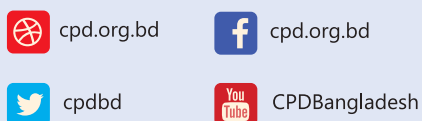


Key Points

- The programme's objective is to contribute towards enhancement of an environmentally sustainable and climate-neutral growth in Bangladesh with productive employment opportunities for women and youth.
- If Bangladesh can have a green growth policy, that will lead to having a package of three interlinked benefits, not only on economic fronts but also on social and environmental fronts.
- The green transition involves a lot of challenges which include inadequate policy support, insufficient resources, lack of fair prices, less technological progression, inadequate manpower, lack of skilled human resources among others.
- Green transition in the textile and RMG sector needs strategic collaboration of all stakeholders. The private sector along with the government can play an important role to set the agenda clearly and take this initiative forward.



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Securing Green Transition of the Textile and Readymade Garments Sector in Bangladesh

BACKGROUND

As the country is moving forward to expedite economic growth and is getting more integrated with the global market, it is also bringing challenges along, which include—the need to adhere to international labour laws and ensuring safety standards in working conditions particularly in manufacturing, and the need to be environmentally compliant. Green economic transition is crucial for a sustainable growth. Following Bangladesh's graduation from the least developed country (LDC) category in 2026, Bangladesh will need to comply with stringent compliance requirement in many areas, including environment, to remain competitive. Moreover, the textile and readymade garments (RMG) industry, being one of the most resource-intensive sectors, has high potential to contribute towards achieving Bangladesh's climate goals. In this context, the Centre for Policy Dialogue (CPD) has undertaken a programme titled "Securing Green Transition of the Textile and Readymade Garments Sector in Bangladesh" in collaboration with the Embassy of Sweden in Bangladesh.

The objective of the programme is to contribute towards the enhancement of environmentally sustainable and climate-neutral growth in Bangladesh with productive employment opportunities for women and youth. The programme will explore barriers to green transformation, review existing fiscal measures, identify best practices suitable for green transformation, and build up evidence on how green transition in this industry will generate new opportunities to benefit firms, workers, economy and society. In order to launch this programme, CPD organised a dialogue on 30 January 2022.

Mr Saber Hossain Chowdhury, MP, Chairman, Standing Committee on Ministry of Environment, Forest and Climate Change, Bangladesh Parliament was present at the dialogue as the Chief Guest. *Dr Fahmida Khatun*, Executive Director of CPD, moderated the dialogue and made a presentation introducing the programme. *Ms Christine Johansson*, Deputy Head of Mission and Head of Development Cooperation, Embassy of Sweden, delivered the welcome remarks.

INTRODUCTORY REMARKS

Why Is Green Transition Needed?

In the launching dialogue, Dr Fahmida Khatun presented on behalf of the study team. She said that a green economic transition is crucial for sustainable economic growth and this issue has received prominence particularly after the Paris climate agreement in 2015, which includes a number of commitments. This has been reiterated in the recently concluded 2021 United Nations Climate Change Conference (COP26). This is particularly important for Bangladesh since the country is vulnerable to the impacts of climate change and is also beset with a number of pollution related problems. Hence, the Government of Bangladesh (GoB) has already made commitments for greenhouse gas (GHG) reductions and other climate measures and shown its efforts through the formulation of several regulatory and fiscal policies. In line with the growing need to enhance environmental compliance, this calls for the initiatives of all stakeholders from all sectors. Especially, the private sector has to play the most important role in mitigating the challenges of climate change.

