

**QUARTERLY REPORT
APRIL 1, 2006-JUNE 30, 2006**

Continuous Improvement in the Central American Workplace (CIMCAW)

USAID Global Development Alliance

The Continuous Improvement in the Central American Workplace (CIMCAW) Project will demonstrate that improved working conditions increases garment factories' ability to meet the growing demands for social compliance as well as increases their competitiveness in terms of quality and productivity. The CIMCAW project submits the following Quarterly Report on project activities carried out between January 1, 2006 and March 31, 2006

The format for the CIMCAW Quarterly Report will be as follows:

- Part I Key accomplishments this quarter
- Part II CIMCAW Achievements to Date
- Part III Problems Encountered and Proposed Solutions
- Part IV Next Steps

Also attached is the following annex:

Annex A: Trip report on the Apparel Conference of the Americas

I. CONTINUOUS IMPROVEMENT IN THE CENTRAL AMERICAN WORKPLACE (CIMCAW) PROJECT KEY ACCOMPLISHMENTS, APRIL 1 THROUGH JUNE 30, 2006

Introduction

To date, the project has trained and disseminated information on labor standards to approximately 80,500 stakeholders, including private sector, international brands, unions, government, and NGOs. The project has introduced the concept of labor standards as an element of competitiveness and has made significant advances toward ensuring that this important issue is part of the agenda of key stakeholders.

CIMCAW has also made great strides in improving the industrial relations climate in the region by bringing together unions, industry associations, government and NGOs to work together, a first for many of the countries involved. The multistakeholder consultative committees where high-level representatives of each key sector participate in the development of the training program and in guiding the project in Honduras, Nicaragua, and the Dominican Republic provide evidence of this.

Homero Fuentes, CIMCAW's Regional Project Coordinator stated that this project has made it possible for unions, industry associations, government and NGOs to work together, a first for many of the countries involved.

As a result of CIMCAW's intensive work with stakeholders, the CIMCAW project is rolling out the worker-manager training in the region. In particular, the heavy work in terms of design, curriculum development, and stakeholder engagement, has been completed and the project is now poised to provide a significant level of worker-manager and follow up in Nicaragua, Honduras, Dominican Republic, and Guatemala. Additionally, the project has received requests from the Ministries of Labor in the Dominican Republic and El Salvador to deliver a second round of trainings to all of their approximately 250 inspectors.

Given the delicate nature and recent history of industrial relations in Central America, getting stakeholders to recognize the importance of this issue and form consultative committees and working groups is a significant first step, but there is still work to do to get the region to embrace sustainable solutions. CIMCAW is poised to take on more of this work and is actively engaging projects such as the U.S. Department of Labor Cumple y Gana project and others to ensure that our work complements theirs and that it facilitates further advances on labor standards compliance once the project

Among the most significant achievements of this quarter were:

Joint Worker-Manager Trainings in Nicaragua

During this quarter, the CIMCAW project delivered 3 worker-manager trainings to 39 trainees (26 workers and 13 managers participated, of which 50% were women), from 4 factories in Managua. Two of the factories that participated are unionized. Of the unionized factories, the first -- FORTEX -- has two unions and the second -- Henry Garment -- has one union. Two of the factories that participated are owned by Asian investors while a third factory is owned by an American investor (see table). Topics covered included: introductory modules on the context affecting the competitiveness of the textile and apparel sector (i.e., expiration of MFA, DR-CAFTA,

and globalization), a module on Human Relations, Fundamental Rights and Obligations of Employers and Workers, Freedom of Association, Gender and Discrimination, and Health and Worker Safety.

Factory	Capital	No of Workers	Union
Knitwear	Nicaraguan	180	not unionized
USLC	North American	1700	not unionized
Henry Garment	Taiwanese	2700	CTN(a)
Fortex	Taiwanese	800	CUT and CST

In the workshops, managers and workers discuss what the labor legislation and international standards say about each of the elements and then separate to discuss specific issues in their factories. A recent workshop on freedom of association featured both a presentation by a representative of Gap Inc. about how CIMCAW builds on the compliance and monitoring programs the brand is implementing in its supply chain and a panel of local and international labor leaders, who spoke about their positive experiences in exercising the right to freedom of association. At the end of each workshop, workers and managers get together again to discuss findings and visualize possible joint solutions for non-compliances. Workers and managers stated not only that they are learning important topics that will help them in the workplace, but also that they are proud to have been chosen to participate in the program.

