solidarity Center began its operations in Cambodia. It began with the education and training of workers in the garment sector, which, under the 1999 US - Cambodia Bilateral Textile Agreement, was subject to export quotas that would be increased annually if Cambodia's factories achieved substantial compliance with its labor laws and internationally established labor rights.

From that beginning, Solidarity Center spread its focus beyond the garment sector to tourism, construction, agriculture, health care and the informal sector. Its activities also grew to encompass:

- Training of union leaders, from the local enterprise union level to the national federation level, in union organizing and administration, labor law, collective bargaining, and dispute resolution.
- Advocacy training for union leaders in labor law and policy, including industrial relations regulation, labor dispute resolution, child labor, and government reform.
- Development of trade union women's committees through education and training programs.
- Training union leaders about ILO factory monitoring of working conditions, improving union participation in the ILO inspections and using the results of monitoring to develop bargaining positions with factory management.

- Providing legal counsel to unions and workers on a wide range of matters, from defending workers who lost their jobs because of union activity to representing unions in labor dispute cases before the Arbitration Council.

USAID funding has provided virtually all of Solidarity Center's financial support. Since its inception, USAID has recognized Solidarity Center's important role in the development of a sound industrial relations system in Cambodia, particularly in the garment industry, as well as its significant contribution to promoting democracy and human rights. USAID grants to date have amounted to approximately \$3.1 million, with the current grant scheduled to expire in June of this year.

Although Solidarity Center's tactics have continually changed in the face of changing economic, political and labor conditions, its principal objectives have generally been consistent throughout its history in Cambodia. These include:

- Promoting the development of viable independent and democratic labor unions, and to enable those unions in the contentious garment industry to achieve majority representation with exclusive collective bargaining rights at the enterprise level.
- Decreasing wildcat strikes in garment factories and encouraging labor relations stability by advocating labor-management agreement on effective and peaceful means of resolving labor disputes.
- Increasing reliance on enterprise level labor-management grievance procedures that culminate in rulings by the Arbitration Council, and increasing industry's willingness to abide by the Arbitration Council's awards.
- Raising the number of collective bargaining agreements (CBAs) in the garment industry, where labor unions have faced intense management resistance to negotiating agreements.
- Enhancing the capacity and sustainability of labor unions through education and training in labor organizing, collective bargaining and dispute resolution skills.
- Encouraging all parties to observe the rule of law, especially as to observing the fundamental rights to freedom of association and collective bargaining, and to freedom from job discrimination, as is often practiced against union leaders and activists.

4.2 Previous Findings

USAID/DCHA issued a report in 2006 authored by DCHA/DG's Kimberly Ludwig and consultant David Timberman entitled "Labor Unions and Democracy in Cambodia," which, as it stated, "was intended to identify programmatic and operational issues that warrant consideration by ACILS and USAID." The report describes the significance of organized labor in Cambodia as being most active in the industries that are the greatest contributors to economic growth – garment manufacturing and tourism, as well as having political importance by its emphasis on coalition building with other NGOs and by its international support, which enhances its ability to constructively criticize the government.

The authors cited a number of ways in which Cambodian labor unions contribute to democratization and good government. Among these are that they are important actors in civil society; advocates for the rule of law and international norms; vehicles for empowering women and developing civic and political leaders; advocates for negotiating the resolution of labor disputes; models for democratic politics, and that they link other Cambodian democracy advocates to international support networks which bring international attention to human and political rights abuses by the government.

The report further cites significant accomplishments by Solidarity Center, including:

- AAFLI [Solidarity Center's predecessor organization] played a significant role in the drafting of the 1997 labor law.
- The SC has actively and materially supported the creation and strengthening of more than 20 unions and federations.
- The SC has emphasized the importance of CBAs and promotes an approach to labor-management relations based on negotiation and compromise.
- The SC has supported the skills development of union leaders, and particularly women leaders. It also has supported the formation of a women's labor group.
- The SC supports coalition building among labor, human rights and development NGOs and student groups. (E.g.: SC helped to organize May Day and helped the Youth Council to get involved.)
- The SC helps Cambodian federations participate in the formulation of laws and regulations affecting labor. (E.g.: According to the Community Legal Education Center (CLEC), the SC has played an important role involving unions in the revision of the law on public assembly.)
- The SC has helped Cambodian federations to establish beneficial relationships with garment buyers and international labor federations.

The report's findings also noted Solidarity Center's contribution to both the Democratic Governance and Economic Growth objectives of the Mission by promoting human rights and the rule of law; by its emphasis on promoting labor relations stability, increasing worker productivity and enhancing Cambodia's attractiveness as a garment exporter with fair labor practices; and by its training and leadership development programs to empower women.

The current evaluation's findings are essentially consistent with this 2006 USAID/DCHA report. In fact, Solidarity Center has augmented a number of these accomplishments in the ensuing two years. To cite but one example here – empowering women in the labor movement – two major labor union federations, one in the garment industry and another in the construction industry, are now headed by women.

4.3 Relevance

From the outset, the underlying assumptions about Solidarity Center's program in Cambodia have encompassed three principal areas – industrial democracy, economic development, and civil society. These remain its valid basic tenets, even as its strategies

and emphases have changed to meet new circumstances. For example, when the Ministry of Labor and Vocational Training (MOLVT), through the efforts of the ILO, Solidarity Center and other advocates, issued a new regulation to clarify procedures for the certification of Most Representative Status (MRS) unions, Solidarity Center sharpened the focus of its labor leader training programs on this important avenue for unions to achieve employer recognition with exclusive bargaining rights.

Its contribution to the economic performance of the garment industry, as well as tourism, has been and continues to be important. Cambodia's garment industry factories are facing increasing global competition and intense cost pressures in the face of declining orders. Consequently, containing labor costs, minimizing conflicts due to layoffs and factory closings, promoting workforce stability, improving industrial relations, and reducing work stoppages are more critical than ever. Solidarity Center's key labor relations objectives, which consistently emphasize peaceful and fair workplace dispute resolution, and its programs to educate labor leaders on the economic realities of the fragile garment industry, are directly on point.

Government reforms are equally significant in a country where transparency and accountability are badly lacking. Solidarity Center is viewed as an important contributor to the role of organized labor as a key element of Cambodia's civil society. Just as its predecessor organization (AAFLI) was a key contributor to the enactment of Cambodia's labor code in 1997, Solidarity Center, in collaboration with the ILO, CLEC and other NGOs, has continued to influence public policy and reform of Cambodia's labor regulatory system. Moreover, it has contributed importantly to several public issues, ranging from workplace safety and health, HIV/AIDS education, and women's rights.

Prior to Solidarity Center's Cambodia program, there had been no history of a democratic labor movement. In keeping with its long held precepts, Solidarity Center has consistently concentrated on developing and assisting labor unions which adopt democratic procedures and practices, including leadership elections, and which have an active membership, along with an ongoing membership campaign.

4.4. Effectiveness

Solidarity Center returned to Cambodia in 2000 in the midst of new developments in the labor regulatory system and the labor market that underscored the importance of its programs to promote democratic unionism as well as its role in civil society. While these developments provided leverage for it to play a central role in Cambodia's economic growth and governance, they also presented formidable challenges. They included:

The Labor Market. As the export garment manufacturing and tourism industries began their impressive growth, creating first-time wage paying jobs for thousands of workers, substandard working conditions caused those workers to look for a collective means of making their voice heard and securing legal rights. Demonstrations and strikes by garment factory workers highlighted the need for a better and more stable industrial relations system.

The Labor Code. Thanks in large part to Solidarity Center's previous work (as AAFLI), a modern labor code covering internationally recognized basic labor rights was put in place. Key provisions of the code established the freedom of workers to join labor organizations; set forth rules for those organizations to exercise the right to represent workers in collective bargaining; prohibited discrimination by employers against workers for engaging in union activity; protected the right to strike, provided that certain procedural rules are followed; created rules governing individual employment contracts; included rules on wages, hours of work and other conditions of employment; required employers to comply with workplace health and safety regulations; and prohibited child labor.

ILO Core Conventions. Cambodia had ratified the core labor standards contained in ILO Conventions. These include the eight Conventions on freedom of association; rights to organize and collective bargaining; equal pay; forced labor; employment discrimination; minimum age for child labor; and (in 2006); prohibitions on the worst forms of child labor.

Bilateral Textile Agreement. Two successive US-Cambodia trade agreements extending from 1999 - 2004 provided quota "bonuses" for substantial compliance with the provisions of the ILO core labor conventions and Cambodia's labor law which, as described further in Sections 5 and 6 of this report, led to remarkable improvements in labor dispute resolution and garment factory monitoring of labor standards.

Solidarity Center thus had a broad legal foundation, coupled with social and economic demand, for promoting labor union organizing and collective bargaining, which led to considerable success in tourism and other industries. That success, however, proved far more elusive in the garment industry, which has been the source of the extraordinary challenges faced by Solidarity Center early on and throughout this decade. These include weaknesses in key provisions of the labor code itself, as well as its administration and enforcement; violence and discrimination against union leaders and activists; chronic wildcat strikes; employer resistance to collective bargaining; and opportunistic, politically influenced unions.

These challenges stem significantly from Cambodia's lack of a clear, consistent and flexible labor regulatory system. It is worth noting the hallmarks of such a system that promotes worker rights and economic development, as they help to explain how far Cambodia still has to go in reforming the administration and enforcement of its labor laws. They also indicate the dimensions of the test facing Solidarity center, along with the ILO and its other allies, in furthering those goals. In brief terms, as reflected by national labor codes generally regarded as conforming to international standards and consistent with national market economies, these characteristics entail:

Worker Rights. Because of inherently unequal bargaining power, labor relations rules should effectively protect the right of workers to form and join unions for the purpose of workplace representation and collective bargaining, free from discrimination or retaliation by employers. Trade union representation should be decided freely and

democratically by the workers themselves, free of government interference. The rules should call for good faith collective bargaining over wages, hours and other terms and conditions of employment, and provide incentives for trade unions and employers to adopt written collective agreements. And, consistent with fundamental international standards, they should permit the reasonable exercise of economic action – strikes and lockouts – as a last resort by unions and employers.

Dispute Settlement. The labor relations system should promote and encourage primary reliance on the voluntary, private resolution of labor disputes by the parties themselves, with minimal governmental interference and control. This is especially the case, as in Cambodia, where the parties perceive government administration and enforcement of labor regulations to be ineffective and often corrupt. Labor disputes, particularly those over economic issues, that are resolved by the parties alone are more likely to foster a dynamic labor market than settlements compelled by government inspectors or judges.

Administration and Enforcement. A functional industrial relations system is characterized by governmental rules and procedures that establish clear parameters within which unions and employers can develop a productive relationship suited to the particular circumstances of each industry and enterprise, and constrain unprincipled employers, as well as unions, from taking unfair advantage of workers. The goal should be a system in which the rules are devised, administered and enforced so are seen by the stakeholders as characterized by fairness, independence, transparency, clarity, consistency, speed, finality, and accountability.

Mutuality. Despite the inherent potential for conflict between unions and employers, a basic goal of a national labor regulatory system should be to promote labor-management cooperation in fostering industrial relations stability, and in improving both working conditions and productivity. Thus, both sides have an equal need for clear rules of conduct, and a mutual commitment to follow them. That, in turn, depends largely on whether the system is one in which unions and employers have a stake because both perceive it to be in their long-term, mutual interests. Just as effective protections for worker representation and collective bargaining are critical to unions, equally important to employers are workforce stability and flexibility, the ability to predict labor costs, and a level playing field where lawbreaking employers are denied a competitive advantage. Against this model framework, it is apparent that the issues facing Solidarity Center have been and remain formidable.

They begin with the violence and discrimination against union leaders and activists, which many of them complain is condoned by the government. These acts have likely caused hundreds of unionists to abandon their union roles, and caused others to shirk from it. These workers, who directly or indirectly have been affected by Solidarity Center's programs, sometimes take considerable risks to their own livelihoods, and even their lives. There has been worldwide condemnation of the murder of union leaders, including in 2004 the founder and president of the leading garment sector union (FTUWKC), which has had a history of opposition to the ruling Cambodian People's Party (CPP). Two men convicted of that murder have been widely regarded as innocent

victims. Five years later, after great international pressure, including repeated demands by the ILO for their release and the prosecution of the true perpetrators, a court order for their release was issued in December, 2008.

Ineffective and sometimes corrupt law enforcement by the MOLVT has enabled unscrupulous employers, particularly in the garment industry, to unlawfully fire union leaders and activists. That longstanding problem has been exacerbated by the increased use in garment factories of fixed duration employment contracts (FDCs) in place of the more secure undetermined durations contracts (UDCs), discussed further in Section 5 below, as it is more difficult to prove the real motive for not renewing a contract than for an outright dismissal.

Unfounded lawsuits and criminal charges brought by some employers for inciting violence and causing property damage have typically led to the resignation of union leaders from garment factory employment. There are credible reports that some employers, in order to defeat independent union organizing, have created company unions. Additionally, some political party affiliated unions are believed to extort bribes from employers by strike threats and other improper or unlawful means.

In the garment industry, Solidarity Center has had to contend with a huge proliferation of unions and union federations, the great majority of which fail to meet the basic criteria of bona fide labor unions, including the democratic election of officers, active organizing of workers, pursuit of genuine collective bargaining agreements, and political independence. Garment industry employers regularly complain about the same profusion of unions. It is widely believed that some of these illegitimate unions exist for the purpose of extracting bribes from employers.

This is in part due to the labor code, which permits multiple unions to represent the same classification of workers in a single enterprise. Two to three unions at one garment factory is common; one factory reports that 13 unions claim to represent its workers. One consequence of this are competing and conflicting bargaining demands. Another is excessive strikes in an industry having to meet strict delivery schedules. Nearly all of these strikes are deemed illegal for not first complying with the law's requirements, such as attempting to settle the dispute through government conciliation, and giving prior notice to the employer of intent to strike. The number of garment industry strikes compiled by GMAC is shown in the table at Annex C.3.

Individual unions, which generally are based in single enterprises, form into union federations, and groups of federations then join into confederations. Even though there are a small number of politically independent federations, the great majority are affiliated with political parties, most with the CPP and a few with the Sam Rainsy Party (SRP) opposition. The chaotic federation and confederation union structure is shown in the chart at Annex C.2. Although there is some disagreement about exact numbers, the rate of union profusion has been extraordinarily high. It appears that over the past ten years the number of enterprise based unions has increased from 20 to more than 1,200 and that the number of union federations has increased from 4 to more than 40 in all industries, 28 of

them in the garment industry. Some of this proliferation is instigated by a desire for political influence, or for political party subsidies. Others stem from internal union conflicts, in which, for example, a deposed union leader goes on to establish a new union to lead.

Nonetheless, even in the garment industry, in spite of the continuing opposition of factory managers to legitimate union activity and other obstacles, there have been solid improvements in labor relations practices showing that Solidarity Center's programs are producing positive results. While still excessive, the number of strikes, and the number work days lost due to strikes, has declined from the 2006 peak. A record number of unions have achieved majority representation status, and more are in process. Garment factories with unions which have received training in collective bargaining have seen a significant reduction in the incidence of work stoppages. At least eight collective bargaining agreements in the garment industry are a result of direct technical assistance provided by the Solidarity Center to union federations and local unions, which enabled these unions to achieve a collective bargaining agreement with the employer. Thus, Solidarity Center can be credited with contributing significantly to a more stable and mature industrial relations atmosphere in the garment industry.

These contributions are particularly noteworthy in light of the limited capacity of garment industry workers to undertake union leadership roles. As workers themselves, typically coming from a background in poverty, and lacking adequate education and technical skills, becoming effective union leaders requires intensive leadership training by Solidarity Center.