The textile and RMG sector is one of the most resource-intensive sectors having a high potential to reduce environmental degradation and contribute towards achieving Bangladesh's commitment for GHG reduction. On the other hand, Bangladesh's economy is also at a crossroad in the sense that there has been a number of achievements which have multiple implications not only at the domestic level but also at the global level. In addition, Bangladesh is going to graduate from the LDC status by 2026 and has also aimed for becoming an upper middle-income country by 2031. These factors are going to pose greater challenges in terms of availing the market access related facilities, including generalised system of preferences plus (GSP+). Hence, the environmental compliance requirements will become more stringent. Therefore, GoB and the textile and RMG sector need to have a clear strategy for accumulating environmental and sustainability commitments in various areas such as clean energy, waste management, robust climate

actions vis-à-vis the emerging European Union (EU) Green Deal, and circular economy framework. If Bangladesh can have a green growth policy, that will lead to having a package of three interlinked benefits, not only on economic fronts but also on social and environmental fronts. Economic benefits will be observed through an increase in productivity, increase in innovation and increasing economic growth. Additionally, environmental benefits will include efficient resource use, less waste and pollution, climate change adaptation and mitigation, less consumption of energy, and management of hazardous chemicals. There are, by the same token, a number of social benefits in terms of employment generation raising employment levels and also socio-economic improvements.

Challenges for the Green Transition in Bangladesh's RMG and Textile Sector

Dr Fahmida mentioned, the green transition involves a lot of challenges as it is not easy to implement particularly for a country like Bangladesh facing a myriad of constraints including inadequate policy support, insufficient resources, less technological progression, inadequate manpower, and lack of skilled human resources. The first challenge is that there are a number of policies adopted by the government but they are not adequate for a comprehensive green economic transition. Secondly, greening the textile and the RMG sector requires large financial investment for improved production process and also for resource-efficient productivity. Thirdly, there is a lack of awareness among the sector representatives as well as the common people regarding environmental compliance requirements. Fourthly, there is lack of information and knowledge about the process of integrating the new transformation activities with the pre-existing business model. The reality is, even after being clean, the clean factories are not getting premium prices. Lack of any premium prices for green products discourage other factories to follow suit. Besides, small and medium sized factories or factories in tier 2 and tier 3 which are not large ones may not be in a position to make investment for green production process.

One of the important ways to overcome the challenges is of course the policies—policies by the government, which include pollution control policies, resource efficiency and cleaner production policies, energy management policies, and chemical waste management policies. The second one is mobilisation of and access to finance; that will be the determining factor for promoting green and sustainable sector. Then there has to be a balance where there will be preparedness and innovation so that the sector gets green but at the same time it contains its labour-force and it also increases its absorption of the labour-force.

Objectives of the Programme

Ms Christine Johansson mentioned that this programme's objective is to contribute towards enhancement of an environmentally sustainable and climate-neutral growth in Bangladesh with productive employment opportunities for women and youth. "We are so pleased to launch this important partnership between Sweden and the Centre for Policy Dialogue." She said, Sweden is a long-standing political economic trade and development partner to Bangladesh, and this year marks the 50th anniversary of this steadfast dynamic partnership. Swedish development cooperation ultimately aims to reduce poverty and oppression around the world. In this connection, Sweden has a five-year-long development cooperation strategy for Bangladesh. It focuses on four strands of development: gender equality; climate and environment; inclusive economic development; and health including sexual and reproductive health rights.

Shedding light on the importance of the project, *Christine* said, "All of us here recognise the crucial importance of the textile and RMG sector to the Bangladesh economy. The sector stands for about 85 per cent of the country's total export and Swedish companies stand for 10 per cent of this." Given Sweden's strong presence in the RMG sector, it's a natural end point to promote advancement of social and environmental concerns. The textile and RMG sector is one of the largest sources of pollution and energy consumption, and the negative impacts of climate and environment have dire consequences for

the lives and livelihoods of both men and women. She mentioned, "The sector is also an important provider of employment opportunities for women, and many households depend on this sector. Therefore, the productivity and sustainability of the sector goes hand in hand with safeguarding women's economic rights and promoting economic empowerment and poverty reduction."

