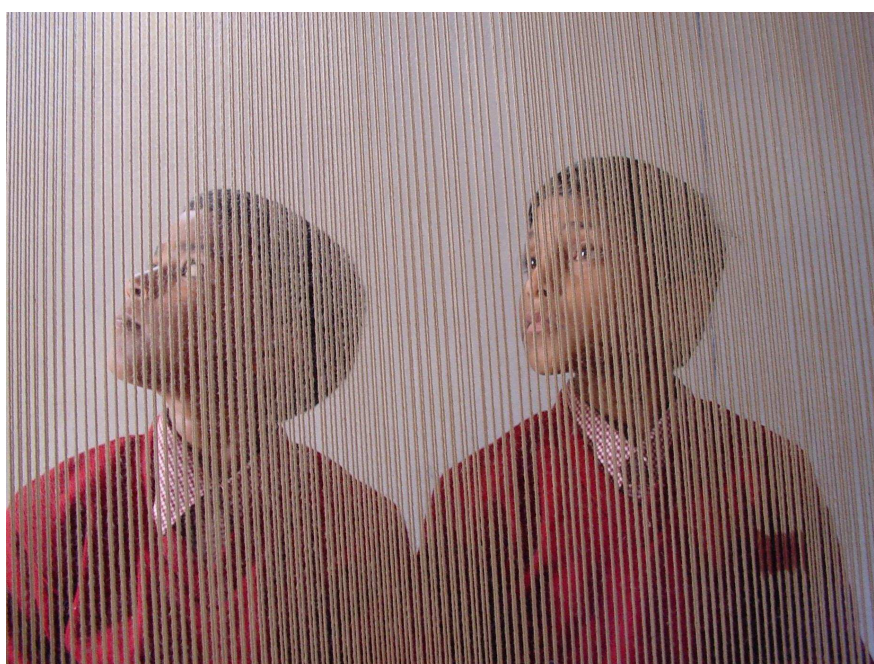


**FEDERAL MINISTRY FOR ECONOMIC COOPERATION AND
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Report
on the Evaluation of



RUGMARK and CARE & FAIR

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1. Introduction

The purpose of the evaluation of RUGMARK and CARE & FAIR was to assess the achieved outcomes and impacts of the two initiatives, their relevance and their (financial) sustainability. It was also intended to place the analysis of RUGMARK and CARE & FAIR in the overall context of combating child labour in the carpet industry in India and Nepal with reference to other actors and initiatives, in particular the activities of the Indian and Nepalese government and German NGOs (e.g. Rehabilitation Fund).

The evaluation aimed at providing guidance to all participating organisations to increase their efficiency, effectiveness and sustainability of the ongoing activities against child labour. The methodology used included interviews with the main actors in Germany (RUGMARK, CARE & FAIR, Misereor, Bread for the World, terre des hommes, UNICEF) from September to November 2002. During the eleven day long visit to India (25th November to 4th December) and an eight day long visit to Nepal (4th December to 11th December) the evaluation team met with the key stakeholders. They included staff and board members of RUGMARK and CARE & FAIR in the respective countries, government officials, and representatives from NGOs and multilateral and bilateral development organisations. The German Embassies in Delhi and Kathmandu were briefed on the mission's objectives and extended their support to it.

The mission spent six days in the carpet belt in India where exporters and loom owners were interviewed and social projects of RUGMARK (schools and rehabilitation centres) and CARE & FAIR (schools and hospitals and day cares) were visited; in most cases the team was accompanied by staff of RUGMARK and CARE & FAIR. The mission conducted two Round Table discussions in Delhi (3rd December 2002) and Kathmandu (11th December 2002) where preliminary findings were presented and possible future orientations for both organisations discussed, including opportunities for working together more closely.

The evaluation team consisted of the team leader Dr. Martin Dietz (FAKT Consult), socio-economist Dr. Berthold Kuhn (InnovateCo Consultants), Ms. Paro Chaujar (Consultant, Delhi) and Ms. Sushma Bajracharya (GTZ, Consultant, Nepal). Dr. Kuhn led the report writing on CARE & FAIR, while the report writing on RUGMARK was led by Dr. Dietz. The individual country specific sections were written by Ms. Sushma Bajracharya and Ms. Paro Chaujar.

Ms. Brunhilde Vest of the German Ministry for Economic Co-operation and Development (BMZ) joined the mission from 30th November 2002 to its end. Ms. Clare Lissamann, Director of RUGMARK UK also accompanied the mission to some of the interviews and field visits during her stay in India and Nepal. She participated in both Round Table discussions.

The mission wishes to express its gratitude to all participating organisations and individuals for the support and help which they extended to this mission. We would like to mention in particular the support provided by Ms. Sulo Shrestha-Shah (President RUGMARK International and RUGMARK Nepal), Mrs. Sharda Subramaniam (Board member, RUGMARK India), Dr. Dietrich Kobschull (Member of RUGMARK Board India), Mr. Ajay Singh Karki (Executive Director RUGMARK Nepal), Mr. Dieter Overath, (Managing Director of RUGMARK Germany), Mr. Volker Heinrich (Chairman CARE & FAIR), Mr. Peter Fliegner (Managing Director, CARE & FAIR), Mr. Prakash Mani Sharma (President CARE & FAIR), Mr. Laxman Shrestha (President CARE & FAIR Nepal) and Mr. Palden Norkeyel (Vice-President CARE & FAIR Nepal).

2. Summary

2.1 Summary of Findings

Background of the Initiatives

Both RUGMARK and CARE & FAIR were initiated in the mid-1990s when child labour was rampant in the booming carpet industry in India and Nepal. Both initiatives responded to rising public awareness on child labour issues and to a felt need of importers and retailers to address the issue. RUGMARK initiated by GTZ, German and Indian NGOs with participation of UNICEF in cooperation with the carpet traders, opted for a certification and inspection system as well as a rehabilitation and education programme for children. Furthermore, RUGMARK initiative also includes awareness building and development education in consumer countries.

CARE & FAIR was initiated by socially committed carpet importers mainly from Germany. They aimed at ensuring child labour free production of carpets by adherence to a Code of Conduct and by supporting social welfare programmes in the field of education and health in the carpet producing areas.

Initial Relevance of the Initiatives

Both initiatives were found relevant in the context of the booming carpet sector in the nineties and the frequent occurrence of illegal child labour in the industry. Given the dispersed nature of production units mainly in India and the growing demand for labourers, the government was not in a position to adequately address the issue in a time when public awareness rose particularly in consumer countries. Even though child labour occurs in greater number and in more hazardous forms in other industries in both India and Nepal (glass industry, brass industry, brick industry, fireworks industry, garbage picking) both initiatives contributed a great deal to growing public awareness on the need to address the issue of child labour.

Impact of Initiatives on Child Labour in the Carpet Sector

There is little doubt that the number of illegal child labour behind looms in the core carpet production areas (Mirzapur, Bhadohi), has fallen considerably. Figures from a recently conducted survey by ILO do show this development. However, in newer areas (mainly in Allahabad, Koshambi, Jaunpur and Sonebhadra district) child labour in the carpet sector remains to be high as shown by the same study.

It is difficult to come up with a quantitative statement regarding the impact of RUGMARK and CARE & FAIR on the situation of child labour in the carpet sector in general since numerous other factors have influenced the developments too. A small group of entrepreneurs who take an active role in RUGMARK and CARE & FAIR have probably developed the right mindset and are sensitised on the issues of child labour in particular and social standards, in general. A larger proportion of exporters have joined RUGMARK and CARE & FAIR since they hope that their market access is improved through that. Pressure to join either RUGMARK or CARE & FAIR was also exerted by European importers on their suppliers.

Both initiatives have contributed to the decline of illegal child labour in carpet manufacturing. RUGMARK through the inspection system, the school projects and awareness raising and CARE & FAIR through the commitment of its members to the code of conduct and the school projects. RUGMARK has further provided rehabilitation to mainly migrant child labour who would otherwise (most probably) have joined work in other looms or other sectors.

Rehabilitation of children in special institutions has provided migrant child labour with an opportunity to take a fresh start. This approach to rehabilitation (centre– or institution-based), however, is cost-intensive.

UNICEF, some Indian and German NGOs, including those contributing to the rehabilitation fund, support an approach that focuses on the area where migrant children come from and on bringing the children back to their parents as early as possible rather than keeping them in special institutions. RUGMARK Nepal has made first steps towards community-based rehabilitation. On the basis of an assessment they explore the option of returning the children to their families. If the parental environment is considered conducive to reintegration of the child in his/her family, they are returned home.

Impact on Poverty, State and Coordination with Others

A direct impact on poverty reduction is hard to detect. Wages continue to hover around the minimum level; in fact wages seem to have fallen over the past months since sales of carpets have dropped dramatically over the past years. An indirect impact on poverty through education can be observed.

The impact of RUGMARK and CARE & FAIR on the state may be seen in terms of their contribution to the discourse on social labels and social standards. Political lobbying by both initiatives is very small.

While RUGMARK Nepal closely interacts with numerous national initiatives and organisations that are involved with child labour, such interactions are far less pronounced in CARE & FAIR (India and Nepal) as well as in RUGMARK India. The extent to which organisations working “parallel” in very similar fields within India’s carpet belt was surprising to us. Besides local NGOs in the area, a number of large development organisations and trade groups are implementing social projects to combat child labour. It is even more surprising to note that many exporters are members of RUGMARK and CARE & FAIR, yet there was no collaboration between the two organisations.

Sustainability of the Initiatives

The initiatives of RUGMARK and CARE & FAIR have contributed relatively little to an increased awareness and commitment on the part of the exporters/importers towards addressing the issue of illegal child labour. Raised awareness, a key for sustainability, however, has not been actively addressed by any of the organisations. Only RUGMARK Nepal has started recently working with factory workers.

Achieving sustainability by broadly anchoring the initiatives in the local community has not been a strategy neither for RUGMARK nor for CARE & FAIR. Partnerships and participation of civil society organisations, local communities and local government are conspicuous by their absence, except for some cases at RUGMARK and CARE & FAIR in Nepal.

While RUGMARK India has sufficient finances to continue its social projects and inspection programme (despite declining returns from carpet sales) for some time to come, RUGMARK Nepal and CARE & FAIR in both countries face severe financial threat. RUGMARK India sooner or later may face this threat, as well. The financial situation of RUGMARK Germany is most critical and if external funds are not provided by autumn it may face closure.

The threats to their future notwithstanding, it is surprising to note that neither initiatives have explored and initiated efforts towards making their impact more sustainable.

Challenges Confronting the Initiatives

RUGMARK and CARE & FAIR face two major challenges: one is the serious decline of income following the on-going crisis in the carpet market, in particular in Germany which is by far the biggest market. The crisis emerges out of a change in lifestyle and preferences of consumers towards new designs, products that have a shorter life span and thus against oriental, knotted carpets. Both RUGMARK and CARE & FAIR are seriously affected by this trend. RUGMARK India, however, set aside a substantial fund during the boom years and its operations are not at stake at this moment. RUGMARK Nepal not only is affected by the loss of income from declining sales but also from phasing out of substantial UNICEF support (around 40 percent of the total income in 2000, around 20 percent of the total income in 2001). CARE & FAIR India will have to gradually withdraw from its co-funded social projects if the organisations income does not increase again (either from exporters' contributions or by mobilising funds from outside the carpet sector. CARE & FAIR Nepal has already reduced the number of projects from 17 to 11 and will have to opt for shorter term commitments and consider further withdrawals as well. Fund raising in Germany, Europe and the US and amongst exporters in India and Nepal is required to avoid a further drastic cut in project support. CARE & FAIR has already addressed the problem and had talks with a German NGO (Children of Orient e.V.) and with exporters in India and Nepal.

The second challenge is the changing perception of traders that the RUGMARK label is not providing them with added value anymore. Traders claim that child labour in the carpet sector is less of an issue with the consumers than it was back in the nineties. In addition, illegal child labour has significantly declined in the carpet sector in India and Nepal. Campaigns against child labour have not targeted the carpet industry in Germany in recent years. Retailers receive fewer inquiries.

The current international debate and consumer attention focuses more on core labour standards, payment of minimum wages, environmental and quality issues rather than on the single issue of illegal child labour. Whether this is a practical approach in the context of India's carpet belt but also for Nepal remains to be investigated.

RUGMARK Inspectors find far fewer children behind looms today and the rehabilitation centres already have difficulties to fill their places with only "RUGMARK children".

With the increasing concentration of the carpet trade in Germany many of the smaller retailers have disappeared from the market. There is also the risk that the initiatives become more and more dependant on a smaller number of importers. RUGMARK seems to be more vulnerable in this regard with its strong dependency on a few traders. Larger companies in Europe (and USA) have started to develop and use their own code of conducts not choosing a sector based initiative, such as RUGMARK. IKEA is one example being active in the very same region in India where RUGMARK is (see Annex V for details).

Summary of Recommendations

RUGMARK

The environment, in which both RUGMARK and CARE & FAIR have been operating has changed significantly. The incidence of illegal child labour in the production of carpets has dropped; the market for carpets has shrunk drastically while the interest of the consumer in a singular social standard – that is child labour – has fallen too. If RUGMARK and CARE & FAIR want to continue to be relevant in the changed context they need to go through a process of examining the validity of their current goals and objectives, if necessary re-phrase

them and then develop strategies that help them moving towards these goals. In the same process, RUGMARK should assess whether a single-issue social label is still valid today.

RUGMARK and CARE & FAIR needs to invest more into creating awareness in the community on the issue of child labour but also on the issue of wider social standards. They need to treat communities as active participants in the efforts to eradicate illegal child labour as well as in the initiatives for education of children.

RUGMARK needs to re-examine its current inspection and monitoring system. A higher degree of self-control should be required from exporters which will complement the existing and on-going RUGMARK inspection system. It is common and good practice that an external monitoring system is always complemented by an internal monitoring system. Regular external audits of their inspection system would contribute to an increased creditability of RUGMARK's inspection.

RUGMARK needs to re-examine its approach towards rehabilitation of children and carefully evaluated the available experience of the past years in terms of the best interest of the child and the results are used for future planning.

RUGMARK should explore and develop modes for partnerships with CARE & FAIR starting on the ground in producer countries. Although the culture of both organisations are rather different, it has been observed that there are clear opportunities for co-operation, particularly in the social programme.

RUGMARK Foundation India

RUGMARK Foundation India should strengthen its linkages with other organisations who work in the same field, for achieving synergies and complementarities. This holds much scope and potential for increasing the effectiveness of RUGMARK's work.

RUGMARK needs to follow trends in relocation of carpet weaving to areas outside the core carpet belt to understand the developments and formulate and implement suitable interventions to ensure that illegal child labour is not simply shifted to other areas. RUGMARK needs to find ways and means by which illegal child labour is addressed in its entirety and not only on registered looms. This requires networking and collaboration with other initiatives on child labour, government or non-government.

In the field of education RUGMARK should examine and follow up suitable ways in which the government system of education is strengthened and education is accessible to all children in the carpet belt. With regard to the existing schools, RUGMARK needs to develop systems that assure long-term sustainability of the schools, including partnerships with the local community and local government need to be developed and strengthened.

As things stand, in villages where RUGMARK and CARE & FAIR schools have been set up, few children are able to access these good quality schools and larger numbers (include children of weaving communities) continue to suffer poor quality government school education, or stay out of school. This inequality of opportunities available to children needs to be examined and addressed. Partnership with systems such as the government school system will help ensure wider impact.

RUGMARK should explore extending its services to children rescued by other agencies to utilise existing, yet unused capacities in its rehabilitation centre. RUGMARK should undertake a tracer study to understand how children have fared after leaving the Balashray and incorporate lessons learnt into their rehabilitation strategy.

Nepal RUGMARK Foundation

Nepal RUGMARK Foundation should continue and expand its networking effort with non-governmental as well as with governmental institutions with the aim of maintaining and increasing its impact on the issue of illegal child labour in Nepal. This is particularly important in the current context when Nepal has just drafted and passed its masterplan on abolishing child labour.

RUGMARK Nepal should explore and apply strategies through which more of the carpets coming from inspected looms – 65% of the country's total production capacity is inspected - are labelled and by that, enhance its income.

Nepal RUGMARK Foundation should continue its efforts in bringing together different organisations that actively work on social questions in the carpet sector with the aim of creating and strengthening synergies.

RUGMARK should further shift from its now nearly complete focus on child rehabilitation towards prevention measures such as the support and qualification of day care centres, the provision of scholarships for children from carpet weaving families and in particular towards awareness creation.

RUGMARK Germany

RUGMARK's success crucially depends on its ability to communicate the message of the label to the consumer and the traders. RUGMARK Germany must intensify initiatives for making the label known with the aim of increasing its value.

For that RUGMARK Germany needs to be endowed with the necessary resources. It needs to address urgently its financial situation for the short and medium term (next 2 years) and in the context of a strategic planning process in the long term. The support organisations that have accompanied RUGMARK over the years should urgently consider providing intermediate funding for RUGMARK Germany.

RUGMARK's advisory committee (Trägerkreis) should take a stronger, coordinated role in making the label known among consumers in Germany.

RUGMARK International

RUGMARK needs to work more as a conglomeration of its different units, each in synergy with the other rather than as isolated units. The character of RUGMARK internationally needs to be strengthened and increased communication is required for strengthening RUGMARK International. RUGMARK International needs to take on the role for facilitating standardisation of practices across all RUGMARK units as well as that of representing RUGMARK politically.

Given that market trends have adversely impacted on the carpet business, RUGMARK needs to develop and strengthen strategic partnership with organisations such as the IGEP or the Private Sector Support Project that can help the manufacturers be better informed about the market trends. This could help the carpet business stay float, if not increase sales. This will also enhance exporters relationship and thus commitment to the social standards that RUGMARK stands for.

RUGMARK International through RUGMARK Nepal should follow up the "100%" project. Some of the framework conditions given in Nepal appear to be right for it: the government is taking an active role in the carpet sector already. Convincing the consumer that by buying a

Nepali carpet one can be sure that that it has not been manufactured with illegal child labour could be an advantage for Nepali carpets. A close cooperation with partners such as the GTZ Private Sector Support project will be important.

RUGMARK as a whole needs to develop a communication concept which assures that consumers are informed in a most effective way. For the strategy to work all of the RUGMARK members need to participate.

CARE & FAIR

CARE & FAIR needs to address its critical financial situation by developing some innovative arrangements in securing more funds for its social projects from other sources than import and export contributions. Its idea to team up with a German NGO, registered as a charity, is already a good start. This should facilitate fund raising from public and private donors. Seeking firm commitment from local exporters in the neighbourhood of the projects is another promising approach.

Local exporters should take on more responsibilities in bearing the running costs of the social projects. A mutual agreement should be drawn up. Possibly some exporters could be convinced to pledge fixed amounts rather than contributing on the basis of their exports. This would provide financial security and facilitate planning in difficult times.

CARE & FAIR needs to review its Code of Conduct with respect to other social standards, possibly including education for family child labour until 15 years and health and hygiene as these aspects would correspond to CARE & FAIR social activities. The organisation should also consider to hire an independent monitoring consultant in regular time intervals who guarantees with his or her name for the proper compliance to the code by the members.

Communication and cooperation should be strengthened with RUGMARK and other initiatives at the local level with respect to best practices in making no-cost and low-cost improvement of different social and quality standards in carpet production.

3. General conditions

3.1 India

3.1.1 Child Labour in India

Child labour in India is predominantly a rural, agrarian phenomenon. Over 80% of total child labour in the country is concentrated in rural areas and of these over 90% is engaged in agriculture and allied occupations. Among the non-agrarian sectors children are working in the sectors of construction, brick making, glass and bangle making, beedi (indigenous cigarettes) making, weaving of carpets, handlooms, garments and so on. Significant proportions of child workers are believed to be trafficked and migrants.

There is a wide variation in the estimates of total child labour put forth by various sources. This is a result of differences among and within various agencies in the perception, understanding and definitions of child labour. The number range from 13.6 million (1981 Census) to 111 million (The Balai Data Bank, Manila).

As per official estimates derived from the Census (conducted once every decade and on the basis of household surveys) there has been a decline in number of child labour from 13.6 million in 1981 to 11.3 million in 1991. Notwithstanding the “number” debates surrounding child labour, nearly 2 million children continue to work in the sectors where child labour has been officially prohibited over 15 years ago¹.

3.1.2 Child Labour in the Carpet Sector

Carpet weaving is spread over different parts of the country, the name “carpet industry” – an industry largely geared towards exports - has become synonymous with the two districts Mirzapur and Bhadohi. Almost 80% of carpets exported from India originate from this belt. The so-called “carpet belt” of Uttar Pradesh (UP) basically comprises three core districts - Bhadohi, Mirzapur and Varanasi -- with four adjacent districts (Allahabad, Koshambi, Jaunpur and Sonbhadra) at the periphery. In addition to this core carpet belt, carpets are also produced in parts of Rajasthan and Jammu and Kashmir.

Child labourers in the carpet industry fall into four categories:

- migrant bonded child labourers
- local bonded child labourers
- wage earners and
- children who work as part of family labour

A study undertaken by the VV Giri National Labour Institute suggests that from among households where children are engaged in carpet weaving, about 62% children are illiterate. Only 35% children from these households had completed primary education. The modal age of entry in the carpet industry was reported to be 10, while entry was reported at the age group 6-8 as well. In the Uttar Pradesh carpet belt, only men and boys work behind looms.

There have been varied estimates about the incidence of child labour in the carpet industry in India. The variations in the estimates of child labour are due to different conceptual and

¹ Misra, L. (2000) Child Labour in India, New Delhi: Oxford University Press.

methodological approaches adopted in the studies. These estimates in general do not include children working in off-loom activities.

Source	Estimate
1993 (Juyal)	300,000
1993 (Harvey and Riggan in 1994 ²)	130,000
1993 (NCAER ³)	8% of total workforce
1995 (Neera Burra ⁴)	150,000
1998 (ILO-CORT ⁵)	130,000
1998 (CEPC-AICMA ⁶)	0.93% of total workforce

Table 1: Estimates of child labour in the carpet sector

It is evident from Table 1 that there is no agreement on either an approximate number of children working in the carpet industry nor any agreement on the trend in the recent past. The government and exporters estimates are much lower than the estimates provided by non governmental sources such as the ILO.

A recent study⁷ undertaken by Institute for Human Development and published by the ILO suggests that there has been a decline in the incidence of *hired* child labour during the last decade, particularly during the last five years. However, comparisons between data, on child labour in the carpet belt, collected at two different time periods: 1993 and 2000 suggest that even as there is a decline in the relative incidence of *hired* child labour, there is no decline in child labour in absolute terms.

Compared to around 45% hired child labour as found in the earlier study by NCAER, this study revealed that the incidence of hired child labour is only to the extent of 11 % in the core carpet belt. However, in the extension areas (the newer areas of carpet production, vis-avis the core carpet belt i.e., traditional areas) of Allahabad and Koshambi and new areas of Bihar, the proportion of hired labour is found to be significantly higher - 36 % and 40 % respectively. These figures suggests that hired child labour has moved to newer areas of

² Harvey, Pharis and Lauren Riggan (1994): Trading away the Future: Child Labour in India's Export Industries, International Labour Rights and Education Research Fund, Washington DC.

³ The study did not work out an estimate of child labour in absolute numbers but in percentage terms, i.e. percentage of child labour to total labour force employed in the carpet belt..

⁴ Burra Neera (1995): Born To Work: Child Labour in India, OUP, New Delhi.

⁵ From article by Aparna Ravi EPW 2001

⁶ CEPC stands for Carpet Export Promotion Council, Government of India and AICMA stands for All India Carpet Manufacturers Association. These estimates were published in an article in the Economic Times, July 21, 1998.

⁷ Institute for Human Development (2000): Impact of Social Labeling on India's Carpet Industry, ILO-IPEC Working Paper.

carpet production, where perhaps the enforcement of the child labour law or other initiatives against child labour in the carpet industry have not focussed.

As RUGMARK reviews its current interventions, it may well be desirable that it review its focus on the core carpet belt and consider expanding its operation to these extension and new areas.

Recent Developments in the Carpet Industry

The carpet industry is predominantly in the cottage sector and is highly labour intensive. It has a large and diversified production base, with an estimated 300,000 looms, and provides employment to 1,500,000 weavers and others engaged in carpet-related activities with enormous spin-off and spread effects indicating the backward and forward linkages.

Reports⁸ indicate that during the last five years a large number of looms have sprung up in some of the areas, which were primarily known to be major source areas of migration of child labour. These "new areas" of carpet production in Bihar are believed to be an outcome of increased surveillance by the labour enforcement officials in the core carpet belt. Most of these children are now reported to be working in carpet weaving in their own villages. In fact, according to the survey undertaken by Institute of Human Development⁹, the incidence of hired child labour in the "new areas" is now higher than in the core areas. According to this survey, at a disaggregated level, child labour constitutes 15.56 % and 23.38 % of total workers in core and extension areas, respectively. However, in the core areas, the proportion of hired child labour to total child labour is only 11.54 % as against 23.38 % in the extension areas. In other words, hired child labour constitutes only 1.89 % of the total workers in the industry in the core areas and 8.44 % in the extension area. Thus, it appears that the proportion of hired child labour as part of the total workforce in the carpet industry has declined.

3.1.3 The Legislative Framework Regarding Child Labour

Child Labour has been a concern for the Government of India ever since independence. The Constitution of India prohibits employment of children below 14 years of age in factories, mines and hazardous employment in terms of a Fundamental Right and Directive Principles laid down against the abuse of the tender age of the children until 14 years of age. However, it was only in 1986 that a comprehensive legislation was framed for prohibition and regulation of child labour (CLPRA) and only in 1987 the National Policy on Child Labour was framed.

The Act came into being as a result of advocacy initiatives of several non governmental organisations. It prohibits the employment of children in specified occupations and processes which are considered unsafe and harmful to child workers and regulates the conditions of work of children in employment's where they are not prohibited from working. It is built on the premise that some forms of work are hazardous for children and should be banned while the others are non-hazardous and need only regulation.

The National Policy on Child Labour includes the following components:

⁸ Institute for Human Development (2000): Impact of Social Labeling on India's Carpet Industry, ILO-IPEC Working Paper.

⁹ Institute of Human Development (2002): Impact of Social Labeling on India's Carpet Industry, ILO-IPEC Working Paper, New Delhi.

- A legislative action plan – The CLPRA, which incidentally was enacted even before the policy was framed.
- General development programmes for benefiting children wherever possible, and
- Project-based action plans (National Child Labour Projects-NCLP) in areas of high concentration of child labour engaged in wage/quasi-wage employment.

According to the Act, a child is a person who is under 14 years of age and a child worker is any child engaged for wages, whether in cash or kind. It also lays down penalties for employment of children in violation of the provisions of this Act, and other Acts which forbid the employment of children. The Act extends to the whole of India. Carpet weaving has been identified as a hazardous process where in children's employment is prohibited. In this industry, it is reported that children suffer from respiratory ailments due to constant handling of woollen fluff, joint pains and swollen feet from hanging in the pit all day. Also, working for long hours in ill-lit sheds affects their eyesight.

The Act provides that: Whoever employs any child or permits any child to work in contravention of the provisions of Section 3 shall be punishable with imprisonment for a term which shall not be less than three months but which may extend to one year or with fine which shall not be less than ten thousand rupees but which may extend to twenty thousand rupees or with both.

In 1996, the Supreme Court of India, in the M.C.Mehta vs. State of Tamil Nadu case passed a landmark judgement concerning child labour that has had wide ramifications covering child workers in all hazardous occupations including the carpet industry. The major points of the verdict are as follows:

- An alternative source of income shall have to be provided to the family of child labour.
- Employers of child labour shall have to pay a compensation of Rs 20,000 as per the provisions of the Child Labour (Prohibition and Regulation) Act, 1986, for every child employed. This would be deposited in the Child Labour Rehabilitation-cum-Welfare Fund.
- The State shall have to provide employment to an adult in the family in lieu of the child working in a factory or mine or any other hazardous work.
- In the absence of an alternative employment, the parents/guardian have to be paid the income earned on the Corpus Fund, the suggested amount being fixed at Rs 25,000 for each child. The payment will cease if the child is not being sent for education. In the case of non-hazardous employment, the employer will bear the cost of education.
- The State's contribution/grant is fixed at Rs 5,000 for each child employed in a factory or mine or any other hazardous employment. The sum shall be deposited in the foresaid Fund.

Even as the Supreme Court directives have not been implemented effectively, The Act itself has several shortcomings. To begin with, the Act is not applicable to any workshop wherein the process is carried on by the occupier with the aid of the family or to any school established by or receiving assistance or recognition from government. The CLPRA has been severely criticised from the very time of its inception on the following grounds:

1. The distinction between hazardous and non hazardous forms of work has more to do with the inherent hazards involved in the occupations and processes than to do with the harm they would do to a child, including the harm caused by preventing children from going to school or to play.

2. The Act is limited in its outreach since it focuses only on certain sectors, which comprise only 6% of the total child labour force in the country.
3. The Act does not include child work that is carried out within the family or in schools, even if it is otherwise categorised as hazardous. Hence, children rolling beedis, making firecrackers, matchsticks, bangle and carpets within their homes can continue doing so since these activities are performed within the home.

However, even as the government commits itself to prohibition of child labour in the hazardous sectors, its performance record in the area is weak. According to a review of the NCLP conducted by an NGO, even as the officially acknowledged full-time child labour population of India is 11.6 million as per 1991 census, the sanctioned coverage of NCLP for child labour in all identified sectors all over the country, for the fiscal year 2000-01 was only 211200¹⁰ children. Of these the sanctioned coverage for 11 districts in UP (including Mirzapur and Bhadoi) was 26500 children. The NCLP hence merely covers 1.8% of the governments own low estimate of just the full-time child labour population in the country.

A look at the release of funds under the NCLP during the period 2001-2002 reveals that of the total funds released towards implementation of NCLP in 11 states was about 60 crores rupees (609,828,104) of which about 1.4% (90 lakhs) were sanctioned for the two districts of Mirzapur and Bhadoi.¹¹

The investment per child under the NCLP is extremely inadequate. According to a study conducted by the Centre for Budget Studies, the estimated allocations under the NCLP for the period 1996-2000 was Rs 850 per child based on Rs 8,500 million to be spent for 2 million children. This compares poorly with the actual cost of Rs 2,294 per child for schooling children in the age group 6-10 in Maharashtra for example (Centre for Budget Studies). Furthermore, there is very uneven distribution of allocations under the NCLP among the child labour endemic states.

An audit of the performance of the CLPRA in the last 15 years since its inception shows abysmal results. By the submission of the Ministry of Labour, Government of India, India continues to have 2 million children still engaged in hazardous sectors. The poor enforcement of the CLPRA is evident from the findings of a study conducted by the Human Rights Watch, which states that: *"An analysis of data indicating the number of prosecutions launched under [the Child Labour] Act and convictions obtained would clearly indicate that this act has achieved very little."*¹²

3.1.4 Government response to child labour in the carpet sector

Notwithstanding the by and large poor performance of NCLP and CLPRA, the decline in the incidence of hired child labour in the core carpet belt, has been attributed by a recent study¹³, to stricter enforcement of the CLPRA (in the area). The study elaborates that at another level, the growing competition in the international market and the increasing attention to international labour standards in international trades' agreements have forced government and the industry alike to realise the importance of eliminating child labour in the carpet industry and take coercive measures.

¹⁰ <http://labour.nic.in/cwl/welcome.html>

¹¹ <http://labour.nic.in/cwl/welcome.html>

¹² Human Rights Watch (September 1996) *The Small Hands of Slavery: Bonded Child Labour in India*.

¹³ ILO-IPEC Working Paper 2000: *The Impact of Social Labeling on Child Labour in India's Carpet Industry*, Institute for Human Development, New Delhi.

The government departments response to and perception towards social labelling programmes such as the RUGMARK have been mixed. They were apprehensive about the RUGMARK during its earlier years. They are also known to have regarded the RUGMARK labelling initiative and the international campaigns against child labour as “protectionist” measures.

In a preliminary ILO study titled, *Labelling Child Labour Products*¹⁴ author Janet Hilowitz analysis the Indian government perception towards RUGMARK as:

“The Indian Government began to look favourably on a RUGMARK labelling initiative in the early 1990s when American Senator Tom Harkin and Representative Don Pease introduced a bill (the Child Labour Deterrence Act) to ban the importation into the United States of products made by child labour. At that time, it was clear to the Indian Government that some anti-child-labour action needed to be taken to protect one of India's primary exports. However, when in early 1994 it became evident that the Harkin bill would not pass through Congress in that session, the Indian Government's support for RUGMARK weakened, never to revive. IGEP, a founding organisation of RUGMARK, was a joint venture by the Indian Ministry of Commerce and the German GTZ, but the Indian Government had never made any public declaration of support for RUGMARK. More recently the Government has sponsored another carpet labelling initiative, Kaleen”.

It may be said that the Indian governments' response to child labour has perhaps been more reactionary than proactive. Kaleen was set up in the year 1995 as a reaction to RUGMARK. The increased surveillance and “raids” during the period 1995-1997 (almost 10 years after the CLPRA) appears to be a reaction to international and national campaigns. The National Child Labour Projects and the ILO-IPEC projects emerged as a reaction to demands made by NGOs and the UN Convention on the Rights of the Child, which India ratified in 1990. It seems from the above that prior to any of these “catalysts” the government hardly had a proactive agenda on child labour. Their perceptions on child labour have evolved from looking at it as part of Indian “Cultural”, “way of life” to looking at it, at least as a formal position, as a product of poverty and more recently as a product of lack of educational facilities.

However, the government continues to have incomprehensive programmes. How else can one explain the persistence of child labour in large numbers across the core and extension areas of carpet production. At most the CLPRA has impacted upon employment of children as part of hired labour, which in any case formed a smaller proportion of child labour engaged in the carpet belt. If the root causes for employment of children in the carpet sector is indeed poverty, then why do government programmes and legislation not address the abysmal wage rates and system of production that is not conducive to worker's rights.

3.1.5 Landscape of Actors in the Field of Child Labour

Key Actors involved in combating child labour in India may be categorised as follows:

- *UN Agencies:*

The UN system support a wide range of activities and programmes directly related to the elimination of child labour in India. Chief among these is the ILO's International Programme on the Elimination of Child Labour (IPEC), which aims progressively to eliminate child labour through education, social mobilisation, awareness raising, legal enforcement and strengthening of institutional capacity. The IPEC is being implemented in the carpet belt

¹⁴ Janet Hilowitz (1997): *Labeling Child Labour Products: Preliminary*, International Labour Office, Geneva. First Published 1997

since 1992, in partnership with government and non-government agencies. The first phase of IPEC in India (1992-1997) involved a large number of action programmes (over 100) and mini programmes (over 80) that were spread all over the country, and implemented by trade unions, employers organisations and NGOs. Its programme activities targeted specific groups: children working in the most hazardous sectors, the girl child, and bonded child labourers. During this phase, IPEC was implemented in partnership with a local NGO based in Mirzapur called CREDA (Centre for Rural Education and Development Association). CREDA supported by the Indian Government and IPEC, conducted a wide awareness campaign among community members, loom owners and children, set up 68 centres for non-formal learning and it is reported that more than 4,500 child workers left the carpet industry as a result of this initiative.¹⁵

In its second phase (post 1998) IPEC has focused on an integrated approach called the Integrated Area Specific Project (IASP) to end child labour was developed, covering a specific geographical area in India. IASP projects are being implemented in five key districts. One of these is the being implemented in the Carpet industry in Mirzapur. It is being currently implemented through the National Child Labour Project society based in the district.¹⁶

For the period 1992-2001, budget allocation and commitment for India given under IPEC was US\$6.9 million. The amount disbursed during this period is of the order of US \$ 5.6 million. Altogether about 165 action programmes were taken up for implementation under IPEC during 1992-2001.¹⁷

Besides the ILO, the UNDP implements community mobilisation initiatives for getting children out of work and into school. One of the UNDPs project is being implemented in the carpet belt in partnership with the local NGO CREDA.

UNICEF focuses on preventing child labour through primary education and since 1998 has been implementing a development project in partnership with IKEA in the carpet belt.

- *International Non Governmental Organisations:*

International organisations such as Save the Children UK, terre des hommes Germany, Misereor, etc finance and support NGOs implementing development projects for reduction, elimination and rehabilitation of child labour in their priority geographical areas. In addition TdH coordinates the German Rehabilitation Consortium fund (GRF) in the carpet belt for rehabilitation of child labour.

- *Bilateral Agencies:*

Key among Bilateral agencies that are implementing child labour Projects in the country are the GTZ, NORAD (Norwegian Agency for Development) and the Canadian International Development Agency. The BMZ has been financing the social labelling initiative of the RUGMARK Foundation through its Indo German Export Promotion Project (IGEP). The CIDA funds NGOs engaged in eliminating child labour.

- *Non Governmental Organisations:*

Most grassroots organisations in India are working at the community level and work on a range of issues that affect lives of disadvantaged communities such as basic entitlements, health and education. Working children and their education is very often part of the larger mandates of these organisations. The NGOs that work in the area may be broadly divided into direct education programme for working children and advocacy initiatives through

¹⁵ www.fordham.edu/economics/mcleod/panel4_IPEC.pdf

¹⁶ <http://www.ilo.org/public/english/region/asro/newdelhi/programs/ipec.htm>

¹⁷ <http://labour.nic.in/cwl/welcome.html>

networks and campaigns. While direct education initiatives are mostly those that provide preparatory educational interventions to working children with the aim of mainstreaming them in formal schools, advocacy initiatives include campaigning for right to education, for good quality education, at both national and local levels.

Key components of NGOs work in the area are community mobilisation and empowerment, advocacy with the local government for better facilities for children (schooling), advocacy regarding better wages and amenities at the village level and direct services to children. The latter include running Non Formal Education (NFE) centres, providing psychosocial support to children, releasing and rehabilitating them, formation of children's organisations¹⁸. Some NGOs approach the child labour issue within the overall framework of right to livelihood. They undertake individual/ group income generation activities (for adults) and or advocate for better wages and reorganising production relations in favour of the adult workers.

- *Government (legislation and programmes)*

The government of India's legislation on child labour and national projects on child labour are discussed later.

- *World Bank:*

World Bank is financing multi-million dollar District Primary Education Project (DPEP) in selected districts all over the country. As part of UN joint strategy on elimination of child labour, DPEP has the mandate to focus on districts with high rates of child labour, including the carpet belt.

- *Corporates:*

IKEA and Obeetee feature among the prominent corporate initiatives for combating child labour in the carpet sector. IKEA joint project with the UNICEF has been discussed above. It combines compliance to social standards, that is internally and externally monitored) with social projects in partnership with UNICEF and local NGOs. They focus more on strengthening existing school system and improving household saving capacity through the promotion of self help groups.

- *Social Labelling Agencies:*

Apart from RUGMARK and CARE & FAIR which is a company certification programme that relies solely on the moral commitment of its members, the Government of India sponsored Kaleen and Swiss NGO initiated STEP are the prominent labelling initiatives in the carpet sector in India.

German Rehabilitation Committee

Members of the German Rehabilitation Committee are Bread for the World, Misereor and terre des hommes. The three organisations (and UNICEF) had taken a crucial role in getting RUGMARK up and moving.

Later they formed a consortium: German Rehabilitation Committee focusing their support on rehabilitation of children released from the carpet belt in India. The projects financed by this

¹⁸ Examples of children's organisations formed by NGOs include: 1) the Bhima Sanghas a union of over 13,000 child workers in Karnataka initiated and supported by the Concerned for the Working Children and 2) the Bal Sabha's (Children's Assembly) and Bal Mazdoor Union (Child Labourers Union) initiated by Butterflies an NGO working with street and working children in New Delhi.

consortium typically include components of community development, providing non formal education for children with a view to mainstream them in formal schools and in some temporary institutional rehabilitation of bonded migrant child labour. The focus of GRC projects is to rehabilitate children in their own communities.

The community development programmes in the source area are proposed and implemented by local NGOs. The proposals are submitted to the Indian Rehabilitation Secretariat. If agreed on by the Secretariat, the proposals are sent to the supporting organisations; if no feedback comes within two weeks, the proposal is accepted.

The evaluation team visited one of the projects (DDWS) financed by the consortium. It follows a two-pronged approach:

- The operation of a rehabilitation centre near Allahabad;
- Community development in the source area of bonded labour.

This includes:

Education for children

Vocational training

Adult education / income generating measures

Lobbying

The rehabilitation centre is run by the Catholic Diocese of Allahabad. Children removed from looms in the core and the extension areas are brought there. Removing children is generally done by the police together with an NGO. Children normally stay for a period of six months at the rehabilitation centres.

A group of about 50 children, all removed during the past 6 months – were in the centre when we visited it. A group of 4 children had been removed from looms in Bhadohi only days before our visit. After arrival the children undergo medical check up; verification of age is important. Most of the children are from two districts of Bihar and from nearby Jharkhand.

At the rehabilitation centre kids get schooling and vocational training.

One staff member of the rehabilitation centre regularly travels to Bihar. He contacts the parents of rescued children and prepares and assists the re-integration of the children. Officials from the local administration usually take part in these talks. Parents of trafficked children are entitled for financial support through the CLPRA (see page 11).

3.1.6 Preventing Illegal Child Labour

While earlier theories on child labour in India hypothesized that it was an outcome of poverty, recent analysis propose that the incidence and persistence of child labour has more to do with the failure of public schooling system than household poverty alone¹⁹. Given this analysis, provision of education to child workers has been considered a significant intervention for removing children from full time work. Governments as well as non government initiatives focus on providing educational facilities for working children, though the strategies and principles differ.

¹⁹ The Public Report on Basic Education: PROBE (1997), Oxford University Press, New Delhi.

While the NGOs' focus on preparing children with the aim of mainstreaming them into formal government schools, the government initiatives include setting up special schools for child labourers and providing non formal education. Many government programmes have recently focused on mainstreaming children from their education centres to formal schools. However, persisting inadequacies of the schooling system in India hinder the realization of such objectives. Most children never make it to mainstream schools and at best remain "graduates" of the transitory, preparatory education centres. The few that do mainstream drop out sooner or later, succumbing to the lack of infrastructure and or poor quality of education. Hence strengthening the existing schooling system in the country has been identified as a key constituent strategy for eliminating child labour.

3.2 Nepal

3.2.1 Child Labour in Nepal

According to the national child labour survey²⁰ and the Nepal labour force survey²¹, out of total 2.6 million children who work, 95.4 percent are found in rural areas, and half of these are found in the hill region of Nepal. Overall, the working children of the Hill and the Terai Regions comprise 95 percent of the Nepalese child workers. Although in actual numbers there were 1.3 million working children in the hill region, the work participation rate was lower (45.5 percent) compared to the percentage of children working in the sparsely populated mountainous regions of Nepal (52.2 percent). In other words, children in the poor, mountainous region are more at risk to child labour than the greater number of Nepalese children who live in the Hills or in the Terai.

Available statistics show that a substantial number of visible child labourers are in agriculture and, although not considered as hazardous work or work environment, a large number of child labourers work in the service and manufacturing sector.

