



International Labour Organization

Mid-term Assessment

Local Management Development Programme on
Fundamentals Principles and Rights at Work (LMDP)

SRI LANKA

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“This report was prepared with financial assistance from USDOL. The views expressed herein are those of the author and the Assessment Team, and do not represent any official view of the ILO.”

Disclaimer: All figures regarding changes in factory performance used in the report, although believed to be accurate, could not be independently verified by the AT due to time restrictions. Whilst Social Dialogue appeared to be one of the contributing factors to the success of this project, the AT could only assess ‘changes’ in this factor from personal interviews with the workers and management and it is their views that are expressed in this report.

Table of Contents

	<u>page</u>
I. Acronyms	4
II. Executive Summary	5
III. Assessment Methodology and Summary	8
a) Summary of the twelve critical points	10
IV. Project Status	10
V. AT Interviews & Findings	13
a) ILO Area Office (AO)	14
b) Secretary of Labour – MOL	14
c) Employers Federation of Ceylon – EFC	14
d) Sri Lanka Apparel Exporters Association – SLAEA	14
e) Brands/Buyers	14
f) Worker Organisations	15
g) National Consultants	15
h) International Experts	15
i) Training Modules/Materials	15
j) General Administration	17
VI. Perceived Risks	17
VII. List of companies and institutions visited during the mission	18
VIII. Conclusions	19
IX. Recommendations	20
	APPENDICES
1. Preliminary summary of findings	22
2.	

I. ACRONYMS

AO	Area Office
AT	Assessment Team
AMC	Name of Brand Agent
DTNA	Detailed Training Needs Analysis
CEO	Chief Executive Officer
CMT	Cut, Make and Trim
EFC	Employers Federation of Ceylon
ETI	Ethical Trading Initiative
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FLA	Fair Labour Association
FO	Finance Officer
HR	Human Resource
OHS	Health and Safety
ILO	International Labour Organisation
LMPD	Local Management Development Programme
MCC	Management and Corporate Citizenship Unit
MDT	Multi Disciplinary Team
MNE	Multinational Enterprise
NC	National Consultants
NPM	National Project manager
MOL	Ministry of Labour
OSH	Occupational Safety and Health
SD	Social Dialogue
TU	Trade Union
UN	United Nations

II. Executive Summary

This mid-term assessment was carried out by T.Malcolm Pugh (T.Malcolm Pugh Associates.UK) team leader, John Ritchotte (ILO Geneva) technical cooperation manager and Theresa M Esquibel (USDOL) program manager representing the donor between the 3rd and 12th March 2003 in Colombo Sri Lanka.

The U.S. Department of Labour has committed funds to the ILO to provide technical assistance to a number of countries to help them realize the principles of the Declaration on Fundamental Principles and Rights at Work. This phase of the LMDP targeting selected factories in Sri Lanka's garment industry is a pilot project that will help the ILO determine the effectiveness and sustainability of working directly with enterprise management. This mid-term assessment takes place approximately 11 months after the project was started in April 2002, and 9 months after the beginning of substantive training. The project is designed to continue with a similar model in 3 other countries.

Three immediate objectives to be completed by the end of the project were identified in the project document. The first states that within 6 months of project start, the training programme itself will have been completed. Secondly, participating factories should have improved their human resource policies towards adherence to the principles of the ILO Declaration as well as OSH measures. The third IO states that best practices linking HR policies and adherence to the ILO Declaration and OSH will have been identified and applied.

For the most part, project objectives were successfully met. This, despite a major challenge at the beginning of the project, which was that the factories and associations which had originally voiced concrete interest, did not in fact participate. The methodology and approach used can be replicated in other countries, once the training materials for each module in the programme have been constructed in a more professional manner. This pilot project has demonstrated that factories are willing to implement 'change' provided that these 'changes' can be quantified in terms of 'benefits' (which have been quantified). All the factories visited stated that they would be prepared to pay more than they had for these services, and they were also prepared to act as ambassadors to other factories assisting in the continuity of the project.

Eight factories participated in the project (the original project design called for 10 to 12). The AT visited 4 companies for the assessment; the remaining 4 companies were visited by the Team Leader and USDOL program manager. The AT interviewed the participating companies and checked areas of improvement in social dialogue (SD), working conditions (WC) occupational and health & safety (OHS) and systems implemented. All companies stated that participation in the project had led to changes in workplace communication and labour-management dialogue, reductions in labour turnover, absenteeism, quality defects, average cost/minute and increased levels of productivity. The main factors contributing to the success of the project appeared to be the methodology and approach used in the project design and follow up activities.

The pilot project design was based on an innovative methodology and approach, consisting of a 2 day training program on specific topics over five training modules (designed by international experts) followed by two visits to each of the factories by the relevant expert and the programme facilitators. The expert defined the areas within the factory where improvements could and should be made and action plans were designed to target these changes. The facilitators (the national programme manager (NPM) and national consultants (NC)) then followed up with factory visits on a weekly basis to ensure that action plans were implemented.

The participating factories represented a range of performers, in terms of size, product and manufacturing base. Some used up-to-date technology and produced volume output for brands; these tended to have better working conditions and standards in place. Others produced

batches/orders on a CMT (cut, make and trim) basis using old technology and less than adequate working conditions. All learnt from the programme as well as each other, so much so that many have formed a relationship for future networking and communication between each other. This can be seen as an unexpected benefit gained from participating in the project.

The AT could only assess ‘changes’ in labour-management communication and worker involvement from personal interviews with the workers and management and it is their views that are expressed in this report. Given the limitations inherent in this type of project review, the AT can only safely say that the project helped to improve relationships between management and workers at factory level, and enabled genuine worker-management dialogue on a range of issues (OSH, working conditions, etc.) in certain factories.