Christine remarked that Bangladesh has excelled strongly on many levels in the last years. As a result, it is on track to graduate from a least developed country status. This means great possibilities but also challenges as already have been addressed by several speakers here. Bangladesh will lose the preferential access to European and other country's markets if it cannot meet the demands in terms of environmental compliances. She added, "It is therefore important that Bangladesh's textile and RMG sector—on a large scale—should prepare and equip itself for the green transformation to respond to increased future requirements to continue to be an important trading partner to Sweden and the EU."

She further stated that this project will contribute to uncover evidence on the type of drivers to bring transformation and the barriers that actors in the sector face as well as to explore the knowledge interest and capacity in adopting green transition initiatives. "Sweden is confident that CPD is well placed as an economic and policy think tank to lead this part of the process and also to engage relevant stakeholders across the value chain." She believes, support and contributions from all stakeholders will help ensure the achievement of a common objective.

Research Approach of CPD

Dr Fahmida Khatun said that CPD would take a three-pronged approach in this regard. The broad framework is to map the knowledge gap and generate evidences. She said, CPD aims to disseminate the knowledge so that further scope of debate and discussion on the findings can take place, and to come to a point where ground can be made for policies or the path forward in order to have a green, competent and a

vibrant sector. The research team will explore the evidences on barriers and also the drivers to green transformation in the sector. They will understand the firm's knowledge interest and capacity to adopt green initiatives. Also, they will explore entrepreneurs' idea about the cost saving and willingness to invest whether and how much they want to, and identify what are the skills the workers including women need to acquire for sustainable environmental practices. Finally, CPD will make a number of policy recommendations for the government as the government is also a key player in this area. Thus, a rigorous analysis based on the data collected from the field-level survey will be performed and the research findings will be disseminated accordingly to chart out necessary policies.

SUMMARY OF THE DISCUSSION

Green Growth Scenario in Bangladesh

In recent years, Bangladesh has made impressive strides in improving working conditions. The country is now home to the highest number of green garment factories in the world. Currently, Bangladesh has 157 LEED (Leadership in Energy and Environmental Design) green garments factories certified by the US Green Building Council (USGBC), and among them, 47 are LEED platinum rated, and 96 are gold. Nearly 500 more garment factories are waiting to be LEED-certificated. Moreover, 40 out of top 100 factories are located in Bangladesh, and seven out of the top 10 factories are in this country.

Mr Faruque Hassan, President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said, these green factories are equipped with all the eco-friendly features and emit 40 per cent less carbon than a conventional factory. While sharing some BGMEA-led initiatives and achievements, he mentioned that the BGMEA has been recently awarded with the UGSBC Leadership Award 2021 which is by far the first of its kind for any association in Bangladesh. BGMEA has placed the UN fashion industry charter for climate action with a commitment towards facilitating further reduction of 30 per cent GHG emission in the

industry. He said, consumers are getting more environmentally conscious, international brands are taking policies for zero emission. This is not only about making the manufacturing process cleaner and greener but also circular. In fact, circular fashion has got a huge potential in the global fashion market space. BGMEA is already working for that purpose. "We are collaborating with few brands to facilitate, promote and build capacity for circular framework." He also stated that BGMEA has published its own sustainability reporting based on Global Reporting Initiative (GRI) guideline where environmental sustainability is one of the major components. The BGMEA engages with IFC and global brand and successfully implement the partnership for cleaner textile project and with amazing result in terms of water and energy saving.

Mr Fazlul Hoque, Managing Director, Plummy Fashions Limited and Former President, Bangladesh Employers Federation (BEF) and Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA) added in this context that the credit for the green initiatives in this sector is due the entrepreneurs rather than buyers. He said, it is absolutely an initiative by entrepreneurs at their own cost. "Though it involves huge a huge cost without any significant return, we made this effort to improve the overall standard of our sector", he said. Plummy Fashions Ltd., where he is the Managing Director, is the world's greenest knitwear factory.