A recent survey gathered and analysed figures to show the extent of different forms of child labour in Nepal²²

Child population in Nepal	6.225,000
Working Children	2,596,000
Economically active	1,660,000
Wage child labour	279,000
Worst forms of child labour	127,000

The surveys also revealed how the work participation rate of children increases with age. The work participation rate of around 25 percent for children aged 5 to 9 years increases to some 60 percent for the group of children aged 10 to 14 years. The pattern repeats for itself for economically active children, where the number of children aged 10 to 14 years was three times higher than the number of economically active children aged 5-9 years. With regard to the worst forms of child labour, the rapid assessments reveal that 60 percent of the children enter the workforce between 10 to 14 years compared to 20 percent for children below 10 years and 18 percent for children above 14 years.

Of the total working child population in Nepal, 36.5 percent came from the families with 5 to 6 persons and another 29.5 percent from families with 7 to 8 persons. The average family size of the 1.0 million children that work without access to schooling was recorded to be 5.6 persons.

Whereas the argument that children from larger families are more at risk to child labour seems to hold true, it cannot be concluded that family size is the only determining factor of child labour in Nepal. About 50 percent of the children reported that their families were landless. It was however found that the average size of the landholdings of their families were much smaller than the national average. 70 percent of the children expressed that household financial difficulties compelled them to work rather than go to school.

The national child labour surveys and the Nepal labour force survey reveal how higher work participation rate (50%) was observed among children, who do not attend school. As

²⁰ Central Department of Population Studies (1996). National Child Labour Survey, Kathmandu, Nepal

²¹ National Planning Commission (1999). National Labour Force Survey, Kathmandu, Nepal

²² National Labour Academy (2001). Summary of Rapid Assessment of Worst Form of Child Labourers. ILO, Kathmandu, Nepal

compared to boys, a higher number of working girls have not had any schooling (705,000 girls and 301,000 boys).

A comparative analysis of the estimated 127,000 children trapped in the worst forms of child labour reveals that 37 percent of those children are illiterate. The remaining 62.7 percent of those children had in fact participated in some form of education before joining the labour market, but they had dropped out of school.

17.8 percent of working children have the opportunity to go to school; the majority were boys. This suggests how the worst forms of child labour further deprive children of their right to education. Furthermore, 52.4 percent of the working children belonged to households with illiterate heads.

In general, the surveys show that girls start earlier than boys do. 29 percent of the girls in the worst forms of child labour are in the age group of 5-9 years compared to 16 percent of the boys of the same age group. However, 71 percent of the children trapped in the worst forms of child labour are found to be boys. Although the assessments indicate that more boys than girls are at risk to the worst forms of child labour, the findings suggest how girls face significantly higher levels of discrimination once trapped in the worst forms of child labour²³.

Nepal is going through very troubled times. The poverty is getting worse and the absolute number of poor is also increasing. The country is in the middle of an armed civil conflict. Thousands of productive youths are migrating from the villages. Many people are getting internally displaced. A situation may come, when children have no choice other than work.

In this context, the question should perhaps be about “how to regulate child labourers and provide them with access to education while working”.

There are evidences that many more children are now working in other sectors, which are even worst than carpet, for example stone quarries, stone crushing, child porters, domestic labour etc. In this context, looking only at the one sector may not be very helpful. It may even create worst situation like shifting children from carpets to other worst sectors.

3.2.2 Child Labour in Carpet Sector

Focusing on child labour in ten pre-selected sectors outside agriculture, a study conducted by the Centre for Women, Children and Community Development (CWCCD) in 1997 has further revealed that child labourers were working in eight of the ten specific industries covered by the survey. These are confectioneries (10.8%), match factories (8.1%) brick and tile factories (4.6%) leather factories (2.5%) and carpet weaving (2.3%) as well as plastic, garments, and textiles and soap (less than one percent). There were no child labourers found in food and beverage and tobacco industries.

In the early nineties, when carpet business was at its peak, thousands of children were used as labourers in this sector. They were not only used, but also misused very badly. Most of the children were migrants and were employed as bonded labourers by the contractors. The factory owners mostly did not even have any clue about how many children were working under what circumstances in their factories.

Child Workers in Nepal (CWIN) at that time drew public attention of that issue, when they published a book called “Misery Behind the Looms”²⁴. Later on at the same time, the German television programme Panorama telecasted a film about exploitation of children in

²³ Tuladhar, Jyoti (2001), Gender and Time Bound Programme in Nepal. ILO, Kathmandu, Nepal

²⁴ Pradhan, G. (1993). Misery Behind the Looms. CWIN, Kathmandu, Nepal.

the carpet factories. That is the time, when the European media and population started to recognise the problem of child labour in this sector.

At the same time the quality of the exported carpets was also suffering very much due to mass production. Perhaps the markets were also saturated. All these factors played together a role in collapsing the market.

RUGMARK contracted the Centre for Policy Studies back in 1999 to assess the situation of children in the carpet sector²⁵. At that time, the estimate for child labour was 3.6%. 45% of the children were brought by the family, 23% by a contractor, and 16% had come on their own initiative. Nearly all (98%) of child labourers were involved in another job before they left home for the carpet industry.

It is very encouraging that NGOs, INGOs, donors and the business communities in the country as well as abroad are working towards this very goal of eliminating illegal child labourers from this sector. Lot of children have been removed from this sector and provided with better opportunities either in different centres or at home. RUGMARK and CARE & FAIR have certainly to be given due credit for their work.

The number of illegal child labourers has reduced dramatically (see for instance²⁶), but efforts need certainly to be made that it does not increase. In this regard, both CARE & FAIR and RUGMARK are well placed.

3.2.3 The legislative Framework Regarding Child Labour

ILO convention No. 182 defines a child as being anyone below the age of 18 years. Article (1) of CRC also defines child to be every human being below the age of 18 years unless, under the law applicable to child, majority is attained earlier.

Article 20 of the Constitution of Nepal (1990) prohibits the employment of the minors in any factory or mine, or any other hazardous work. It is however not clear to what age group the term "Minor" is stated. The Civil service Act (1975) prohibits government employment of anyone under the age of 16.

The Child Labour Prohibition and Regulation Act makes no reference to a minimum age for light works. This may be so, because light works will be difficult to regulate, thereby making irrelevant any legislative efforts for this purpose. However, since the Labour Act and the Children's Act also do not make reference to light work, it would seem that even light work is generally prohibited to children under the age of 14 along with all other forms of work or employment.

In the recently formulated Master Plan for Elimination of Child Labour Ministry of Labour and Transport Management, 2001-2010), a child is defined as a person below 16 years and a minor is of the age between 16-18 years. In case of hazardous works or work environment, the minimum working age is 16 years and in non-hazardous works, it is 14 years.

²⁵ Situation analysis of child labour in the carpet industry of Nepal (1999). Centre for Policy Studies, Kathmandu

²⁶ National Labour Academy (2001). Summary of Rapid Assessment of Worst Form of Child Labourers. ILO, Kathmandu, Nepal

3.3 The Current International Discussion on Child Labour

International concern about child labour has grown significantly over the past years. One result of this recent movement is increased diversity of both thinking and action.

The diversity of child labour definitions and concepts ²⁷

It begins with defining child labour. There is no common concept that unites everyone discussing the problem. The term 'child labour' is used to signify many different things.

- All work of any kind performed by children;
- Economic participation by children;
- Full-time work performed by children;
- Work that is harmful to children;
- Work that interferes with schooling;
- All remunerated work;
- Work that exploits children;

A review of the 'child labour' literature and experience reveals four highly generalized lines of thinking that can be thought of as:

The labour market perspective

This perspective is fundamentally driven by a mostly North cultural notions of childhood as properly a work-free period and by anxiety about the potential impact of child workers on adult labour markets.

Many trade unions, industry and employer associations, and public and private sector allies such as consumer groups have ever since defined 'child labour' at least in part as the participation of 'underage' children in economic activity.

The human capital perspective

This approach views the work of children through the lens of national economic development. It regards child labour as a product of economic underdevelopment, and suggests that the remedy is to eliminate poverty and its causes

²⁷ William E. Myers, Appreciating Diverse Approaches To Child Labor, A presentation during the symposium "Child Labor & the Globalizing Economy: Lessons from Asia/Pacific Countries" Stanford University, California (<http://www.childlabor.org/symposium/myers.htm>)

The social responsibility perspective

This perspective regards the work of children in the context of social rather than economic development. It arises out of concern about social inequality, many types of discrimination, unjust concentrations and use of economic and political power, cultural alienation, dysfunctional family and community relationships, social irresponsibility, and the deterioration of values and moral fibre.

The child-centred perspective

Unlike the other conceptual frameworks discussed above, 'child-centred' interventions in child work have children as their primary clientele, putting their interests first and foremost without filtering them through prior adult agenda. Unsurprisingly, this perspective is most associated with organizations for the defence of children. It is prominently represented at the international level by UNICEF and international child rights organizations such as the Save the Children Alliance. It is driven by concern about conditions that impair children's growth and violate their rights.

Child Labour in the Context of Current Development Policy Discussion

In many poor families children's capacity to work is an essential asset for their livelihoods. Over the past five years the debate has focused on:

- whether the emphasis should be on all forms of child work or the worst forms, e.g. should the eradication of child work in any form be the ultimate goal
- the impact of child employment on adult employment and wages
- whether work and school are incompatible in the lives of children
- what are the most effective interventions against harmful forms of child work, e.g. labour legislation, compulsory education, poverty reduction, social mobilisation
- pros and cons of trade sanctions against and consumer boycotts of the products of child labour
- whether (and if so how) children should participate in decision making processes
- key alliances needed for effective policy implementation
- links between poor health, mortality and child labour – particularly in relation to HIV/AIDS

Key issues

ILO estimates that 250 million children under the age of 15 are working in developing countries. The vast majority work in the agricultural and informal sectors; although the export/sweatshop industries receive much attention they account for less than 5% of child employment.

The UN Convention on the Rights of the Child (1989) and ILO Convention 182 on the worst forms of child labour (1999), promote a clearer distinction between child work, a general term including work which is unlikely to damage educational opportunities, and child labour, which

refers to harmful forms of work which deny children opportunities to fulfil their other rights, such as education.

The 'worst forms of labour' as defined in ILO Convention 182 include prostitution, all forms of slavery, sale and trafficking of children, debt bondage and forced labour, as well as work likely to harm their 'health, safety and morals'. All signatories are required to identify these forms and develop a national plan of action to eliminate them. Underlying these Conventions is a commitment to promote the 'best interests' of the child, although interpretations of these interests can differ considerably.

The challenge lies in creating an institutional framework that can promote consensus among all concerned, namely children, parents, governments, international agencies, labour unions, employers, NGOs and donor agencies. International goals and national plans of action require alliances of these key stakeholders in different national and local contexts. Specific institutional responsibilities should be clearly defined and will vary according to relative strengths, competencies and likely effectiveness.

Emerging areas of interest include²⁸:

- the relationship between the quality of education and child work. In many places the failure of school systems rivals or surpasses poverty as the main impetus driving children to work;
- hidden forms of child work, especially domestic service, a predominantly female activity;
- the realisation that responsible policy encompasses not just removing children from work, but promoting appropriate forms of work for those approaching the minimum age; also providing access to education and social protection for under-age workers;
- the relationship between child and adult employment, e.g. child employment can reduce adult wages and may increase the supply of adult women;
- the needs and interests of the child in development programming, e.g. revising education timetables to enable more children to attend;
- implications of the HIV/AIDS pandemic. In some sub-Saharan African countries children have become the main breadwinners. More research and programming is needed to identify and respond to their needs and to develop appropriate support programmes.

Some of the lessons learnt for the effective reduction of child labour are:

- the need to address poverty as a root cause of child work;
- the necessity of compulsory, free, flexible and good quality education as a pre-requisite for sustainable integrated actions and policies;
- the necessity of active involvement of all stakeholders;
- the need for concerted and consistent strategies at all levels;

²⁸ DFID, 2001, Child Labour. Key Sheets: http://www.keysheets.org/red_5_child_rev.pdf

- the need for informed debate in all countries on whether trade sanctions and boycott campaigns can improve child welfare;
- legislation and planning alone have limited effects. Rights awareness and actions to strengthen social capital are also important;
- children's participation makes a difference, making interventions more effective;
- participatory, holistic, gendered analysis of the causes of harmful child labour, child vulnerability and resilience improves identification of needs and effectiveness of interventions.

3.4 Developments in the Carpet Trade in Germany and the European Union

The biggest exporting country for knotted carpets to Germany in terms of floor area remains India, as can be seen from Figure 1. During the past years exports from Iran increased considerably and it is now the biggest exporter to Germany in terms of value. The third big exporters is Nepal. Other countries are much smaller players. The figures of the following graphs have been all provided by CARE&FAIR (who in turn get them from the Central Statistics Office in Germany)

Sq meter

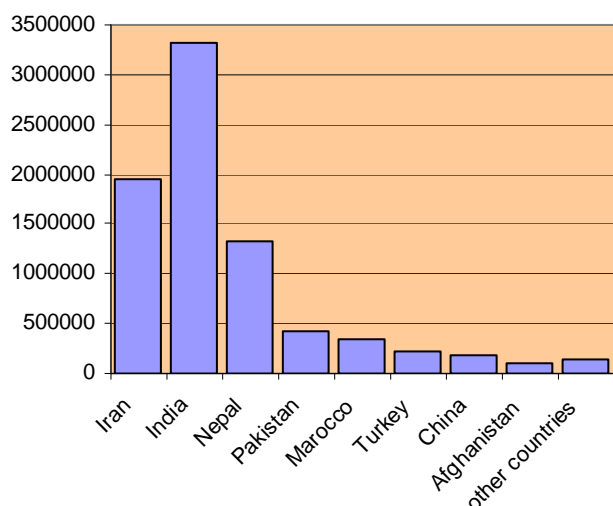


Fig. 1: Imports of knotted carpets into Germany by area (figures in m²) in 2001

'000 €

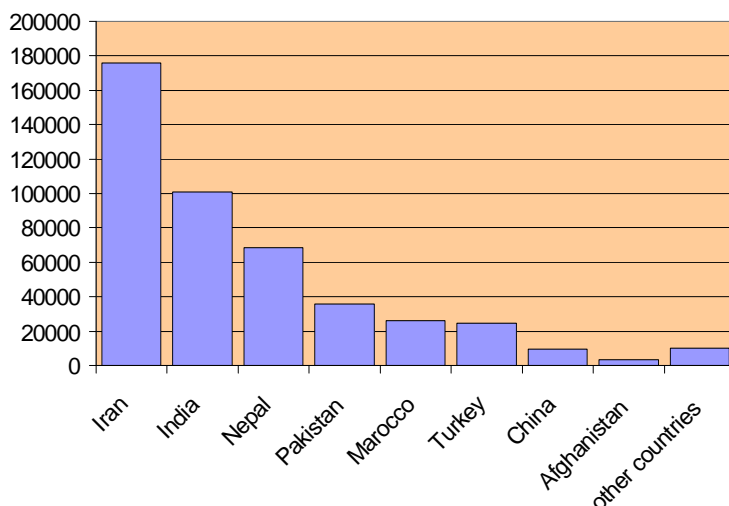


Fig 2.: Imports of knotted carpets into Germany by value ('000 Euro) in 2001

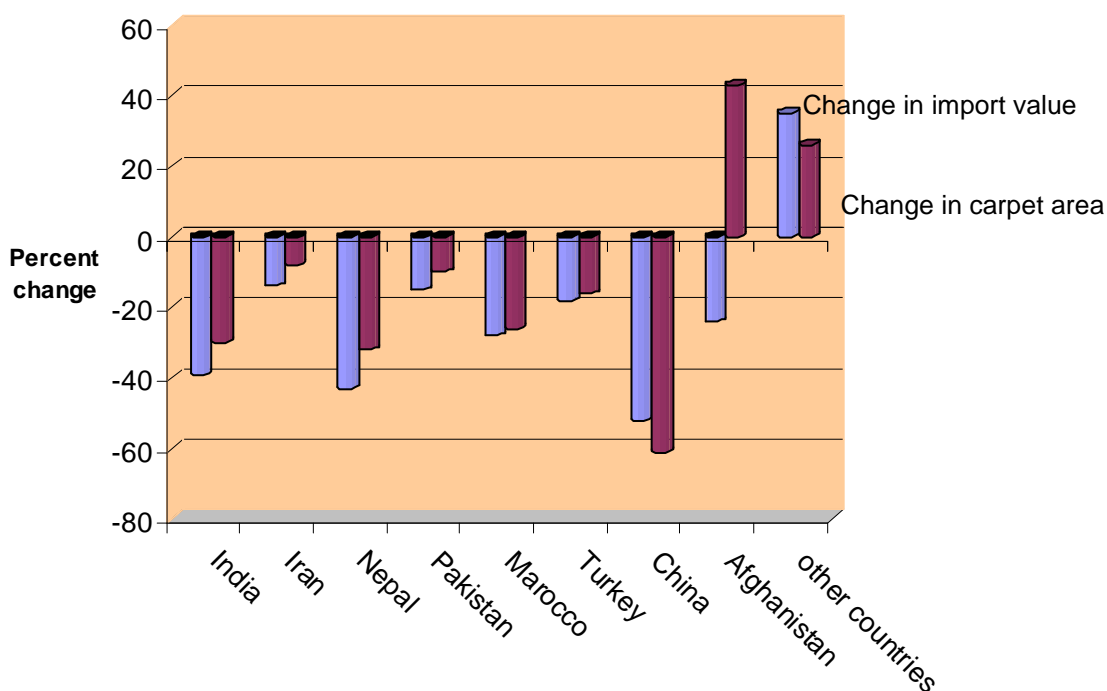


Fig 3.: Percentage change in area and value of imported knotted carpets from 2001 to 2002 (first 9 months)

The import of knotted carpets has dropped dramatically over the past years. The development continued also in 2002 when quantity and value of imports dropped by another 25 to 40% as shown in Fig. 3.

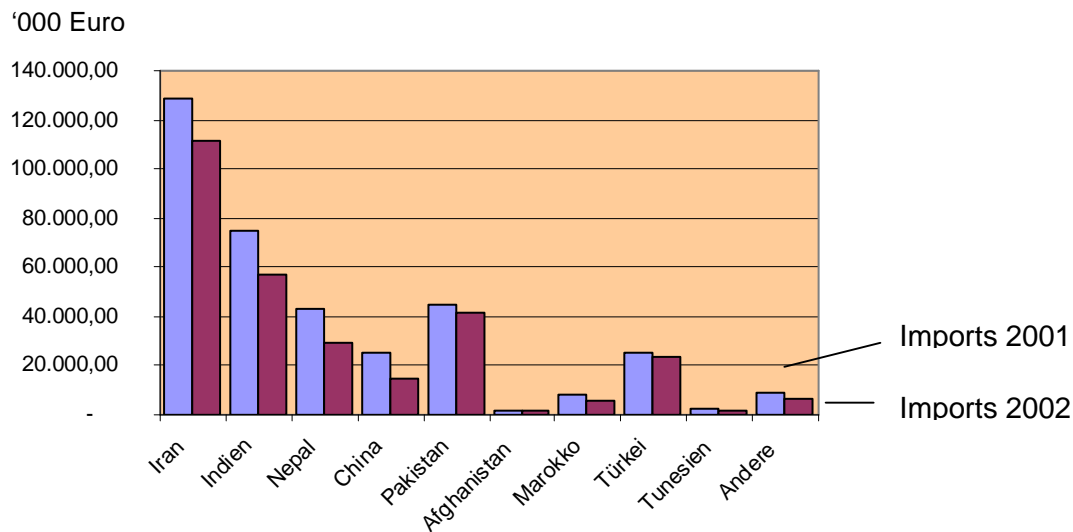
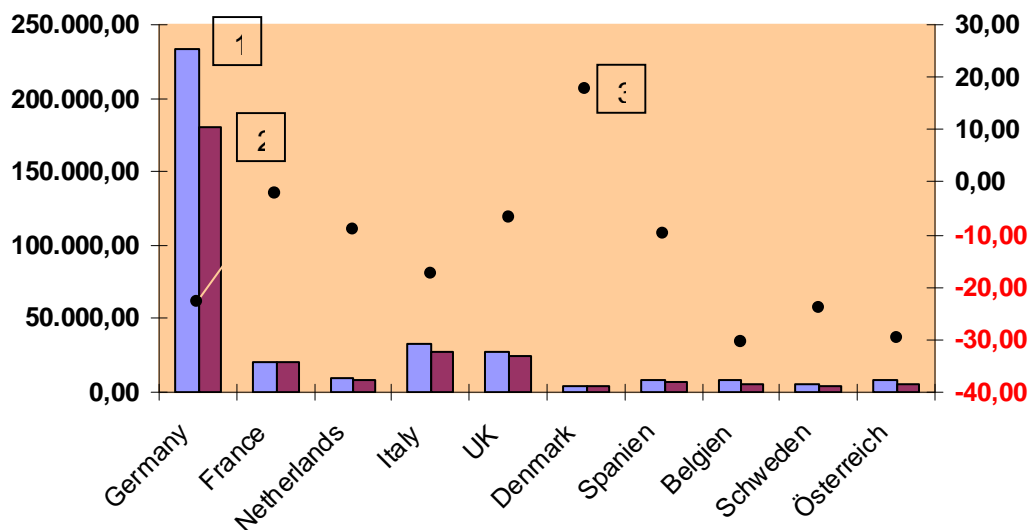
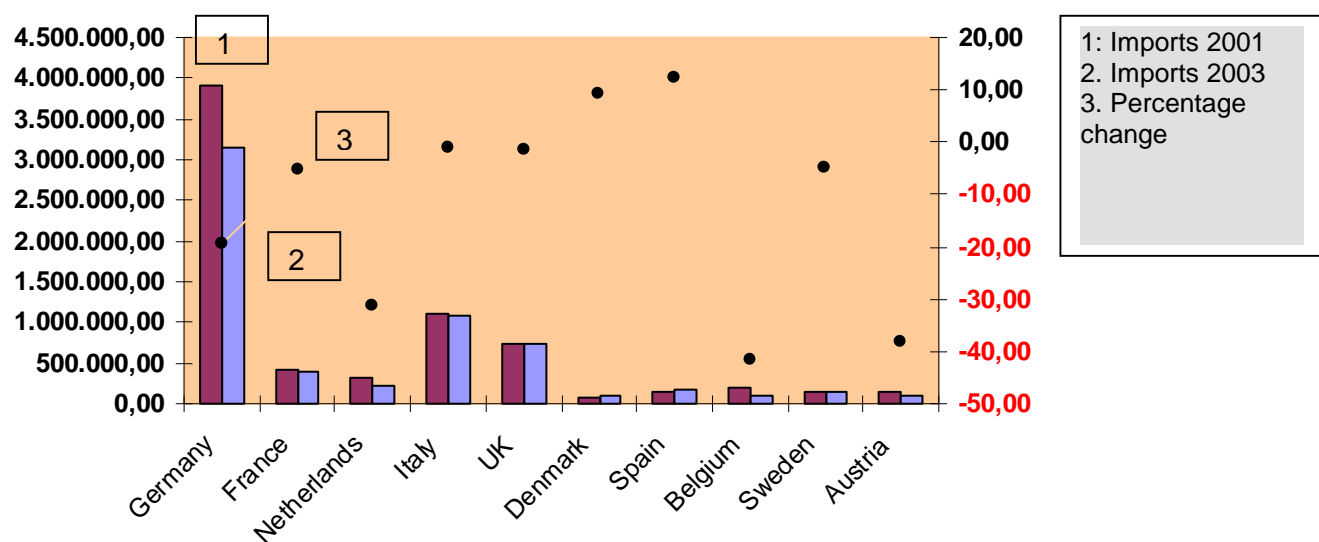


Fig. 4: Imports (value) of knotted carpets into the European Union in January to June 2002 ('000 Euro)

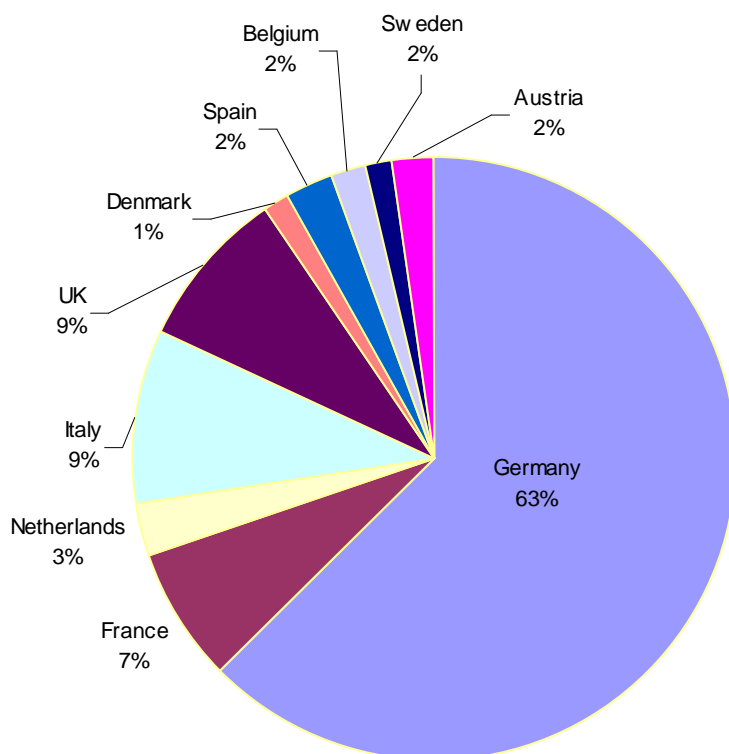
Carpet producing countries take about the same ranking for the imports into the European Union as it has been shown for Germany (Fig. 2).



1: Imports 2001
2: Imports 2003
3: Percentage change



It can be seen from Fig. 6, that only few markets still grow; in most countries, a decline in the sales of carpets was recorded.



4. Tabulated Brief Description of RUGMARK and CARE & FAIR and their Activities

	RUGMARK	CARE & FAIR
Project number	686 11 (earlier: Trade Fairs, today: PPP)	Did not receive financial support from public funds
Period of support	1995 till today	Not applicable
Financial support provided by BMZ	1.41 Mio Euro (1995 till 2003)	Not applicable
Target groups	Children and their families working in the carpet sector	Poor weaver communities and children in carpet export areas (education program)
Sources of other income	Licence fees (1.25% of carpet value, 1 % of importers, 0.25 percent for exporters) Membership fees paid by exporters Grants from funding agencies (RMF Nepal, RM International) UNICEF supported RMF Nepal with 490,000 US-\$ between 1996/97 and 2002/2003.	Licence fees (1.25% of carpet value, 1 % of importers, 0.25 percent for exporters) Membership fees in importing and exporting countries Donations in kind (land, vehicles) and sponsorships from local exporters
Organisational Structure	Six largely independent units, registered as NGOs RUGMARK Foundation India RUGMARK Foundation Nepal RUGMARK Pakistan RUGMARK Deutschland RUGMARK UK RUGMARK USA With RUGMARK International functioning as an umbrella	Several units, registered as NGO CARE & FAIR, Germany (registered as industry initiative) CARE & FAIR, India CARE & FAIR Nepal CARE & FAIR Pakistan CARE & FAIR USA (in process of registration as charity) CARE & FAIR has members in 15 countries. CARE & FAIR Germany is formally in charge of European members but in practice active individuals are fostering relations with members (Mr. Meier in Switzerland, Mr. Janssen in the Netherlands)

	RUGMARK		CARE & FAIR	
Main objectives	<ul style="list-style-type: none"> Assure that no illegal child labour is active on registered looms Rehabilitate children removed from carpet factories Prevent children from entering illegal labour relationships Raise awareness in consumer countries 		<ul style="list-style-type: none"> Improved social welfare facilities for poor weaver communities in carpet exporting area (health and education programs) Preventing illegal child labour by providing school facilities Ensuring free-of-charge basic medical care for carpet workers and their families from member factories 	
Main activities	<p>Management of the RUGMARK label that includes Inspection and monitoring in the producer countries Liaison and customer relationship with importers in Europe Rehabilitation of working children Schooling for children from weaver families</p>		<p>Social measures aimed at rural communities in the vicinity of CARE & FAIR members Operation of schools Financial support for government schools Operation of health centres Day care centres (Nepal only)</p>	
	India	Nepal	India	Nepal
Number of licence holders	252 licensees with nearly 25% of the total loom capacity	148 licensees with 467 carpet factories, which is about 65% of the total production capacity	131 members in India (2001) with declining tendency, latest information give 51 members (new membership system).	51 members according to Nepal office, 46 according to Hamburg office.
Schools	6 (1667 students)	-	12 (8 own schools, four co-financed), 4797 students enrolled (5500 passed between 1996 and 2001)	6 schools (co-financed, four by NGO, two by Government) 1250 students
Adult education centres Health clinics	4 (ca. 170 people enrolled)		7 clinics 80 000 to 140 000 per year	6 clinics 30 000 patients per year

	RUGMARK		CARE & FAIR	
Day care centres	-	4 (approx. 100 children in total)	-	1 day care centre
Rehabilitation centres	1 (67 children)	1 (125 children)	-	
Scholarships	For students of rehabilitation centre (Balashray)		29 under Special Relief Programme	
Vocational training		Linked with the rehabilitation centre	One women vocational training centre	
Awareness campaigns	-	Carried out in carpet factories		

5. Analysis and Assessment of Aims

Both initiatives, RUGMARK and CARE & FAIR, essentially aim at assuring that no illegal child labour is involved in the manufacturing of carpets, in particular those carpets sold with their label and / or manufactured by their exporters. Furthermore both want to contribute towards preventing children having to work behind looms or elsewhere (through access to schools that).

5.1 Aims of the Partner Countries

India

Official data suggest a decline in the number of children working. According to official census^{29,30} data full time child workers dropped from 13.4 million in 1951 to 9.1 millions in 1991.

Child Labour has been a concern for the Government of India ever since independence. The Constitution of India prohibits employment of children below 14 years of age in factories, mines and hazardous employment in terms of a Fundamental Right and Directive Principles laid down against the abuse of the tender age of the children until 14 years of age.

However, it was only in 1986 that a comprehensive legislation was framed for the prohibition and regulation of child labour (CLPRA) and only in 1987 the National Policy on Child Labour was framed.

With over 80% of child labour in agriculture and allied activities, the Indian problem is predominantly an agrarian phenomenon, even though many children are also employed in the domestic, hotel and some other industries. Yet the National Policies and the CLPRA only recognize and prohibit certain selected “hazardous” occupations and processes which are only 6% of the total child labour force³⁴.

Nepal

Article 20 of the Constitution of Nepal (1990) prohibits the employment of minors in any factory or mine, or any other hazardous work. It is however not clear to what age group the term “minor” is stated. The Civil service Act (1975) prohibits government employment of anyone under the age of 16. In the Labour Act (1992) a “child” is defined as a person under the age of 14 years, whereas “minor” is defined as a person under the age of 18 years. The Act stipulates that no child (under 14 years) shall be engaged in work of any enterprise.

²⁹ Registrar General, India (1991). Working Children in India: An analysis of the 1991 Census Data. Census of India

³⁰ Chaudhry, D.P. (1995). Dynamic Profile of Child Labour in India. 1951 – 1991

³¹ International Labour Office; 1998: “Statistics on Working Children and Hazardous Child Labour in Brief”, Geneva, April

³² Basu, Kaushik; 1999: “Child Labour: Cause, Consequence, and Cure, with Remarks on International Labor Standards”, in: *Journal of Economic Literature*, XXXVII (Sept.); 1083-1119

³³ International Labour Office; 1996c: “Economically Active populations: Estimates and Projections, 1950-2010”, Geneva

³⁴ Chaujar, P. (2002). The working child. In: HAQ Centre for Child Rights: Children in Globalising India. HAQ Centre for the Child Rights, New Delhi 110049, India.

In the recently formulated Master Plan for Elimination of Child Labour Ministry of Labour and Transport Management, 2001-2010), a child is defined as a person below 16 years and a minor is of the age between 16-18 years. In case of hazardous works or work environment, the minimum working age is 16 years and in non-hazardous works, it is 14 years. Within the framework of this Master Plan Nepal wants to eradicate the worst forms of child labour within the next five years and all child labour within the next 10 years.

5.2 Aims of the German Government

The sustainable elimination of child labour is an important aim for the Ministry of Economic Cooperation and Development. Special efforts are required to overcome the complex problem of child labour. While some forms of child labour may be necessary for the survival of the family and basically acceptable, others are exploitative and hazardous for the physical and mental well-being of the child.

As main causes for child labour is seen poverty in the family and deficits in the education system (no compulsory schooling, fees which poor families cannot afford, curricula that do not relate to the reality of the child's environment). Measures combating child labour need to tackle these root causes (BMZ Aktuell Nr. 086 / December 1997). Trade sanctions are not seen as an effective instrument, since only an estimated 5% of the products manufactured by children are exported. Voluntary labelling of products manufactured without child labour and monitoring of the production process is seen by the Ministry as a promising approach. Such initiatives should not restrict themselves to removing children from work places, but need to support families in developing alternative income opportunities.

5.3 Analysis and Assessment of RUGMARK's and CARE & FAIR's Aims

General Background

RUGMARK and CARE & FAIR were founded in the mid-nineties primarily in response to public allegations that were raised particularly in Germany of widespread employment of children in the Indian carpet industry.

Kailash Satyarthi of SACCS (South Asian Coalition On Child Servitude) had asked his German partner "Bread for the World" not only to fund child welfare programmes in India but to inform the German public about child labour practices in India. The carpet sector was booming at that time and it was expected that the public could be sensitised on the issue of child labour using carpet industry as an example. Several consumer groups threatened to launch boycotts of hand-knotted carpets. In the US, a ban on the import of goods made with child labour was debated extensively in Congress when the US Child Labour Deterrence Act was introduced by Senator Harkin in 1992. The bill, which was never passed by the US Congress, also urged the US to seek an agreement with other governments so as to secure an international ban on the trade of products made by children.

The South Asian Coalition Against Child Servitude, SACCS, an NGO founded by Kailash Satyarthi, has been one of the founding members of the RUGMARK Foundation in India. Established in 1989 SACCS has over 400 partner organisations throughout South Asia including India, Pakistan, Nepal, Bangladesh, Bhutan and Sri Lanka. Its mission is to identify, liberate, rehabilitate, and educate the children in servitude through direct intervention, coalition building and mass mobilisation. SACCS is credited with having spearheaded the Consumers Awareness Campaign in European countries and United States about the inhuman malpractices in the carpet industry. SACCS together with representatives of UNICEF, Indo German Export Promotion Council founded the RUGMARK Foundation in India.

The debate in Germany over the issue of child labour in the Indian carpet sector was very emotional at that time. As a consequence of the emotional public debate the trade split: one group decided to join a scheme that was initiated by German NGOs - RUGMARK, while a second group trade decided to establish their own scheme, separate from the NGOs - CARE & FAIR.

RUGMARK

RUGMARK was conceptualised and developed by a rather heterogeneous group of stakeholders: NGOs, UNICEF, the carpet trade and a trade promotion project (Indo German Export Promotion). Two goals were in the forefront: the goal of protecting the market for Indian carpets in the west as well as the goal of combating child labour in the industry.

A labelling scheme was established providing a label for those carpets that come from looms which are regularly inspected by RUGMARK staff.

RUGMARK's aims are threefold:

- Assure that no illegal child labour is active on registered looms

- Rehabilitate children removed from carpet looms

- Prevent children from entering illegal labour relationships

Licensed exporters have to sign an agreement not to use illegal child labour, to allow their looms to be monitored by RUGMARK and to pay fair wages to adult weavers.

The carpets can be labelled with a RUGMARK label, which assures the buyer that children are not used in carpet weaving (note: only the weaving and the finishing of carpets is being monitored, not e.g. yarn making which is particularly significant in Nepal).

RUGMARK as a labelling organisation was essentially formed as an NGO that closely collaborates with the private sector. It aims at being financially self-sustaining through the income from licence fees paid by the carpet trade.

RUGMARK has given itself a broad frame of objectives. The organisation wants to assure that carpets with its label were manufactured without children, it also wants to impact on the sector as a whole. It wants to rehabilitate children that had worked on looms and it wants to prevent children from getting into illegal labour relationships. Finally RUGMARK aims at raising awareness on the issue of child labour in its complexity in consumer countries

A clear reflection on what makes RUGMARK different to other NGOs (e.g. its proximity to the trade) and how that uniqueness should influence the type of development programmes the organisation is implementing and / or funding is still missing.

A key factor in the system is that the value of the label must be established and maintained in the consumer market. The message of the label - carpets manufactured without children - must be known, understood and valued by the consumer and by the trade. In the producer country a system is required which maintains and assures the value of the label, a system that is transparent and carries credibility. Accompanying social measures (schools, rehabilitation, etc) are aimed at children, their parents and communities, and they will contribute to the reputation of the organisation.

Therefore, the income of RUGMARK is totally dependent on the value of the label.

CARE & FAIR

The CARE & FAIR initiative was a response to rising public awareness on the issue of child labour in the carpet industry in the mid-nineties but the CARE & FAIR objectives are more generally oriented to the overall welfare of the carpet weaving community. However, in brochures and posters the elimination of child labour figures as an overall aim of CARE & FAIR. In practice, the organisation primarily works towards the improvement of social welfare in education and health in the carpet weaving areas. It thus addresses the issue of child labour in a more indirect way, believing that a more direct and rigorous approach on child labour elimination, e.g. through a special inspection system, was neither very feasible nor cost-effective.

The objective of the CARE & FAIR initiative is basically to improve the welfare of children and poor communities in carpet producing areas by mobilising contributions from their members for the provision of educational and health care facilities. Furthermore, members of CARE & FAIR commit themselves through a code of conduct to contribute to the elimination of illegal child labour. Members subscribe to a Code of Conduct which obliges them not to produce any carpet using child labour or to take any carpet where the use of child labour has come to their knowledge. Members shall not place order on any loom where the use of prohibited child labour has come to their notice. Wages and benefits must be fully comparable with local norms and legislation and members must ensure that all manufacturing processes are carried out under conditions which have proper and adequate regard for the health and safety of those involved. The Code of Conduct also specifies that CARE & FAIR reserves the right to make unannounced inspection of any manufacturing facility which is producing merchandise for CARE & FAIR members (however, apparently this has never been practiced so far).

CARE & FAIR believes in the voluntary commitment of its members rather than in a rigid control system. However, the organisation today recognises the valuable contributions of RUGMARK as well and most members, many of them hold dual membership, would in practice not oppose regular inspection of their looms.

CARE & FAIR issued versions of the Code of Conducts in German and in English which correspond to each other. However, there are also other versions in circulation which were given to the Consultants in India. The version of the headquarters lists nine points and mentions the commitment to produce carpet without child labour. The first two points of the English Code of Conduct do mention not to use child labour in general, not specifically illegal child labour. The Indian version consists of two parts, the first listing ten points and the second focusing on action against the breach of code of conduct. According to information from CARE & FAIR, however, no action has ever been taken against any exporters for breach of the code of conduct.

General Objectives of Social Labels and Code of Conducts

RUGMARK and CARE & FAIR initiatives relate to social labels and to code of conducts. RUGMARK may be classified as a typical social label initiative aiming at winning customers by adherence to defined social standards which are closely monitored. RUGMARK certifies individual carpets and sticks its label to it. CARE & FAIR markets its label but does not stick it on individual carpets. Both operate a Code of Conduct. As CARE & FAIR does not operate an inspection and certification system like RUGMARK, it gives primarily reference to its code of conducts for assuring that CARE & FAIR members do not use illegal child labour in carpet production.

Here, a few comments on social label initiatives and code of conducts may be useful to better understand the context of the programme aims of both the initiatives.

Social Labels

Labelling programmes try to remove children from the labour force of a particular industry by starting from the consumer and moving back in the marketing chain to affect the production process (Hilowitz 1997³⁵). The expectation is that if consumers demand only those goods whose label indicates that they have been produced without the use of child labour, manufacturers will be forced to change their labour practices. Labelling initiatives also seek to combat child labour through an economic component by contributing to improvements in the situation of child labourers and their families in the region. A part of the fees that importers and exporters pay upon registering with a labelling programme as well as the additional costs that consumers are willing to pay for child-free products go into funding schools and rehabilitation facilities for former child labourers in the industry.

Key steps suggested in the implementation are³⁶

- Raising awareness (communities, local business owners, etc)
- Policy Development (positive, rather than punitive, participatory)
- Implementation
- Monitoring (internal, external, independent)
- Forging partnerships

An important question is: how far does the common ground of members of a labelling scheme go and where does competition among members start? At present members of RUGMARK have in common that they want to communicate to the consumer that their carpet has been manufactured without children. Their common interest is to market the label and make it known in the market.

Social Codes of Conduct

Code of Conducts have been defined by the ILO by "written policies, or statements of principles, intended to serve as the basis for a commitment to particular enterprise conduct", Code of Conduct mainly reflect initiatives of larger transnational companies which have been introduced to respond to increasing consumer awareness and negative publicity in media. Code of Conducts are initiated by the voluntary commitment of companies with sometimes independent supervision and monitoring arrangements. Compliance with Code of Conducts is often made mandatory for subcontractors of the company. Non-respect may lead to cancellation of orders. There are different types of Code of Conducts, in particular

- Business principles / codes of conduct for companies (e.g. Lewis-Strauss 1991 CoC on Textile Production);

³⁵ Hilowitz, Janet (1997): Labelling Child Labour Products: Preliminary Study, International Labour Office, Geneva.

³⁶ International Finance Corporation (2002) Good Practice Note: Addressing Child Labour in the Work Place and Supply Chain

- Codices of industry branches (e.g. World Federation of the Sporting Goods Industry 1995 on non-use of Child Labour);
- Agreements between NGOs, Trade Unions and Industry (e.g. agreements between Employers and Trade Unions in the textile industries of Europe on social standards)
- Model Codes of Conducts (e.g. Clean Clothes Campaign, Code of Labour Practices in the Apparel Industry including Sportswear, Europe 1991; Amnesty International Human Rights Principles for Companies 1998);
- Multilateral Codes (e.g. European Parliament, Resolution on EU standards for European Enterprises operating in developing countries: towards a European Code of Conduct and Monitoring Platform 1999).³⁷

A key question here is: how does an initiative assure that its code of conduct is widely respected by its members. CARE & FAIR places emphasis on voluntary compliance of its Code of Conduct and it does not operate an inspection system. However, the organisation has not commissioned any independent study to assess whether its members respect its code of conduct. No penal action has been taken by the organisation against any member throughout the years. This has raised doubts about its credibility among the critical public in the consumer countries.

³⁷ Piepel, Klaus 1999: Social Labels and Codes of Conduct; Köln: Transfair/Misereor/Brot für die Welt.

6. Analysis and Assessment of the Institutional Structures of RUGMARK and CARE & FAIR in India, Nepal and Germany

6.1 The Institutional Structure and Performance of the Initiatives

6.1.1 Institutional Setting RUGMARK

RUGMARK is a group of six largely independent units with a common umbrella that is RUGMARK International. The six units are:

RUGMARK Foundation India

RUGMARK Foundation Nepal

RUGMARK Pakistan

RUGMARK Deutschland

RUGMARK UK

RUGMARK USA

Each of the national units has their own governing board, their management structure and their own funding. Though the webpage (www.RUGMARK.org) describes RUGMARK as the global non-profit organisation working to end child labour and offer educational opportunities to children in India, Nepal, and Pakistan the common denominator between the organisations is small.

The common base is the concept of labelling carpets which have been manufactured without children and which is using a monitoring and inspection system in the manufacturing places. Label fees and label colour vary; the strategies used towards achieving the goals are different. Nepal RUGMARK Foundation, for instance, is placing considerable emphasis on networking and linking with other organisations, while RUGMARK India is having far fewer interactions with other organisations.

