



# THE PROMOTION OF SUSTAINABLE SUPPLY CHAINS THROUGH GERMAN DEVELOPMENT COOPERATION BASED ON THE EXAMPLE OF THE TEXTILE SECTOR

*Executive Summary*

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# IMPRINT

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# EXECUTIVE SUMMARY

## Context, objectives, object and evaluation questions

**Over the past decade, the significance of sustainably designed global supply chains has risen steadily in many economic sectors.** The business and political communities, civil society and the general public have become increasingly aware of the social and environmental risks associated with global supply chains, particularly 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. Since the start of the evaluation in mid-2020, international exogenous shocks with serious consequences for international supply chains have underscored the significance of this topic for development policy. The outbreak of the COVID-19 pandemic in spring 2020 and the restrictions in many areas of public life imposed in response also led to disruptions and interruptions along many global supply chains.

**The Federal Ministry for Economic Cooperation and Development (BMZ) has confirmed the important role that sustainable global supply chains play in development policy.** The BMZ's strategic objective is to reduce the negative social and environmental impacts along global supply chains and, in the long term, to contribute to making them more fair (BMZ, 2018, 2020a). The Federal Ministry is currently lobbying for an ambitious structural policy – i.e. a just transition – that promotes, among other things, sustainable and fair supply chains. It currently sees a “historic opportunity” for a socio-ecological transformation of global supply chains that must be seized. In this context, German development cooperation (DC) bases its understanding of sustainability on the 2030 Agenda for Sustainable Development.

**Global supply chains in the textile sector face many social and environmental challenges to sustainability.** Examples include disregard for labour rights or environmental pollution due to inappropriate use of chemicals. Since the disasters in 2012 and 2013, working and environmental conditions in textile supply chains have featured prominently on the BMZ's political agenda (BMZ, 2021a; Federal Government, 2014a; Lohmeyer and Schüßle, 2019). Subsequently, the BMZ initiated various initiatives and implemented measures that aim to contribute to improvements in the global textile supply chain.

**In this context, this strategic evaluation pursues accountability and learning objectives.** First of all, in the interests of accountability, the evaluation analyses whether and to what extent German DC has contributed to promoting social and environmental sustainability in global supply chains. Secondly, the evaluation aims to contribute to learning and to enable evidence-based policy design. To achieve this, it generates strategic and operational conclusions and recommendations for future action. The evaluation is made up of both formative and summative elements.

**The object of the evaluation is the interaction of the DC instruments and measures with which the BMZ aims to promote more sustainable global supply chains in the textile sector.** To this end, the BMZ uses various instruments, which this evaluation understands as thematic or conceptual DC activities that address specific target groups along the textile supply chains. These include textile factories in the partner countries, purchasing companies, consumers in Germany and political and legislative actors. The BMZ utilises a “mix of instruments” – a term that is not formally defined for German DC – to effectively address the complex social and environmental challenges in global supply chains. This evaluation understands “mix of instruments” to mean an intentional combination of (at least two) different instruments and/or measures used to address a core development policy problem.

**The evaluation questions (EQs) are split into two sets.** The first set of questions (EQ 1.1–1.3) investigates to what extent the instruments used in German DC or the combination of these instruments are suitable for promoting sustainable supply chains. The second set of questions (EQ 2.1 and 2.2) refers to the mix of instruments and the question of to what extent the stated objectives for promoting sustainable supply chains in Germany and Bangladesh have been achieved.

## Methodological procedure

**The evaluation follows a theory-based evaluation approach.** As it was not possible to identify any explicit theory of change for the promotion of textile supply chains in the documents supplied by the BMZ and the implementing organisations, the team has devised two comprehensive theories of change: one for the target group of purchasing companies in Germany and another for textile factories in DC partner countries. Both theories of change bundle various instruments and, in addition to chains of action, contain different assumptions, external influences and potential unintended effects.

**The process of operationalising the evaluation questions involved several stages.** First, the evaluation team assigned the evaluation questions to the OECD-DAC criteria. Following this, the team developed an evaluation matrix in which they derived and defined the levels of ambition from strategy papers, programme documents, the scientific literature and discussions with the reference group. In the next step, they identified suitable methods and determined the data to be collected for this.