The success of the joint training was due to the excellent work of the Instituto Nicaragüense de Estudios Humanísticos (INEH), working with the international partners and the local multisectoral Advisory Committee, who have worked closely with the partners to ensure that the trainings respond to the local context. CIMCAW alliance members GAP and the ITGLWF (International Textile, Garment, and Leather Workers Federation) as well as a local law expert from the Ministry of Labor presented and participated in panel discussions. In addition to the participants from the factories, the second workshop on fundamental rights and obligations of employers and workers was observed by Victoria Walton and Jeffrey Lehrer of USAID.

According to evaluations distributed to the participants, the training was very well received and there is a strong desire for more training and follow-up. By the end of the training workshops, participants demonstrated an increased knowledge of the issues. The second cycle of joint worker-manager training for a new set of factories in Nicaragua began in early July. Upcoming trainings in the region will target important suppliers to Gap Inc and Timberland in Guatemala and the Dominican Republic.

Multistakeholder Dialogue and Advisory Committee Activities

- The Nicaraguan CIMCAW Advisory Committee, a multistakeholder committee that was established to support CIMCAW activities met regularly with CIMCAW's local partners INEH to finalize the worker-manager training program, including training curriculum and methodology; and plan the trainings, which took place and upcoming trainings.
- In Honduras, a multistakeholder CIMCAW Advisory Committee has

CIMCAW improving the industrial relations climate through dialogue. Recent events in the textile and apparel sector in Honduras have led to increased tensions between the unions and the private sector. Despite these tensions, through the Consultative Committee that has been established, CIMCAW is bringing these groups together. The stakeholders appreciate the fact that the CIMCAW project has provided a neutral forum for them to get together and engage in dialogue on an issue of common interest. The stakeholders have told us that they find the CIMCAW meetings useful and want to continue working together to develop the workplan and training program.

- been established and is working toward developing a workplan and then, the training program.
- Participated in the Apparel Conference of the America's meeting in Nicaragua and engaged approximately 20 persons directly, including the American Apparel and Footwear Association (AAFA), American Apparel Producers' Network (AAPN), multinational brands such as Vanity Fair and Pacific Sunwear, as well as the Nicaraguan government on current challenges facing the industry, labor standards compliance and tools for achieving compliance (see trip report in Annex A).
 - Engaged approximately 10 persons at a Business Ethics, Training of Trainers, conference in June in Washington DC, hosted by the Department of Commerce.

Training Curriculum

- Local partners in the Dominican Republic continued developing training curriculum in preparation for training slated for August in at least two of the largest factories in the Dominican Republic, Grupo M and Interamericano.
- The Nicaraguan and Guatemalan training curriculums will be used as the basis of the curriculum used in the DR and Honduras.

Alliance Partners

- Held bi-weekly telephone conference calls to support project implementation.

Coordination with other donors and Initiatives

- Confirmed the participation of the ILO in the worker-manager trainings scheduled for the end of July in Nicaragua. The ILO will send a trainer to present a module on occupational safety and health.
- Continued discussions with Cumple y Gana about coordinating on either a workshop or training.

Administrative

- Recruitment of Communications Assistant to support the project from Guatemala completed. Abby Nájera was hired to support the project's work.
- Continued updating of the website (internet and intranet).
- Contributed bi-weekly reports to USAID.
- Submitted report on project achievements and accruals to USAID/Guatemala (see Annex B).