In other industries, particularly tourism and construction, that Solidarity Center has been able to demonstrate even more clearly that its Center's training in labor union organizing, dispute settlement and collective bargaining can produce solid labor relations results. A notable example is that, following the settlement a major labor dispute over the distribution of service charges in 2004, the major union-organized hotels in Phnom Penh and Siem Reap have seen virtually all labor disputes resolved without work stoppages.

Unlike the garment industry, these hotels have never experienced multiple competing unions and have achieved collective bargaining stability with more than a dozen CBAs in place, some entering their third renewal. The collective agreements contain conventional multi-step labor dispute grievance handling procedures, which have been so successful that hotel managers and union federation leaders interviewed report that all disputes over dismissals and other matters have consistently been settled between the parties, with no occasion to resort to MOLVT conciliation or the Arbitration Council.

It is readily apparent that key differences in the tourist industry – single union representation; collective bargaining agreements between employers and independent, democratic unions; highly effective dispute resolution procedures; and no unions influenced by the CPP or other political parties – make a tremendous difference. Thus, notwithstanding the greater labor relations obstacles in the garment industry, it is now plain from experience elsewhere that where employers are willing participants and unions

practice what they have learned from Solidarity Center, labor-management cooperation can be a successful reality.

It is also clear that the labor relations progress in Cambodia is the result of the effective synergistic efforts of Solidarity Center's allies in the same overall cause. This of course includes its collaboration with the ILO, including its Labor Dispute Resolution Project (see Section 5 below), Better Factories Cambodia (see Section 6 below), and its Worker Education Project. Other non-state actors that also fill in the larger labor picture include important other NGOs, such as the Community Legal Education Center (CLEC), and those employers who see the value of labor-management cooperation and put it into daily practice. In Cambodia, meaningful progress toward industrial relations maturity is beyond the province of any single stakeholder or social partner. Thus, for its part, Solidarity Center's coalition building initiatives have made a significant contribution toward strengthening freedom of association, freedom of expression and the rule of law.

In assessing the performance of these organizations, it should also be kept in mind that an industrial relations regulatory framework that began only ten years ago, in an economy and culture with essentially no historical experience with organized labor or other rudiments of labor-management relations in a market economy, should be viewed within realistic expectations.

For a comparative historical perspective, when the US government created its basic labor relations law, the National Labor Relations Act, the country was in the depths of the Great Depression, with widespread industrial unrest. Although, unlike Cambodia, organized labor had been part of the American scene for 100 years, union activities were often thought of as inimical to commercial interests and had suffered decades of judicial suppression. It was not until the mid-1950s, that private sector union density reached its peak, and collective bargaining agreements in entire industries became the norm. Moreover, it was the intensity of industrial production required for World War II that helped lead to the widespread adoption of binding labor dispute arbitration coupled with no-strike agreements.

4.5 Impact

Solidarity Center's programs plainly have had a positive impact on Cambodia's industrial relations system in several respects. One is the increasing maturity of that system, despite rough bumps along the way. The essentials of a mature labor relations system, as previously described above, center on a regulatory scheme that fosters collective bargaining agreements that promote worker rights and industrial productivity, together with a largely self-operating labor dispute resolution structure. In Cambodia, even the most reluctant stakeholders have begun to accept that the prerequisite conditions are:

- Stabilizing union representation through the recently clarified Most Representative Status procedures;
- Negotiating collective bargaining agreements to include both worker rights and lasting deterrents to work stoppages; and

- Resolving labor disputes through workplace grievance procedures that culminate in transparent and impartial arbitration by well trained experts, and which, in the present circumstances, means putting primary emphasis on protecting and enhancing the jurisdiction and powers of the Arbitration Council (discussed further Section 5 of this report).

A range of positive impacts, such as the MOLVT promulgation of critically important regulations on labor union majority representation status, coupled with Solidarity Center sharpening its focus of training to enable unions to put it to their advantage, have come about through its close collaboration with its important allies, and the ILO in particular, through its Labor Dispute Resolution Project and Better Factories Cambodia. Their accomplishment in the 2008 MRS clarifying regulation has made it clear that the union which gathers 51 percent or more of the workers in any enterprise has the lawful and exclusive right to bargain over wages, hours and other terms of employment – to the exclusion of however many minority unions that exist in the same enterprise. Whether this success will play out as intended, however, further depends on continuing Solidarity Center - ILO collaboration in training all stakeholders in the meaning, application and enforcement of this regulation. It would be unrealistic to assume that opportunistic unions and anti-union employers opposed to legitimate collective bargaining will change their ways overnight.

At another intersection of Solidarity Center - ILO collaboration is the Arbitration Council. Despite the near universal judgment that the Arbitration Council has been a resounding success, however, its ability to continue to thrive is not entirely free from doubt. Although its near term sustainability is bolstered by the new World Bank funding support, the AC carries the potential risk of being undermined by the MOLVT, as discussed further in Section 5. As further discussed there, the AC's vulnerability to the MOLVT is further demonstrated by the ministry's refusal to settle, by means of an appropriate change in the law, consistent with best international practice, its dispute with the AC over the important issue of whether an employer may enter into fixed, short-term duration employment contracts with workers without limit or, as formally ruled by the AC, fixed duration contracts are permitted for no longer than two years, at which point they convert to undetermined duration contracts.

Another dimension of the AC's vulnerability, which even now likely hinders further reduction in the incidence of garment industry wildcat strikes, stems from workers being in doubt about its ability to resolve the most contentious disputes, such as the termination of union activists, because it has no authority to issue binding awards in the absence of joint agreement of the parties. The fact that any party under the existing rules may, in effect, relegate the AC to mere advisory body status simply by rejecting an award *after* it is issued is a potentially serious weakness. Notwithstanding the logic of proposals to make AC awards in rights disputes binding as a matter of law, there is no indication of the MOLVT's willingness to contemplate such a threat to its authority by this quasi-judicial body. The ILO reports however that there are very recent indications that some elements in the RGC may be looking to strengthen the role of the AC in the dispute resolution process.

Therefore, in the absence of such action by the government, there remains only one clear path under existing law and regulations to binding AC awards: joint labor-management agreement to adopt labor dispute grievance procedures which culminate in *binding* AC awards (and presumably, though not necessarily, bypassing MOLVT conciliation) by the terms of their voluntary collective agreement. Solidarity Center fully appreciates the import of this goal and the challenge it presents to its capacity building mission, as does the ILO. Indeed, its advice and training for the Cambodia Tourism and Service Workers Federation (CTSWF) has enabled the federation's unions, as described above, to negotiate sound collective bargaining agreements with major hotels which contain multi-step labor dispute grievance procedures. Granted, these agreements stop short of including a final step of binding arbitration by the AC. The federation's leadership, however, reports that such binding arbitration will be one of its primary goals in negotiations during 2009 and beyond for successor collective agreements.

Another vitally important impact, regrettably now terminated because of reduced funding, is legal support to the labor movement and workers, particularly in the garment industry. The Lean China Law Firm (LCLF) had several years of Solidarity Support and earned the gratitude and respect of everyone it advised and represented. No one else in Cambodia has the same sophisticated legal skills and depth of experience in what often are often extremely difficult labor matters, exacerbated by practicing in Cambodia's dreadful legal system.

Legal support covered a wide range of matters, from advising on collective bargaining negotiations and agreements, assisting in labor-management disputes, representation before the Arbitration Council, reviewing and advising on proposed changes in labor law and regulations, and representation in civil and criminal cases, which is particularly critical in vindictive legal actions brought by employers to chill union activism. Pleas by union labor leaders and activists to restore LCLF legal support were universal.

4.6 Sustainability

Understandably, financial sustainability in the absence of US government sources has not been part of Solidarity Center's, or USAID's, operating plan. The union leaders and workers it serves cannot be expected to contribute to Solidarity Center's budget. The unions themselves are in a long struggle to gain greater capacity and financial sustainability from dues collection income, but are far from achieving it. And, as much as Solidarity Center's efforts over time may contribute to industrial stability, the employers' traditional place across the adversarial divide assures that they cannot be considered to be a prospective source of funding.

Solidarity Center in Cambodia, as in the dozens of other countries in which it promotes independent labor union development, is essentially dependent on US government financing, primarily from USAID. That necessarily will continue to be the case in Cambodia for the foreseeable future.

4.7 Evaluation Findings

The frequently noted caution that Cambodia's post-conflict economic development has been sustained on the precariously narrow base of garment exports and tourism has now become a more serious threat to its future growth prospects, as garment orders are declining sharply and tourism is weakening. Near term prospects for economic diversification into other industries that might support growth and foreign earnings are poor.

Thus, it is critically important for Cambodia to maximize its principal foreign earnings industries in the face of these bleak developments. Its primary asset, the garment industry, faces a twofold task: to maintain – better yet to improve – its reputation with US and EU buyers as an exporting country with highly regarded fair labor standards for its workers; and, at the same time, to improve its productivity and reduce production costs.

It would be rash to jeopardize its attraction to buyers by undermining its fair labor standards record, even if that advantage is diminished to some extent by CSR inspection programs in competing countries. Cambodia remains the only garment exporting country with a mandatory and respected labor standards compliance program conducted by the ILO with worker, employer, and government support.

Stabilizing labor relations in the garment industry could contribute a great deal to improving its productivity and global competitiveness. Wildcat strikes, rent-seeking behavior, and violence against union activists should be substantially reduced. Simultaneously, all stakeholders need to take steps to enhance the role of independent and democratic unions in garment factories by bringing discrimination against their leaders and activists to an end, and by removing impediments to their achieving majority representative status as a foundation for meaningful collective bargaining. Thus collective bargaining should emphasize effective means of settling labor disputes, including the adoption of binding awards by the Arbitration Council, and compliance with basic labor rights. Increasing productivity can go hand in hand with improved terms and conditions of employment for workers.

Solidarity Center has demonstrated its ability to assist and train independent union leaders to organize workers, to engage their employers in collective bargaining, to formulate and negotiate collective bargaining agreements, and to successfully participate in the settlement of labor disputes without work stoppages, and, importantly, without government intervention. In the tourist and construction industries, interviews with employers and with union leaders (who universally call for continuing and strengthening Solidarity Center as essential to their ongoing development) confirm that stable and fruitful industrial relations are possible in Cambodia.

Bringing about comparable results in the garment sector remains an enormous challenge. The continuing proliferation of politically connected and opportunistic labor unions, sometimes abetted by employers who sustain them at the expense of legitimate unions,

and who believe that serious collective bargaining is against their interests, does little or nothing to reduce worker discontent and costly illegal strikes.

Solidarity Center's emphasis on training union leaders and activists in the importance, as well as the nuts and bolts, of achieving majority representation certification is key to what needs to follow. That is collective bargaining by a union, as the exclusive worker representative, to protect worker rights and lawful benefits, and be coupled with fair and effective grievance procedures in exchange for no strike pledges. Progress toward such a framework agreement with a group of garment industry employers, in order to demonstrate that allowing the certified majority union to bargain for the entire employee unit can reduce the chaos of union proliferation and curtail illegal strikes, has been painfully slow.

Some of the unions engaged and influenced by partisan politics have begun to edge away from their sponsors and take more responsibility for worker representation and organizing. Demonstrating the feasibility of union mergers may show the politically affiliated unions that mergers to reduce the number of garment industry unions is feasible and in their best interest.

Those same unions have witnessed the recent progress in the ability of Solidarity Center trained garment industry unions to achieve majority representative status, and even a small number of collective bargaining agreements. That is important, considering that it was not long ago that unions and employers were unable to have face-to-face discussions at all. The success of these independent unions has helped to lead a few of the politically affiliated labor federations to lessen their dependence on those affiliations and to take steps toward genuine worker representation.

It is also noteworthy that Solidarity Center, despite contrary Cambodian cultural traditions, has been able to promote the empowerment of women in the labor movement. In hotels, the leading union federation has adopted election rules requiring that women be on the ballot for leadership positions. Solidarity Center has assisted the development of the Cambodian Women's Movement Organization, which has encouraged women to take union leadership positions in garment factories and other enterprises.

All union leaders and activists in interviews stressed their critical need for legal advice and representation, and lamented the loss of the Lean Chinda Law Firm's support because of Solidarity Center's reduced resources. Legal assistance is required on many fronts: as employers bring unfounded and vindictive lawsuits and criminal charges against union activists; as union activists find themselves jobless because their activism has resulted in employers refusing to renew their limited term employment contracts; and as unions need legal assistance in difficult cases to present their case to the Arbitration Council.

Solidarity Center has had significant success in collaborating with the ILO, both as to the Labor Dispute Resolution Project and the Better Factories Cambodia program, and in

public policy advocacy with the government, as discussed above, and in Section 5 of this evaluation report.

These findings are generally quite consistent with USAID's most recent portfolio review and its operational plan covering the Solidarity Center program. These are found at Annexes E.1 and E.2.

In sum, for these reasons, it would be a loss to Cambodia's democratic and economic development if Solidarity Center's operations were not extended, and expanded, for at least another two to three year period.

4.8 Recommendations

Solidarity Center's funding has decreased significantly over the past two years, resulting in the loss or reduction of staff and other resources to meet its objectives. In light of the importance of its continuing contribution to the development of Cambodia's labor relations system, and the universal plea of all union interviewees, its support should be increased in order to permit:

- Significantly increasing its education and training of labor federation and union leaders and activists in union organizing and administration, achieving majority representation status, collective bargaining, drafting collective agreements, enterprise level grievance procedures for the resolution of both rights and interest labor dispute resolution, and in the economic viability of the garment industry in relation to labor costs and productivity.
- An additional staff position so that the Program Director can recruit another individual with extensive labor expertise, presumably from another Asian country with a more mature labor regulatory system, who can provide training to labor unions and federations on the basis of having substantial actual experience in such matters as collective bargaining and grievance handling. At present, only the Program Director fits that description.
- Restoration of legal services provided by the Lean Chinda Law Firm in the face of continuing discrimination against union leaders and activists and other serious violations of the right to freedom of association; the likely continuing garment industry decline, with factories closing and failing to pay legally mandated benefits to their displaced workers; and the increased incidence of wildcat strikes over disputes that otherwise could be resolved by legal advice and representation.
- Reinstating a radio program for workers, preferably in collaboration with the ILO Workers Education Project, to expand the Solidarity Center audience for workplace rights education and training, as requested by virtually all union interviewees.
- Reestablishing its support and training of unions engaged in the tourism, services and construction industries in Siem Reap, preferable by reopening its office there

that was closed due to reduced funding. There is no assurance that the success of the labor movement there will endure and grow in the absence of support previously provided by Solidarity Center. It should be noted that the successes of independent unions in hotels there involve only a small fraction of all the hotels there.

- Union leadership at all levels still lacks the skills and knowledge to be effective in their roles. Strengthening Solidarity Center's staffing, over time, could produce the important ancillary benefit of encouraging its own staff to migrate to leadership positions in unions and federations.
- While continuing and strengthening training in collective bargaining and the formulation of collective bargaining agreements, Solidarity Center should also focus more union attention on reaching free-standing agreements with employers on single issues, such as protecting women's maternity leave benefits, and labor-management grievance/arbitration procedures.

Despite GMAC's strong skepticism about collective bargaining agreements, Solidarity Center and its allies should consider reviving negotiations on one or more selective matters, including dispute resolution procedures, on an industry-wide multi-employer basis along the lines of the experiment in such bargaining that took place in 2006.

Although Solidarity Center has sound strategies for reducing the profusion of unions in the garment industry – from demonstrating how majority representation status and collective bargaining agreements can contain wildcat strikes, to demonstrating how union federation mergers, as it is promoting in the construction industry, can benefit all stakeholders – it should explore with the ILO and other NGOs the prospect of a MOLVT regulatory change to raise the threshold for enterprise union representation and certification, such as setting the requirement to a minimum *percentage* of the worker members instead of a minimum absolute number.

Supporting the continuation of Solidarity's current operations, and the recommended restoration of operations which it has had to curtail in the last two years, would require USAID financing in the range of \$300,000 to \$400,000 annually for the next four years.

