



CHALLENGES FACING THE BANGLADESH LEATHER INDUSTRY

118 SLTC CONFERENCE

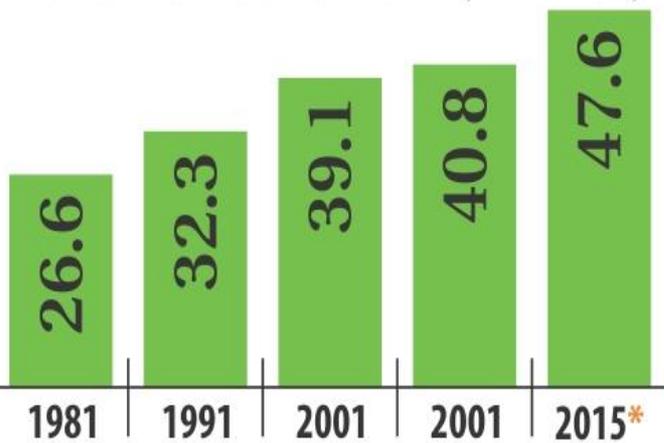


SYED NASIM MANZUR
MANAGING DIRECTOR, APEX FOOTWEAR LTD
&
PRESIDENT LFMEAB ,
(LEATHERGOODS & FOOTWEAR MANUFACTURERS & EXPORTERS ASSOCIATION OF BANGLADESH)

BANGLADESH SNAP SHOT

YOUNG PEOPLE (10-24 YEARS) IN BANGLADESH

NUMBER OF YOUNG PEOPLE (IN MILLION)