II. CIMCAW ACHIEVEMENTS TO DATE

Since October of 2004, CIMCAW has completed numerous key activities. The achievements to date include:

- ✓ **Completed diagnostics in Phase I countries** – Nicaragua, Honduras and the Dominican Republic. *

* Phase II countries include El Salvador and Costa Rica. Our knowledge of Phase II countries, which has been confirmed by early experience indicates that advancing on labor standards training for workers and managers will be significantly more difficult than delivering training in Phase I countries. In El Salvador, there is a lot of resistance in key sectors to such training and distrust among the sectors. Given the relatively smaller size and decline of the sector in Costa Rica this country presents other challenges with the promise of a relatively smaller impact. The Alliance Partners expect that by advancing on worker manager training and social dialogue in Phase I countries CIMCAW will create a demonstration effect, build the project's legitimacy, and allow us the time needed to build relationships in Phase II countries that will give us the opening to deliver worker manager training in the Phase II countries. In the meantime, we will work on building relationships with key stakeholders through social dialogue.

✓ **Trained over 135 inspectors from the Ministry of Labor, NGO monitors, and private auditors in Nicaragua, Honduras, Guatemala, and the Dominican Republic.**

Educating workers and managers on their rights and obligations as inscribed by national legislation and ILO Conventions is one side of the coin when it comes to improved labor standards and improved competitiveness of the maquila sector. The other side is credible, effective, and consistent enforcement of labor standards. This does not exist in Central America. Among some of the challenges in this respect, the Ministries of Labor do not have the capacity to ensure effective and consistent enforcement nor are their inspectors trained in the latest auditing techniques. To make matters worse, there is no coordination with or understanding of the increasingly large role played by third party auditors (private sector and NGO). The result is:

- Weak labor standards enforcement;
- Lack of credibility of inspectorates;
- Distinct auditing techniques used by the MoL inspectorate and third party auditors. This results in higher compliance costs for the private sector, which has to respond to both.
- Antagonistic relationship between the MoL inspectorate and the third party monitors due to a lack of understanding of their roles and the potentially complementary nature of their work.

The CIMCAW Inspector and Auditor training was designed to respond to these challenges and in the process lower the private sector's compliance costs and increase their competitiveness. The 3-day workshops brought inspectors from the Ministry of Labor and third party auditors together in a single training for the first time and demonstrated the complementary nature of their work. The workshops focused on new methodologies and tools to elevate the level of the verification of labor conditions in the manufacturing sector. They identified obstacles and challenges in the present context of the industry in Central America and best practices and provided tools to overcome these.

Among the specific themes covered in the workshop were:

- The present challenges and opportunities in the Central American manufacturing sector (e.g., end of MFA quotas, DR-CAFTA) and the verifiable improvement of labor conditions as a factor in competitiveness
 - The rise in new instruments of labor rights protection and its relation to national and international labor legislation
 - The verification of compliance with fundamental norms and rights. For example:
 - How to approach the theme of child labor and its remediation
 - How to calculate a basic and living wage, and which elements should be considered
 - How to verify if working hours and overtime pay are being complied with
 - How to monitor particularly difficult areas, like discrimination and free association
 - What are the most frequent health and safety risks in the sector and how to verify their prevention
 - How to interview workers while guaranteeing their safety and confidentiality
 - What instruments can help to standardize the work of the inspector/auditor/monitor and the presentation of his or her findings
- ✓ **Trained 39 workers and managers from 4 factories in a joint training in Nicaragua** (see description on p. 2 of this report).

- ✓ **Groundbreaking advances made on social dialogue on labor standards. CIMCAW has trained and disseminated information to approximately 90,000 stakeholders, including private sector, unions, NGOs, governments and multinational brands.** The events CIMCAW has hosted and participated have been groundbreaking because they represent the first time in many of these countries that all of the key stakeholders have participated in a dialogue on labor standards and CIMCAW has also worked to open a space that expands the conventional tripartite model to a true multistakeholder model which brings unions, government, private sector and now NGOs to the table. This sort of dialogue is critical for improved industrial relations, sustained improvements in working conditions, and increased competitiveness of the sector. Nonetheless, the highly contentious history of industrial relations in the region has resulted in a climate of hostile industrial relations. Generating any sort of dialogue between the stakeholders in the textile and apparel sector has been a tremendous challenge. CIMCAW has been able to advance much needed dialogue on labor standards by framing the issue of improving compliance with labor standards as an issue vital to the textile and apparel sector's competitiveness and thus to continued it's vitality and to jobs.

