



**TRAFFICKING PREVENTION, JOBLESSNESS & MFA
TERMINATION
THE CLOSURE REPORT**



I. Multi Fiber Agreement: an overview

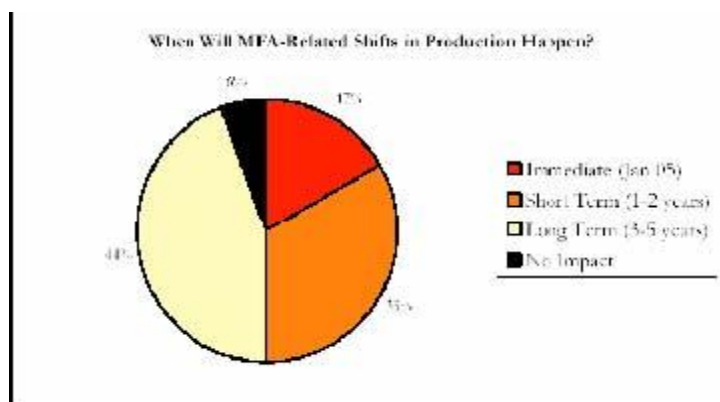
The MFA was established in 1974, as a temporary measure, in the past to provide industrialized countries time and space to adapt to the increasing competition from developing countries in the importation of textiles. Given the labor-intensive nature of the production process, it was relatively easy for developing countries to compete in a global market. In effect, MFA developed restraint mechanism through the establishment of quota restrictions on specific textile and clothing items. Industrialized countries were allowed to place bilateral quotas on various textiles, balanced by an obligation to the developing countries to maintain annual growth rates.

Originally designed to be a short term measure to allow developed countries to restructure and adapt to competition from cheaper imports, MFA was subsequently renewed five times, as few countries made progress in improving their competitiveness. MFA expired on Dec 31st 2004. It basically nullified the Most Favored Nation (MFN) status of low wage nations by denying them market entry.

One outcome of MFA has been the development of new textile industries in seemingly unlikely countries. As exporting countries were regularly running out of quota allotment buyers turned to a growing number of sourcing locations. This trend led to the development of emerging textile and clothing industries in new countries that otherwise may not have entered the international trade market in textiles and clothing.

In a study conducted by “Business for Social Responsibility”, it came out that most of the business houses had visibility to orders placed for 2005 merchandise and few cited any significant changes to their sourcing mix. The respondents felt that “no significant changes will happen immediately but rather believe that gradual and methodical change will occur over time allowing for appropriate transition of both internal sourcing departments and current supplier base. 50% of the respondents surveyed by BSR anticipate change to occur within two years, while another 40% envision change will occur within 5 years. Overall it is expected that sourcing changes, whether attributed solely to quota or more likely to a variety of sourcing consideration, will be most visible towards the later part of the decade.

When Will MFA-Related Shifts in Production Happen?



Source: The MFA Strategic Sourcing Impact: The private

II. Current MFA scenario in South Asian Countries:

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Bangladesh: The industry appears to be buoyant with regard to short-term predictions. The general consensus appears to be that the transition to be post MFA period will be “smooth and progressing well and will continue to be so, at least in 05-06”. There are signs of increase of orders in terms of volume.

Source: The Daily star: Sat Jan 29, 2006.

Earlier concerns about the possible adverse effects on the industrial sector of Bangladesh because of the ending of MFA quotas have not been realized. Knitwear exports continue to register strong growth, while after some initial difficulties, exports of women garments have also shown signs of steady growth. However uncertainty remains about the long-term impact of the MFA phase out. This will be more evident from 2008 onwards. MFA phase out benefited major competitive countries including Bangladesh

(Source: BGD quarterly update by ADB– March 2006)

Against predictions by international lending institutions like World Bank and the International Monetary Fund that Bangladesh’s garment industry could shrink by 30% after the quota regime ended in Jan 2005, exports actually showed a 24% increase thanks to the highly competitive prices on finished products offered by manufacturers.

(Source: Labor – BGD garment exports thrive on dirt wages: Qurratripian Ain Tahmina)

Sri Lanka: The end of the MFA on 1st Jan 2005 has not yet had an identifiable adverse impact on the country’s textile and garment industry. According to industry reports, the order books of the largest exporters are full through the first half of 2005.