SECTION 5: LABOR DISPUTE RESOLUTION PROJECT (ILO)

5.1 Description

In the US–Cambodia trade agreement of 1999, the US agreed to periodically increase Cambodia’s quota for garment imports to the United States if a semi-annual review showed positive findings regarding factory level adherence to core international labor standards and the standards set by Cambodian labor law. The project now known as Better Factories Cambodia (BFC) (reviewed in Section 6 of this report) was established to provide a mechanism for the monitoring and review process. The Labor Dispute Resolution Project (LDR) was designed as a companion effort that would focus on the full spectrum of activities which make up the labor dispute resolution process: prevention at the factory level by direct labor-management discussions and actions, conciliation by a third party, formal arbitration proceedings, and finally – legal adjudication. The LDR project was established in December 2000.

LDR got underway on the ground in January of 2002. Originally, it was funded by the US Department of Labor (USDOL) with the ILO serving as the implementer. USAID began its financial support of the project on September 30, 2003. More recently, New Zealand (NZ Aid) has become involved as a donor.

The original set of objectives for the LDR project included the following:

- Preparing a national dispute prevention and resolution strategy applicable to all enterprises and workers covered by the Cambodian labor code;
- Ensuring that the arbitration of disputes would be undertaken in accordance with the labor code or as provided in collective agreements;
- Establishment of a labor dispute adjudication system, initially through the regular courts and eventually through the establishment of a labor court.

An early ILO-led evaluation in 2003 recognized that the original objectives for the project were overly ambitious, both in scope and in terms of the time and resources available to carry them out. While the establishment of labor adjudication within the judicial system was therefore dropped from the list of project objectives, the project focused on the quasi-judicial Labor Arbitration Council (AC), which was established by a labor ministry regulation promulgated in December, 2002, and which began operations in May, 2003. In 2006, an effort was made to reorganize the project’s monitoring and reporting process. The project’s objectives were restated as that time as follows:

Overall Objective: Improved labor dispute prevention and resolution
Intermediate Objectives:

- Increased willingness of workers and employers to engage in collective bargaining;
- Increased capacity of conciliators to resolve disputes;

- Arbitration Council is operational, effective and sustainable;
- Ministry has sufficient information to decide how to proceed with the establishment of a specialized labor court.

For the first two years of the project, the USDOL was the sole funder of the project. USAID funding for the project began in late 2003. Through 2005, USAID contributed \$300,000 to LDR to support the establishment of the Arbitration Council. NZAID began to provide financing in 2005. By the end of 2008, USDOL had contributed over \$1.8 million to the project and its financing had come to an end. Following a modification of its agreement with the ILO in September 2005, USAID has contributed another \$900,000 in additional funding to be used to support all project objectives as noted above. For details, see the Agreement Modification between USAID/Cambodia and the ILO dated 21 September 2005.

Over the course of the project, extensive efforts have been undertaken to achieve these objectives. A large portion of the project's time and resources has been spent in the development of the Arbitration Council including the training of a core of arbitrators, provision of supplementary legal expertise to enhance the Council's ability to carry out its mandate, the acquisition and outfitting of physical space for the operation of the AC, the development of administrative and managerial processes, and the acquisition of the necessary staff to handle these functions. A national labor dispute prevention and settlement strategy was prepared and endorsed in 2004 by the tripartite participants in the process: government, labor and relevant business interests. The interest and ability of unions and employers to engage in effective collective bargaining have been improved mainly through training programs and advocacy of improvements in the labor regulatory system.

Training programs have also been the primary vehicle for improving the skills and effectiveness of conciliators with the Ministry of Labor and Vocational Training (MOLVT). Little time or resources have been devoted to advising the MOLVT on the establishment of a labor court since, until recently, there appeared to be little RGC interest in moving forward with such a court. However, the LDR project has invested in an extensive review of Cambodia's labor code and has played an essential role in advising the MOLVT on key modifications in a number of implementing regulations, such as the policy and procedure related to the achievement of Most Representative Status (MRS) by a union in a given establishment. A review of progress and the significance of these and other LDR activities is provided below.

5.2 Previous findings

Two formal evaluations of the LDR project have been conducted under ILO auspices, one in early 2003 and the other in late 2007. Both of these evaluations were unanimous in finding that too much was expected of the LDR over too short a period of time with the use of too few resources. The principal recommended change was to limit the amount of work expected of the project on labor dispute adjudication through the formal Cambodian judicial system, including the establishment of a labor court. The project would only

study and make recommendations with regard to the specialized labor court while it would fully support the development of a national arbitration vehicle which has been realized in the form of the quasi-judicial Arbitration Council.

The 2007 evaluation indicated that the LDR's greatest achievement was the establishment and operation of the Arbitration Council. The AC was built from the ground up through the material and technical support provided by the LDR project. Today, it is widely recognized as the only judicial or quasi-judicial body in the country that functions with a high degree of integrity, transparency and expertise, and which produces a consistent stream of impartial results.

The 2007 evaluation also notes the value of the National Dispute Prevention and Resolution Strategy produced in 2004 with tripartite support. It indicates, moreover, that the project had largely achieved what was expected of it in terms of supply of inputs toward achieving its other objectives. It provided training for both labor and management in workplace cooperation and provided them with model grievance procedures. LDR provided considerable training, study tours, reporting formats and other management tools to MOLVT conciliators. It also worked toward the goal of establishing a management information system covering aspects of the MOLVT's work.

However, the evaluation notes that there remains a need for further support for the establishment of effective systems of workplace cooperation. Most recently, this has led the project to work extensively with all parties on creating a workable system of MRS for labor unions to overcome the obstacles created by the plethora of unions found in many Cambodian garment factories. Secondly, LDR has moved its training at the workplace level heavily in the direction of techniques for achieving workable collective bargaining agreements. This effort will be further discussed below.

In terms of conciliation, as well as other work with the MOLVT, the 2007 evaluation points out the major obstacle that impedes effective implementation of most national government programs in Cambodia – underfunding. Poor wage rates provide little incentive for public servants to carry out their assigned tasks. The underfunding also contributes to an environment in which corruption can flourish. Underfunding also means lack of adequate tools – communications, information technology and transportation - to carry out needed tasks. These government-wide structural problems impede the effectiveness of technical training and management help received by MOLVT officials.

On the legal and regulatory front, the 2007 evaluation makes the key point that, while the expected outcomes from the LDR project in labor adjudication were now limited, it made sense for the ILO to continue to assist the RGC as it moves forward with any significant changes or adjustments in the labor law or in the establishment of a labor court. The evaluation argued that continued ILO engagement was needed to assure the best outcome possible as the labor adjudication system is further developed in Cambodia.

5.3 Relevance

The overall goal of a functional industrial relations system to which the LDR project contributes was and remains highly relevant. Without such a system, neither the welfare needs of labor nor the needs of management for labor peace can be well served. If labor-management relations are in chaos, such goals as improving productivity, on-time delivery and other factors that will keep Cambodia competitive in the international marketplace cannot be achieved on a sustained basis.

The objectives are also still relevant as much remains to be achieved, despite substantial progress. Progress in achieving all its objectives has been made under the LDR project – with the extensive assistance of the other projects under review in this evaluation. This is particularly so in the case of arbitration with the establishment of the Labor Arbitration Council and its effective operation. However, it is equally clear that in other areas, much yet remains to be done. Effective resolution of labor disputes at the factory level remains, for the most part, an objective yet to be achieved. The same is true of the conciliation process led by the MOLVT. While the establishment of a labor adjudication system *per se* is now off the table as a project objective, there is much the project can and should contribute to the process of legal and regulatory reform in the labor sector.

In the near future (mid-2009), it is expected that the Arbitration Council will receive major financial support from the World Bank for the next several years. The AC's work remains highly relevant, and now its funding and hopefully, its future, are assured by the Bank's support. However, the need remains acute for further improvements in: dispute resolution at the factory level, the formal MOLVT conciliation process, and the need to support all parties in the tripartite process of working toward improvement in the legal, regulatory and judicial processes needed to resolve labor issues and reduce the incidence of illegal strikes. Having an LDR-like project in place, with continuing ILO technical support, remains highly relevant to continued progress in achieving a functional and effective industrial relations system overall.

5.4 Effectiveness

Arbitration:

Clearly, the most effective component of the LDR project has been the effort focused on the formal labor arbitration process. The Cambodian judicial system is noted for its weakness. Public opinion polls conducted in Cambodia identify it as the most corrupt institution in the country. Therefore, there was no precedent in the country on which to base an institution that could serve as a formal arbiter of labor disputes. Thus the creation of a functional and effective Cambodian Labor Arbitration Council (AC) is a major achievement.

The AC, as noted above, was established by Prakas (a formal RGC regulation) in December 2002 and opened for operation in May 2003. While it is not a formal part of the RGC judicial apparatus, it owes its existence to an RGC writ; the arbitrators are

appointed by the MOLVT; its work is directly linked to operations and procedures carried out by the MOLVT – particularly that of the MOLVT conciliation process; and a Secretariat involving MOLVT staff assists in the administration of the AC. Thus, it is a quasi-judicial body which conducts its work independently, but at the same time under a government mandate that, among other things, positions the MOLVT as the gatekeeper of the AC's entire case inflow.

Under that mandate, the AC deals only with disputes which are deemed by the MOLVT to be collective, not individual, in nature. "Collective" in this case means a dispute involving a group of workers or a professional organization of workers, not just one or two individual workers. If MOLVT conciliation fails to resolve a collective dispute, then it is mandatorily referred to the AC for action. If a dispute is judged by the MOLVT to be individual, it is subject to conciliation by the MOLVT if the parties so desire, or it may be litigated into the courts. Under the Prakas that established the AC, collective disputes involving either rights or interests of the parties to a dispute are to be resolved by an arbitration award by the AC. "Rights" in this case refers to a benefit or process established under law. "Interests" refers to a future benefit not currently established by law or collective agreement.

Currently, the Arbitration Council is composed of thirty arbitrators, ten each nominated by, respectively, the government, the unions, and employer associations. All then are formally appointed by the MOLVT. Once appointed, they are expected to operate in an independent fashion and to not represent those who nominated them.

Once a case is referred to it by the MOLVT, the AC has fifteen days to make an award, after which the workers involved can exercise their right to strike, or employers their right to lock out the workers, if the AC does not act. The process begins with the selection of three arbitrators to hear the case, one each selected respectively by the employer and the union involved, and the third by the two chosen arbitrators.

With the arbitration panel selected, evidence is presented and a formal hearing held. In many cases a settlement is reached between the parties in a given dispute before a formal arbitration award is issued by the panel. Prior to the issuance of an award, the parties to the dispute may agree that the decision of the AC will be binding. However, this is at the complete discretion of either party. If either party does not agree a priori to execute an AC decision as binding, or if either party exercises its right, within eight days of issuance of an award, to register opposition to it, the award becomes unenforceable and, in effect, advisory only.

Through 2007, the AC dealt with a total of 494 cases, the vast majority from the garment sector. Nearly all were handled within the timeframe established by regulation, a measure of the administrative efficiency of AC operations. Of this caseload, an agreement was reached in 185 cases (38% of the total) prior to an award. In 123 cases, an award fully or substantially resolved the case (25%); in 27 cases (5%), an award was partially implemented. In 126 cases, (25%) an award was opposed. However, even in these cases, follow-up review by the AC indicates that in 29 of these cases, a later settlement was

reached, largely based on the terms of the AC award. In 97 cases (20% of the total) an award was not implemented. In thirty-three cases (7%), the AC declined to consider the case based either on lack of jurisdiction or lack of standing of either of the parties to a dispute before the council. (These data are from the LDR Technical Progress Report dated 14 September 2008. It should be noted that the total number of cases to come before the ACF grew to 653 by the end of 2008).

This is a remarkable record. For a new organization carrying out an unprecedented function in Cambodia to have seldom missed a deadline in carrying out its principal task is a testament to the effectiveness of its structure, administrative capacity and the dedicated work of the arbitrators, all of whom undertake this work while holding other jobs. Reaching what amounts to a conciliated agreement in 38% of cases where conciliation had already been attempted by the MOLVT speaks of the high regard in which the arbitrators and their skills are held by the parties involved in these cases. The fact that only 20% of all awards were rejected by the parties outright, and some 5% were only partially implemented in an environment where the arbitration process is not binding and in what remains a rather chaotic industrial relations environment, again indicates the high regard in which all parties hold the AC process.

This record of course has not been achieved without cost. About one-third of the entire \$4,296,971 budget for the LDR project since inception was expended to achieve this result. (For details on the overall budget, see Annex F.1). The budget for AC operations in 2008 was \$280,000.

Conciliation:

The objective of this component of the LDR project is an increase of the capacity of MOLVT conciliators to resolve disputes. Since 2003, the LDR project has carried out numerous trainings for MOLVT conciliators, covering such topics as: labor law, the AC process, labor dispute resolution techniques, conciliation skills, conciliation follow-up, the collective bargaining agreement process, factory level grievance procedures, and workplace cooperation. Course books for conciliators were developed covering Cambodian employment and labor law, and labor dispute resolution skills. Administrative tools, such as reporting forms for the conciliation process, were developed by the project. A formal analysis of procedures, capacity and training needs for MOLVT's Department of Labor Disputes was conducted by the LDR project in 2006, with follow-up training and further support provided.

The above-mentioned 2006 assessment, probably working with 2005 data, noted that the Central Department of Labor Disputes in Phnom Penh received approximately ten cases per month of which 60-70% were resolved at the conciliation level, and 30-40% were not resolved and therefore were sent on to the Arbitration Council for action. The AC itself, according to its records, heard 81 cases in 2005. Therefore, the preceding data from the MOLVT on either the volume of cases it receives, and /or the percentage of cases it successfully conciliates cannot be accurate. Lack of clarity may in part be due to the lack of distinction between individual and collective disputes. This confusion points to the fact

that the statistical system which the LDR project attempted to install at MOLVT to track data on labor disputes and the conciliation process is not functional. Hence, the actual status of progress in the conciliation process by MOLVT is not determinable.

Furthermore, interviews with factory management and union representatives support the conclusion that structural problems still plague the formal conciliation process and limit its effectiveness. The prevailing wage for a government labor inspector or conciliator is about \$30 per month, considerably less than that of the minimum wage for a factory worker, who typically has less than a complete primary school education. This leads to both motivational problems and the likelihood of income supplementation through unofficial payments. Staff turnover is high, meaning that staff training provided by projects like LDR has limited impact over the long run unless repeated on an annual basis. Funds available for communication, transport and office operations are minimal. Most offices lack telephone land lines. Therefore officers must rely on their own cell phones for communication, generally without compensation for calls made. There is a lack of uniform policy and procedure in place to govern conciliation work, particularly outside of Phnom Penh.

According to those the evaluation team interviewed, this situation can lead to requests of factory management to underwrite the conciliation process financially, thereby injecting an element of bias and the potential for corruption into the process. The lack of tools to carry out the job, poor remuneration and resulting staff turnover and poor motivation assure weak results as the industrial sector of the economy continues to expand – placing further burden on the AC and increasing the need for an effective process of dispute resolution at the factory level.

Factory-Level Dispute Resolution and Prevention:

It is very important to recognize the context in which attempts to improve dispute resolution and prevention at the factory level take place in Cambodia. First, the plethora of unions – with credible reports of as many as thirteen operating in one factory - creates an unstable environment for dispute resolution. This is reinforced by the fact that many unions operate with either some form of political backing, or with little regard to the overall desires of their membership, which makes them often resistant to collective bargaining and negotiated outcomes. Secondly, factory ownership is often in the hands of expatriates who are not present in Cambodia, frequently from cultures where the presence of effective unions or the need to formally negotiate labor demands is only now coming into play in their own countries. The term, “immature,” is often used to refer to the state of the industrial labor relations environment in Cambodia.