	Nicaragua	DR	Honduras	Costa Rica	El Salvador	Guatemala	USA/Regional	Total
ITG Union Workshop Participants	21	29	18			20		88
Union members reached by ITG workshop	1,500	5,200	1,500			300		8,500
Project Directors (impacted by mtgs w/ Union wksp participants)	19	16	15	4	5	20		79
Factory workers (from 45 Factories)	20,000	21,000				21,000		62,000
Trained workers	26						50	76
Trained managers	13							13
Inspectors from MoL	25	30	60		75	25		215
Employers	34	10	5	1	5	30		85
Government	21	14	5	2	10	7	580	639
NGOs/University	25	7	8	4	7	20	1,600	1,671
Donors/projects	3	3	6	5	3	5	590	615
Presentation to Univ. Rafael Andivar on glob, TLC, and labor						400		400
Presentation at CCAA event in Guatemala and GILCA						150		150
Conferences							4,800	4,800
Publications							12,000	12,000
Private Companies (branding)							250	250
Other							800	800
Total	21,687	26,309	1,617	16	105	21,977	20,670	92,381

- ✓ **A significant achievement of the project is that it has put the issue of labor standards on the local stakeholders' agenda.** This is evidenced by the fact that the project has established functioning multistakeholder Advisory Committees that meet regularly. These committees include key private sector, union, government, and NGO representatives. Furthermore, the CIMCAW project has been integrated into the workplan of local organizations and industry associations, insuring sustainability of the labor issue after the life of CIMCAW (see text box).

- ✓ **Establishment of multistakeholder advisory committees in Nicaragua, Dominican Republic and Honduras.** The establishment of these Committees is a highly significant achievement of the project. These Committees have brought groups together to work on issues of common interest that have had antagonistic relationships for years.

The Committees are structured in such a way that they can continue to function even past the life of the project. Further evidence of established social dialogue on labor standards as a result of the projects efforts include: the well-attended and received regional conferences have either focused on included labor standards as a key issue and multistakeholder working groups are being established to deal with the issue, and the great enthusiasm with which the local CIMCAW Advisory Committees (which include all of the key stakeholders –unions, government, private sector, and NGOs) have participated in the project.

- ✓ **Held a highly successful 2-day multistakeholder symposium in Guatemala City that resulted in the establishment of a Compliance Assurance Working Group.** “Global Innovations in Labor Compliance Assurance: Competitiveness and Motivating Industry Growth through Market-Driven Social Responsibility in the Guatemalan Garment Sector” (GILCA), drew over 100 people, including Vice President Dr. Eduardo Stein Barillas of Guatemala, US Ambassador James Derham, key stakeholders from the region and multinational brands such as Gap Inc, Nike, Disney, and Jones Apparel. Significantly, a Compliance Assurance Working Group emerged out of this Symposium. A follow up meeting was held in June of 2006 and attended by Guatemalan stakeholders, including the Government, VESTEX, and unions. They are currently exploring ways to formalize the Working Group and move forward on the issue of Compliance Assurance.

- ✓ **Developed tailored worker-manager training programs.**

The standard CIMCAW worker-manager training program is based on the core elements of national labor legislation and ILO Conventions. The sample program is as follows:

1. Intro and Goals of the session(s)
2. Current challenges in the maquila sector
3. Fundamental Rights at Work
 - Prohibition of child labor
 - Prohibition of forced labor
 - Non discrimination
 - Right to organize and bargain collectively

SUCCESS STORY: CIMCAW puts labor compliance on stakeholders' agendas.

- At the 2005 International Congress of the ITGLWF, Pedro Ortega, Secretary General of Nicaraguan Garment Workers Federation, presented the CIMCAW project as a priority initiative for the union.
- Initial resistance to labor rights by the Association of Honduran Manufacturers (AHM) has changed. They now publicly talk of the importance of the labor issue and are active participants in the CIMCAW consultative committee.