Workers interviewed in all the participating factories stated that they have experienced benefits in the form of improved working conditions, OHS, and improvements in human resources management systems, that, for example, track more carefully the amount of overtime worked by each worker. These changes may have resulted in lower levels of labour turnover and absenteeism, a proxy for improved worker satisfaction, although it was not possible in the time allotted to the AT to verify this.

The brands interviewed stated that they had witnessed remarkable changes in the participating factories, and were quite impressed with the results of the project. They were not alone in stating that other factories wanted to participate in the programme after it had started. This helped confirm for the AT that the project would have little problem in attracting other factories to participate in the future.

Labour and Quality Milestones

The project helped the management implement record keeping systems in each of the factories where they did not already exist, to track the impact of the project and to professionalize the factory operations. Figures cited in this report are drawn from these systems, which were maintained by factory management and monitored by the project.

The average rate of ‘inline’ and ‘end of line’ quality rejects have been reduced by 46% (from 15.74% to 8.76%) and 40% respectively (13.49% to 8.16%). Average labour turnover and absenteeism have reduced by 26% (from 9.04% to 6.66%) and 34%, (from 7.67% to 5.03%), respectively. Increased output per worker has resulted in the reduction of actual cost/min of production from an average of US \$0.1255 to \$0.0708/min, or 43.58%.*

The AT was impressed with the number of changes that had been implemented as a direct result of the project; the national partners and stakeholders also voiced this impression. Success of any project relies on ‘teamwork’ and this pilot project has demonstrated that not only has the project received enthusiastic support from the national social partners, ILO, donors, and stakeholders but, the participating companies and the Brands.

The project’s success may be largely attributed to the following factors, which the AT strongly recommends be kept in mind for future LMDP projects:

- The packaging of the modules so as to combine quality & productivity – issues which management sees as in their direct and immediate interest – with OSH, social dialogue, and discrimination/HR modules. This package should be maintained in future projects, and should be an integral part of any sustainability strategy. That is, if the training package is taken over by another institution, the modules must stay together as a package, in order to maintain its ILO identity.

* Figures provided by NC

- The order in which the modules were presented kept the interest of the management and demonstrated that the project was serious at improving the bottom line. Lessons learned in a prior module were reinforced in ensuing ones.
- The intensive follow-up by the project (NPM and NC) ensured that the problems and solutions pointed out by the international expert were addressed and implemented.
- The measurement systems put in place with the help of the project ensured that changes in working conditions and quality/productivity were captured.
- Promotion of the success of the project and examining various means of sustainability should be taken into consideration at an earlier stage in future LMDP projects

Future modules should be adapted to include issues such as gainsharing and distribution of productivity gains, in the productivity, SD, and HR modules. The SD and HR modules should be given special attention in the future, as these tend to be the most difficult ones to implement. One concern that arose during the assessment was the extent to which genuine SD was introduced and practiced. This is not a weakness of the project, but rather an indication of the difficulty and sensitivity of the subject.

III. Assessment Methodology

The assessment was carried out through interviews and consultations with the project management team, national social partners, target groups and stakeholders, representatives of the ILO, US Embassy and other donors to determine the effectiveness of this pilot project. This report includes their perceived outcomes of the project and areas where they thought improvements could be made.

In line with these objectives the AT designed a formula for obtaining information based on the following twelve points for the project assessment:

- | | |
|-----------------------------|---|
| 1. Finance | - monitoring and controls used for budget |
| 2. Personnel | - staffing and team-working |
| 3. Achievements | - quantifiable results implemented |
| 4. Support | - project support from institutions |
| 5. Milestones | - quantifiable changes |
| 6. Beneficiaries | - actions and reactions |
| 7. Project adjustments | - changes to the project document |
| 8. Sustainability | - ways and means of achieving sustainability |
| 9. Monitoring systems | - systems used to monitor results |
| 10. Strategy | - strategies and methodologies employed |
| 11. Training programmes | - quality of materials used and their effectiveness |
| 12. Institutional framework | - existing and future involvement |

The AT used these points as a guide to the questions that were asked during the interviews and the documentation/controls used in monitoring the project.

On an institutional basis the AT centered on ‘what involvement the institutions had with the project’ and how they perceived ‘their involvement in the future’. On a factory basis the AT visits centered on ‘what had been implemented’ as a direct result of participating in the programme. This took two forms:

- (a) interviews with CEO’s, managers and workers, to obtain their views of the project, the changes that had been implemented and benefits gained
- (b) identifying and quantifying the actual changes that had been implemented

Project monitoring reports were used as a basis for confirming the changes and actions taken by the factories. Additional technical advice was also given to each participating factory during the visit.

Each AT member made notes on each visit, these notes forming the basis of this report, together with samples of documentation used on the project.

a) Summary of the twelve critical points

1. Finance- monitoring and controls used for budget

The project's budget is \$929,039 divided by 4 countries (roughly \$232,260/country). As of the 18 May 2003, the project has spent and obligated \$248,677. Few, if any, additional charges are foreseen. Thus, the project has spent over its strict allocation in Sri Lanka. This may be attributed to higher up front and non-recurring costs, such as development of training material and the assessment mission. The project is administered financially by MCC in Geneva, and monitored and supported by the finance officer in the AO.

There appeared to be some confusion on methods of payments to both NC and from the factories. This should have been laid out at the start of the project and not during. Greater clarity in the terms of reference of the international experts may have resulted presentations that could have been more readily turned into training material.

Each of the 8 factories contributed 35,000 rupees/module directly to the NC for their support to the factories, which meant each paid a total of 210,000 rupees for the 6 modules, or approximately US \$2211. Future continuity charges would have to be calculated but, it is estimated that the cost could be in the region of (\$US1370/130,150 rupees/module), which equates to approximately \$US203/person -day cost to each factory. The average number of person-days spent for each factory equates to 40.5 person-days, therefore, the ongoing cost would be approximately \$US8221.5/factory for the complete programme, plus administration and back-up costs.