Mr Mohammed Zahidullah, Chief Sustainability Officer, DBL Group, said that Bangladesh started its journey towards green transition 10 years back in 2011. With the help of International Finance Corporation (IFC), over 200 Bangladeshi factories improved their environmental impacts through clean production and responsible construction. It is Bangladesh's RMG and textile industry which is a pioneer in promoting the green transition in this industry in terms of cleaner production and responsible consumption which has even been adopted by brands across the globe. He also opined that this journey has happened only because of the entrepreneurs' commitment to the brands.

Challenges

Policy support and financial support not adequate

Speakers at the programme emphasised policy support and incentive benefits. These are two major challenges for green transition. They opined that the government has a lot more to do in this regard.

Mr Fazlul Hoque said that there is some policy support which is not adequate at all. He said that green transition is such a responsibility which is carried on by the brands and entrepreneurs alone. While talking about two percent income tax rebate on the final settlement, he said, “We have to pay almost all of our income tax at source. Therefore, very little remain for final settlement and we get two percent rebate.” He focused on the importance of a green policy.

Mr Shams Mahmud, Managing Director of Shasha Denims Ltd. and former President of DCCI, highlighted the absence of acknowledgement and participation at government’s end. He said that there is a lack of a uniformed programme or a single window which is a key challenge in the process. He urged for a unified long-term government policy and an energy audit. He said that the government should recognise in its policies that circular economy is very important for the future of this sector. He also called for incentive in energy consumption.

Mr Mohammad Hatem, Executive President, BKMEA, demanded the government waive the duties on imported chemicals and reduce the source tax. He also said, “There should be a long-term loan system.”

Mr Zahidullah added, had there been some support in terms of financial support coming from the government such as incentive benefits and tax benefits, then the entrepreneurs would have turned the game. He also talked about the lack of funds. He suggested setting up a financial institution not for profit rather purely focusing on financing the green transition.

Green factories yet to receive fair prices

Pricing is a unanimous concern in terms of green transition in this sector. Speakers raised this concern as it is stunting the green growth. They opined that, without the support from buyers and the government, success cannot be achieved by putting the burden on the shoulders of the entrepreneurs and brands alone.

Mr Zahidullah commented that receiving the fair price from the buyers is still due. He said, “When it comes to giving the price, the price is not coming (from the buyers).” The greening of this sector needs strong commitment at the buyers’ end. “We need support from the buyers to move further in this journey.”

Mr Faruque Hassan said that the sector is ready for further improvement and betterment, but buyers are not paying better prices. He said, “Cleaner and greener product cannot come free of cost.” *Mr Fazlul Hoque* also opined that the buyers are taking credit through sourcing from this process, yet not ready to pay fair prices. Hence, he perceives that policy interventions are required.

Mr Hatem said that the RMG entrepreneurs is not getting adjusted price for their products, let alone the premium price for the goods produced in a socially and environmentally way. There is no price adjustment from buyers for both regular production method and eco-friendly one, and this acts as a hindrance to green transition in the RMG sector. He mentioned that buyers need to have a positive mindset while offering premium price for socially- and environmentally-responsible RMG products which will accelerate the pace of the green industrialisation.

Mr Saber Hossain Chowdhury stated, we need to explore if there are any opportunities to utilise the potential of e-Commerce in garments sector to cut out the middlemen. He suggested, “We should look forward to scopes—how to connect with the customers directly. That would help us get a higher price.” He further said, shipping lines will earn 200

billion dollars this year globally, and this cost will ultimately be passed on to the consumers. Hence, Bangladesh needs to find a way out to grow the profit. He agreed on the suggestion as regards importing the raw materials at a reduced rate. Buyers' price amounts to only 15 per cent of the retail price of a garment item. "This means, if we are selling a t-shirt at 10 dollars, we as the manufacturer get only 1.5 dollars, and the rest 8.5 dollars is going to the buyers. This is not equitable, this cannot be fair!" He also said, if the price is raised to 30 per cent, it will be better for all stakeholders. "If we can focus on increasing the size of the cake, instead of looking at the size of individual pieces shared, that will result in a win-win situation for all."