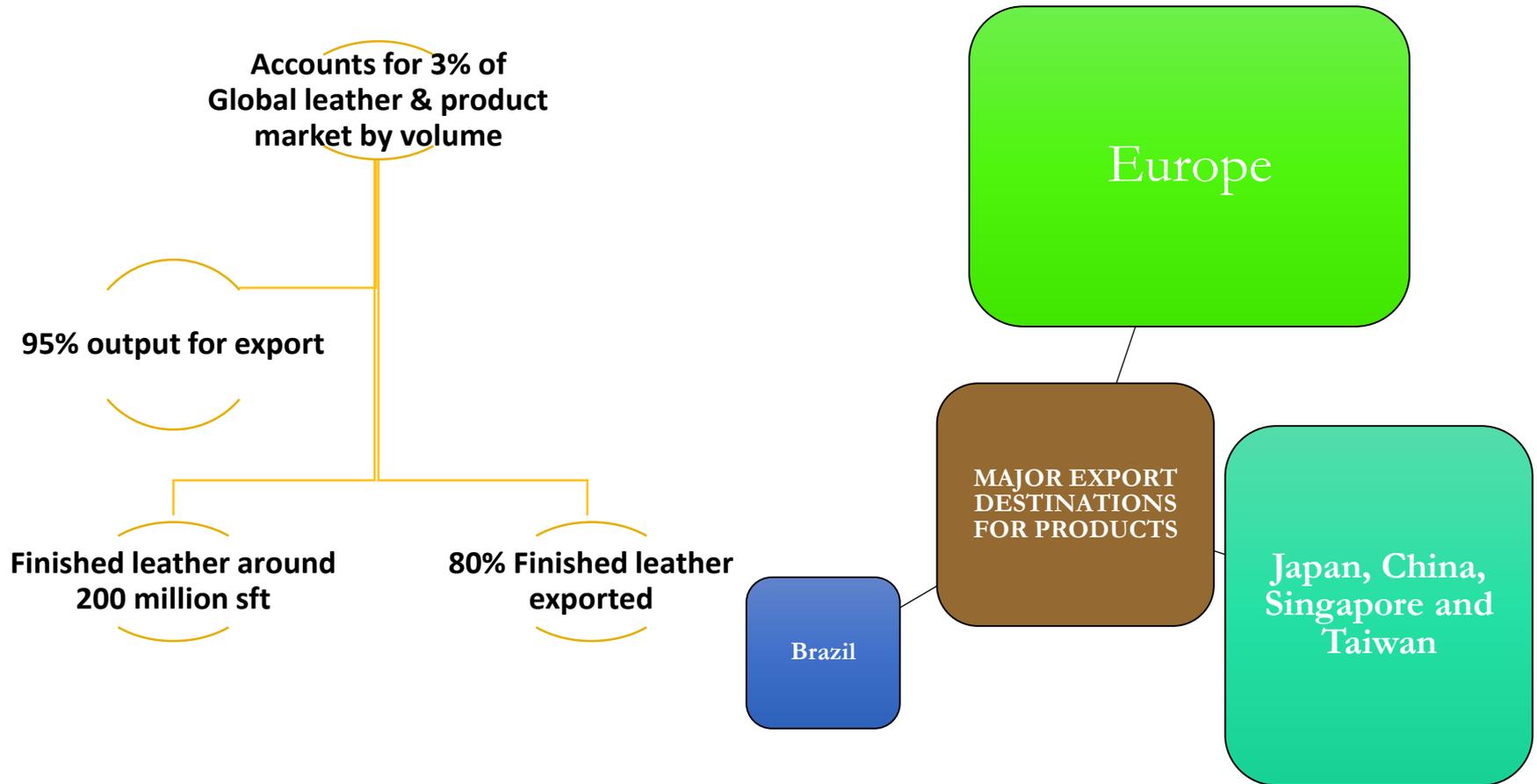


SOURCE: BANGLADESH POPULATION CENSUS;
*UN POPULATION PROJECTION

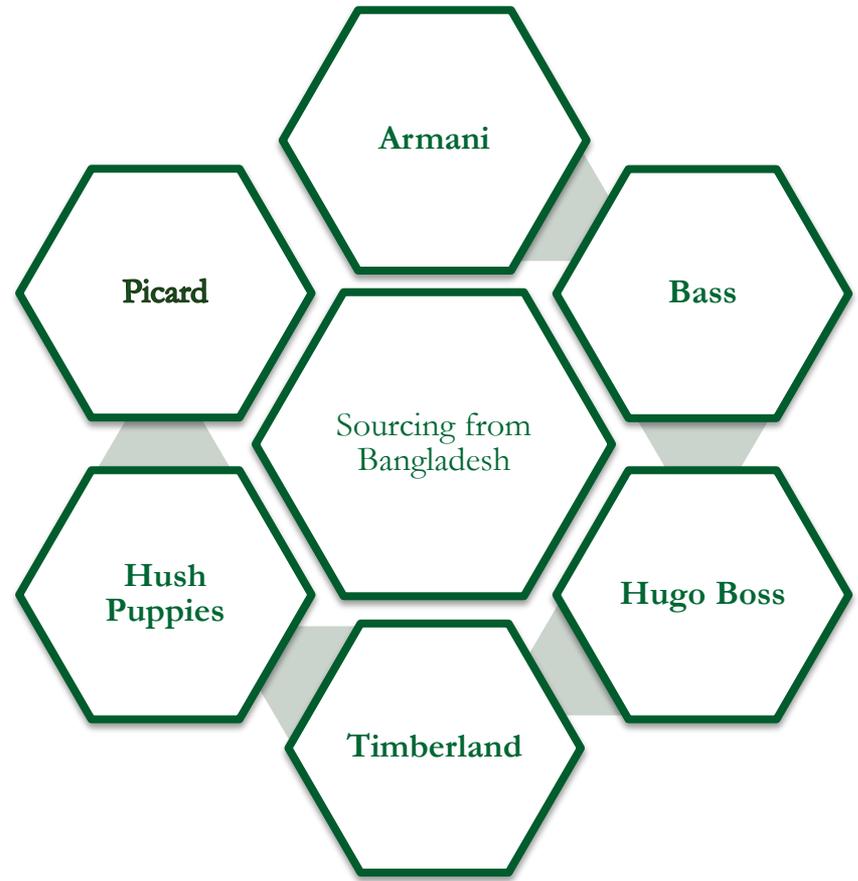


- Capital: Dhaka
- Area: 147,570 sq. km.
- Average GDP growth: 6+ % (average over last decade)
- Total population: 152 million
- Official Language: Bangla, English is generally understood

WORLD MARKET POSITION OF BANGLADESH



STATE OF THE INDUSTRY



RAW MATERIAL is the NATURAL ADVANTAGE

- **Bangladesh livestock base: 1.8% of the world's cattle & 3.7% of the world's goat**
 - **The annual supply of hides and skins in Bangladesh is estimated - 300 million sft.**
 - **Only 15-18% of the total supply is needed to meet domestic demand**
 - **About 76% of tanneries in Bangladesh are export-oriented**
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WHY IS LEATHER IMPORTANT FOR BANGLADESH?