**The evaluation design contains a portfolio analysis and two case studies.** The basic population of the portfolio analysis consists of 151 German DC interventions implemented between 2014 and 2021 along the entire textile supply chain and provides a comprehensive overview of the instruments and types of measures used as well as the challenges and target groups addressed. The case studies were performed in Germany (with a focus on measures for purchasing companies) and in Bangladesh (with a focus on supported textile factories and legislative measures).

**Primary and secondary data form the data basis.** The former includes interviews with the BMZ, the implementing organisations, actors in the textile supply chain (such as purchasing companies, textile factories and associations), civil society organisations and academia. The latter includes strategy, programme and project documents as well as a representative survey among just under 2,000 consumers in Germany. The evaluation team analysed and triangulated all data in order to produce findings regarding the mix of instruments, how it is managed and its effects.

**The evaluation utilises three main methods, namely a qualitative content analysis, a semi-systematic literature analysis and a contribution analysis.** The main data analysis method was a qualitative content analysis, with a quantitative-descriptive analysis being performed for the consumer survey. Through a semi-systematic literature analysis, the team developed a precise understanding of the complex topic of textile supply chains and were able to identify leverage points to ensure fair textile supply chains. The contribution analysis was selected specifically for the case studies in order to do justice to the complex context of promoting global supply chains – which often involve factors that German DC has no influence over.

## Results

**German DC addresses relevant social and environmental challenges in the textile supply chain (EQ 1.1).** These include topics such as “occupational safety” and “occupational health” (social challenges) as well as the sustainable disposal of sludge and how to deal with toxic chemicals (environmental challenges). For the deployed instruments, it is clear how they are intended to contribute to addressing the challenges and how they should go about this. German DC’s key target group in the partner countries is the textile factories. Here, DC primarily makes use of the instruments “business consulting and training”, “capacity development of employees”, “dialogue and cooperation” and “university education and research”. In addition, German DC plans and implements DC measures for target groups and actors in Germany with the aim of indirectly contributing to development policy objectives in partner countries. In the context of this DC@Home, the most common instruments are those that can be used to reach the target groups of private consumers and public procurement agencies (particularly “development policy education work and municipal engagement”) as well as instruments that target purchasing companies (“support services for German companies”) and political actors or policy frameworks (“political dialogue, networking and cooperation”).

**There is no guiding concept at strategic and operational level to promote textile supply chains (EQ 1.2).** However, BMZ would require such a concept including a theory of change for the strategic steering of the instrument mix in order to address the complex challenges and long time frames that the changes it envisages in this sector require. Equally, the evaluation team found that the interaction between DC activities in

Germany and in the partner countries does not appear to be sufficient to have substantial effects. For example, measures that support purchasing companies in Germany with fulfilling their corporate due diligence obligations are hardly linked to measures that support the textile factories in the partner countries with regard to implementing social and environmental standards. Even if the measures address the relevant target groups within the textile supply chain, there are gaps in the strategic alignment of the mix of instruments and their steering.

**German DC deploys various instruments in Bangladesh to address different groups of actors and, in doing so, reduce human rights violations and environmentally damaging effects (EQ 1.3).** Germany is viewed as the most important bilateral donor in Bangladesh's textile and clothing sector. Various instruments are used both throughout the portfolio and within the individual measures, the majority of which address textile factories. However, some important actors are insufficiently considered if not neglected entirely. These include purchasing companies, whose leverage could be more effectively utilised, as well as less ambitious textile factories.

**The mix of instruments has partially contributed to reducing human rights violations and environmentally damaging effects in supported textile factories in Bangladesh (EQ 2.1).** German DC has made a moderate contribution towards protecting employees from the risk of work accidents. However, the changes achieved to date are not yet sufficient to offer them considerable protection. German DC has also made a moderate contribution to reducing resource consumption and environmental pollution by textile factories in Bangladesh. For example, the regulatory framework regarding how sludge is handled has been improved. When it comes to promoting workers' representation and empowering workers in the workplace, German DC has made only a minor contribution.

