



Ministry of Commerce
BANGLADESH

Leather Sector Export Roadmap

A strategic framework for accelerated export growth

February 2019

*Please note, the leather sector for this export roadmap consists of three subsectors: tanning (finished leather), footwear (leather and non-leather), and other leather goods.

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List of Abbreviations

ADB	Asian Development Bank
AIT	advance income tax
ASSOMAC	National Association of Italian Manufacturers of Footwear, Leather Goods and Tanning Technology
BAB	Bangladesh Accreditation Board
BEZA	Bangladesh Economic Zones Authority
BFLLEA	Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association
BIDA	Bangladesh Investment and Development Authority
bn	billion
BOD	Biological oxygen demand
BSCIC	Bangladesh Small & Cottage Industries Corporation
BSTI	Bangladesh Standards and Testing Institution
BTA	Bangladesh Tanners Association
BUET	Bangladesh University of Engineering and Technology
CAD	Computer-aided design
CAGR	compounded annual growth rate
CD	customs duty
CETP	Common effluent treatment plant
CFC	Common facility centre
CLE	Council for Leather Exports
CLRI	Centre for Leather Research & Institute
COD	Chemical oxygen demand
COEL	Centre of Excellence for Leather
CTCP	Centro Tecnológico Do Calçado de Portugal
DoE	Department of Environment
DPR	Detailed project report
DWASA	Dhaka Water Supply and Sewerage Authority
ECC	Environment Clearance Certificate
EPB	Export Promotion Bureau
BEPZA	Bangladesh Export Processing Zones Authority
ERD	Economics Relations Division
EU	European Union
FAO	Food and Agriculture Organization
FDDI	Footwear Design and Development Institute
FDI	Foreign direct investment
FOB	Free on board
FY	Financial year
GDP	Gross domestic product
GSP	Generalized System of Preference
HS	Harmonized System
IDB	Islamic Development Bank
ILET	Institute of Leather Engineering and Technology
ILO	International Labour Organization
IMF	International Monetary Fund
INESCOP	Instituto Tecnológico del Calzado y Conexas

JV	Joint ventures
LCC	Location Clearance Certificate
LDC	Least developed country
LFMEAB	Leather Goods and Footwear Manufacturers and Exporters Association, Bangladesh
LSBPC	Leather Sector Business Promotion Council
LWG	Leather Working Group
MLD	Million litres per day
mn	million
MoC	Ministry of Commerce
MoEF	Ministry of Environment and Forests
MoI	Ministry of Industries
MoU	Memorandum of Understanding
MVA	Megavolt amperes
MW	Mega watts
NBR	National Board of Revenue
NIFT	National Institute of Fashion Design
OFID	OPEC Fund for International Development
O&M	Operation and maintenance
PMB	Project Management Board
PMU	Programme Management Unit
PPP	Public private partnership
R&D	Research and development
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RMIA	Roadmap implementing agent
RMG	Ready-made garments
RSL	Restricted Substances List
SD	Supplementary Duty
SLA	Service-level agreement
SMEs	Small and medium enterprises
SPV	Special purpose vehicle
sqft	square foot
TED	Tannery Estate Dhaka
ToR	Terms of Reference
UK	The United Kingdom
UNIDO	United Nations Industrial Development Organization
UNO	United Nations Organization
USA	The United States of America
USD	United States Dollar
USP	Unique selling point
VAT	Value added tax

Executive Summary

Bangladesh is one of the fastest growing economies with an impressive and stable Gross Domestic Product (GDP) growth. As one of the vital components of economic growth, export sector has made a significant contribution to growth and employment. However, the export composition is broadly dominated by Ready Made Garments (RMG) sector contributing to more than 82% of the total export revenue. The over reliance on RMG sector alone as the growth engine of the export economy is highly vulnerable. Export driven economies are more risk prone to exogenous shocks and global economic fluctuations. This vulnerability can be addressed by diversifying the export baskets and export markets.

The Government of Bangladesh is keen to diversify the country's export portfolio, and support export-oriented sectors other than RMG. Export diversification is one of the cornerstones of the Government's Seventh Five-Year Plan (FY 2016 to FY 2020), and efforts in this direction are expected to intensify during the course of the current Seventh Five Year Plan. As a first step towards diversification, the Ministry of Commerce (MoC) is involved in identifying the most advantageous sectors for export diversification and developing sector specific roadmaps with a concrete action plan to support export growth. The International Finance Corporation (IFC) of the World Bank Group (WBG) is assisting the Ministry of Commerce in developing these sectoral export roadmaps. IFC, through its Bangladesh Investment Climate Fund (BICF) II programme, has commissioned this export roadmap with the objective of identifying interventions required to improve export performance of select high performing sectors, which will lead to increase in investments and contribute to inclusive employment generation and industrial development.

The leather sector¹ has been identified as one of the potential sectors for export diversification. The leather sector is a significant contributor to the economy of Bangladesh, both in terms of its domestic share and exports. It contributes about 2%² to industrial production and 0.6% to the country's GDP. The sector is the second largest export industry in the country, employing about 558,000³ people directly through employment in leather and leather goods production, and 300,000 people indirectly who worked in allied areas in FY 2015-16.⁴ It was the second largest export-earning sector in 2017-18 after RMG. Understanding its potential, the Government of Bangladesh announced leather, leather goods, and leather footwear as the "Product of the Year" in January 2017 and a target of export of USD 5 billion by 2021 was forecasted.

In order to continue this momentum for the leather sector, the export roadmap outlines the strategy for enhancing leather sector exports, which should contribute to the roadmap's vision of:

- Ranking Bangladesh amongst the top 10 leather export countries in world by 2025; and
- Achieving of the leather export target set by MoC of 5 billion USD by 2021.

Endowed with 1.3-1.8% of the total cattle population of the world coupled with the century old practice of using leather products, Bangladesh has share of only 0.5% of world leather trade. With a total ruminant population of 55 million in 2017-18, an abundant and competitive labor force, 6200 factories (tanneries, leather goods and footwear), and government support including tax holidays, duty free imports of raw materials and machinery for export-oriented leather market and export incentives, Bangladesh can enhance its capacity and capability to increase exports of leather and leather product manifold. However, the recent trend of export growth indicates that the target of 5bn USD by 2021 will be very difficult. Bangladesh needs planned and coordinated intervention from the government which includes enhancing capacity of the private sector manufacturers, transforming production and export of tannery raw materials to high end and compliant leather, attracting massive domestic investment, aggressive marketing in the global leather

¹the leather sector for this export roadmap consists of three subsectors: tanning (finished leather), footwear and other leather goods

² Bangladesh Export Promotion Bureau, Government of the People's Republic of Bangladesh. [Online] Retrieved from: epb.portal.gov.bd

³Paul, Hira & Antunes, Paula & Covington, Anthony & Evans, P & Phillips, P.S.. (2013). Bangladeshi Leather Industry: An Overview of Recent Sustainable Developments. Journal- Society of Leather Technologists and Chemists. 97. 25-32.

⁴Leather sector and tannery industry in Bangladesh, BMET. [Online]. Retrieved from: <http://www.bmet.org.bd/BMET/resources/Static%20PDF%20and%20DOC/publication/Brief%20on%20Leather%20sector%20and%20Tannery%20industry%20in%20Bangladesh.pdf>

market, establishing effective linkage with the major brands and retailers and attracting Foreign Direct Investment (FDI) and Joint Venture (JV) from top actors of the leather goods and footwear market.

Export projections during the roadmap period

The export roadmap has been prepared for a period till the year 2025, with 2015-16 as the base year. Two growth scenarios have been considered for the roadmap. The export targets for Scenario I are based on organic growth and historical trends, while the projections for Scenario II have been arrived at based on Government of Bangladesh's export targets. Following are the projections:

Table 1: Projection of leather goods and footwear exports

Category of products	Base year	Scenario I		Scenario II	
	2015-16	2020-21	2024-25	2020-21	2024-25
Leather (in mn USD) *	288	468	1,105	1,000	3,480
Leather Footwear – no. of pairs (in mn)	48	108	190	227	851
Leather Footwear value (in mn USD) – (a)	494	1,500	3,126	3,250	14,000
Leather goods – no. of pieces (in mn)	44	90	234	200	363
Leather goods value (in mn USD) – (b)	345	840	2,400	1,750	3,400
Total value of exports (in mn USD) (a) + (b)	839	2,340	5,526	5,000	17,400 ⁵

Note: * with the growth in value added leather goods from Bangladesh, leather is more likely to be consumed by exporting firms – hence a combined value of deemed and direct export of leather is provided.