Nepal: The process of the phase out of the post MFA began in 1995, when a quota system that guaranteed access to major markets like the US and EU for garments made in Nepal and other developing countries began to be phased out. On 1st Jan 2005, the Agreement on Textiles and Clothing was eliminated. Today about a dozen of the less than 100 factories registered with the Garment Associated of Nepal (GAN) are working. During the boom years of 1999-2000, ready-made garments accounted for nearly 30% of Nepal’s export; today the number is about one third of that. About three quarters were skilled laborers, particularly those who did the sewing, says Shiv Raj Bhatt, consultant economist with South Asia Watch on Trade, Economics and Environment. Many of the former female workers are now labor in restaurants, according to a recent survey by SAWTEE. Their male counterparts sell snacks or trinkets on the streets. “A few are doing as well as earlier but the majority are not. Some remain unemployed even two or three years after their jobs ended” according to Bhatt. The owner of Binita Fashion Industries says that orders started to fall at the start of 2005, when well-prepared manufacturers in China and Bangladesh rushed to take advantage of the end of the quota system. In 2004 and 2005, the garment exports declined by 30% and 40% respectively compared with the figures of respective preceding years. The data of past one-year shows that since the Multi Fiber Agreement (MFA) expired in January 2005, Nepal’s apparel exports dropped overwhelmingly by 40%. Only 20% of the major industries remain in operation while over 50,000 workers have been laid off. The impact has been nearly total. “I have also totally shut down my factory since last couple of weeks due to the 22 day strike”

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says Pandey, the proprietor of Serene Garment Factory based in Kathmandu. The problems for Nepal's garment sector had started not only after MFA expired but even before that when the United States – which consumes over 80% of total apparels exports from Nepal – granted special preferential access to African countries through African Growth and Opportunity Act and to Caribbean nations through similar legislative initiative.

II. Design of the “Trafficking Prevention, Joblessness and MFA Termination”: The South Asia Regional Initiative for Equity (SARI-Equity)

a. The Purpose

The design of the programme envisaged that thousands of garment workers would lose their livelihood due to the closure of the garment factories in Bangladesh, Nepal and Sri Lanka. Through the employability skill development programme of CAP, it was envisaged that such workers would be identified through a rapid assessment survey and reskilling / recareering program be conducted for them as a support to transition into alternate employment. The design of the program was primarily aimed at imparting necessary livelihood skill training to at least 2,000 unemployed garment workers between the three countries (Sri Lanka, Nepal, and Bangladesh). This target was reduced to 1500 beneficiaries across the three countries in a joint meeting between USAID, Solidarity Centre and CAP. It was however later realized that the reskilling of the garment workers to feedback into the same sector was not possible due to the regulation that US funds cannot be utilized to support the garment and leather industry, and hence recareering program was delivered.

b. The Approach

Given the inter-governmental regulations both within India and the countries of work on inter-country transfer of funds where the ultimate beneficiaries were not Indians, there was a need to identify local partners to implement the programme at the field level in each of the three countries. CAP identified Nirdhan in Nepal through the network of PLAN – Nepal, WARBE in Bangladesh through the SARIQ – platform. In Sri Lanka CAP partnered with Janasetha Sahana Foundation already a long-standing partner of Solidarity Centre in Sri Lanka for the major part of the program and with Kavantissa Vocational Training Centre (KVTC) who are partners to CAP in Hambanthota for a smaller component. Solidarity Centre extended its cooperation by agreeing to transfer funds directly to the implementing partners on request by CAP.

c. The Methodology

CAP conducted a detailed market analysis in Bangladesh, Nepal and Sri Lanka to explore employment opportunities for retrenched/ likely to be retrenched garment workers. The process involved extensive interactions, personal interviews and Focus Group Discussions with the government agencies, NGOs, business associations, workers groups and rights-based lobbies, private-public partnerships, as well as some of the affected workers to look at concrete livelihood and employment options. The final output of this work was an inventory of skills and competencies required by changed apparel businesses and other economic sectors. The type of skills for which training was provided was determined by the findings of the market analysis. The implemented plan helped build a successfully demonstrated model for rehabilitation of

workers likely to be affected by the post MFA scenario.

The methodology for re-careering included individualized training programs that combined aptitude, interest, and competency level with identified market opportunities, life skills training, academic and technical training, and pre-and post-placement support.

The uniqueness of this methodology was the combination of the following priorities incorporated in the training module:

- Selection and identification of trainees through a process that allows them to make informed choices
- Facilitative, practical, and active-learning classroom methodology that combines academic, theoretical and technical inputs
- Integration of core competencies into the curriculum that includes life skill for the workplace, basic proficiency in spoken English, numeric skills, and proficiency in using computers
- Work-oriented practical training.

The CAP model had to go through lot of modification at the field level to respond to the situation. One of the major alterations that the model had to go through was in terms of customizing the timings of the training programme leading to the changes in the curriculum as well without compromising on the content of the same.

The high rate of male participation in Sri Lanka can be attributed to the late timings of the training program and their mindset of continuing in the garment sector. In Sri Lanka the 46% of the trainees were in the age group of 22-26yrs. The literacy levels of the beneficiaries varied from country to country. In Sri Lanka the literacy rates were comparatively higher, where 48% of the trainees completed their O level. One of the primary reasons for better literate ratio of the trainees could also be due to the general fact that the literacy level in Sri Lanka is higher as a country when compared again since the beneficiaries were currently working in the garment industry we had to conduct the training programme in the evening only. Dinner packets were also provided to the trainees since it was found that one of the discouraging factors for the garment workers to join the training programme was that they needed to cook after returning from the training programme which was ultimately leading them to delay in the work on the next morning.