RUGMARK International

RUGMARK International is the umbrella organisation for all the national RUGMARK units.

RUGMARK International (RMI) has a General Assembly with a representative of each of the six member bodies. RMI is governed by a 5 member board. The operations are run by a secretariat which is currently located in RM Germany's Cologne office. Discussions have been taking place to provide a separate office location for RMI to assure its independence.

At present, the core mandate for RMI is to manage the standard of the RUGMARK label. The RMI secretariat also implements in cooperation with member bodies specific projects, such as exploring options how to achieve 100% labelling of carpet exports from Nepal to Germany.

RMI was asked by the last RMI board meeting in Hannover in 2002 to take responsibility for standardizing reporting, specifically financial reporting. During the 2003 meeting it was discussed that RUGMARK International should take on a stronger role coordination of all RUGMARK units. Changes taken in one RM unit will often impact on the work of other RM units. This is particularly the case between RM units in producer and market countries. RMI should act at least as a forum where all significant developments and changes of individual RUGMARK units are being discussed.

RUGMARK Germany

Germany is the largest market for RUGMARK-labelled carpets, however, with a falling trend (see Fig. 5, 6 and 7). Still, more than 80% of all carpets are sold to licensees of RUGMARK Germany. Since January 1999 the RUGMARK Germany office is operating from the office premises of TRANSFAIR Germany in Cologne.

The manager of TRANSFAIR spends about 30 to 40% of his time managing the operations of RUGMARK. RUGMARK accounts are looked after by one person with a 15% part-time capacity. General administration is done by a third person (25% part-time job). One person does public relation / awareness creation work (20% part-time). A fifth person, a retired carpet expert who works for a nominal salary, assists in managing the contacts with the German licensees.

The German RUGMARK office takes responsibility for the German market as well as the other European and Middle-East countries (Switzerland, Netherlands, Belgium, Luxemburg, Sweden, Italy and the United Arab Emirates), except for the UK where a RUGMARK office is just being built up.

RUGMARK Germany has 30 licensees in Europe, 21 of them in Germany. Three most important licensees for RUGMARK import 80% of the RUGMARK-labelled carpets from India, and another three licensee's import 70% from Nepal.

RUGMARK's public relation work is directed particularly at the interested and active public. Many of them are teachers. The "Extrablatt" is a newsletter published by TransFair and RUGMARK. The mailing list is being administrated and managed by Misereor's publication department. That way more than 36,000 people are regularly informed about developments in RUGMARK and in its environment. Many of these people write back requesting more information material. RUGMARK registers more than 10,000 clicks on its webpage every month.

In the past German non-governmental funding agencies (in particularly those on the advisory board of RUGMARK) have actively promoted the RUGMARK label in public. Bread for the World staged for instance a carpet conference in Hamburg with different events and actors from very different corners (including CARE & FAIR). The concept of RUGMARK was communicated to the public including the label.

The manager of RUGMARK Germany is accountable to the TRANSFAIR Board. RUGMARK also has an Advisory Committee (Trägerkreis) with Misereor, Bread for the World, terre des hommes and UNICEF Germany as members. The Advisory Committee has basically the function of a board. The representative of terre des hommes is member of the TRANSFAIR Board as well.

RUGMARK Foundation India

RUGMARK India is governed by a 12-member board of directors. This board comprises 6 exporters who are registered with RUGMARK, 3 NGO representatives, 1 representative of IGEP (who is also a permanent advisor to the foundation) and one chairperson, an ex-Minister, Government of India. Some of these exporters are also members of CARE & FAIR.

RUGMARK Foundation India is managed by an Executive Director who is a retired Director of the State Bank of India and who works as a volunteer in his post. He mainly works from the Delhi office, where administration and accounts are managed. RUGMARK has an office in the carpet belt that is in Gopalganj. Here, the Inspection and Monitoring Wing is located as well as the Rehabilitation and Social Welfare. Both departments are run by a coordinator. The Inspection and Monitoring unit has 12 inspectors and the coordinator, forming 6 teams. In total, RUGMARK India employs 28 staff.

The RUGMARK head office in New Delhi receives considerable degree of management and infrastructure support from the IGEP office, also based in Delhi. The IGEP representatives often represent RUGMARK in the political circles, government departments and others.

The roles of the Board extend beyond policy directives and overall governance issues. Board members, including the representatives of IGEP also get involved at the operational level. Some exporters among the board of directors are also involved in day-by-day management of some social projects.

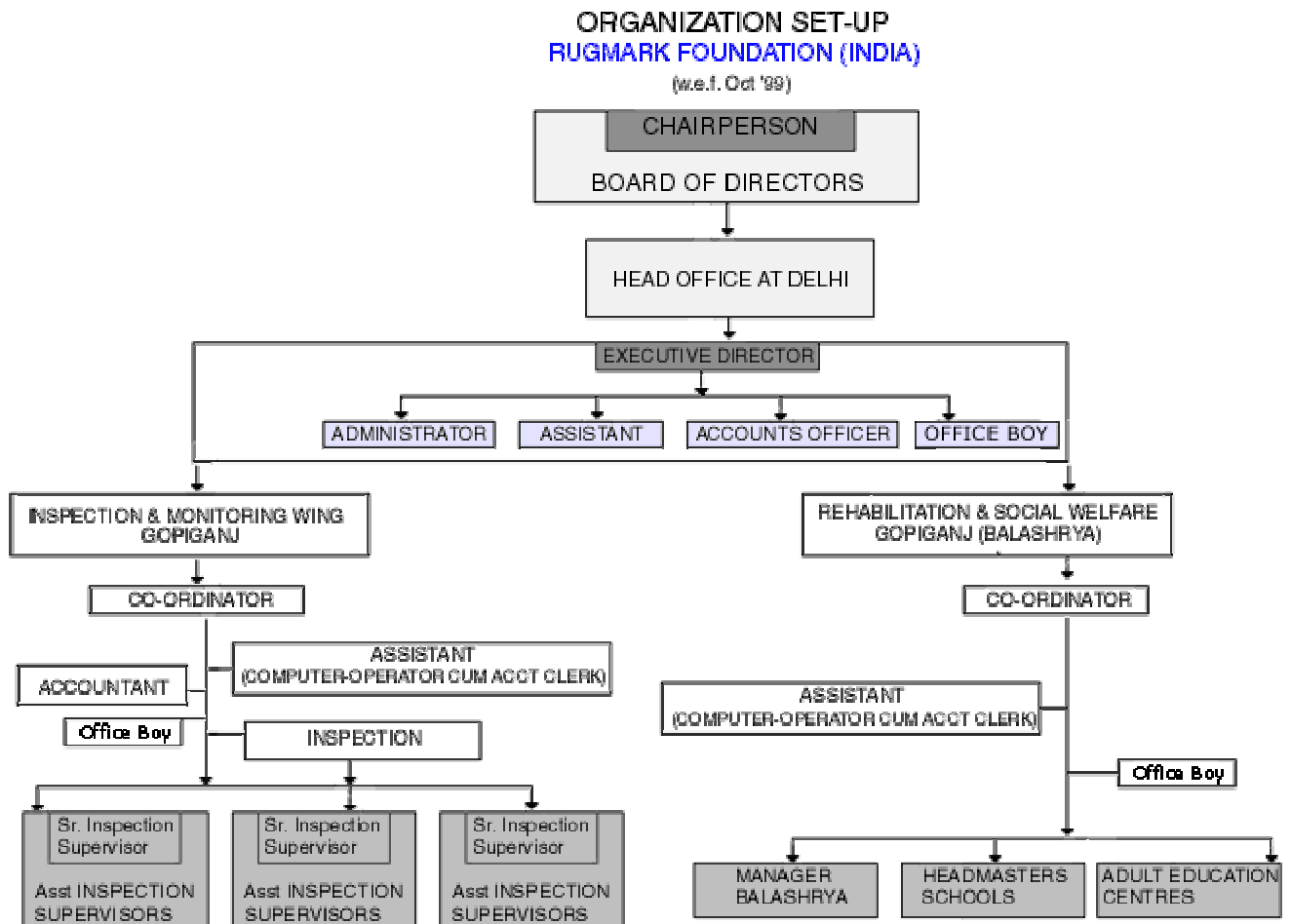


Figure 8: Organisational structure of RUGMARK India

Nepal RUGMARK Foundation

The General Assembly (Board) is composed of four members from the carpet sectors, four members from Child Right NGOs and an independent professional from the social field (a former UNICEF country director in China). Nepal RUGMARK Foundation also has an Advisory Committee with UNICEF Nepal, GTZ, the Central Carpet Industry Association and a representative of the carpet trade as members. The organisation has 14 staff members: they include 2 programme officers, 1 accounts and administration officer, 4 inspectors, and 2 field workers in the child development section. The executive director is a full time employee who earlier has worked in the carpet trade. NRF's staff in its Child Development Department are trained professionals with a background in social work, sociology and psychology.

The staff working in inspection and monitoring have an NGO background.

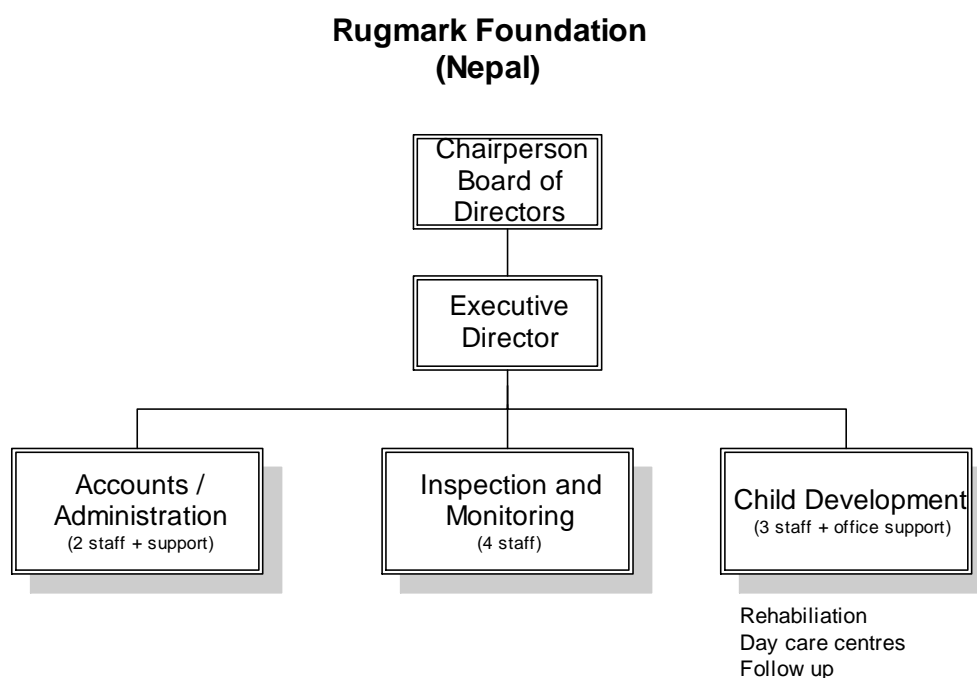


Figure 9: Organisational structure of Nepal RUGMARK Foundation

Institutional Setting CARE & FAIR

CARE & FAIR was established as a registered industry initiative in 1994 by mainly German carpet importers in 1994 with the objective to improve the welfare of children from carpet weaving communities and to combat illegal child labour. Carpet exporters opted not to register the organisation as a charity for tax considerations. Contributions from carpet importers could in such case be deducted from generated income before tax. The disadvantage was that CARE & FAIR could not provide donors with tax free vouchers as registered welfare organisation can. In the view of the current financial crisis (see Chapter 6.1.3 for Table 4 and 5) and concerns for fostering partnerships with befriended organisations CARE & FAIR considers a formal partnership with "Children of Orient e.V. ", a small NGO with charity status for facilitating fund raising. The office of Children of Orient e.V. may be shifted to the CARE & FAIR Office in Hamburg and its annual budget of approx. 3000 € will entirely flow to CARE & FAIR projects.

CARE & FAIR has 597 members in 18 countries out of then 388 in 15 importing countries and 203 members in exporting countries. Figures vary according to criteria. Germany has the largest number of members (227), followed by Switzerland (100) and the Netherlands (33). CARE & FAIR has proper offices in Germany and the exporting countries. Operations in Switzerland and in the Netherlands are managed by their members Mr. W. eier (Switzerland) and Mr. F. Janssen (Netherlands) through their personal contacts.

Different information on membership was received. According to CARE & FAIR Hamburg India has officially still 131 members. However, the latest figure given at the Domotex meeting (11th January 2002) was 120. Information collected in India suggests that 50 exporters seem to have paid the membership fee in 2002. According to information received from Mr. Ahsan Khan, Board member of CARE & FAIR India, the membership fee has been replaced by a minimum mandatory contribution of Rs 10,000 per exporters and per annum from April 2002 onwards. Other memberships have been discontinued to avoid cheap rider members.

Figures for Nepal also vary according to information received from headquarters and Nepal office. CARE & FAIR runs 34 projects, out of them 22 schools, 11 health care projects hospitals/clinics and one day care centre.

The membership structure of CARE & FAIR as per information from headquarters is as follows.

	Associated Members (donors)	Regular members (licence fee payers)		Total Members	Branches
		Im-/Exporters	Retailers		
Germany	21	54	152	227	84
Switzerland		8	92	100	6
Netherlands	2	7	24	33	6
Belgium		2	2	4	1
Luxembourg		2		2	
France		1	3	4	
Liechtenstein	1		1	2	
Austria		2		2	
Italy		2	2	4	
Spain		1	1	2	
Island			1	1	
Canada		1		1	
USA	1	3		4	
Morocco	1			1	
Brazil			1	1	
	26	83	279	388	97
USA	1	5		6	
India		131		131	
Nepal		46		46	
Pakistan		26		26	
	27	291	279	597	97

Table 2: Membership of CARE & FAIR (importing and exporting countries) as per 08.01.2002

CARE & FAIR India

CARE & FAIR India is a registered trust as well as a registered society which has come to existence due to a joint initiative by carpet importers from Western countries (mainly from Germany) and a carpet exporter from India. The office is located in Rajpura, Bhadohi. Office costs amount to approx. 500,000 Rs per year.

CARE & FAIR got the registration under the Foreign Contribution Regulation Act (FCRA) by 1997 which allowed for official transfer of funds from Germany to India. CARE & FAIR India had 162 registered members in its peak time (1996 to 1998), then it declined to 131 by 2000 and only 120 or 50 members paid membership fee or minimum contribution of 10,000 Rs per annum for the year 2002. In 2001 only 46 paid their fee while 87 did not pay. Business operations of 32 members are considered to be dysfunctional. It is thus presumed that around 20 percent of the members do not continue to export carpets given the severe crisis; some others may do business with non CARE & FAIR importers, mainly in the US. Most factories suffer from severe business losses due to the declining demand for hand-knotted carpets in Germany.

CARE & FAIR Nepal

CARE & FAIR Nepal has been established in 1994 subject to pressure from European importers. It is a registered charity with the Social Welfare Council. The executive board consists of seven members. The former President Mr. B.K. Shrestha was replaced by the new President Mr. Laxman Shrestha of Soorya Carpet Industries in Thapathali. Vice-President is Mr. Tashi P. Lama of Bhadgaon Woolen Industries in Bhaktapur. The General Secretary Mr. Palden Norkyel of Singhe carpet Industries is very active in the organisation at present.

6.1.2 Management Levels and their Management Functions

CARE & FAIR Headquarters are in Hamburg Germany, where office facilities are shared with the German Association of Oriental Carpet Importers (Bundesverband der Orientteppichimporteure). CARE & FAIR has a seven member governing body. One vacancy has not yet been filled. As the job is of purely voluntary nature and a time and energy demanding task, it has not been easy to refill seats once they had become vacant. One seat is currently vacant. An amendment of the constitution of CARE & FAIR was necessary to make decisions possible with fewer members of the governing body present.

At the outset CARE & FAIR used to have a governing and an advisory body (Beirat) but the advisory body was only in place in the first few years. The Chairperson of the Governing Body is Mr. Volker Heinrich, one of the founders of CARE & FAIR. He is also the treasurer. Mr. Heinrich tries hard to get other members on board and assume functions but this is no easy task as it requires a time consuming voluntary commitment. Members of the Governing Body are experienced senior carpet importers. All of them show special commitment and regularly visit the social projects of the organisation.

CARE & FAIR Germany holds four to five board meetings per year. Dates are discussed at the beginning of the year around the Domotex fair in January. Invitations are issued two weeks before the meetings. Working groups are formed for special tasks like the preparation of the Domotex. Here, one or two governing body member join hands with the General Manager Mr. Fliegner. Minutes are prepared of these meetings which are to be approved at the following meeting. The meetings have an agenda. Reports are given on the situation in the exporting countries by the respective country in-charge (Paten). Mr. Heinrich is for example the country-in-charge for India.

CARE & FAIR India has a Governing body as required for any registered society and a board of Trustees as required for any trust according to rules and regulations in India. The board has an advisory function and is presided by the President of the Governing body. CARE & FAIR holds twelve board meetings per year. Most active is President Prakash Sharma and General Secretary Mr. Khan. The organisation has four full time staff and one part-time staff.

CARE & FAIR Nepal has seven elected board members. Like in Germany and India none of the board members is paid. CARE & FAIR has three paid office staff (Project Co-ordinator, Accountant, Clerk).

6.1.3 Quality and Cost-Effectiveness of the Institutions

RUGMARK aims at being financially self-reliant.

The main source of income for all RUGMARK units is the fee which traders have to pay for the label. Exporters in the country of manufacturing pay 0.25% directly to the respective country office. This money is supposed to cover the cost of operating the inspection and monitoring system and the administration.

The importers pay 1% of the import value (except for the USA where importers pay 1.75%). One quarter of the importer's licence fee is retained by the RUGMARK office in the respective importer country. The remaining 75% of the importer's fee is transferred to the RUGMARK office in the respective producer country and meant to be used for social programmes.

RUGMARK International

At the present time RUGMARK International is working on a nominal budget (500 Euro). BMZ has provided a budget (see Table 3) to RUGMARK for a specific project – the 100% labelling project in Nepal. The participation in RMI meetings is essentially paid for by the member bodies.

From the evaluation team's point of view RM International needs to take on a stronger role than it has now. For RM to have an impact at the economic and political level activities and

development in the different RM units require coordination. Resources are needed for that. At this moment not all RM units see the need for a strengthened RM International that is endowed with the required resources.

RUGMARK Germany

RM Germany is meant to cover its expenditures from 0.25% of the licence fees that the importers pay. Looking at Fig. 10 it is obvious that this scenario has been and will be unrealistic. Even during good times this income was not sufficient to pay for the operation of RM Germany. This income has come down proportional with the downturn of the market.

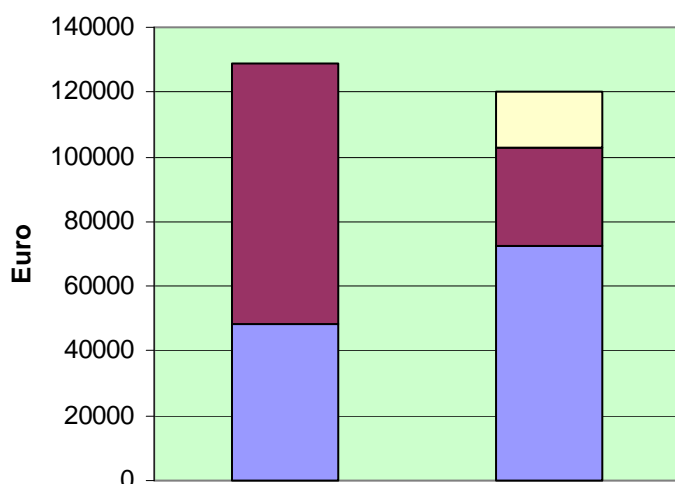


Figure 10: Income and expenditures of RUGMARK Germany in 2001

RM Germany repeatedly stated in the past in an optimistic manner that it is on the way towards financial self-sufficiency.

At present RUGMARK Germany does not use any EU funds, neither does RUGMARK Germany have any direct BMZ funds. However, BMZ funds that have been allocated to RUGMARK International, including the billing of licensees on the European continent, but the tasks are carried out by RUGMARK Germany. These BMZ funds are also used for the 100% project in Nepal. This BMZ fund will run out at the end of 2003.

Thus, the BMZ fund has been used by RM Germany, RM International and RM Nepal:

Year	RM Germany	RM International	RM Nepal
2002	38000 €	14000 €	1300 €
2003	42000 €	19000 €	12200 €

Table 3: Allocation of the last BMZ grant to RUGMARK

Figure 10 shows that the financial situation of RUGMARK Germany will be dramatic once BMZ funds run out at the end of 2003.

Different strategies for improving the financial situation of RUGMARK have been investigated. The BMZ stated in the past that they cannot continue funding RUGMARK in future. We assume that other funding agencies will be hesitant too in providing funds to RUGMARK Germany for its core operations.

Therefore, RUGMARK Germany will either have to become more cost-efficient – if that is at all possible at this slim level of operation -, or generate more income or drop some of its activities. It will be worthwhile investigating to what extent routine work can be carried out by staff of RUGMARK India or Nepal at much lower costs.

Merging with CARE & FAIR was one option explored. After merger talks had failed last year, however, this is not an immediate option. One way to increase RUGMARK's income from license fees is to reduce the fees but then have all exports labelled, - a model that is currently investigated by RUGMARK in Nepal. Bringing down the licence fees but then having all carpets for Germany labelled could actually increase the income for RUGMARK considerably. A further option may be to examine whether some of the activities currently carried out by RUGMARK Germany could be done in a producer country at lower cost, as for instance billing of licensees. Bringing RUGMARK into TRANSFAIR was discussed too. However, TRANSFAIR would then, obviously, have to subsidise the RUGMARK-licensing which may be difficult too.

It appears unlikely that any of the above mentioned options can be implemented in the very near future and thus it is unlikely that they impact as soon as it may be required.

What would happen if RUGMARK Germany did have to cease its activities? Building up and maintaining relationships with customers may be difficult from producer countries. Besides, a key to success for RUGMARK is the profile of the label in the public. Closing the German office would most likely spell a continuing decline of the sale of RUGMARK-labelled carpets in Europe (apart from the UK). In fact, one may argue that the work of the German RUGMARK office has never been more important when the demand for carpets is shrinking and it is of paramount importance to manage and popularise the RUGMARK label.

RUGMARK Foundation India

RUGMARK India has designed its programme in a way that 30 to 50% of the annual income is saved and transferred into a reserve to build up a corpus or endowment fund. The aim is to finance the operations of the core programme of RUGMARK from the interest earnings of the corpus fund. At this point in time interest payments (assume 10% interest rate) can cover already 40% of the programme cost. RUGMARK India does not obtain grants from development organisations at this point.

The drop income from licence fees has been dramatic. From 1999/2000 to today it amounted to 45%. The total drop in income was less dramatic – 34% - due to the increasing income from interest payments on the corpus fund.

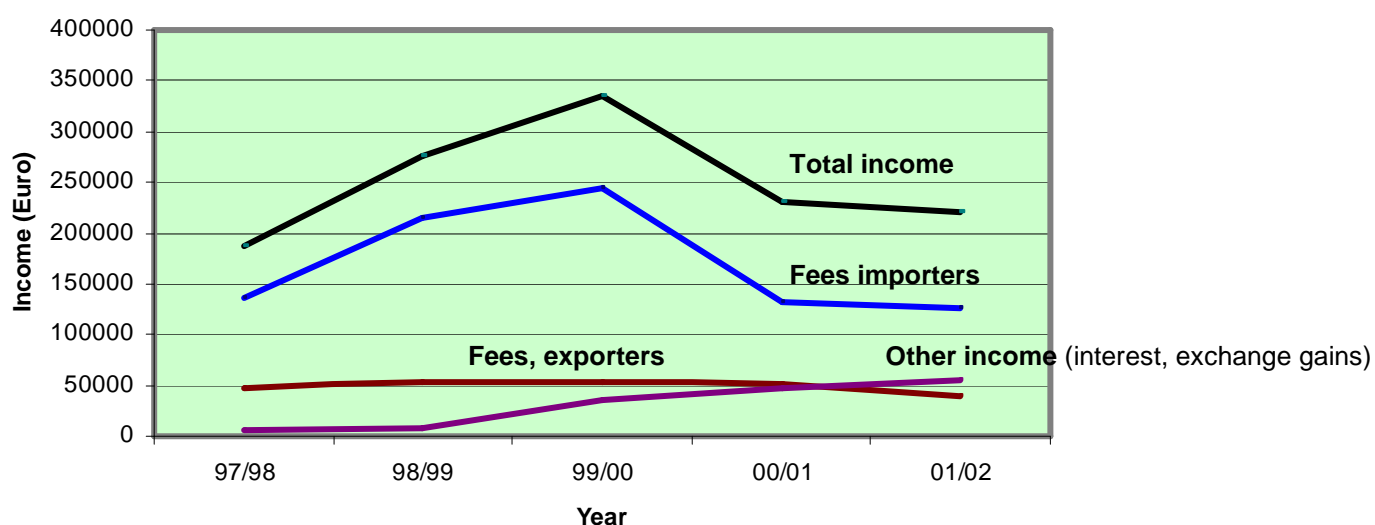


Figure 11: Development of income of RUGMARK Foundation India

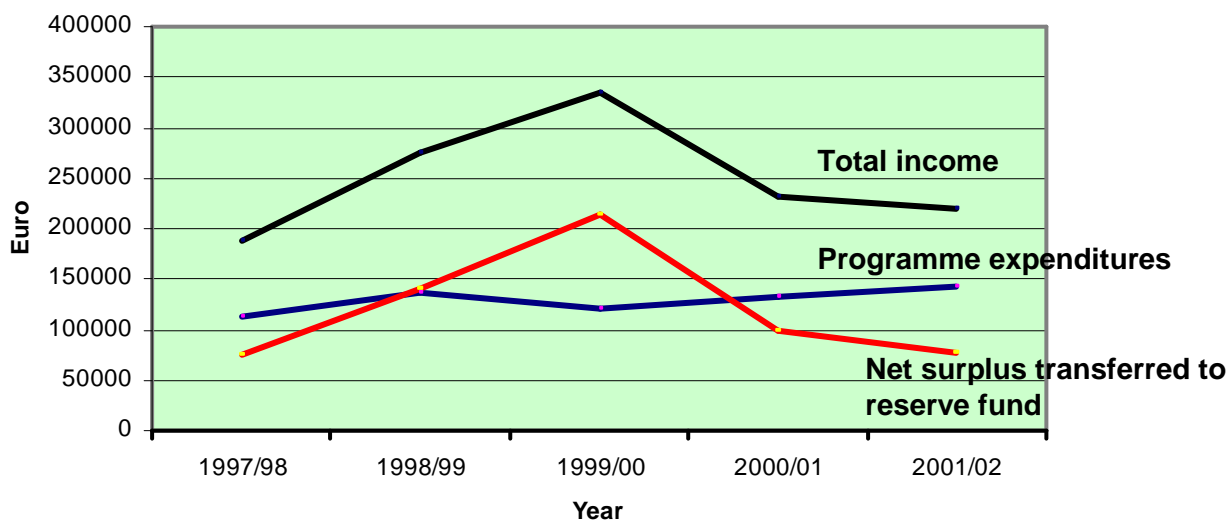


Figure 12: Development of income, programme expenditures and savings of RUGMARK India

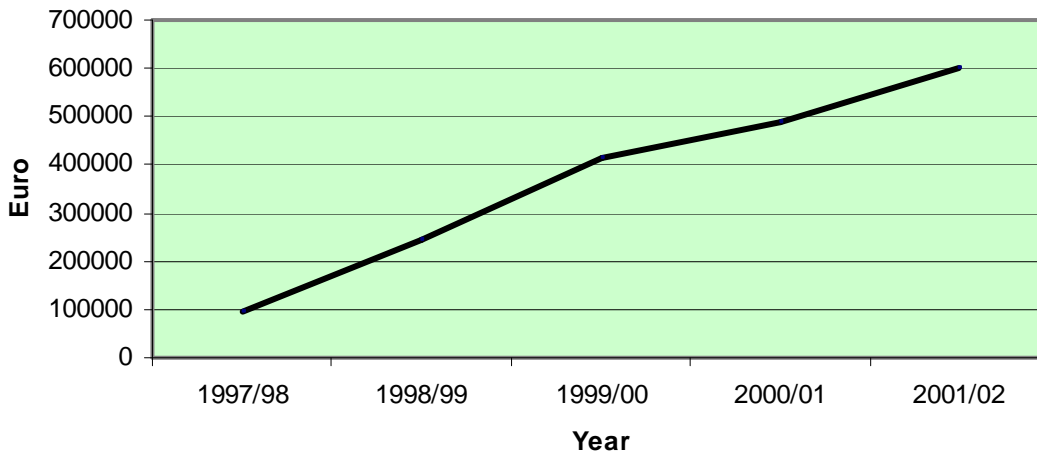


Figure 13: Development of reserve fund of RUGMARK Foundation India

Today, the corpus fund amounts to 600,000 Euro. That way RM India can generate 40,000 to 60,000 Euro, depending on the interest rates. This amounts already to around 30% of the programme expenditures.

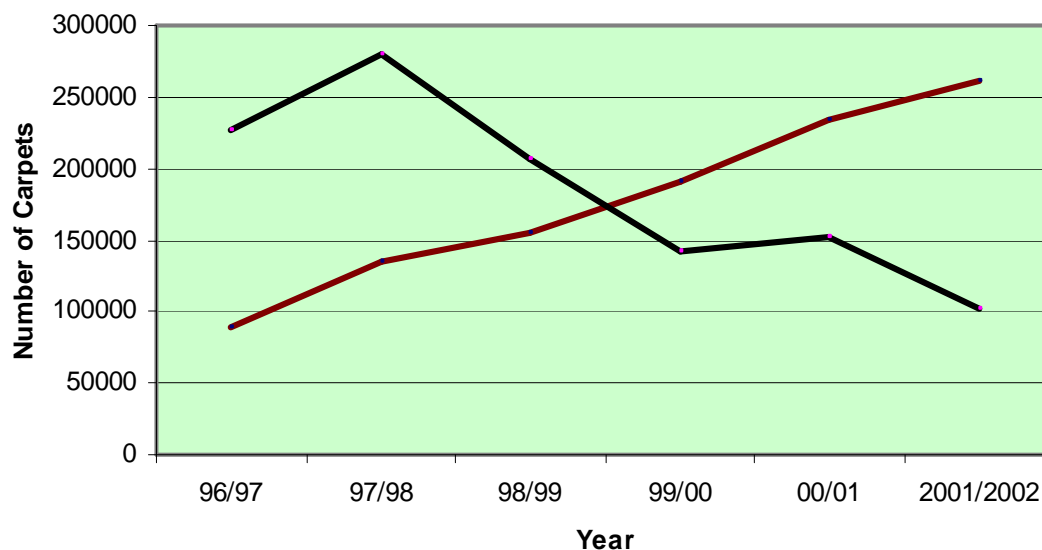


Figure 14: Development of carpet exports (tufted and knotted) through RUGMARK India

An interesting development in the carpet sales can be observed in Figure 14. The total floor area turned-over through RUGMARK India has not fallen much during the past years. However, there has been a significant shift from high value carpets, that are hand-knotted to low value carpets that are tufted. While the quantity of hand-knotted, oriental carpets dropped by more than 60% in the period from 1997/98 to 2001/02 the quantity of hand-tufted carpets doubled during that period.

Nepal RUGMARK Foundation

The developments in the carpet markets have had a drastic impact on the income situation of RUGMARK. Figure 15 shows the development of self-generated income of RUGMARK Nepal, dropping from 1999/2000 to today by 56%.

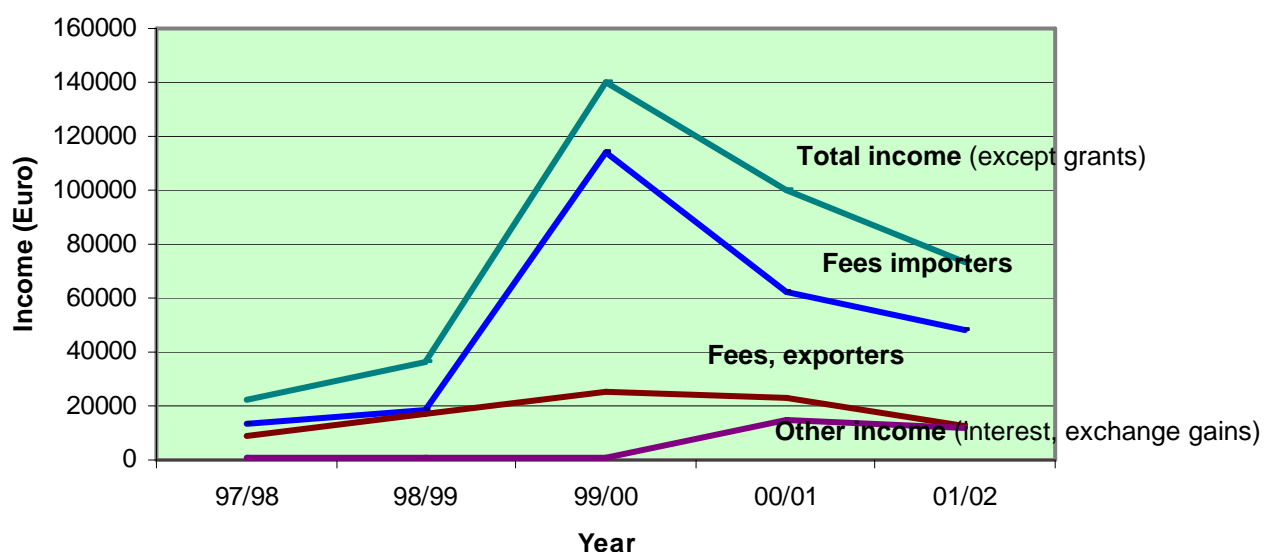


Figure 15: Development of income of RUGMARK Nepal (except for grants)

RUGMARK Nepal has designed its programme to respond most effectively to the need of illegal children, not taking the licence fees earned as the given financial frame within which a programme has to be accommodated. Therefore, RUGMARK Nepal has used significant development funds right from the beginning (see Figure 16). Between 1996/97 and 2002/03 UNICEF supported RUGMARK Nepal with 490,000 US-\$.

It is hard to assess the cost-effectiveness of the programmes in the course of a short visit. RUGMARK India and Nepal both make a very conscious effort to manage their costs. Nepal RUGMARK Foundation, for instance, has no vehicle on their own. Inspectors operate their own motorbike and RMF Nepal pays the mileage cost to the staff. For the operation of rehabilitation and day care centres local NGOs are taken under contract. Infrastructure facilities (office, buildings of rehabilitation centre, days care centres) are very moderate.

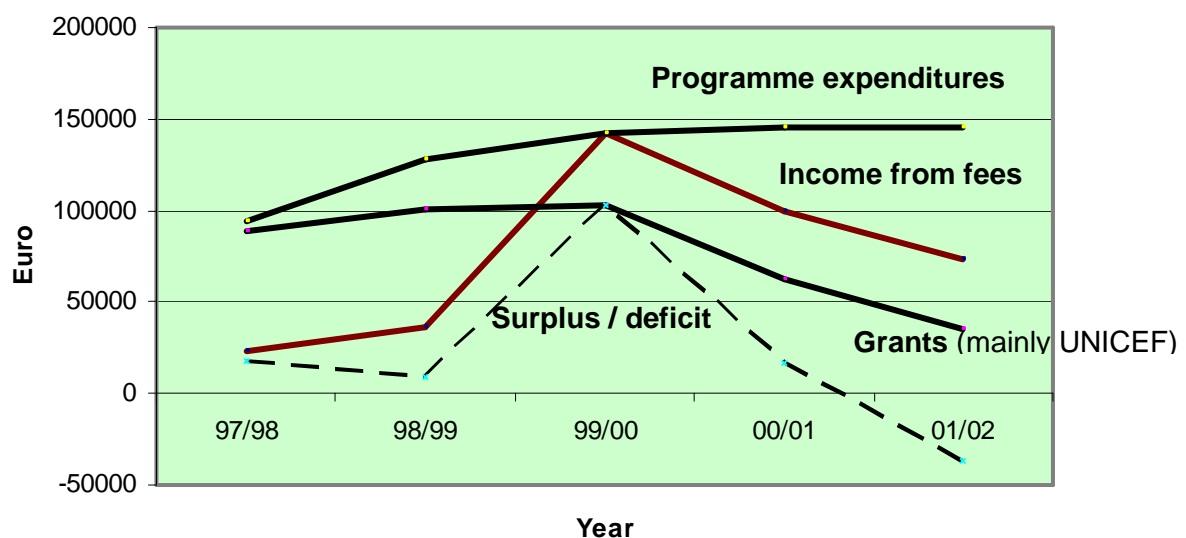


Figure 16: Development of income and expenditures at RUGMARK Nepal

CARE & FAIR

CARE & FAIR, like RUGMARK, generates its main income from the contribution of carpet importers representing 1 (one) percent of the Free on Board (FOB) value of the carpet. Exporters are supposed to contribute with 0.25 percent of the FOB value, but many of the exporters did not pay their share, in particular in Nepal.

The total income of CARE & FAIR from 1995 to December 2002 amounts to 3.11 million €, out of which 1.68 million € are attributable to carpet imports from India, 1,22 million € are attributable to Nepal and 2.07 million € are attributable to Pakistan. The remaining balance of 1023 € are transfers which were received by the importers without statement of country origin of the carpet. The revenue from importers contribution rose from 1995 to 1997 for all countries of CARE & FAIR carpet origin (India, Nepal, and Pakistan). The income from importers contribution reached 595,333 € in 1997, starting from 352,384€ in 1995. India stood at 303,816 in 1997, Nepal at 253,923 € in 1997 and Pakistan at 32,347 € in 1997. It then subsequently declined in all countries with the most severe tendency in Nepal. The total figure declined to 145,669 € for 2002 with 83,458 € for India, 40,145 € for Nepal and 22,066€ for Pakistan. Expenditure were at peak in 1998 when clearance was received from the Indian and Nepalese government for direct transfer of funds from Germany and many constructions for CARE & FAIR owned schools and hospitals took place.

From 2001 onwards the income experienced accelerated decline and stands at 145 669 € for the year 2002. The evolution of the total income from importers contribution largely corresponds with the income from imports of the different producing countries. The contributions from carpet imports from India, Nepal and Pakistan in 2002 all stand at less than 50 percent as to the contributions in 1997. The decline of CARE & FAIR income corresponds with the latest export figures from the Heimtex (1/2003, p. 155). Imports from India declined by 39 percent, from Nepal by 43 percent exceeding the average carpet decline of 26.9 percent (value based) quite significantly for the first three quarters. The value of imported carpets stands now at 245,486,000 €, the square meter sales stand at 4,390,948 (21.5 percent decline). Only imports from Iran declined less due to the image factor of the original Persian carpet and the large number of Iranian sale personal in German stores. China benefited from the trend to tufted carpets applying a cheap technology compared to weaving and knotting of carpets. There may also be a certain market satisfaction of higher priced hand knotted carpets which are particularly popular in Southern Germany.

Compared to RUGMARK, CARE & FAIR importers do import less tufted carpets. The major importers Heinrich and Wissenbach do not order tufted carpets at all but stick on higher quality hand knotted products.

	1995	1996	1997	1998	1999	2000	2001	2002	Total
India	174.114.70	263.608.50	303.816.44	301.416.81	215.476.53	174.552.76	159.508.39	83.458.28	1,675.952.41
Nepal	132,501.45	233,191.41	253,922.68	195,310.89	159,999.96	105,477.24	103,089.20	40,145.38	1,223,638.21
Pakistan	16,109.13	32,858.67	37,593.67	32,346.51	31,427.68	19,525.11	15,373.94	22,065.75	207,300.46
Unex-plained	29,659.06	-23,523.55	0.00	-5,112.92	0.00	0.00	0.00	0.00	1,022.59
Total	352,384.34	506,135.03	595,332.79	523,961.29	406,904.17	299,555.11	277,971.53	145,669.41	3,107,913.67

Table 4: Import Contribution (1%) 1995 to 30. Sept. 2002 in Euro in CARE & FAIR

	1995	1996	1997	1998	1999	2000	2001	2002	Total
India	39,113.83	259,002.29	84,621.65	269,771.92	248,502.18	192,921.44	224,873.18	100,011.38	1,418,817.87
Nepal	25,564.59	73,319.26	100,304.98	145,445.30	132,728.44	97,353.39	137,265.29	87,474.41	799,455.66
Pakistan	0.00	0.00	0.00	115,040.67	94,589.00	29,143.64	30,166.22	6,667.98	275,607.51
Total	64,678.42	332,321.55	184,926.63	530,257.89	475,819.62	319,418.47	392,304.69	194,153.77	2,493,881.04

Table 5: Project Expenses 1995 to 2002 in Euro (CARE & FAIR)

To India	US-\$	104,337
To Nepal	US-\$	0
To Pakistan	US-\$	43,300

Table 6: Direct donations to projects of CARE & FAIR

1998	€uro	55,539,46
1999	€uro	66,695,81
2000	€uro	60,093,20
2001	€uro	84,298,57
2002	€uro	74,735,80

Table 7: Income of CARE & FAIR from membership fees in Europe

Income in Indian Rs (1 € = 42 Indian Rs)					Income in Nepali Rs (1€ = 77 Nepali Rs)		
		India			Nepal		
		1999/2000	2000/2001	2001/2002	1999/2000	2000/2001	2001/2002
Membership fee		57,500	46,000	86,129	246,000	258,000	312,000
Contribution		963,382	877,630	647,437	215,548	452,707	356,143
Interest earned	foreign	257,100	101,778	165,900	0	0	0
	local	25,225	50,631	85,828	0	0	0
Donations		117,787	109,776	154,845	0	0	83,700
		1,420,994	1,185,815	1,140,139	461,548	710,707	751,843
		33 833 €	28 233 €	27 146 €	5994 €	9230 €	9764 €

Table 8: Income of CARE & FAIR in India and Nepal

	1999/2000	2000/2001	2001/2002
	509,000	541,614	454,757 (10,828 €)
Transfers from Europe	200,000	50,000	0

Table 9: Office costs of CARE & FAIR in India

	1999/2000	2000/2001	2001/2002
			857,815
	613,985	628,457	(11,140 €)
			(420,000)
Transfers from Europe	420,000	420,000	(5,455 €)

Table 10: Office Costs of CARE & FAIR Nepal

The difference is paid out of membership or licence fees

No office costs in Pakistan (one individual export members bears for total office costs)

Project expenditure excelled income from importers contribution only in 1998. In the beginning years, CARE & FAIR did not yet have its own projects and its expenditure level did not reach its income level. There are several reasons for this. First, CARE & FAIR did only have limited permission for transfer of funds from Germany to India and Nepal before it received the desired bank permit under the Foreign Contribution Regulation Act. Second, CARE & FAIR had to identify suitable projects before spending its income.