If we consider growth and trend of export, it is found that the sector is far behind the target of 5bn USD set for 2021. Hence, even for achieving target for scenario I, it is high time for immediate intervention.

For both the scenarios, input requirements in terms of leather (both domestic and imported), investment, labor, land, and power have been analyzed and presented. Input requirements across both the scenarios are commensurate with the level of production required under each scenario.

Table 2: Input requirements for scenarios

Input requirements	Scenario I		Scenario II	
	2021	2025	2021	2025
Leather requirement (in mn sq. ft.)	720	1,600	1,570	3,700
Additional investment requirement (in mn USD)	1,100	2,350	3,400	8,300
Employment opportunity (no. of new jobs)	198,000	380,000	600,000	1,610,000
Employment opportunities for women*	138,600	266,000	420,000	1,127,000
Land requirement (in acres)	300	800	900	2,700
Power requirement (in MW)	40	75	130	350

Note: * Please note that women's participation in the tanneries subsector is likely to be low at 60%, while that in the footwear and leather goods subsectors can be anywhere between 70% and 80%. The figures for employment opportunities for women have been arrived at by taking an average of 70% of total employment.

Based on these projections and inputs requirements, an ambitious vision for the leather sector in Bangladesh has been developed.

Vision of export roadmap of the leather sector

Bangladesh to be amongst top 10 exporting countries in the world for leather, leather goods, and footwear by 2025 through integration and enhancement of capacities and investments in state-of-the-art technology, skilled human resources, and safe environmental management practices.

Mission

To create an enabling situation for Bangladesh leather industry to remain competitive and compliant in the current global market, it need to ensure a series of strategic interventions. By attracting domestic and foreign direct investment in the form of joint ventures and technical collaboration, linkages and collaboration with major global value chain actors should be established. Through increasing productivity, maximize value addition to local raw material resources with upgraded technical expertise in an environmentally sustainable and export compliant manner. To strengthen Bangladesh Standards and Testing Institute (BSTI), Bangladesh Accreditation Board (BAB) and other private sector certification agencies to meet compliance standards of international brands and retailers and to help generate more, better, and decent jobs for men and women. To ensure equal (if not added) privilege and incentives like RMG sector for catalyzing rapid growth so that sector competitiveness increases at the onset of LDC graduation.

Challenges

To achieve the envisioned target/goal, identification of challenges is imperative. The road to target would face multidimensional categories of challenges which needs planned, pragmatic and proactive interventions. The whole export sector faces challenges of inadequate communication infrastructures, complex tax and customs procedures, cumbersome and lengthy banking transaction, bottleneck in transportation, slow handling of products at the port and unusually high lead time, high cost of doing business, unpredictability of tax regime and bottlenecks in handling Foreign Direct Investments (FDI) and Joint Ventures (JV). The leather sector is invariably encountering a similar situation as the other exporting sectors. Moreover, like other sectors, it would face added challenge after graduation from Least Developed Country (LDC) status to developing country status which will bar the country from the privilege of Duty Free Quota Free (DFQF) access to existing export market. Apart from these challenges in general, the leather sector has specific challenges as well that need interventions and pragmatic long term remedial measures.

The leather sector faces specific challenges as follows:

Poor compliance

For the leather sector in general, one of the major factors is that global buyers across the board demand that the product being exported is compliant to international environmental, social and labor standards. So, compliances of products of leather sector is the key to further growth of export in the world market. In recent years, tannery export has shown decline due to environmental issues related to Hazaribagh. It is heartening to note that the factories have already been shifted to Savar. Immediate steps to complete Savar Tannery Estate and to operationalize the CETP are important for the growth of exporting leather and leather products.

Compliance of procurement of raw hides, particularly during Eid ul Adha

During Eid ul Adha, 40-50% of raw hides and skins are collected from cities and beyond cities. It is difficult to maintain and preserve raw hide in the rural areas and intermediary groups hinder rational price taking, leading to a chaotic situation in the whole supply chain. During Eid, a large number of animals are slaughtered by unskilled and semiskilled butchers across the country resulting in considerable damage to hides and skins. Current infrastructure for slaughtering animals is poorly maintained, leading to unhygienic and unscientific handling of skins, resulting in reduced value of leather.

Inadequate capacity of CETP

The CETP at Savar is not fully functioning. Moreover, most of the tanneries do not comply with environmental regulations, occupational safety, and health related standards, thus reducing the acceptance of leather and leather goods in international markets. Furthermore, incomplete supporting infrastructure at Tannery Estate Dhaka (TED) have contributed towards poor traceability of leather, reducing the country's image and acceptability of leather goods from Bangladesh using local leather. Chemical usage in tanneries is substantially higher than international standards; limits to traces of chemicals in finished leather have become quite exacting with the REACH standards of the EU.

Lack of quality and process upgradation

Leather product is pre-dominantly a fashion item worldwide. So, quality and design are burning factors that need careful observance of required compliance standard, innovation of attractive fashion and design which is compatible to latest trends and requirements. Development of skills and know-how and technical labor will be critical for the sectors further growth. Technical assistance for process and productivity improvements is imperative here. Currently, most tanners lack access to technology and know-how to transition from making crust to finished leather which is a driving factor for productivity.

A constant issue faced by the leather sector is a severe dearth of skilled workers ranging from semiskilled and skilled workforce, designers, technical workers, supervisory and managerial personnel, including quality management and quality control management.

Problem in bridging the gap between industry and academia is an important intervention required which will have an impact on programme design, setting of curriculums, absorption of graduates by the industry, and quality of academic research that will ultimately enhance productivity.

The Government of Bangladesh has taken the economy from factor driven growth to productivity and innovation driven growth. Budget provisions are kept for this purpose. Therefore, quality and process up gradation for better productivity should be aligned with the government's budget.

No common facility centers for producing finished leather

Huge investments in machinery and equipment are required for tanneries to move up the product value chain - from making crust leather to finished leather. Many small and medium tanneries do not find this financially viable, as their operating capacity is much smaller than the design capacity of new machinery. So, SMEs need to have access to a common facility center.

No policy for encouraging value addition

Only a small volume of crust leather is converted to finished leather by Bangladeshi tanners. Most of the raw hides and skins processed in the country is exported as a crust leather without any value addition within the country. Encouraging tanners to move up the product value chain will result in significant economic gain for the sector and country. It may be noted that the finished leather fetches about 60% higher price than crust leather⁶.

Limited capacity of the Savar tannery estate

For meeting the export targets envisaged in the roadmap, tanning capacity at Savar has to be increased manifold. New tannery estate should be established in other areas like Chittagong, Rajshahi for rapid growth of the sector.

Lack of backward linkages

Establishment of supply chain aids the growth of the sector. The Bangladesh leather sector faces major constraints with respect to linkages in the value chain. Tanneries require machinery, chemicals and tools as inputs. Most of the tannery machineries, chemical and tools are imported from the outside. Backward linkage for all these items are unable to cater to the needs of the industries.

⁶This is given an analysis of global price differentials between crust and finished leather exports for the 2010-2015

Slow growth of foreign and domestic investments

For exponential growth of export, it is important to attract both domestic and foreign direct investment in the leather sector. For a major overhaul in the leather sector, added investment from both domestic and foreign sources is a key factor. FDI and JVs are still not as per expectations of the policy makers. Flow of FDI, and engagement with retailers and brand are important challenges even today. For growth of export, massive drive for collaboration with the brands and retailers is important. Terms of FDI should be made liberal and attractive for investment and relocation.

Limited market access

Market access of Bangladesh is minimal with only 0.5% of global market share. Image building by maintaining high standards of compliance, traceability and branding is still a challenge.

Absence of equal privileges and incentives like RMG sectors

Over the years, RMG sector enjoyed encouraging policy support and financial incentives for its steady and speedy growth. It has been nurtured by government incentives for the last three decades. In many cases, other sector like leather does not enjoy equal policy support and required export incentives.

Absence of enabling situation for SMEs

A large number of small and micro enterprises are engaged in production of leather product and footwear. They need improvement of quality, designs, product range, productivity, and overall production.