NPM office in IPEC office has thus far been rent-free, with a small amount being charged for utilities. Modest rent will begin to be charged very shortly; although the amount has not been agreed at this moment in time, office rent should be considered on future projects and built into the budget.

2. Personnel- staffing and team-working

The NPM did not have staff, but was supported by ILO (HQ and AO) and monitored and controlled NC activities and kept accurate records of all reports.

3. Achievements- quantifiable results implemented

Most participating factories had improved worker-management communication, with some implementing apparently genuine SD and worker committees. Most had implemented methods of recording quality and production procedures, and all had implemented improvements in working conditions.

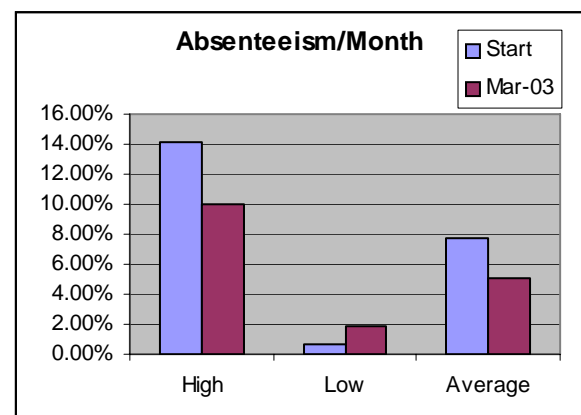
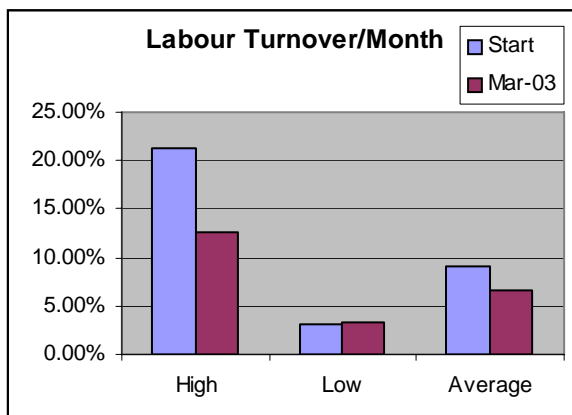
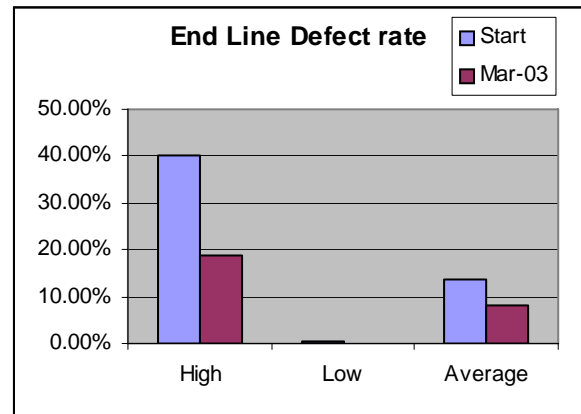
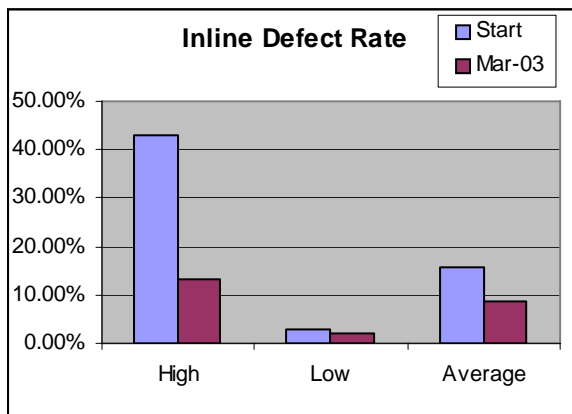
4. Support- project support from institutions

The support from ILO (AO), ILO (Geneva), NC, and the NPM was very impressive, in that they all worked as a 'team' to ensure the success of the project.

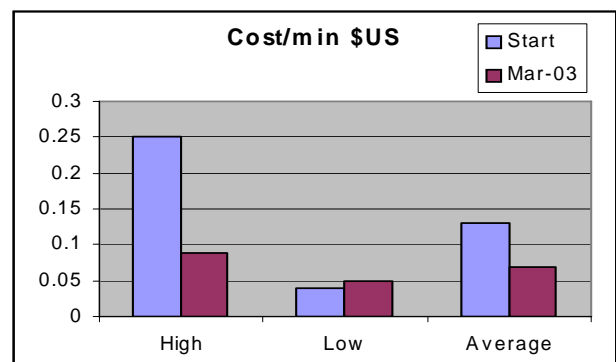
5. Milestones- quantifiable changes

Although the project had fewer participants than the project objective had stated (8 instead of 10/12), the methodology and approach demonstrated that the 'formula' worked and could be transferable. The

following project milestone figures were supplied by NC and show that quantifiable changes have taken place due directly to the programme participation and follow up activities.



The charts show averages across the eight factories in a number of areas. During the programme in Sri Lanka 'in-line' and 'end of line' quality rejects have been reduced in the factories by an average of 46% (from 15.74% to 8.76%) and 40% respectively (13.49% to 8.16%). Average labour turnover and absenteeism have reduced by 26% (from 9.04% to 6.66%) and 34%, (from 7.67% to 5.03%), respectively. Increased output per worker has resulted in the reduction of actual cost/min of production from an average of US \$0.1255 to \$0.0708/min, or 43.58%.



