



CHALLENGES FACING THE BANGLADESH LEATHER INDUSTRY

118 SLTC CONFERENCE

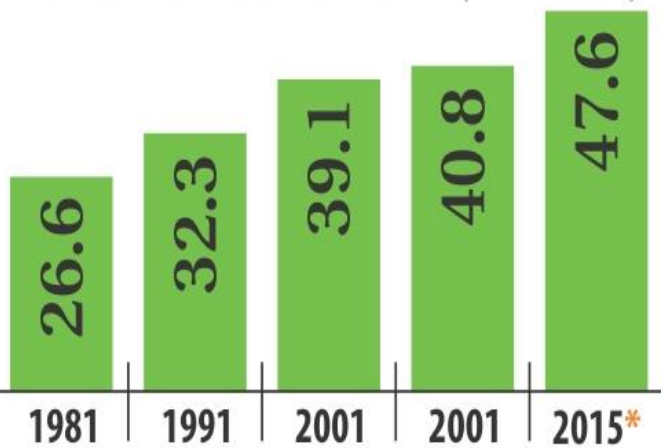


SYED NASIM MANZUR
MANAGING DIRECTOR, APEX FOOTWEAR LTD
&
PRESIDENT LFMEAB ,
(LEATHERGOODS & FOOTWEAR MANUFACTURERS & EXPORTERS ASSOCIATION OF BANGLADESH)

BANGLADESH SNAP SHOT

YOUNG PEOPLE (10-24 YEARS) IN BANGLADESH

NUMBER OF YOUNG PEOPLE (IN MILLION)