- Hours of work
 - Remuneration
 - Health and Safety
 - Disciplinary Practices
4. Developing a plan of action
 5. Existing mechanisms for ensuring compliance
 - Presentations from the brands (where applicable) or social auditors, the Ministry of Labour, the Employers' Association, and a representative union of workers in the sector.
 6. Evaluating conditions in the factory

Each local partner in coordination with the local multisectoral Advisory Committee and the international CIMCAW partners develop the training program for the particular country in which they are working. Thus, the programs are tailored to the needs and context of the particular country. For example, in Nicaragua, the local Advisory Committee felt it would be important to add a module on Human Resources (HR), so unlike Guatemala, Nicaragua's training program includes a module on HR.

- ✓ **Held union workshops in three countries to obtain union perspective, buy-in from 8,500 members and create a sense of ownership.** One of the lessons from the Guatemala pilot is that it is critical to obtain the buy-in and create and *maintain* a sense of ownership of the project early on. CIMCAW felt that a critical first activity would be the union workshop, which was aimed at presenting the project to the local unions, soliciting their feedback and inviting as one of the key stakeholders in the sector to participate in the development of the project. CIMCAW held union workshops in Nicaragua, the Dominican Republic, and Honduras. We received positive feedback and the unions that participated have as a result become integral members of the Advisory Committees in each of these countries. As such, they have had an opportunity to work with the other key stakeholders in a cooperative manner to influence the shape of the project.
- ✓ **Confirmed the addition of a new corporate multinational brand partner, the Limited Inc.**
As of 05/26/06, CIMCAW received the following in cash and in-kind contributions:

In Kind Contributions	Budget		Actuals
<i>Gap Inc.</i>			\$ 109,564.00
<i>Timberland</i>			
SAI	\$ 73,771.00		\$ 17,606.00
<i>Local Partner</i>			
ITGLWF	\$ 19,980.00		
<i>SUBTOTAL In-Kind Contributions</i>	\$ 93,751.00		\$ 127,170.00
Cash Contributions††			
<i>Gap Inc.</i>		250,000	250,000
<i>Limited Brands</i>		25,000	25,000
<i>SUBTOTAL Cash Contributions</i>		275,000	275,000
TOTAL CASH & IN-KIND CONTRIBUTIONS****	\$ 368,751.00		\$ 402,170.00

TABLE 2: SUMMARY MATRIX OF CIMCAW ACCOMPLISHMENTS*

ACCOMPLISHMENTS FY 2004-2005				
INTERVENTION	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1. Needs Assessment for Coalition Building/Diagnostic	- Developed terms of reference for diagnostic. -Began identifying candidates to conduct the diagnostic in each country.	- Interviewed candidates in DR and Nicaragua, finalizing contracts. Sent TOR for Honduras to various stakeholders	- Contracts signed and field work conducted for diagnostics in Nicaragua, Dominican Republic, and Honduras.	- Public summaries of the diagnostics distributed to local stakeholders and posted on website. - Diagnostics presented to local stakeholders - Final revisions made based on feedback from local stakeholders
2. Multi-Stakeholder Dialogue	-Identified key stakeholders in Honduras and Nicaragua and held initial discussions with them.	- Identified key stakeholders in Costa Rica, Dominican Republic, and El Salvador held initial discussions with them. - Met with key players in follow-up visit to Nicaragua. - Meeting with FESTRAS, local union	- Identified and presented project to key stakeholders in Honduras. - Consultants interviewed all key stakeholders in Honduras, Nicaragua, and Dominican Republic. - Revised workplan to outline next steps for validation workshop and curriculum development.	- Validation workshops held in Nicaragua, Dominican Republic and Honduras with all key stakeholders present. - Multi stakeholder meeting to discuss local partner and project next steps in Nicaragua. - Discussions with local stakeholders regarding local partner in Honduras. Dominican Republic
3. Local Partner Selection	THIS WAS ADDED BASED ON CHALLENGES IN HONDURAS AND NICARAGUA TO FIND LOCAL PARTNER THAT IS RECOGNIZED AS CREDIBLE BY ALL STAKEHOLDERS		- Local Partner presented at validation workshop in Dominican Republic.	- Local stakeholders initiate meetings to discuss local partner options. Further search conducted, and consensus reached. - Project Director consulted with local stakeholders regarding local partner options.
4. Training Design	-Activity to be initiated in Qtr 2	- Visited training facility - Distributed Guatemalan training manual to key stakeholders in Nicaragua and El Salvador as sample	- Developed materials to help prepare the workers regarding the training, its objectives, methodology and content.	- Contracts with local partners negotiated, action plans including first curriculum development workshop developed. First quarter of FY 2006 workshops to be held.
Table 2: SUMMARY MATRIX OF CIMCAW ACCOMPLISHMENTS ACCOMPLISHMENTS FY 2004-2005 (cont'd)				
INTERVENTION	Quarter 1	Quarter 2	Quarter 3	Quarter 4

