

# THE PROMOTION OF SUSTAINABLE SUPPLY CHAINS BASED ON THE EXAMPLE OF THE TEXTILE SECTOR

## *The mix of instruments in German development cooperation*

### Summary

Global supply chains – especially in the textile sector – face many social and environmental challenges to sustainability. The public has become increasingly aware of these challenges in the wake of disasters such as the fire in the Ali Enterprises textile factory in Pakistan in 2012 and the collapse of the Rana Plaza textile factory in Bangladesh in 2013.

The Federal Ministry for Economic Cooperation and Development (BMZ) has stated its intention to promote fair and sustainable global textile supply chains. For this reason, the German Institute for Development Evaluation (D Eval) examined the interaction between the instruments and measures deployed in German development cooperation (DC) to promote sustainable global supply chains in the textile sector. The evaluation focused on the following overarching questions:

- **Regarding relevance, coherence and efficiency:** How suitable are the instruments used in German development cooperation or the combination of those instruments for promoting sustainable supply chains?
- **Regarding effectiveness and impact:** To what extent has German development cooperation achieved its intended objectives for promoting sustainable textile supply chains?

One positive result of the evaluation is that the mix of instruments (see box on page 3) used in German DC tackles relevant social and environmental challenges in the textile sector. All the relevant target groups are addressed. Moreover, the BMZ played a major role in the creation of the German Act on Corporate Due Dili-

gence Obligations in Supply Chains (Lieferketten-sorgfaltspflichtengesetz; LkSG). This means that there are now binding legal requirements for the first time to ensure that purchasing companies take more action to meet their corporate due diligence obligations. In particular, German development cooperation has made promising contributions to more sustainable public and private (textile) consumption through the promotion of the Partnership for Sustainable Textiles and the introduction of the “Green Button” textile label.

However, the evaluation also reveals deficits and identifies challenges for German DC. In view of the length of textile supply chains, the complexity of required development cooperation action and the large number of stakeholders, the evaluation concludes that a guiding concept from the BMZ is necessary for strategic steering of the mix of instruments. The lack of such a concept can be seen, for example, in the activities in the partner country Bangladesh. Although moderate, comprehensible contributions to protecting textile workers from the risk of work accidents and to environmental protection could be identified, these have not resulted in fundamental changes (to date).

Therefore, D Eval recommends, among other things, that the BMZ develop an overarching impact- and action-oriented concept for promoting sustainable global textile supply chains (recommendation 1). Furthermore, the BMZ should make more of an effort to ensure policy coherence at national, European and multilateral level (recommendation 3). Further recommendations relate to voluntary initiatives such as the Textile Partnership (recommendation 2) as well as the promotion of sustainable public procurement (recommendation 4).