During this time, CARE & FAIR accumulated savings at its bank in Hamburg, Germany. Interest generating savings were at 900,000 DM (459,582 €) on 1.01.2001, at 600,000 € (354,389 €) on 1.01.2002 and declined to 300,000€ by 01.01.2003. Interest was not generated on accounts in India and Nepal as a government order prohibited interest generation on Foreign Contribution Regulation Act accounts. Funds were later transferred to local accounts where interest generation was possible, but not pro-actively sought as of fear of government

Detailed information on the regular collection of exporters' contribution does not exist. CARE & FAIR admits that the majority of the exporters have not paid their share in the past. This was not a big issue for CARE & FAIR during the boom years, but now the organisation is considering ways of securing fixed contributions from members in India and Nepal. The idea is to possibly replace the 0.25 percent contribution on exports by a fixed amount so that some flow of funds is guaranteed even in times of volatile business. Discussions have been held with Nepal on this issue (see section on Nepal).

There are several reasons why only about one third of the due amount was paid by the exporters. Motivation among many exporters was low if it came to payments and many importers did not specifically insist that their business partners made their contributions as well. Only few importers, amongst them the current chairman of the governing body Mr. Heinrich, made payment of their business partners mandatory for signing future contracts. Another reason is the government fixed floor price in Nepal. Exporters fear if they make their contributions on the real export price, lower than the government fixed price, they may run into book keeping problems. They did not want to pay more than the 0.25 percent by relating the contribution to the official sale price. Unlike RUGMARK, the exporters' contribution is not made against the delivery of a label to stick on the carpet. This is why exporters can more easily escape payment. In India, taxes were introduced for carpet exports in India from 2000 which did also not contribute to raise the payment morale of the exporters.

However, a few proactive exporters have made significant individual contributions in form of land donations and equipment (vehicles).

The membership fees are supposed to cover the expenses of the office, in Germany as well as in India and Nepal. However, CARE & FAIR still subsidises offices in Germany (around 10 percent) and Nepal from import contributions. It has stopped to transfer funds for the Indian office in 2001. In some years CARE & FAIR was able to run its headquarter office in Germany from the membership fees. Membership fee is at 180 € per year. In 2000/2001 there were two Managing Directors as a transition agreement before the retirement of the outgoing Managing Director. In these years, the import fee contributed to finance the office, but to an amount less than 25 percent.

Member of CARE & FAIR all over the world are working voluntarily. CARE & FAIR states that due to the voluntary commitment administrative expenses are not higher than 7 percent of its total budget. It is difficult to arrive on a firm conclusion as the level of administrative expenditure varies according to the overall income and the changing budget for the offices. CARE & FAIR had two General Managers for a bridging period of half a year in 2001. The office is now run by the General Manager (Mr. Peter Fliegner) who is on part-time basis. There is also a secretary, Ms. Ingrid Balasz, on part time basis (30 hours per week).

CARE & FAIR by sharing office premises with the German Association of Oriental Carpet Importers on a 60 percent to 40 percent basis managed to keep its administrative costs relatively low. CARE & FAIR office in Hamburg is in charge of liaising with its 389 members in 15 importing countries and with CARE & FAIR offices in the three producing countries. CARE & FAIR does not pursue a very proactive public relation and networking approach with other initiative against child labour. However, CARE & FAIR was actively participating in the merger talks with RUGMARK which were supported by the German Ministry of Economic Cooperation and Development. CARE & FAIR also operates a website which provides good and concise information. The website gives information on the CARE & FAIR philosophy, its members and its projects. It contains pictures of the schools and hospitals and basic information on their operations.

CARE & FAIR has never received any financial support from the German Government or institutional donors at national or international level. CARE & FAIR has in some cases collected donations from business partners on specific social projects in the producing countries. An American business man donated money for one of the visited schools in India.

CARE & FAIR considered to apply for financial support in the context of the public private partnership facility of GTZ/DEG but it received the information that an association would not qualify for such a facility and that any support would have to be linked to a private investment anyway.

The financial viability of CARE & FAIR is at stake when carpet exports further decline. The income of CARE & FAIR in 2001 is at less than 50 percent of the income of 1997 and the income in the last quarter of 2002 and the first quarter of 2003 is likely to show another serious decline. One of the larger contributors of CARE & FAIR, Teppich Frick, has become bankrupt. The medium size importer operated 200 branches all over Germany.

Structure of income and costs in India

The income from importers contribution for India has significantly declined (see Table 4), while project expenditure did not follow the same trend until 2001. In 2001, the income from importers' contributions was at 159,508 € while project expenses amounted to 224,873 €. CARE & FAIR Germany drastically reduced transfers in 2002 from 224,873 € to 100,011€. CARE & FAIR Germany stopped its contributions to the office from 2001 completely. CARE & FAIR Germany follows now a policy of shifting responsibilities gradually to CARE & FAIR India. CARE & FAIR India has partly responded to this by increasing the membership fee in view of the difficulties to raise the 0.25 percent contributions from exporters. There were many members who paid the small membership fee but did not make any contribution from exports.

Until now, the social and health care projects still receive significant support from CARE & FAIR Germany. The following payments were issued to the different projects in 2002 by CARE & FAIR Germany:

Projects India - Year 2002 - all figures in Indian Rs (see total for conversion in Euro)						
Pro- jects	Project name	Jan - Mar 2002	Apr - Jun 2002	Jul - Sep 2002	Oct – Dec 2002	Total 2002
I / 00	Office	0.00				0.00
I / 01	KVM School	215,000.00		215,000.00		430,000.00
I / 02	Khamaria Hospital		270,000.00	90,000.00	90,000.00	450,000.00
I / 03	Ram Deo School		504,000.00	180,000.00	180,000.00	864,000.00
I / 05	Jagriti					
	Khamaria School			66,250.00	66,250.00	132,500.00
	Jagriti Clinic			27,500.00	27,500.00	55,000.00
	Chaksikhari					
	Jagriti Clinic		205,958.00	49,675.00	49,675.00	305,308.00
	Ugarpur					
	Jagriti Clinic			29,500.00	29,500.00	59,000.00
	KVM					
	Jagriti Clinic			53,725.00	53,725.00	107,450.00
	Khamaria					

Pro- jects	Project name	Jan - Mar 2002	Apr - Jun 2002	Jul - Sep 2002	Oct - Dec 2002	Total 2002
	Jagriti Naya Bazar School			44,500.00	44,500.00	89,000.00
I / 06	Beerapatti		58,950.00	58,950.00	58,950.00	176,850.00
I / 07	Haji Saheb Ali School					0.00
I / 08	Chaksikhari School					0.00
I / 10	Chitani Taleb Dispensary		237,500.00	237,500.00	237,500.00	712,500.00
I / 11	Iwala Hospital		130,288.00	130,288.00	130,288.00	390,864.00
I / 12	Barakat (Grameen) School					0.00
I / 13	Shaheed Naresh Deoki					0.00
I / 14	Nandan School		148,500.00	74,250.00	74,250.00	297,000.00
I / 15	Semuhi School		318,000.00	159,000.00	159,000.00	636,000.00
I / 17	Amita		292,416.00	146,208.00	146,208.00	584,832.00
I / 20	Cargo One School		66,000.00	33,000.00	33,000.00	132,000.00
	School Parties					0.00
	Total to be paid to India in Rs	215,000.00	2,231,612	1,595,346	1,380,346	5,422,304
	Kurs: €uro 1.00 = 42 Rs	42.00	42.00	42.00	42.00	42.00
	Total to be paid to India in €uro	5,119.05	53,133.62	37,984.43	32,865.38	129,102.48

Table 11: CARE & FAIR payment scheme to projects in India

Structure of income and costs in Nepal

The income from importers contribution for Nepal has also very significantly declined (see Table 4) while expenses did not follow the same trend until 2002 (see Table 5). It appears that CARE & FAIR Nepal has planned its social projects on the basis of the funds flowing in. Decisions are taken in Germany.

The office and the social and health care projects received significant support from CARE & FAIR Germany. Overall figures are presented in Table 5 and amount to close to 800 000€ from 1995 to 2002. As long as the income situation in Germany through the contribution of the importers was comfortable, CARE & FAIR Nepal was getting large amounts from Germany and did not put much emphasis on enforcing payment discipline of the 0.25 percent contribution amongst exporters.

Information was received on the annual budget of CARE & FAIR Nepal from April 2002 to December 2002. Amounts are as follows:

P.No	Project name	Budget amount in Indian Rs
P/00	Central Office	420,000.00
P/01	Jorpati clinic	1,260,000.00
P/02	MPSB School	170,000.00
P/06	Siraha Deaf Association	70,000.00
P/07	Bhainsepati Clinic	1,260,000.00
P/08	Balkendra School	350,000.00
P/09	Harisiddhi School	700,000.00
P/10	Jawalakhel Clinic	1,400,000.00
P/11	Kakani School	180,000.00
P/12	OTC Social Chapter	420,000.00
P/13	Tarahara Primary Health Center	340,000.00
P/17	Boudha Clinic	1,400,000.00
	<u>TOTAL</u>	<u>Rs 7,970,000.00</u>
		€ 189,761.00

Table 12: Income structure of projects of CARE & FAIR in Nepal

CARE & FAIR India and Nepal: how to tackle the financial crisis?

CARE & FAIR India and Nepal both face crisis situations as the remittance from Germany are supposed to decline sharply in views of the reduced carpet imports (see Table 4). The board members Mr. Heinrich and Mr. Meyer together with General Manager Fliegner held budget discussion in India in March 2002. The response of CARE & FAIR India is still awaited. CARE & FAIR Germany expects significant contributions of CARE & FAIR India to the running costs of the projects as income from importers contribution and the bank balance dry up in Germany.

CARE & FAIR is considering to change the structure of income as the payment discipline of 25 percent licence fees is poor and exports are declining anyway. The new idea is to get guaranteed amounts of support from members who produce in the proximity (up to 5 km) of the social projects (schools and clinics). This would provide better income security than linking the contributions to exports. Many exporters do not want to disclose their business figures as well. However, in times of declining income from business, exporters are also

reluctant to pledge fixed amounts. CARE & FAIR is planning to hold strategy discussion on the issue in March 2003.

If CARE & FAIR India and Nepal are not able to mobilise additional support, secure guaranteed contributions from its local members or enforce payment discipline on licence and membership fees, the financial crisis will primarily affect the co-financed educational and health institutions in India and in Nepal. First priority for CARE & FAIR will be to keep its own schools under operation perhaps with a reduced budget. Mr. Heinrich of CARE & FAIR Germany made a commitment not to let down the own projects of CARE & FAIR even if the financial crisis will further deteriorate. Exporters are supposed to contribute to the running costs as a compensation for their poor discipline in making the regular contribution of 0.25 percent of carpet sales.

Costs are more difficult to control for the hospitals as sale of pharmaceutical products is free of charge. This is a reason why CARE & FAIR will prioritise schools over hospital financing if income declines. Another reason is that the schools are more related to the prevention of child labour than the hospitals. However, local exporters tend to prioritise hospitals in some cases as patronizing of hospitals gives them more political and social credit amongst the voter community as schooling facilities would give.

In Nepal, due to financial constraints, CARE & FAIR has now reduced its commitment for financial support from 3-5 years agreements to 1 year agreements. The total budget for social project for the coming year has been slashed by 60%. The number of projects has come down from 17 to 11 projects: 4 clinics, six schools and one day-care centre.

Given the financial crisis in Nepal, CARE & FAIR has also closely analysed where services can be maintained by reducing the long-term costs and ensuring some kind of guarantee of existence. One example is the closure of the Bhainsepati clinic in Kathmandu which was supported by CARE & FAIR. Patients now access the clinic in Jawalakhali which is only in 5 km distance and also supported by CARE & FAIR. Here, CARE & FAIR was offered land for constructing its own building. CARE & FAIR is now considering constructing its own building and shifting clinic operations and also the office to Jawalakhali in order to save costs in the short run. The current political situation (in December 2002), however, puts a question mark on the planning in the country.

6.1.4 Governance of Projects

RUGMARK

RUGMARK projects in India do not have local governance boards except for the Balashray (the child worker rehabilitation centre).

RUGMARK Nepal forms from its Advisory Committee an Inspection, Monitoring and Certification Sub-Committee (UNICEF and NGO representatives) and a Rehabilitation Sub-Committee (UNICEF and RUGMARK Executive Committee members).

CARE & FAIR

In the field of education, CARE & FAIR is co-financing schools by providing teachers salary, upgrading of facilities and scholarships for children. It also operates its own schools in India subsequently to receiving the Foreign Contribution Regulation Act number. In Nepal, such special registration is not required.

In the field of health care, CARE & FAIR has established clinics in cooperation with local exporters who donated the land and supervise the management. Some of the initial co-

financed projects are discontinued (six out of seventeen in Nepal and four out of twenty in India).

Projects are initiated/identified by exporters or local welfare organisations that are in close touch with the weaver communities and with local groups. The governing board of the concerned country will submit the proposal to CARE & FAIR headquarters with its comments.

Each proposal follows a format providing for specific information on the target group with reference to weavers, gender aspects, existing public facilities in the areas, requirements of human, financial and physical resources. It also includes a detailed work plan and budget with reference to overall responsibilities. The CARE & FAIR governing body will examine the project and the advisory board will approve it. Projects are supervised by one member, an exporter from the area usually the one who has donated the land for the construction of the facilities. Exporters operating from localities where the projects are located are supposed to provide one third of the running costs of the projects as their licence payments were irregular in many cases and not properly accounted for,

6.1.5 Communication within the Initiatives

RUGMARK Group

At the policy level a regular exchange takes place during the annual RM International meetings. The executive directors meet on this occasion and discuss and exchange current, generally policy-level issues. Annual reports of the RUGMARK units are presented and discussed. Yet, it is not uncommon that changes of significance that have taken place in one unit are presented only in retrospect to RM International. This was stated as a problem, since changes taking place in one unit will often have impacts on other units.

At the operational level surprisingly little exchange has been going on in the past. Coordinators / managers nor programme staffs does not know much about the work of RUGMARK in the other country. This is all the more surprising considering the fact that RUGMARK staff is expected to work on new grounds with little experience around, when joint reflection and analysis could be very beneficial.

There seems to be lack of clarity on the linkages between the different units. Synergies in the work between some units seem to be missing. RM Germany expressed concern over the increasingly growing gap in communication and collaboration from RM India.

The evaluation team assesses this as a critical issue that must be addressed within RUGMARK International. RUGMARK is a label that has and continues to signify uniform messages to the consumers. For this uniformity to be maintained, it is imperative that all units share common practices and follow commonly agreed directions for sustaining the message and thereby the brand image of the label. Such commonality of purpose and practice can only be assured through systems of information sharing and collaborations.

In order that RM continues to enjoy its “brand image” world wide, RM units need to have much closer communication and partnership with each other.

CARE & FAIR

CARE & FAIR Germany retains control and supervision of all ongoing projects and provides for overall coordination as members of CARE & FAIR Germany are the largest contributor to CARE & FAIR projects. Members of CARE & FAIR Germany regularly visit India. The same is true for CARE & FAIR members of other large importing countries. Projects need to be approved by CARE & FAIR Germany. Members of CARE & FAIR India and Nepal seek the advice of their importers for CARE & FAIR affairs.

In CARE & FAIR, decision making is even more informal. The organisation is largely run by a few members of the governing body, in particular Mr. Heinrich from Germany and Mr. Meyer from Switzerland. They also overlook the projects in India. Nepal was vacant for some time and looked after by Mr. Heinrich as well.

The situation of strong individual commitment occurs also in India and Nepal is similar. In India, Mr. Prakash Sharma and Mr. Khan are patronizing the organisation and spent a lot of time and energy in supervising the projects and relating to other members, in Nepal Mr. Palden Norkyel was most active and the President Mr. Shrestha and Vice President Mr. Tashi P. Lama also played a very active role.

6.2 Participation of Civil Society, Business and the Target Group in the Institutional Setting and Planning

RUGMARK

RM India almost exclusively partner with their business groups (exporters/manufacturers registered with them). There is little or no partnership with the civil society or the target groups, children and their communities, in the institutional setting and planning of both the organisations. Among the business groups, few exporters are directly involved in routine planning, implementation and monitoring. In RM India, it is those exporters who are on the board of directors who are involved. Their involvement is through the proceedings of the board meetings. Among the board of directors fewer still engage in overlooking the management of social projects, though more ad hoc basis.

It is surprising to note that RUGMARK India never attempted to develop partnerships with civil society groups, local government bodies (Panchayats, who have the direct charge of running primary schools in their jurisdiction), nor with their beneficiaries. The only visible link are the two NGO representatives on the RUGMARK board.

RUGMARK Nepal draws in members of civil society organisations, namely NGOs for their Board and Advisory Committee. RUGMARK licensees are member on the Board and on the Advisory Committee. A small group of them is very active and takes on a significant role in policy setting.

CARE & FAIR

Exporters and their families would usually have a large network of contacts in the area which are helpful in the different phases of project identification, implementation and supervision. One exporter from the area is usually closely supervises the projects. In some cases a local NGO is involved in the implementation, for example in the vocational training centre in India and in the Day-Care Centre in Nepal.

6.3 Degree of Participation of Member Organisations and Licensees of RUGMARK in Running the Organisation and its Activities

The participation of RUGMARK licensees in running the organisation and its activities is by and large, restricted to its board members. Apart from participation in the Board, some exporters are involved by way of donating their land for construction of the school. For instance, the school at Barhi Newadah has been donated by an exporter who has looms in the same village.

Individual board members also involve themselves in the management and supervision of the schools being run in their production areas.

However, by RUGMARK staff's own estimates not more than 10% of the exporters registered with them are actively involved in running of the organisation and its activities. Some exporters were also reported to have defaulted in their annual contribution to RUGMARK India. It seems that most exporters are engaged in RUGMARK not so much for commitment to the cause but more for the benefits they perceive in the label. It is also perhaps the case that RUGMARK has not actively sought active participation of exporters (other than board members) in the organisation and its projects. Membership is largely restricted to paying licence fee, using the label, registration of looms and allowing unannounced inspections. Beyond that, in terms of members actively involved in assuring that child labour is not found on the production units or in terms of assuring basic minimum wages, in other words, in promoting and realising the goals of RUGMARK, there is hardly any participation.

There is therefore a case for RUGMARK to intensify efforts to making exporters more actively participating in assuring the goals of RUGMARK.

6.4 Co-ordination with National and International Initiatives to Combat Child Labour

RUGMARK

RM Nepal closely interacts with numerous national initiatives and organisations that are involved with child labour. It also subcontracts implementation of some of its social programme to local NGOs. These include its day care centre and rehabilitation centre at Bungmati. RUGMARK Nepal has also taken the lead to bring different organisations together including CARE & FAIR, to discuss how work in this complex field could be shared according to expertise and capacity.

In addition, RM Nepal includes four NGOs as members in its governing board. In this way, RM Nepal appears to have good collaboration with national initiatives, in terms of programme implementation, programme governance and in larger policy and advocacy issues.

RM India does not co-ordinate much with national or with international initiatives aimed at combating child labour. In fact, the extent to which organisations working "parallel" in a very similar field within the carpet sector region was surprising to us. Besides the local NGOs initiatives in the area, a number of large development organisations and trade groups are implementing social projects to combat child labour. Notably among these are the joint-initiatives of IKEA and UNICEF, the ILO and UNDP in partnership with local NGOs, the German Rehabilitation Consortium financed projects (REHA), Obettee (a large carpet trader) CARE & FAIR, STEP and others. It is even more surprising to note that many exporters (including Directors) were members of RUGMARK and CARE & FAIR, yet there was absolutely no collaboration between the two organisations.

SAACS (South Asian Coalition on Child Servitude) played a very crucial role in the founding of RUGMARK India, in particular through the person of Kailash Sathiyarhi. He, and in a way with RUGMARK in the background was instrumental in planning and implementing the Global March as well as in drafting relevant ILO conventions (ILO 182 and 186).

A notable trend among other the initiatives in the carpet belt in India is that of working at the community level, using strategies of community mobilisation, strengthening of existing government school system and liaison between private sector (carpet traders) and local and international development agencies. These programmes benefit from comparative advantage of partnering agencies, i.e., proximity of NGOs to communities and with proximity of traders to looms, divide tasks (social projects and compliance/internal-external monitoring) and work as a team.

There appears to be considerable potential for an improved communication between organisations working in the same area with the same target group and similar objectives. It may be worth exploring for instance, how RUGMARK could collaborate with the German consortium funded social projects. In fact it is surprising that this collaboration has not been explored.

CARE & FAIR

CARE & FAIR is proud of its locally based approach. It pays attention to the weaver communities and other poor communities and their need in the local area but does not very pro-actively engage in larger networking with other initiatives. CARE & FAIR considers extensive networking and public relations work as a time and money consuming activity which may divert attention from the local target group. It does not see its comparative advantage in this field.

However, CARE & FAIR has actively participated in a number of national, state level and district level meetings at the request of government authorities. It interacted with the National Labour Commission at the request of the Government and was a member of the Consultative Committee for Labour in the state of Uttar Pradesh. It participated in various district level meetings on the issue of child labour. CARE & FAIR is also a member of *Child Line*, which is a hotline for information on child labour issues. CARE & FAIR participated in a meeting with other stakeholders in Nepal in 2002 which was organised by the RUGMARK Foundation Nepal. Many CARE & FAIR members, approximately 50 percent in Nepal and possibly somewhat fewer in India, are also members of RUGMARK, most of them hold double membership for reasons of securing business opportunities. Figures on double membership could not be made available by the organisations. Leading members of CARE & FAIR underline that they believe in CARE & FAIR's rather than RUGMARK's philosophy. However, the same will be true with many members vice-versa .

6.5 Co-ordination between the different Initiatives in Germany and Producing Countries

RUGMARK

RUGMARK Germany was very much embedded in a network of local initiatives fighting child labour at the time when it started. We understand that these days RUGMARK is mainly focusing on its core tasks that is managing the label and maintaining and building up links with new licensees. Through its Advisory Committee, RUGMARK is linked with those organisations that form the REHA fond (terre des hommes, Bread for the World, Misereor) and UNICEF. The representative of terre des hommes is also member of the TRANSFAIR board.

Furthermore, the managing director of RUGMARK is also the managing director of TRANSFAIR. That way, there is of course a very close linkage with the Fair Trade sector.

CARE & FAIR

From the perspective of CARE & FAIR the first years of co-existence were marked by a negative attitude of some RUGMARK stakeholders vis-à-vis CARE & FAIR. The atmosphere has then improved from 2000 onwards and merger talks were held with the support of the BMZ. These talks were not successful for three reasons. One is the location of the office. CARE & FAIR believes that there should be only one office to save costs and this office should be in proximity to the business community operating mainly from Hamburg. Cologne is not at all a place for the carpet industry, few oriental carpet importers and retailers are near Cologne. The second reason is the kind of guarantee statement that RUGMARK gives for its labelled certified carpets. CARE & FAIR members do not believe that an inspection system can be 100 percent fool proof in India and Nepal and that such a guarantee statement should not be done as it would invite critical investigation by journalists and others. The third reason is that CARE & FAIR is a family with members of different interests and concerns (like RUGMARK) and that it would not issue an order from headquarters on the merger but would require consensus from all active members.

7. Analysis and assessment of the quality of planning, steering and implementation of the core programmes of RUGMARK in India

7.1 Services and activities of RUGMARK Foundation India

Three areas are important to RUGMARK India;

- To organize individuals and companies in the carpet industry to cease the use of child labour
- To establish an independent, professional and internationally credible monitoring and certification system for carpets manufactured without child labour
- To rehabilitate and educate former child carpet workers.

The budget allocation to the key programmes of RUGMARK India are given in Figure 17.

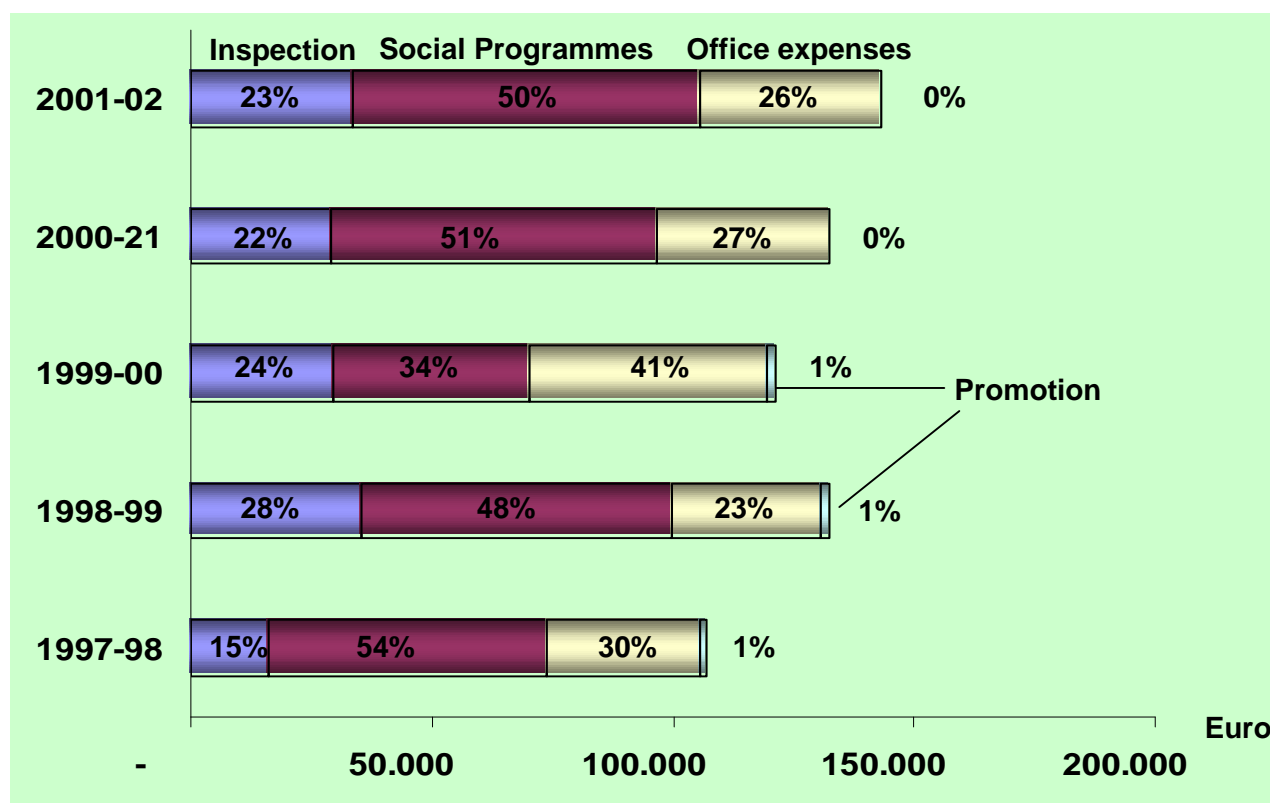


Figure 17: Budget share of main activities of RUGMARK India

7.1.1 Licensing exporters

At present RUGMARK India has 252 licensees who manage about 25% of the total loom capacity in Uttar Pradesh.

7.1.2 Inspection and monitoring programme

This programme is the heart piece of RUGMARK and is operated in all producer countries where RUGMARK is operating. The RUGMARK label communicates the message "manufactured without child labour". This needs to be verified through an inspection and monitoring system.

The above Fig. 17 shows RUGMARK's spending on its inspection and monitoring, social programme and administration. At present half of RUGMARK's spendings go into its social programme, the other half is used to cover cost of inspection and administration. The target set initially was that 75% of the budget is to be spent for social projects and 25% for administration and inspection and monitoring. However, that may have been too optimistic.

The cost of inspection is considerably higher in India compared with Nepal, which may be partly explained by the long distances RUGMARK staff has to travel to visit loom sites.. Expenses for promotion are kept low. Yet, staff regularly meets with journalists and importers. The website was re-done at the expenses of IGEP.

During the past years RM India regularly transferred part of its income into a saving account. That way the organisation was able to build up a considerable fund helping it to manage difficult times (see Fig. 13).

Organisation of Manufacturing in the Carpet Belt

The process of production of Indian carpets is four-tiered. It begins at the level of exporters. The exporter subcontracts loom owners or he may use contractors for specific orders. If contractors are used they in turn will take loom owners under contract. Some of the exporters just trade, others operate also their own looms. A few do the whole manufacturing process in their own company. Most of the finishing job of the woven carpets and all of the packaging work is finally done at the premises/factories of the manufacturer. The finishing job typically include the following processes: stretching, cutting, applying adhesives, washing, attaching tassels, etc.

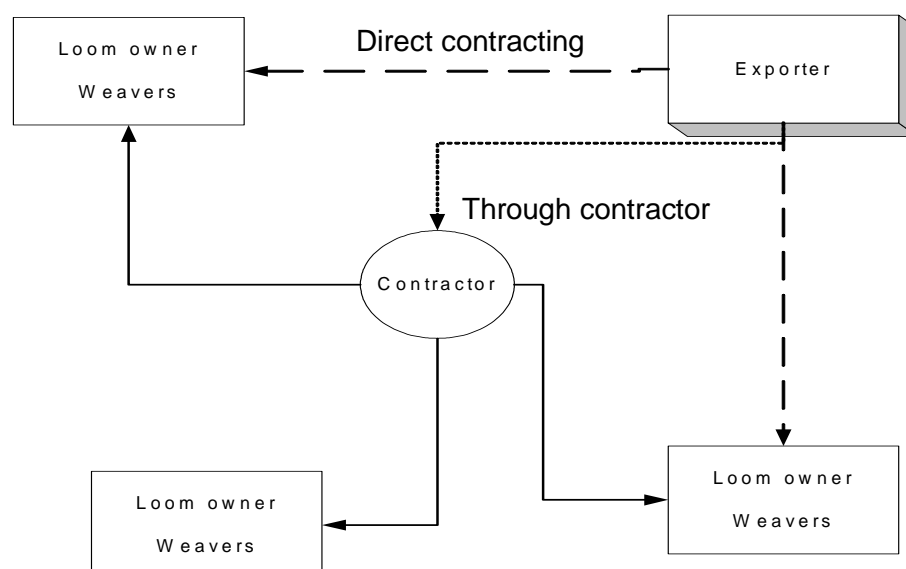


Figure 18: Organisation of carpet manufacturing in India

Depending on the type of carpet the manufacturing may require several months to be completed. During that time the exporter advances money for the weaver's labour as well as for the raw material. During this period the exporter will send his own staff to inspect the progress of manufacturing. It is not uncommon that high value raw material advanced by the exporter is sold by the weaver or the loom owner in the market and replaced with low quality yarn.

Around 80% of all manufacturing units have only one loom, which is set up in the private homes of the weavers. Just 2% of the units have more than 5 looms. Regulation of labour standards via Factories Act 1948, government of India is only applicable to units employing more than 10 workers (for units that use electric power) or 20 workers (for units that do not use electric power). As such large numbers of carpet production units do not fall under the purview of labour standards as defined in the Act. It is also observed that units with larger numbers of looms are easier to control (misuse of raw material!) for exporters and work gets done faster (majority are migrant labour who work independent of labour demand by local agriculture).

Training for knotting is done on the job. Complicated, traditional designs require a long experience. However, the demand for such carpets has drastically falling (see e.g. Figure 4). Hand-tufted carpets, in contrast are on the sharp increase (see Figure 14). These carpets cost only a fraction (50% and less) of hand-knotted carpet and require very little training. This underlines the trend that the market wants lower-priced products that have a shorter life span.

A common statement was that high-quality carpets cannot be manufactured by children. Very different answers (from a clear "yes" to a clear "no") were obtained when asking about a possible active role of children in the manufacturing of hand-tufted carpets.

The wages are paid on a piece rate-basis (rupees per square meter of carpet woven). Depending on the design the piece rate is negotiated.

Weaving is done exclusively by men and boys. They may be either from the location or may be migrants from districts in Bihar (Ara and Purnea district) and Jharkhand state.

RUGMARK India's System of Monitoring and Inspection

The carpet exporters as well as production units commit themselves legally not to employ children under the age of 14 years in the production of carpets, and to pay their workers at least the official minimum wages. In the case of traditional family enterprises, children under 14 years of age who assist their parents in the job must attend school regularly.

Licensees must submit an affidavit to RUGMARK committing them:

- To produce carpets without employing children under fourteen years of age (in the case of traditional family enterprises, children under 14 years helping their parents must attend school regularly).
- To pay their workers at least the official minimum wages.
- To register all looms and manufacturing units with the RUGMARK Foundation.
- To allow access to looms/factories for unannounced inspections by RUGMARK inspectors.

An applicant for a RUGMARK label has to pay a registration fee of Rs 10,000. Along with the details of production, the applicant has to submit audited statements of accounts for the previous two years. The idea behind obtaining the turnover figures of the previous two years,

according to the RUGMARK office, is to be able to cross check whether (i) the list of loom units/sources is complete and consistent with declared turnover and (ii) the applicant has withheld the names and addresses of some loom units/sources. The licensee is issued only after at least 30 % of the loom units have been inspected on a random sampling basis. If child labour is found, the applicant is informed about it with an advice to remove it. Only after another round of initial inspection is completed and RUGMARK is satisfied that child labour is non-existent then it issues the licence to the applicant. After full compliance with the RUGMARK criteria, the right to use the label is granted to the applicant through a license agreement which defines the modalities.

RUGMARK assigns each loom an identification number to facilitate inspection and tracking of carpets. The identification number should be written on the loom. Before production begins, each carpet is allotted a serial number. RUGMARK thus maintains records relating to the registration of licensees, loom-units/sources of supplies, names and addresses of licensees, amount of fee payable by each licensee, order for carpets etc. and also details about the sizes, kinds of carpets, dates of commencement of production, serial numbers of carpets, dates of completion of production, invoice particulars etc. The possibility of registered looms and non-registered looms working simultaneously under one roof is possible, since looms and not loom owners are registered. Besides, in joint families, each nuclear unit headed by male adult siblings, may have their own looms under the same roof, with looms of only one brother registered with RUGMARK. This makes it very difficult to assure that children do not work on RUGMARK-registered looms. It would be far better if whole units had to register.

RUGMARK's Gopiganj office employs a team of 12 inspectors who carry out the inspections in teams of two which change every week. All locations are stored in a computer data base. Using a random sampling programme a work programme with locations (not looms!) are defined everyday and presented by the monitoring and inspection coordinator to the inspection teams, every morning just before they leave for the visits. This is to minimise any bias of the inspectors. Besides these regular visits to registered looms, inspectors also visit 30 % of loom units of the prospective licensees and carry out additional visits to units where child labour is detected.

Weekly inspection reports are sent by the Gopiganj Office to the Delhi office in a prescribed format in respect of each licensee/exporter. All violations found by the inspectors are communicated to the exporter concerned for taking remedial action.

30,000 looms are registered with RUGMARK; 19,000 are assumed to be operational while more than 10,000 are idle because of the current market situation. Inspectors reported that every loom is visited once every 2 months. This would imply that each team of inspectors checks on 100 looms a day. This assumption on the frequency of inspections appears unlikely. Statistics maintained by RUGMARK suggest that each loom is inspected about 4 times a year. Other figures (ILO-IPEC study) suggest that every loom is visited no more than one time a year.

As a result of inspections carried out up to 31. October 2002 866 looms with 1,361 cases of child labour had been found out of approximately 30,000 looms. The percentage of violations works out to 1.1%. The ILO-IPEC study which carried out this analysis back in mid-1999 calculated 3% violations, implying that the rate of incidence has further dropped.

Violations found are brought to the notice of the erring exporter. If the violations have been noticed to be continuing on subsequent inspections, the matter is taken up again with the licensee. In case all persuasive methods fail, stoppage of issuing the labels takes place and de-licensing follows. RUGMARK has so far de-licensed seven exporters (out of 255 total exporters registered with them).

The cost of inspection runs to 62% and 82% of the exporters' licence fees for 2000/2001 and 2001/2002 respectively.

Criticism of the Monitoring and Inspection System

RUGMARK India has been repeatedly criticised for its monitoring and inspection system from different sides: one criticism is that the system cannot provide a 'guarantee' that children do not work on looms. The other criticism is that the approach is 'police-like' and does not involve the community as active participants. And finally, RUGMARK inspectors only monitor and inspect part of the process chain, that is weaving and finishing. Yarn manufacturing – which is largely carried out manually in Nepal, is excluded from inspection.

A significant decline in the incidence of child labour in the sector has been noted by most observers and actors. It will be very difficult to determine in retrospect which factors and initiatives contributed most to this development. RUGMARK with its inspection system certainly has played its role to bring down the incidence of child labour to very low levels.

With regard to the first criticism: No externally run monitoring system that is based on random inspections can give a 100% guarantee against misuse – no matter whether it is RUGMARK or Organic farming or Quality Management Systems. The criticism has to be taken seriously - there will be always gaps for the odd black sheep to slip through; but the criticism is not argument against the principle concept of a social label guaranteeing the consumer a particular standard.

Rather, the external monitoring and inspection system has to be complemented by an increased responsibility of the exporter. Basic pre-conditions are already in place. Already now suppliers of exporters (contractors, looms owners) have to sign an assurance that they will not use illegal child labour on looms. Numerous exporters have employed their own inspectors to check looms for carpet quality and also for incidences of child labour. Systematising and extending this development will certainly help to further improve the effectiveness of the inspection.

This is not to suggest that external controls should be removed; only that internal controls must be strengthened. Recognising this, Fair Trade Labelling Organisation (FLO) the largest inspection agency for social standards, is investing considerable resources in conducting and running workshops and seminars with entrepreneurs and other stakeholders to sensitise and build their capacities for ensuring adherence to social standards.

The second line of criticism generally comes from the NGO community. RUGMARK's monitoring and inspection system was initiated simultaneous to the government led inspections. The latter involved raids on looms carried out by the Department of Labour with the local police. The fear psychosis surrounding monitoring and inspection was most likely not beneficial as it may have shifted the problem of child labour to extension areas.

The evaluation appreciates that the inspection teams have significantly contributed through their work to bringing down illegal child labour in the carpet sector. Relying only on external controls is, however, not sufficient and not effective. Aside from using the exporters and their organisation in taking an active role in monitoring, it is now time to create awareness about RUGMARK and the problems associated with child labour among the communities in general and carpet workers in specific. Unless there is an increased and fundamental awareness in the community that there is something wrong with child labour and that RUGMARK is a serious and honest player working on their side it will be difficult to bring further down the number of children behind looms.

7.1.2 Social Programmes of RUGMARK India

RUGMARK not only wants to assure that products carrying its label are not manufactured by children. RUGMARK also wants to contribute to preventing children from having to enter working relationships and to rehabilitate single (that is without their family) migrant child labour rescued from the looms.

Two components can be found in RUGMARK's social programme in India:

- Operation of schools
- Operation of a rehabilitation centre

Schools

Status of primary school education in carpet belt

Apart from poverty in the family, lack of access to quality education is understood to be one of the key factors responsible for children entering working relationships at an early stage. In the carpet belt government primary schools are there but they are of low quality.

A survey conducted by UNICEF in villages in the carpet belt showed that 21% of the children in the age group of 5 to 14 were not in school. Of them, 89% had never gone to school.

In the core areas of carpet weaving, the most important factor, as articulated by the parents, was the tradition of putting children at work with a view to providing them sufficient time to learn the skill of carpet weaving. This tradition, they said, had existed for a long period and no one had questioned the working of children in carpet weaving till recent times. The tradition however still continues, though to a lesser extent – either children pick up the skill while helping their parents or while working on other looms as trainee/hired labour. The villagers also reported that loom owners/contractors were inclined to get child workers from outside because they worked for longer hours and a lower wage.

Poor quality of education and poverty in the villages included in the study clearly emerged as major factors for non-schooling and dropouts in these villages. In almost all the villages people identified the following minimum set of measures which should be taken up in order to

Improve the quality of education and attendance rates of children (ILO 2000³⁸):

- Establishing schools at an accessible distance
- Ensuring easy access to higher classes
- Ensuring regularity of teachers
- Increasing the number of teachers
- Provision of regular mid-day meals/other incentives
- Provision of free textbooks and reading materials
- Provision of some skill-oriented teaching

³⁸ ILO-IPEC Working Paper 2000: The Impact of Social Labeling on Child Labour in India's Carpet Industry, Institute for Human Development, New Delhi.

Out of these factors, the most frequent responses concerned the need for regular teachers' attendance, improved teacher-pupil ratios and the provision of mid-day meals. For example, because of the irregularity of teaching in the village Marufpur, the school opens only once or twice a week. As there is only one teacher in this school, it remains closed in his absence. The parents also reported that it is very difficult for one or even two teachers to teach all the children of different classes and ages simultaneously. The teachers' priority in such situations is to keep a semblance of order and avoid trouble. Teaching activity becomes minimal and children are either punished severely or they are left sitting idle in the classrooms. Hence, a good teacher-pupil ratio is a pre-condition.

RUGMARK Operated Primary Schools

RUGMARK India operates at present six primary schools in the carpet belt. They are located at Devnathpur -Lakhamanpatti, Bhadohi, Jagapur-Bhadohi, Barhi Newada-Varanasi, Handia-Allahabad, Cherapur-Bhadohi and at Vijaypur-Mirzapur.

There are currently nearly 1800 children enrolled in RUGMARK schools and the Balashray. - RUGMARK pays for all costs and employs the teachers. The children mostly come from carpet weaver families. The potential for children of weaver families being sent to work at an early age is high. This is because of the proximity of parents to the trade and the poor socio-economic situation of the families. It is all the more important therefore that good quality education be made accessible to children of these families, in order to provide an alternative to work. They are provided formal education together with vocational training in various fields including carpet weaving. Some of the salient features of the RUGMARK primary schools are:

- State Government approved syllabus for studies.
- Teaching of English Language.
- Provision of free books and stationery.
- Free school uniform for all students.
- Free nutritious snacks/fruits for all students.
- Adequate emphasis on sports, playing facilities and other hobbies.
- Vocational training courses.
- Medical check-up for all students.

RUGMARK schools are far better constructed, equipped and follow high standards of school provisions than the government schools in their project area. They are in stark contrast to the impoverished and decaying public school infrastructure in the same villages. Given the limited intake of students, large number of children from similar socio-economic groups continue to be either out of school or enrolled in poorly equipped public schools. There is a clear divide between the children who go to RUGMARK schools and those that do not. There is a danger of widening of the divide within the communities. Even in villages with a RUGMARK school, 40% of the children continue to be out of school.

Given such a situation, it is surprising that RUGMARK has little or no interaction with the existing government schools in their project area. It is obvious that the capacity of RUGMARK to absorb children will remain limited in a scenario where larger proportion of children is out of schools. Under such circumstances, it is imperative that RUGMARK identifies ways in which the remaining children of the communities they serve are also able to

access good quality education. One of the ways this could be done is perhaps by linking up with existing government schools and help building their capacities. A mix of strategies may be required including partnerships, mobilising resources and greater community participation and contribution in the schooling of out of school children.

Balashray

RUGMARK's rehabilitation centre (Balashray) was inaugurated in 1996.

Balashray is an all-boys residential rehabilitation centre for bonded migrant child labour rescued by RUGMARK inspectors from the looms. At present the Balashray has 67 children. The majority of them, 62, were bonded migrant child labourers, rescued from the looms and 5 are child labourers belonging to the local area. While most of the single migrant bonded child labourers were trafficked from 2 districts of Bihar (Ara and Purnea), only one child was trafficked from Nepal. As a policy, the Balashray only admits children that have been removed from looms by RUGMARK inspectors. However, two of the boys currently enrolled were brought in by SACCS. At 67 children currently enrolled, the Balashray is under-enrolled. It has a capacity for serving 90 children.