5. Integrated Training for Workers, Managers, and Auditors				Scheduled for beginning of calendar year 2006.
6. Applied Training				
7. Worker Rights and Life Resource Facilities				
8. Capacity Building of Local Partners	-Activity to be initiated in Qtrtr 3	Discussed with Ministers of Labor regarding auditor training in CR, Nicaragua and El Salvador and the Sub Secretary in Dominican Republic.	Diagnostics will analyze strengths and weakness of local institutions and propose local partner organizations. Begin discussions on how to organize validation workshop and propose local partner organization.	<ul style="list-style-type: none"> - Auditor training conducted in Nicaragua. - Auditor training scheduled for first week in November in Honduras. - Possible auditor training for Dominican Republic and Guatemala first quarter FY 2006. - Sub contracts/letters of agreement with local partners signed by end of 2005.
9. Evaluation and Dissemination of Lessons Learned	-Activity to be initiated in Qtrtr 2	Drafted Strategic Framework and Project Monitoring Plan with indicators, pending partner validation	<ul style="list-style-type: none"> - Drafted outline of problems from pilot project and proposed solutions. - Decided at partners meeting to conduct internal evaluation of CIMGUAW. - TOR and evaluation to be conducted next quarter. 	<ul style="list-style-type: none"> - Indicators collected for first training workshop in Nicaragua. - Strategic Framework and PMP shared with GATE for development of productivity indicators in Dominican Republic.

Table 3. SUMMARY MATRIX OF CIMCAW ACCOMPLISHMENTS

ACCOMPLISHMENT FY 2005-2006				
INTERVENTION	Quarter 1	Quarter 2	Quarter 3	Quarter 4
1. Needs Assessment for Coalition Building/Diagnostic	Completed last year in Honduras, Nicaragua and Dominican Republic.	ACTIVITY COMPLETED	-----	-----
2. Multi-Stakeholder Dialogue	First Advisory Committee meeting held in Nicaragua. Local partner met with unions in Dominican Republic.	Nicaragua: Advisory Committee met regularly to develop and finalize training curriculum & plan for trainings. DR: Local partner continued to meet with key unions in the. Honduras: Advisory Committee established and held meetings in January and February. Guatemala: Co-Sponsored GILCA, a multistakeholder symposium with over 100 participants from all sectors, including multinational brands.	Ongoing in all countries. The Consultative Committees in Nicaragua, Honduras met. The Consultative Committee in the DR is being formed. Directly engaged private sector and unions on the issue of labor standards compliance in Honduras, with a reach of approx. 100,000 workers.	
3. Training Design	First Curriculum Development workshop meeting in Nicaragua.	Nicaragua: Finalizing training curriculum. Guatemala: Training curriculum finalized. DR: Will use Guatemalan and Nicaraguan training curriculum as basis for their curriculum. Honduras: Same.	DR	
4. Integrated Training for Workers, Managers, and Auditors	Nicaragua: Ministry of Labor Inspector and Auditor training ACTIVITY COMPLETED. Honduras: Ministry of Labor Inspector and Auditor training ACTIVITY COMPLETED. Dominican Republic: Ministry of Labor Inspector and Auditor training ACTIVITY COMPLETED.	First round of Worker-manager trainings re-scheduled in Nicaragua for the end of May-June. Trainings in Guatemala scheduled for June-July Honduras and DR will schedule their trainings next quarter.	Three trainings completed in Nicaragua. 39 workers and managers from 4 factories trained. Guatemala and the DR trainings slated for July and August. 2 Ministry of labor trainings in El Salvador scheduled for July.	
5. Worker Rights and Life Resource	-Activity to be initiated in Qtr 2 by local	- Re-evaluating how to approach this activity.	- Local partners to carry out	