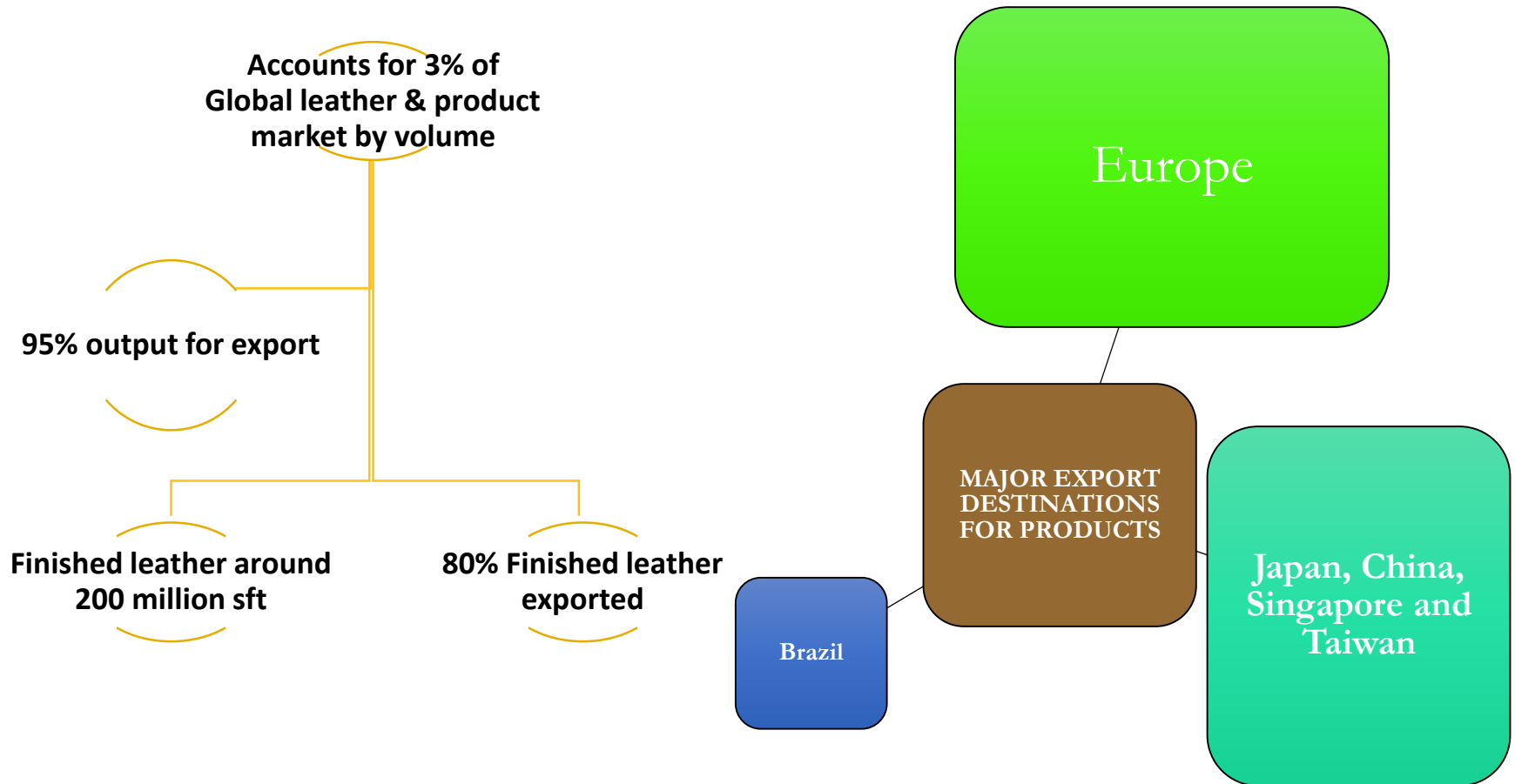


SOURCE: BANGLADESH POPULATION CENSUS;
*UN POPULATION PROJECTION

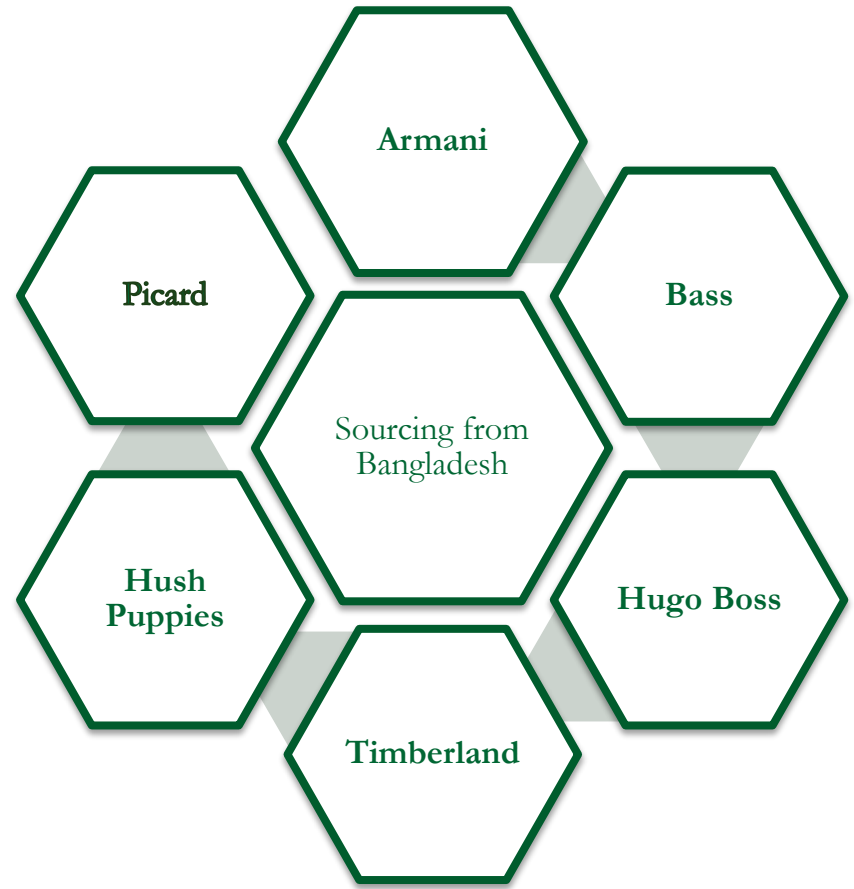
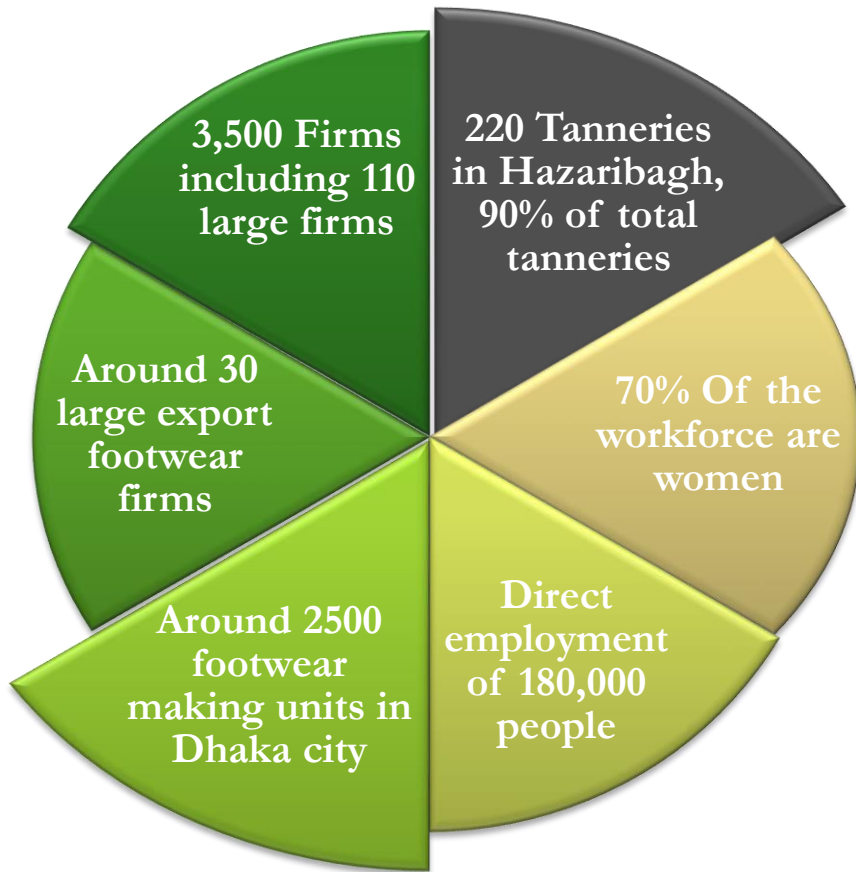