Children at the Balashray are provided free boarding and lodging along with free education, vocational training, uniforms, text and note-books. Both formal and informal education is provided, including vocational training. Social awareness, cultural training and physical and spiritual activities are considered important. All children are provided with medical check-up upon their arrival. The centre has a school up to class 5. Beyond that they are sent to nearby school. In the centre the boys can undergo vocational such as tailoring or carpentry. Psychological counselling is not provided at the Balashray.

The Balashray informs parents of these children about their rescue and whereabouts soon after they are brought into the centre. If the parents want their children to go back, they can go back. However, the trend has been that fewer parents want their children to come back and fewer children prefer to go back home than stay on at the Balashray.

Apart from the core focus group of Balashray, i.e., single migrant bonded child labour from the carpet looms, Balashray has also started serving local children as day scholars. These local children are provided with primary education up to class V at the Balashray. These children bear the cost of education by paying fees to Balashray. They do not receive free books or uniforms from the Balashray.

So far 90 single migrant bonded children have graduated from the Balashray. A follow-up of graduates has not been done yet. At the time when they leave the centre they are provided with equipment for their vocation, such as a sewing machine or carpentry tool.

Children interviewed by the evaluation team demonstrated high degree confidence and self esteem. They expressed their desire for continuing education and returning home only after they had completed basic education and attained some skills for income generation. They also shared their experiences of being rescued (they use the term "caught") by the RUGMARK inspectors and their apprehensions about the Balashray until they actually enrolled their. Children expressed satisfaction with the services provided by the Balashray.

Staff at Balashray comprises the following:

- 3 teachers for primary school
- 3 teachers for vocational training
- 2 cooks

- 2 security guards
- 1 manager

While the Balashray seems to have contributed significantly to the development of rescued children (education, recreation, sense of security and well being) the evaluation team identifies the following as issues that remain to be resolved/worked upon:

1. With fewer children wanting to return home and fewer parents wanting children to return anyway, is Balashray promoting institutionalisation of the children as the model for rehabilitation. What about reintegration with families and support to individual households, communities where children belong?
2. 90 children are said to have graduated from the Balashray. There is no follow up on where these children might be now. A tracer studies of children who leave the Balashray should be conducted?
3. In a situation where Balashray is currently under-enrolled (given that the incidence of single migrant child labour has declined in the core carpet belt), should Balashray extend its services to children rescued by other agencies?

7.2 Cost and Quality of the Social Programmes

As shown earlier already (Fig. 17), RUGMARK India spends 40 to 50% its total expenditures on its social programme.

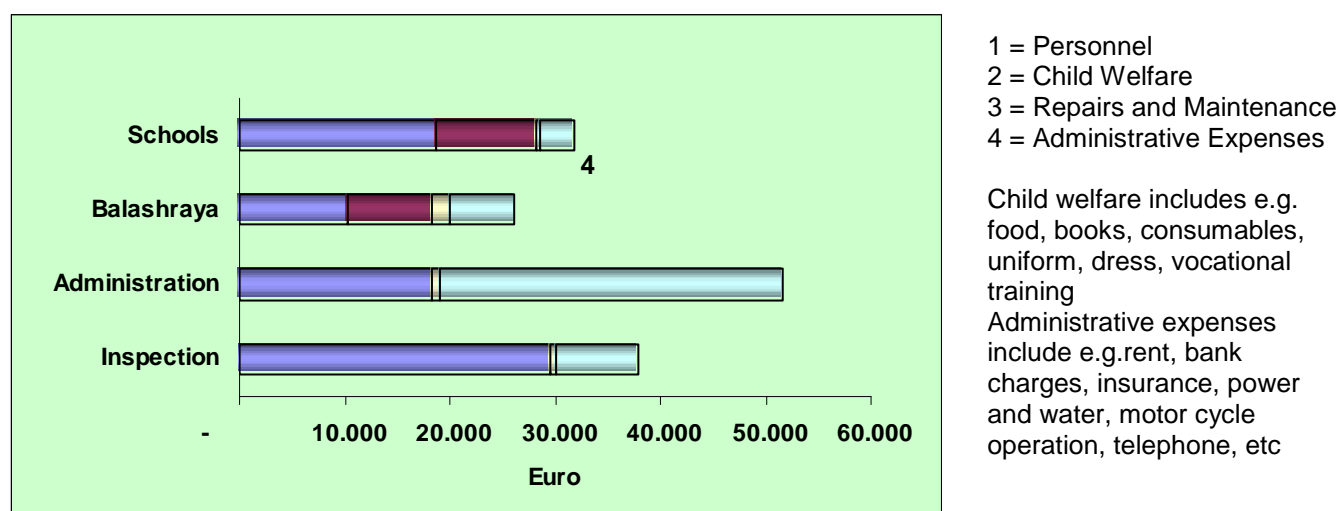


Figure 19: Expenses by cost centre at RUGMARK India for the 2001/2002

The total expenditures for the social programme amounted to 72,000 Euro for 2001 /2002 and to 68,000 Euro for 2000 / 2001. 63% goes towards schools, 37% towards rehabilitation. This underlines again the relative high cost of the rehabilitation programme. The service for approximately 65 children requires roughly one third of the budget (approx. 1700 Rs per child per month), two thirds are allocated to the education of about 1400 children. It is hard for us to judge the quality of rehabilitation. We could observe that the staff is taking great effort to identify the potentials of each child and extent individual support for the development of his potentials.

We suggest that the experience of RUGMARK and of other organisations is carefully evaluated in the context of what is best for the child and on the basis of the results, the programme is newly planned.

We referred already earlier to the quality of schools. They provide good facilities that do not excessively stand out of the context and they offer reliable teaching. Based on available figures, cost per child run to about 1,500 Rs per year, which would be double that of NCLP schools, but half only half of CARE & FAIR schools.

8. Analysis and Assessment of the Quality of Planning, Steering and Implementation of the Core Programmes of RUGMARK in Nepal

8.1 Services and Activities of RUGMARK Foundation Nepal

RUGMARK Foundation Nepal was founded in December 1995.

Nepal RUGMARK Foundation had its emphasis on three areas:

RUGMARK licensing and workplace monitoring

Rehabilitation of displaced weaver children

Promotion of RUGMARK

Only recently the Foundation has embarked on social programmes with a preventive character, including day care centres, scholarships and awareness raising programmes among factory workers.

By the end of November 2002 Nepal RUGMARK Foundation had 148 exporters as licensees with 467 carpet factories (around 67% of the total industry's capacity). In contrast only 12% of the carpets manufactured in RUGMARK-registered factories carry the RUGMARK label.

From its start (Dec 1996) till Dec 2002 RUGMARK Nepal has issued 261,681 labels for 863,238 sqm of carpets.

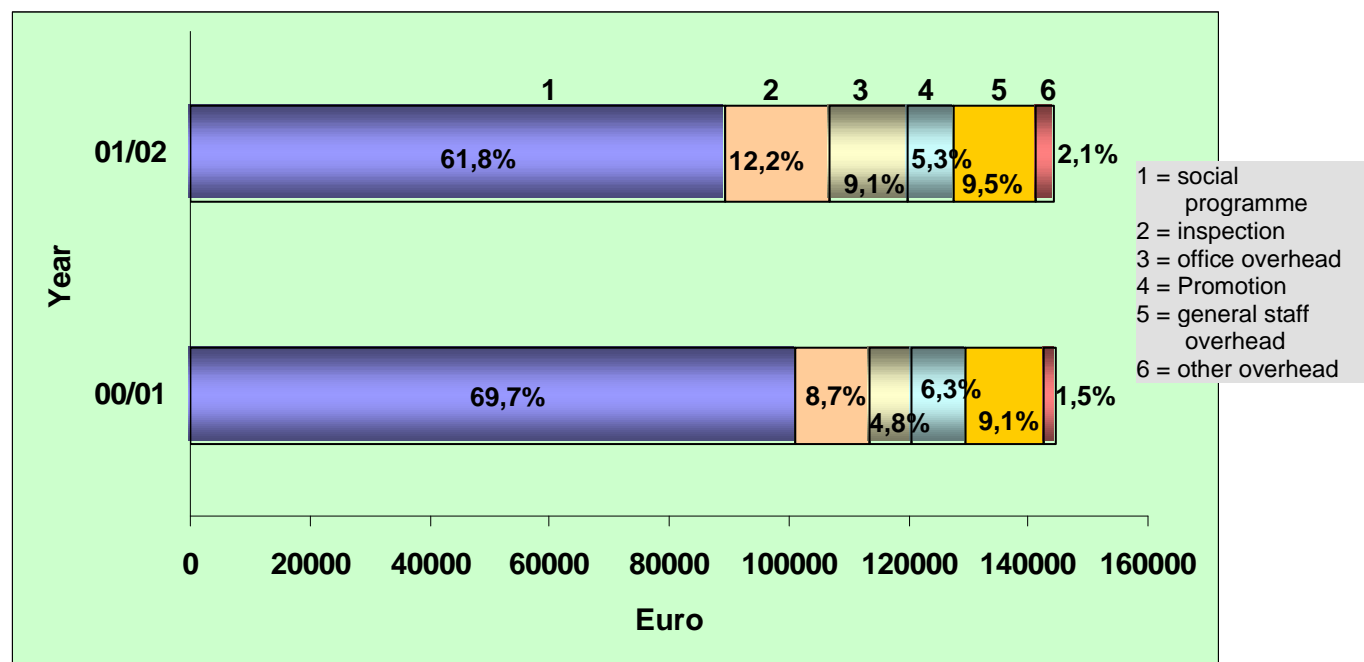


Figure 20: Budget allocations for key programmes of RUGMARK Nepal for 2000 / 2001 and 2001 / 2002

The Foundation spends two thirds of its budget on its social programmes (Figure 20). The budget title Promotion doubled for 2001/2002 because of the production of a documentary film which was externally funded. The expenses for inspection and administration run to about 25% of the budget which conforms to the set target. However, one has to take into account that RUGMARK Nepal's income from licence fees is considerably supplemented with income from grants (e.g. from UNICEF).

Organisation of carpet manufacturing

The basic organisation of carpet manufacturing in Nepal is similar to that in India as shown in Fig. 18. An important difference from the Indian situation is, however, that looms are concentrated in "factories" within the Kathmandu valley. 97% of the country's capacity is located there. While in India single loom units are the standard, in Nepal one finds on average in the range of 25 to 50 looms in one unit. Nearly 20% of the factories operate more than 50 looms. Many of the exporters operate their own looms; the big manufacturers carry out the whole process (from carding to finishing) on their compound.

Unlike in India's carpet belt, where only males are allowed to work on looms, in Nepal, male and female labour in equal share, both work on looms. The majority of weavers come from villages in the hill region (many from nearby Makwanpur and Sindhupalchok). It is common that they work as groups of people – often families - from the same village in one factory. Fluctuation among workers is low. Many of the people talked to have worked in the factory for the past 5 years and more. Still, many have been laid off due to the decline in sales. The literacy rate among carpet workers is 60% and thus higher than the national average³⁹! Friends, relatives and self-exploration constitute the major channels of entering the carpet factories. 17% of workers land in factories through contractors.

More than half of the factories have been operating for the last 10 to 15 years. 64% of the factories work on order from exporters.

People are paid by a piece rate; skilled weavers earn approximately 100 NRs (~ 1.40 €) per day, working for about 10 hours. This is considered a good income. The factory owner provides accommodation for the weavers on the compound. Larger factories are governed by the Factory Act for provision of social facilities.

8.1.1 Inspection and Monitoring Programme

Exporters and their suppliers provide a written assurance to RUGMARK that no children will work on their looms. RM Nepal employs four inspectors who go on their inspection tours on their own. They have divided the area for inspection into four and they shift every two weeks. Unlike India, where RUGMARK inspectors do not decide which looms they would visit, inspectors in Nepal decide on their own which factories to visit within their area. Another difference from RUGMARK India is that inspectors in RUGMARK Nepal do not work in teams of two, each inspector works on his own.

RM has graded their exporters into three groups:

A: Good partner, no child labour (60 to 70% exporters) - May be inspected once in a month

B: Medium quality (ca. 150 factories) - May be inspected once in two weeks

³⁹ Situation analysis of child labour in the carpet industry of Nepal (1999). Centre for Policy Studies, Kathmandu

C: Remaining lot - May be inspected once every week

According to the performance of the factories, inspectors decide on the frequency of visits. Good performers may be visited one time a month; poor performers may be one time a week. The majority of the good performers are exporters with their factories. RUGMARK argues that relatively frequent visits even to A class manufacturers (minimum one time a month) are required since in case they receive a large order they will subcontract to factories which are less reliable and these need to be followed up by RUGMARK.

Nearly all looms for inspection (> 95%) are located within the Kathmandu valley. Some are Jhapa District and in Pokhara town. Due to lack of security and the problems associated with travelling, looms outside the valley are currently not visited. The valley is divided into four areas.

They will come back to the same area after two months. They visit on average 12 units in a day. Inspectors use their own motorcycle. RUGMARK pays them the mileage.

In case they meet a child the inspector issues a first warning to the loom owner. If they find a repeated incidence, they inform the exporter. If it happens a third time the factory must be taken off the list.

Inspections have less the character of a raid; rather inspectors take more the role of a social worker. Apart from checking on the presence of children, they will also check for cleanliness and hygiene; in case children are sick they discuss with the parents and if necessary with the loom owner what to do.

In case they do find children they are first brought to the admission centre. Here RM staff assesses whether the situation in the home of the children allows them to go back or not.

Fig. 21 shows the number of children removed from looms for each quarter since 1997. A drastic fall in the number took place at the very beginning of the recording. From there on, the trend is basically constant. In fact, if one calculates the statistical trend from 4/97 onward, the trend shows upward.

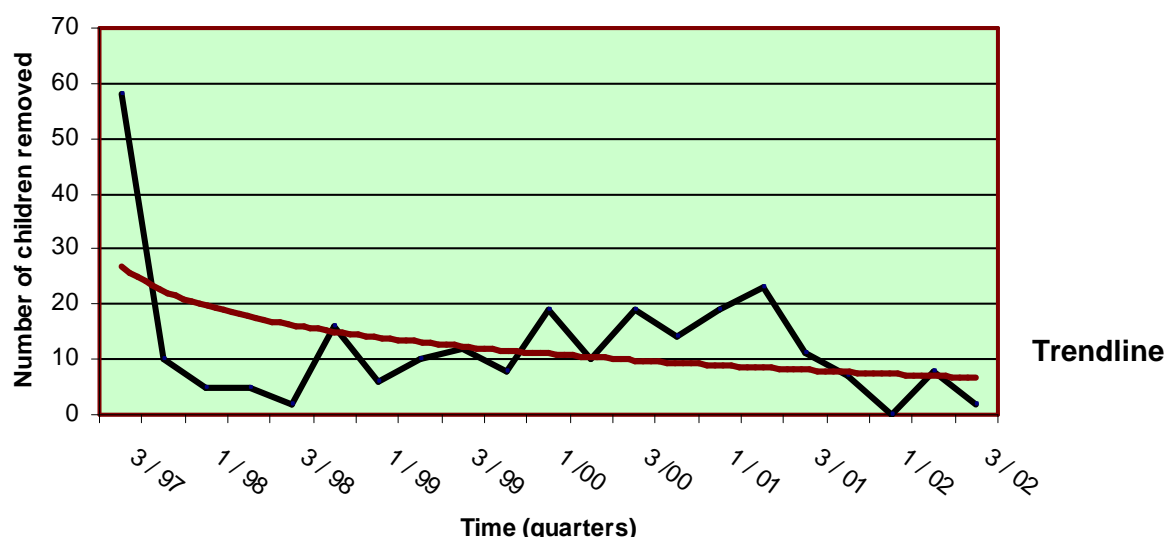


Figure 21: Number of children removed from looms by inspectors from RUGMARK-registered looms

The process of registration with subsequent monitoring had an immediate impact, bringing down the number of children encountered at RUGMARK-registered looms to about 10 per quarter. A further decline was not possible with the system based merely on external inspection and monitoring.

Cost and quality of the inspection and monitoring programme in Nepal

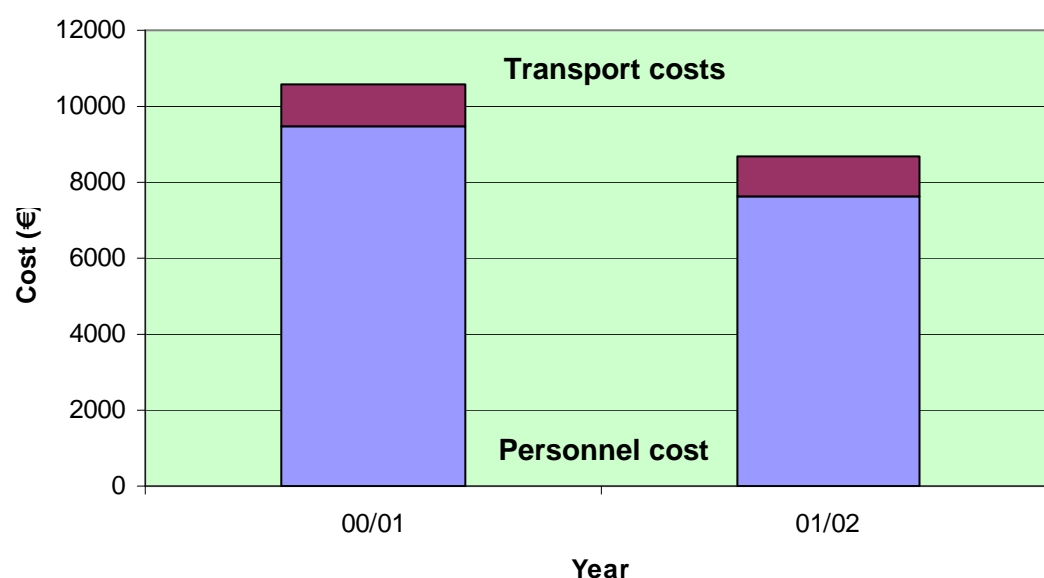


Figure 22: Cost of inspection and monitoring at RUGMARK Nepal

This corresponds to a cost of 6 Euro cents per square meter. This budget line went up to 12% of the total budget in 2001/2002 (Fig. 20) because RUGMARK had bought that year a large consignment of labels; the cost of them made up nearly 30% of the whole inspection and monitoring budget line.

For 2000/2001 the cost of inspection (only personnel and transport cost) was 45.7% of the income earned from exporters' fees. This figure increased to 67% for 2001/2002.

RUGMARK Nepal has taken an interesting approach by categorising the licensees and their

For the inspection system to become more effective and efficient it is necessary to assign a stronger role to other stakeholders that are in particular weavers and exporters / loom owners. They need to become more aware of the problems of child labour and the fact that it should not / must not be tolerated.

A significant problem is that only a fraction - 12% - of the carpets manufactured on RUGMARK-certified (and thus inspected) looms are labelled. And RUGMARK only earns money – through the licence fees - once a carpet has been labelled. Therefore, it is important to formulate and apply strategies through which more of the carpets coming from inspected looms are labelled.

8.1.2 Social programme

The social programme of Nepal RUGMARK Foundation has focused in the past very much on rehabilitation. Apart from rehabilitation RUGMARK also supports the operation of day care centres, provides scholarships to carpet weaver children and runs awareness programmes in factories.

8.1.2.1 Rehabilitation

Rehabilitation of former carpet weaving children takes two major approaches: centre-based rehabilitation and community-based rehabilitation.

Nepal RUGMARK Foundation established four rehabilitation centres for displaced carpet children in between March to October 1997. These centres were established and run in collaboration with four child-rights organisations that are located in the Kathmandu Valley.

Since 1996 all together 477 children were rehabilitated through RUGMARK Nepal's rehabilitation programme. The decline in the incidence of illegal child labour, pressure from UNICEF and NRF's shifting the emphasis towards community-based rehabilitation led to the closure of two of its four rehabilitation centres.

The respective NGOs run the centres on contract with RUGMARK. They provide the infrastructure and personnel. RUGMARK pays the NGO an agreed rate per child which is at present 3,500 NRs per month. The actual costs including the cost of RUGMARK staff run to about 5,000 NRs per child per month. For comparison, the cost per child per month at RUGMARK India rehabilitation centre (Balashray) amounts to approx. 1700 Rs (2400 NRs).

When RUGMARK inspectors find children working illegally on looms they bring them first to NRF's transition centre at Balaju where RUGMARK staff investigates whether and how best the children can be re-united with their parents. The parents are contacted and joint talks take place.

They are first enrolled in the non-formal education programme. Children undergo counselling, orientation, detailed medical check-ups and tests to find out their appropriate grade. A standard curriculum is offered, with the objective to upgrade them as quickly as possible to the formal education programme or to re-united with their families.

The transition centre is operated by a local community NGO and has the following staff: Warden cum coordinator, NFE teacher, tutor, care taker, cook, helper and security guard

Those children for whom it is difficult to return to their parents' home are admitted to the rehabilitation centre in Bungmati where they receive counselling support, they attend the local school and can take up vocational training. Counselling and monitoring of children is done by professionally trained RUGMARK staff. The children may stay in the centre up to the age of 18. The non-formal education programme helps older children to reach a grade suitable for his/her age, in a short period. A programme is offered to these children, which allows them to select a vocational training or apprenticeship programme in such areas as tailoring, electrical work, and auto-mechanics. They can participate in this programme while continuing formal education.

The centre in Bungmati is run by a local community NGO with the following staff members: Warden cum coordinator, tutor, vocational trainer, care taker, cook, helper and security guard.

At present 126 children stay at the two centres. Child workers found by RUGMARK Nepal are typically between the ages of 12 and 14.

Community Based Rehabilitation and Re-integration of Children

If children return to their home regular follow-up visits are conducted by a RUGMARK staff. When a child is re-united with his or her family, RUGMARK Nepal carries out detailed counselling with the child and the parents to assess the overall situation. If the atmosphere is conducive for the child, RUGMARK Nepal signs an agreement with the parents, outlining the specific support that will be provided, as well as the parents' responsibilities to their children. Presently RM Nepal has 83 children in the community based rehabilitation programme. If the children return home, RUGMARK pays for their on-going education until they reach the age of 18 or grade 10, whichever comes first

8.1.2.2 Day Care Centres

Many of the weavers come as family groups from villages to work on looms in the Kathmandu Valley. Almost all carpet factories in the valley have dormitory facilities for their workers. In many cases they workers have their children with them who spend the day with the parents around the looms. In order to support the mental and social development of the children the operation of day care centres is supported by RUGMARK.

At present RUGMARK has contracted one NGO to run a day care centre that serves the weaver families and their children from 11 factories. The centre has a capacity for a 100 children, currently 78 children are enrolled. Children are divided into three groups: nursery, kindergarten and elementary class.

RUGMARK further supports four centres that are run by carpet factories. The general arrangement is that the entrepreneur pays for the rent of the building, while the parents pay for the food provided to the children during the day which runs to 5 NRs per day. All other costs are borne by RUGMARK. The cost per child amounts to approximately 250 NRs per month. Not only that the interventions are at a lower scale in comparison with rehabilitation centres, in this case the carpet factories and the parents contribute in funding the operation of the service.

Normally in the day care centres at the factories the children only come and play and a very little basic teaching is done. In only one of day care centres (attached to the factory of Ms Sulo) the children are being covered up to grade two. RUGMARK monitors activities at its day care centre only being run by NGO. The other day care centres supported by RUGMARK at the factories are though visited by RUGMARK inspectors during their visit to the factory for general observance only. The qualification of staff working at the day care centres ranges from having passed the School Leaving Certificate Examination (SLC) to Graduates.

Nepal's Factory Act specifies that carpet factories have to offer day care facilities to their workers. However, because of the current economic crisis few of the factories actually offer that service.

RUGMARK plans to phase out the continuous support for day care centres by having factories bear the operational costs of such centres. RUGMARK will only provide one time support for instance for the purchase of toys and learning material. This way factories are made more responsible and the initiative is made more sustainable.

8.1.2.3 Scholarship Programme

Many children of school age live in factories with their parents or guardians. These children, if not going to school, may soon join carpet work and become child labourers. RUGMARK has started to provide scholarships to children from weaver families to attend government schools. At present 41 children are supported through this programme. The agreement is directly between the parents and RUGMARK and being implemented through the inspectors. It is hoped that this will also change the perception of the inspectors by the exporters / factory owners.

Children are studying in schools near the factories.

At present the scholarship programme is very small (0.2% of Social Programme Budget); it is expected that it will be increased over the next years. From April on the provision of 75 scholarships has been planned for. If weavers change to a non-licensed factory, the support is continued for the academic year; then it is stopped.

This appears to us as an effective strategy to ensure that children go to school and thereby prevent them from joining work.

8.1.2.4 Awareness Programmes

RUGMARK has started to run awareness programmes in carpet factories for the workers. Staff of RUGMARK takes several hours on Saturdays to talk to the workers on issues such as child labour, health and hygiene as well as HIV/AIDS. So far, awareness programmes were conducted in 13 factories.

Increasing the awareness among factory workers of the problems associated with child labour appears central to us. Once people working in factory are sufficiently sensitised on the problems of child labour they can take a central role in a control mechanism. RUGMARK has just started with this programme and needs to further develop the quality of the programme. So far it is run by RUGMARK staff.

8.2 Cost and Quality of the Social Programmes

	Year 00/01		Year 01/02	
Rehabilitation	98,569 €	97.6 %	84,420 €	95 %
Day care centres	1,554 €	1.5 %	4,009 €	4 %
Scholarships	210 €	0.2 %	450 €	0.2 %
Awareness programme for Workers	589 €	0.4 %	368 €	1 %
Total	100,922 €		89,247 €	

Table 13: Breakdown of the expenditures for the social programmes of RM Nepal

From Table 13 it is obvious that RUGMARK invests nearly all its Social Programme budget in rehabilitation. Approximately 6% (2000/01) and 9% (2001/02) respectively of the rehabilitation budget was used for community-based rehabilitation, the remaining 94% respectively 91% were used for the centre-based rehabilitation.

It is difficult for the evaluation team to judge the quality of the centre-based rehabilitation from a professional view-point.

Housing / accommodation of the centre was of a good local standard. The children visit the village school and have to integrate in the local village environment. RUGMARK Nepal has professional staff: Two trained sociologists who visit the centres nearly daily and work with the children and the staff. They take peer supervision with other people of their profession for reflection of their cases. RUGMARK does not operate any of the centres but rather contracts NGOs for the operation.

RUGMARK has started to strengthen and expand its community-based rehabilitation effort. The community-based rehabilitation programme follows up approximately the number of children as a looked after in the centre-based rehabilitation, however, at only 10% of the costs of the centre-based rehabilitation.

8.3 Cooperation with other Organisations

Many organisations work on issues related to child labour in Nepal.

RUGMARK Foundation is in close contact with most of these development organisations on the issue of child labour and RUGMARK is known as an active organisation.

Only recently RUGMARK Foundation called for the establishment of a task force of organisations in the carpet industry working on child labour related issues.

Two meetings have taken place, a third one has been scheduled for January 2003. The following organisations participated: Nepal RUGMARK Foundation, Central Carpet Industries Associations, National Society for Protection of Environment and Children, CARE & FAIR, and Step Foundation. In the meeting the activities of the different organisations were identified and their particular strengths. It was decided to meet regularly (monthly or bi-monthly). UNICEF, ILO, GTZ and respective Ministries should be called on as necessary.

It was discussed that such a task force could lobby government and exerts pressure on issues related to child labour.

8.4 RUGMARK's 100% Project

RUGMARK is generating its income predominantly from license fees. The fees are paid in those instances when RUGMARK labels a carpet. Independent of the fact that a carpet will be labelled or not, RUGMARK will monitor all registered factories. At present only 12% of the carpet output of registered factories in Nepal are labelled. Yet, around 65% of the production capacities in Nepal are being monitored by RUGMARK inspectors. The main reason for that is that traders do not see sufficient added value in the label to justify the expense of the label fees.

Already during the early times of RUGMARK Nepal it was considered to make RUGMARK-labelling compulsory. Talks with at the ministry level had reached far, but a change in government stopped the project.

Only recently the issue has been taken up again. The expectation from the side of RUGMARK Nepal and RUGMARK Germany is that by having all carpets exported to Germany labelled, the license fee could be reduced considerably while it would be still possible to increase the income. Dropping the fees (for importers and exporters) by two thirds would probably double RUGMARK's income (assuming that 100% labelling would also increase the administrative cost). Dropping the fee by two thirds would bring it down to a more or less nominal level and could convince traders to conform to that. .

BMZ has provided funds to RUGMARK International to investigate ways how this 100% labelling for the German market could be implemented. Much of this work is carried out by RM Nepal.

According to RUGMARK Germany the initial response of the trade in Germany was positive. If the fees came down by two thirds, they would seriously consider buying only RUGMARK-labelled carpets from Nepal.

The talks in Nepal with the Ministry of Commerce are still at a very early stage and it is very hard to judge the chances for success. The basic pre-conditions for the project are positive. The government is already intervening in the carpet export trade with the intention of assuring a high quality. The government defines the type of raw material that is to be used for the yarn. The government demands that yarn has to be hand-spun which apparently does produce a better quality thread (a quality feature, which may not be recognized by the consumer as long as it is not communicated). Furthermore, the government has set minimum prices for carpets.

Already now the Nepal Carpet and Wool Board employs 50 people to control and monitor the floor price of carpets. Opportunities for a co-operation with RUGMARK on the issue of illegal child labour should be examined. Apparently, a ruling of the Board would be sufficient without requiring change in legislation and action by the parliament..

The label could communicate the fact that no illegal child labour was involved in manufacturing the carpet as well as that the carpet is made from hand-spun yarn and that it is from Nepal (country-of-origin).

100% labelling of carpets being exported to Germany would contribute to improving the image of carpets from Nepal: all exported carpet from Nepal are manufactured without illegal child labour. It would considerably improve the financial situation of RUGMARK Nepal but also of RUGMARK Germany.

Nepal's current political situation is certainly a drawback, since the government's priorities are likely to be different. On the other side, the government is very interested to stop the slide in sales of Nepali carpets.

It may be considered as a drawback that exporters have no choice in such a situation. It would mean the end to the approach of CARE & FAIR: code of conduct without monitoring. Yet, 50% of CARE & FAIR members are also members of RUGMARK Nepal.

9. Analysis and Assessment of the Quality of Planning, Steering and Implementation of the Core Programmes of CARE & Fair in India and Nepal

9.1 Kind of Services/Activities, Conceptual Approach and Outreach of the Different Programmes of CF

CARE & FAIR runs 34 projects, out of them 22 schools, 11 health care projects hospitals/clinics and one day care centre in India, Nepal and Pakistan.

CARE & FAIR in India

CARE & FAIR runs 20 projects in India out of them 13 educational projects and seven health care projects. It operates six own schools, finances entirely two schools and co-finances four schools. It operates two women training centre in two of their own schools. All schools are primary schools until 5th standard. In the Barakat School and in the Saheb Ali School in Khanapur girls and boys can now continue secondary level education.

CARE & FAIR runs its own schools in:

- Chaksikhari,
- Khanapur,
- Amita,
- Semuhi and
- Barakat.

CARE & FAIR covers all costs for

- Jagriti Nai Bazar School
- Jagriti Khamari School

and for the women training centres in the Amita school and in the Barakat school.

Furthermore, CARE & FAIR supports

- KVM School,
- Ram Deo School
- Beerapatti School
- Deoko Nandan School

It manages the Cargo One school for which running costs are taken over by an American business man.

From the academic session 1996-97, 97-98, 98-99, 99-2000, 2000-01, 01-02 approximate 5500 Children have passed out from schools. Currently 29 children are receiving support for education under Special Relief Programme and 4797 under School Education Programme in CARE & FAIR's own and the sponsored schools.

In the health care facilities, the number of patients treated at CARE & FAIR costs amounted to 78,873 in the financial year 1999-200, 88,456 in the financial year 1999-2000 and 98,813 in the financial year 1999-200. The costs per patients per year are approximately Rs 17.90. Most patients would contribute to the treatment. Separate figures for children, weavers (receiving free treatment) etc. could not be made available.

Furthermore, CARE & FAIR supported a Special Relief Programme for handicapped, handbills for pulse polio, the renovation of a well in a leprosy colony. CARE & FAIR has discontinued two projects so far giving the reason that they did not meet their standards and criteria.

CARE & FAIR initially started with co-financing existing private and government schools but shifted to construct and operate its own schools following requirements in the connection with the Foreign Contribution Regulation Act. CARE & FAIR paid usually for the construction costs of the schools and mobilised support from its members or friends for bearing the running costs. Cargo-One, USA sponsors the basic education centre in Garauli, Bhadohi and the Oriental Rug Importers Associations (ORIA) of the USA sponsors the CARE & FAIR Special Education Centre. The entire construction costs of the Barakat school (US \$ 41,637) were taken over by an importer from the USA. The German born US business man Mr. Schlottmann is paying for the running costs of the Cargo One school amounting to 3,000US\$ per year.

CARE & FAIR Educational Projects

S.No.	Projects Name	No. of Staff		No. of Students	Girls to Boys Ratio	Class Standard	No of Class room	Campus Facilities
		Teacher	Other					
1	Chaksikhari School	11	05	268	1:1.10	I - VI	10	Beside the classrooms there is one big hall, teacher's room, Principal's room office, store and eight toilets, big play ground. Platforms for drinking water
2	Khanapur School	10	04	399	1:1.25	I – VI	10	Beside the classrooms there is teacher's room, Principal's room, store office and eight toilets. Platforms for drinking water
3	Amita Vidyalaya	09	05	271	1:1.25	I – VIII	8	Beside the classrooms there is one big hall, teacher's room, Principal's office, store and six toilets. Platforms for drinking water
4	Semuhi School	06	05	187	1:1.05	I – V	8	Beside the classrooms there is teacher's room, Principal's room, office stores and eight toilets. Platforms for drinking water
5	Barakat School	10	05	270	1:1.10	I – VIII	10	Beside the classrooms there is teacher's room, Principal's room, office, stores and eight toilets. Platform for drinking water
6	Cargo-One School	06	01	144	1:1	I – V	6 small rooms	Rented building Beside the classrooms there is, Principal's office, and toilet.
7	Nai Bazar School	09	02	756	1:0.75	I – V	7	Sponsored School
8	Khamaria School	10	02	226	1:1.25	I – V	9	Sponsored School

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S.No.	Projects Name	No. of Staff		No. of Students	Girls to Boys Ratio	Class Standard	No of Class room	Campus Facilities
		Teacher	Other					
9	Women Training Centre I	02	02	33 (W) age group	Women (15-45)	Sewing, embroidery etc.	2	Situated at CARE & FAIR Amita Vidyalaya Campus.
10	Women Training Center II	2	1	35(W) age group	Women (15-45)	Sewing, embroidery etc.	3	Situated at CARE & FAIR Barkat School Campus.
11	KVM School			190				Sponsored School
12	Ramdeo School			1400				Sponsored School
13	Beerapatti School			328				Sponsored School
14	Deoki Nandan School			325				Sponsored School

1. Classrooms with note more than 40 students. Desk, chairs, fans and other amenities.
2. S. No. 1-5 – Building owned by CARE & FAIR (India). The buildings are well ventilated, with facilities of drinking water , separate toilets for boys & girls, electricity and comfortable surrounding.
3. All our own schools are located in rural area where education facilities are minimal or absent.
4. Free Tuition, School Uniform(Two Sets), Winter cloths, Shoes & Socks, Books Stationery, Health Checkup,

Table 14: CARE & FAIR Educational Projects in India

CARE & FAIR Healthcare Projects in India

S. No.	Project Name	Location	No. of Patients (Per Annum) approx.	Remark
1.	Khamaria Hospital	Khamaria, Bhadohi.	17,804	
2.	CARE & FAIR (India) Medical Dispensary	Chhitani Talab, Bhadohi.	44,980	Free consultancy and treatment Permanent immunization booth started
3.	CARE & FAIR Jwala Hospital	Saripur, Gopiganj, Bhadohi.	22,448	Free consultancy and treatment
4.	CARE & FAIR Khamaria Clinic	Khamari, Bhadohi	14,864	Free consultancy and treatment
5.	CARE & FAIR Ugapur Clinic	Ugapur, Aurai Road, Bhadohi	16,800	Free consultancy and treatment
6.	CARE & FAIR KVM Clinic	Pipris, Bhadohi	13,400	Free consultancy and treatment
7.	Student Health Care Prg.	CARE & FAIR Own Schools	1,397	Health check-up (fortnightly)
	Total		1,31,693	

Table 15: CARE & FAIR Healthcare Projects in India

One of the earlier projects earlier supported by CARE & FAIR, the MELA project, is no more in the portfolio of CARE & FAIR as satisfactory agreements could not be reached with the British founder of the school. As CARE & FAIR did not have government clearance for building its own projects it supported with 15 000 British Pounds this initiative of an English business man.

The schools have six to ten classrooms and host 144 (Cargo-One school) to 1400 students (the sponsored Ramdeo school). Most schools would have between 180 and 400 students. The number of teacher is six to eleven. There is also additional staff, not exceeding five (Chaksikhari school).

Classroom in India do not host more than 40 students and have desk, cahirs, fans and other amenities. The CARE & FAIR constructed and owned schools have even a slightly higher standard, including better ventilation, drinking water facilities, separate toilets for boys and girls, electricity supply and more comfortable surroundings.

Schools are attended by around 60 percent boys and 40 percent girls on an average basis. The students receive free tuition, two sets of school uniform, winter clothes, shoes, socks, books and stationary and a health check up.

Schools would typically cover three to ten villages with a total population of 8000 to 50 000. Government schools are existent in some cases but they are in poor stage and remotely located from some of the villages.

CARE & FAIR has also built clinics and dispensaries for the distribution of medicines and hospitals which provide for in-house patients. In health care, CARE & FAIR facilities provide treatment to 10, 000 to 15,000 patents per month. Mr. Heinrich, the Chairman of CARE & FAIR and Mr. W. Meier are overlooking the activities of CARE & FAIR India and pay frequent visits to the region.

CARE & FAIR Nepal

The CARE & FAIR projects in Nepal have the following characteristics:

In Nepal, CARE & FAIR supports 6 schools as well as one day care centre covering 1250 students. Four schools are run by NGOs; two are run by the government. CARE & FAIR pledges its funding support to ongoing schools based on a need analysis within the community and according to the proximity to member factories. CARE & FAIR pays for the salaries of several teachers, in particular at secondary level, and has funded certain infrastructure developments. This has helped schools to upgrade from primary to secondary schools. Facilities are in general poorer than in CARE & FAIR schools in India. Proper benches are not provided in all schools.

Due to the support of CARE & FAIR, many students are now able to visit secondary school which was not possible before. CARE & FAIR's support also impacted on the quality of the school since an increasing number of children pass SLC exams (rates are above the national average).

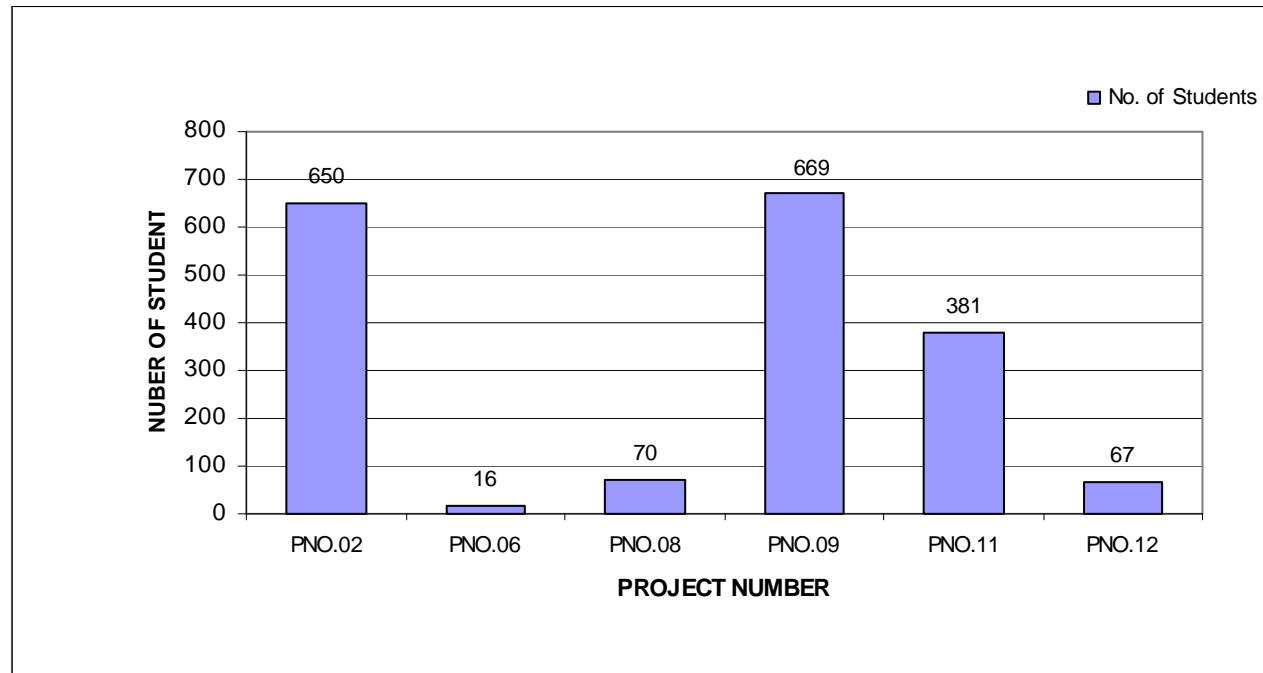
CARE & FAIR supports one day care centre which is run by a local NGO Child Welfare Centre. CARE & FAIR bears around 70 percent of the budget, the rest is provided by the NGO. 90% of the children come from weaver families who work in factories of CARE & FAIR members.

CARE & FAIR operates four health centres with more than 20,000 patients receiving treatment per year. Workers of CARE & FAIR members who gave special donations to the clinic in their area receive health vouchers at their request.