Graduation from LDC to Developing Country

Bangladesh will likely to be recommended for graduation at the following triennial review in 2021. Following the review, Bangladesh would officially graduate from the LDC status in 2024. Bangladesh, as a Least Developed Country (LDC)⁷, qualifies for Generalized System of Preferences (GSP) benefits under which developed countries provide preferential treatment to exports from Bangladesh in the form of reduced or zero rates of customs duties for most of the product categories (HS 01-97 except HS 93). Under this, Bangladesh can avail zero import duties in 38 countries, including 28 countries in the EU and 10 others. With the graduation and withdrawal of duty free quota free access. Bangladesh will face serious challenges which can be encountered through strategic long-term action plan.

⁷ A United Nations classification for countries.

Steps suggested

The roadmap identifies challenges and suggests remedial measures for improving the situation. Following steps have been suggested:

Meeting compliance standards

- *Ensuring compliances:* Improving compliance by tanneries and leather goods and footwear sectors is being considered as one of the critical growth drivers for the leather sector in the coming years. Compliance also ensures that the sector can grow their business without affecting the environment. Some of the compliance-related interventions recommended for the sector are:
 - In consultation with the associations develop a national social, environmental, chemical safety, occupational, and health compliance guideline and certification scheme. This should be formulated with international compliance standards and requirements as benchmarks.
 - Existing factories should be fully compliant to requirements of all the compliance parameters. All the new factories should undergo strict compliance scrutiny.
 - Establish a sustainability and compliance cell for each subsector under the supervision of an active business association. This cell will oversee and ensure that the sector meets social compliance standards in terms of work place safety and adhere to national and international labor laws.
 - Establish a sustainability compliance cell in the Export Promotion Bureau (EPB) under the guidance of MoC for the leather sector.
 - Support the leather sector with financial assistance in engaging compliance experts to assist them in meeting international compliance standards. A comprehensive scheme for assistance should be formulated by the MoC.
 - Technically assist the leather sector and its subsectors like tanneries to obtain the LWG certification for traceability.
 - Build capacity and financially support the sector until such time that they can fully comply with all the necessary international standards.
 - Apart from these compliance certifications and standards, physical infrastructure at TED Savar, the major estate for tanneries, must also be fully developed. Here, ensuring the proper operations and maintenance of the Central Effluent Treatment Plant (CETP) with all the tanneries following a well-understood, comprehensive discharge guideline with all the acceptable parameters of compliance will play a crucial role in ensuring the sustainability of the tanneries, and the leather sector at large.
 - Strengthen downstream value chain through focussed investment promotion activities to encourage entrepreneurs to invest in value addition of by-products of tanneries. It will help solid waste management properly. This could further generate employment opportunity in the downstream businesses.

Quality and productivity in the production process

- *Bridging the gap between industry and academia:* To bridge the gap between industry and academia in terms of technical know-how, regular interaction and collaborative learning is needed. Industry and academia needs to meet at regular intervals to discuss specific areas of collaboration. Action has to be taken on a wide front to modernize the leather sector as well as its technical competence by induction of superior technical expertise.
- *Training of trainers:* Training of trainers programmes are needed to upgrade the skills of the workforce. Local training institutions and universities may go for twinning⁸ with international academic institutions and research grants for applied research on leather should be offered liberally.

⁸According Macdonagh et al. (2002), twinning is the “establishment of a formal link between a specific department/institution in the UK and a corresponding department/institution in the developing world, to facilitate an accurate assessment of need and consequently to ensure effective mutual collaboration at all levels.” With respect to

Development of SMEs

For leather sector, Small and Medium Enterprises (SMEs) can play a driving role for speedy growth and to meet domestic demand and export targets. Currently, there are around 160 firms either directly exporting or have exposure to the export market. SMEs (around 2500 factories) can be connected with the exporters through sub-contracting and other means. But SMEs face multifarious challenges. The small footwear and leather product making units are spread out in various clusters all over the country are yet to be recognized as a formal manufacturing segment. It is high time that the government came up with some facilitating measures to help them grow up to their potential and contribute to the economy in a desired manner.

- *Development of SMEs:* There are a large number of small and micro enterprises that work either directly for the domestic market, or as sub-contractors for large firms, especially during peak season. There is considerable scope to improve the quality, designs, product range, productivity, and overall production of such clusters. When one or two such clusters absorb modern production practices and technology, it spreads fast amongst other clusters. A study needs to be conducted to understand artisanal clustering and ways in which it can be implemented for the leather goods and footwear sector in Bangladesh.

Improving quality of raw hides/ skins

From rearing to slaughtering, procuring to tanning, a strong monitoring system should be developed for improving quality of raw hides and skins. In addition, engaging international experts, for quality and process upgradation, for assisting tanneries to move from crust to finished leather is important. A scheme to subsidize the cost of engaging experts by tanneries will be necessary. This subsidy can be provided on a cost sharing basis and contingent to meeting defined milestones in moving from producing crust to finished leather.

Establishing common facility center

Technical assistance for process and productivity improvements is also important, along with Common Facility Center (CFC) for producing finished leather. A CFC for processing crust into finished leather needs to be set up and used on a sharing basis by tanneries. In many developing countries, such CFCs have been set up during the early phase of development of the leather sector. In addition to reducing financial burden for individual tanneries, the CFC will also reduce on the job cost of training their workers on the new processes and machinery.

Research and development of new leathers

At present, Bangladesh produces only a limited range of leather types. As bulk of the production is crust leather, not much research and innovation happen in developing new types of leather. In addition, the know-how to upgrade low-grade leather, which accounts for at least 20% of any lot of raw hides and skins, is found to be lacking among tanners. So, technical assistance for research and development of new leathers and process and productivity improvement are necessary.

Diversifying into new markets and new products

In terms of product diversification, espadrilles are an innovative product that is currently gaining traction around the world. The new markets that the sub sector can target is given below:

- Sports footwear – USA, UK, France, Germany, Belgium, Netherlands, and Austria.
- Footwear, outer soles of rubber/plastic uppers of leather coverage ankle nesoi – Italy, France, UK, Belgium, Netherlands and Canada.
- Of footwear, outer soles of rubber/plastics uppers of leather, nesoi – USA, Germany, Japan, Italy, France, Belgium, Netherlands, and UK.

Based on an analysis of historical export-import patterns, some of the new products that Bangladesh could cater to in existing markets are trunks and suitcases. Some of the new markets that the subsector could potentially enter include the following:

- Handbags – USA, France, Italy, UK, Korea, Japan, Germany, and China.
- Gloves and mittens – USA, Germany, Japan, France, Italy, UK, Spain, and Sweden.
- Belts and bandoliers – USA, Germany, Japan, France, Italy, UK, and Korea.
- Other articles of leather – USA, Italy, Poland, Czech Republic, Germany, and France.

Applying direct marketing

Given the need to engage with large brands and wholesalers, measures may be taken towards improving market access through participation in international fairs and trade delegations to present Bangladesh as a sourcing destination for leather. The direct marketing content will highlight the improving level of environmental, social, and safety compliance standards required by international markets and the sector's inherent strengths.

Strengthening current policy support

The Government of Bangladesh's development programme aims to use trade policy as an instrument for generating export expansion and diversification. The trade policy has helped the country's performance in exports market. Overall exports increased by three times in the last 10 years, from less than 12 billion USD in 2006 to over 38 billion USD in 2016⁹. Specific policy interventions and trade incentives provided for footwear have also assisted in the sector's development, with the product sector achieving more than three times the value of exports in just six years, from 250 million USD in 2010 to 900 million USD in 2016. Policy support in the form of financial incentives followed by stringent enforcement of regulations is required.

Improving bonded warehouse facilities and duty drawback process

The bonded warehouse regime in Bangladesh permits licensed manufacturers to import inputs required for export-oriented manufacturing at a duty-free rate. A study by The World Bank, suggests some key measures were to improve the bonded warehouse regime by establishing an automated bonded warehouse management system. Instead of a transaction-based control mechanism, a risk-based control mechanism may be adopted. The export roadmap also recommends the adoption of these reform measures to improve the effectiveness of bonded warehouses as a financial incentive to leather exporters.

Attracting foreign and domestic investments

Formation of a high-level committee consisting of a senior officer of MoC, a senior representative of Bangladesh Investment Development Authority (BIDA), and two or three leading industry representatives with the following mandate is suggested:

- Reach out to existing FDI/ JV companies to promote Bangladesh as investment destination.
- Visit target countries (China, Vietnam, etc.) on investment road shows for attracting FDI.
- Organise investment seminars and local road shows to meet prospective local investors to encourage diversification of the leather sector.