These milestones show that the project has had a dramatic effect on labour turnover and absenteeism. It may be difficult to precisely attribute the cause of this change, but the AT speculates that changes in working conditions and dialogue have contributed. The changes in all of these measures can be safely categorized as impressive.

6. Beneficiaries- actions and reactions

The main beneficiaries were the factories, and specifically factory managers. To the extent that management genuinely implemented the changes, workers also benefited. Management reactions to the AT were very positive and they expressed their views openly about the project and the benefits they had gained from participation. Very few negative remarks were expressed during the interviews; managers were keen to show the changes that had been made. They also stated that they were continuing to explore ways and means of introducing further improvements.

7. Project adjustments- changes to the project document

The main adjustment to the project was to transfer the project control from Geneva to Sri Lanka. The original project design called for a CTA based in MCC/ILO Geneva to manage the project directly. The rationale behind this was that, since the project would be executed in several different countries, economies of scale and lessons learned could be best captured by a centralized CTA. This was quickly deemed inappropriate due to the amount of work demanded on the ground in Sri Lanka, and local expertise was then recruited.

The original PD outlined a methodology of ‘overlapping modules’, that is, while the follow-up to one module was being implemented, the ensuing module was being delivered. This was deemed too difficult logistically, and unnecessarily complex for the participants.

Similarly, the time in between modules and the intensity of the follow-up was increased from the original project design. It was not envisioned that a local consulting firm would be used for the follow-up, and that it would take such a prominent role.

The AT believes that these changes were appropriate.

8. Sustainability- ways and means of achieving sustainability

Given the success of the pilot, the AT was keen to explore the question of how to introduce factors that will maintain sustainability and continuity, extending this approach to other factories in the apparel sector.

The AT discussed sustainability with a number of institutions, including:

- Ministry of Labour (MOL)
- Employers Federation of Ceylon (EFC)
- Sri Lanka Apparel Exporters Association (SLAEA)
- Brands

All knew about the project, the achievements and impact that the project had on the factories who participated. MOL was very keen to have it sustained, and spread throughout the industry and into other industries but could not at this moment in time commit to any ‘financial’ support. EFC stated that not many garment factories are members of the EFC and only one member of EFC had participated in the project. They were interested in being associated in this and future projects. SLAEA are interested on SLAEA’s part in LMDP experience and how it might contribute. Some of those interviewed stated that their companies may assist in contributing to the project on a sustainability basis.

9. Monitoring systems- systems used to monitor results

The project (NPM and NC) monitored the impact of the project. The monitoring systems used served the purpose for ensuring that factories implemented their own action plans. The factor indicators covered twelve areas; unfortunately the data for all 12 are incomplete and only data for quality defects, labour turnover and absenteeism and the average cost/min could be used as

‘indicators’ that were meaningful to the AT. Future LMDP projects would benefit from capturing certain of these data more accurately and completely, and from capturing other data, such as accident rates and worker attitudes.

10. Strategy- strategies and methodologies employed

The basic strategy and methodologies used proved to be sound and produced some very good results, and has gained the attention of the broader apparel sector. However, more thought is needed on how to ensure the sustainability of the project. Now that this pilot project has been successful one must urgently consider the ‘way forward’ based on the ‘Sri Lankan experience’.

11. Training programmes and materials

Although the training materials were provided as a result of the experts’ presentations, which in certain cases were designed for the project, in their existing format they cannot be transferred to another location/country. The materials have to be designed as one programme containing all six modules and used as a package. The NC has been given a contract to accomplish this.

12. Institutional framework- existing and future involvement

Although not involved in the project, the MOL, EFC and SLAEA showed varying degrees of interest in participating in the future and assisting in sustainability.

IV. Project Status

The project is now in its final phase of monitoring and follow-up. It will continue to monitor improvements on a monthly basis up and till September 2003. Options for sustainability are being explored by project staff and by the ILO AO in Sri Lanka and the LMDP backstopping office at HQ.

V. Interviews and Findings

The AT was impressed by the results achieved using the methodology of short training courses, factory visits, which outlined areas within each modules where improvements could be made for greater efficiency and the follow-up technique to ensure continued improvements.

Success of any project relies on ‘teamwork’ and this project has demonstrated that not only has the project received enthusiastic support from the national social partners, ILO, donors, and stakeholders but, the participating companies.

a) Project Staff

The LMDP Manager in Geneva was found to have provided timely and important guidance to the NPM. The NPM’s demonstrated reliable leadership and organizational skills, and his large time commitment enabled the project’s design and implementation to be both flexible and effective. Both the Geneva-based management and the NPM appear to have been crucial to the overall success of this pilot project. Furthermore, the ability of the NPM and the NC to serve as effective “change agents” was an important skill due to the delicate nature of the newly established relations with factory management

b) ILO Area Office (AO)

ILO Area Office (AO) provided political support, and helped to organize the meetings with the Board of Investment (BOI), EFC and Trade Unions.