Once again, the LDR project has focused on training, both for factory management and union leadership, to increase knowledge of dispute resolution and prevention processes. Training materials, such as “Workplace Cooperation, A Practical Guide for Enterprises in Cambodia,” were produced. The LDR project has worked to introduce model grievance procedures in Cambodian enterprises. However, the project’s ability to reach a wide

range of Cambodian factories with this program of training and support proved quite limited.

Over the last two years, the project has focused its efforts more heavily on training in collective bargaining techniques and processes. This effort is designed to reach unions, factory managers and their representative organizations (CAMFEBA, GMAC). Recognizing its inability to reach a large number of entities on its own, the LDR project has worked with staff from local Cambodian training organizations, the Solidarity Center, the Better Factories Project, and ILO international staff to carry out this work. In fact, this is just one example of the remarkably high degree of collaboration among the four projects being evaluated.

Representatives from at least nine union federations and over 100 enterprises were reached in this effort in 2008 alone, in addition to the employer organizations already mentioned. Despite resistance to the concept, particularly from some factory owners and managers and the professional organizations that represent them, there is some recent evidence that the training process is beginning to make some headway. In a recent preliminary analysis by the project, it was found that since the provision of training in CBA procedures by the project to 42 local unions who had achieved MRS status in the garment industry, only three strikes were held in the factories involved. This is the tip of a very large iceberg; since there are close to 300 factories involved in producing garments for export alone. Nevertheless, it is a positive development that may bode well for the future.

A key factor leading to this fledgling success was the LDR project's work in enhancing a regulatory and administrative procedure within MOLTV that supports recognition of a union with Most Representative Status (MRS) within a given factory. This is discussed further in the section which follows.

Labor Law and Regulation:

Although the objective of establishing a labor dispute adjudication system through the courts was eliminated, the LDR project nevertheless has supplied a steady stream of advice and technical support to the MOLVT (and to the predecessor ministry from which it was created) to further strengthen and develop important aspects of Cambodia's labor law and regulation. The Prakas that created the Arbitration Council is an excellent example of this work. Another key example, cited above, is a clarification of the terse and ambiguous language in the Cambodian labor law which defines the process for identifying and certifying a union as having representative and, more importantly, Most Representative Status (MRS) within a given establishment. With assistance from the LDR project, a regulation was promulgated on April 22, 2008 which clarifies the documentation needed and the process for achieving MRS status.

Since then, the applications for MRS status have risen and the amount of time needed by the MOLVT to certify such status has dropped sharply. Although the ILO has found the administration of the new process to be evenhanded on the basis of a review of MRS

certification figures and statistics, a number of union interviewees complained that CPP affiliated unions receive certification in a matter of days, and that independent unions have suffered long delays and frivolous objections filed with the ministry from competing unions. Nevertheless, this new regulation constitutes a much improved process for expediting certification of the majority union, which is an essential step in achieving effective collective bargaining and labor-management cooperation, and demonstrates the critical role that the LDR project has played. Thus, a key component needed to expedite the collective bargaining process has been put into place.

More recent developments involving the powers of the MOLVT, however, which are far less reassuring, carry the potential risk of undermining the integrity of the Arbitration Council, the status of independent, democratic unions, and worker rights.

First, in the past year, the Prime Minister has announced an initiative to move forward on creating a distinct labor court. The labor court concept is embedded in the existing labor law, but its implementation has long been moribund. The prospect of implementing the labor court, no matter how well structured on paper, runs the obvious risk of extending the same weaknesses and corruption found in the common courts to the Labor Court. Moreover, there is no assurance that a labor court would not degrade the integrity and independence of the Arbitration Council.

Second, the MOLVT has circulated a draft amendment to the labor code concerning a long simmering controversy over the duration of individual employment contracts. The proposed labor code amendment would threaten the authority of the AC by nullifying the ruling it issued several years ago interpreting the code's provisions on employment contract duration. The AC decision, which overturned a previous MOLVT interpretation, and which employers and unions have generally followed ever since, established the right of an employer to use successive fixed duration contracts, usually running between three and six months, only for a maximum of two years. The MOLVT interpretation, and what it now proposes to implement in the labor code, is to permit an employer to utilize any number of such short-term fixed duration contracts with no time limitation, as long as no such contract runs longer than two years.

This development may undermine the Arbitration Council's authority and independence; it is a major threat to job security, particularly for union leaders and activists, would undermine such statutory rights as maternity leave; and it very likely would cause the incidence of wildcat strikes to increase.

Third, the RGC has also indicated, without explanation, its intention to amend those aspects of the labor code that focus on unions and union representation.

Through the LDR project, the ILO has continued to monitor the overall legal and regulatory situation with regard to labor and provide continuing advice to the RGC on the subjects noted above and other related issues. These developments underscore the conclusion that continuing the labor regulatory oversight and advocacy roles of the LDR

project in the future is essential to maintaining and improving Cambodia's labor relations system.

Somewhat encouraging is that in the process of this evaluation, the MOLVT expressed its interest in continuing technical support from donors as it works on the labor court and labor code regulatory issues. The effective work undertaken by the LDR project to date, under ILO auspices, indicates that it has the experience and ability needed to work with the MOLVT, employers and unions in this area. Its assistance is vital to assure a quality product that will enhance the legal and regulatory environment for labor in Cambodia while ensuring that the integrity of existing institutions such as the Arbitration Council is maintained and that any new rules and regulations are in keeping with the international labor agreements that the RGC has already ratified.

These findings on effectiveness are in general accord with the discussion of progress and indicator measurement contained in USAID's most recent 2008 performance monitoring plan report (Annex F.2) and the BFC's own monitoring progress report of June 2008 (Annex F.3).

5.5 Impact

Once again, it is clear that the LDR project's greatest impact is related to the Arbitration Council. The AC has served a key purpose in resolving a number of significant labor disputes in Cambodia and remains the sole entity in the Cambodian industrial relations environment that operates efficiently and consistently achieves the objectives established for it by law.

However, the AC has had an impact that transcends labor issues. The AC serves as a model of good governance and probity for the entire Cambodian judicial system. It alone has produced a consistent record of efficient decision making based on the evidence presented and applicable provisions of the labor law without regard to personal interest or the potential for unofficial payments which might be offered by a party to a dispute. The AC has published its decisions on all its cases, and frequently makes use of previous cases as a guide or precedent when reviewing new cases, a novel approach in Cambodia's civil law system. Its judgments are well regarded for their impartiality and fairness. In fact, the decision by the World Bank to consider future financing for the AC was based on its power as an example of good governance. While the AC's ultimate influence on the further development of the Cambodian judiciary remains to be determined, there is no question that it has created a unique Cambodian standard that government officials can reference and learn from in the wider judicial reform process in the country.

While the process of achieving a quantum change in factory-level dispute resolution has been slow, those who have been involved with LDR efforts in that regard believe that progress has been achieved. Though many animosities linger, labor leaders and factory managers are now capable of sitting in the same room and at least discussing issues of common concern. Some firms have put in place functional grievance procedures. There now exist a number of collective bargaining agreements, even in the notoriously poor

labor-management environment that exists in the garment industry (at least 8 CBAs are currently operational and others are being negotiated), to accompany a comparatively larger number of such agreements in the tourism/hospitality sector. Of 42 MRS unions in the garment sector that were provided training in the collective bargaining process this past year, only three strikes were called in the associated factories.

Developments over the past year give reason for some optimism that a larger number of CBAs may be forthcoming in the future. The pace may be slowed somewhat in the present difficult economic environment – a fact that has been recognized by all parties. However, it may still be possible to negotiate some key points of agreement between employer organizations and some labor confederations that will lead to greater labor peace than currently exists. Such progress is critical to not only the short-term viability of Cambodian industry during the current period of economic turmoil worldwide, but to the long-term competitiveness of Cambodia in the international marketplace.

While project implementers see some gains in the formal conciliation process, we did not encounter many in the garment industry, for instance, who were sanguine regarding the utility and effectiveness of conciliation in Cambodia. The LDR project reports note the same attitude of businesses in the tourism/hospitality sector where MOLVT conciliation processes are said to be largely ignored – although much of the unionized part of that sector has collective bargaining agreements containing dispute procedures that have been highly effective without calling on government conciliation.

The weaknesses in MOLVT conciliation can only be overcome by tying training and other forms of technical support to broader structural changes in the way the RGC finances and supports its governance processes. One approach that is needed is to continue to support activities that shed light on what work is, or is not, being carried out and what is being accomplished by entities such as the MOLVT's Department of Labor Disputes and assuring that that information is made available to the public. The LDR project has begun a process to improve the reporting and statistics gathering functions within this Department. Continuing to strengthen this process and other administrative and management functions is critical to improving MOLVT understanding of what is and is not being accomplished. But, perhaps just as importantly, the MOLVT can also use those tools to develop a stronger rationale for obtaining greater financial resources from the RGC to overcome weakness in conciliation and other key processes of labor dispute resolution in which the MOLVT is involved.

In terms of the economic impact of the project, we have done preliminary work on cost/benefit analysis focused on the AC and its contribution to improvements in industrial labor relations, particularly in a reduction in the number of workdays lost to disputes that result in work stoppages. While the initial findings give room for encouragement (see Annex F.4), there is need for greater effort to refine both the model and the data on which it is based in order to produce any sort of definitive result. We encourage further work on cost/benefit by project implementers – regarding both the AC and other components of the project – to assist in definitively determining the economic impact of the project.

5.6 Sustainability

The financial needs of the Arbitration Council are expected at this time to be met over the next several years by the World Bank. On the other hand, this is a temporary solution which does not resolve the long-term problem of funding the AC. It is not clear that an AC, fully financed by the RGC, could maintain the level of independence of judgment and action that have marked its work to date. It is also not clear that the RGC, in the foreseeable future, would have the resources at its disposal to support the AC in a manner that would allow it to function as it has under the auspices of the ILO and as anticipated with World Bank financing. Ultimately, if the AC is to remain an independent body, a solution to its financing may – like that of the Better Factories Cambodia program – lie in obtaining support for the body from multiple sources: the RGC, the labor movement, employer organizations, and some donor support for the foreseeable future.

The sustainability of an improved conciliation process and the ability of the government to execute its own adjustments to legal and regulatory processes involving labor, or any other issue, are predicated on structural changes in the RGC system of governance. As long as the governance system is grossly underfunded, it will be subject to high turnover, weak management, lack of the tools needed to carry out its work, and the high likelihood of corruption and related bias in decision making at all levels. There are major donor-funded projects underway in Cambodia which are focused on public financing, administrative reform and the mitigation of corruption. Work within the MOLVT by the LDR or any successor project must be more tightly tied to this broader effort to help assure that a commensurate level of impact is achieved from the resources expended.

5.7 Evaluation Findings

- The original LDR project was overly ambitious in scope, underfunded, and too short in duration.
- LDR objectives have been adjusted over time to recognize that the establishment of a fully functional system of formal labor dispute adjudication is beyond the scope of the project, but to still allow scope for the ILO to advise and assist the RGC in studying and planning any major changes in the adjudication process.
- The LDR project's principal achievement is the creation and effective operation of the Labor Arbitration Council. The AC has now undertaken over 500 cases on a timely basis and, through its own conciliation or award processes, has found the means to successfully resolve two-thirds of all these cases.
- AC results are often hampered by the fact that its awards are not binding unless the parties agree that they will be so. In the eyes of many involved in the industrial labor relations process, such as GMAC, CAMFEBA and some of the unions, the lack of a binding decision reduces the efficacy of the AC as a vehicle through which to achieve labor peace.

- While expected World Bank financing will assure continuation of the AC as a model of good governance over the next several years, it does not – at least initially - resolve the problem of how to create a sustainable AC in the longer term that maintains the integrity and quality of its work.
- Ways must be found to assure future close collaboration between the World Bank, supporting the AC, and the ILO along with other donors involved in supporting improvements in other aspects of industrial labor relations, to assure coordination of both purpose and action.
- Factory-level dispute resolution and prevention in Cambodia are hampered, particularly in the garment sector, by the multiplicity of unions, even in the same factory, and by a culture of suspicion and lack of trust that marks labor-management relations.
- The case of the tourism/hospitality sector regarding industrial labor relations is markedly different. Many collective bargaining agreements are in place. A dispute requiring formal conciliation or arbitration is very rare. A key difference that affects this outcome is the usual presence of one union, having no political party affiliation, per business establishment.
- Even in the contentious garment sector, progress has been made with at least 42 unions achieving MRS status in factories, and eight collective bargaining agreements now in place. While these are small numbers compared to the total number of factories involved, the progress is significant when compared to the past. The LDR project, in collaboration with Solidarity Center, provided training in collective bargaining processes to these 42 MRS unions. Since then, in the factories involved, there have only been three strikes.
- The LDR project has provided significant levels of training and technical support to strengthen the MOLVT's conciliation process. However, improvements in the conciliation process are severely hampered by the lack of sufficient RGC financing to support MOLVT operations. Like other ministries, MOLVT staff is poorly paid and the Ministry is poorly equipped. This situation creates an ideal environment for underperformance and the potential for corruption. Until this structural problem is resolved, results will remain weak.
- Any further direct support to the MOLVT must be closely tied to ongoing donor efforts linked to the reform of financing and management of Cambodian governmental processes. Assistance to MOLVT must focus heavily on information and management systems that will provide a means for managing and documenting workflow and also documenting the need for an increased budget from the RGC to support the work.

- LDR work to support improvements in the legal and regulatory environment for labor, such as the MRS process and the Prakas to establish the AC, has proven extremely valuable.
- The RGC is now on a course to create a separate labor court and to take actions in the legal and regulatory environment of labor such as further expanding regulations governing union operations. Continuing ILO technical guidance through a project such as LDR is essential to assist with this process and to protect the integrity of the Arbitration Council.

5.8 Recommendations

- No further action by any other donor, including USAID, regarding the Arbitration Council is required given the impending financing of the AC by the World Bank.
- USAID, and a consortium of other donors, should continue to support the ILO in further efforts to support factory-level dispute resolution and prevention. Particularly, further work is warranted to promote achievement of MRS status by more unions in additional factories, the development and successful negotiation of additional collective bargaining agreements, and the establishment of additional formal grievance procedures – especially in those factories where negotiating a CBA may not be possible in the short-term.
- USAID, and a consortium of other donors, should support further technical assistance, study tours and other help to the MOLVT and other pertinent RGC entities to assure that future changes in labor law and regulation are well drafted, are in keeping with existing international labor agreements to which Cambodia is a party, and promote the achievement of a functional industrial relations system for the country.
- USAID, and a consortium of other donors, should continue to support improvements in MOLVT conciliation services, but with a focus on enhancements in management and reporting. Any such work must be closely tied to other-donor efforts focused on the financial and structural reform of Cambodian governmental institutions.
- Project implementers should continue to develop a model and collect the relevant data to populate the model to determine the economic value (cost/benefit) of the components of this project.
- An appropriate range of USAID financing provided to the ILO to support the aforementioned efforts would be in the range of \$300,000 to \$400,000 annually for the next four years.

SECTION 6: BETTER FACTORIES CAMBODIA (ILO)

6.1 Description

Better Factories Cambodia has its origins in the bilateral trade agreement on textiles and apparel between the US Government and the Royal Government of Cambodia (RGC) signed in 1999. The life of the original trade agreement was for three years and it was later extended until December 2004. This agreement tied potential increases in the quota of garments manufactured in Cambodia and exported to the US to demonstrated improvements in compliance by garment factories in Cambodia with internationally sanctioned core labor standards and Cambodian labor law. This was a groundbreaking agreement with major implications for the development of the Cambodian garment industry.