It may be added here that some large tanners from abroad who are keen to relocate to Bangladesh may want to have their own premises where they would establish their tanneries rather than being a part of an Industrial Estate. The government's policy in this regard must be quite lucid and welcoming.

Giving special attention to the tanning sector

In achieving the targets envisaged, the role of the tanning sector will be crucial. Action has to be taken on a wide front to modernize the tanning sector as well as to strengthen its competence by induction of superior technical expertise. Institutional capability in training workforce also needs considerable strengthening. If immediate action is initiated on all fronts suggested, it is reasonable to expect that the tanning sector will consolidate and expand to meet the emerging challenges successfully.

⁹As per the data from trademap.

Strengthening BIDA's role

If the interactions between potential investors, especially FDIs/JVs and various government agencies can be reduced considerably, and they are required to deal with only a single agency, BIDA, for all their requirements, the that would be a major step forward towards attracting such investments.

Making policy and infrastructure information available to investors

It may be a good idea to publicize land banks available in the country with location, area available, agency responsible and major features of such land, along with their price, to enable potential investors to make appropriate decisions before they prepare their project reports.

Taxes and policy unpredictability

There is a high level of policy unpredictability in terms of taxation, imposition of duty and VAT, formulation and implementation of rules and regulations for businesses. This unpredictability serves as a strong deterrent to innovation and investments in the country in general, and in the leather goods and footwear subsector in particular. To create a stable business environment, policies, rules, and regulations should be fixed for a period of four to five years. A customs window may be installed for rapid processing of sample shipments for the leather and footwear industries and for facilitating exports.

Ensuring smooth implementation of the Export Policy

The latest Export Policy 2015-18 aims at improving the overall exports from Bangladesh. The latest government policy considered footwear and leather products amongst the highest priority sectors for the country. Key highlights of policy support to the sector are:

- Domestic market sales of up to 20% is allowed to export-oriented businesses located outside of Export Processing Zones (EPZs), i.e. Leather industries exporting at least 80% of their manufactured products will be treated as 100% export-oriented industries – for the purpose of claiming incentives.
- Export subsidies are granted on select products; these range between 5% and 15%.
 - The cash incentive against the export of leather products and footwear has been enhanced from 12.50% to 15% effective from FY16.
 - Cash incentive of 5% for export of crust leather from tanneries relocated to Savar.
- Duty free import of all type of raw materials and machineries for export-oriented industries.
- Concessional duty on import of specified machinery for the leather sector.
- Support in the form of tax holidays, duty free imports of raw materials, machinery for export-oriented leather market, and bonded warehousing along with other policy supports.
- 90% loans against letters of credit and funds for export promotion.
- Export credit guarantee scheme.

Given the fact that the cash incentives and other policies are for a short duration, it is difficult for the investors to take investment decisions. It will therefore be appropriate if policy measures, such as cash incentives and trade policy, are applicable for at least five years, if not for a greater duration, to enable the potential investors to take informed decisions.

Attracting Foreign Direct Investment¹⁰ (FDI)

FDI is the key for export growth as the investors are closely connected with global markets, brands and retailers. Normally investors source from a suitable location which already has a global market share. In case of Bangladesh, DFQF facility is an added advantage for the investors. Bangladesh still has 6 years time for continuing DFQF privileges.

FDI inflows into Bangladesh have been on the rise. In 2016, FDI inflows into Bangladesh increased by 4.38%, and these are expected to increase further by 5% in 2017.¹¹ According to the seventh five-year plan, FDI in Bangladesh is expected to increase to 9.6 bn USD by FY 2020.¹² BIDA should play an aggressive and proactive role to ensure inflow of FDI.

However, of the 2 bn USD FDI inflow (net) in 2015-16, 16.35 mn USD FDI inflow (net) was into the leather and leather goods sector. This is a little less than 1% of the total inflows into the sector.¹³ FDI inflow into the leather and leather goods sector has steadily increased over time, with the highest being in 2013-14, but has declined since then.

In addition to tracking the FDI inflow over time, it is found that Netherlands, China, and Hong Kong together constitute more than 75% of the total FDI inflows into Bangladesh's leather and leather goods sector. However, when compared to the top six countries that have been investing in the country as a whole – USA, UK, South Korea, Singapore, Malaysia, Hong Kong, and Norway – these countries, except Hong Kong, are not major investors in the leather and leather goods sector.

Collaboration with brands and retailers

In the global export market, brands and retailers are driving factors for expansion of export growth for any country. RMG sector in Bangladesh made significant growth through involving brands and retailers. Leather sector can take similar approaches and business initiatives for growth in the sector. Private manufactures and exporters along with the policy support from the government may attract the brands and retailers to source and relocate their purchase order.

FDI inflow into Export Processing Zones (EPZ)

With a view to increase FDI inflows into the country, the Government of Bangladesh set up Bangladesh Export Processing Zones Authority (BEPZA).¹⁴ A new horizon opens with a plan of expanding industrial growth through establishment of Bangladesh Economic Zone Authority (BEZA). A bundle of attractive offers has been made to attract investment in the BEZA. The government has already made commitment to allow two specific zones for leather sector.

Automation and sensitization of relevant agencies and departments and established of one-stop services

Agencies and departments like BIDA, BEZA, NBR, RJSC, EPB and CCIE should have one-stop service and service delivery should be fully automated and time bound.

¹⁰While FDI is discussed in the leather goods and footwear chapter, Bangladesh Bank provides FDI-related data and information for the leather sector as a whole. Hence, the exact amount of FDI investment in tanning and leather goods and footwear is not known.

¹¹Ovi, I.H. (9 June 2017). UN: FDI inflow into Bangladesh rises 4.83% in 2016. Dhaka Tribune. [Online]. Retrieved from: <http://www.dhakatribune.com/business/2017/06/09/un-fdi-inflow-bangladesh-rises-4-38-2016/>

¹²Seventh Five Year Plan (FY 2016 – FY 2020). General Economics Division (ERD), Planning Commission, Government of the People's Republic of Bangladesh.

¹³Source: Bangladesh Bank. (2016). FDI in Bangladesh, Survey Report. [Online]. Retrieved from: <https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjanjun2016.pdf>

¹⁴EPZs in Bangladesh: An attractive investment destination. [n.d.]. BEPZA. Retrieved from: <https://www.bdembassyuae.org/pdf/EPZ%20in%20Bangladesh%20-%20An%20Attractive%20Investment%20Destination.pdf>

Specific challenges in the tanneries subsector:

Apart from Savar tannery management, Bangladesh needs to see other challenges in the tannery sector. Some of the challenges faced by the tanneries have been briefly described below:

Compliance

Apart from compliance in general, tannery subsector has added compliance issues as most tanneries do not comply with environmental regulations, occupational safety, and health related standards, thus reducing the acceptance of leather and leather goods in international markets.

Moreover, poor traceability of the leather produced in the country and incomplete supporting infrastructure at TED has contributed towards poor traceability of leather, reducing the country's image and acceptability of leather goods from Bangladesh using local leather. It is alleged that the tanneries have been using higher chemicals than required. Chemical usage in tanneries is substantially higher than international standards; Also, limits to traces of chemicals in finished leather have become quite exacting with the REACH standards of the EU.

Procurement of raw hides, particularly during Eid ul Adha is also a challenge. During that time around 40-50% of raw hide is collected from cities and beyond cities. It is difficult to maintain and preserve raw hide in rural areas and intermediary groups hinders rational price setting, thus leading to a chaotic situation in the whole supply chain.

Physical infrastructure

- *Poor infrastructure for slaughtering animals:* Current infrastructure for slaughtering animals is poorly maintained, leading to unhygienic and unscientific handling of skins, resulting in reduced value of leather. During Eid, a large number of animals are slaughtered by semiskilled butchers across the country resulting in considerable damage to hides and skins.
- *Inadequate capacity of CETP:* The CETP at TED, Savar, can process only 25,000 cubic metre of wastewater per day, limiting the volume of leather that can be produced in the estate. However, demand for leather is likely to outstrip this supply soon, thus requiring development of perhaps another such estate or encouraging large stand-alone tanneries at different locations that conform to DOE standards of environment management. Moreover, the existing CETP does not meet all the parameters of compliance that may lead to further complication in the future.
- *Inefficient use of water:* Lack of a water tariff has resulted in inefficient use of water by tanneries. This results in huge wastewater inflow into ETPs, which do not have the capacity to process excess wastewater inflow.
- *Cold-chain preservation:* No existing cold-chain system exists for raw leather. As untreated raw leather tends to rot, this limits the quality of available raw materials for the tanneries.
- *Waste disposal/recycling:* A lack of waste disposal/recycling systems and facilities result in a high degree of pollution and wastage of materials that can be upcycled into useful goods.