The ILO Area Office (AO) was generally pleased with the project and its methodology. The project had enhanced the ILO's reputation among an important constituency, the business community, and could be leveraged for future activities. The dedication of staff in SL and in Geneva was critical to the success of this pilot project. AO stated that the NPM and NC was 'key' to the success in their role as project facilitators and ensuring that action plans were implemented. The AO remarked on the innovative approach to packaging workers' rights issues and concerns with OSH, productivity and quality. The AT wonders whether 6 months is enough to implement modules, especially for SD social dialogue which may need several months of follow-up and continuous improvement, this also applies to HR, more time may be needed in between modules. (1.5 month instead of 1 month).

c) Secretary of Labour - MOL

The Secretary was familiar with the project due to regular briefings with AO and NPM, and was very keen to have it sustained and spread throughout the industry and into other industries. However, he was not in a position to provide any concrete financial or institutional support to the project, i.e., he considered that it would not be appropriate to host the project at MOL. He informed the AT that MOL was considering having a statutory requirement for worker – management safety committees. He further informed us that a special task force exists under the Minister to address issues of workers in EPZs, and that this department has established mediation centers in the zones to deal with disputes. A productivity secretariat is also being set up in the ministry. One wonders if the LMDP package could be used in this regard? The Minister emphasized that the TU response would be important for sustainability.

d) Employers Federation of Ceylon - EFC

Only 20 of the EFC's total membership of 440 companies are in the garment sector. However, it is the largest business association in the country, and an official ILO constituent. One EFC member participated in the project. The EFC President explained that at the beginning, both employers and TU's were wary of project. Yet it was clear from the AT's interviews with the EFC that they now saw the project as quite beneficial. EFC provided some support during project implementation, including providing an afternoon of training on labour law to the factory participants, as part of the SD module. With regards to sustainability, EFC stated that they had the trust of the TU's, the facilities, and some of the expertise needed to house the programme if it were to continue, for example, on a cost recovery basis. The AT and ILO emphasized the importance to success of project of keeping the integrity of the package of 6 modules and the intensive follow-up. The AT does suggest TU's be more closely involved, with suggestions provided in the section on recommendations.

e) Sri Lanka Apparel Exporters Association - SLAEA

The SLAEA has 225 members, totalling 800 factories. It had originally expressed interest in participating in the project, but in the event, did not. They have seen its impact, and would be interested in future participation. The SLAEA has an auditing body that certifies companies on quality, labour, OSH, etc. and would like this body to be independent from SLAEA in order to give it credibility.

They informed the AT that they will seek recognition and certification of this independent auditing function from various brands and brand associations, such as WRAP, FLA, SA 8000, etc. They are seeking to have a uniform code across SL, so that factories not subject to different rules and requirements from different buyers and brands. SLAEA is involved in the PRSP process (Poverty

Reduction Strategy Paper), called “Regaining Sri Lanka”, through two subcommittees, one on HRD and one on “labour initiative”.

f) Brands/Buyers

Three brands (3) interviewed stated that they have seen remarkable improvements in the participating factories that produce their products, in areas such social dialogue, work-flow, layouts, good housekeeping, output and quality levels. They also stated that several other factories wished to participate in the project, having heard of the its achievements.

g) Worker Organisations

Although the Trade Unions (TU’s) were not directly involved with the project design, they were kept up-to-date on the project activities and results; those who the AT interviewed expressed their desire to participate in the continuation of the project. TU intervention and participation in future project activities is desired, for example, the review of training materials and project results, through the workers committees/MDT’S.

The three trade union representatives interviewed asked if workers’ wages had increased, and AT outlined the benefits obtained such as, meals, transport and SD including workers committees. The TUs were not involved with the project design but asked to be included in this and future projects. Suggestions for such involvement are made in Section VIII – Recommendations of this report.

h) National Consultants

The use of NC contributed to the success of the project as facilitators, their dedication and professionalism was ‘key’ to the changes made in the factories. One might not find the same type of facilitators in other countries where this project is being planned. A budget consideration/adjustment might well have to be planned so that NC can participate again. They now have the knowledge and experience from this project that would certainly be an advantage in replication. This is especially so now that they are developing the training materials.

NC person-hours spent on Project/Module

PERSON-HOURS / MODULES		Quality	Productivity	Social Dialogue	HR	Health & Safety	CI
1	Orientation	21	3	3	5	9	0
2	Workshop	64	64	64	64	64	64
3	Factory Visits	128	160	152	128	128	160
4	Travel time to factories	34.5	46	43	34.5	34.5	34.5
5	Reporting	48	64	60	48	48	48
6	Debriefs & Internal reviews	16	12	8	8	8	4
7	Review meetings	16	16	16	16	16	16
8	Planning	15	5	6	6	5	64
9	Synopsis	6	5	5	5	6	5
10	Other-follow-ups, assistance with presentations, audits and image transfers	8	44	8	8	8	27
		356.5 hrs	419	365	322.5	326.5	422.5

Note: HR = Human Resource CI = Continuous Improvement

		Total Time Spent	Average Time /module	Average time / Factory
1	Orientation	41 hrs	6.83 hrs	0.85 hrs
2	Workshop	384 hrs	64 hrs	8.00 hrs

3	Factory Visits	856 hrs	142.66 hrs	17.83 hrs
4	Travel time to factories	227 hrs	37.83 hrs	4.72 hrs
5	Reporting	316 hrs	52.66 hrs	6.58 hrs
6	Debriefs & Internal reviews	56 hrs	9.33 hrs	1.16 hrs
7	Review meetings	96 hrs	16 hrs	2.00 hrs
8	Planning	101 hrs	16.83 hrs	2.10 hrs
9	Synopsis	32 hrs	5.33 hrs	0.67 hrs
10	Other-follow-ups, assistance with presentations, audits and image transfers	103 hrs	17.16 hrs	2.15 hrs
	TOTAL	2212 hours	368.67 hours	46.06 hours

Based on the above figures NC has spent on average 368.67 hours/module (46.00 person days) excluding the remainder of CI follow-ups days (estimated 8 person-days/module), this gives a total estimate time per module of 54.00 person-days/module over 8 factories (6.75days/factory/module or 54.00 person-hours/module) based on an 8 hour person-day. This equates to an average of 40.5 person-days/factory for the whole programme.

Time spent facilitating a project gives a 'benchmark' for other projects and can be expressed in both 'time' and 'cost' required. Times/costs will of course vary from country to country but benchmarks can be used as an indication to how much time is required and at the same time to measure the effectiveness of the facilitators.