The International Labor Organization (ILO) was requested to execute a three-year technical assistance project to create a system to monitor such compliance with labor standards and to assist factories in Cambodia in improving working conditions. This original effort was entitled: Ensuring that Working Conditions in the Textile and Apparel Sector in Cambodia Comply with Internationally Recognized Core Labor Standards and the Cambodian Labor Law. This effort began in January 2001 and was originally financed by the US Department of Labor (DOL) (\$1 million), the RGC (\$200,000), and the Garment Manufacturers Association of Cambodia (GMAC) (\$200,000). While the US-Cambodia trade agreement covering garment exports to the US came to an end during this period and the related international Multi-fiber Agreement also came to end, the parties to the project decided to continue. The project was extended to December 2005, with DOL contributions rising to a total of \$2,675,000. Other contributors during this period included the RGC itself (\$470,677); GMAC (\$288,511), the Agence Francaise de Developpement (\$244,441), and the apparel buyer GAP, Inc (\$22.854). (See Annex G.1 for full details).

During 2005, efforts were undertaken to expand the donor base and also begin the process of developing a new organizational and financial structure for the project that would allow it to become a functional Cambodian entity without direct ILO input by the end of calendar year 2008. Total contributions to the project from inception through 2008 total \$7,658,979. The expanded list of contributors includes: USAID, GMAC, the RGC, the World Bank, AFD, the garment buyers (over \$330,000), USDOL (whose contributions stopped after 2007), Cambodian unions (\$1500), NZAID (New Zealand), and the ILO itself (\$150,000). (See Annex G.1).

When it became apparent that this sustainability target was too ambitious, and that the Cambodian partners were not in a position to proceed without the good offices of the ILO, a new agreement was reached to extend the activity under ILO auspices for two more years, until the end of 2010, involving expected support from the World Bank, the Agence Française de Développement (AFD), the RGC and GMAC.

The project's implementation has proceeded in a series of phases. The first phase of the initial several years focused primarily on establishing and getting buy-in from stakeholders to the new monitoring and reporting system. This system was applied to a relatively small, but expanding number of factories as the system was developed. In the second phase, the project's monitoring and reporting system reached all exporting factories by applying IT solutions to the collection of data and publication of reports. Greater support was provided in this phase to strengthen the capacities of the RGC, factory management and labor to identify weaknesses in labor standards compliance and to implement solutions to those problems. However, the number of firms reached with these capacity building services was limited. Initial steps were taken to move toward a framework for long-term sustainability.

In the third and current phase, the work of monitoring and reporting is being consolidated and streamlined by further improving IT-based tools, while greater emphasis is being placed on the expansion of the training and consulting efforts aimed at capacity improvement related to complying with labor standards. With assistance from the IFC and other donors, creating a long-term sustainable institutional and financial framework for the program is also of top priority. Work on the legal and regulatory component of the project has continued throughout its life as the need has arisen.

The details and level of emphasis have changed over the life of this long program regarding outputs, inputs and objectives, as detailed in the major evaluation of the project undertaken by the ILO and published in September 2007. The current objectives of the project are defined in section 6.4 below.

The ILO project evaluation of October 2007 indicates that when the project began, no indicators were initially established to track project progress. Later, a project monitoring plan was developed, but was not put into use due to disagreements between the ILO and DOL regarding content. According to the ILO evaluation of 2007, when the project's Information Monitoring System (IMS) became operational in 2006, a series of progress indicators were developed that are tracked systematically by this system. For USAID's own contributions to this project, both a performance monitoring plan and an operational plan were developed to track progress specifically regarding the USAID assistance. Annually, USAID conducts a review to track progress (see Annex G.2), and semi-annually BFC itself does the same making use of the data found in the IMS (see Annex G).

6.2 Previous findings

The project has been evaluated twice by teams supported by the ILO itself. A "mid-term" evaluation was conducted in 2003. A "final" evaluation was conducted in 2007 and the report issued in October 2007. Both of these were conducted under ILO auspices utilizing a combination of ILO staff and outside evaluators. In summary, the "final" report of 2007 regarded the project as highly relevant to the Cambodian context, well-managed and generally meeting its performance targets. The evaluation noted that the development of the IMS "dramatically increased the effectiveness and impact of monitoring and

constitutes a very useful tool for collecting, organizing and reporting timely information from monitoring visits.” Further, the evaluation notes improvements in the content and scope of what it refers to as the “remediation programme,” the assessment and training efforts undertaken by the project to assist factories in complying with international labor standards and Cambodian labor law. However, the report notes: “...the gap between the factories covered by the monitoring system and the remediation program was still considerable, raising questions as to the full implementation of the ‘improvement cycle strategy’ of the project...there are obviously human and financial resource implications for expanding participation in the modular trainings and the other training options, which would need to be taken into account as the project moves forward.”

The evaluators were very positive regarding the project’s support to the preparation and drafting of related legal regulations, such as its work on the Prakas on certifying trade union representatives and its publication of, “The Guide to the Cambodian Labour Law for the Garment Industry,” a widely used document. The evaluation did take note that not all factory managers and owners have a clear idea of the rationale and value added of the project and that their association, GMAC, has sometimes questioned whether some of the training received by factory workers might be a cause of an increase in the volume of illegal strikes. The union federations, while acknowledging that training increases workers’ awareness of their legal rights, noted for their part that strikes were caused by employer violations of those rights, including unlawful discrimination against union leaders and failure to comply with overtime and other mandatory benefits.

6.3 Relevance

Relevance often depends on the perspective from which one views the project. When the US/Cambodian bilateral trade treaty was in force, all parties (government, labor and management) could see the relevance of the program to their objectives. For the labor movement, the principal potential gain was achieving progress in the factories’ meeting core labor standards as the industry continued to expand. For the factory owners and managers, the key gain was a potential increase in the level of quotas for export to the US market. The Cambodian government could no doubt appreciate all of these gains. For international garment buyers, they gained a valuable tool to demonstrate that Cambodian garments were being produced under improving labor conditions.

The conditions affecting relevance have changed somewhat however in the post-treaty period. The labor movement continues to see the project as helpful to them in obtaining decent working conditions for its members. The international buyers still see the project as providing them useful data on compliance with labor standards. Many are now relying on these data rather than performing detailed performance audits of their own. Clearly, the project and its positive results also remain a useful marketing tool for the buyers given the rising social consciousness in many major markets regarding the issue of sweatshop labor conditions. The RGC remains committed to the project, enough so to make participation in it mandatory for any garment exporter. The owners and managers on the other hand are not all pleased that the RGC has made involvement in BFC mandatory for all garment exporting factories in an otherwise generally free marketplace.

GMAC remains skeptical of whether the project's success in improving compliance with labor standards is a truly key factor in buyer's sourcing decisions and whether the project has actually been a key factor in expansion of garment orders to Cambodia. The ILO itself has stated that the objective of the project is to improve compliance with international labor standards and this social good is of value regardless of the level of the expansion of the industry itself.

It is clear that sourcing decisions are made on the basis of analysis of a complex set of factors that include social responsibility considerations, but also include such key factors as price, quality, the ability to deliver on-time and the type of garment being ordered. It is also clear that among the major buyers of exported garments, such as the United States and Europe, issues of labor compliance and other aspects of corporate social responsibility, such as environmental concerns, will remain significant and are permanent parts of the decision making process on sourcing. Having a reliable, efficient and well-regarded system in place that demonstrates compliance is a useful selling tool for the Cambodian garment industry. Therefore, the Better Factories project remains relevant in the Cambodian context.

6.4 Effectiveness

As noted above, there have been a number of formulations of the objectives and their measurement over the life of the BFC project. As currently constituted, the major objectives or components of the project are:

1. Monitoring: improve compliance with Cambodian labor law and core labor standards,
2. Training: increase socially responsible production in the Cambodian garment industry,
3. Communications/IT: promote the Cambodian garment sector program domestically and internationally, and
4. Sustainability: develop sustainable systems to support the ongoing operations of Better Factories

Also as noted above, no indicators were established to measure overall progress of the project when it was established. Even in later formulations, there does not appear to be any systematic attempt made to measure change in key indicators of, for example, factory compliance with core labor standards, over time. This is not for lack of information which abounds in the synthesis reports and other documentation collected by the project. However, even the major evaluations conducted of the project do not analyze changes in key indicators influenced by the project over time.

In examining the synthesis reports, the increasing ability of the project to reach its clientele is apparent. In the first report written in June 2001, the report was based on monitoring of 30 of 190 registered factories, using eight monitors. By March 2005, the report was based on 34 of 278 factories registered, using eleven monitors. In the latest report of June 2008, the semi-annual report was based on 200 monitoring visits (most of

them repeat visits, as well as 19 new factories) in a universe of 326 factories registered, using twelve monitors. The impact of the installation and use of the computerized IMS is highly evident.

A review of the data in the synthesis reports over the eight year monitoring period shows that there has been almost no incidence of the most egregious violations of core labor standards such as the use of forced labor, and that while a small number of cases of child labor have been investigated, very few have been proven in fact. These synthesis data also indicate improvement in the correct payment of wage rates, which now reaches over 90% compliance, with the exception of casual labor. Proper handling of standard annual leave also shows significant improvement, to above 90% in the most recent report.

While there are some areas of improvement, non-compliance with occupational and safety regulations remain significant. For example, the proper use of protective equipment in the most recent report is shown at 47%. Limiting overtime to no more than two hours per day by factories is shown at only 30%. Providing the proper amount of paid sick leave is reported at 66%. One other negative constant in the reporting since its inception is the existence of strikes noted as illegal according to Cambodian law. In the latest synthesis report, the number of strikes was 35 in 27 factories; 32 of these strikes (or 91%) were noted as illegal. (These data are drawn from the series of twenty-one BFC Synthesis Reports which can be found at the website: www.betterfactories.org).

In the initial years of the project, efforts were focused on developing and expanding the monitoring and reporting system. There was little time for or emphasis on training of factory employers and workers on how best to improve their track record in complying with labor standards. That has now changed significantly, with the project offering a wide range of training which encompasses workplace cooperation, quality, occupational safety and health, productivity, human resources management and working conditions, negotiations training, supervisor training, and senior managers training. In 2007, these forms of training were received by over 2000 participants, of which over 1400 were women. Most of this training was focused on supervisors. Some of this training is provided through a series of modules which are provided at the factory's choosing in a customized fashion. However, this program can only be targeted on 14 factories per year. At the level of the individual worker, including first time workers, over 50,000 have seen the soap opera style videos that provide key information on worker rights and responsibilities, and over 10,000 comic-style books that follow the script of the videos have been distributed.

The sustainability objective of the project is discussed below in section 6.6.

USAID itself provided support to several of the components discussed above, utilizing \$600,000 in a period from September 30, 2003 through December 30, 2008. This funding focused on improvements in the IMS system, production and dissemination of the soap-opera style videos and comic books mentioned above, and support for developing a framework for sustaining the program. As the attached documentation indicates, the first two objectives were largely achieved. However, the decision to extend the existing

program for two more years, thereby postponing the move to a new institutional framework and financial model has made the attainment of the third objective by January 2009 impossible. This subject is further discussed below under section 6.6.

6.5 Impact

The overall purpose of the BFC is to “contribute to the growth of exports of the garment industry through compliance with core labor standards and Cambodian labor law.”

During the period of the treaty, assessments of the level of compliance were used by the US government to supply Cambodia with increased quota access for its garment exports to the US. Following the expiration of the Treaty at the end of 2004, no evaluative process was put in place to demonstrate the link between overall garment export growth in Cambodia with the improvements in compliance with labor standards fostered by the operation of the BFC. Such a link is asserted in the 2007 evaluation report. However, only now is the BFC, in association with the ILO’s Better Work Project, producing a comprehensive analysis of the improvement process over time. This study should be available in early 2009.

Of course there has been major growth in the industry during the tenure of the project: from an export value of just over \$13,000,000 in 2001 to over \$2,700,000,000 in 2007. While there is no means to definitively attribute export growth to BFC activities, it is reasonable to assume that it has had some positive impact. Even if one percent of the current dollar value of Cambodian garment exports is attributable to BFC’s efforts, that value would stand at \$27,000,000 in 2007 alone, far in excess of the project’s total cost to date through 2008 of roughly \$7.7 million.

There are other proxy measures that can help to demonstrate demand in the international marketplace for what BFC delivers. One such measure is the interest and support of international buyers in the system. Over the first few years of its development, BFC’s monitoring and reporting system were only operational in a limited number of garment factories that export. The reports took a great deal of time to compile; buyers used their own auditing systems to determine labor compliance. With the advent of the IMS system, the process of monitoring and reporting has become more streamlined allowing the project to reach all exporting factories, and on a more regular basis. A sign of the maturity of the system is that a significant number of international garment buyers are beginning to rely on this system in place of much of their own auditing. As of January 2007, 16 international buyers were using the IMS to access the monitoring reports. By the end of December 2007, 23 buyers were doing so; by June 2008, the number was 34. Of this number, the ILO indicates that 16 of these buyers were relying nearly exclusively on the ILO reports on labor standards compliance rather than conducting their own audits, a fact which speaks to their belief in the integrity and reliability of the process. (This information is from the series of semi-annual BFC Technical Progress Reports of which the most recent available at the time of this evaluation was dated 15 August 2008).

Another sign of the project’s power in the marketplace is that the buyers have chosen to purchase the reports, creating a new source of financing for the project and indicating that

the reporting and its content are a marketable commodity. The buyers spent over \$200,000 for access to reports in 2008 alone (see Annex G.1). While use of these data by buyers no doubt serves a clear marketing purpose, the buyers to whom we have spoken also indicate that these data do play an important role in decision making regarding their company's sourcing decisions on garment orders. As for the producers, among the 320 local factories involved in the system, 284 had obtained passwords to allow access to the IMS indicating a high level of interest on their part in the results of the monitoring process.

This achievement in Cambodia has encouraged the ILO, working in close association with the IFC, to take the successful Cambodian model and transform it into an international program called "Better Work," which is slated for piloting in a number of countries including Jordan, Lesotho and Vietnam, where the program is already recruiting staff. This program will clearly adopt many of the lessons and innovations from the Cambodian program such as the automated data collection and reporting system (IMS), and the enhanced and expanded training and consulting program for factories. The issue of long-term sustainability of the effort will be addressed from the beginning of Better Work under the leadership of the IFC.

6.6 Sustainability

Sustainability has been a concern from the beginning of this effort and particularly in the post-trade treaty period. The 2007 ILO evaluation noted, however, that there was a great lack of realism among programmers and designers of the initial effort on what the initial amount of time and funding would buy them. The project has been extended several times with a projection made that sustainability would be achieved at different dates, with the date expected until recently being January 2009. Sustainability in this case is defined as an institutional framework that will allow for the project to continue to operate legally and with independence without substantial ILO involvement; and a financial structure that will be sufficient to meet project costs.

Much has been achieved, using available USAID financing and the technical resources of the IFC, in terms of studying how best to restructure the project to create a new institutional modality, and in diversifying its sources of funding to include the RGC, GMAC, the international garment buyers, a wide range of international donors and some very small contributions from the Cambodian labor movement. Despite all of this, decisions were reached earlier this year that sustainability would not be achieved by January 2009 and that the current ILO involvement should be continued through 2010.

There are at least two main factors involved in this decision. First, Cambodia has simply not been long at the game of industrial production, for export or otherwise. The entire garments-for-export industry dates no earlier than the mid-1990s. Concomitantly, most labor unions are no older than that and many considerably younger. Therefore, the phrase commonly used by observers and participants alike is that labor-industrial relations lack "maturity." The same can also be said about any legal or regulatory bodies whose job is to ultimately enforce Cambodian labor law. As a consequence, there is no national set of

actors who are yet regarded with enough trust to operate Better Factories in an impartial and fair manner. The good offices of a third-party, like the ILO, are still deemed needed.

Secondly, there is the question of securing commitments of the necessary financing and assuring that the structure of the continuing activity is local enough and lean enough to survive financially. International expertise is expensive. The availability of local talent with the right skill set and training to successfully operate this or any other project in Cambodia remains scarce. More time is needed to create a financial structure that is affordable over the long run, and to secure the longer-term financial support of all parties, including some, like GMAC, who remain on the skeptical side and whose available resources have been squeezed by the current financial downturn. However, the ILO has attracted other donors and actors to the project, including the IFC, who are focused on the sustainability issue. Whether the project will be a fully self-sustaining entity by the end of 2010, with limited ILO involvement, remains an open question, dependent on a number of factors like the financial health of the industry over the next several years and the ability of the implementers to convince the owners and GMAC of its continuing utility.