Finance

- *Limited access to finance:* Some of the tanneries have not received the land allotment titles in Savar. Hence, they do not have the collateral to raise finance for relocation. Relocation of tanneries from Hazaribagh to TED, Savar, is likely to be an expensive affair and cost 862 million USD (approximately 7,000 crores BDT) in total for all tanneries put together.

Technology

- *Unavailability of machine and technology to produce higher value leather:* SME tanners cannot afford modern equipment and machinery, which are often required to produce higher value leather.

Graduation from LDC to Developing Country

Bangladesh will likely to be recommended for graduation at the following triennial review in 2021. Following the review, Bangladesh would officially graduate from the LDC status in 2024. After graduation new challenges of duty free quota free access to existing market will arise. A detailed study should immediately be commenced to identify the challenges the leather sector will encounter after 2024. Bangladeshi representation in the World Trade Organizations in Geneva should immediately be strengthened by manning with qualified expert of WTO regime.

Steps to be taken – tannery sub-sector

- Shifting of Hazaribagh tannery should be completed immediately.
- Reasonable and rational access to finance should be ensured including tax holidays.
- Management of ETP as per international requirements with all its parameters and required facilities should be made available.
- Hazaribagh can be used as “Green Leather Factory Area” with required international environmental standards.
- Procurement of hides and skins should be made in a proper way during Eid ul Adha.
- Planned arrangement of procurement should be made in collaboration with the tanners.
- Tanners must be assisted to obtain LWG certification.
- Providing technical assistance to guide tanneries in obtaining LWG clearance.
- Identifying technology, operational, and infrastructure bottlenecks for efficient operation of CETP.
- Independent technical assessment of CETP including treatment components and compliance parameters to be conducted.
- Hiring a private operator to ensure sustained operations and maintenance of CETP at Savar Estate.
- Regulating the capacity of discharge from tanners.
- Assessing the proposed capacities of operations of allottees and applying capacity limitations on tanneries, if required.
- Improving the tanneries’ understanding of the CETP.
- Setting up operation control within tanneries to comply with the CETP parameters.
- Converting tannery solid waste into useful by-products.
- Preparation of project profiles and presentation to potential private entrepreneurs.
- Ensuring completion of all facilities at Savar and other potential areas such as land and area acquired and developed by BEZA.
- Hold discussions and deliberations among ministries in consultant with beneficiaries for speedy completion and transfer of land titles to allottees at Savar.
- Establishing a systematic monitoring and evaluation system for the sector.

Specific challenges in the leather and non-leather subsectors:

Challenges in the leather and non-leather goods and footwear subsector are manifold and needs added interventions. Compliance in these subsectors have added requirements. Due to lack of compliance with international environmental, social, and safety standards in the factories and manufacturing premises, some of the large international buying houses often refrain from purchasing from Bangladesh. Testing and quality control is a vital issue here. Inadequate testing, certifying and quality control practices and lack of international testing and certification are major challenges for Bangladesh adding to the lead-time and risk of rejection. These subsectors also face limited access to finance for technology upgradation and expansion of units, causing serious constraints for SMEs. Effective human capital is an issue wherein lack of skilled and semi-skilled workforce puts the subsectors at further risk of declining productivity. There is a dearth of professionals skilled in product design; most of the current designers in the country are expats, resulting in lower value addition within Bangladesh. Managerial skills and capabilities are also limited within the country, with a heavy dependence on expats. Even though, women's participation in the labor force is higher in more organized manufacturing set-ups, which they perceive to be safer in comparison to smaller units, these subsectors face low female labor force participation. Availability of necessary technology and software for product design are minimally available, as there are no local vendors generating new products. In addition, there has been minimal IT penetration in all parts of the production process, resulting in manual processing and delays. Dependency on imports for components that manufacturers depend on, e.g. moulds, accessories, and components result in high lead-time.

Giving special attention towards non-leather footwear sub-sector

In recent years, non-leather products are engulfing the leather sector with huge demand strength for its quality and high competitive price. The trend of transformation is worldwide. With existing infrastructure of leather and leather goods manufacturing capacity of factories, Bangladesh can easily take this opportunity of transformation by minor adjustment of machineries and know how. Non-leather footwear needs extra attention and policy support to cope with the new trend of demand worldwide and should be included in the future plan along with leather footwear.

Some of the challenges faced by the leather and non-leather goods and footwear manufacturers have been briefly described below:

Compliance

Due to lack of compliance with international environmental, social, and safety standards in the factories and manufacturing premises, some of the large international buying houses often refrain from purchasing from Bangladesh.

Testing and quality control

Inadequate testing, certifying and quality control practices-and international testing and certification is unavailable in Bangladesh, adding to the lead-time.

Finance

Access to finance, for technology upgradation and expansion of units is constrained for SMEs.

Human capital

Lack of skilled and semi-skilled workforce in -

- *Product design:* There is a dearth of professionals skilled in product design; most of the current designers in the country are expats, resulting in lower value addition within Bangladesh.
- *Managerial skills:* Managerial skills and capabilities are also limited within the country, with a heavy dependence on expats.
- *Low female labor force participation:* Women's participation in the labor force is higher in more organised manufacturing set-ups, which they perceive to be safer in comparison to smaller units. Inadequate supporting infrastructure, in terms of transport to commute to work, childcare centers deter women from working.

Technology

Limited availability of necessary technology- Software for product design is minimally available, as there are no local vendors generating new product designs. In addition, there has been minimal IT penetration in all parts of the production process, resulting in manual processing and delays.

Other components for manufacturing

Manufacturers depend on import of moulds, accessories, and components resulting in high lead-time.

Steps to be taken for leather and non-leather goods and footwear subsectors:

- Detailed study should be conducted to assess present status and future potential of leather and non-leather goods and footwear.
- Improve basic compliances of leather and non-leather footwear manufacturers.
 - Strengthen the institutional capacity of business associations so they can assist firms to comply with international standards.
 - Conduct a national-level awareness-raising programme to improve the firm's understanding of the benefits of compliance and the costs and risks associated with non-compliance.
 - Develop a compliance performance matrix, with incentives and disincentives associated with each compliance type.
 - Develop a national social, environment, chemical, safety, occupational and health. compliance guideline and certification.
- Ensure the sustainability of the sector.
 - Assist manufacturers with better waste management and energy efficiency techniques.
- Improve the level of skills, technology, and productivity by setting up a technical center for leather and non-leather goods and footwear that will perform the following functions:
 - Provide exclusive testing facilities to test the physical quality and chemicals in the product in Bangladesh in collaboration with international institutes of repute to improve the quality of products manufactured.
 - Develop a pool of trainers for the sector through training of trainers with internationally reputed institute courses.
 - Develop effective training delivery systems for the private sector to promote an institutionalised approach to effective training delivery systems.
 - Introduce a testing-based certification for the workforce, by tying up with an international institute of repute.
 - Application of productivity techniques to manufacturing processes to improve firm level competitiveness.
 - Identify operations for de-skilling (i.e. improving production processes to allow for automation/lowering skill requirements) of operations involving non-leather footwear manufacturing.
- Improve fashion and design capability and support the growth of the footwear subsector in the country.
 - Establish a Footwear Design, Development and Fashion Center.
 - Develop human resource for the design studio through international trainings and exchange programmes.
 - Bring in established designers to work with designers in Bangladesh – this can be done by season.
 - Set up a reference library for market research.