NC have spent 2212 person-hours on the project to-date, (figures supplied by NC). Based on these figures and the amount of monies paid to NC the 'actual average cost per person-hour is \$10.05/person hour. (5 modules x 8 factories x 35,000 rupees + [3 X \$2,500] divided by 95 rupees/\$1). One does not know if this is a fair price for the job or whether additional time and costs should be built into the budget for other countries.

Time spent on a project should/could be examined and monitored by the NPM. This would give an indication of the 'actual' hours required in each type of factory, for future reference. One could also calculate accurate costs and time spent on an hourly basis; this information could be used to calculate the time required for other projects and similar factories.

One would expect variations in the time spent in high tech companies to the time spent in small low-tech factories, which would require more time. The above figures do not show these variations and therefore, can only be used as a guide. The only time that should/could vary is the amount of traveling time necessary to perform these duties

As this was a 'pilot' project one would have expected to see some form of time sheets to have been kept on a daily/weekly/monthly time sheets, to record 'actual' times spent on each discipline/module/factory/ facilitator. Although NC administered and facilitated the project, one would question the amount of hours spent on 'quality orientation' (21 hours) and planning time spent on 'module 6' (64 hours).

i) International Experts

Five (5) experts were used in this pilot programme. Some factories commented that some were stronger than others in their chosen subjects; some expressed a wish to have longer modules in subjects such as productivity and quality. For future projects it is recommended that modules be combined so that fewer experts are used. Consideration could be given to the use of three (3) experts only be used instead of five (5); this would enable the experts to spend more time preparing their training materials based on the 'needs' of the factories and to spend more time on visits with the participating factories.

The training materials the experts left behind were incomplete, and in most cases training cannot be replicated without considerable work. In future projects contracts must be designed to include training materials based on professional templates, so that one has consistency of training materials.

The programme is made up of five (5) training modules and one (1) for continuous improvement, which has proved to be a successful combination in Sri Lanka. This programme must, therefore, be kept as a package and not used as separate modules, if other projects are to achieve the same success rate.

j) Training Modules/Materials

The experts left copies of their papers and power-point slides used, however, in their present format they could not be used as 'training modules', due to the fact that components are missing and each has a different format. The materials were developed/brought by each expert to which they may or may not have copyright and used in the programme. This leaves a gap in the training modules that have to be filled, if one is to use these for training other factory participants in Sri Lanka and if one is to use these materials in other countries.

Realizing these deficiencies the ILO have signed a contract with the NC for \$10,000 to develop these materials into a professional format. To this end the AT Team Leader after discussions with the NC team gave examples of a formal trainers guide and templates of training materials used on ILO and EU projects, on a CD disk. The consultant also requested that on completion of the first module, a copy is sent to ILO Geneva for verification and examination.

k) General Administration

The NPM has kept precise records on all activities/reports of the project, with exception of the budget monitoring, which was monitored by the local finance officer in AO. However, it must be noted that some financial decisions and commitments made in ILO Geneva, were not precisely spelled out to the local FO at AO and were, therefore, difficult to monitor and control. This refers to the method of payment and guarantees to the NC. The project may have unwritten clauses/understandings that could have increased the budget, which should of course be avoided.

The general project administration as a whole is acceptable with the exception of:

- a) Monitoring of invoices raised and paid to NC
- b) Absence of time sheets from NC
- c) Absence of conclusions in progress reports from NC

The methodology used in monitoring action plans for each factory was very professional and easy to follow. One would have liked to see a conclusion written by NC on how they perceived the progress of the action plans, e.g. minor or major improvements, implementation timescales and action plans outstanding and possible reasons.

VI. Perceived Risks

All projects have perceived risks, even the best-planned projects have project deviations, and the largest risk factor is exceeding the budget.

- There is a perceived risk that continuity and enthusiasm for the project maybe delayed due to lack of future funding.
- Logistics of infrastructure made visits to company locations difficult. Roads are not very good, frequent traffic jams and power cuts are experienced

- Delay in the production of formal training modules

No other problems were encountered during the mission.

The project had difficulties to recruit factories to participate, after having received signals of strong interest and support in preliminary meetings. This may be attributed to a separate ILO workshop on a sensitive topic of international labour standards on freedom of association and collective bargaining. Additionally, some confusion was expressed by the factories between the ETI project and the ILO project.

The programme was well advertised in local papers with little response. The NPM then used his local knowledge and contacts to recruit 8 companies into the programme. The geographical locations of the participating factories posed a logistical challenge. The 8 factories are spread in 4 different locations (traveling time from Colombo to some factories is 2 to 3 hours) where transport and road conditions make attending the programme a logistical problem.

VII. Conclusions

Overall the project has met the objectives stated in the PD, and in some cases enhanced these by achieving unexpected benefits such as an informal network between the participants who attended the programme. The results achieved using the methodology of short training courses, factory visits, (which outlined areas within each modules where improvements could be made for greater efficiency) and the follow-up technique to ensure continued improvements, has been very successful and showed that the main PD objectives were well founded.

ILO Area Office (AO) provided political support, and helped to organize the meetings with the Board of Investment (BOI), EFC and Trade Unions. The dedication of staff in SL and in Geneva was critical factors in the success of this pilot project. AO stated that the NPM and NC were ‘key’ to the success as project facilitators and follow up, Innovative approach to packaging workers’ issues and concerns with OSH, productivity and quality.

One might not find the same type of facilitators in other countries where this project is being planned. A budget consideration/adjustment might well have to be planned so that ‘NC’ can participate again. They now have the knowledge and experience from this project that would certainly be an advantage in replication. This is especially so now that they are developing the training materials.

The ‘teamwork’ and enthusiasm from the local management team, and its partners showed during the interviews, the AO even used some of their local budget to facilitate the project, this is to be commended, although such funds should be budgeted for in the project.