<i>Facilities</i>	partners in DR, H, and N		diagnostic study and provide recommendations on how to approach worker rights & life resource centers.	
6. Capacity Building of Local Partners	- DAI worked with INEH and CIPAF on budgetary and contractual matters. Familiarized them with the requirements of a USAID contract. Contracts signed with INEH in Nicaragua and almost signed with CIPAF in Dominican Republic.	-CIMCAW local partners, INEH and CIPAF, have gained experience developing training curriculum in a multistakeholder setting. In the process, they're learning how to effectively engage and work with the various stakeholders, including the international Alliance partners.	The COP and the international Alliance partners have worked with INEH and CIPAF on stakeholder engagement, curriculum development, and training. INEH to attend SAI course on management training in Costa Rica in July.	
7. Evaluation and Dissemination of Lessons Learned	- Pre and post tests given at trainings in Dominican Republic, Honduras and Guatemala.	- Alliance to decide whether to contract outside evaluator or conduct internal evaluation.	Alliance will contract an outside evaluator. Evaluation planning stage.	

CHALLENGES AND PROPOSED SOLUTIONS:

Challenges	Proposed Solutions
<p>Overall Project: Given that the project has 1 quarter remaining, the Alliance is focusing its energies on the low hanging fruit (i.e., worker-manager training in Nicaragua, the Dominican Republic, and Guatemala, MoL inspector trainings in El Salvador, and stakeholder dialogue in Honduras). It will be challenging to do follow up to the trainings. In order to achieve maximum impact with the remaining resources in terms of numbers of workers, managers, and Ministry of Labor inspectors trained; sustainable impact; and ensure that the issue of labor standards and culture of compliance remains firmly on the agendas of local stakeholders the Alliance will request a 9-month extension period.</p>	<p>Request a 9-month no-cost extension.</p>
<p>Guatemala: The union in SAE, one of the factories we are slated to deliver training to in July has some concerns regarding worker selection.</p>	<p>Work closely with the union and factory management to arrive at a solution that all are comfortable with.</p>
<p>Nicaragua: There is interest in more trainings and follow up, but the project is running out of time.</p>	<p>Request a no-cost extension so that we may be able to deliver more trainings and in-depth follow up.</p>
<p>Dominican Republic: Two of the largest factories in the DR are interested in the training, our challenge here is moving forward with the trainings by the end of the project. Again, we have a time constraint.</p>	<p>Request a no-cost extension so that we may be able to deliver the trainings and in-depth follow up.</p>
<p>Honduras</p> <ul style="list-style-type: none"> • Tradition of tripartite dialogue makes including NGO's difficult. • Tensions between the unions and the private sector are making it difficult for them to jointly decide on a local partner. 	<ul style="list-style-type: none"> • Instead of pushing them to decide on a local partner at this time, we're working with the consultative committee on the workplan and training curriculum. The stakeholders appreciate the fact that the CIMCAW project has provided a neutral forum for these actors to get together and engage in dialogue on an issue of common interest. Despite the tensions, the stakeholders have told us that they find the CIMCAW meetings useful and want to continue working together to develop the workplan and training program.

CIMCAW NEXT STEPS FOR THIRD & FOURTH QUARTERS OF FY2005-2006

1. Complete two rounds of worker-manager training in Nicaragua
2. Complete one-two worker-manager training in the DR and 1-2 trainings in Guatemala.
3. Continue working with the Consultative Committee in Honduras.
4. Deliver Ministry of Labor inspector training in El Salvador (By the time this report was being written, the CIMCAW project had already completed 2 Ministry of Labor trainings in El Salvador -- week of July 17).
5. Participate in the World Business Council for Sustainable Development and SNV's regional dialogue.
6. Continue contributing to USAID/EI bi-weekly report on project achievements
7. Submit modification to USAID for no-cost extension, budget realignment, and reduction in cash and in-kind contributions.
8. Honduran Consultative committee to meet to develop workplan.
9. Victoria Walton, Jeff Lehrer, Homero Fuentes, and Judy Gearhart to visit the Dominican Republic to meet with local partner and engage key stakeholders.
10. Conduct follow up to worker-manager trainings in Nicaragua.
11. Close down the project by September 30, 2006 should we not receive a no-cost extension.