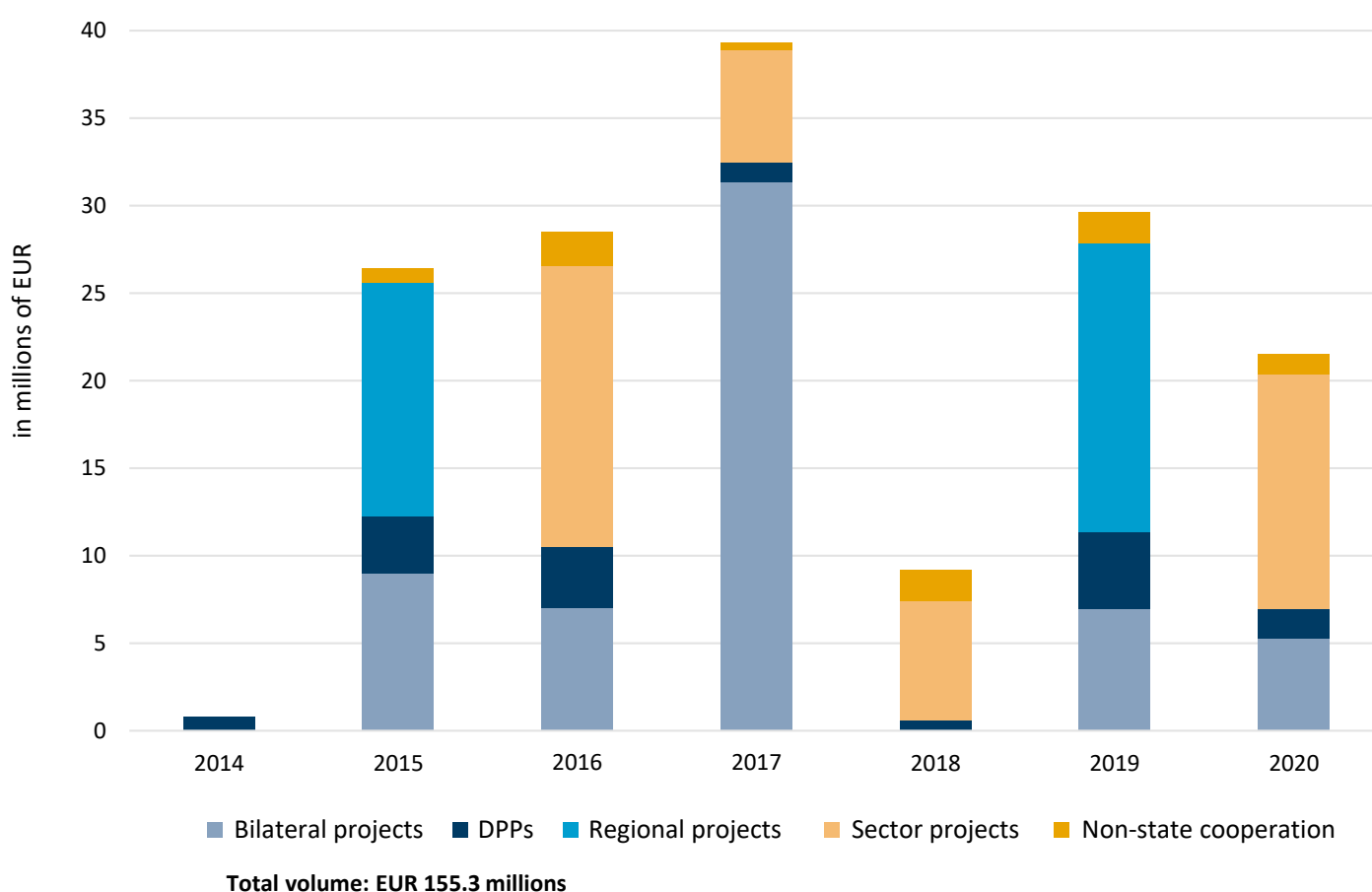
## Approach of the evaluation

The theory-based evaluation consists of two components. The first is a portfolio analysis and the second entails case studies on German DC initiatives in Germany (known as DC@Home) and in Bangladesh – one of the largest textile exporting countries – to design fairer and more sustainable supply chains. Germany is an important bilateral donor for Bangladesh with a large, varied DC portfolio in the textile sector. The data basis consisted of interviews, strategy, programme and project documents, a representative survey, and scientific and grey literature. The methods used to answer the evaluation questions were qualitative content analysis, semi-systematic literature analysis and contribution analysis.

## A historically grown portfolio: many measure types, regional focus, different instruments

The German DC portfolio for promoting sustainable global supply chains in the textile sector grew continuously between 2014 and 2020 and amounts to a total of €155 million (see Figure 1). It includes a wide variety of measure categories, with everything from bilateral interventions and global, regional and sector projects to development partnerships with the private sector (DPPs) right through to non-governmental and multilateral cooperation. Bilateral and sector projects make up the largest share of the portfolio, and the regional focus is on Asia and Germany (DC@Home). Each intervention typically uses one to three different instruments. These range from management consulting and training to capacity development of employees and civil-society structures.

**Figure 1** Funding volume for interventions 2014–2020



## How suitable is the mix of instruments?

The mix of instruments used in German development cooperation (see box below) addresses the key social and ecological challenges. Examples of these challenges include disregard for labour rights or environmental pollution due to inappropriate use of chemicals. It is understandable how planned contributions intend to meet the challenges. The mix of instruments also addresses the relevant target groups in the textile supply chains – from the textile factories and purchasing companies to political and legislative actors through to public and private consumers.

However, the BMZ only partially meets the benchmark of strategically steering the mix of instruments. In view of the complex challenges and long time frames that the changes in this sector require, the evaluation concludes that the BMZ would require an impact- and action-oriented concept that adequately meets this need. This would also promote better interplay between DC activities in Germany and in the partner countries and thus ensure a greater effect in practice.