80% of BD exports come from apparel & textiles

One of the 4 prioritized sectors

Exports of leather goods experienced exponential growth, 48.55% during FY 2013-14

The 4th largest foreign exchange earner

High value addition
Export diversification
Job creation



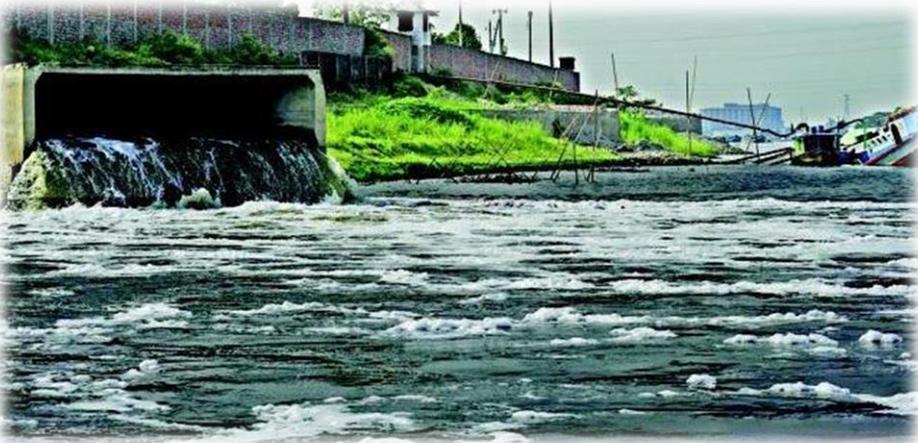
BUT GROWTH IS SERIOUSLY CONSTRAINED

**DESPITE STEADY GROWTH AND HUGE POTENTIAL,
INDUSTRY IS FACING 2 CRITICAL CHALLENGES IN ITS
TANNERY SUBSECTOR...**

**ENVIRONMENTAL
DEGRADATION OF
EXISTING TANNERY
AREA, HAZARIBAGH**

**INCREASED
EMPHASIS ON
SUSTAINABILITY**

POLLUTION FROM HAZARIBAGH TANNERIES



- Around 200 tanneries are located near the capital's river systems
 - The tanneries discharge the effluents and waste into the river Buriganga
 - Causing acid sludge alongside the flood protection embankment
 - The 149 operating tanneries produce 14,910 metric tons of effluent during the peak time, about 9,100 metric tons during the off-peak period
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TANNERY INDUSTRY CHRONOLOGY

1940: Leather processing industry begun in Bengal

1949: Establishment of Leather College in Hazaribagh

1965: Manufacture of Wetblue & Chrome tanned leather

1980: Expansion into Crust production

1986: Government ordered 903 factories to clean up

1990: Move into finished leather & products production

1991: Ban of Wetblue exports

2001: High Court ordered GoB & factories to act within one year

2002: Government finalized site for relocation of tanneries -TED

WHY WAS HAZARIBAGH ORIGINALLY SELECTED?

Outside the city

Near the river

Uninhabited

Designated as an industrial area

SO THEN HOW DID HAZARIBAGH BECOME UNSUSTAINABLE?

- ❑ Number of tanneries grew exponentially
 - ❑ Post independence, government sold abandoned industrial plots indiscriminately
 - ❑ Dhaka expanded rapidly & Hazaribagh become part of Dhanmondi, a prime residential zone in Dhaka
 - ❑ Many new owners began to use illegally this industrial land for residential purposes due to the central location of Hazaribagh
- (Even now no residential permit is allowed officially !)**
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RISE OF ENVIRONMENTAL AWARENESS: NEW IMPETUS