6.7 Evaluation Findings

- The Better Factories Cambodia project remains relevant in the Cambodian marketplace as a comprehensive and reliable vehicle for demonstrating improvement in factory compliance with labor standards.
- While it is highly likely that the BFC has had a positive impact on increases in the volume and value of Cambodian exports over time, this is not definitively demonstrable, although proxy indicators such as buyer interest in the system and their recent willingness to purchase BFC's reports show the increasing value of the product in the international marketplace.
- BFC has been largely effective in reaching its targets, particularly in compliance monitoring and reporting, where IT tools have been developed that assure coverage of all exporting factories. The coverage of its training programs to actively promote higher levels of compliance still lags that of the monitoring and reporting program, but great strides have been made in expanding the variety of training programs and increasing the number of participants reached by this program.
- The key remaining issue for BFC is that of sustainability – finding an institutional and financial model that will allow the project's work to continue as a local entity. This task continues – one that requires the establishment of a modality that will create trust in the system without the good offices of the ILO in the forefront – a tall order in current-day Cambodia. However, the IFC has been engaged with the ILO for several years in the attempt to answer this question in Cambodia, as they will be in the attempt, known as Better Work, to adapt BFC techniques on a more global scale. For the last several years, USAID has helped finance the sustainability effort here in Cambodia.

- BFC has also done an outstanding job of gathering and expanding financial support for the project within Cambodia for the next several years: from the RGC, factory owners through GMAC, and even the unions. The international buyers are now making a significant contribution. A number of international donors are now involved in the program as well: the IFC, AFD and NZAID.

6.8 Recommendations

- BFC's recent work in expanding training and advisory services to factories to help them meet their compliance commitments to labor standards is a positive step that should be continued. It will help foster an improved image of the project among factory managers and owners and will assist them in meeting their obligations under international labor conventions and Cambodian law.
- When the longitudinal study of labor compliance is completed by the project in 2009, the techniques used should be institutionalized within BFC so that the process of properly measuring results can be continued. This is the clearest means of measuring progress and can be a powerful tool in demonstrating the real value of the project to all parties.
- The success of the project in recruiting an expanded list of contributors, especially the international garment buyers, GMAC and the RGC, speaks well of its future chances of becoming a viable Cambodian entity in its own right. It also indicates that the US Government's long direct financial involvement with Better Factories Cambodia, first through DOL and then through USAID, can now come to an end.
- BFC itself would of course like to have continued USG support for several reasons. First, some modicum of support reduces the financial burden on other donors, particular at a time of worldwide financial strain. Secondly, further USG involvement demonstrates its continuing interest in the subject of labor standards compliance and its importance to Cambodia's industrial competitiveness in world markets, including the United States. Given this rationale, the USG may wish to continue some modicum of financial support for the BFC or find some other non-financial means of supporting the project. This might perhaps be done by enhancing the public-private partnership between the international garment buyers and the BFC that is fast becoming a hallmark of the project.

SECTION 7: COORDINATION WITH OTHER USAID ACTIVITIES AND OTHER DONORS

7.1 Coordination among activities under evaluation

In the experience of the evaluators, there is a remarkable degree of coordination among all the activities under evaluation, both in terms of overall strategy and approach and also in the delivery of services. While the objectives of each activity at the implementing level are clearly distinct, discussions with the implementers – the ILO, Solidarity Center and Nathan Associates – show that they share and promote the achievement of a set of higher level goals. For example, the plethora of unions in Cambodia and the confusion and infighting among them that results, has led the ILO and Solidarity to make common cause on the promotion of the Most Representative Status (MRS) as a vehicle through which to enhance the likelihood of achieving collective bargaining agreements with factory management. The ILO, under the Labor Dispute Resolution Project, invested resources to assist the Ministry of Labor in rewriting the regulation governing the process for unions to achieve MRS recognition. Meanwhile, Solidarity assisted in training unions on the significance of MRS and how to achieve it.

All of the implementers have assisted in training of the unions, factory managers, and RGC personnel on the mechanics and the value of the collective bargaining process. The GIPC implementers have contributed to this process by providing the unions with a better understanding of the garment sector supply chain so that, as they enter the collective bargaining process, they have a more realistic idea about what they can expect to gain.

The Better Factories Cambodia project, in addition to its monitoring and reporting function on compliance with labor standards, has produced a Guide to the Cambodian Labour Law for the Garment Industry that is widely used by all parties who are in any way touched by the law. BFC and GIPC also collaborate on training efforts that not only promote a more collaborative approach by factories in meeting core labor standards but also enhance the likelihood for achieving higher levels of productivity.

7.2 Coordination with other USAID activities

Given the rather specialized nature of the work of the set of activities under evaluation, there is little reason for coordination with other activities financed by USAID, with several exceptions. There has been some contact between the ILO group implementing the Labor Dispute Resolution Project and the implementers of USAID's anticorruption activity, generally to exchange experience and ideas. A USAID activity with which there should be more interaction is the new Rule of Law/Human Rights program which is a follow-on and expansion of the previous Program on Rights and Justice (PRAJ) activity where the East-West Management Institute (EWMI) is the implementer. This is particularly important in the area of legal aid where both EWMI and Solidarity have been supporting Cambodian entities involved in the legal aid process. Solidarity's interest in legal aid is obviously focused on labor cases. EWMI has been involved in legal aid in land and other high profile human rights cases. There is obvious common ground here.

EWMI and Solidarity Center should explore the potential for collaboration in this area. It also would be useful for EWMI and the ILO implementers of the Labor Dispute Resolution Project to share experiences and ideas on the general process of legal and regulatory reform in Cambodia.

7.3 Coordination with Other Donors

Much of the ILO's work in Cambodia, until recently, has been supported by USG sources, either through USAID or DOL. Perforce, this has resulted in a high degree of collaboration with the ILO. However, the ILO does have a number of other projects in Cambodia which are not supported by the USG such as its Workers' Education Project. There is frequent collaboration involving the training of union personnel between ILO/WEP and Solidarity in particular. There are also a number of Scandinavian union federations and other international union groups with which Solidarity coordinates in attempts to strengthen and train unions in Cambodia. In recent years, the ILO has also broadened the base of donor support for both Better Factories Cambodia and the Labor Dispute Resolution Project. For BFC, this has led to a very close collaboration with the World Bank's International Finance Corporation which is supplying key services to BFC as it strives to become a self-sustaining Cambodian organization. The AFD has also become an integral partner with BFC in the funding of training activities aimed at improving factory capacity to meet international core labor standards and the standards set by Cambodian labor law.

One of the most significant changes expected among the activities under evaluation is the decision by the World Bank to provide major financing to support operations over the next few years of the Cambodian Labor Arbitration Council as an example of good governance. This brings a major IFI into a domain where it has not been prominent in Cambodia heretofore and will require that the Bank and all current actors work closely to assure that the benefits of the high degree of donor collaboration which have marked this area of activity to date are not lost.

We have already provided in Section 3 a discussion of the complementing, overlapping and sometimes competing donor funded activities involving industrial productivity in the garment sector. It is clear that the implementers of GIPC have made every effort to collaborate with GMAC and the other involved donors, including the French (AFD), IFC and the Japanese. Among the successes was the work with IFC's Mekong Private Development Fund to create a garment industry workforce development strategy. On the other hand, to date the results have not yet led to a commonly agreed and supported approach among the donors, especially on the issue of subsidizing training. On the table at the moment are the AFD-supported plans to create a Garment Industry Training Center under the auspices of GMAC. The timing is right for USAID/Cambodia to push to assure that whatever approach and plan emerges from current discussions does not undercut the valuable work of the GIPC in ensuring real productivity gains at the factory level.

7.4 Evaluation Findings

- There is a remarkable, perhaps unique degree of coordination at both the policy and implementing levels among all the implementers of activities under review in this evaluation.
- This high degree of coordination has enhanced results and increased efficiency in the use of human and financial resources across all these activities.
- The ILO has been highly successful in attracting a wide range of other donors to support both Better Factories Cambodia and the work of the Labor Arbitration Council.
- The World Bank is about to become the major financial backer for the Arbitration Council. No other major donor has stepped forward to support other aspects of the LDR program including its significant work to support legal and regulatory reform in the labor sector.
- The only area where a high degree of donor coordination does not exist among the activities covered by this evaluation is that of industrial productivity training. This is undercutting the current and, potentially, the future effectiveness of the GIPC activity.
- Both Solidarity and the ILO will benefit from increased communication and collaboration with USAID's human rights and rule of law activity implemented by the East-West Management Institute.

7.5 Recommendations

- All parties should work to ensure that the gains made through the high degree of donor collaboration in the labor sector continue. This will mean assuring that new players, such as the World Bank as it begins to finance the Arbitration Council, become full partners in this collaborative process.
- USAID should continue to finance other key work by the LDR project, other than the Arbitration Council, including its significant support for labor legal and regulatory reform.
- In the case of BFC, the high degree of future other-donor support makes the need for further USG financial support unnecessary to the future sustainability of the activity.
- USAID should work to assure that the unintended consequences of donor activity in the field of industrial productivity training does not undermine the real productivity gains that GIPC has created for a number of garment factories, and that it can continue to create in the future.

- A channel of communication should be opened between EWMI, the implementer of USAID human rights/rule of law activity and both Solidarity and the ILO. This channel can be a conduit for exchange of key information on the status of legal and regulatory reform, and may point to potential avenues of collaboration, particularly in the area of legal aid.

Annex A:
Organizations and Individuals Consulted

<u>ANNEX A: ORGANIZATIONS & INDIVIDUALS CONSULTED</u>						
<u>INSTITUTION</u>	<u>CONTACT</u>	<u>TITLE</u>	<u>PHONE</u>	<u>CELL</u>	<u>E-MAIL</u>	<u>ADDRESS</u>
<u>Implementing Organizations</u>						
ILO - Geneva	Corinne Vargha	Sen. Spec. Social Dialogue				
ILO - Labor Dispute Resolution Project	John Ritchotte	Chief Tech. Advisor				
ILO - Better Factories Cambodia	Tuomo Poutiainen	Chief Tech. Advisor				
ILO - Better Work	Ros Harvey	Global Programme Mgr.				
ILO- Workers' Education Project	Nuon Veasna	Natl. Proj. Coordinator				
Arbitration Council Foundation	Men Nimmith	Executive Director				
Arbitration Council Foundation	Sok Lor	Dep. Exec. Director				
Arbitration Council Foundation	Hans S. Hwang	Sr. Legal & Tech Advisor				
Arbitration Council	An Nan	Arbitrator				
Nathan Associates	Jose S. Goncalves	Managing Director				
Nathan Associates	Matthew Lutkenhouse	Managing Associate				
Nathan Associates	Peter Minor	M&E Specialist				
Garment Industry Productivity Center	Jane O'Dell	Chief of Party				
Garment Industry Productivity Center	Mona Tep	Director				
Garment Industry Productivity Center	Norma Simanjuntak	Proj. Administrator				

Garment Industry Productivity Center	Gino Mareello	Production Spec.				
Garment Industry Productivity Center	Khov Chhay	Trainer/Technician				
Garment Industry Productivity Center	Vaing Luong	Trainer/Technician				
Garment Industry Productivity Center	Hegn Kuyhang	Trainer/Technician				
Garment Industry Productivity Center	David (Vichet) Van	Board Chair				
Garment Industry Productivity Center	Ray Chew	Board Member				
Solidarity Center - Washington Office	Timothy Ryan	Prog. Dir., Asia/Europe				
Solidarity Center - Washington Office	David J. Kopilow	Sr. Prog. Off, Asia/Europe				
Solidarity Center - Cambodia	Alonzo Suson	Country Prog. Director				
Solidarity Center - Cambodia	Yim Serey Vathanak	Senior Prog. Officer				
Solidarity Center - Cambodia	Siv Sothea	Program Officer				
<u>Manufacturers/ Industry Reps./Hotels</u>						
Garment Manufacturers Assoc in Cambodia	Ly Tek Heng	Operations Manager				
Garment Manufacturers Assoc in Cambodia	Kaing Monika	Bus. Devel. Manager				
Garment Manufacturers Assoc in Cambodia	Cheath Khemara	Sr. Labor Officer				
Garment Manufacturers Assoc in Cambodia	Doreen Tan	Technical Assistant				
Cambodia Garment Training Center (CGTC)	Tim Savann	Senior Trainer				

Cambodia Fed. Of Employers/Bus. Assoc.	Sandra d'Amico	Secretary General				
	Ken Loo	former Dir. Gen GMAC				
Thai Pore Garment Factory	Roger E. T. Tan	Acting Dir, Gen GMAC				
Meng Ieng Garment Factory	Van Porphin	General Manager				
Gamon Garment Factory	Mercedes Cha	Owner				
Potamon Factory	Isang	Factory Manager				
Smateria Workshop	Elisa Lian	Co-Owner				
La Residence d'Angkor	Pascal Deyrolle	General Manager				
Raffles Grand Hotel d'Angkor	Richard Yap	Hotel Manager				
Raffles Grand Hotel d'Angkor	Marivic Gopela	Human Resources Mgr.				
Ecole Francaise d'Eftreme-Orient	Pascal Royere	Labor Management				
<u>Buyers/Corp. Social Responsibility Reps</u>						
Gap Inc.	Leng Vann Chhai	Global Partnership Code of Conduct Mgr.				
H&M	Erik Carlborg					
H&M	Phen Sothea	COC Inspector				
<u>Unions</u>						
Coalition of Cambodian Apparel W.D.U	Ath Thorn	President				
Democratic Independ. Solidarity Fedeeration	Meas Morkot	Vice President				
Cambodian Union Federation	Chuon Mom Thol	President				

Tourism and Service Workers Federation	Pat Sambo	President				
Tourism and Service Workers Federation	Sok Narith	Vice President				
Cambodian Labor Union Federation	Sam Aun	President				
Natl. Independent Fed. Of Textile Unions	Morm Nhim	President				
Cambodia Construction Trade Union Fed.	Ken Chhenglang	President				
Cambodia Construction Trade Union Fed.	Van Thol	Vice President				
Free Trade Union Work in Kingdom of Camb.	Chea Mony	President				
local union leaders - Top One Factory	Long Poch/Meas Morokot					
local union leaders - Darong Factory						
<u>Other Donors:</u>						
Agence Fraincaise de Developpement	Luize Guimaraes	Chargee de Projets				
International Finance Corp - MPDF	Eleonore Richardson	ProJect Manager - BFC				
International Finance Corp - MPDF	Duong Sarak	Project Analyst				
World Bank	Huot Chea	Economist				
<u>U.S. Government</u>						
U.S. Department of Labor	Celeste Helm	ILAB				
U.S. Department of Labor	Lucian Gatewood	Manpower Devel. Advis.				
U.S Embassy/Cambodia	Carol A. Rodley	Ambassador				
U.S. Embassy/Cambodia	Gregory Lawless	Chief, Pol/Econ. Section				
U.S. Embassy/Cambodia	Janet Deutsch	Political Officer				

