

# Support to Safety Retrofits and Environmental Upgrades in the Bangladeshi Ready-Made Garment Sector

## The situation

The textile and garment industry is considered to be the driving force behind Bangladesh's impressive export growth and economic development. According to Bangladesh Bank (the country's central bank), the textile and garment sector represents about 13 per cent of the country's Gross Domestic Product (GDP), accounts for more than 80 per cent of all exports and provides employment opportunities for over four million people, a majority of them women (around 70 per cent). However, a majority of the factories still do not comply with national and international safety and environmental standards in their production processes.

Deficient safety standards threaten the health of the workforce and fuel social conflict between employers and their employees. On the other hand, non-compliance with environmental standards is causing over-exploitation and pollution of natural resources like water, while further aggravating other environmental problems and energy scarcity in the country.

International pressure from textile buyers and the improved resources and capacities of national authorities to monitor compliance with safety and environmental standards have so far largely failed to stimulate investment by textile factories in these areas.

One reason for the subdued investments is that only a few enterprises are able to realistically assess the medium- and long-term commercial returns on such investments. This lack of capacity for financial investment planning and cost-benefit analysis is coupled with a relatively low awareness regarding the benefits of reducing business risks by investing in safety retrofits and environmental upgrades. Moreover, factory managers frequently lack information about existing standards as well as about feasible and cost-effective investments for improving safety and environmental standards.

Project name	Support to Safety Retrofits and Environmental Upgrades in the Bangladeshi Ready-Made Garment Sector (SSREU)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Project region	Dhaka
Lead executing agency	Ministry of Finance, Financial Institutions Division, Government of the People's Republic of Bangladesh
Implementing agency	Bangladesh Bank
Duration	2017-2020



Experience shows that insurance premiums can be reduced up to 45 per cent after factories invest in fire-fighting systems

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*SSREU supports service providers on structural and environmental upgradation for a safer working place*

Additionally, many textile factories do not have adequate access to suitable financial services as bank managers and loan officers have limited capacity in assessing the loan/credit applications for investments in safety and environmental upgrades. Consequently, banks frequently do not approve loan/credit applications for such investments as it is difficult to show a direct link to increased revenues.

Thus, the core problem identified is that financial institutions as well as textile and garment factories do not make sufficient use of the limited training opportunities and information services which are already available with respect to investments in safety and environmental standards. Therefore, the goal of this project is that financial institutions and textile factories in Bangladesh take advantage of newly created training opportunities and information services that focus on investments in safety and environmental measures.

## Our approach

The project primarily works in Dhaka, where the majority of textile factories in Bangladesh are located. It covers three fields of activity:

### 1. Financial systems development

By providing training to financial institutions and supporting the development of new financial products, the project enhances their capacities to assess investments in safety and environmental upgrades.

### 2. Promoting the availability of information in the textile sector

To improve the availability of information, the project strengthens institutional capacities within the Ministry of Labour and Employment and develops information services as well as exchange platforms for banks and textile factories.

### 3. Expanding the range of services offered by private service providers

By developing training opportunities, the project enables service providers and technical specialists in textile factories to deal with economic issues related to investments in safety and environmental upgrades.

The project's implementing partner is Bangladesh Bank, the country's central bank. At micro level the project partners with individual financial institutions, consulting companies, training institutes and business associations active in the textile and garment industry in Bangladesh. GIZ's initiative complements a line of credit by Agence Française de Développement (AFD), KfW Development Bank and the European Union with a total value of EUR 60.30 million to refinance loans to textile factories for safety retrofits and environmental upgrades. However, the project also complements the credit lines of other international organisations that refinance safety investments in textile and garment factories such as the Asian Development Bank (ADB), International Finance Corporation (IFC) and Japan International Cooperation Agency (JICA).

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