Strategic collaboration of all stakeholders needed

Collaboration of all stakeholders came up as a way forward. The speakers proposed to work together towards a win-win situation for all—workers, factory owners, brands, buyers, and the government. *Ms Nazma Akter*, Founder and Executive Director, Awaj Foundation said, "Everyone has to work together here." *Mr Shams Mahmud* said, "Now we don't see buyers as buyers. We see them as partners, we work together, we collaborate."

Mr Zahidullah thinks green transition in this sector needs support both from the buyers as well as the government. Echoing this, *Mr Fazlul Hoque* said that not only the policymakers and the buyers have a role to play in the process, the donor organisations and the think tanks should also come forward. *Mr Faruque Hassan*, too, emphasised the importance of a more strategic collaboration.

On this issue, *Ms Christine* said, there are certainly a lot of constraints and challenges. Sweden together with CPD really wants to support this necessary green reformation process, and it is obvious that the problems cannot be solved by the government alone. All stakeholders must play their part. Also, the private

sector can play an important role here to set the agenda clearly and take this forward.

Pro-worker environment required

Ms Nazma Akter, Founder and Executive Director, Awaj Foundation, said that, no economic progress is possible without the participation of people. Therefore, wellbeing of the workers should be at the forefront. For that, she emphasised the importance of collaboration between all relevant actors including manufacturers, buyers, brands, entrepreneurs, workers, associations and the government. If the welfare of the workers cannot be ensured, the whole idea of having a responsible sector will not be fulfilled.

Mr Fazlul Hoque said that his green factory is worker-friendly, and the overall environment is built in a way that fulfils the objective of a green factory initiative. He considers that the green factory by default is supposed to have a top-notch working environment for all kinds of workers, not only for females but also for youth.

Mr Faruque Hassan said, BGMEA is continuously working to ensure better care for our workers since workers' welfare and workplace safety are dominant factors. *Mr Hatem* said, working conditions are more developed now in the green industries. As for the childcare related issue, he said, "We don't get kids to keep in the daycare centres. However, the situation can be developed further through more positive response."

Better access to technology and skilled workforce needed

Echoing the points raised by the moderator, *Mr Faruque Hassan* said, greening the sector will require technical assistance with regard to access to technologies and building capacity of human resources, to embrace the green technologies and process. *Ms Nazma Akter* said that there is a crisis of skilled workers, which needs to be addressed through organisational support.

OPEN-FLOOR DISCUSSION

A number of distinguished guests participated in the open-floor discussion session and shared their perspectives. *Mr Mohammad Jahirul Quayum*, Deputy Secretary, Ministry of Commerce, said, “Our factories can take support from the government. Definitely, the government will facilitate that support, but the difficult part is to get support from the customers and it is not only a matter within Bangladesh. It is a challenge, a global challenge.” He considers that the challenge involves the fact whether the consumers are ready to support the green transition or not. In view of Bangladesh’s LDC graduation, he said that green transition is important as well as challenging for Bangladesh, and he is hopeful that the government would incorporate new policies to support the businesses after LDC graduation. Also, development partners and brands will also have to play a facilitating role.

Dr Khondaker Golam Moazzem, Research Director of CPD and an industrial economist, said, “The green initiatives should be pro-worker, it should not be beyond the workers’ interest and initiatives. Workers’ facilities should be ensured first, then green transition could be much more sustainable.” He also thinks that, not only the government sector, but also the associations, i.e. BGMEA, BKMEA and BTMEA, have an important role to play. He then put emphasis on industry- government interlinkages. “Often, we see that associations are showing much more interest to work with the Ministry of Commerce. Now is the time to work closely with the Ministry of Environment and the Department of Environment.” He said, “Since the Chairman of the Parliamentary Standing Committee *Mr Saber Hossain Chowdhury* is here, through his leadership in the coming days, the associations and the Ministry of Environment and the Department of Environment are expected to work more closely for the green transition process.”