The number of changes that had been implemented as a direct result of the project as seen by the AT and voiced by the national partners and stakeholders created a deep impression. The majority of changes incurred little or no capital investment to the factories, some were considered ‘good management practice’.

The AT were impressed with the speed in which ‘changes’ were implemented and the enthusiasm of the CEO’s in the factories to implement ‘change’. Some CEO’s after quantifying their own results are in the process of investing more capital in people and working conditions, to obtain increased benefits such as, new ventilation and air extraction units.

Although the participating factories were less than was intended (8 instead of 12) one wonders due to logistical locations if twelve (12) factories were ambitious for this pilot project. The parties who

were directly involved in the project were certainly enthusiastic, supportive and above all committed to the success of the project as a whole.

The timescale of module implementation appears to be tight for the factories and one wonders whether 6 months is sufficient to implement five (5) or more modules, SD social dialogue may need several months of follow-up and continuous improvement, including HR module, more time may be needed in between modules. (1.5 month instead of 1 month).

Success of any project relies on ‘teamwork’ and this project has demonstrated that not only has the project received enthusiastic support from the national social partners, ILO, donors, and stakeholders but, the participating companies.

The methodology and approach used in this project was successful, the question is, how can we introduce factors that will maintain sustainability and continuity, extending this approach to other factories in the apparel sector in Sri Lanka.

The various meetings demonstrated that key stakeholders knew about the project, the achievements and impact that the project had on the factories who participated. MOL was very keen to have it sustained, and spread throughout the industry and into other industries but, could not at this moment in time commit to any ‘financial’ support.

EFC stated that not many garment factories are members of the EFC and only one member had participated in the project. They were interested in being associated in this and future projects. SLAEA are interested on SLAEA’s part in LMDP experience and how it might contribute. Some of the Brands stated that their companies might assist in contributing to the project on a sustainability basis.

The costs involved in funding the continuation of the project would involve facilitators such as NC, who would charge between approximately \$10 to \$15/man-hour, based on their current charges and future expectations. Future continuity charges would have to be calculated but, it is estimated that the cost could be in the region of (\$US1370/130,150 rupees/module), which equates to approximately \$US203/man-day cost to each factory. The average number of man-days spent for each factory equates to 40.5 man-days, therefore, the ongoing cost would be approximately \$US8221.5/factory for the complete programme, plus administration and back-up costs.

Although the Trade unions (TU’s) were not directly involved with the project design, they were kept up-to-date on the project activities and results; those who the AT interviewed expressed their desire to participate in the continuation of the project.

One fact that has come out of this pilot project is that the programme must be kept intact (with a degree of material changes) otherwise it might very well lose its impact on future implementations.

Continued monitoring and follow-up activities by NPM and NC should show further improvements in the factories and the way they are managed. The fact that both workers and managers have experienced ‘change’ and ‘benefits’ as a direct result of this project will make future ‘changes’ more readably acceptable.

VIII. Recommendations

There are a number of scenarios that might be considered to enable the project to continue in Sri Lanka in its present format. Whichever scenario is eventually considered a greater number of factories must be covered, to achieve prolonged results.

Scenario [1] - SLAEA as the donor/managing agency and NC as the facilitators

SLAEA has a direct relationship with the apparel industry and could use this project as a vehicle to improve export potentials and membership to the association. Members could pay an annual membership fee, based on the number of people they employed. Lets say \$US4.00 for every employee employed, a company employing 250 people would pay \$US1000, a company employing 50 employees would pay \$200 p.a. and a company with 1000 employees \$US4000. This could generate a training fund of up-to \$US250, 000.

Each factory that participated would pay say 67,000 rupees/\$705 per module (existing 35,000 rupees) and the SLAEA would pay the balance from the ‘training funds’. (Estimate\$665/module)

Scenario [2] - EFC taking total control of the project, with assistance from ILO in the form of backstopping. To use either their own ‘team’ and/or use the services of the NC to supplement training and follow-ups.

Scenario [3] - MOL using the project as an ‘Enterprise Initiative’ part funding companies to participate in the programme, with 3rd Wave as facilitators. This would mean a government fund of \$250,000 to subsidize the programme. Each factory that participated would pay say 67,000 rupees/\$705 per module (existing 35,000 rupees) and the SLAEA would pay the balance from the ‘training funds’. (Estimate \$665/module).

Reductions in the cost/min should mean that the factories are making higher contributions to business profits and therefore, should be able to afford higher fees for participating in the programme, realistically 35,000 rupees represents approximately 7000 minutes of production.

TU intervention and participation in future project activities is desired, for example:

- (a) Involvement of the MDT in the implementation of the modules, in particular the module on social dialogue. While the social dialogue specialist may carry out the actual training, both the workers and employers specialists should be consulted and involved to the degree possible, at the discretion of the MDT director.
- (b) Review of results. It is suggested that some level of trade union involvement be sought for a review of the results of the programme. This could be in the form of the selection of a local evaluator acceptable to the local TU’s for each country programme,
- (c) Training for TU’s. With each module, it would be useful to have a half or full day module for the TU’s, addressing the topics to be covered and soliciting their inputs. As such, they would also gain knowledge and information from the programme, relating to the methodology and approach used, and the resulting benefits that can quantified in terms of labour/factory benefits.
- (d) More consistent reporting on the results of the programme, agreed on with the TU’s at the beginning of the project. So that quantifiable results can be monitored and expressed in terms of ‘real’ improvements.

ANNEX 1

MID-TERM REVIEW: TERMS OF REFERENCE

The international community has rededicated itself to observing the core values of the International Labor Organization (ILO). This commitment has been stated in the ILO Declaration on Fundamental Principles and Rights at Work (“Declaration”), in which ILO member States have undertaken to respect the following principles and rights: freedom of association and the recognition of the right to collective bargaining; abolition of forced labor; elimination of child labor; and non-discrimination in employment and occupation.