**NEW SUSTAINABLE
DEVELOPMENT PARADIGM**

**1992
The Earth Summit in
Rio de Janeiro**

**ENVIRONMENTAL
ACTIVISM TAKES SHAPE**

**1992
Bangladesh
Environmental
Lawyers Association
(BELA)
was established by
Dr. Mohiuddin Farooque**

THE GREAT CLEAN UP

FIRST ATTEMPT AT SOLUTION

- ❑ In 1990, UNIDO recommended a treatment plant inside Hazaribagh
- ❑ In 1991, Apex court issued directives for relocation of the tanneries from Hazaribagh
- ❑ Initiative to establish CETP in Hazaribagh
- ❑ Faced hurdle due to DAM near Hazaribagh & chronic shortage of space
- ❑ Biggest hurdle was the unwillingness of tannery owners to set up individual ETP

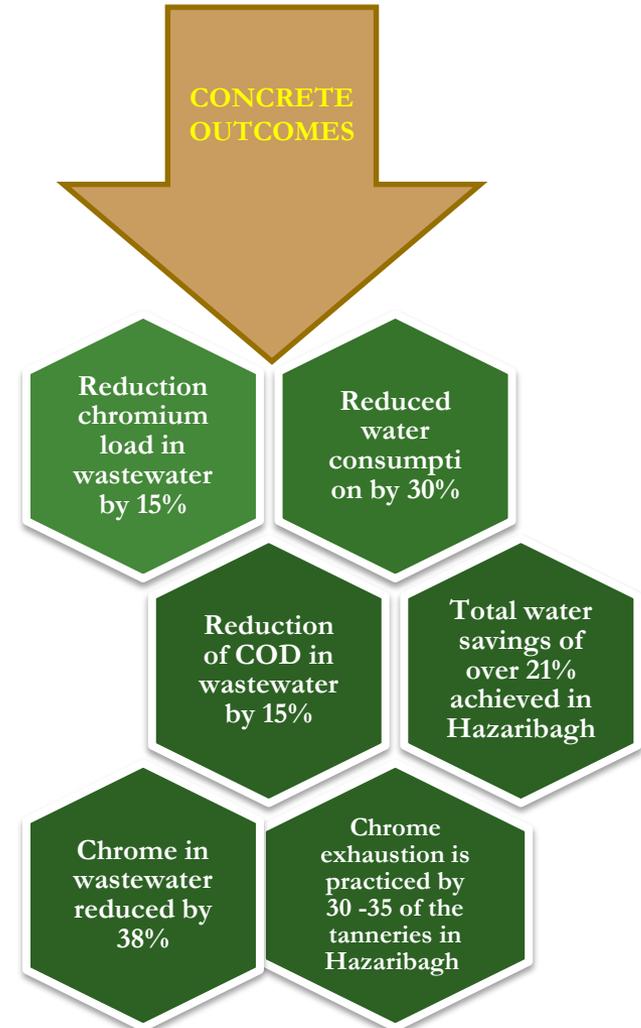
RETHINKING THE SOLUTION

Due to increasing pressure from stakeholders:

- ❑ 1990 onwards buyers pressure intensified
 - ❑ This forced the change of mindset of some industry leaders
 - ❑ In 2003, Supreme court issued a verdict to relocate Hazaribagh Tanneries to TED, Savar
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SOME MITIGATION MEASURES ADOPTED MEANWHILE

UNIDO HAS IMPLEMENTED A PROGRAMME THAT REDUCED CHEMICAL WASTE & HEALTH HAZARDS



BUT THE ANSWER IS TANNERY ESTATE DHAKA (TED)

TIMELINE

- Fourth & last Tender Call: 12 November 2009
- Work order: 11 March 2012
- Deadline for CETP & STP construction: 30 June 2015
- CETP construction started: January 2013
- Will be completed: Q3 , 2016

- 205 Plots
- 200 acres of land
- 155 industrial units



MAJOR FEATURES & FACILITIES OF TED



Central Dumping Yard



Water Treatment Plant with capacity of 22.8 MLD



Sludge Power Generation System (SPGS)



Common Chrome Recovery Unit (CCRU)



Sewage Treatment Plant (STP)- with a capacity of 5 ML/D

WHY TED GOT HELD UP ?