U.S. Embassy/Cambodia	Amy L. Canon	Pol./Labor Officer				
U.S. Embassy/Cambodia	Melissa A. Sweeney	Economic Officer				
U.S. Embassy/Cambodia	Phalla Hour	Labor Assistant				
USAID/Cambodia	Erin Soto	Mission Director				
USAID/Cambodia	Reed Aeschliman	Director, Off Gen Devel				
USAID/Cambodia	Paul Randolph	Sr. Democ & Gov Off				
USAID/Cambodia	Rethy Seng	Rule of Law Spec.				
USAID/Cambodia	Serey Chan	Human Rights Spec.				
USAID/Cambodia	Samram Thuy	Econ./Environ. Spec.				
<u>USG Contractors and Grantees</u>						
EWMI/PRAJ	Herbert Bowman	Chief of Party				
EWMI/PRAJ	Sin Kim Sean	Grants Coordinator				
EWMI/PRAJ	Max Howlett					
The Asia Foundation	Veronique Salze-Lozac'h	Regl Director - Econ.				
<u>Government of Cambodia</u>						
Ministry of Labor & Vocational Training	Oum Mean	Secretary of State				
Ministry of Labor & Vocational Training	Seng Sakda	Director General				
Ministry of Labor & Vocational Training	Sat Samoth	Under Sec. State				
Ministry of Labor & Vocational Training	Nguy Rith	Dep. Dir, Intntl Coop.				
	Koy Tepdaravuth	Dept. of Labor Inspection				

<u>NGOs/ Other Institutions</u>						
Community Legal Education Center	Yeng Virak	Executive Director				
Community Legal Education Center	Tola Moeun	Head, Labor Program				
Workers Rights Consortium	An Nan	Investigator/Cambodia				
VBK (training NGO)	Graeme Storer	Director				
National University of Management	Stephen Paterson	Advisor/ Lecturer				
Lean Chinda Law Firm	Lean Chinda	Attorney at Law				
Cambodian Women's Organization	Tep Kimvannary	Acting President				
Economic Institute of Cambodia	Neou Seiha	Senior Researcher				
Economic Institute of Cambodia	Sam Sok Heng	Junior Researcher				

Annex B:

Documents Consulted

ANNEX B

DOCUMENTS CONSULTED

GENERAL:

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SOLIDARITY CENTER (SC):

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Solidarity Center (cont)

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Annex C.1:
Cambodian Garment Industry Growth, 1995-2007

KINGDOM OF CAMBODIA
NATION RELIGION KING

Ministry of Commerce

Technical General Directorate

Trade Preferences System Department

Estimated Cambodian Export Data Under GSP/MFN Scheme to the Main Markets
(1995-January 03, 2008)

YEARLY	DESCRIPTION	ITEMS	USA		NON-EU		CANADA		JAPAN		EU		GRAND TOTAL	
			Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)
1995	Garments	DZS	104,362	474,985.00	55,248	580,533.00	-	-	-	-	750,123	25,659,472.00	909,733	26,714,990.00
	Textiles	N/A	-	-	-	-	-	-	-	-	-	-	-	-
	Shoes	PRS	-	-	-	-	-	-	-	-	-	-	-	-
	Others	N/A	-	6,058.00	-	612,343.00	-	-	-	-	-	74,332.00	-	692,733.00
Total: 1995			-	481,043.00	-	1,192,876.00	-	-	-	-	-	25,733,804.00	-	27,407,723.00
1996	Garments	DZS	733,425	1,575,310.00	164,642	3,884,875.00	-	-	-	-	178,808	74,842,567.00	1,076,875	80,302,752.00
	Textiles	N/A	-	-	-	25,000.00	-	-	-	-	-	158,004.00	-	183,004.00
	Shoes	PRS	-	-	18,004	187,243.00	-	-	-	-	37,199	75,687.00	55,203	262,930.00
	Others	N/A	-	-	-	20,851,309.00	-	-	-	-	-	156,632.00	-	21,007,941.00
Total: 1996			-	1,575,310.00	-	24,948,427.00	-	-	-	-	-	75,232,890.00	-	101,756,627.00
1997	Garments	DZS	5,187,022	109,899,610.00	1,264,716	4,820,744.00	-	-	-	-	2,854,556	112,424,935.00	9,306,294	227,145,289.00
	Textiles	N/A	-	250,683.00	-	834,697.00	-	-	-	-	-	1,750,496.00	-	2,835,876.00
	Shoes	PRS	-	-	194,333	1,745,601.00	-	-	-	-	750,560	1,556,776.00	944,893	3,302,377.00
	Others	N/A	-	14,400.00	-	46,036,874.00	-	-	-	-	-	2,014,159.00	-	48,065,433.00
Total: 1997			-	110,164,693.00	-	53,437,916.00	-	-	-	-	-	117,746,366.00	-	281,348,975.00
1998	Garments	DZS	10,391,925	291,796,975.00	88,021	4,467,444.00	-	-	-	-	1,726,983	63,100,425.00	12,206,929	359,364,844.00
	Textiles	N/A	-	2,430,672.00	-	85,755.00	-	-	-	-	-	1,146,363.00	-	3,662,790.00
	Shoes	PRS	-	-	416,040	3,310,623.00	-	-	-	-	2,365,972	4,675,953.00	2,782,012	7,986,576.00
	Others	N/A	-	68,643.00	-	5,074,896.00	-	-	-	-	-	1,215,776.00	-	6,359,315.00
Total: 1998			-	294,296,290.00	-	12,938,718.00	-	-	-	-	-	70,138,517.00	-	377,373,525.00
1999	Garments	DZS	12,341,026	516,106,236.39	269,409	7,327,863.44	-	-	-	-	2,892,416	136,672,809.02	15,502,851	660,106,908.85
	Textiles	N/A	-	-	-	-	-	-	-	-	-	370,320.00	-	370,320.00
	Shoes	PRS	-	-	1,507,957	5,508,570.00	-	-	-	-	5,694,054	10,420,490.00	7,202,011	15,929,060.00
	Others	N/A	-	262,014.00	-	931,418.00	-	-	-	-	-	34,425.00	-	1,227,857.00
Total: 1999			-	516,368,250.39	-	13,767,851.44	-	-	-	-	-	147,498,044.02	-	677,634,145.85
2000	Garments	DZS	17,210,216	751,300,259.17	233,576	8,365,485.41	110,750	4,605,312.48	24,491	1,285,921.87	4,854,481	220,822,802.72	22,433,514	986,379,781.65
	Textiles	N/A	-	1,393,714.90	-	778,223.12	-	-	-	-	-	154,009.24	-	2,325,947.26
	Shoes	PRS	-	-	457,884	713,553.22	42,480	57,268.54	2,742,278	7,489,989.33	9,757,801	17,772,543.56	13,000,443	26,033,354.65
	Others	N/A	-	1,763,563.63	-	435,106.20	-	-	-	-	-	245,095.66	-	2,443,765.49
Total: 2000			-	754,457,537.70	-	10,292,367.95	-	4,662,581.02	-	8,775,911.20	-	238,994,451.18	-	1,017,182,849.05
	Garments	DZS	20,059,500	816,775,777.98	247,412	10,686,722.77	99,004	5,781,656.54	21,483	1,394,853.23	6,775,030	309,112,057.40	27,202,430	1,143,751,067.92

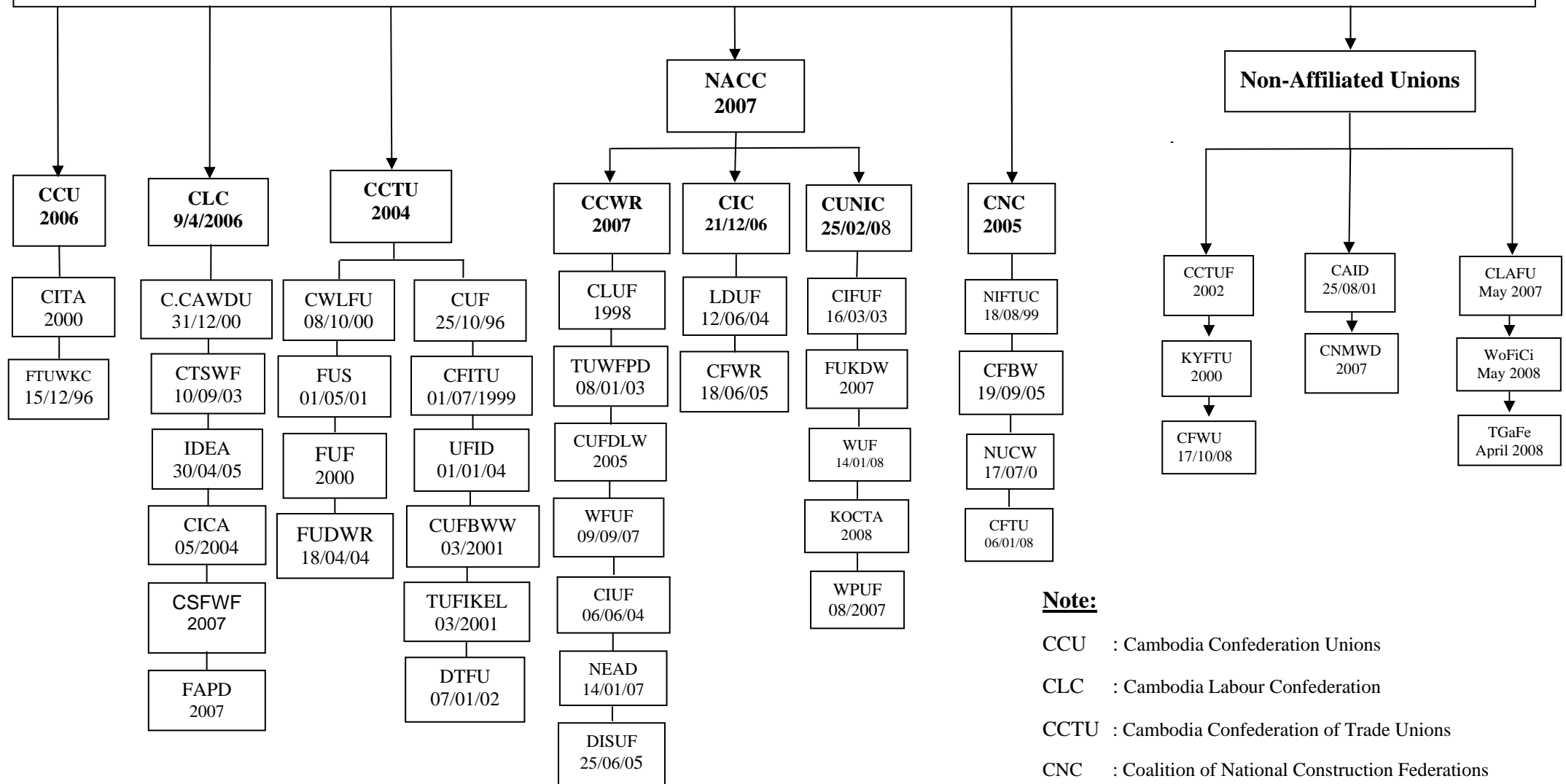
Estimated Cambodian Export Data Under GSP/MFN Scheme to the Main Markets

(1995-January 03, 2008)

YEARLY	DESCRIPTION	ITEMS	USA		NON-EU		CANADA		JAPAN		EU		GRAND TOTAL	
			Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)	Qty.	Amount (USD)
2001	Textiles	N/A	-	11,738,918.57	-	1,317,781.75	-	18,899.57	-	4,032.00	-	10,010.72	-	13,089,642.61
	Shoes	PRS	-	-	428,437	816,851.67	19,014	23,756.00	3,723,748	9,666,236.70	8,996,001	17,608,510.58	13,167,200	28,115,354.95
	Others	N/A	-	3,113,723.26	-	22,919.00	-	282,815.36	-	121,616.04	-	91,920.11	-	3,632,993.77
Total: 2001			-	831,628,419.81	-	12,844,275.19	-	6,107,127.47	-	11,186,737.97	-	326,822,498.81	-	1,188,589,059.25
2002	Garments	DZS	24,703,820	946,779,054.76	430,627	15,892,171.97	107,966	6,906,005.50	68,942	4,976,065.09	7,519,724	355,664,336.26	32,831,080	1,330,217,633.58
	Textiles	N/A	-	12,725,153.28	-	450,044.21	-	4,028.40	-	2,016.00	-	272,708.76	-	13,453,950.65
	Shoes	PRS	5,562	12,236	451,549	990,167.19	51,068	66,582.50	4,491,667	12,199,464.93	9,094,951	25,814,888.42	14,094,797	39,083,339.44
	Others	N/A	-	1,733,167.20	-	71,324.80	-	168,490.34	-	264,605.17	-	628,375.63	-	2,865,963.14
Total: 2002			-	961,249,611.64	-	17,403,708.17	-	7,145,106.74	-	17,442,151.19	-	382,380,309.07	-	1,385,620,886.81
2003	Garments	DZS	26,759,376	1,110,299,264.73	393,785	14,828,586.39	1,034,194	57,344,700.77	91,695	6,402,451.20	8,974,952	407,426,722.07	37,254,001	1,596,301,725.16
	Textiles	N/A	-	12,687,080.36	-	76,860.47	-	215,705.59	-	-	-	407,388.91	-	13,387,035.33
	Shoes	PRS	-	-	537,710	1,261,277.83	54,468	170,247.24	4,791,824	13,653,200.58	7,955,807	18,919,834.28	13,339,809	34,004,559.93
	Others	N/A	-	274,279.13	-	211,775.10	-	210,005.46	-	5,286.00	-	1,313,631.50	-	2,014,977.19
Total: 2003			-	1,123,260,624.22	-	16,378,499.79	-	57,940,659.06	-	20,060,937.78	-	428,067,576.76	-	1,645,708,297.61
2004	Garments	DZS	31,740,086	1,249,093,162.59	501,952	26,498,619.84	1,992,002	96,093,976.37	112,180	6,888,255.56	12,009,407	579,367,738.87	46,355,627	1,957,941,753.22
	Textiles	N/A	-	23,017,344.34	-	286,454.71	-	813,880.96	-	34,214.40	-	693,814.78	-	24,845,709.19
	Shoes	PRS	-	-	501,055	1,235,529.05	229,973	959,874.98	5,088,489	17,075,148.86	8,439,056	24,604,717.96	14,258,573	43,875,270.85
	Others	N/A	-	202,911.41	-	141,235.00	-	-	-	19,303.10	-	1,646,058.70	-	2,009,508.21
Total: 2004			-	1,272,313,418.34	-	28,161,838.60	-	97,867,732.31	-	24,016,921.92	-	606,312,330.31	-	2,028,672,241.47
2005	Garments	DZS	41,560,506	1,544,384,517.77	597,151	34,862,184.06	2,042,266	90,767,767.70	104,443	6,758,607.75	10,203,299	489,262,191.00	54,507,665	2,166,035,268.28
	Textiles	N/A	-	20,242,257.47	-	887,982.74	-	1,600,822.32	-	-	-	1,540,810.77	-	24,271,873.30
	Shoes	PRS	-	-	461,343	1,262,981.92	130,829	304,161.79	5,916,901	20,134,458.23	6,119,524	16,326,171.19	12,628,597	38,027,773.13
	Others	N/A	-	247,835.35	-	280,206.76	-	-	-	127,785.75	-	1,006,071.59	-	1,661,899.45
Total: 2005			-	1,564,874,610.59	-	37,293,355.48	-	92,672,751.81	-	27,020,851.73	-	508,135,244.55	-	2,229,996,814.16
2006	Garments	DZS	54,638,278	1,886,090,558.64	785,802	46,134,406.68	2,608,669	114,768,696.04	247,352	10,678,466.35	13,371,857	569,343,127.18	71,651,958	2,627,015,254.89
	Textiles	N/A	-	19,999,444.62	-	1,107,520.39	-	1,697,130.97	-	4,565.00	-	1,658,084.57	-	24,466,745.55
	Shoes	PRS	5,592	61,981.20	627,866	2,123,327.37	41,814	123,329.60	5,697,629	21,359,906.39	9,662,777	35,471,267.70	16,035,678	59,139,812.26
	Others	N/A	-	187,194.01	-	455,061.20	-	9,900.00	-	2,110.31	-	20,925,863.75	-	21,580,129.27
Total: 2006			-	1,906,339,178.47	-	49,820,315.64	-	116,599,056.61	-	32,045,048.05	-	627,398,343.20	-	2,732,201,941.97
2007	Garments	DZS	56,816,979	1,893,227,587.41	1,137,925	66,933,051.62	3,516,926	144,024,751.19	208,830	8,163,470.95	13,536,758	599,583,321.31	75,217,419	2,711,932,182.48
	Textiles	N/A	-	20,110,689.65	-	1,196,343.35	-	2,219,649.07	-	-	-	1,443,972.91	-	24,970,654.98
	Shoes	PRS	25,804	201,284.09	604,261	2,478,488.83	55,288	160,719.10	5,515,042	22,390,725.54	13,535,435	52,161,230.05	19,735,830	77,392,447.61
	Others	N/A	-	332,596.81	-	1,604,972.37	-	29,325.00	-	1,400.00	-	14,285,187.77	-	16,253,481.95
Total: 2007			-	1,913,872,157.96	-	72,212,856.17	-	146,434,444.36	-	30,555,596.49	-	667,473,712.04	-	2,830,548,767.02

