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Five years on from Rana Plaza

Helping to improve labour standards through sustainable public procurement

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The Current Column

of 23 April 2018

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Bonn, 23 April 2018. Five years ago, on 24 April 2013, a factory building in Rana Plaza, Bangladesh in which thousands of people worked on garments for export, collapsed. Claiming 1,138 lives, the collapse was the result of a failure to comply with building regulations and occupational health and safety requirements. At the time, the disaster turned public attention to human and labour rights along global value chains. But what became of this justifiable outrage on the part of the international community, and are states now living up to their responsibilities?

Rana Plaza was one of the most serious accidents in Bangladesh's clothing industry. As a media event, this catastrophe raised public awareness of the unacceptable and sometimes deadly working conditions in Bangladesh and the global South as a whole. One of the most significant indicators for this are the pledges made by major brands to require their suppliers to meet higher standards and to monitor compliance.

As in many producer countries in the global South, while Bangladesh's labour legislation is quite progressive, there is a lack of enforcement. The factory collapse in Rana Plaza served to strengthen efforts to improve working conditions and workplace safety in Bangladesh and beyond. However, many problems remain. Broad-based regulations on fair production conditions, such as the UN Guiding Principles on Business and Human Rights, have been found to have barely any impact. At the same time, the response of companies and policy-makers to the Rana Plaza disaster has made clear the need to improve working conditions. Consequently, a more promising approach would be to start on the demand side, placing pressure on companies to take action and underscoring their responsibility for the social and environmental consequences of their production activities.

Public demand accounts for between 15 and 20 per cent of global economic output, which means that, like private consumption, it can exert significant influence on production conditions. In Germany alone, public-sector procurement volumes total around EUR 460 billion per year. This means that public demand has tremendous leverage over distributors and manufacturers. As such, sustainable public procurement is also listed as a key instrument for implementing the UN Sustainable Development Goals under the 2030 Agenda. Thanks to reforms in EU and German public procurement law, this lever-

age can in theory also be used to ensure compliance with social and environmental standards in the awarding of public contracts.

In practice, however, the number of public-sector clients that incorporate those criteria into their tenders is very small. In municipalities in particular, which manage around two thirds of Germany's national procurement volume, those taking the lead on this issue are few and far between. This could not be changed by federal state legislation on the topic. In the same way, fair procurement projects tend to be the exception rather than the rule in the municipalities of other EU states as well. It is always a case of positive beacon projects; there is no across-the-board implementation by municipalities and other public-sector consumers. The potential of the public procurement sector for bringing about a sustainable transformation is barely being leveraged.

Initial findings indicate that unlocking regulatory potential for pursuing social and environmental objectives in public procurement is just one of the areas in which change needs to be instituted. Accordingly, a current research project by the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) is analysing two other components that are at least just as important for implementing fair procurement at municipal level – administrative structures and the role of dedicated individuals. Practical guidelines on sustainable public procurement have been around for years, but there is a lack of insights into transformation processes for their implementation within municipal administrations. It is precisely this gap in the research that the project will address with reference to municipal actors in Europe, Latin America and Sub-Saharan Africa, involving stakeholders from the world of practice in the process.

Through its procurement decisions and the way they are designed, the public sector has a powerful instrument at its disposal for correcting market failure on social and environmental matters and influencing economic actors. However, this requires that institutional change processes be initiated through training, change management and support for individuals with conviction. If the public sector manages on this basis to make large parts of its procurement activities sustainable, then it will be able to make a key contribution to ensuring that events such as the Rana Plaza accident do not happen again.