In Sri Lanka, again under the leadership of SC the Trade Unions did participate in mobilization but shared the feelings similar to their counterparts in Nepal on working directly with CAP to implement the program instead of through local NGOs. However by the time there could be an agreement to have a formal working relationship with the Trade Unions and CAP in both countries, USAID had directed in a joint meeting that it would not be possible under the current agreement signed by SC, CAP and USAID for CAP to work directly with trade unions as local implementing partners.

d. The Training

CAP conducted a market-oriented employability training programme to help garment workers in the post-MFA environment. Given the very short time for the project and the first step was to create an informal

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Business Mentor Network for employability training that would support training quality and placement. In all, 934 students were trained in Srilanka.

List of courses in the Srilanka

Sl. No.	Sri Lanka
1.	Customer Relations and Sales
2.	Information Technology Enabled Services
3.	Spoken English
4.	Gem cutting
5.	Auto Mobile Servicing
6.	Hospitality
7.	Basic Computer literacy

e. Placements: The Last Mile

Unarguably, the ultimate aim of this project is to enable the garment workers to have a smooth transition of livelihoods. The context of this transition varied from country to country.

In Sri Lanka where the MFA did not hit so hard and there were indicators that it might affect them till the end of 2008, this program was more of a preparatory exercise to enable them to move on to other sectors should the garment industry close down. Due to the difference in the pay scales between the garment and the other industries and the location of the boarding houses amidst the factories, which did not require them to commute for work, the trainees opted to continue in the garment sector. The incentive for the trainees to attend the training program was to learn Spoken English and the basic computer knowledge, which they perceived are essential to be employable in any other sector. The certification of the ITeS curriculum of CAP Foundation by Microsoft at the same time came in as a boon to these trainees as their scope for employability increases because of this certification.

A request was made to ACILS for forwarding to USAID for permission to train family members of retrenched/ to be retrenched workers; permission was granted on 30th August 2006.

f. Feedback from the employers

“When we first met these garment workers, many of them could think only of the salary they would be taking home at the end of that day or that month. There was so much pressure to perform that they would even avoid taking toilet or water breaks for fear of losing valuable time on the factory floor. Three months later I can see a marked change in many of these students. They’re thinking beyond today. They have new found ambitions to develop themselves and carve out a better future. The precious time and energy they’ve invested in

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training will pay them dividends further down the track.”

“Young people working in the garment factories of Sri Lanka are not free. They have no choices. But by giving them new skills through your training, they now have an opportunity to be free.....Thank you JSSF and CAP. Your training programmes have given us something for our hands, our heads and our minds.”

Amila Sanjeeva Agalakumbura, 24 years, Customer Relations student, Latha Centre, Colombo

When Amila stood up to deliver these words in front of 300 fellow students at the ‘CAP – JSSF Employability Skills Training Programme’ graduation ceremony at the Taj Hotel in Colombo, his English teachers could not believe their ears. This young student, who had begun their 3 month training with just a few words of English, had since come on leaps and bounds. Amila now hopes to use what he has learnt from the Customer Relations course, his spoken English and basic IT training to apply for a job as an ‘air traffic controller’ at Sri Lankan Airlines. He has skills in his hands, a plan in his head and a bright future in mind. Whilst the majority of Amila’s fellow students who graduated from the programme intend to remain in their highly paid garment jobs for the time being, they do so in the knowledge that should they wish/need to seek alternative livelihoods in future, they are fully equipped to do so.

“The two CAP Foundation students we have employed here at the clinic are MORE than good. They’re excellent. The difference between them and other young medical assistants we have employed in the past is that these two ask “How can I help?” rather than “What am I supposed to do now?” It’s a subtle difference but their attitude to work is fantastic. They are still new to the clinic but in time they will build their experience in dealing with patients. I’m sure they’ll go far.” reports Dr Pream Khadka, a gastroenterologist at the Shree Clinic and young Gomar’s new boss.

Socio Economic Profile of trainees in Srilanka

Age Wise	
18 to 21 Yrs	306
22 to 26 Yrs	432
27 to 30 Yrs	151
30 Yrs	45

Qualification wise	
Below O/L	132
O/L	445
A/L	356
Diploma	1

Gender Wise	
Male	307
Female	627

Family Size Wise	
1 to 4 members	596
5 to 7	326
Above 7	12

Course Wise	
ITES	269
CRS	404
HOSP	101
GEM CUTTING	117
AUTOMOBILE	43