Annex C.2:
Structure of Cambodian Professional Organizations of Workers

Structure of Cambodian Professional Organizations of Workers



Note:

CCU : Cambodia Confederation Unions

CLC : Cambodia Labour Confederation

CCTU : Cambodia Confederation of Trade Unions

CNC : Coalition of National Construction Federations

NACC : National Union Alliance Chamber of Cambodia

* Three confederations affiliate to NACC as below:

CIC : Cambodia Inheritance Confederation

CCWR: Cambodian Confederation for Worker Rights

CUNIC: Confederation of Union National Independence Cambodia

Annex C.3:
Number of Strikes and Conciliations, 2002-2008

ANNEX C.3 STRIKE DATA (GMAC)

GMAC Labor Department
Labor Support Office

Numbers of Strikes & Conciliations for 2002-2008
(Reported by GMAC Members)

Str = Strike
Con = Conciliation

Year/Ms	Number of dispute for each month																								Total	
	1		2		3		4		5		6		7		8		9		10		11		12			
	Jan		Feb		March		April		May		Jun		July		Aug		Sept		Oct		Nov		Dec			
	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con	Str	Con
2002	6		6		6		4		8		11		7		3		11		5		7		6		80	
2003	3	11	3	4	4	13	10	2	4	4	10	8	3	6	5	5	2	4	2	10	8	3	1	8	55	78
2004	4	1	6	4	13	5	8	1	9	2	12	1	14	0	5	5	3	4	3	6	2	4	5	5	84	38
2005	6	6	4	6	6	5	6	3	7	5	7	4	4	6	6	4	7	3	5	2	4	6	4	4	66	54
2006	4	9	8	7	6	8	6	4	13	2	8	5	13	6	7	8	6	5	8	7	2	4	5	8	86	73
2007	10	9	7	4	3	6	6	3	3	4	7	8	12	5	6	6	6	5	4	6	10	4	6	5	80	65
2008	4	4	6	4	26	4	14	1	5	3	4	2	7	4	13	10	10	4							89	36

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total%	
2007	10	7	3	6	3	7	12	6	6	60	
2008	4	6	26	14	5	4	7	13	10	89	33%

Annexes D, E, F and G are not public record

Annex H: Scope of Work

Labor/Industrial Productivity Evaluation Scope of Work/Work Plan

Introduction

This evaluation is being conducted under the terms of the original omnibus Scope of Work established in USAID/Cambodia's 2006 contract with Checchi Consulting Inc. covering a series of evaluation and design tasks. This particular task covers the evaluation of the Mission's support to a series of activities in the labor sector and its support for productivity improvements in the garment industry. The purpose is two-fold. First, the activities will be examined to determine their continuing relevance, effectiveness, cost-effectiveness, impact and the likelihood of their sustainability. Secondly, recommendations will be made regarding the value and utility of continuing the Mission's work in the labor sector and the related industrial productivity sector, the potential targets for any new work in these sectors, and the modalities that the Mission can consider for supplying such support, if any is recommended.

Activities for Evaluation

The activities for evaluation include:

- The Garment Industry Productivity Center. Originally funded by USAID/Cambodia under a \$3.4 million contract with Nathan Associates, Inc. from 2005 through 2008, the work is now being continued under a new DAI/Nathan task order under EGAT/EG's GBTI II IQC mechanism. The activity focuses on improving the productivity of the factories that produce Cambodia's predominant export, garments and on creating a sustainable structure in Cambodia for assuring the continuance of such productivity improvements.

USAID/Cambodia has provided \$1.8 million to the International Labor Organization (ILO) in the period 2003 through 2008 to support specific aspects of two activities originally and substantially funded by the U.S. Department of Labor (DOL). The activities specifically supported by USAID are the Independent Labor Arbitration Council, and the Better Factories project. In order to provide a clear assessment of these programs and to make an effective set of recommendations to the Mission for potential future work in the labor sector, these two sets of activities require independent assessment as follows:

- Labor Dispute Resolution Project: This project, originated by DOL and implemented by the ILO, encompasses support for the development and operation of the Independent Labor Arbitration Council, also supported by USAID as above; strengthening of other industrial relations programs such as conciliation through support to the Ministry of

Labor and Vocational Education; and a planned study of the future of labor adjudication in Cambodia. Originally funded through the end of 2008, the ILO has obtained bridge funding through May of 2008 and is currently formulating longer-term support for the Arbitration Council, possibly through the World Bank.

- Garment Sector Working Conditions Improvement Project (“Better Factories”): Another DOL/ILO collaboration, also supported by USAID, this activity has focused on establishing a training program, a monitoring system and reporting mechanisms for promoting and documenting compliance with internationally accepted core labor standards by Cambodia’s garment factories. Originally expected to be self-sustaining by the end of 2008, the ILO is working with financing partners, from the private sector, the Cambodian government and donor sources, to continue support to the project through FY 2010.
- Democratic and Professional Union Development in Cambodia: A USAID financed activity in the amount of \$3 million from 2000 through mid-2009. The activity is executed by the Solidarity Center, formerly the American Center for International Labor Solidarity, affiliated with the AFL/CIO. Originally this activity focused heavily on the organization of trade unions and training of union leaders in the development and management of unions. It has focused more recently on the garment sector with a view toward improving industrial relations in the sector, often in association with the other activities noted above.

Key Elements of the Evaluation

The following elements and related questions are drawn from the overall SOW of the USAID/Cambodia – Checchi Consulting contract and from communications with members of the USAID/Cambodia staff regarding their specific interests in this particular task.

- Relevance: Cambodia is a rapidly changing country, both economically and socially, emerging from a recent past that can best be described as apocalyptic. The set of activities being evaluated have been under implementation for some time. Are the hypotheses and assumptions that underlie these activities still valid – have they proven to be correct? Have the activities adapted to any major changes in context or the needs of their beneficiaries? Is it possible to postulate on the continuing relevance of these activities in future years given the major worldwide financial and economic changes now underway?
- Effectiveness: Did these activities meet their original targets? Have these targets been modified and what have been the results? Why were the targets modified? What obstacles were encountered in meeting the targets and how were these overcome (or if not, why not)? What activity monitoring systems are in place to determine effectiveness of the activities; are these systems useful and reliable?

- Impact: How have these activities impacted (or not) immediate stakeholders and beneficiaries? How have these activities impacted (or not) the broader civil society, government and the private sector? Have these activities produced unintended consequences – either positive or negative? Have these results and benefits been achieved at acceptable cost; are there alternative approaches that would produce greater benefits at the same or lower costs? How do we know these things; what evaluative tools were put in place (baseline data; periodic assessments) to judge progress?
- Sustainability: What is the definition of sustainability that best fits each of these activities? What is the most-likely timeline to create sustainability in each case? What is the role of private sector actors – both local and international - and the RGC in each case? Is there a continuing role for the donor community; if so, for how long?
- USAID/Other-Donor Coordination: What has been the nature and effect of coordination among these activities? How have they coordinated with other relevant USAID activities? What is the nature of other-donor activity in the labor and productivity fields; how do these activities complement or hinder achievement of objectives for the activities under review? What has been the overall value of these coordination efforts?
- Overall Recommendations: This section will be guided by the following questions. Is continued support to any of the activities under evaluation warranted? Are there other activities that might be more valuable or more effective in strengthening the labor sector and industrial efficiency in Cambodia? What major impediments stand in the way of achieving gains in these sectors? What modalities would best serve the Mission's continued support, if any, of these sectors?

Methodology

The evaluators will rely on a number of sources and techniques to answer the questions posed above, including:

- Document review: In each case, the activities under evaluation have a long history. Over their lives, many of them have been previously evaluated, either by USAID or by other donors. The evaluators will also review documentation that provides information on indicators, targets, and progress toward achieving those targets (both objectives and impact) for all activities under review. Periodic reporting and any other relevant documentation will be reviewed.
- Interviews and Observations with Implementing Organizations: Meetings will be held with managers who oversee and monitor progress of these activities for the donors involved, including USAID. Interviews will be conducted with the managers and

staff of the implementing organizations. To the extent possible given time limitations, the work of the implementers will be observed in action.

- Interviews with Beneficiaries and Affiliated Implementing Partners:
Interviews will be held with individual and organizational beneficiaries and those affiliated with the implementation process – both private and public sector – to gain an understanding of their view of what they have gained from these activities and its value to them or their organizations.
- Interviews with the Donor Community: Interviews will be conducted with those donors who are active in the labor, industrial relations and industrial productivity areas to gain a better understanding of the scope of their activities and their plans for the future that may either impinge on or complement USAID actions in these fields.

For each activity, responsible donors and implementers will be consulted to obtain needed documentation and to obtain lists of potential contacts for interviews. The evaluators will consult with key responsible individuals, both at head offices and in the field, to assure full collaboration with the evaluation process.

Time Frame and Deliverables

Documentation review and interviews with key staff of implementing organizations in Washington, DC, or those available through teleconference, will take place from November 10 to 24. Field work will be conducted from December 1 through December 20. The team will participate in in-briefings, progress updates and a final outbrief outlining major findings and recommendations as scheduled by USAID. Submission of the draft final report will be made no later than January 9, 2009. A revised final report will be submitted to USAID/Cambodia no later than two weeks after receipt of comments from USAID/Cambodia.

Timeline of In-Country Work

November 10 -24:

Obtaining key documents, making key contacts and planning for interviews and discussions in Cambodia with project staffs, beneficiaries, RGC officials, other donors and other USAID project reps as needed. In Washington, Barry MacDonald and Paul Deuster will meet with:

- Garment Industry Productivity Center: Nathan Associates managers Matthew Lutkenhouse and Jose Goncalves, and by conference call with COP, Jane O'Dell
- Independent Arbitration Council/Better Factories: DOL managers Lucian Gatewood, and Celeste Helm. And ILO manager, Corinne Vargha, by teleconference from Geneva.

- Democratic and Professional Union Development: Solidarity Center managers David Kopilow and Timothy Ryan. USAID/W manager of Solidarity Center core program, Kimberly Ludwig (note: due to illness and a later TDY, discussions with Ms. Ludwig are being conducted by e-mail).

We will work through USAID and activity Chiefs of Party to set as many meetings and interviews as possible prior to arrival in Cambodia. A part-time local hire will be brought on board to assist with this process.

Field Work - Week One: Dec 1 -6:

The focus at the beginning of the week will be on meeting with USAID, the staffs of all activities, gathering and reviewing data not already available, and solidifying plans for visits to factories, union leaders, RGC officials, other donors and others with whom we need to speak. As time allows, in the latter part of this week, we will begin the interview process with beneficiaries and others. Key dates are as follows:

Dec 1: MacDonald and Zimmerman arrive in country

Dec 2: In-brief at USAID for MacDonald and Zimmerman

Dec 3: Deuster arrives in country (in brief with USAID TBD)

Field Work - Week Two: Dec 8 -13:

The focus of this entire week will be on interviews and discussions with beneficiaries, donors, government officials, representatives of related USAID projects and others who work with or have been impacted by the activities under evaluation. As time allows, the team will begin preparing the first few sections of the final report on the background, setting and previous evaluative efforts related to the set of activities under review.

Field Work - Week Three: Dec 15 – 21:

Any remaining interviews will be completed. Follow-up meetings to discuss questions arising from the interviews and to clarify and remaining issues will be held with the implementation teams for each activity. The balance of the final report will be drafted to the extent possible. Key dates include:

Dec 18: (or another date of USAID's choosing) Review of findings with USAID/Embassy staff

Dec 20: Submission of current version of the draft final report

Dec 21: Evaluation team members depart Cambodia

Post Field-Work:

Jan 9: Submission of the completed draft final report

The final report will be submitted no later than two weeks following receipt of final comments from USAID/Cambodia.

Report Outline

The following outline mirrors the structure of the scope of work described above:

1. **EXECUTIVE SUMMARY:** key findings and recommendations
2. **CONTEXT**
 - 2.1 Cambodia political and social situation
 - 2.2 The Cambodian economy
 - 2.3 The labor situation
3. **THE ACTIVITIES** (original structure, funding, objectives, key indicators of progress, key changes)
 - 3.1 Garment Industry Productivity Center
 - 3.2 Labor Dispute Resolution (DOL/ILO)
 - 3.3 Better Factories (DOL/ILO)
 - 3.4 Democratic and Professional Union Development in Cambodia (Solidarity Center)
4. **PREVIOUS FINDINGS** (from formal evaluations and other reviews)
 - 4.1 Labor Dispute Resolution – Interim Evaluation: November 2007
 - 4.2 Better Factories Evaluation: October 2007
 - 4.3 USAID Global Review of Work with Solidarity Center – the Cambodia Work
 - 4.4 [Other relevant evaluations/formal reviews]
5. **RELEVANCE** (hypotheses and assumptions behind each program still valid?; have activities adapted to any changes in context or changes in needs of beneficiaries?)
 - 5.1 Garment Industry Productivity Center
 - 5.2 Labor Dispute Resolution
 - 5.3 Better Factories
 - 5.4 Union Development
 - 5.5 Have changes in country context made other potential activities more relevant than those under evaluation?

6. **EFFECTIVENESS** (are activities meeting targets?; obstacles to meeting targets and how these have been overcome (or not); effective progress monitoring systems?)

- 6.1 Garment Industry Productivity Center
- 6.2 Labor Dispute Resolution
- 6.3 Better Factories
- 6.4 Union Development

7. **IMPACT** (impact of the activities on immediate stakeholders and beneficiaries; and on the broader civil society, government, private sector; and unintended consequences? – positive or negative; what measuring tools are available to judge impact? – against what baseline are results being measured?; have results been achieved at acceptable cost or are there alternatives that would improve efficiency?)

- 7.1 Garment Industry Productivity Center
- 7.2 Labor Dispute Resolution
- 7.3 Better Factories
- 7.4 Union Development
- 7.5 The overall impact of this set of activities in the Cambodian setting

8. **SUSTAINABILITY** (can these activities survive the end of funding by their respective donors – if that was the plan; if not – why not?; if the RGC was to come to the fore, are they doing so as planned?; future private sector involvement?)

- 8.1 Garment Industry Productivity Center
- 8.2 Labor Dispute Resolution
- 8.3 Better Factories
- 8.4 Union Development
- 8.5 Other issues related to sustainability in the fields of industrial productivity and labor-management relations

9. DONOR/USAID COORDINATION

- 9.1 Coordination among this particular set of activities
- 9.2 Coordination with other USAID activities
- 9.3 Coordination with other donor activities in the labor or productivity fields
- 9.4 Success (or lack thereof) and value of coordination efforts

10. KEY FINDINGS AND RECOMMENDATIONS

- 10.1 Garment Industry Productivity Center
- 10.2 Labor Dispute Resolution
- 10.3 Better Factories

10.4 Union Development

10.5 The Future of USAID Support to Labor Activities in Cambodia

10.6 The Future of USAID Support to Private Sector Productivity Activities in Cambodia