CONCLUSIONS

Addressing all the suggestions based on the discussion, *Mr Saber Hossain Chowdhury* said, “I would

suggest a partnership where the Parliamentary Standing Committee works with all the stakeholders, including BGMEA, BKMEA, Workers’ representatives, and let us do a proper roadmap.” The roadmap can encompass the following—what is actually meant by the green transition, what issues to be covered, and how to overcome the challenges. Moreover, he stated that the issues which will be identified as the pressing need can be put on the table on a test basis to include those in the next fiscal budget. “In that process, if you all can convince the Ministries and the Standing Committee about it, we will endorse that proposal and take it forward to the parliament to provide required support,” *Saber Hossain* assured.

Saber Hossain Chowdhury added, now this initiative needs to be translated into financial benefits. Otherwise, the mission will not be sustainable. “We are undertaking this green transition because Bangladesh wants to make a statement that we are responsible citizens of the world.” He said that Bangladesh has earned a goodwill in the market, and it is the time to encash that goodwill. How we can translate those benefits, that is going to be a defining factor.

In closing, he said, it is encouraging that the partnership between Sweden and Bangladesh continues to thrive and prosper opening up new avenues. As a source country, Bangladesh can give products to Sweden—products that are organic and environment-friendly which will benefit the Swedish consumers. “How we can take this partnership to another level whereby we also inform and educate the Swedish people, that is also going to be very important.”

He welcomed this study, and ended with a call for a concrete framework to move towards the objective at the earliest. He mentioned, only policy formulation cannot help; enforcement and smart monitoring are important. “What is also important for us is to figure out how we can leapfrog and embrace the latest technologies surpassing the traditional barriers.” He thanked CPD for organising the event with a rich selection of participants.



Saber Hossain Chowdhury, MP
Chairman
Parliamentary Standing Committee on
Ministry of Environment Forest and Climate
Change, Bangladesh Parliament

I suggest a partnership where the Parliamentary Standing Committee will work together with all the stakeholders and let us build a roadmap.



Christine Johansson
Deputy Head of Mission and
Head of Development Co-operation
Embassy of Sweden

Sweden together with CPD really wants to support this necessary green reformation process, and it is obvious that the problems cannot be solved by the government alone. All stakeholders must play their part.



Dr Fahmida Khatun
Executive Director
Centre for Policy Dialogue (CPD)

There has to be a balance where there will be innovation so that the sector gets green but at the same time it contains its labour-force and increases absorption of its labour-force.



Faruque Hassan
President
Bangladesh Garment Manufacturers and
Exporters Association (BGMEA)

We need technical assistance with regard to access to technologies and building capacity of our human resources.



Mohammad Hatem
Executive President
Bangladesh Knitwear Manufacturers &
Exporters Association (BKMEA)

The RMG entrepreneurs is not getting adjusted price for their products, let alone the premium price for the goods produced in a socially and environmentally way.



Md. Fazlul Hoque
Managing Director
Plummy Fashions Limited and
Former President BEF and BKMEA

I strongly believe, this programme will generate scopes where CPD and Swedish Embassy can interact with the policymakers and play a vital role in formulating a supportive policy.



Mohammed Zahidullah
Chief Sustainability Officer
DBL Group



Nazma Akter
Founder and Executive Director
Awaj Foundation



Shams Mahmud
Former President of DCCI and
Managing Director of Shasha
Denims Ltd.

ABOUT THE PROJECT

This programme titled “Securing Green Transition of the Textile and Readymade Garments Sector in Bangladesh” is being implemented by the Centre for Policy Dialogue (CPD) in collaboration with the Embassy of Sweden in Bangladesh.

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