- Exhibition, shows, and competitions to showcase the potential of the sector and attract creative people into the sector.
- Reduce the cost of imported inputs and components.
 - Authorise business associations to review the utilisation declarations provided by exporters.
 - Encourage investments in the components manufacturing industry that can cater to the needs of manufacturers in Bangladesh, and export to other countries.
- Improve access to finance.
 - Develop fiscal and tax incentives for firms committing to or undertaking compliance initiatives.
- Promote social, safety and environmental compliance.
 - Rationalise import duties in order to promote fire safety and other compliance initiatives as provided to RMG sector.
- Improve policy environment for trade and investment.
 - Decrease planning risk and ensure predictability.
- Enhance the image of industry/country in select markets abroad.
 - Strengthening capacity of EPB to arrange events and expo in important and probable destinations of leather and non-leather product exports.
 - Publication of a special pictorial magazine of the leather sector.
 - To invite opinion makers from select markets to visit Bangladesh and write on country capability.
 - Support the advertisement of manufacturers in leading international magazines to aid the general product-discovery process of export diversification.
- Assist firms to establish contacts with leading importers/brands.
 - Creation of a platform for showcasing their products.
- Attract foreign investments from other countries.
 - Engage sector experts well conversant with the market to help reach potential investors.
- Evaluate potential for product diversification in the Bangladesh non- leather sector.
 - Enhance the capacity of the industry to explore new product space.
- Upgrade artisanal micro enterprises to produce better quality products fetching better average prices.
 - Conduct a study to understand artisanal clustering and ways in which it can be implemented for the leather and non-leather subsectors in Bangladesh.
- Enlarge production base of Espadrilles footwear, improving quality and market diversification.
 - Engage a market agent well conversant with the product and its market to identify international markets for export and prepare firms to be export-ready for this product.
- Improve the design capability of non-leather footwear products.
 - Create a Design, Product Development, and Training Center.
- Improve market access for non- leather footwear manufacturers through existing and new avenues.
 - Engage international consultants for direct and digital marketing.
- Establishing a systematic monitoring and evaluation system for the roadmap action plan in a cell constituted in EPB under the MoC.

Introduction

Bangladesh is one of the fastest growing economies with an impressive and stable GDP growth. Average GDP growth for last decade has been 6.4 %. In recent years, it records impressive 7%+ growth. As one of the vital components of economic growth, the export sector has made a significant contribution to economic growth and employment. However, export composition has been broadly dominated by the RMG sector contributing to more than 82 % of the total export revenue. The over reliance on RMG sector alone as the growth engine is highly vulnerable for any economy. Export driven economies are more risk prone to exogenous shocks and global economic fluctuations. These vulnerabilities can be addressed by diversifying the export baskets and export markets. The Government of Bangladesh has recognized this need for export diversification and stressed its importance in the 6th and 7th Five Year Plans.

Among the other remaining sectors, even with a meagre size and small export earnings compared to RMG sector, the leather sector can be a major option for diversification. It contributes about 2% to industrial production and 0.6% to the country's GDP. The sector is the second largest export industry in the country employing about 558,000 people directly. However, with 1.3-1.8 % of the total cattle population of the world coupled with the century old practice of using leather products, Bangladesh meets only 0.5 % of world leather trade. Thus, there is huge scope for growth.

In order to enhance momentum of the leather sector, the roadmap outlines the strategy for enhancing leather sector export of Bangladesh with a vision to become amongst the top 10 leather exporting country by 2025 and to achieve a target of 5 bn USD by 2021.

International quality leather market was dominated by developed countries in the past. From 1970, manufacturing of leather and leather goods has been shifting from industrialized countries to other developing countries. In the process of shifting, China took the advantage and become the largest manufacturer and exporter of leather and leather goods products. Recently, China has marked significant economic development that has raised its wage structure and production cost. For obvious reason, China prefers outsourcing its investment to new suitable destinations. Vietnam has capitalized this 'China opportunity' successfully and made remarkable progress in leather goods production by increasing their export earnings from 1.55 billion USD in 2001 to 17 billion USD in 2017. China and other leading manufacturing countries have already outsourced a large chunk of its manufacturing to Vietnam, Cambodia and to other suitable destinations. They are now eagerly exploring possibilities of outsourcing and relocating their factories in new suitable geographical locations having economic viability, liberal FDI regime, low cost of doing business and stable predictability of government policy.

It is high time for Bangladesh to attract this share of Foreign Direct Investment (FDI) and form Joint Ventures and the leather sector can be an alternative for the investors. Bangladesh has inherent advantage of producing about 288 million sq.ft of leather per year which is considered to be one of the finest for its fine grain pattern, uniform fiber structure and smoothness as well as abundance of supply. Bangladesh also has linked with top brands and retailers through the EPZ and some of the leading private manufacturing houses. With the emergence of a huge middle class in Bangladesh and other neighboring countries, improved infrastructure of communication, and a strong presence in the EU and other markets with DFQF access, Bangladesh, with all its potential of liberal FDI policy, can be the next major destination for leather product outsourcing. BEZA is creating an added opportunity for FDI and joint venture. Lucrative package offered by BEZA may attract more foreign manufacturers to start outsourcing, manufacturing and procuring from Bangladesh.

In recent years, the global market experienced steady increase in the import of leather goods. Except for a slight dip in global import of various leather products in 2012, there has been consistent growth in the import of these products in all major importing countries. This signifies that the consumers in these countries depend increasingly on imports for getting such products at competitive prices. There is no reason to suspect that this trend could reverse in any significant way in the near future.

In the world market EU and USA dominate import of leather goods. The EU and the USA together account for more than 75% of global import of footwear and leather goods. Though there could be other emerging markets, the dominance of these markets for these products will not diminish because of consumers purchasing power present in these countries. So, the focus on these two markets should continue.

If we consider, countries competing in the global export market, Vietnam is one of the strongest contenders in Asia, and Portugal in Europe is a strong contender in export of footwear. Though Portugal does not figure amongst top 10 exporters of footwear, in the recent past, their footwear sector has been strengthening. This is due to a complex set of factors. Firstly, global retail market is undergoing remarkable change owing to online marketing and other innovations. Secondly, order size is getting smaller, turn-around time is getting shorter, and footwear designers are introducing new models and designs more rapidly. All these call for suppliers with greater resilience and agility. By adopting innovative technology and application of a variety of materials, Portugal has found its niche in the evolving market place, especially for re-orders. While this makes Portugal a direct competitor to Bangladesh's footwear manufacturers, this model of digital marketing and the application of innovative technology could be emulated by the Bangladeshi footwear manufacturers as well.

As to major exporters of leather footwear to the world market, China and Hong Kong followed by Vietnam, Italy, Indonesia, India, and Turkey are major producers and exporters; whereas Germany, Belgium, and the Netherlands, countries that figure in the top ten exporters, are re-exporters as they do not have much of a production base. Bangladesh should take note of the trends of global market and study and monitor it for suggesting plans for emerging leather sector.

Bangladesh has been facing stiff competition already and the competition would further stiffen with the graduation from the status of LDC to developing country. For diversification of export and achieving the goal, Bangladesh needs macro level government intervention to overhaul the total structure of leather sector to augment export along with the RMG sector. Challenges are many and the roadmap suggests steps to be taken for the growth of the sector.

A roadmap and action plan for improvement of leather sector export has been formulated with the following vision and mission:

Vision

Bangladesh to be amongst top 10 exporting countries in the world for leather, leather goods, and footwear by 2025 through integration and enhancement of capacities and investments in state-of-the-art technology, skilled human resources, and safe environmental management practices.

Mission

To create an enabling situation for Bangladesh leather industry to remain competitive and compliant in the current global market, it need to ensure a series of strategic interventions. By attracting domestic and foreign direct investment in the form of joint ventures and technical collaboration, linkages and collaboration with major global value chain actors should be established. Through increasing productivity, maximize value addition to local raw material resources with upgraded technical expertise in an environmentally sustainable and export compliant manner. To strengthen Bangladesh Standards and Testing Institute (BSTI), Bangladesh Accreditation Board (BAB) and other private sector certification agencies to meet compliance standards of international brands and retailers and to help generate more, better, and decent jobs for men and women. To ensure equal (if not added) privilege and incentives like RMG sector for catalyzing rapid growth so that sector competitiveness increases at the onset of LDC graduation.

Objectives of the Roadmap

The objectives of the roadmap include interventions for every step of the process starting from the procurement of hides and skins, production of leather goods to exporting to its final destinations. It is imperative that the leather sector improves the level of skills, technology, and productivity, and the level of social, environmental, and safety compliance. The sector needs sustained access to finance, to improve industry – academia interaction with a focus on worker and management skill development and upgraded infrastructure. It needs investment in scientific progress through research and development. There is a need to improve the fashion and design capability, reduction of complications of importing world class raw materials and the lowering of cost of imported inputs and components and create improved backward linkage. It needs concerted effort to increase market access for footwear, leather, and non-leather goods manufacturers through existing and new avenues. The government needs to assist firms to establish the image of the industry/country in select markets establish contacts with leading importers/brands and promote interactions and interface between different actors. There is need for evaluation of the potential for product diversification in Bangladesh and upgrade artisanal micro enterprises to produce better quality products fetching better average prices.