The U.S. Department of Labor has committed funds to the ILO to provide technical assistance to a number of countries to help them realize the principles of the Declaration on Fundamental Principles and Rights at Work. This phase of the LMDP targeting selected factories in Sri Lanka’s garment industry is pilot projects that will help the ILO determine the effectiveness and sustainability of working directly with enterprise management. This mid-term assessment takes place approximately 11 months after the project was started in April 2002, and 9 months after the beginning of substantive training.

Three immediate objectives to be completed by the end of the project were identified in the project document. The first states that within 6 months of project start, the training programme itself will have been completed. Secondly, participating factories should have improved their human resource policies towards adherence to the principles of the ILO Declaration as well as OSH measures. The third IO states that best practices linking HR policies and adherence to the ILO Declaration and OSH will have been identified and applied.

a) Scope and purpose:

The purpose of this mid-term assessment is to:

- Determine the strengths and weaknesses of the project design: (a) problem identification and needs assessment; (b) identification of target groups and beneficiaries; (c) feasibility of project strategy including objectives, outputs and activities; (d) institutional framework and defined roles and responsibilities.
- Assess the current status of the project including: (a) the relevance of the project’s activities, outputs and objectives; (b) the commitment of social partners and beneficiaries; (c) the quality, timeliness and effectiveness of deliverables; (d) the efficacy of technical and administrative support provided to the project management team by ILO units at HQ and in the field; (e) the capacity and efficiency of the project management team.
- Assess the quality and usefulness of the performance measures selected. This will be done from both a quantitative (for productivity, quality) and qualitative (for HR, discrimination, social dialogue) standpoint, trying to control for any intervening variables that may have impacted on enterprise performance. The assessment team will try to assess whether management and worker attitudes have changed as a result of the project. The assessment team will also try to make some kind of assessment of the cost per worker (or per other unit) of the project.
- Review the project's performance monitoring plan/approach to ensure regular, consistent collection of data during and after the project (e.g., including who is responsible for collecting which data, how often, with which format, and from which sources). This should be included in the review of the performance indicators and identification of key indicators that capture the most significant benefits and/or other impacts of the project

- Ascertain whether the project's results have had or are likely to have a sustainable effect after the end of the project. The analysis should look at the capacity and readiness of beneficiaries to continue project activities and/or replicate them. It should also assess the availability of institutional, financial and human resources needed to ensure sustainability. This will include a review of the training modules produced, even if still in draft form.
- Review the financial situation of the project and the efficiency in utilizing the project's resources.
- Identify necessary revisions and propose recommendations to maximize the success of the project within existing time frame, resources, and political and environmental constraints.
- Highlight future needs and possible strategy.

b) Current status:

Current status/progress of project

c) Assessment methodology:

The assessment will be implemented by a team consisting of an independent consultant who will act as the team leader, a representative of the USDOL, and an official from ILO In Focus Programme for Promoting the Declaration. The team leader will draft the assessment report, with the ILO or USDOL representatives having the option to submit supplementary comments to the report in the event that either or both feel that the report does not adequately represent their views. The assessment report will follow the format agreed upon between ILO and USDOL.

Prior to the field mission to the project site, the team members will be provided with the project document and subsequent revisions (if any), budget and latest budget revision and progress reports. A mission to Sri Lanka will be carried out during the week of 2 March 2003, to gather information, interview and consult with the project management team, all national social partners, target groups and stakeholders, representatives of the ILO, US Embassy and other donors, international and national organizations as appropriate.

d) Duration and milestones of the assessment:

The team leader will have three days to review the project documents. The assessment team will conduct a 5-day field mission to Colombo, Sri Lanka from 3 to 7 March 2003. At the end of the week the team leader will submit a 1-2 page preliminary summary of findings to his team. The consultant will stay on for an additional two working days to review the four factories that will not be covered during the assessment itself. On 19 March the independent consultant will e-mail the draft report to the other team members. The team will return their comments to the consultant by 25 March. The consultant to the ILO will submit the final report on 31 March.

VIII. List of companies and institutions visited during the mission

	Person Met	Organization
1	Jayantha R de Silva	ILO – National Project Manager
2	Claudia Coenjaerts	Director ILO Area Office
3	Shafinaz Hassendeen	Senior Programme Officer ILO (AO)
4	Ayoma De Silva	Admin/Finance Officer ILO (AO)
5	Stefan Moraes	MD - 3 rd Wave Consulting Group (NC)
6	Shameera Leitan	Business Development Manager -3 rd Wave (NC)
7	Roshami de Silva	Senior Consultant 3 rd Wave (NC)
8	Rienze Diaz	Senior Associate Consultant 3 rd Wave (NC)
9	Paduma Subasinghe	Associate Consultant 3 rd Wave (NC)
10-18	Managers of supplier factories	
19	William H Avery	American Embassy
20	Mahinda Gammampila	Secretary-Min of Employment and Labour
21	Dr W Ranjit de Alwis	Deputy Commissioner of Labour
22	SLAEA member senior manager	
23	Lyn Fernando	Chairman-Advisory Committee Ceylon Chamber of Commerce
24	Gotabaya Dasanayaka	Director General-Employers Federation of Ceylon
25	Brand Representative	MNE1
26	Franklyn Amerashghe	Director-Emsolve Consultants (Pvt) Ltd
33		Workers Organization
34		Workers Organization
35		Workers Organization

Prior years: \$156,617 total expenditures
2003: \$58,777 expenditure \$33,283 obligations
TOTAL: \$248,677 expenditure and obligation