- Capital: Dhaka
- Area: 147,570 sq. km.
- Average GDP growth: 6+ % (average over last decade)
- Total population: 152 million
- Official Language: Bangla, English is generally understood

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



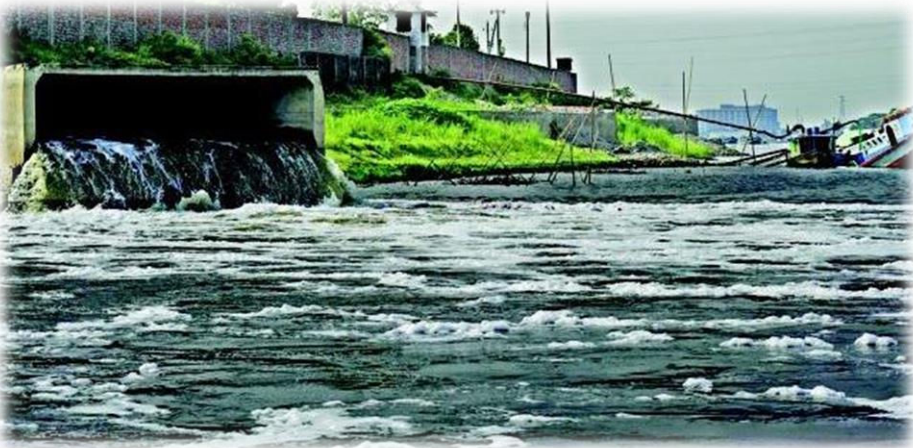
BUT GROWTH IS SERIOUSLY CONSTRAINED

**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

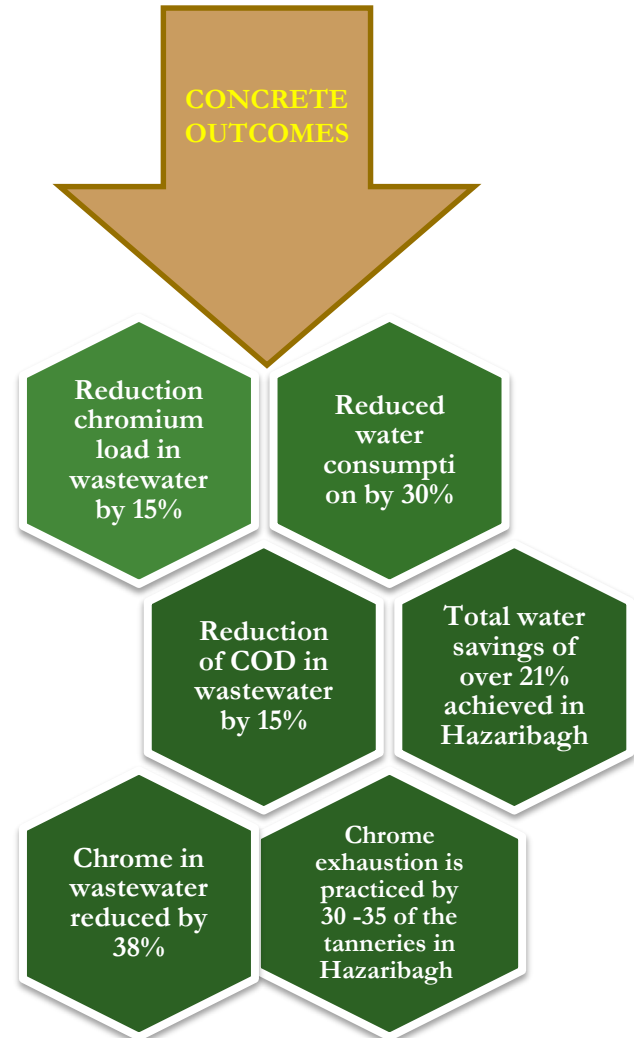
RETHINKING THE SOLUTION

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
-

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