ANNEX A

Trip Report from the Apparel Conference of the Americas

5-7 June 2006

Managua, Nicaragua

Major Messages:

- FAST, FAST, FAST
- Technology
- Innovation
- Flexibility
- Communication is everything; must speak English; must use email
- Some level of regional cooperation is necessary

Juan Carlos Pereira, ProNicaragua

- Nicaragua target is to supply 20% of US market apparel requirements.
- Nicaragua has \$840m in exports and that has tripled in the last 4 years.
- Thanks to CAFTA Nic has a pipeline of \$468 m worth of projects. Nearly half a million in investment. Nic usually gets a little over \$200m in FDI annually.

Steve Lamar, American Apparel Footwear Association

- Warning signs on CAFTA; trade statistics are not showing a growing trade
- Apparel market share in 1999 23% of all US imports and in 2006 market share is 16%
- Absolute numbers are off 2005 \$3.8 billion and in 2006 \$3 billion
- Nic TPL is up and running and many US buyers are interested and attracting a lot of attention
- Big problem with co-production issues since with some goods that were duty free before CAFTA and are not now.

Mike Todaro, American Apparel Producers Network

- “Severe mandate to grow at an incredible speed”
- Buyers favor face to face proximity; want to address key issues with face time and that favors Central America; calls and travel in the same time zone; People to People
- 9% of sourcing comes from Americas
- There will be a balanced sourcing among China/South Est Asia; India/South Asia/Pakistan and Bangladesh and Americas
- Proximity to markets (rather than speed to market) is region’s competitive advantage
- Producers are measured and will be increasingly so; most controls are on spreadsheets; not sufficient technology to give workgroups good measurement tools (TradeCard is one good tool)
- Big Issue for buyers: disconnected supply chain; needs trade finance synchronized with goods shipments

Teresa Nersesyan, Head of Sourcing, Pacific Sunwear

How are Producers Picked?

- Strong product development and design capabilities
- Technically competent
- Capable of producing multiple products types in multiple fabrics
- Financially sound'
- Good communication flow (email, no faxes)
- Appropriate infrastructure
- Have and follow a compliance program- Social/Human security
- Have a quality assurance program
- Just be “right sized”; not too small but not too big; ideal is to buy around 30% of overall vendor’s production because they want to be important to a producer

Social compliance is VERY IMPORTANT;

Central America has a tremendous competitive edge is in taking care of their workers; huge incentive to compete with China

Teresa wants to see the women apparel workers treated well.

Margins are huge in youth fashion; it is life style brand; so they will only work with socially compliant producers

Looking for “strategic partners”; relationships with vendors; PACSUN reduced vendors from 98 to 26 suppliers

John Strasburger, VF, Americas Sourcing

- Need more textiles and trim close to the needle in Central America
- Growth will come from investing in lifestyle brands
- Seek to transform supply chains
- Vendors need to be innovative and creative; need to inspire (inspiration marketing)

Latin America is very important to VF; have opened Miami office within the last 6 months. Looking for strategic partners in the region; not just vendors. Want to win back contracts from China; feels VF moved to quickly in its reliance on China sourcing and now they are trying to moderate that.

Relationships established:

1) Richard Acunto
racunto@generalsportwear.com
 212 764-5820
 General Sportwear, New York
 Runs Fivaro factory in Nicaragua

2) Joe Stephenson
jstephenson@rocedes.com.ni
 505 263-3125
 Runs Rocedes S.A. in Nicaragua

3) Helen McEnroy

Director General
Nicaragua Training Institute
(505) 251-4275
(505) 852-2409
hmonroy@nicabiz.com.ni

4) Jill Coleman
Director of Marketing and New business Development
Avery Dennison
They have a large facility in El Salvador making bar codes

5) Rinus Schepen
Sr. VP and General Manager
Crowley Logistics

6) Maria Chochita Mendez
Director, Latin American Sales and Trade Development
Alabama State Port Authority
They are looking to increase Central American exports to US, especially focused on agriculture products.