**The mix of instruments has predominantly contributed to ensuring that purchasing companies in Germany fulfil their corporate due diligence obligations (EQ 2.2).** German DC has made an important contribution to certification, advisory services and networking opportunities for purchasing companies and, in doing so, created conditions to ensure that they work more actively towards meeting their corporate due diligence obligations. Moreover, German DC has made a key contribution towards increasing awareness of sustainability within the public (textile) procurement sector as well as among private textile consumers. However, it remains to be seen to what extent this greater awareness will actually result in proportionately higher consumption of more sustainable products. Finally, German DC is recognised as making a positive contribution to creating legal frameworks, as the BMZ played a key role in introducing the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). It will only be possible to assess to what extent this Act will lead to positive changes after it comes into force on 1 January 2023.

## Conclusions and recommendations

### *Impact- and action-oriented concept*

**Despite the political and economic importance of global textile supply chains, German DC does not have an overarching concept to effectively and sustainably support them.** Although German DC has a wide range of instruments at its disposal, this evaluation revealed that there is currently no evidence that the individual instruments are comprehensively being combined in a strategic or "smart" manner (interplay). This shows that German DC lacks an overarching concept or steering instrument at strategic level with which it can systematically tackle the objective of social and environmental transformation of global textile supply chains as well as making better use of the synergy potentials between various instruments and measures.

**Recommendation 1: The BMZ should develop an overarching impact- and action-oriented concept for promoting global textile supply chains.** “Impact-oriented” means that there is a theory of change that describes the intended effect mechanisms for instruments and measures in the textile sector’s supply chains in an ideal scenario. “Action-oriented” means that instruments and measures are structured based on modules or a checklist, that those involved have a shared understanding of their potential impact and that implementing organisations can use them to design and implement measures. The objective is to make it possible to strategically combine instruments and measures better and in a more impact-oriented manner to fit the specific situation than has been possible to date.

### *Voluntary initiatives*

**Through its voluntary initiatives the Textiles Partnership and the Green Button, the BMZ supports various initiatives that encourage companies to become more active in fulfilling their corporate due diligence obligations.** These contributions differ depending on the company type. The evaluation found that the majority of contributions were made by companies that are new to sustainability. It also revealed that, to date, the BMZ has not differentiated enough by target group and that the thematic profiles should be honed further.

**Recommendation 2: In the context of the regulatory changes associated with the LkSG and in view of the added value for various groups of companies, the BMZ should continue developing the Textiles Partnership and the Green Button in the course of the ongoing reform process to ensure that the objectives of the initiatives can be further honed and strengthened.**

### *Policy coherence*

**Global (textile) supply chains are complex and therefore generally go beyond the remit of individual ministries.** The BMZ must coordinate appropriately with other relevant federal ministries, such as the German Federal Ministry for Economic Affairs and Climate Action and the German Federal Ministry of Labour and Social Affairs to ensure that all relevant actors for development policy can be adequately addressed and thereby potentially increase the effectiveness of Germany’s engagement. Cross-ministry policy coherence is particularly important when it comes to regulatory and political change processes at European and multilateral levels. One example of this is the European legislation regarding supply chains.

**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.** This also includes specifically lobbying for legislative and regulatory change processes and simultaneously adding a development policy perspective to the relevant legislative processes. This comprises the European law on supply chains. The BMZ should point out specific approaches for development policy and incorporate its experiences to ensure that the European law is drafted effectively from the start.

### *Sustainable public procurement*

**The institutional responsibilities for public procurement are outside the BMZ’s area of activity, both vertically (federal level – state level – municipality level) and horizontally (between the federal ministries).** German DC therefore only has limited leverage here. At the same time, through the Service Agency Communities in One World (SKEW), BMZ supports numerous training measures relating to sustainable public procurement as well as exchange and dialogue formats for committed key players in the public procurement sector. It therefore contributes to awareness-raising and capacity building. BMZ is also involved in developing federal guides and guidelines on sustainable public procurement – in both leading and advisory capacities – and contributes to information products such as reference works.

**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.** To this end, the BMZ should make use of SKEW at municipal level to expand exchange and dialogue formats for procurers as well as qualification measures for sustainable procurement and to raise awareness of these offers in the municipalities. The BMZ should provide the necessary resources for this and advocate for an interdepartmental approach. At federal level, the BMZ should commit itself to expanding training offers relating to sustainable textile procurement.

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