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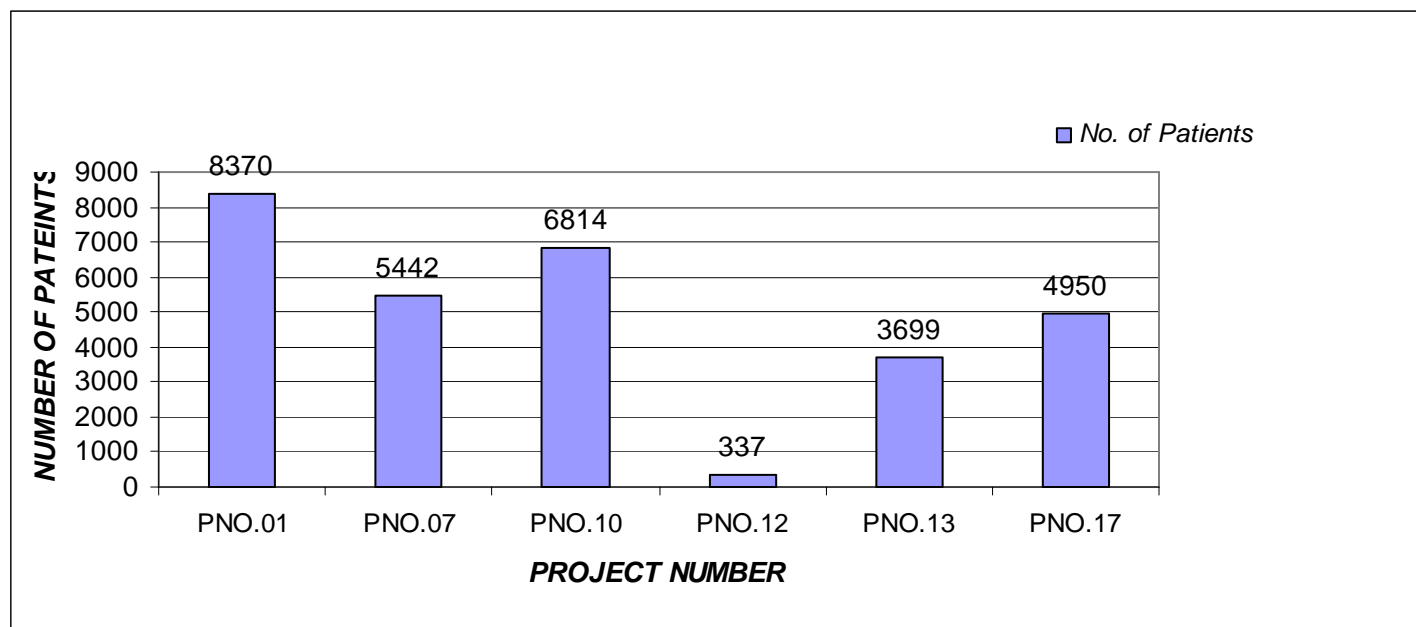
S.No.	Project name	Project no.	No. of Students	No. of Teachers	No. of other staffs	No. of classes	No. of rooms
1	MPSB School	PNO.02	650	33	14	26	32
2	Siraha Deaf Association	PNO.06	16	2	-	4	3
3	Balkendra	PNO.08	70	5	3	4	3
4	Harsiddhi School	PNO.09	669	20	2	15	15
5	Kakhani School	PNO.11	381	4	1	1 to 10	12
6	OTC Social Chapter	PNO.12	67	2	2	Nursery to 3	12
		TOTAL	1853	66	22		77

Table 16: CARE & FAIR Education Projects in Nepal



S.No.	Project name	Project no.	No. of Patients	No. of Doctors	No. of Nurses	Other Staffs	No. of rooms	No. of beds
1	Jorpati Clinic	PNO.01	8370	2	2	6	9	-
2	Bhainsepati Clinic	PNO.07	5442	2	2	4	7	2
3	Jawalakhel Clinic	PNO.10	6814	2	2	11	8	3
4	OTC Social Chapter	PNO.12	337	2	-	-	2	2
5	Tarahara Primary Health Centre	PNO.13	3699	1	3	4	4	2
6	Boudha Clinic	PNO.17	4950	2	2	8	6	2
TOTAL			29612	11	11	33	36	11

Fig. 17: CARE & FAIR Health Projects in Nepal



The vouchers guarantee them free registration and counselling services at CARE & FAIR clinics. They get 50% discount for x-rays and laboratory services. Complicated cases can be referred to certain hospitals where they may qualify for a reduced rate.

Patients working for members of other CARE & FAIR registered companies enjoy preferential rates (reduced admission fees and counselling at 7 to 15 NRs (15 Rs equivalent to 0.2 €). Patients not presenting CARE & FAIR vouchers pay 15-25 NRs admission fee and reduced fees for treatment. The admission fees in a privately run clinic runs to NRs 200 to 250.

The outreach of CARE & FAIR projects extends primarily to the immediate local environment where the school or health care project is situated. The number of beneficiaries is difficult to estimate, in particular for the hospitals, but should be close to 50,000 patients in a year in India and Nepal together.

CARE & FAIR does not engage in public relation activities or extensive dialogue and networking activities with other initiatives. The primary target group of its activities is the population living in the carpet producing areas. The projects address poorer communities at a whole rather than focusing exclusively on children of carpet workers. The percentage of children from carpet weaving families varies from around 30 percent to 80 percent for the school projects. The same is true for the health care projects where carpet weavers from member factories however receive preferential treatment on the basis of vouchers. In the case of providing health facilities CARE & FAIR collaborates with other local hospitals as well and issues referrals for carpet weavers from CARE & FAIR members in case treatment cannot be provided in CARE & FAIR run hospitals.

In the selection of the location for school and health care projects priority is given to locations where a member runs a carpet factory.

9.2 The Quality, Cost Effectiveness and the Outreach of the Social Projects

CARE & FAIR projects had an overall impact in terms of quantity and quality. CARE & FAIR provided financial support to schools making primary and secondary education much more accessible and attractive to children, in particular to children from the weaver community. Many of them would most probably otherwise not attended the school. It is difficult to comment whether co-financing schools or operating own schools is the better choice. CARE & FAIR opted for a mix. This was, however, not a strategic decision in terms of testing the impact but more a question of “getting into the picture”, meaning that it was important for CARE & FAIR to show visible results within a few years of existence. Cofinancing served the purpose of supporting children from almost day 1 while construction of buildings takes longer time.

The quality of CARE & Fair the schools is significantly higher than in government schools. Infrastructure facilities are superior as well. In some of the co-financed schools the percentage of pupils passing the School Leaving Certificate has increased from 50 percent under exclusive government management to about 85 percent after CARE & FAIR involvement.

Subsequently to the contribution of CARE & FAIR schools and hospitals could upgrade their infrastructure and teaching facilities in India and Nepal. In some cases primary

schools got upgraded to secondary schools. In such cases CARE & FAIR provides for the salary of most of the teachers for standard five to ten. The schools look well constructed and clean in comparison to some of the government schools in the area. Facilities in most schools are state-of-the-art given the local context. In India, children sit on benches which are not usual in most government schools in the area. There are about 20 to 40 children in a class, in higher standards significantly less. Only in one of the visited schools in Nepal (Kakani schools in Okharpauwa) in a poor area outside Kathmandu, the standard of a co-financed government school was very low with more than 80 children sitting on the floor. There were fewer children in class five to eight but the educational standard was still low.

Children, boys and girls, all wear nice uniforms which are still in good condition. The classrooms have blackboards. Some but not all teachers have a government degree. In the remote area school, male and female community members were recruited as teachers receiving less salary. Their education level was relatively low compared to the teachers in the more city-like areas of Kathmandu. However, they seemed to be motivated and committed. Villagers informed us that they regularly attended class, at least to a more satisfactory level than government schools in the area. Most schools got more applications than they could accept.

9.3 Implementation Strategies and Instruments

CARE & FAIR opted for an implementation strategy based on the ownership and commitment of local exporters and CARE & FAIR members from importing countries. Such strategy, however, was not outlined in any kind of academic like strategy or position paper but rather emerged from common and good business sense and extensive experience of the social dynamics in the area by both the European importers and the South Asian exporters. The special commitment of a few very active South Asian CARE & FAIR members matched in some cases with their personal ambitions to patronize the local community for their own social, spiritual or political benefit and recognition. CARE & FAIR projects, however, did apparently not suffer from any negative consequences emerging out of the strong affiliation with individual business and local leaders of the area.

In most cases land was donated by the family of an exporter and he took the lead in launching the construction of buildings. CARE & FAIR refers to the fact that construction projects for schools and hospitals were accomplished to the great satisfaction of CARE & FAIR members and the local community by respecting the initial work plans including time table and cost estimates. Given the Indian and Nepalese context of frequent delays and significant cost overruns, this can be considered as an important achievement.

The social activities of CARE & FAIR are relevant given the lack of existing infrastructure facilities and quality education in the carpet belt. The unbureaucratic launch of infrastructure development is much appreciated by all stakeholders in particular the local community. CARE & FAIR launched surveys and feasibility studies before engaging in a social project. The main selection criteria was the proximity to carpet production sites. In India, the survey work included comprehensive data collection from the local area. However, data have not been processed and incorporated in the monitoring approach so far.

9.4 Means and Inputs for the Implementation

CARE & FAIR runs its operation with four full time and one part time staff in India and two full time staff in Nepal. The project officer in India has extensive experience in development with an NGO background. Office management was quite professional, in particular the data collection based on a social survey. The Nepalese office had to exchange the project officer and accountant due to irregularities in 2001. The present staff, one male project officer in his mid-twenties and a female accountant, is yet to gain more experience but show willingness and commitment.

9.5 Steering and Management of the Initiatives

The steering and management of CARE & FAIR is more informal than the one of RUGMARK. The active members in Europe, in particular Mr. Heinrich from Germany and Mr. Meyer from Switzerland, play a dominant role in managing CARE & FAIR. When they travel to India for business reasons they spend significant time and energy for CARE & FAIR activities as well. The interaction between different CARE & FAIR members is not very formalised though they are regular board meetings in Germany, India and Nepal. The governing board meets normally on a monthly basis in India and Nepal. The most important interactions take place between the leading members of CARE & FAIR Germany and a few committed exporters in India who are involved in the supervision of project activities. The monitoring of the projects is done by the office staff in India and Nepal but the visits of CARE & FAIR members from Europe are again very important when it comes to decision-making in terms of extending support to a project or upgrading of facilities. The Domotex fair in January is also an important opportunity for CARE & FAIR members to exchange views and discuss future planning and activities. Data collection was particularly impressive in India, but reporting is strongly quantity oriented and relatively limited to some basic statistics relating to the number of school going children and patients in clinics. However, this does not mean that quality monitoring and reporting is totally non existent. CARE & FAIR board members, sponsors and exporters take care of the quality of the school. They informally discuss with teachers and students quality issues when they visit the projects.

9.6 Organisational and Institutional Implementation

With regard to its Code of Conduct banning illegal child labour, CARE & FAIR believes in the self-monitoring by its members. It is presumed that child labour is abolished in the looms of CARE & FAIR members once they have signed the Code of Conduct. The Code of Conduct specifies penal action which, however, did not occur. Many CARE & FAIR members stated that they are be ready for inspection of their looms at any time. Many hold joint membership with RUGMARK or with other initiatives according to the requirements of the importer.

All exporters including members of CARE & FAIR have to be registered with Carpet Export Promotion Council (CEPC) and allow to be inspected under the CEPC-run labelling system called Kaleen (see Annex V).. However, the frequency of inspection by the CEPC-contracted Academy of Management Studies, Lucknow, is low.

CARE & FAIR does not operate an inspection system. It is of the opinion that comprehensive monitoring and reporting requirements would increase costs. CARE & FAIR does not focus on removing children from the looms but rather focuses on preventing children from joining work through providing proper educational facilities.

CARE & FAIR does not engage much in public relations activities as well as such activities would involve costs and would not directly benefit the targeted poor communities.

9.7 Overall Assessment of Planning, Steering and Implementation

The planning, steering and implementation of the CARE & FAIR initiative is quite informal compared to RUGMARK. The implementation strategy has not been elaborated in detail and with reference to the objectives. Expected results have not been formulated in detail and monitoring indicators have not been set. While the issue of child labour figures in leaflets is highlighted in the communication with stakeholders, the actual activities rather focus on the overall welfare of children in a carpet weaving locality and the carpet weaving community in general. This is all the more relevant for the health care centre for which children are not the primary target group.

However, this shall not necessarily be seen as a negative aspect of the CARE & FAIR initiative. Many development activities are sponsored by public funds and this requires indeed detailed monitoring, accounting and reporting even though this may be quite cost-intensive activities in relation to the direct benefit for the target groups. The personal voluntary engagement of leading CARE & FAIR members in Germany, India and Nepal saves on costs for the organisation.

9.8 The Strengths and Weaknesses of the Social Projects of CARE & FAIR are as follows

Strengths:

Infrastructure facilities are of good quality: CARE & FAIR has paid much attention to the use of proper and appropriate construction material and children friendly architecture. Maintenance of the visited schools was satisfactory. Hospitals were sometimes quite crowded and comparatively less well maintained. Staff seemed committed in all cases. The projects were carefully selected. In the case of CARE & FAIR's own projects in India, proper survey had been done to identify the status and the needs of the family in the community. The selection also appeared justified in Nepal though data collection was less comprehensive here.

The management structure of the different projects is usually appropriate consisting of professional staff (teachers, doctors) and support staff. Male and female teachers and doctors are mostly well qualified and experienced, doctors more than teachers. The regular presence of the local CARE & FAIR members ensures proper functioning of the facilities. CARE & FAIR members from Europe also pay regular visits.

The crisis in the knotted carpet market led to a significant drop in CARE & FAIR's income and forced the organisation to explore additional funding sources for its social projects. The talks with Children of Orient e.V. seem to open opportunities for fund

raising as this small NGO is registered as a charity. Donations transferred to Children of Orient e.V., will benefit CARE & FAIR and Children of Orient e.V do not have an implementation capacity for themselves.

Weaknesses:

An obvious weakness of the CARE & FAIR initiative is the lack of proper monitoring of its code of conduct and its informal way of management. The lack of proper monitoring reduces the credibility of the Code of Conduct which exists also in different versions which are not very congruent with each other. The target groups are not very specifically selected in case of the school projects. They are all operating in the production area. Like RUGMARK, the source area of child labour is not covered by CARE & FAIR.

The discipline of the exporters in contributing their 0.25 percent share is poor. This has reduced income and local ownership of the initiative, particularly in Nepal. The Nepal office also experienced some irregularities in accounting which have, however, now been cleared. CARE & FAIR believed in good business and common sense, making many decisions on an ad-hoc basis. While making reasonable decisions most of the time, there was for long no comprehensive long-term sustainability planning including a sensitivity analysis of income development based on different scenarios of market development. Given the precarious financial situation, this would help to identify a proper strategy.

However, precautions have been taken and there is currently a remaining bank balance of 300,000€.

10. Merging CARE & FAIR and RUGMARK

Both organisations were founded during the same time and also for the same reasons. News about illegal child labour in the Indian and Nepal carpet sector threatened the European market and the trade had to react. One group joined hands with non-governmental organisations and RUGMARK was formed, the other went on their own and started CARE & FAIR. Apparently one of the main reasons why part of the trade took off on their own was the hyped up atmosphere among the actors and mud slinging from both sides.

During the last two years, facilitated by the BMZ, merger talks had taken place between RUGMARK and CARE & FAIR. The BMZ did exert some pressure, gentle or not, for both organisations to merge to assure that the initiative - assuring social standards in the carpet sector - will have a future, despite the current market crisis that has hit the sector. On the market side, it was mainly RUGMARK Germany that has and is facing severe financial problems. Since CARE & FAIR's profile and activities are low on the market side (hardly any PR, no licensee administration) the financial problem is less pronounced at this moment. However, CARE & FAIR in producer countries does face a significant financial problem.

Last year the merger talks failed. Points of disagreement were to do with the question of controlling (or not controlling) the quantity of imported carpets to fix the licence fee on that basis. Furthermore, CARE & FAIR insisted to have the office in Hamburg, RUGMARK wanted to continue with an office in Cologne. It was also suggested to create a new label (with elements of both existing ones) which would have been obviously difficult for RUGMARK International and the other RUGMARK units (see also section 6.5 for reasons of failure of merger talks from CARE & FAIR perspective).

It may not have been a good move to force a merger in Germany. Both organisations appear to be closer in the producer countries. In Nepal, for instance both organisations already are joined in a task force to discuss possible co-operations together with other organisations. Furthermore, in Germany, some of the founder members of the organisations participated, who may find it more difficult to follow a pragmatic approach.

No doubt, both organisations have different cultures. RUGMARK is far more structured with processes in place, there is a closer monitoring, CARE & FAIR is more informal, and there is hardly any monitoring.

From our discussions with traders of CARE & FAIR and RUGMARK on the producer side we got the impression that the majority has a rather pragmatic view to the question of co-operation on the ground. Many licensees / members of one organisation are also members of the other organisation. Most exporters see the membership primarily as a means for getting orders. In the discussions, most CF traders, of course, do object to inspections and refer to the standard argument that inspections are not effective, while RUGMARK traders state that a system without external inspection does not work. Clearly, many of the arguments carry much emotions and not much substance.

It was our impression that traders from both RUGMARK and CARE & FAIR are open and willing to cooperate which may be even further enhanced if there is a positive facilitation from outside and they can see that they will benefit from it. Benefits may come from better sales, or at least from halting the current decline in sales; benefits may

come from giving their social projects - whose individual “ownership” is precious - an assured future.

It may be a much better approach in future to start practicing co-operation on the ground, as for instance the joint development and implementation of strategies to improve the sustainability of RUGMARK's and CARE & FAIR's social projects rather than attempting. This can finally end in a merger, or not.

11 Impacts and Sustainability of RUGMARK

11.1 Programme Results and Achievement of Targets

At the time RUGMARK was initiated in India and Nepal the number of children working on looms was high. A low degree of awareness coincided with the boom time in the carpet market and a ruthlessness of certain stakeholders in the system – mainly contractors. Through the media – mainly television – this situation was presented to the consumer. Sales threatened to collapse due to that. The fear was still looming on the horizon that the US would take measures against countries where child labour is prevalent. In that situation RUGMARK was a welcomed instrument for exporters and importers to maintain the market.

RUGMARK had three main objectives, against which its programme results and achievements may be weighed:

Objective 1: To organize individuals and companies in the carpet industry to cease the use of child labour

Today RUGMARK India has 252 licensees with nearly 25% of the total loom capacity in Uttar Pradesh. RUGMARK Nepal has 148 licensees with 467 carpet factories, which is about 65% of the total production capacity.

Most people talk of a notable decline in the numbers of children employed in the Indian carpet belt over the past five years. A recent study suggests that 1.89% of the total work force is still hired child labour down from an estimated 8.9% in 1993 (ILO 2000).

A study carried out in Nepal in 1999⁴⁰ estimates the number of child workers to be 3.9% of the total work force. Studies done earlier suggested figures of 9% (Ministry of Labour, 1993), 11% (Centre for Policy Studies, 1993) to 50% (CWIN, 1992).

These figures suggest that the numbers of working children in Nepal's carpet sector have significantly fallen too.

It is not possible to determine to what extent the RUGMARK labelling of carpets has contributed to the decline of child labourers in the Indian carpet belt and in the Kathmandu valley. Aside from RUGMARK other initiatives using social labels or codes of conducts have been active. NGOs put pressure on the government. Inspectors from the Department of Labour had become more active.

All these combined pressures have rendered it more "uncomfortable" for those producing carpets for export to continue to openly employ children and for governments to tolerate their doing so.

In India the problem has been shifted into other regions. Some entrepreneurs have transferred their operations to other formerly non-carpet-making areas, chiefly Rajasthan and other parts of Uttar Pradesh outside the traditional carpet belt, where child workers are said to be easier to find and where operations are - at least for the time being - less liable unwanted inspections. Others have moved to remote rural areas within the carpet

⁴⁰ Situation analysis of child labour in the carpet industry of Nepal (1999). Centre for Policy Studies, Kathmandu

belt, thereby making inspections more difficult and time-consuming to carry out and perhaps also less frequent. RUGMARK inspectors - and the NGOs and other organisations whose objective it is to improve the situation of working children - are obliged to gradually follow at least some of these relocations.

Objective 2: to establish an independent, professional and internationally credible monitoring and certification system for carpets manufactured without child labour

Despite criticisms of RUGMARK's inspection and monitoring system carpets with a RUGMARK label have not been associated with child labour. With its rigorous inspections approach RUGMARK was able to keep the image of its label clean. Going by the indicator of assuring a clean image of the RUGMARK label the inspection and monitoring system has been effective and successful. However, we do question the long-term effectiveness of an inspection and monitoring system that relies exclusively on RUGMARK inspectors without including other stakeholders.

In monitoring quality standards in production and service it is common and good practice to use a combination of internal and external control. Internal controls use a documentation system which is then checked by external controls (aside from random sampling in the production unit). Company-based systems of social conduct used to be exclusively monitored by the companies themselves. RUGMARK started from the other side, they monitored companies exclusively from outside.

Objective 3: To rehabilitate and educate former child carpet workers

Through its social programme RUGMARK was able to develop a concept for rehabilitating former child workers. This concept appears to be successfully applied and has been further diversified in Nepal to include community-based rehabilitation. Several hundred children have gone through rehabilitation and thereby improved their chances for a better life. However, so far, no follow-up study has been undertaken and the evaluation team assumes that there has been a positive impact.

RM India is able to provide good quality education to about 1400 children every year. RM Nepal has focused more on the provision of day care service to pre-school children of weaver parents. RM Nepal has started to provide scholarships to children from weaver families.

11.2 Assessment of Cost/Benefit Ratio

RUGMARK started its operations back in 1994. Since its inception, BMZ provided approximately 1.5 million Euro of public funding. These funds were used essentially to set up and maintain structures and operations in Germany. In addition, RUGMARK received considerable indirect support from non-governmental agencies to popularise its label. RUGMARK Nepal obtained significant grant money from UNICEF for its social projects. In the same period of time approximately 3 million Euro of licence fees were generated from the private sector.

These funds were used to contribute significantly to reducing the number of children working in the carpet industry as well as to preventing children from entering work and rehabilitating those children that have been removed from looms.

11.2.1 Taking stock of and assessing socio-economic, socio-cultural, and institutional impacts

RUGMARK in India as well as in Nepal have impacted upon the socio economic situation in the carpet sector to the extent of having provided quality formal, non formal education to child labour and children from weaving communities, as well as rehabilitation to rescued single migrant child labour. In this way, they have created better access to education for children of marginalised communities.

11.2.2 The impacts towards the reduction of child labour, e.g. through inspection of looms, social projects and political initiatives

There is little doubt that the number of illegal child labour behind the looms in the core carpet belt has fallen considerably.

It is difficult to come up with a quantitative statement regarding the impact of RUGMARK on the situation of child labour in the carpet sector since numerous other factors have influenced the developments too. The rigid inspection and monitoring of RUGMARK-registered looms was certainly a significant factor.

A small group of entrepreneurs who take an active role in RUGMARK have probably developed the right mindset and are sensitised on the issues of child labour and furthermore social standards in general. The larger group of exporters have joined RUGMARK because they see a possible market opportunity for them. Pressure to join RUGMARK was mainly exerted by European importers on their exporters. This pressure together with the rigid inspection system certainly contributed to the low rate of incidence of child labour on RUGMARK-certified looms. During the second half of 2002 RUGMARK inspectors found and released only one child labour from a loom.

It is hard to judge what impact RUGMARK had on those exporters and loom owners who are not registered with RUGMARK.

Whether social projects have contributed towards reduction of child labour requires answering the question where children working on looms come from. The ILO study (2000) suggests that 82% of the hired child labour come from the same village (where the units are set up), 16% hailed from the next village and only 2% of the children had come from other states (migrants).

The quality of schooling is an important determinant in the question whether children go to work or whether they go to school. This factor links up with the second important determinant: poverty in the family. Providing access to good schooling in the village can be assumed to have had an impact on the incidence of children working as hired labour in the village. At present, RUGMARK India offers schooling to approximately 1400 children every year. However, based on the information of RUGMARK staff, the very poor children in the village cannot use this opportunity, even as school attendance is free.

RUGMARK Nepal has started to set a focus on the support for pre-schooling. That way they try and keep children of weaving parents away from the looms and away from the temptation of getting children to work. Furthermore, RUGMARK influences the mindset of parents emphasising the importance of education in the life of a child.

RUGMARK's direct political lobbying on the issue of child labour was small. However, RUGMARK Foundation was and is present at the political level. The Foundation managed to get one prominent Minister on the Board, Ms Meneka Gandhi.

Furthermore, due to RUGMARK's proximity to the Indo German Export Promotion Project which is implemented by GTZ, RUGMARK as an organisation and as a concept is well known in the Ministry of Commerce. Contacts with the Ministry of Labour and the Ministry of Education are less pronounced. In a way this may be taken as an indicator that RUGMARK India is promoted stronger as a tool for export promotion rather than for the control of child labour.

RUGMARK Nepal never had a relatively high-profile partner such as IGEP. However, RUGMARK Nepal was strong in networking, mainly with non-governmental and to some extent with multilateral agencies. Contacts with government were limited in the past, but the organisation plans to develop and intensify them, in particular with the Ministry of Transport and Labour.

11.2.3 The impacts on the education and rehabilitation of boys and girls

Those children who could make use of RUGMARK's social services most likely did benefit. RM's rehabilitation centres in Nepal and India support the development of kids very much tailored to their individual needs – may it be arts, may it be sports or other fields. Without this special attention and support many of these children that were taken traumatised from looms would certainly have remained in abject poverty.

Neither RUGMARK Nepal nor India have done tracer studies of the children who have left the rehabilitation centre. We assume that the children will have done vastly better than in the case in which they did not have the rehabilitation.

Those children going through a rehabilitation centre generally do not return to their home but will try to establish themselves with some kind of business in the city. The case will be different for children who receive support through a community-based rehabilitation programme which re-integrates the children with the family from the beginning. However, this programme has just run for two years and it is too early to draw any conclusions from it.

With regard to school education, those children who are able to enter RUGMARK schools benefit from continuous, reliable schooling and the good facilities which they would not have in government schools in the region. However, it is important to see that only a fraction of children can benefit from RUGMARK's service; many children even in villages where RUGMARK schools are located continue to be out of school.

In the case of RUGMARK Nepal more emphasis is placed on day care schooling and here the support of existing, company-run day care schools. No systematic study has been done whether children who have gone through such a day care centre will fair better in primary and secondary school. But we assume that it will give them a better

start to schooling. Furthermore, it helps to orient parents for the need of education rather than have the children around the looms.

11.2.4 The impacts on sustainable structures for the elimination of child labour

Which structures can take an active role in a continuous battle against illegal child labour? Most important, we assume, are the panchayats, local schools and local offices of the Department of Labour.

RUGMARK India has not worked with local / state government structures which may have an active role in the elimination of child labour. Beyond the structure of RUGMARK itself no other structures were supported and strengthened. In fact, it was surprising to see how little RUGMARK India is networked with other organisations.

Awareness on the issue of child labour in communities, among weavers, loom owners and exporters would contribute to strengthening local forces not accepting and combating child labour. However, also here, RUGMARK India left no marks behind. No resources and efforts have been invested in raising awareness neither among communities in which looms are operated nor among traders and entrepreneurs.

RUGMARK Nepal has invested much more than their Indian partner in networking, mainly with non-governmental organisations. The organisation has also started recently in conducting awareness campaigns in factories. It is still early day, but it may be the right direction to take to achieve a longer-term impact.

11.2.5 Impact on the legal practise and on the landscape of the state system

The main elements of the legislation against child labour in India and Nepal had been in place by the time RUGMARK was started.

RUGMARK did not cooperate with the state system when it came to violations against child labour, neither in Nepal nor in India. The organisation never registered defaulters with the Department of Labour to be penalised by the law of the land which requires exporters who violate to pay a fine of up to 20,000 Rs per child found on their looms (see Annex V for details).

RUGMARK has its own inspection and penalising system which runs parallel to the government system without any attempts towards coordination and information sharing.

No doubt, working with the government system particularly in this area may be difficult, time consuming and often delicate. Yet, in order to achieve long-term impacts, it is critical that RUGMARK cooperates and links up with the state system in this field.

11.2.6 The impacts on poverty reduction among carpet weaving families and their position in society

A direct impact on poverty reduction will be hard to detect. Wages continue to hover around the minimum level; since the work is paid on a piece-rate basis, it all depends on the skill level of the weaver whether he or she gets the rate. RM inspectors generally do not follow it up and assume that minimum wages are being paid. In fact, we were told during the field visit that wages have fallen in the recent past since sales of carpets have slumped.

One may argue that it was RUGMARK that saved the carpet sector from collapse in the early 90s (or it contributed to saving the carpet sector) in India and Nepal. That way it may have contributed to saving jobs and thereby avoiding people to fall into greater poverty.

Today, however, RUGMARK is no guarantee to save the carpet industry from the woes of the market. RUGMARK exporters are hit by the downturn of the market to the same extent as the others and had to lay off many of their weavers. Large number of weavers is out of employment in India and in Nepal.

One field where impacts on poverty can be assumed is education. By assuring that children do not work on looms but rather attend school they may be taken out of the poverty cycle. These children will have a better chance for alternatives to carpet weaving. Children who have been removed from looms and gone through rehabilitation are much better prepared to manage a life without poverty.

11.2.7 Impact on the market for social labelled carpets in Germany

RUGMARK has shown that monitoring of illegal child labour is possible. Members of RUGMARK, however, are mainly big players; smaller traders did not join. In the current market climate, RUGMARK, however, does not fair very high among traders.

Traders are probably more open for the topic of social standards. RUGMARK has proved a concept that it is possible to implement and control certain social standards in a very decentralized production structure.

RUGMARK has proven that cooperation between NGOs and the trade is possible. It is the first social label, and is considered today as best practice. Some of the experience of RUGMARK was applied when conceptualising and operating the flower label campaign.

11.3 Sustainability

11.3.1 Long-term Sustainability of RUGMARK

The long-term sustainability of RUGMARK is possible but certainly not assured. RUGMARK depends for its income on the licence fees paid by exporters and importers. Despite earlier attempts it was not possible to increase licence fees beyond the 1% for importers and 0.25% for exporters – except in the US, where 1,75% are charged. The quarter per cent aimed to be spend for the operation (administration and inspection and monitoring) of the foundations in the respective producer countries are not sufficient. RM India and Nepal spend about 50% above that. Social development programmes could be adjusted to operate on the three quarter per cent even at the current level (de facto, it is more like 0.5% of the licence fee income). The quarter per cent reserved for the operations of RUGMARK in the market countries cannot cover the cost of operations. Market country offices need to develop and maintain linkages with buyers, they need to develop, maintain and increase the recognition of the label among consumers. This activity is important particularly now in times of a very difficult market.

The success of operations of the RUGMARK foundations in the producer countries will depend on the future of RUGMARK in the market countries. It is doubtful whether relationships with buyers in the markets can be developed and maintained from the producer countries.

Projections on the financial sustainability of the German RUGMARK office drawn up in the mid-90s and also later were rather optimistic and proved to be unrealistic. During the past years the operations of RUGMARK Germany was supported with funds from the Ministry for Economic Cooperation and Development. These funds will cease this year.

Different strategies have been discussed how to increase available resources, such as increasing income from licence fees or merging with CARE & FAIR.

11.3.2 Sustainability of Effects

When one looks at the sustainability of the effect of reduction in child labour, it is difficult to say whether this decline will be maintained if RUGMARK were to withdraw. It appears that given the present context, where the controls on exporters are almost exclusively external, chances are that once the external controls are removed, many (certainly not all) exporters may not comply to the standard (of not employing children). Then again, it is also not clear to what extent the decline in child labour is attributable to RUGMARK. There have been and are other significant players, notably the government led enforcement of legislation.

It is however likely that initiatives on child labour, whether they are government led or RUGMARK initiated, may not have sustained impacts if they remain exclusively dependent on external control mechanisms.

Most of the RUGMARK social programme exclusively depends on the finances of RUGMARK for their operation. If the slump in the carpet trade continues to affect the

income of RUGMARK, the future of these schools may not be assured. Even the reserves built up by RUGMARK India will eventually dry.

Further, the prime motivation for exporters to join and register with RUGMARK comes from the market that the label has been able to create, protect and sustain through the “clean image” it conveys to the consumers. With the slump in the carpet trade, many exporters have in fact defaulted in their contributions to RUGMARK. The allegiance of the exporters, by and large depends on the market surety that RUGMARK offers. Even more important is the demand for RUGMARK-labelled carpets by the importers. They are the ones who push the exporters to provide them with labelled carpets. Hence, it is all the more important to work with the carpet traders and the public in the producer countries.

11.3.3 Contribution of the Programme to Processes of Social Change and Development (local and national level)

As mentioned earlier the decline in illegal child labour in the core carpet sector has been observed by various agencies (ILO 2000) and is reflected in the declining number of children rescued by RUGMARK. RUGMARK’s contribution to this changed scenario is recognised as part of several other simultaneous initiatives.

However, this reduction in illegal child labour is observed only in the “core” carpet belt, the target area for RUGMARK in India and in the organised factories in Nepal. Child labour in the new production areas/ extension areas in India as well children engaged in cotton yarn spinning activities dispersed all over the valley in Nepal remain outside the purview of RUGMARK initiatives. It appears that the effect of RM initiatives is confined to certain pockets within the sector and not on the entire sector in the region or for child labour in general. Hence the change in situation is observed locally only within the target area.

- Access to good quality education for children of weaving communities

Given the poor quality (and infrastructure) of public schooling in the project areas, RUGMARK schools have enhanced poor communities’ accessibility to good quality education. Through the schools RUGMARK’s initiative has changed the situation for both out of school children engaged in carpet weaving and for those dropping out of government school due to poor quality of education there. The schools ensure that at least for large part of the day, while children are at school, they are not engaged in work, carpet or otherwise. It is common for children to work alongside family members outside of school hours.

While appreciating RUGMARK’s contribution towards improved access to good quality education for children of weaving communities, the evaluation team also observes that large number of children continue to remain out of school. It is not possible for RUGMARK to provide educational opportunities for all children but certainly RUGMARK has a role for strengthening existing government school system.

- Change in Attitude of Exporters

RUGMARK initiative has contributed to increased awareness among the exporter community in the core carpet belt towards the issue of child labour. There is a shift in

exporters' attitude regarding child labour from one of indifference and defence to that of responsibility and commitment. By agreeing to participate in the RUGMARK initiative, exporters have committed to contribute ensuring that illegal child labour is reduced and towards well being of children. It is difficult to comment on the impact of RUGMARK on exporters other than those registered with them. The prime motivation for exporters to join and register with RUGMARK comes from the market, namely through their importer partners. RUGMARK has helped them to create, protect and sustain a "clean image" among the consumers. With the slump in the carpet trade, many exporters have in fact defaulted in their contributions to RUGMARK (probably because they are out of business). The allegiance of the exporters, by and large depends to a great extent on the market surety that RUGMARK offers and with it the importance importers attach to the label.

- Increased Awareness

RUGMARK initiatives in India and Nepal have contributed to keeping the issue of child labour in the core carpet belt alive in the producer countries as well as in the consumer countries.

- Promotion of the concept of social labelling

At the national level, among government and non government circles, alike, RUGMARK has contributed to generating the debate around social labels. The importance and value of social labels as one of the means of demonstrating commitment to social standards is being recognized as similar labelling initiatives are being considered/implemented by government, development agencies and the private sector.

11.4 General Assessment of Effectiveness in Development Terms and of the Significance of the Programme

It is observed that RUGMARK has been effective in terms of initiating social responsibility on part of the private entrepreneurs, namely exporters registered with them. Not only are exporters committing funds towards social projects, they are also committing to external inspection systems. There is potential for stronger involvement of the exporters in social projects as well as in taking over responsibility of compliance to social standards through internal control mechanisms.

A question that arises in the present situation is whether RUGMARK is still as relevant as it was during its initial phase, given that now there is a decline in illegal child labour. Also, RUGMARK was initiated when the issue of child labour was a focus in the media and therefore consumer minds. With the consumer attitude shifting, how relevant is RUGMARK's child labour only focus relevant? Also given the situation where the trend in child labour initiatives, both private sector and development sector is on community based initiatives and greater internal controls, can RUGMARK remain out of this trend?

12. Impacts of CARE & FAIR

12.1 Programme Results and Achievement of Targets

CARE & FAIR activities definitely show positive results in terms of awareness on the issue of child labour amongst their members, but with a limitation to the core group of CARE & FAIR members. CARE & FAIR achieved its objective of supporting significant social welfare activities in the carpet producing area, but the quantity and quality of the projects have hardly any growth perspective in times of serious decline of income from carpet sales. The projects, apart from their kind of model infrastructure, have little impact on the education system in general. CARE & FAIR does not aim at pro-actively influencing government education policy. However, it has engaged in dialogue with government officials and other stakeholders (see section 12.9.2) In cases where CARE & FAIR provides co-financing practical solutions are sought for outphasing CARE & FAIR support in difficult times. CARE & FAIR puts much emphasis on mobilising increased and guaranteed support from local exporters who have their production sites in the proximity of the projects.

12.2 Assessment of Cost/Benefit Ratio

CARE & FAIR attempts to keep the costs low by avoiding overhead expenses, in particular travel and meeting costs of its active board members. Those bear meeting and monitoring the costs themselves. Regarding the social projects, CARE & FAIR is concerned with a certain quality and maintenance standard which is higher than the typical local standard and therefore more costly. Children sit on benches in India, not on the floor like in government schools. Costs are at 3300 Rs to 3500 Rs in India (71€ to 76€) per child and per year in the schools. Proper facilities like toilets and boundary walls have also been made available to the educational institutions. Facilities in Nepal are less developed and the costs per child are lower not exceeding 3500 Nepalese Rupees (46€). The clinics possess appropriate equipment for addressing the requirements of most patients. A referral system has been established. Facilities are much better than in government schools and costs are little higher. Calculations of costs per children in government and NGO schools are often of limited significance as many quality aspects do not directly relate to costs. The most important aspect is that teachers seem much more motivated and regularly attend classes. They are supervised by CARE & FAIR. The schools are better maintained. These aspects are largely independent from the actual running costs.

12.3 Taking Stock of and Assessing Socio-economic, Socio-cultural, and Institutional Impacts

CARE & FAIR has built and supported its schools where a CARE & FAIR member was able to provide a plot of land or a building. However, a survey has been done on the situation. CARE & FAIR has given respect to local expertise and consultation in the planning process. The initiators were exporters, the local communities showed great satisfaction with the facilities but their involvement in the planning process was limited. Local labour has been used for construction purposes.

CARE & FAIR had a significant institutional impact on the functioning of the schools it provided co-financing for. It was insisting on high quality teaching and a suitable teaching environment. Infrastructure was upgraded. Results of pupils were better than before. CARE & FAIR did not aim at having a general institutional impact on government education programmes. This would have been far too ambitious. CARE & FAIR has a target group which is geographically defined. It wants to do something for children in the proximity of production sites so that they do not join work but read books.

12.4 Impact on the Legal Practise and on the Landscape of the State System

CARE & FAIR had practically no impact on the legal practice and the landscape of the state system. This is not the objective of CARE & FAIR. CARE & FAIR had some interaction with public authorities and government officials at meetings at state and district level mainly. It was granted the Foreign Contribution Regulation Act Number in India following interventions from CARE & FAIR India and Germany. The provision of education has certainly pleased the government authorities in their attempt to show better figures of enrolment of boys and girls in rural areas in particular. The Government has passed legislation on compulsory education in India in 2001.

The impacts on poverty reduction among carpet weaving families

CARE & FAIRs provision of free education including uniform and books relieves many carpet weaving the families of significant financial burden usually involved in sending children to school. Quality education is likely to have a lasting impact on the younger generation. In some cases CARE & FAIR has also provided vocational training to girls and women from the carpet weaver community and some have used their sewing skills for earning a little income later. Free medical treatment also provides them with significant financial relief. However, most CARE & FAIR exporters have not gone beyond paying minimum wages in a competitive business environment and salaries are not likely to increase when the market shrinks and there is more skilled labour than job opportunities in the carpet production business.

Impact on the position of carpet weaving families in society

The social projects of CARE & FAIR had a positive impact on the carpet weaving families. Many families were involved in the carpet trade only as the first or second generation. They are from poor background and have taken up the growing opportunities when carpet exports were flourishing in the nineties. Now many carpet weaving families look for alternative sources of income. CARE & FAIR projects still give preference to children and patients from carpet producing families. Thus, carpet weavers benefit from privileges which they would not have enjoyed without CARE & FAIR project activities. This is, however, more obvious for the hospitals and schools in Nepal where the percentage of beneficiaries from carpet weaving families looks higher than in India. This is the result of random checking at class rooms and in hospitals but statistics do not exist on this aspect. It would also be difficult given the joint family context of the Indian and

Nepalese society. Carpet weaving is an important activity in the region and many families are affiliated with or benefit from the business in one or the other way.

Impact on the market for social labelled carpets in Germany and other carpet consumer countries

CARE & FAIR has raised some awareness amongst the business communities in Germany and other importing countries. The membership extends over 15 importing countries and three exporting countries. Preliminary discussions have been held in Afghanistan and CARE & FAIR already support an initiative here. It has mobilised financial support from individual business people and associations in the USA as well. However, the organisation did not follow a proactive public relation and communication approach towards the consumers. It has not opted for a social label but believes in philanthropy and voluntary commitment.

12.8 General Assessment of Effectiveness in Development Terms (including unintended effects) and of the Significance of the Programme

CARE & FAIR was quite effective in terms of achieving its objective of contributing to social welfare in the carpet producing areas. In many cases, it projects showed some positive spin-off effects and the organisation was able to mobilise support from others (individual sponsors, Children of Orient e.V.) for bearing a part of or the full running costs of schools. In terms of combating child labour, the organisation was probably less proactive than the Code of Conduct and some of its brochures would suggest. No hard evidence was found that the Code of Conduct had been seriously monitored.

12.9 Sustainability of CARE & FAIR

12.9.1 Long-term Sustainability of Initiatives Effects

Due to the severe and unexpected decline of income, CARE & FAIR will most probably have to further cut back its support to many projects. In some cases the upgraded facilities, e.g. secondary school classes, may cease to exist or will be reduced in numbers if no other funds can be mobilised from local or international sources. However, the nicely constructed school building and hospitals will surely not become white elephants in the landscape. They will continue to host children and patients but possibly at a reduced scale if the income of CARE & FAIR further declines as drastically as it did the past two to three years. It would be less desirable if they would turn into private schools charging normal school fees, but given the limited purchasing power of the parents and the social reputation some business men have gained in the area, it is believed that they would continue to support the running costs as long as possible. CARE & FAIR members in Germany made similar commitments.

CARE & FAIR provided for quality constructions of school buildings, clinics and dispensaries and made intelligent arrangements with external supporters willing to take over the running costs. Running costs are taken over by external supporters in some

cases (US business people and associations). In some cases, exporters and members of CARE & FAIR pay part of the operational costs (Kamaria Hospital). Costs for the health projects are more difficult to control than the standardized support of Rs 3300 to 3500 per year (approx. 72€ to 76€) for children in schools as the patients come with different kind of diseases. In the field of health care local members of CARE & FAIR are more likely to pledge their support to the operation costs as the running of hospitals gives them special social credit and possibly political mileage. Hospitals are usually most appreciated by the local community and even more valued than schools which are "only attended" by children voting rights attend.

CARE & FAIR in Europe is much associated with very active individuals, in particular Mr. Heinrich in Germany and Mr. Meier from Switzerland. There are also only few leading personalities in India and Nepal. The drive of the organisation depends on these individuals but it may be possible to win newcomers although the present decline of the carpet industry will make such endeavour very difficult. Like RUGMARK, CARE & FAIR also feels that social commitment is not growing amongst the business community in poor business times. One will have to wait for a recovery of the industry or trying to mobilise support from other sources, not directly related to the carpet industry. CARE & FAIR is now in the process of partnering with Children of Orient e.V. which is certainly a move in the right direction.

12.9.2 Contribution of the Programme to Processes of Social Change and Development (local and national level)

CARE & FAIR has contributed to social welfare and local development in carpet producing areas by supporting educational institutions and health care facilities. CARE & FAIR members have patronized the projects in many cases with strong voluntary commitment. It was difficult to assess in the short time whether the provision of quality education and quality health care services has contributed to social change in the area. It may, however, be noted, that parents are only likely to overcome their scepticism on the benefit of schooling if the provided facilities are of good quality and low or no cost. Here, CARE & FAIR has certainly done a lot to convince parents that sending their boys and girls to school will benefit them. Quality education will certainly have an impact over generations and provide the new generations with more openings.

CARE & FAIR has participated in meetings, consultative groups and commissions on the issue of child labour at district, state and national level. CARE & FAIR claims that some of its recommendations were incorporated in government policies and strategies.