### Instruments, mix of instruments, smart mix

An **instrument** is a thematic-conceptual activity that is implemented as part of one or more measures (input level). Instruments are deployed with the aim of addressing specific target groups, producing achievements (outputs) and achieving development policy effects (outcomes). Examples of instruments are capacity building and policy advice. The term **mix of instruments** refers to deployment of at least two instruments to effectively address a core development policy problem within a defined context (for example a partner country, sector or topic). The **smart mix** consists of a combination of voluntary and binding measures. Specifically, this means combining at least one measure from each of the following categories: (i) binding governmental measure, (ii) voluntary cooperative measure or (iii) voluntary private-sector measure.

## How effective is the mix of instruments?

German development cooperation made a moderate contribution to protecting workers from the risk of work accidents in the partner country Bangladesh. For example, German DC trained workplace inspectors and held training sessions on prevention and rehabilitation in factories. However, there is hardly any evidence

that the various activities are strategically linked. When it comes to effectively protecting employees against accidents at work, the initiated changes are still insufficient. The same applies to the environmental dimension: German DC made a moderate contribution towards reducing resource consumption and environmental pollution, but these changes are again not sufficient. For example, German DC implemented activities that worked towards the publication of a guideline on handling sludge. However, there is currently no evidence that this regulatory change has led to any notable improvements in sludge management at the factories. Finally, German DC has made a very limited contribution to ensuring that workers take greater advantage of workers' representation and that the complaints they submit are processed. Although the workers – who are mostly women in the textile sector – have more awareness of their rights, this alone does not lead to them taking more advantage of these rights.

With regard to DC@Home, German DC made an important contribution towards ensuring that purchasing companies in Germany take more action to fulfil their corporate due diligence obligations. An example: The Textile Partnership – a multi-stakeholder partnership supported by the BMZ – has created numerous advisory and networking offers that provide (differing degrees of) added value for various types of companies. In addition, with the introduction of the Green Button textile label, German DC has made a fundamental contribution to raising awareness of the necessity for more sustainable textile consumption. Most recently and in terms of a smart mix, with the LkSG German DC successfully contributed to a binding legal framework for the fulfilment of due diligence obligations of purchasing companies.

## Conclusions and recommendations

Global textile supply chains are highly relevant, in both political and economic terms. German DC has a broad range of instruments at its disposal as well as many years of practical experience to help make these supply chains fairer and more sustainable. However, to date it is not evident that the individual instruments are combined strategically. As a result, German DC is lacking an important steering instrument for tackling the objective of socio-environmental transformation of global textile supply chains.

**Recommendation 1:** The BMZ should develop an overarching impact- and action-oriented concept for promoting global textile supply chains.

The BMZ supports various initiatives that encourage companies to become more active in fulfilling their corporate due diligence obligations. Examples include the Textile Partnership and the Green Button. However, to date these voluntary initiatives do not sufficiently differentiate by target group, and the thematic profiles could be honed further.

**Recommendation 2:** The BMZ should continue developing the Textiles Partnership and the Green Button to ensure that the objectives of the initiatives can be further honed and strengthened.

Textile supply chains are complex and go beyond the remit of individual ministries. There is therefore a need for appropriate coordination between the BMZ and other relevant federal ministries, such as the Federal Ministry of Labour and Social Affairs (BMAS) and the Federal Ministry for Economic Affairs and Climate Action (BMWK). This coordination is particularly important when it comes to regulatory and political change processes at European and multilateral levels. It is necessary to increase the potential effectiveness of the engagement.

**Recommendation 3:** The BMZ should make more of an effort to ensure policy coherence. This will allow greater leverage effects for achieving development policy objectives in the promotion of sustainable global textile supply chains at national, European and multilateral level.

Sustainable public procurement offers a wealth of potential. Admittedly, German DC has only limited leverage because the institutional responsibilities are outside the BMZ's area of activity, both vertically (federal level – state level – municipal level) and horizontally (between the federal ministries). Nonetheless, German DC makes a contribution here when it comes to awareness-raising and building the capacities of public stakeholders.

**Recommendation 4:** The BMZ should continue to develop training and advisory services regarding sustainable public procurement at municipal and federal level with the aim of specifically strengthening sustainable public procurement.

## Literature

**Heucher, A., J. Ihl, M. Kiefer, M. Kaplan, S. Schimko and K. Wolf (2023),**  
*The promotion of sustainable supply chains through German development cooperation based on the example of the textile sector*, German Institute for Development Evaluation (DEval), Bonn.



**Dr Angela Heucher**  
Senior Evaluator,  
Team Leader



**Amélie zu Eulenburg**  
Head of  
Department



**Judith Ihl**  
Evaluator



**Michèle Kiefer**  
Evaluator

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