This export roadmap includes specific action plans for the tanning (finished leather), footwear (leather and non-leather), and other leather goods subsectors with strategies and interventions for addressing the constraints, indicative allocation of responsibilities and timelines for implementation of the same. It is a guideline for the implementation of various schemes, policy initiatives, investments, etc. that should be made in the sector over the next five years. The roadmap envisages the target of achieving its goal by the year 2025- the year the country supposed to start its status as a developing country and face new challenges at that point with the withdrawal of DFQF at her major export destinations.

To be specific, in the tannery subsector, interventions are needed at points like slaughtering and collection of hides and skins, compliance of collection (slaughter house for urban areas and awareness building at slaughtering points in the rural areas), efficient collection (training on collection and preservation, supply and access to raw materials like salt for preservation and collection at competitive prices), improvement of intermediate collection points (capacity and quality of preservation, training and awareness of traders, encouraging to fix competitive and proper rational price for checking illegal outflow across the border), improving condition at the center points of collection at tannery, compliant preservation in tanneries, compliant tanning (ensuring effluent treatment plant, rational and environmentally friendly use of chemicals and occupational and structural safety of factories and labors), and access to international standard certification.

For leather and non-leather goods and footwear subsectors, the roadmap underscores the importance of collection of quality hides and skins, easing procedures for procurement through import, improving port facilities, simplification of customs procedures, improved transportation facilities and simplify re-export facilities. It also underlines importance of compliant factory (structural safety, health safety, occupational safety, labor standards, productivity), necessity of developing updated fashion and design center (compatible with the international demand), and testing laboratory (qualified, internationally accepted and certified, and required every single parameters tested), steps to be taken for increasing productivity through training and ensuring skilled human resources, development of smooth cost effective transportation, uninterrupted and easy access to other utility services like power and water, extended bonded warehouse facilities, predictability of tax regimes, smoothening cumbersome customs and banking procedures, increasing export incentives, reducing lead time and cost of doing business.

The roadmap also suggests the need for added care and nurturing of locally owned export oriented factories, connectivity with the major markets through strengthening and extending capacity of the Export Promotion Bureau (EPB), foreign missions abroad, Ministry of Commerce and Ministry of Foreign Affairs, improving linkage and collaboration with major retailers and brands, need for examining the trend of local emerging market and its price structure comparing export items, smoothening banking facilities, export incentives, empowering business bodies, improving port and custom procedures, reducing lead time, engaging Joint

Venture or foreign owned factories in augmenting export volume, ensuring one stop service at BIDA, easing remittance of profit, uninterrupted business environment, and predictability of tax regime.

Since Bangladesh will face stiffer competition after graduation from LDC status to a developing country, extra compliance would be an inclusion along with withdrawals of preferential treatment. It needs added efforts and pro-active measures to face new multi-dimensional challenges. A detailed study by the Tariff Commission should be conducted for the leather sector along with other sectors facing challenges of graduation. Representation in the World Trade Organization (WTO) should be strengthened with expert and experienced man power. It is heartening to note that Bangladesh has success stories in the US market even without GSP facilities, being one of the largest exporter of RMG, and needs to replicate strategy for success for other sectors as well.

Export Projections During the Roadmap Period

The export roadmap has been prepared for a period till the year 2025, with 2015-16 as the base year. The projection is based till the year 2025, the year Bangladesh supposed to begin its status as a developing country after graduating from Least Developed Country (LDC). The year 2025 has been projected as the timeline for becoming one of the top ten exporter of leather and leather goods. The projected achievement is significant for Bangladesh to become a major actor in the world trade of leather product. The very year Bangladesh will face the initial trade shock from the withdrawal of DFQF (Duty Free Quota Free) access to a new competitive world market. Two growth scenarios have been considered for the roadmap. The export targets for Scenario I are based on organic growth and historical trends, while the projections for Scenario II have been arrived at based on Government of Bangladesh's export targets. Following are the projections:

Table 3: Projection of leather goods and footwear exports

Category of products	Base year	Scenario I		Scenario II	
	2015-16	2020-21	2024-25	2020-21	2024-25
Leather (in mn USD) *	288	468	1,105	1,000	3,480
Leather Footwear – no. of pairs (in mn)	48	108	190	227	851
Leather Footwear value (in mn USD) – (a)	494	1,500	3,126	3,250	14,000
Leather goods – no. of pieces (in mn)	44	90	234	200	363
Leather goods value (in mn USD) – (b)	345	840	2,400	1,750	3,400
Total value of exports (in mn USD) (a) + (b)	839	2,340	5,526	5,000	17,400 ¹⁵

Note: * with the growth in value added leather goods from Bangladesh, leather is more likely to be consumed by exporting firms – hence a combined value of deemed and direct export of leather is provided.

If we consider growth and trend of export, it is found that the sector is far behind the target of 5bn USD set for 2021. Hence, even for achieving target for scenario I, it is high time for immediate intervention.

For both the scenarios, input requirements in terms of leather (both domestic and imported), investment, labor, land, and power have been analyzed and presented. Input requirements

Table 4: Input requirements for scenarios

Category of products	Scenario I		Scenario II	
	2021	2025	2021	2025
Leather requirement (in mn sq. ft.)	720	1,600	1,570	3,700
Additional investment requirement (in mn USD)	1,100	2,350	3,400	8,300
Employment opportunity (no. of new jobs)	198,000	380,000	600,000	1,610,000
Employment opportunities for women*	138,600	266,000	420,000	1,127,000
Land requirement (in acres)	300	800	900	2,700
Power requirement (in MW)	40	75	130	350

Note: * Please note that women's participation in the tanneries subsector is likely to be low at 60 %, while that in the footwear and leather goods subsectors can be anywhere between 70 % and 80 %. The figures for employment opportunities for women have been arrived at by taking an average of 70 % of total employment.

Scenario I is based on organic growth of the sector, considering the current level of export of various product groups of the leather sector and the potential for augmenting exports of the sector to current and new markets, assuming reasonable efforts in export roadmap implementation. Scenario II considers an accelerated growth for the sector, which would require adequate policy support and incentives, extensive efforts in attracting domestic and foreign investments, as well as enhancements in environmental, social, and quality standards.

¹⁵Source: Trademap

Scenario I is a projection of export of leather and leather goods sector for Bangladesh, extrapolating recent trends over the years 2012-16. Export of leather has seen a decline of 10 % during the period. However, this decline is attributable to the shifting of tanneries from Hazaribagh. Considering the additional capacity being created and technology upgradation, it is assumed the growth of leather exports from Bangladesh either directly or as value added leather goods. For Scenario I and Scenario II, 20 % of the total volume of the leather sector exports is expected to be from the export of finished leather. This assumption is based on the proportion of finished leather exports in total volume of leather sector exports of comparable countries.

Under Scenario I, the value of footwear exports from Bangladesh is assumed to grow at 25 % per annum for the period 2017-2021 and grow at 20 % per annum for the period 2021-2025. This assumption is based on the current rate of growth of the footwear sector in Bangladesh, which stands at 22 % during the period from 2012-16. A higher growth rate is assumed in the initial period justified by the investments in the sector and the presence of global buying houses that will improve compliance and market access. Also, in line with global market demand, there will be a higher share of exports of sports footwear from Bangladesh, which would increase from the current 20 % to 30 % by 2021 and to 40 % by 2025.

With respect to leather goods, gloves, handbags, and belts are the three prominent products considered. The total export of leather goods is assumed to grow at 25 % per annum for the period from 2017-2021 and the growth rate is expected to increase to 30 % for the period from 2021-2025. A lower growth is assumed in the initial period of the roadmap, as Bangladesh needs to invest in improving the market presence for leather goods in the global market space. Further, exports of handbags are expected to increase their share in overall exports of leather goods from the current 38 % to 45 % by 2021.

Scenario II reflects government targets, which are more ambitious. To achieve the exponential growth rate, the Compounded Annual Growth Rate (CAGR) for these products must increase to 45 % for leather footwear, 80 % for leather products like trunks and suitcase, 60 % for articles of apparel and clothing of leather, and 40 % for other articles of leather.¹⁶ The target fixed in scenario II is not impossible to achieve. It is projected considering growth of the world leather export market the success story of Vietnam and steady economic and industrial growth of Bangladesh increasing number of middle class around an expansion of market. Considering the volume of the world trade market, the projected share is not that significant. With all its strength and opportunity, the target is practical and feasible.