CARE & FAIR India provided the Consultants with the following information on their participation in meetings with government and other stakeholders. This shows that CARE & FAIR is a recognised actor in India but it does not follow a pro-active policy on influencing government or other stakeholders. More precise information on the meetings (date, participants, minutes) with possible outputs could not be gathered.

CARE & FAIR India informed the evaluation team that they have participated in the nation-wide exercise for review of all labour laws in the country, conducted under the aegis of the Second National Commission on Labour. Care and Fair also participates in committees set up by the district labour and education department from time to time.

Information on CARE & FAIR Nepal's exchange and meeting activities with government officials and other stakeholders (except in the case of joint meetings with Rugmrak Nepal) could not be gathered. CARE & FAIR seemed to be a recognised actor in their neighbourhood of operation in Nepal as well, meaning the Kathmandu valley, but it did not aim at influencing government policies in education or health. Its target group are weavers.

The initial driving force behind the establishment of CARE & FAIR were western carpet importers but once the initiative had taken off some local business men showed a strong commitment and those have certainly set examples and raised overall awareness on good practices of social corporate responsibilities in India. Some outstanding local CARE & FAIR members have acted as multipliers of social responsibilities within their family and business environment. It would, however, be difficult to make such a statement for all members. The number of defaulters in paying membership fees has become significant when business shrunk from the late nineties onwards and payment discipline of the 0.25 percent licence fee was always rather poor.

Some of the more active business men have shown their social commitment already in connection with other activities at their own initiative but credit goes to CARE & FAIR for institutionalising this kind of social commitment and for setting up a system which brings socially responsible business people from Germany, Switzerland, the Netherlands, the US and other countries together with Indian and Nepalese business people. Once, projects have been started it will be difficult to let them down even if the business situation declines. This is primarily true for the own schools of CARE & FAIR as visible in Nepal. Co-financed may suffer earlier if resources decline.

The business community is likely to contribute to social objectives even in difficult times and this is quite a positive development. There is, of course, a limit and the severe crisis is now putting a question mark on the welfare commitment of even some of the bigger importers and exporters.

The business community in importing and exporting countries has improved its image through sponsoring social programmes and it had eventually demonstrated to the critical development public that social activists or government programmes were not the only contributors to social welfare in the society and that business, apart from paying taxes and providing employment, could make significant contributions as well.

At the international level, the United Nations have already recognised the importance of business partnership by launching the Global Contract initiatives. It would be highly desirable if similar initiatives would take off in many business sectors and here the carpet industry has hopefully set an example.

13 Recommendations

RUGMARK and CARE & FAIR should focus on longer-term strategic objectives that ensure sustainability and less on achieving immediate results (as for instance number of children in a school or nursery, or the number of children removed from looms).

RUGMARK

- RUGMARK as a whole and RM India and RM Nepal in particular need to go through a strategic planning process. During the past years, the environment in which RUGMARK has been operating has changed significantly. The incidence of illegal child labour in the production of carpets has dropped; the market for carpets has shrunk drastically while the interest of the consumer in a singular social standard – that is child labour – has fallen too. If RUGMARK wants to continue to be relevant in the changed context it needs to go through a process of examining the validity of its current goals and objectives, if necessary rephrase them and then develop strategies that help them moving towards these goals.
- In the course of a strategic planning RUGMARK must identify its core competencies. From our point of view, RUGMARK's unique advantage lies in its links with the exporters and through them links to weavers and loom owners on the one side, while they are closely linked through the importers with the markets and consumers in the North. In addition, since the main objective of RUGMARK relates to children, they should form the core of their programmes. RUGMARK must evaluate which of the programmes it is best able to implement directly and which of these could be implemented in partnership with agencies with other advantages.
- RUGMARK needs to re-examine the validity of a single-issue social label. It could include broader social standards, environmental aspects, or others. This needs to be explored in dialogue with consumers to understand their priorities but also with civil society organisations who may support popularising an enlarged label.
- RUGMARK needs to invest more into creating awareness in the community on the issue of child labour but also on the issue of wider social standards. It needs to treat communities as active participants in the efforts to eradicate illegal child labour as well as in the initiatives for education of children. Only then will RUGMARK initiatives have lasting and sustained impacts.
- RUGMARK needs to re-examine its current inspection and monitoring system. In order to bring lasting effects and also to improve the effectiveness of the system, more responsibility for self-control has to be shifted to entrepreneurs. This does not mean that RUGMARK will stop its own inspection system. But it is common and good practice that an external monitoring system is always complemented by an internal monitoring system.

Furthermore, RUGMARK should consider external audits of their inspection system which will contribute to the credibility of their system.

- RUGMARK needs to re-examine its approach towards rehabilitation of children. It is recommended that the experiences of India and Nepal, with both approaches, are carefully evaluated in terms of the best interest of the child and the results are used for future planning. It may be worth examining and learning from the experiences of other projects that implement community based rehabilitation.
- RUGMARK should explore and develop modes for partnerships with CARE & FAIR starting on the ground in producer countries. Although the culture of both organisations are rather different, it has been observed that there are clear opportunities for co-operation, particularly in the social programme.

RUGMARK Foundation India

- Combating illegal child labour is a very complex issue. One organisation cannot be expected to tackle the whole. It is therefore important that RUGMARK Foundation India strengthens its linkages with other organisations who work in the same field for exchange of information, but more importantly, for achieving synergies and complementarities. There is still much scope and potential that can increase the effectiveness of RUGMARK's work in India but also its impact on the sector and beyond.
- Given that illegal child labour has shifted out of the core carpet belt to newer areas RUGMARK is obliged to follow at least some of these relocations, perhaps through networking with NGOs. That will help RUGMARK to understand the developments and formulate and implement suitable interventions to ensure that illegal child labour is not simply shifted to other areas.
- It is not enough to inspect and monitor registered looms since children are working on non-registered looms and have shifted to new carpet production areas. In order to fulfil RUGMARK mission for addressing illegal child labour in the carpet sector it needs to find ways and means by which illegal child labour is addressed in its entirety. This requires networking and collaboration with other initiatives on child labour, government or non-government.
- Rather than expanding the number its own schools, RUGMARK India should examine and follow up suitable ways in which the government system of education is strengthened and education is accessible to all children in the carpet belt. RUGMARK should explore strategic partnerships with other organisations towards this objective.
- With regard to the existing schools, RUGMARK needs to develop systems that assure long-term sustainability of the schools. A mix of strategies may be required including partnerships, mobilising resources and greater community participation and contribution in the schooling of out of school children.

Partnerships with the local community and local government need to be developed and strengthened. Active participation of communities and Panchayats should be solicited for management and supervision of the schools. As things stand, in villages where RUGMARK and CARE & FAIR schools have been set up, few children are able to access their own good quality

schools and larger numbers (include children of weaving communities) continue to suffer poor quality government school education, or stay out of school. This inequality of opportunities available to children needs to be examined and addressed. Partnership with systems such as the government school system will help ensure wider impact.

- RUGMARK should explore partnerships with NGOs for the implementation of social projects. This could lend more cost effectiveness and enhance community involvement in the project. It will also imply lesser management time from RUGMARK personnel, which could be invested elsewhere.
- Given that Balashray is currently under-enrolled RUGMARK should explore extending its services to children rescued by other agencies. RUGMARK should undertake a tracer study to understand how children have fared after leaving the Balashray and incorporate lessons learnt into their rehabilitation strategy.
- Members of the Board of RUGMARK India appear to take a strong and active role in the operations of the organisation. There is the danger that this will weaken the management of the organisation (or prevent it from developing strengths). Much is done with best intentions, mainly to save costs, but in the long-run it is almost certainly to the detriment of the organisation.
- Given that RUGMARK registers individual looms not all looms under a shelter (a home or a shed) may be inspected. It is recommended that RUGMARK certifies all looms within a unit to ensure that whole units and not just individual looms are free of illegal child labour.

Nepal RUGMARK Foundation

- Nepal RUGMARK Foundation should continue and further strengthen its networking effort with non-governmental as well as with governmental institutions with the aim of maintaining and increasing its impact on the issue of illegal child labour in Nepal (and possibly in the region). RUGMARK is here in a particular position as an organisation that manages with experience a social label in a time, when Nepal has just drafted and passed its master plan on abolishing child labour.
- Nepal RUGMARK Foundation should continue and further strengthen its effort in bringing together different organisations that actively work on social questions in the carpet sector (Task Force). Sharing and dividing practical work and joint lobbying on current issues could greatly enhance the effectiveness of each individual organisation.
- RUGMARK Nepal monitors 65% of the country's manufacturing capacity, yet only 12% of the production is labelled – and NRF earns licence fees only from the labelled fraction. It should explore and apply strategies through which more of the carpets coming from inspected looms are labelled and enhance its income.
- Nepal RUGMARK Foundation should further shift from its now nearly complete focus (in budget terms) on child rehabilitation (centre and community based)

towards prevention measures such as the support and qualification of day care centres, the provision of scholarships for children from carpet weaving families and in particular towards awareness creation.

RUGMARK Germany

- RUGMARK's success crucially depends on its ability to communicate the concept and the content of the label to the consumer the aim of again increasing the value of the label.
- RUGMARK Germany (and in other consumer countries) must intensify initiatives of making the label known. In this context RUGMARK's advisory committee (Trägerkreis) should take on a stronger role in promoting the label among consumers.

RUGMARK as a whole needs to develop a communication concept which assures that consumers are informed in most effective way. For the strategy to work all of the RUGMARK members need to participate.

- RUGMARK Germany needs to be endowed with the necessary resources to finance its core operations – that is administrating, managing and promoting the label among importers / consumers. This, however, appears to be the most crucial constraint at present. RUGMARK Germany with its partners needs to address urgently its financial situation for the short and medium term (next 2 years) and in the context of a strategic planning process in the long term.

The support organisations that have accompanied RUGMARK over the years should urgently consider providing intermediate funding for RUGMARK Germany for a period of two to three years until plans for long term financial sustainability have been developed through a strategic planning process.

RUGMARK International

- RUGMARK needs to work more as a conglomeration of its different units, each in synergy with the other rather than as isolated units. The character of RUGMARK internationally needs to be strengthened and increased communication is required for strengthening RUGMARK International. RUGMARK International needs to take on the role for facilitating standardisation of practices across all RUGMARK units as well as that of representing RUGMARK politically.
- Given that market trends have adversely impacted on the carpet business, RUGMARK needs to develop and strengthen strategic partnership with organisations such as the IGEP or the Private Sector Support Project that can help the manufacturers be better informed about the market trends. This could help the carpet business stay float, if not increase sales. This will also enhance exporters relationship and thus commitment to the social standards that RUGMARK stands for.
- RUGMARK International through RUGMARK Nepal should follow up the "100%" project. Some of the framework conditions given in Nepal appear to be right for it:

the government is taking an active role in the carpet sector already. Convincing the consumer that by buying a Nepali carpet one can be sure that it has not been manufactured with illegal child labour could be an advantage for Nepali carpets. A close cooperation with partners such as the GTZ Private Sector Support project will be important.

CARE & FAIR

CARE & FAIR shall draft a sustainability strategy based on a sensitivity analysis, depending on different scenarios of income development for the next years. It shall consider mobilising funds from sources other than the carpet industry. Its idea of teaming up with Children of Orient e.V. is a step in the right direction.

Local exporters should assume more responsibilities in bearing the running costs for the social projects. A mutual agreement should be found, possibly in writing. Possibly some exporters are willing to pledge fixed amounts rather than contributing on the basis of their exports. This would provide financial security and facilitate planning in difficult times.

CARE & FAIR needs to assure that one code of conduct is used within the organisation. As of now, different versions exist in different countries.

CARE & FAIR shall review its Code of Conduct with respect to other social standards, possibly including education for family child labour until 15 years and health and hygiene as these aspects would correspond to CARE & FAIR social activities. It shall also consider to hire an independent monitoring consultant from time to time who guarantees with his or her name for the proper compliance to the code by the members. This may be communicated to the critical public if necessary.

Communication and cooperation shall be strengthened with RUGMARK and other initiatives at the local level with respect to best practices in making no-cost and low-cost improvement of different social and quality standards in carpet production.

14. Lessons learnt

With regard to the sector and type of the initiatives/programme

Using the concept of a social label in an export-oriented sector appears to be an effective way of achieving an impact on the producer side – in this case reducing the number of working children –, and the consumer side - communicating to the concerned consumer the message of a social label, giving him / her a choice. The carpet sector proved to be a difficult one, since the trade did not accept to shoulder more than a 1.25% licence fee based on the carpet value (TRANSFAIR can charge a label fee of 3%). A further problem is the currently on-going major shift in the sector.

An important factor for the success of RUGMARK was the co-operation between the private sector, i.e. the carpet trade and non-governmental organisations in the consumer countries. NGOs probably played a very important role in making the RUGMARK label known with the consumer while the trade took a crucial role in implementation and in generating the necessary funds to run the system. In India, NGOs did play a crucial role initially, but as RUGMARK got established, their role very much diminished. In Nepal, an active role in the governance of the organisation was given to NGOs right in the beginning.

The European importers played a crucial role in convincing their exporters in India and Nepal to join the scheme.

Very different actors need to co-operate in such an initiative: actors from the private sector in market and producer countries, non-governmental organisations, government departments, etc. A very thorough and careful analysis – which in a way actually needs to be on-going – of the landscape of actors and of the stakeholders and their role is crucial.

Replicability of the approach and strategy of voluntary initiatives to ensure specific social standards

Elements of the RUGMARK concept have been used already in the past for conceptualising schemes such as the flower label and for the discussion of social standards in the textile industry. These were initiatives that work with export-oriented sectors.

The challenging question is: what lessons are there to learn for economic sectors which are not export-oriented. In India, as an example, child labour is rampant in the fire cracker industry. A scheme against illegal child labour in this sector was launched three years ago. Products with the label “*no child labour used*” sold well as long as there was a public awareness campaign going on. As soon as the campaign was dropped, sales were down as well. Campaigns to raise awareness among consumers are crucial and need to be long-term measures. This is particularly the case in countries where only small consumer segments are already sensitised for the issue of social standards.

The International Finance Corporation recently published a Good Practice Note⁴¹ and RUGMARK was mentioned as an important case to learn from.

Preconditions for success and sustainable impacts

A key factor for sustainable impacts is to work with local communities and turn them into actors. Efforts to raise awareness in the local community and among local business people are crucial to have them actively participating and to show that child labour is actually a problem.

Careful and strategic networking with actors is important to embed and anchor the initiative in the local socio-economic and political context.

The development of realistic financial scenarios is important to assure long-term impacts. Core activities need to be defined and should be funded from self-generated income; public awareness campaigns need long-term commitments.

Limitations and opportunities to improve the situation of the target group

Assuring that no child below the age of 14 works behind looms may only shift the problem out of sight. Unless accompanying measures are taken such as assuring access to quality education of children and rehabilitation of former child workers, the situation of the target group will improve little, in fact, it can worsen if children shift to a sector where they may be worse off (prostitution, stone breaking, or other).

Preventing children from migrating into a production area (either on initiative of parents or through trafficking) may be difficult for a label initiative since this requires extensive community work. Again, networking with other development organisations is crucial here.

Labelling initiatives do have a limitation in improving the livelihood of families. Social labels are generally not a way to expand markets and sales. As in the case of RUGMARK the wages of workers have not risen beyond the minimum level.

The lessons learnt for CARE & FAIR would include

- Better strategic programme and financial planning. Agreeing on a certain percentage of income set aside for coping with responsibilities when market shrinks.
- Monitoring of Code of Conduct in order to avoid criticism on the overall credibility of the initiative
- Exploring opportunities of cooperation between the initiatives, with other NGO

⁴¹ International Finance Corporation (2002) Good Practice Note: Addressing Child Labour in the Work Place and Supply Chain

and government

- improved documentation of overall policies, decision-making and networking
- Better enforcement of discipline of paying 0.25 percent exporters fee or achieving a commitment from many exporters to pledge a specific amount on a regular basis (independent of carpet sales). It could have rewarded big contributors with a golden or a silver membership.

Preconditions for success and sustainable impacts

The decision of CARE & FAIR not to opt for a label system is acceptable and understandable but CARE & FAIR should have monitored the Code of Conduct if it seeks credibility for it amongst the critical public and development community.

Limitations and opportunities to improve the situation of the target group

CARE & FAIR had a more indirect approach to the core target group of working children than RUGMARK. It has invested in the social infrastructure of the area. There is a need for direct interventions for the benefit of the target group as RUGMARK did it with its rehabilitation centre but there is also a need for providing social infrastructure in the area. CARE & FAIR has contributed to this. Unfortunately, communication between both actors was rather poor.

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Annex I: Itinerary: Evaluation of RUGMARK and CARE & FAIR

24.11.02	Sunday	8 am: Departure Frankfurt -- Vienna - Delhi 22.45 Arrival in Delhi
25.11.02	Monday	Meeting and first briefing with Mrs. P. Chaujar (Consultant) German Embassy: Briefing and discussion with Dr. Behrens Briefing at IGEP with Mrs. Sharda Subrahmanian and Dr. Kebschull Meeting with Mr. Subramanian, Under-Secretary Ministry of Commerce and Industry Meeting with Dr. Susan Bissel, Chief, Child Protection, UNICEF Meeting with J. John, Executive Director, Centre for Education and Communication/ Executive Member Campaign Against Child Labour
26.11.02	Tuesday	10.30 am: Flight Delhi to Varanasi Meeting with RUGMARK staff Meeting with Mangal Traders (Kamaria) Visit to home-based. RUGMARK-registered looms
27.11.02	Wednesday	Visit to RUGMARK looms, exporters and projects: <ul style="list-style-type: none"> • Primary School, Devnathpur, Bhadoi • Mr Ohri, Exporter • Mr Mishra, Exporter • Mr Maurya, Exporter Ramnathiya village (non-RUGMARK looms - where illegal child labour were identified by RUGMARK Inspectors) Visit to Balashraya, meeting with the children, discussions with the Manager of the Balashray and Mr Parvez Suleman (Exporter)
28.11.02	Thursday	Meeting with representatives of the Panchayat in Barhi Nawadah Visit of RUGMARK School in Barhi Nawadah Visit to loom sheds in Bhadoi (RUGMARK)
29.11.02	Friday	Visits to CARE & FAIR Projects: <ul style="list-style-type: none"> • Ramdeo Maurya School • Khamaria Hospital, Khamaria • Haji Sheb Ali School, Khanapur • Jwala Hospital, Aripur, Gopiganj • Chaksikhari School, Chaksikhari Kanwal • Meeting CARE & FAIR exporters at Mr Heinrich's house

Evaluation RUGMARK and CARE & FAIR

30.11.02	Saturday	<p>Visit to CARE & FAIR Projects (Mrs Chaujar, Dr. Kuhn)</p> <ul style="list-style-type: none"> • Amita Vidyalaya School, Hariyanw • Barakat Women Empowerment Centre, Deonathpur • Semuhi School, Semuhi • Discussions in CARE & FAIR office 	Visit to Diocesan Development&Welfare Society, Transition Home of Migrant Children (Dr. Dietz)
		Joint dinner with CARE & FAIR Exporters and IGEP staff	
1.12.02	Sunday	Travel Varanasi to Delhi	
2.12.02	Monday	<p>Discussion with Mr T S Chadha, Executive Director, Carpet Export Promotion</p> <p>Discussions with Mr Ravi K. Passi, Chairman, Export Promotion council for Handicrafts</p> <p>Discussions with Ms. Maneka Gandhi, Chairperson, RUGMARK Foundation</p>	
3.12.02	Tuesday	Feedback Workshop at IGEP office	
4.12.02	Wednesday	<p>Flight, Delhi to Kathmandu, Arrival: 3.45 pm</p> <p>Meeting with Mrs Seifert, German Embassy</p> <p>Briefing with Mrs Sushma Bajracharya (Consultant)</p> <p>Dinner at Mrs Sulo Shrestha Shahi, meeting RUGMARK exporters</p>	
5.12.02	Thursday	<p>Meeting with Ms. C. Addy, GTZ Office</p> <p>Meeting at RUGMARK office with Mr. Ajay S. Karki, Executive Director, RUGMARK</p>	
		<p>Mrs. Bajhracharya, Dr. Kuhn</p> <p>Meeting with German trainer on carpet design</p> <p>Visit to the Transit Centre, Balaju</p>	<p>Visit to RUGMARK certified / registered exporters, looms social projects (Dr. Dietz):</p> <ul style="list-style-type: none"> • Thapa Carpet, Jorpati • Jambala KS Carpet, Jorpati • Neti Carpet Industry, Aharkhel • Visit to RM Day Care Centre, Jorpati

Evaluation RUGMARK and CARE & FAIR

6.12.02	Friday	Visit to Jawalakhel Clinic Meeting with CARE & FAIR Board Members Visit to Harrisidhi School	
		Mrs. Bajhracharya, Dr. Kuhn: Visit to Kakani School	Dr. Dietz: Discussions with staff at RUGMARK office Visit to Rehabilitation Centre in Bungmati
7.12.02	Saturday	Visit to CARE & FAIR exporters <ul style="list-style-type: none"> • Soorya Carpet (Mr. L. Shrestha) • Singhe Carpets • Swayambhu OTC 	
9.12.02	Monday	9 am: RUGMARK office 11 am: Central Carpet Industry Association, Mr A. G. Sherpa 2 pm Ministry of Finance, Foreign Aid Coordination Division, Mr Kewal Prasad Bhandari, Under Secretary 3 pm Visit to Ministry of Labour and Transport Management, Ms Moti Shova Shrestha, Joint Secretary 4 pm Visit to Ministry for Women, Children and Social Welfare	
10.12.02	Tuesday	9 am Meeting at ILO, International Programme on the Elimination of Child Labour (IPEC), Mr Yadav Amatya 10 am Meeting with Private Sector Promotion Project, Mr Jim Tomecko (GTZ) 12.30 noon: UNICEF: Mr Samphe Lhalungpa, Chief Child Protection and Education Section Ms Noriko Izumi, Project Officer, Chief Child Protection and Education Section 2 pm Team meeting, discussion of possible strategies for RUGMARK and CARE & FAIR	
11.12.02	Wednesday	Preparation of Feedback Workshop 2 pm: Feedback Workshop at GTZ 5.30 pm End of Workshop	

Annex II

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List of Abbreviations

AICMA	All India Carpet Manufacturers Association
BMZ	Federal Ministry for Economic Cooperation and Development
CEPC	Carpet Export Promotion Council,
CF	CARE&FAIR
CIDA	Canadian International Development Agency
CLPRA	Child Labour (Prohibition and Regulation) Act 1986
CRC	Convention on the Rights of the Child
CREDA	Centre for Rural Education and Development Action
CWCCD	Centre for Women/Children and Community Development
CWIN	Child Workers in Nepal
DDWS	Diocesan Development & Welfare Society
DPEP	District Primary Education Project
FCRA	Foreign Contribution Regulation Act
FLO	Fair Trade Labelling Organisation
FOB	Free on Board
GTZ	Gesellschaft für Technische Zusammenarbeit
IGEP	Indo German Export Promotion Project
ILO	International Labour Organisation
IPEC	International Programme on the Elimination of Child Labour
NCAER	National Council for Applied Economic Research
NCLP	National Child Labour Projects

NFE	Non-formal education
NGO	Non-governmental organisations
ORIA	Oriental Rug Importers Associations
RM	RUGMARK
RMI	RUGMARK International
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children Fund
UP	Uttar Pradesh

Annex V

Description of the Landscape of Key actors that are involved in combating child labour in India

Key Actors involved in combating child labour in India may be categorised as follows:

1. UN Agencies: UNICEF, ILO, UNDP
2. International Non governmental Organisations: Save the Children UK, terre des hommes Germany, etc
3. Bilateral Agencies: GTZ, Canadian International Development Agency
4. Non Governmental Organisations: funded either by government or non government (national, international) donors.
5. Government (legislation and programmes)
6. World Bank: Through its education financing programme.
7. Corporates: IKEA, Obeette
8. Social Labelling Agencies: RUGMARK, CARE & FAIR, STEP

A brief description of the initiatives undertaken by these agencies is presented below:

1. UN Agencies⁴²

Among the UN agencies, the UNICEF, the ILO and the UNDP are prominent players in the area of child labour in India. An attempt has been made in the recent past to bring in coordination among these agencies through the setting up of an Inter Agency Working Group on Child Labour.

The primary Project of the ILO for elimination of child labour is the International Programme for Elimination of Child Labour or the IPEC. Till recently, the ILO was also implementing the Child Labour Action Support Programme (CLASP) funded by the German government. The IPEC has a sector approach and works closely with the central government project, the National Child Labour Project. The IPEC is implemented in India through the NCLP societies, registered autonomous agency of the government. The IPEC projects are sub contracted to NGOs through the NCLP societies for implementation. Key components of the IPEC project include setting up of Transitional Education Centres for children in the age group 8-12, vocational training for children in the age group 12-15 and community mobilisation for enrolment of 6-8 years olds in government primary schools. The IPEC has partnered with several NGO in the carpet belt, including CREDA for elimination of child labour in the carpet industry.

⁴² For details see: UN System in India: Position Paper on Child Labour. United Nations Systems' Operational Activities for Development in India (August 1998).

The UNICEF approaches the issue of child labour from the perspective right of children to education. Hence its initiatives undertaken in partnership with the government and NGO focus on providing education to all out of school children.

The UNDP focuses on community mobilisation as a means for eliminating child labour. It includes the agenda for elimination of child labour into all its development cooperation and anti-poverty programmes. UNDP is also supporting an initiative with a NGO called CREDA in Mirzapur district in Uttar Pradesh titled: "People's participation for getting children out of work and into school with NORAD assistance". The project is being implemented in 106 villages of Mirzapur District. Under the Project 50 Community Schools have been established and 100 children enrolled in each school. The girl child is being specially focused in these efforts.

2. International Non Governmental Organisations

Among the International NGOs, Save the Children has been working for reducing the number of children working in hazardous sectors and on improving working conditions of children engaged in hazardous sectors. Prominent among its projects is the one in Kashmir with child workers in the carpet industry. Save the Children organises drop in centres for child workers and negotiates for better working conditions with employers.

TdH Germany India Programme supports NGOs working in the area of child labour across the country. It focuses on community mobilisation, campaigns and in running transitory NFE centres with the aim of mainstreaming children in formal schools. TDH has been, since 1995, also coordinating the German Rehabilitation grants for rehabilitation of children released from the carpet industry (called REHA). The REHA projects focus on providing education (NFE), community mobilisation against all forms of child labour and reintegration of children with their families.

3. Bilateral Agencies

Key among Bilateral agencies that are implementing child labour Projects in the country are the GTZ and the Canadian International Development Agency. The GTZ has been financing the social labelling initiative of the RUGMARK Foundation through its satellite unit, the Indo German Export Project. The CIDA funds NGOs engaged in eliminating child labour.

4. Non Governmental Organisations

Most grassroots organisations in India are working at the community level and work on a range of issues that affect lives of disadvantaged communities such as basic entitlements, health and education. Working children and their education is very often part of the larger mandates of these organisations. Most work on working children and integrate such effort with the other developmental activities. Most grassroots organisations work with locally developed human resources and very often grow into the area of education for working children through experience and capacity building initiatives of the funding agencies or support organisations.

The NGOs that work in the area may be broadly divided into direct education programme for working children and advocacy initiatives through networks and campaigns. While direct education initiatives are mostly those that provide preparatory educational interventions to working children with the aim of mainstreaming them in formal schools, advocacy initiatives

include campaigning for right to education, for good quality education, at both national and local levels.

The NGOs are funded either by the government under the National Child Labour project or by non state agencies as mentioned above. Key components of NGOs work in the area are community mobilisation and empowerment, advocacy with the local government for better facilities for children (schooling), advocacy regarding better wages and amenities at the village level and direct services to children. The latter include running NFE centres, providing psych social support to children, releasing and rehabilitating them, formation of children's organisations. Some NGOs approach the child labour issue within the overall framework of right to livelihood. They undertake individual/group income generation activities (for adults) and or advocate for better wages and reorganising production relations in favour of the adult workers.

One of the NGOs that is touted as the most effective in eliminating child labour in the carpet sector is CREDA. CREDA has received funds from the government (under eth NCLP) the ILO (Under the IPEC) and the UNDP and UNICEF alike. It claims that as a result of its efforts in the area, child labour in the carpet industry has been successfully eliminated in more than 25 villages, i.e. no child in these villages can be found working in the carpet industry.

By and large NGO perform better than the others since they base their interventions at the community level and elicit community participation in the programmes. They are also more likely to address the issue of child labour more holistically than the others.

NGO led campaigns such as the Campaign Against Child Labour and the *Bachpan Bachao Andolan* (of SACCs) are key players in the combat against child labour. The focus of the campaigns has been awareness building, networking among NGOs and advocacy for legislative and policy reform.

5. Government

Government is the largest player in the field of child labour, owing to the sheer spread of its programmes (however, poorly resourced they may be). The primary department in-charge of the child labour programme is the department of labour. The largest governmental programme on child labour is the National Child Labour Project. The most comprehensive legislation dealing with child labour is the Child Labour (Prohibition and Regulation) Act 1986. Both the NCLP and the CLPRA have been discussed earlier.

Apart from these two, the government is also implementing a social labelling scheme called the "Kaleen" in partnership with the Carpet Export Promotion Council. The Kaleen initiative is discussed later.

6. World Bank⁴³

World Bank is financing multi-million \$ U.P. State District Primary Education Project (DPEP). WB informs that they have identified 24 child labour prone districts for coverage under DPEP.

⁴³ For details see: UN System in India: Position Paper on Child Labour. United Nations Systems' Operational Activities for Development in India (August 1998).

7. Corporate

IKEA and Obeetee feature among the prominent corporate initiatives for combating child labour.

IKEA

Historical Background to IKEA Response to Child Labour

IKEA ascribes the credit for awakening it to its responsibilities in the area of child labour to the TV reporter who in 1994 made the film “The Carpet”, with footage from a number of villages in Pakistan. The film revealed a brutal production structure based on bonded labour and large number of working children. IKEA was named as one of the many companies in the West linked to carpet purchase in Pakistan.

The Purchase Department at IKEA was forced to take a crash course on child labour, an issue to which it had previously devoted little thought. The organisation had to start from scratch in its search for information. To be accused of human rights violations was something that an organisation of this kind and its founder Ingvar Kamprad neither could nor desired to ignore.

The purchasing manager responsible was given carte blanche in tackling the problem. At an early stage, IKEA sought help from Save the Children. The ILO assisted in drawing up a new clause on child labour for insertion into the purchasing contract. At the same time an independent company was employed to monitor suppliers in the region.

During this period, another TV programme in Germany revealed child labour in India. The accusations proved unfounded, they had though led IKEA cancelling its contract with their largest supplier.

IKEA's employees and the monitoring company whose services IKEA had engaged, conducted investigations of production conditions on an on-going basis, yet evidence of child labour was seldom found. To simply react to one crisis report after another on an ad hoc basis was clearly not a sustainable strategy and IKEA sought systematic assistance and advice from major international human rights organisations.

A document on Corporate Social Responsibility by the Amnesty International explores the following question: is it easier for a privately owned, entrepreneur managed company to adjust than for a quoted company? Their answer is: perhaps yes. Ikea is governed by a concept. The company's business organisation enjoys a high degree of independence, and the business concept asserts that the organisation exists “for the sake of many”. Operations are characterised by the long-term view and there is genuine support for human rights and similar issues. This “Ikeanism” – which is sometimes described as a mass movement – made the adjustment easier.

IKEA's Position on Child Labour

IKEA's objective is that no product supplied to the company shall be manufactured using child labour. In 1997, IKEA finalized and operationalised its code of conduct on child labour, to which all suppliers were contractually bound. Simultaneously, in India they began setting up schools for working children in the areas of production – the factories. Soon they realized that this is not a sustainable solution. It takes time to achieve such an objective. It is not enough to simply stop working with suppliers who use child labour. If worse comes to worst, these children may end up in even more unsatisfactory situations. It is essential that children are offered an alternative that

gives them a better life. The point is not just to get these children away from the looms – they have to be given a chance of an education that meets acceptable standards. IKEA resolves to address root causes of child labour.

It decided to seek help of international human rights organisations and in 97-98 a global pact was signed by IKEA with the UNICEF and Save the Children. By the year 2000 IKEA set up “IKEA International Compliance Organisation Support and Monitoring Group” at its Head Quarters in Sweden. The unit had counterparts at regional and country levels. IKEA began its first social project in India in partnership with the UNDP and a local NGO (CREDA), in 1999. This project ended in 2000 when IKEA partnered with UNICEF in India for a 3 year long social project to address root causes of child labour in and around the area of production.

IKEA Code of Conduct – Child Labour

IKEA acknowledges the fact that Child Labour does exist in various countries. However, IKEA disassociates itself from child labour and works actively against it. The complexity of the child labour problem requires a consistent, long-term effort to create broad based and enduring developments.

The goal of this code of conduct is to ensure that no products delivered to IKEA are manufactures by child labour. This IKEA child labour CoC has been established in order to make the IKEA position clear to suppliers and their co-workers, as well as any other parties. It is a mandatory requirement that all the suppliers comply with and implement the stipulations contained herein.

General principle (Abridged)

- IKEA does not accept child labour
- IKEA supports the UN-CRC, Art 3 and 32.1 (about “best interests” of the child and economic exploitation respectively)
- CoC based on ILO Minimum age Convention number 138 and ILO convention on worst forms of child labour 182

Implementation

- All actions to avoid child labour shall be implemented taking the child’s best interest into account.
- All suppliers shall recognize UN-CRC and shall comply with all relevant national and international laws, regulations and provisions applicable in the country of production.
- Suppliers are obliged to take the appropriate measures to ensure that no child labour occurs at suppliers’ or subcontractors’ places of production.
- If child labour is found at any place of production, IKEA will require the supplier to implement a corrective action plan. If corrective action is not implemented within an agreed time frame, or if repeated violations occur, IKEA will terminate all business with the supplier concerned.
- A corrective action plan shall take the child’s best interests into consideration, i.e., family and social situation and level of education. Care shall be taken not merely to move child

labour from one supplier's workplace to another, but to enable more viable and sustainable alternatives for the children.

- The supplier shall effectively communicate to all its sub contractors as well as to its own co-workers, the content of IKEA child labour CoC and ensure that all measures required are implemented accordingly.

1. Monitoring

(including sub contractors). Through the General Purchasing Conditions for the supply of products to the IKEA group of companies, IKEA has reserved the right to make unannounced visits at any time to all places of production (including sub contractors) for good intended to All suppliers are obliged to keep IKEA informed at all times about all places of production supply to IKEA. The IKEA group furthermore reserves the right to, at its sole discretion; assign an independent third party to conduct inspections in order to ensure compliance with the IKEA child labour CoC.

How This Is Done At The Grassroots Level?

The Delhi office of IKEA serves as a regional office covering purchases from Pakistan, Bangladesh, Sri Lanka and India. It has a total of 100 suppliers in the region of which about 20 are carpet suppliers in India. The carpet suppliers in India are based in the carpet belt: Varanasi, Mirzapur, Bhadoi, Jaunpur (Eastern UP) as well as in Panipat (Haryana) and Agra (West UP).

IKEA believes in doing intensive business with fewer suppliers. This helps them maintain what they call the "Best Buy Concept": a triangular interface between price, quality and social responsibility. It means they do business with suppliers that offer them the best buy in terms of these three parameters.

A compliance and quality division has the responsibility for ensuring the best buy from the suppliers. This division comprises the following teams: The Purchase Team (there are several product based purchase teams, so there is a carpet purchase team, a textile purchase team and so on). The quality managers (look into quality aspects) and the compliance team (specialists on ethical standards and environmental issues). These three teams together are responsible for ensuring compliance by suppliers and conduct regular inspections and monitoring. These teams, especially the purchase teams are in the field at very frequent intervals (once a fortnight) and all teams together are responsible for conducting audits. This means, every supplier is audited by three different internal teams of IKEA several times a year. Each time inspects the production units for child labour CoC along with other environmental/ethical standard compliance as well as quality of the products. All teams' members have received training in the area of compliance. A formal Audit is conducted once a year.

Apart from internal monitoring and inspection, IKEA has engaged services of various specialized agencies such as the KPMG to conduct inspections and monitor compliance. The external agencies conduct random inspections, without prior information to either supplier or IKEA.

The cost of "compliance" according to IKEA is nil. They finance compliance from the profits generated from business world wide. Between the period 2000 and 2002, i.e., ever since the implementation of the CoC, IKEA has registered about 13 cases of violations and undertaken corrective action (as outlined above) for the same. According to IKEA benefits from compliance

includes: improved quality of carpets manufactured, reduced turnover among suppliers, increased business to suppliers from IKEA.

Social Projects

IKEA began its social projects in partnership with UNICEF in the year 2000. The project is being implemented in 200 villages in district Jaunpur. The project focuses on addressing root causes of child labour, including debt bondage and lack of education opportunities in the villages. A baseline survey conducted by IKEA-UNICEF in the 200 villages identified 24000 children as being out of school. This then became the target for the projects education intervention. The Project does not aim at setting up parallel school structure but aims at improving existing school system and preparing out of school children fro being mainstreamed therein. Hence the project interventions include setting up Alternate Learning Centres that provide interim/preparatory learning opportunities to out of school children. Once the children are prepared to be integrated into the existing formal schools, these children are mainstreamed. The project works closely with the department of Education, government of Uttar Pradesh for this as well as for improving quality of education at formal schools. Several training programmes for teachers in the area of joyful learning have been organised.

By October 2002, 15370 out of school children had been mainstreamed into formal schools and 4000 were still enrolled in the Alternate Learning Centres.

The intervention that addresses issues of debt bondage, include setting up of women's Self Help Groups in the 200 villages. By September 2002, the project had formed 437 SHG with a membership of 5903 women and a total saving of 1,600,000 rupees.

The project has received an extension of three years by IKEA. In this phase beginning 2003, an additional 300 villages, including 100 each from the districts of Jaunpur, Bhadoi and Mirzapur will be addressed.

Apart from intervention in the area of child labour in the carpet sector, IKEA has also been implementing its social development project in the glass manufacturing region of Firozabad, Uttar Pradesh.

IKEA, in collaboration with the UNICEF has recently launched a project of development over three years in the State of Uttar Pradesh. IKEA has contributed about 500 000 US dollars towards this project. The objective of this project is to prevent child labour. This project began in August 2000 and concerns more than 200 villages and a population of 400.000 people approximately. The project includes setting up of alternative centres of education that aim to prepare children for re integration into the public school system. Approximately 24000 children are being addressed directly by this project.

In addition the project involves working with local NGO to support the women in forming Self Help groups. As part of this project IKEA and UNICEF have partnered with CREDA a local NGO in the carpet belt in September 2000 and covers a geographical area of 25 villages.

Obeetee

A World Bank document on Good Practices in the workplace documents the Obeetee initiative⁴⁴. It says that the first step in Obeetee's approach was to change the thinking about child workers within the company and among its suppliers. To this end, the company launched various awareness programs. A major campaign was initiated to create awareness about child labour in villages where the carpets were woven. Obeetee executives went from one village to another informing the loom owners and heads of households, in the local language, of the main provisions of the new Child Labour Act. They emphasized the severe penalties for the use of child labour. They underscored the commitment of Obeetee not to buy carpets made by children.

The managers of Obeetee required written assurances from loom owners that they would not employ children. For each production order Obeetee issued, loom owners were required to sign a form that explained the provisions of the law and committed them not to employ children below the age of 15 years (even though the minimum age for employment in India is 14). The company informed all loom owners in writing that any loom owner found employing children in the weaving of Obeetee carpets would lose their business and be blacklisted from doing any future business with company.

Obeetee increased wages significantly as an incentive to loom owners to weave Obeetee carpets without employing child labour. This was considered a radical and questionable move by many in the industry. This step increased the costs for Obeetee in the short run; however, they believed this would be compensated by a boost in reputation. Currently, Obeetee is earning more profits than ever before, lending credence to the view that short- term costs can foster long- term profits.

Obeetee recognized that its primary constraint in preventing the incidence of harmful child labour lay in the company's inability to monitor its dispersed supply chain. To tackle this problem, Obeetee instituted a comprehensive system for production and monitoring looms. It established a network of official "depots" across the weaving area, which is predominantly rural. Instead of working in their homes, weavers would come to work at these established depots. This system greatly assisted in maintaining normal and healthy work hours, but, importantly, looms could more readily be monitored for the presence of children by Obeetee staff. Currently Obeetee carries out its production in 21 depots. Each depot employs 2-4 loom inspectors. The loom inspectors continuously inspect and monitor the depot and report their findings once every 15 days to the Obeetee manager in charge of the depot. Moreover, the manager conducts unscheduled checks to verify the reports of the loom inspectors. Each depot manager is required to provide a monthly certificate to headquarters at Mirzapur verifying that no children are employed in the weaving of Obeetee's carpets.

Obeetee has created a Child Labour Cell consisting of senior Obeetee executives who are based at the company headquarters. The Cell acts on complaints from depots relating to child labour. The cell features vehicles for executives to access far-flung areas and conduct unannounced inspections at the depots.

As part of its corporate responsibility, Obeetee seeks to ensure that children removed from Obeetee looms do not end up simply working under similar or worse conditions for other employers. To this end, Obeetee makes contributions to the Child Welfare Fund of the Carpet Export Promotion Council of India (CEPC), a government sponsored industry association. A

⁴⁴ In the Workplace and Supply Chain Addressing Child Labour, Good Practice Note June 2002 Number 1, IFC, World Bank.

quarter percent from the sale value of each carpet is donated to this CEPC Child Welfare Fund. The Fund offers various child welfare programs, including schools that provide free education, monthly stipends, mid-day meals, vocational training and health care to children.

All loom owners are required to register with the CEPC. This helps Obeetee to provide its customers with the Registration Number of the loom used to weave each carpet. A customer can thus trace the carpet back to its loom and, if necessary, an independent inspection of the loom can be conducted. Obeetee subscribes to the Kaleen Label, which is the labelling programme of the CEPC. Kaleen represents the commitment of the Indian carpet industry to eradicate child labour and to promote welfare measures for the education and rehabilitation of children taken out of carpet weaving. The major feature of the Kaleen scheme is a loom monitoring system based on random inspections by an independent agency. Other aspects include: the registration of carpets looms and the promulgation of a Code of Conduct requiring that no illegal child labour be used in the manufacturing of carpets. There are severe penal provisions for breach of the Code of Conduct.

8. Other Social Labels/Initiatives

Kaleen⁴⁵

The Kaleen labelling programme is a Government initiative, promoted by the Carpet Export Promotion Council (CEPC), under the Ministry of Textiles. CEPC is the apex body of exporters in the Indian carpet industry. It introduced the “Kaleen” label in 1995 as a hallmark of commitment towards the eradication of child labour and the welfare of weavers in the carpet industry.

Aims

The publicity brochure of the Kaleen label mentions that it signifies a solemn assurance to the effect that the Indian carpet industry and trade have dedicated themselves to

- total elimination of hired child labour;
- welfare of the weaver community;
- education of the children;
- Medicare of the weaver families; and
- Vocational training of the children with assured stipend.