Procedural hurdles:

- Four times tender call due to absence of bids
 - After 4th tender government awarded the contract to one company from the two bidding companies
 - Losing company filed a case against the work order and halted the process
 - Almost 6 years lost due to legal cases regarding compensation
 - Lack of transparency in compensation calculation
 - Lack of coordination amongst government, donors, and tanners
 - Cost escalation- fivefold rise of the estimated cost for the project
 - No clear picture on how the CETP was to be financed
 - No financial resolution on the compensation issue
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NEW LIFE FOR TED

- ❑ Tanners and GoB signed a MOU to ensure relocation on 13th October 2013
- ❑ Allotted industry units: 155
- ❑ Factory construction started: 78
- ❑ Completed significant portion of construction work: 64 factories
- ❑ 75% civil work of CETP completed , 2 shift construction.



HAZARIBAGH TANNERY



TED TANNERY



TED CETP CONSTRUCTION 16 HOURS PER DAY



TED CETP CONSTRUCTION IN PROGRESS

Major part of the facility development

COMPLETED:

- Electricity sub-station with capacity of 10 MVA (Mega Volt Amp)
- Water treatment plant established
- Gas connection line installed

Under construction:

- Common Effluent Treatment Plant (CETP)
 - Waste Dumping Yard-50% completed
 - CETP construction will be completed by the middle of 2015
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STRUCTURAL CHALLENGES WITHIN THE INDUSTRY

- ❑ **Weak market power – low value chain position**
 - ❑ **Lack of product development & design capability**
 - ❑ **Inconsistent buyer behavior**
 - ❑ **Technology, skill and know how constraints**
 - ❑ **“Proprietary” mindset**
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NEWLY EMERGING ISSUES

ETHICAL CONSIDERATIONS & HUMAN CHOICES

Whether Leather is a by-product of the meat industry

The problem with “poor” treatment of animals

Chrome versus vegetable tanned leather

HIDE TRACEABILITY & AUDIT PROTOCOL

LEATHER WORKING GROUP'S AUDIT PROTOCOL CAN BE ONE ANSWER

- Yet, whatever leather processing option one chooses, there is no single solution that ticks every box, the need for **APPROPRIATE** technology
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INITIATIVES TO GO GREEN FROM WITHIN

- ❑ Central Bank directing the factories to be green certified by the US Green Building Council (USGBC) or by the Leadership in Energy and Environmental Design (LEED)
 - ❑ European Union (EU) supported Initiative: Introducing environmental management systems and eco-labelling schemes for the leather sector in Bangladesh
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SO WHY SHOULD WE BELIEVE THIS TIME AROUND ?

- ❑ Heightened environmental consciousness within the country – environmental activism : consumers, media , NGOs and regulators .
 - ❑ Real estate realities – Hazaribagh is worth more as flats than tanneries
 - ❑ Hardest part is done : compensation .
 - ❑ Buyers are putting the squeeze – supply chain traceability & RSL
 - ❑ Contractor has domain experience of building and running CETP
 - ❑ Big “win” for this government if they can deliver
 - ❑ Unprecedented coalition of industry, government and partners
 - ❑ High level of suspicion in new area of TED
 - ❑ Victims of our own success – on the radar now.
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The Saga of TED



Courtesy : ASIA FOUNDATION

Some people want
it to happen, some
wish it would
happen, others
make it happen.

-Michael Jordan via
www.unknownmiami.com



The Royal Bengal Tiger is in the mood for making it happen nowadays....

THANK YOU



IMPORTANT LINKS

<http://www.apexfootwearltd.com>

<http://www.lfmeab.org/>

<http://www.coelbd.com>

<http://www.epb.gov.bd/index.php>

<http://boi.gov.bd/>

Acknowledgement

Expert Interviews:

1. Mr. M.A. Majed– Tannery expert
2. Mr. Md. Sirajul Haider, ndc. Project Director, Tannery Industrial Estate, Dhaka

<http://www.switch-asia.eu/>

<http://www.ecoleban.com/>

<http://www.bscic.gov.bd/>

<http://asiafoundation.org/country/overview/bangladesh>

<http://www.boi.gov.bd/>

<http://www.thedailystar.net/business/banking/bangladesh-top-destination-producers-leaving-china-hsbc-75070>

<http://ireport.cnn.com/>

<http://www.thedailystar.net/rise-of-youth-51048>

<http://www.thedailystar.net/leather-industry-hits-record-exports-1b-23968>

http://www.sustainablebrands.com/news_and_views/supplychain/leather-working-group-improving-sustainability-leather-industry