Their inspection and monitoring systems and approaches

Registration of Looms

CEPC initiated the registration of looms free of cost as a first step towards effective monitoring. Registration commenced in October 1992. According to CEPC, the Kaleen label is optional for its members whereas the RUGMARK label is always taken under compulsion owing to the pressure exerted by importers. CEPC has more than 2300 exporters as its members and it

⁴⁵ For details see: The Impact of Social Labeling on Child Labour in India's Carpet Industry, Institute for Human Development, ILO/IPEC Working Paper 2000.

claims that RUGMARK has only 215 members, which is less than 10 per cent of the carpet exporters in India. The Kaleen initiative is thus supposed to have a wider acceptability.

The Implementation

Carpet Export Promotion Council (CEPC), the apex body of the Carpet Industry in the country, has been entrusted the responsibility of enforcing the Kaleen labelling system. The head office of CEPC is located in New Delhi. The Regional Office is based in the core carpet belt at Maryadpatti in Hanoi (Uttar Pradesh).

The Carpet Export Promotion Council issues KALEEN the Hallmark of Commitment labels only to those exporter / members who:

- Possess a valid Registration – cum – Membership – Certificate (RCMC) of the CEPC on date of application.
- Had paid their contribution of their exports towards Child Welfare Fund.
- Had submitted an affidavit stating that hired child labour was not used in the production of the carpets; and
- Had submitted the details of the looms on which their carpets, dhurries and other floor covering were woven.
- Any exporter/member of the CEPC found violating any of the above provisions, his application for issuing KALEEN label will be rejected and action taken against him as per provisions of the Code of Conduct, including cancellation of RCMC which will make an exporter ineligible to export.

National Monitoring Committee

A national committee has been formed for monitoring the system of self – regulation for elimination of child labour and issuing Kaleen – the Hall – mark of Commitment label to the exporter/members of the CEPC. The committee also supervises the utilisation of weaver welfare fund.

The members of the committee are:

- Chairman: Development Commissioner (Handicrafts), Ministry of Textiles, Govt. of India.
- Trade Representatives: Chairman, Carpet Export Promotion Council (CEPC); 1st and 2nd Vice Chairman of (CEPC); President, All India Carpet Manufacturers Association (AICMA) ; and President, Carpet Weavers & Loom Holders Front, Bhadohi.
- Representatives of India NGOs: Swami Agnivesh, Chairman, Bonded Liberation Front; and Ms. Ela Bhatt, SEWA , Ahmedabad.
- Representatives of Central/State Govts: Representing Union Ministries of Labour & Commerce; Commissioner, Labour, Govt. of Uttar Pradesh and Commissioner, Varanasi Division, U.P.
- Representatives of International Organisations: Representing ILO and UNICEF

- Member Secretary: Executive Director – Cum - Secretary, CEPC

Inspection of Looms

CEPC engaged services of an independent and professional agency called Academy of Management Studies for random inspection of registered looms on regular basis. The Academy of Management Studies is a professional consultancy body based in Lucknow conducting inspection of registered looms.

AMS deploys 12 inspectors (as per IHD 2000) to monitor carpet production. The inspection visits are on a bi-weekly rotation basis, where the inspection team visits, on an average, 35-40 looms in 4 to 5 villages. The inspection team gathers details about CEPC registration, carpets being woven, workers, loom-owners, child labour, etc. The Academy monitors only the looms where the actual weaving is carried out and does not monitor exporters' workplaces. All the inspections are random and surprise inspections, based on a list provided by CEPC of its registered exporters. The decision for de-registration of looms for child labour violations wrests with the CEPC. The Academy sends its inspection report to CEPC on a fortnightly basis. Further, consolidated reports are sent on a quarterly and annual basis. The Academy receives a total amount of Rs 8,00,000 per annum for the inspections.

During the first year of inspections (October 95 - September 96), AMS was deputed to cover 9,400 registered looms located in 360 villages, which was 11 per cent of looms registered with the CEPC for Kaleen labels. Out of this, 2,000 looms could not be located or were found to have changed hands. Of the remaining looms, 3100 looms were found to be lying idle. Thus, only 4300 looms were identified as working. 8,300 workers were seen on these looms, of which 100 were child labourers. As per the latest information, out of the 164,000 looms registered with CEPC until July 1999, 37,178 looms had been inspected by AMS. The number of de-registered looms was 136 and number of de-registered member-exporters 5. A special wing in CEPC has also been created to make sample inspections of the inspected looms reported by the Agency.

CEPC issued 2.96 lakh labels during the financial year 1998/99 and from 1st April 1999 till 7th December 1999 in the current financial year (1999-2000), 3.5 lakh labels were issued. So far 13.75 lakh labels (till 7th December 1999) have been issued by CEPC and 252 exporters out of more than 230026 total member-exporters have availed the Kaleen label.

The CEPC believes that it is not possible to physically inspect the looms located at widely dispersed geographical areas, to ensure that the carpets produced are free from child labour. According to the CEPC, it is the moral responsibility of the member who has signed the affidavit to ensure that no child labour is employed in the looms registered with the CEPC for production of carpets.

Achievements

Following is a report of the achievements of the Kaleen label up till 2000⁴⁶:

No. of Looms Registered as on date	1,95,083
No. of Looms Inspected	78,921
Total No. of persons found to be working on looms.	76,086
No. of Children below the age of 14 years found to be working on looms	2,046
Family Child Labour	1,055
Hired Child Labour	694
Incidence of Child Labour	1%
Looms De-registered	446
Looms owners warned	58
No. of Member – Exporters De-registered	6
No. of member – Exporters warned	74
No. of Member – Exporters issued Show – Cause Notices	4
No. of Kaleen Labels issued	21,63,060

Programme financing

CEPC, the promoter of Kaleen, is funded by the Ministries of Textiles and Commerce of the Government of India. It receives regular grants from these ministries for maintenance and running expenses for its carpet export promoting activities. For the activities relating to child welfare it collects 0.25 per cent of the FOB export value from its registered exporters. This fund is called child welfare fund. It is marked exclusively for welfare activities and CEPC does not divert it for its own administrative expenses. A committee under the Development Commissioner (Handloom), Ministry of Textiles, oversees the utilisation of the fund. From this fund, disbursement is made to several NGOs for running the schools (13 NGOs for 24 schools).

An analysis of the income expenditure statement of the CEPC reflects that although disbursement has been stepped up in recent years, still there is huge surplus lying unused. As on 31st March 1999 there was a balance of Rs 20, 523,332 in this fund, signifying that the various welfare activities undertaken by the CEPC might not be receiving adequate financing. For the financial year 1998-99, CEPC received as grants Rs 750, 000 and Rs 48,00,000 from the Ministry of Textiles and the Ministry of Commerce, respectively. An important aspect is that CEPC is meeting the expenses on looms surveillance, printing of labels, etc from its other income sources, notably grants received from the Government.

⁴⁶ www.indian-carpets.com

Integration in the local community, perception by the community, networking with other initiatives

To replace children at the looms, women folk from the affected families are being trained in the training centres set up by the Development Commissioner (Handicrafts), Govt. of India. In consonance with the spirit of the weaver welfare programme and its objectives carpet weavers are given priority in the allotment of housing – cum – work sheds, life insurance, medical facilities and other schemes.

The Carpet Export Promotion Council has sanctioned 44 schools out of which 20 schools are presently running through NGOs while 24 Schools have already completed 3 years of NFE under the Welfare Projects where children are provided:

- Non – formal Education (NFE)
- Midday Meal.
- Stipend to supplement the wage loss

Kaleen labelling System collaborated with STEP Foundation, a Swiss Based Non Governmental Organisation. Association with CARE & FAIR on the Welfare Projects which is German Based NGO is in progress.

STEP⁴⁷

In 1995 a Swedish movie ('the Carpet') about child labour raised strong reactions from consumers. Due to this rise in awareness, both representatives from the carpet trade and from NGOs sat at the negotiation' table in order to find a solution. After more than a year (in October 1995) a compromise was found and the STEP Foundation was created. Its initiators are 5 development NGOs and the Swiss Association for a Clean Oriental Carpet Trade (IGOT).

Aims

The initiative strives for the improvement of social, economic and ecological conditions in carpet production and the carpet trade and fights abusive child labour. STEP's objectives are socially just conditions in carpet production and trade, progressive elimination of child labour, and better working and health conditions for the carpet workers. In pursuance of its objectives, the organisation supports a number of rehabilitation and welfare activities in India.

The STEP programme seeks fair wages for the workers, transparency in operations, environmental-friendly and ecologically sound carpet production and to prevent the use of child labour.

⁴⁷ see: ILO/IPEC Working Paper 2000

STEP's inspection and monitoring systems and approaches

STEP's head office is located in Berne, Switzerland. The STEP office in India is based in New Delhi, managed by a lone representative who is responsible for the registration of Indian suppliers, and for monitoring and administering the social welfare programmes.

STEP started monitoring of carpet production in 1998 and hired the Lucknow-based Apt Management Services, a subsidiary of AMS who is working for Kaleen, to carry out regular inspection services in the production facilities of STEP member-exporters. Unlike RUGMARK and Kaleen, STEP operates like a company certification programme. STEP licence-holders can use the STEP monogram in all advertising materials, showroom displays etc. provided, of course, that the carpets imported are from exporters registered with the STEP Foundation in India.

The STEP initiative is based on a code of conduct, an independent monitoring and controlling system, dissemination of information on and lobbying against abusive child labour among consumers and the provision of financial support for social and economic development programmes.

The office of the STEP Foundation in Switzerland registers STEP licensed importers. The applicants, who are either importers or retailers of carpets imported from developing countries, are required to sign a code of conduct mentioned earlier, and also pay a fee of 4 Swiss francs (equivalent to about Rs 100) per square meter of carpet imported. Once the applicant is registered as a STEP licensee, the importer/retailer is authorised to use the STEP label in its publications and advertising, indicating to consumers the company's contribution to the cause of raising social, economic and ecological standards in the carpet industry. The importer has to submit to the Head Office of STEP Foundation a list of the existing suppliers and also to update the said list every six months. These lists are then forwarded to the STEP office in the exporting country for verification of the conditions prevailing with the producers/exporters.

The STEP office in India, on receipt of the lists of exporters from its Head Office asks the exporters in India to supply a complete list of all looms producing carpets for its STEP importers. On receipt of the lists of looms, initial verification is carried out in respect of each loom through the AMS inspectors. Once approved, each loom is allotted a number.

The exporter is then notified about the completion of registration, and asked to strictly follow the guidelines in respect of fair wages, bonded labour, child labour and proper environmental conditions. Registered exporters are also required to submit updated lists of looms every six months.

In August 1999, there were 22 exporters in India registered with STEP. The number of looms producing carpets for these exporters was 600. The looms selected on a random basis are inspected by 2 inspectors. Per day, ten to fifteen looms are covered by each inspector working five days a week. This indicates that every loom registered under STEP is covered roughly once every month, which has not been possible in the case of RUGMARK and Kaleen due to the large number of looms registered with them. The project officer of the Inspecting Agency makes surprise visits in order to ensure the integrity of inspectors.

Each inspector is expected to complete an inspection report for each loom. Also, a wage card is expected to be maintained in each loom which gives all relevant data relating to wages, such as the actual wage received by each worker, the minimum wage payable etc.

The inspector checks the wage card, presence of child labour, and working conditions. Issues examined in respect of working conditions are proper ventilation (light, air) and drinking water. Loom-unit wise reports are combined and prepared in the form of weekly and monthly reports²⁸. The Agency sends quarterly report to the STEP office in Delhi. If any violations are found during the inspection of looms they are brought to the notice of the exporters who are requested to take immediate remedial action. On noncompliance, the exporters concerned are de-registered, and removed from the list of suppliers.

Information is then communicated to the STEP Head Office that in turn asks the STEP-licensee importers to stop receiving supplies from such exporters in future. The STEP-licensee importer has to comply with it or would run the risk of being de-licensed by the Head Office in Switzerland that ensures its compliance. The list of de-licensed exporters is circulated to all STEP-licensee importers. Two exporters have so far been deregistered for non-compliance by the STEP office in India.

Presently STEP is concentrating only on the inspections of the loom sites. There are future plans to inspect also other production processes such as dyeing & washing which have a bearing on environment and ecology.

The importers/traders applying for the STEP-label have to render transparent their policy and sources of their carpets. They are granted the STEP-label only if 2 existing STEP-license holders assessed them as qualified and the Foundation Council is in approval with giving them the label. There is an independent monitoring system which is adjusted to each carpet producing country. Verification visits are made regularly and without announcement. They are made by STEP representatives/local partners in each country. At the moment there are 12 licence holders, one of them with branches spread all around Switzerland. Their total market share is 23% of Swiss imports.

Rehabilitation and social welfare programmes

STEP India believes that the issue of child labour must not be viewed in isolation but should be put in the overall context of under-development, unemployment and illiteracy. STEP programmes of rehabilitation and social welfare are intended to attack the root cause of child labour, i.e. poverty. STEP India started its first carpet weaving training for women in Khejapur village in Puri District, Orissa. In the core carpet belt, it has started four carpet weaving training and adult literacy centres for women in and around Bhadohi.

Carpet-weaving is taught to women in a one-year course, equipping them with skills and the opportunity to gain an alternative income³⁰. STEP India also established in 1998 a school at Sonebarsa (Mirzapur District), with a total strength of 60 students, imparting 2 years of non-formal education. Children attending this school belong to poor households of this remote village³¹. It is also involved in health care of the villagers in the carpet belt.

A mobile medical unit has been commissioned recently in association with a voluntary organisation, 'Help-Age India'. All the rehabilitation and welfare programmes mentioned are only funded by STEP Foundation, but run and managed by NGOs. In the case of one of the Women Weaving Training Centres, STEP collaborates with UNICEF.

Programme financing

The STEP labelling initiative is funded by the six founders of the Foundation, viz. the Swiss Association for Clean Oriental Carpet Trade (IGOT), Bread for the World, Caritas Switzerland, Swiss Lenten Fund, Swiss Aid and Berne Declaration. Another source of finance is the fee of Sfr.4 per sq. meter of carpet imported, collected from the STEP licensed importers.

A SYNTHESIS OF THE SIX LABELING INITIATIVES⁴⁸

	RUGMARK	KALEEN	CARE & FAIR	STEP
Year initiated	1994	1996 (not yet fully established)	1994	1995
Product or service labelled	Hand-knotted carpets	Hand-knotted carpets	Hand-knotted carpets	Hand-knotted carpets
Producer countries	India & Nepal	India only	India & Nepal	India, Nepal, Pakistan
Industries targeted	Carpets only	Carpets only	Carpets only	Carpets only
Label has international patent protection	Yes	No	No	No
Label attached to individual item or displayed by retailer	Individual item, at time of export	Individual item, at time of export	Displayed by retailer on sales premises	Retail outlet
Dominant consumer markets	Germany & United States	Germany	Germany	Switzerland
Other, competing labelling initiatives in same market	CARE & FAIR	CARE & FAIR, RUGMARK	RUGMARK	None
Aims at removing children completely from production	"100% Guaranteed Made Without Child Labour"	"Made Without Child Labour"	No	Gradually
Aims at improving working conditions for children in industry	No	No	No	Yes

⁴⁸ from: Janet Hilowitz (1997), Labelling Child Labour Products: A Preliminary Study, (Appendix A Synthesis of the six Labelling Initiatives), International Programme for the elimination of child labour(IPEC).

Evaluation RUGMARK and CARE & FAIR

	RUGMARK	KALEEN	CARE & FAIR	STEP
Aims at rehabilitation/schooling for child	Yes, has established some facilities	Has plans to do so	Yes, has established facilities	Yes
Operates mainly in producer or consumer country	Both	Producer	Both	Both
Enjoys support of retailers in consumer countries	A few	No	Yes, sponsoring association includes many retailers	Somewhat
Is well known in principal consumer market	Somewhat	No	Yes	Somewhat
Sponsorship	Private foundation	National government	Retail trade association	NGOs
Has oversight board	Yes	Yes	Yes	Yes
Receives financial support from local/national governments only	Partly, Germany	Yes	No	No
Receives other external financing	Yes	No	No	No
Collects levies	Yes	Yes	Yes	Yes
Performs on-site monitoring and inspections	Yes	No	No - oversight by importers during buying trips	Some

Evaluation RUGMARK and CARE & FAIR

	RUGMARK	KALEEN	CARE & FAIR	STEP
Has internal system of verification and control	Yes	No	No	No
Permits some independent monitoring by other agencies	Yes	Yes	Not known	Not known
Programme adherence from voluntary for producers	Yes	No, all exports India must carry label	No, must comply to maintain relation with German member importers	Yes
Penalties for violations	De-licensing of producers	Not known	Loss of sales contracts	No

Annex VI: Feedback Workshop, India

Evaluation of RUGMARK and CARE & FAIR

Conducted for the German

Ministry of Economic Cooperation and Development

Preliminary Observations and Analyses

Presented on

3 December 2002

Mrs. Paro Chaujar

Dr. Berthold Kuhn

Dr. H. Martin Dietz

Objectives, Strategies

Both, RUGMARK and CARE & FAIR were founded in the mid-90s in response to the deteriorating image of the India carpet sector among European consumers with the aim to eliminate child labour in the sector and to build and maintain a clean image in the markets.

RUGMARK has established a social label certifying that the carpet was manufactured without illegal child labour. Its approach is three-fold: It operates an inspection system, a rehabilitation centre for rescued children (Balshrays) and schools in areas where the concentration of weaver communities is very strong.

CARE & FAIR's approach was to improve the welfare of children and poor communities in carpet producing areas assuming that when good quality educational facilities are available in the village fewer children will work behind looms. CARE & FAIR supports schools set up by its members. It has also established its own schools and operates hospitals.

RUGMARK became very visible from the moment it started operating its inspection system and is a well-known actor in India from the outset of its operation. CARE & FAIR's visibility increased after the establishment of schools; however, this is more or less restricted to the production areas.

Child Labour in the Carpet Sector

During the past years illegal child labour in the core carpet belt (Varanasi, Bhadoi, and Mirzapur) has fallen.

RUGMARK inspectors discovered in 2002 among 20000 looms still 27 bonded or migrant children. Many people in the system are convinced that the RUGMARK inspection system has taken a significant role in that development.

A driving force behind that development were European and US importers who, for reasons of their own ethical standards or out of concern for their market, pushed their partners in India to take measures assuring that children are not involved in carpet manufacturing. This has taken place already before the inception of RUGMARK and CARE & FAIR.

The reasons for exporters to join either RUGMARK or CARE & FAIR are lesser ideological (e.g. inspection or not) but rather driven by their importers and by market opportunities.

Strategies to remove Illegal Child Labour from Looms

RUGMARK used the strategy of establishing a social label certifying that the carpet has been manufactured without child labour. In order to create and maintain credibility for the label an inspection system was set up. Contractors and loom owners have to sign a document assuring the exporter that they will not use child labour on their looms.

CARE & FAIR members sign a common code of conduct in which they assure not to allow illegal child labour on their looms.

More focused measures for awareness creation among exporters (workshops, seminars) appear not to have taken place.

Yet, RUGMARK and CARE & FAIR among other actors have contributed to an increased awareness and responsibility among stakeholders in the carpet industry towards child labour.

The relevance of a single standard label, that is child labour, may have to be widened to include other standards that are of concern to consumers. These could include environmental issues such as dyeing, washing techniques and others. Greater concern for wages, not just minimum but adequate, where there is greater sharing of profit between the exporters and the weavers may be included.

Both, RUGMARK and CARE & FAIR have been able to build up and maintain a clean image of the Indian carpet sector in the European and the US market. RUGMARK has managed its label actively in Europe informing the public about the problems associated with child labour and the role of RUGMARK in combating it.

CARE & FAIR's role in consumer information and education in Europe is minimal.

However, an active role in Europe appears significant considering that the push for attention to illegal child labour, back in the early and mid-90s came from the market.

Inspection and Monitoring

Monitoring and inspection systems, including those of the government and of RUGMARK, created an atmosphere of fear in the carpet belt.

A social label such as that of RUGMARK wants to convey credibility to actors in the market. A key element to establish and maintain credibility is a monitoring system that assures compliance with the set standard. For that RUGMARK operates an inspection system.

The RUGMARK inspections were initiated simultaneous to the government led inspections. The latter involved raids on looms carried out by the department of labour with the local police. The fear psychosis was not beneficial as it may have shifted the problem of child labour to extension areas. A knee jerk reaction followed where either the children ran away or were hidden.

Some doubts on the effectiveness of the RUGMARK inspection remain.

30,000 looms are registered with RUGMARK; 19,000 are assumed to be operational. If the assumption is right that every loom is visited once every 2 months this would imply that each team of inspectors checks on 100 looms a day (there 12 inspectors working in 6 teams). This assumption on the frequency of inspections appears unlikely. Statistics maintained by RUGMARK suggest that each loom is inspected about 4 times a year.

In order that the inspection system maintains its credibility a transparent monitoring system that ensures regular and frequent inspection is necessary. Increased responsibility may have to be transferred to the exporters. This may perhaps be achieved by introducing internal controls by exporters that are regularly audited by the RUGMARK personnel.

In fact shifts towards an increased responsibility of the exporter have been taken already. Their suppliers (contractors, looms owners) have to sign an assurance that they will not use illegal child labour on the looms. Numerous exporters have employed inspectors to check looms for carpet quality and also for incidences of child labour. Systematising and extending this development may help to improve the effectiveness of the inspection. This is not to suggest that external controls should be removed; only that internal controls must be strengthened.

At another level, there is need to create awareness among the communities in general and carpet workers in specific, about RUGMARK. With the proposed internal control system, the current inspection teams of RUGMARK will have spare capacities that could be invested in creating awareness among communities about the importance of the issue of child labour. There is a need to shift the response of the communities from fear to that of concern and responsibility towards the issue. This will assist in developing monitoring mechanisms among communities themselves. This will lead to widening the impact of RUGMARK and promoting sustainability of the interventions.

Schools and Rehabilitation Centre

RUGMARK and CARE & FAIR schools have earned credibility among communities yet their operation and their future depends exclusively on the two organisations. Participation by the Panchayats and the local community is small and limited to perhaps obtaining information from the Panchayats.

Even as RUGMARK and CARE & FAIR schools are operating, in the same villages large number of children continues to be out of school. This is because the demand for schooling is larger than the capacities of RUGMARK and CARE & FAIR schools. It will be an illusion to assume that both the organisations can cater to this demand on their own. A mix of strategies may be required including partnerships, mobilising resources and greater community participation and contribution in the schooling of out of school children.

The RUGMARK and CARE & FAIR schools are far better constructed, equipped and follow high standards of school provisions than the public schools in their project area. They are in stark contrast to the impoverished and almost decaying public school infrastructure in the same villages. Given the limited intake of students in the RM and CF schools, large numbers of children from similar socio-economic groups continue to be either out of school or enrolled in poorly equipped public schools. There is a clear divide between the children who go to the RM and CF schools and those that do not. There is a danger of widening of the divide within the communities.

The limited resources of RM and CF must be better applied to include larger number of children in their schools. Furthermore, existing resources from government, exporters and communities need to be tapped to provide equitable and good quality educational opportunities to all school children.

CARE & FAIR was able to win special ownership and commitment of some of its members. The land where their own schools operate is usually donated by one of its members who also supervises the management of the school and heads the advisory board.

Similar concerns arise with regard to the Balashray. Considerable resources are spent on a relatively small number of children. Rehabilitation of rescued illegal child labour is critical for the future of these children. Balashray plays an important role to care for those children which have been rescued.

However, RUGMARK Balashray is under-enrolled in an environment where many rescued children do not benefit or enjoy rehabilitation. Balashray should open to serving rescued children from other organisations and other sectors.

At another level there is need to evaluate the effectiveness of the Balashray model in rehabilitation of rescued children and share the learning across different stakeholders. This may assist in widening of the impact of Balashray.

Market Trends and their Possible Impacts on RUGMARK and CARE & FAIR

The current international debate and consumer attention focus more on core labour standard and payment of minimum wages rather than on the single issue of illegal child labour. Shall RUGMARK and CARE & FAIR relate to this trend and if, how could it be translated into practice?

Larger companies in Europe (and USA) have started to develop and market their own code of conducts not choosing a sector based initiative, such as RUGMARK. Is this perceived as a threat for RUGMARK and CARE & FAIR in the future?

With the increase in oligopolisation of the carpet market in Germany many of the smaller retailers have disappeared from the market. Karstadt and Kibbeck, who are the two main buyers of RUGMARK, follow this trend. How will this affect RUGMARK and in particular CARE & FAIR?

The number of exporters applying for and operating on commercially implemented certification systems like ISO 9000, 14000 has significantly grown. Will it undermine the relevance of social labels? Will it affect RUGMARK and CARE & FAIR?

NGOs and UNICEF advocate for a comprehensive approach for the elimination of child labour in the source area. RUGMARK and CARE & FAIR work in the production area. How do both approaches complement each other? Is there cooperation?

Some Preliminary Recommendations

Monitoring and Inspection:

Widening of RUGMARK label from single standard, child labour, to more comprehensive standard, such as environment and wages should be examined, in light of the market development.

Initiatives should focus on promoting a pro-active role of exporters in improving social standards rather than teaching them a compliance approach. Here, apex bodies and NGO can play a role in fostering corporate social responsibilities. There is scope to improve many social standards at low or even without additional costs. Social standards are linked with quality and market image.

The future relevance of the RUGMARK inspection system will depend on market dynamics and consumer trends. Abolishing inspection is certainly not recommended, however, modification would be desirable, giving more importance to inspection of self-regulation.

There is need for greater awareness and participation of the communities, specifically the carpet workers should be developed. This need not necessarily be implemented by RUGMARK and CARE & FAIR but partnerships with NGOs or community based organisations could be explored.

Social Projects:

RUGMARK: RUGMARK could extend its expertise and services for rehabilitation to children from other looms and sectors. This may be done in partnership with other organisations.

Contacts with parents need to be fostered and possible early return of children considered. RUGMARK needs to follow up on the progress of the children who graduate from Balashray.

The initiatives need to explore possible networking and resource mobilisation from government, non governmental organisations in order to include more and more children in the schooling system.

RUGMARK and CARE & FAIR shall pay special emphasis on increasing commitment of members who are or have become rather passive.

Annex VII: Feedback Workshop, Nepal

**Evaluation of RUGMARK and CARE & FAIR
Nepal**

Conducted for the German

Ministry of Economic Cooperation and Development

Preliminary Observations and Analyses

Presented on

11 December 2002

Mrs. Sushma Bajhracharja

Dr. Berthold Kuhn

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1. General picture of RUGMARK and CARE & FAIR

Both, RUGMARK and CARE & FAIR were founded in the mid-90s in response to the deteriorating image of Nepal's carpet sector among European consumers with the aim to eliminate illegal child labour in the sector and to build and maintain a clean image in the markets. The push for initiating the organisations came from the European markets. In case of RUGMARK it was strongly facilitated and supported by development organisations.

RUGMARK has established a social label certifying that the carpet was manufactured without illegal child labour. Its approach is three-fold: It operates an inspection system, it helps rescued children taking a new start to their life and it runs activities to prevent children from getting behind looms.

RUGMARK has a governing board with 9 members: 4 exporters, 4 NGO representatives, and one person who has retired from an international development organisation.

CARE & FAIR was established in Nepal in 1994 and registered with the Social Welfare Council in 1995. CARE & FAIR wants to eradicate child labour in the carpet sector. Members agree to assure that children do not work on looms supplying them with carpets (social conduct).

Furthermore, CARE & FAIR runs health centres and day care centres; it provides financial support to schools to improve the welfare of children and poor communities in carpet producing areas assuming that when good quality educational facilities are available in the village fewer children will work behind looms.

The governing board of CARE & FARE only includes carpet exporters.

2. The Situation of Illegal Child Labour in the Carpet Sector in Nepal

Children used illegally in carpet manufacturing have been the main concern of both organisations. Target groups were in particular bonded and migrant children, as well as children of weavers who get involved in weaving without attending school.

Back in the mid-nineties large numbers of such children worked in the carpet sector. One factor that contributed to the situation certainly was the economic boom the carpet sector experienced at that time. But there was also a low degree of awareness in the sector.

Today, the number of children behind looms has dropped dramatically. During the course of last year RUGMARK rescued about 20 children that were illegally used in carpet manufacturing. Estimates state that today

These developments in carpet manufacturing are not always mirrored in the whole supply chain. Yarn is hand-spun in small back-yard operations and frequently involves children.

3. Strategies to Reduce the Number of Illegal Child Labourers in the Carpet Sector

RUGMARK: Inspection and Monitoring

RUGMARK used the strategy of establishing a social label certifying that the carpet has been manufactured without child labour. In order to create and maintain credibility for the label an inspection system was set up.

RUGMARK has a team of 4 inspectors who visit about 470 carpet factories that are run by (or for) the licensees (148 licence holders).

The factories are categorised by performance: good performers (no child labour, good working conditions), medium performers and poor performer (child labour found in the past, working conditions substandard). According to the performance inspectors decide on the frequency of visits. Good performers may be visited one time a month; poor performers may be one time a week.

RUGMARK inspects about 75% of the carpet factories in Nepal!

RUGMARK inspectors are well known in the factories. They check on children working illegally in factories; wages and wage payment systems are included, benefits for workers as well as sanitation and environmental aspects. They provide advice on social questions to weavers and loom owners.

In a way RUGMARK inspectors have taken on the role of a social worker.

CARE & FAIR: Social conduct

CARE & FAIR members sign a social conduct thereby assuring that no illegal child labour is involved in the manufacturing of their carpets. The organisation has about 50 members; half of them are also members of RUGMARK.

4. Social Programmes

4.1 Bringing Back Illegal Child Labourers

RUGMARK places high emphasis on supporting children that have been used on looms illegally.

They are admitted to a transition home where RUGMARK staff checks whether and how best the children can be re-united with their parents. If that is done, regular follow-up visits are done by a monitoring person of RUGMARK. Once returned children can receive financial support to enable them to visit school.

In case they cannot be reunited with their parents, the children are admitted to a rehabilitation centre where they receive counselling support; they attend the local school and can take up vocational training. They may stay in the centre up to the age of 18.

RUGMARK staff is professionally trained for this task and take regular peer supervision.

The support for these children (477 in total since 1996) is intensive and costs in the range of 3500 Rs per child per month.

CARE & FAIR has no activities in this field.

4.2 Preventing Children to get into Illegal Employment

RUGMARK uses three instruments for the prevention of child labour:

It finances day-care facilities for children of weavers situated in the vicinity of carpet factories: 4 centres are run by licensees, 1 centre is run under contract by an NGO. The factory owners pay for the rent of the building, parents pay for the food and RUGMARK covers the other costs.

RUGMARK provides scholarships to able children of weavers (41 in the past).

Furthermore, RUGMARK runs awareness campaigns among factory workers (13 factories in the past).

CARE & FAIR supports 6 schools as well as one day care centre.

The organisation select government schools based on a need analysis within the community and according to the proximity to member factories. CARE & FAIR pays for the salaries of several teachers, in particular at secondary level, and has funded certain infrastructure developments. This has helped some schools to upgrade from primary to secondary schools.

Due to this help, children are now able to visit secondary school which was not possible before. CARE & FAIR's support also impacted on the quality of the school since an increasing number of children pass SLC exams (rates are above the national average).

CARE & FAIR supports one day care centre which is run by a local NGO Child Welfare Centre. CARE & FAIR bears around 70 percent of the budget, the rest is provided by the NGO. 90% of the children come from weaver families who work in factories of CARE & FAIR members.

4.3 Health Centres

CARE & FAIR operates four health centres. Workers of CARE & FAIR members who gave special donations to the clinic in their area receive health vouchers at their request.

The vouchers guarantee them free registration and counselling services at CARE & FAIR clinics.

They get 50% discount for x-rays and laboratory services. Complicated cases can be referred to certain hospitals where they may qualify for a reduced rate.

Patients working for members of other CARE & FAIR registered companies enjoy preferential rates (reduced admission fees and counselling at 7 to 15 Rs). Patients not presenting CARE & FAIR vouchers pay 15-25 Rs admission fee and reduced fees for treatment. The admission fees in a privately run clinic runs to 200 to 250 Rs

5. Relevance of both Organisations in Today's Environment

The focus of RUGMARK and CARE & FAIR has been on illegal child labour in the carpet sector since its inception. Is this focus still justified in a situation when the number of illegal child labour behind looms has come down to a very low level while illegal child labour in other sectors is still rampant?

It appears that the issue of child labour is not anymore an issue of high concern to consumers in Europe and North America. At least, it is not a factor that crucially influences buying decision of consumers. Price, design, colours and other features play a much higher role.

Will it be necessary to increase the relevance by widening the single standard label that is child labour, to include issues that are of concern to consumers?

6. Market Developments and their Impacts on the Financial Situation of both Organisations

The markets for Nepali carpets has declined dramatically over the past years. Sales in the most important market for Nepali carpets, that is Germany, have dropped by more than 60%.

The activities of CARE & FAIR have been fully funded through the contributions of exporters and importers. RUGMARK receives its income from membership fees and licence fees from the sale of carpets. In addition to that RUGMARK receives significant financial support from development organisations (mainly UNICEF).

The income of RUGMARK and CARE & FAIR depends crucially on the sale of carpets. With the decline of the market RUGMARK's income from labelling fell by 60%, while that of CARE & FAIR by 80%.

Due to financial constraints, CARE & FAIR has now reduced its commitment for financial support from 3-5 years agreements to 1 year agreements. The total budget for social project for the coming year has been slashed by 60%. The number of projects has come down from 17 to 11 projects: 4 clinics, six schools and one day-care centre.

It appears that CARE & FAIR has planned its social projects on the basis of the funds flowing in. Decisions are taken in Germany.

RUGMARK's approach was more demand driven: what can we do to help children and their parents rather than plan and design support measures on the basis of income generated from the sales of carpets.

Both organisations did not consider building up a reserve fund.

7. Increasing the income from the sale of carpets

RUGMARK at present covers 75% of the total production capacity in the country. Yet, only 8% of the total carpet export has a RUGMARK label. Importers in Europe avoid payment of the licence fee.

8. Cooperation and Networking

Numerous organisations - NGOs, development organisations, government and others - work on issues of illegal child labour. Combating child labour involves many different competencies and work at very different levels. Working effectively will require a networking and cooperation with other organisations.

RUGMARK has taken the initiative to bring together different organisations to form a task force that facilitates the cooperation among child labour related welfare organisations. CARE & FAIR has been part of that initiative. In a first attempt the group has identified strong areas of the different organisations with the aim of dividing tasks.

9. Trends and their Possible Impacts on RUGMARK and CARE & FAIR

Child labour today is less of an issue for consumers than it was back in the 90s. The current international debate and consumer attention focuses more on core labour standards, payment of minimum wages and environmental issues rather than on the single issue of illegal child labour. Shall RUGMARK and CARE & FAIR relate to this trend and if, how could it be translated into practice?

Larger companies in Europe (and USA) have started to develop and market their own code of conducts not choosing a sector based initiative, such as RUGMARK. Is this perceived as a threat for RUGMARK and CARE & FAIR in the future?

With the increase in oligopolisation of the carpet market in Germany many of the smaller retailers have disappeared from the market. Karstadt and Kibbeck, who are the two main buyers of RUGMARK, follow this trend. How will this affect RUGMARK and in particular CARE & FAIR?

10. Preliminary Recommendations

10.1 Goals and strategies

The environment in which both organisations work has changed dramatically since their inception: Illegal employment of children in the carpet sector has fallen to low levels while the same is still rampant in many other sectors; awareness on child labour issues among the key actors of the sector but also in the society has increased. The sale of carpets and with it the income of both organisations has fallen dramatically.

Both organisations urgently need to rethink and possibly adjust their goals based on today's environment and from there develop new strategies.

10.2 Managing the organisations in meagre times and beyond

Both organisations are seriously affected by the current downturn of the sales of carpets. CARE & FAIR had to cut back their spending on social projects significantly; RUGMARK has received financial assistance from development organisations in the past; however, it is expected that these will be cut back too and serious cutbacks may be unavoidable.

CARE & FAIR and RUGMARK need to define core activities which are non-negotiable for their identity and which can be funded from their own income. Parallel to that they need to start establishing and building up a reserve fund. Activities not belonging to their core will have to be reduced or stopped.

RUGMARK should comply with its benchmark of funding the monitoring and inspection system from the 0.25% licence fee paid by the exporter. This will leave them with 0.75% which can be used for financing social projects (core activities) and starting up a reserve fund. Beyond that they may take up other social activities on a project base with external project funding.

The attempt to strengthen cooperation between the different actors in the field should be pursued. Assigning particular fields of work to particular partners in a network, as already planned, should be taken up.

Furthermore both organisations should encourage exporters to take on the responsibility which they have in social welfare for their workers according to Nepal's Factory Act.

10.3 Strategies towards financial self-reliance

Stricter management of available funds as discussed above is certainly one important strategy. Both organisations should explore further strategies to increase their income.

Moving towards a 100% labelling of Nepali carpet exports is one strategy that should be pursued. RUGMARK should continue and intensify its discussions with government officials including the Carpet and Wool Board.

Jointly with their partners in Europe both organisations need to explore through which strategies the sale of Nepalese carpets can be stabilised and increased.

Opportunities for cooperation and synergies with the GTZ project Private Sector Promotion need to be explored, which has the same goal for its carpet promotion programme.

CARE & FAIR should increase its PR activities and explore fund raising opportunities with business clubs (Rotary, Lions Club) in view of the sharply declining revenue and the continued need for support of its social projects.

10.4 Social standards, Monitoring and Inspection

Widening of the RUGMARK label from single standard - that is child labour -, to a more comprehensive standard, such as wages, conditions at work place, environment etc. should be examined, in light of the market development. This could also include a certificate of origin.

In fact, already now, RUGMARK inspectors go far beyond monitoring just the presence of child labour. They do cover already wages, wage payment systems and conditions at the work place.

Monitoring yarn making work places for child labour should be covered by the inspectors. The assurance that no illegal child labour is involved in carpet manufacturing must apply to the whole supply chain.

RUGMARK should consider adapting its monitoring and inspection system that is currently based exclusively on external inspection towards giving more responsibility for self-regulation to

exporters. The exporter's system will have to be followed up with inspections by RUGMARK- however at a lower intensity. That could allow RUGMARK to shift its focus of inspection more towards the "bad guys" without spending more resources for inspection.

10.5 Promote a pro-active commitment rather than compliance approach

Social standards are linked with quality and market image. Initiatives should focus on promoting a pro-active role of exporters in improving social standards rather than teaching them a compliance approach. Here, apex bodies and NGO can play a role in fostering corporate social responsibilities. There is scope to improve many social standards at low or even without additional costs.

10.6 Social Projects

RUGMARK has taken on too many activities and relies heavily on external funding. CARE & FAIR had to make painful cuts in their budget for social projects. Both organisations should define core areas in which they need to be active (e.g. based on the recommendation of the task force that was initiated and facilitated by RUGMARK). Other activities may be developed and implemented on a project basis with external funding.

Both organisations should have phasing out strategies from the start of funding a particular project.

Both organisations should become active in mobilising and lobbying its members to comply with the factory act. For example, factories with more than 50 employees have to offer day care facilities for children of weavers.

RUGMARK needs to assess the effectiveness of their approach to rehabilitation and should conduct a tracer study on children who left the rehabilitation centre.

10.7 Networking and cooperation

RUGMARK and CARE & FAIR should continue and enhance their efforts to bring together key actors in the field of child labour to explore opportunities for cooperation.

Powerpoint Presentation for Feedback Workshop, Nepal

RUGMARK and CARE & FAIR were both established in mid-1990s in response to consumer awareness campaigns, in particular in Germany

RUGMARK

- Social label for carpets produced without illegal child labour
- Social code of conduct for producers
- Rehabilitation of rescued children
- Prevention activities (e.g. day care centre)
- Governing body comprising exporters and NGOs

CARE & FAIR

- Code of conduct for members
- Support to government schools in proximity of factories
- Opening of clinics in proximity of factories (voucher system)
- Governing body comprising only exporters

Child Labour in Nepal

- 2 million working children, mainly in agriculture,
- Hazardous child labour in rag picking, mines, prostitution, carpet industry
- Child labour in the carpet industry is now less than 1 % of all working children
- Child labour was rampant in the carpet industry in the mid-1990s when the demand for labour was high
- Some children are still involved in yarn making while the number of weaving children is estimated at less than 600

Inspection System of RUGMARK

- Regular inspection system (4 inspectors), with informal A, B, C classification, more visits to C group
- RUGMARK inspects 470 carpet factories run by 148 licencees. It inspects 75 % of the carpet factories in Nepal, but only 8 % of exported carpets
- Inspectors also assess and talk about wages, sanitation and environmental aspects

Social Initiatives of RUGMARK

- One Transit home and one rehabilitation centre for rescued children, 477 children since 1996 at a cost of 3500 Rs per child per month
- Reunification with parents if possible, based on an assessment of RUGMARK staff with follow up of the reunited children
- Day-care facilities situated in the vicinity of carpet factories (3 in total)
- Awareness raising campaign
- Provision of scholarships for children of weaver parents (approx 50 in total)

Social Initiatives of Care and Fair

- 11 social development projects (down from 17)
- 6 government schools, upgrading of facilities and payment of teacher salaries, impact on quality and quantity
- one day-care centre run by NGO Child Welfare Centre (70 % of the budget by CARE & FAIR)
- Day care centres and clinics in the premises of member factories
- Four clinics – free treatment on the basis of vouchers for workers of exporters who gave special donations, reduced fee for workers of CARE & FAIR members, access also to others, referrals to other hospitals

Finances

Rugmark

- Declining budget from 271,000 \$ in 1999/2000 to 169,000 \$ in 2000/2001
- Income from fees and exports at 61 % (2001)
- Declining external assistance, mainly UNICEF
- Rise in programme costs, including inspection costs
- Reduced social activities

CARE & FAIR

- Declining budget from 254,000 \$ in 1997 to 103,000 \$ in 2001.
- Only income from fees and exports
- External assistance to government schools and clinics from individual exporters not budgeted
- Reduced financial commitments (amount, period)

Critical issues

Rugmark

- Dialogue with Government on 100% coverage
- Scope for more income Generation from licencees and membership fees?
- Corporate identity of Rugmark Family?

CARE & FAIR

- Mobilising of funds for social projects
- Scope for income generation from licencees and membership fees?
- Partnerships with members and NGOs on social projects

Co-operation Modalities?

Fundamentals for RM and CF

Rugmark

- Financial Self-Reliance of core business
- No illegal child labour in exported carpets
- Relevance in Nepal and in export markets
- Strategic alliances (Rugmark family, Government, NGOs and others)
- Rehabilitation ?
- Prevention

Care & Fare

- Financial Self-Reliance of Core Business
- No illegal child labour in member factories
- Visibility within vicinity of carpet factory
- Relevance in Nepal and in export markets

Recommendations

Rugmark

- Widening label content and accordingly adjusting of inspection and monitoring: yarn making, other social and environmental standards?
- mid-term strategy for establishment of endowment fund
- More public relation, networking and fund raising to receive external support (business clubs) for non-core activities.

CARE & FAIR

- More pro-active communication and strategy development from Nepal on social projects
- More public relation, networking and fund raising to receive external support (business clubs) for non-core activities.
- Mobilisation of members for respect of other social and environmental standard (improved social corporate identity)

Recommendations

Rugmark

- focus on core competencies (reduced portfolio)?
- considering co-financing and social joint ventures (task force), phasing out day cares with members?

CARE & FAIR

- Phasing out day care joint ventures with members?