To reach the targets set out in this roadmap, Bangladesh needs to address some critical challenges. Some of these challenges of the leather export sector are similar to other relevant export sectors and there are some specific challenges as well. Both will require long-term, mid-term and short-term interventions.

It may be noted that for achieving target envisaged in both the scenarios, massive domestic investment by the able entrepreneurs successful in RMG and other sectors and FDI flow are necessary. In the case of RMG, the brands and retailers played the vital role for its exponential growth. Massive relocation of supply orders, congenial policy support and incentives and export friendly tax facilities had been the key to success. Moreover, the leather sector may pursue similar strategy and approach for achieving the goal

¹⁶HS 6403, HS 4202, HS 4203 specifically among other HS 64, and HS 42

Major Challenges in the Leather Sector Export in General

Overview of export of the leather sector

Endowed with 1.3-1.8% of global population of cattle and 3.6% of goats, Bangladesh has good supply of raw materials for sustaining the growth of the leather sector. According to BTA, Bangladesh produced 312.5 mn sq.ft of leather from hides and skins. About 50 mn sq.ft. of split leather is also produced for export. Bangladesh exports most of the bovine leather in crust form to its major destinations like Korea, Honk Kong and China. It exports high quality leather from select tanners to Italy and Spain. However, Bangladesh could export only 1% of bovine skin in the world market.

The export of assorted leather goods from Bangladesh showed a marked increase especially over the last 3 years. The total production of footwear in Bangladesh was 399 mn pairs in 2016, making Bangladesh the 7th largest manufacturer of footwear in the world. Its export of leather footwear was 48 mn pairs in 2015. Global export trends of footwear demonstrate stable increase.

The export sector as a whole faces multi-dimensional challenges in exporting goods. It includes inadequate communication infrastructures, complicity in tax and customs procedures, cumbersome and lengthy banking transaction and remittance, bottleneck in transportation, handling of products at the port (airline and sea) and unusually high lead time, high cost of doing business, unpredictability of tax regime and bottlenecks in the FDI process. The leather sector is facing similar challenges the other exporting sectors encounter. Like other sectors, it would face added challenge after graduation from LDC to developing country which will bar the country from the Duty Free Quota Free (DFQF) access to existing export markets. Apart from general challenges, the leather sector has specific challenges that need intervention and pragmatic long-term planning.

The major challenges leather sector encounters are as follows:

Compliance

For the leather sector in general, one of the major facts is that the global buyers across the board demand that the products being exported are compliant to international environmental, social and labor standards. So, compliances of international environmental standard is the key to further growth of export in the world market. Bangladesh faces immediate challenges for tannery in Hazaribagh and its environmental hazard. In the recent past, tannery export has shown decline due to Hazaribagh issue. It is heartening to note that the tannery has been shifted to Savar. Immediate intervention to complete Savar tannery complex and operationalize CETP in Savar is imperative to augment development and export of leather and leather products.

Now-a-days testing and quality control and Restricted Substances List (RSL) for leather and leather product is a compulsion and buyers of leather these days generally insist on three key parameters:

- The factory producing the leather must conform to the country's environmental regulations.
- The labor and work environment must be as per the country's laws and regulations. In some cases, the buyers may specify their own standards in this regard, generally in conformity with ILO conventions. These relate to non-use of child labor and prison labor, occupational safety, satisfactory work environment, allowing association of workers, collective bargaining, etc.
- RSL is an important parameter under the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation of the EU. The list keeps expanding from year to year but not all items in the list may be relevant to leather. The Testing and Quality Control Lab has to have the required equipment that is capable of testing leather for all such parameters. As similar testing will be required of footwear and leather goods too, the recommendation in this regard is discussed in Chapter 2 of the report.

Quality and productivity in the production process

A constant issue faced by the leather sector is a severe dearth of skilled workers ranging from semiskilled and skilled workforce, designers, technical workers, supervisory and managerial personnel, including quality management and quality control management.

Leather product is predominantly fashion item worldwide. So, quality and design are leading factors that need careful observance of required compliance standard and introducing innovative and attractive latest fashion and design. The price needs to be competitive to domestic and international market. So, productivity is a core issue and a real challenge for the sector.

Development of skills and know-how

Technical assistance for process and productivity improvements is imperative here. Currently, most tanners lack access to technology and know-how to transition from making crust to finished leather which is a driving factor for productivity.

The better the quality of labor, the greater will be the benefit to the industry. ILET, Dhaka, currently provides supervisory and managerial personnel required for the tanning industry. Another institution, Khulna University of Engineering and Technology, has recently started its leather engineering department offering honors courses. The current skill development ecosystem in Bangladesh faces various issues:

The curriculum, quality of teaching, and infrastructure available are inadequate to meet industry standards and demand. There is a distinct disconnect between the academia and industry. Students graduating from ILET do not invariably join the industry. There are no short-term certification programmes offered by the institute that would be more relevant and affordable to the potential workers in the tanning sector. Such courses will also be useful for experienced workers who can upskill themselves for supervisory/managerial roles.

Problem in bridging the gap between industry and academia is the most important intervention required which will have an impact on programme design, setting of curriculum, absorption of graduates by the industry, and quality of academic research. However, this requires cooperation between the industry associations and the university. While improving the physical and supporting infrastructure for skills is one part, there is a need to conduct more training programmes to skill the workforce at large. Training or skilling on-the-job is insufficient to meet the exponential growth targets for the leather sector. While fundamental research is a long-term venture and is best left to government/university/industry to fund, finding solutions to practical problems of science or engineering faced by the industry is essential for the sector's progress.

Clustering of SMEs

Existing factories of manufacturing leather and leather product are located in scattered way without having formal recognition as factories. For exponential growth, all the SME need extra investment, clustering and policy support including technical assistance and know how.

Common facility center for producing finished leather

Huge investments in machinery and equipment are required for leather sector to move up the product value chain - from making crust leather to finished leather and leather goods and footwear. Many small and medium tanneries do not find this financially viable, as their operating capacity is much smaller than the design capacity of new machinery. So, SMEs need to have access to a common facility center.

Policy for encouraging value addition

Only a very small volume of crust leather is converted to finished leather by Bangladeshi tanners. Encouraging tanners to move up the product value chain will result in significant economic gain for the sector and country. Finished leather fetches about 60% higher price than crust leather¹⁷. Moving up the process value chain will also create new and better jobs in the tanning sector.

¹⁷This is given an analysis of global price differentials between crust and finished leather exports for the 2010-2015

Improving bonded warehouse facilities and duty drawback process

The bonded warehouse regime in Bangladesh permits licensed manufacturers to import inputs required for export-oriented manufacturing duty free. Customs Bond Commissionerate is the nodal department under the NBR that facilitates the use of bonded warehouse facilities. Many of the large exporting firms in the leather sector use bonded warehouse facilities. However, SME exporters mostly depend on duty drawback, as the licensing process is cumbersome, paper intensive, and time consuming. The situation needs to be addressed.

Expansion of the Savar tannery estate

For meeting the export targets envisaged in the roadmap, tanning capacity at Savar has to be increased by an additional 750 tonnes per day of raw or semi-processed leather. New tannery estate should be established in other areas like Chittagong, Rajshahi as hinted by the Honorable Prime Minister. For processing this quantity of raw material, the daily water requirement will be of the order of 22,500 cubic meter assuming 30 cubic meters per tonne of raw material.

Attracting foreign and domestic investments and involving able entrepreneurs in the sector

In addition to allocation of land, it is important to attract both domestic and foreign direct investment in the leather sector in massive volume. For a major overhaul in the leather sector, investments from both domestic and foreign are key factors. FDI and JV are still not as per expectations of the policy makers. Flow of FDI and collaboration with the retailers and brands is an important challenge even today.

Improving market access

Market access of Bangladesh is minimal with only 0.5% of global market share. Image building by compliance and branding is still a challenge.

Direct marketing

For any company approaching the western markets for direct marketing, the key requirements are quality, compliance, and timely delivery. During the growth phase, such companies prefer to source in a phased manner and start by working with wholesalers in the overseas markets. The advantage with this approach is that the styles are simple; there are long runs and extra lead times of 4-6 weeks. The disadvantage is that wholesalers offer very tight prices.

Backward linkages

Establishment of supply chain aids the growth of the sector. The Bangladesh leather sector faces major constraints with respect to linkages in the value chain. In the leather sector, most (>65%) of the raw hides and skins processed in the country is exported as a crust leather without any value addition within the country. This is mainly due to buyer requirements on environmental compliance in leather products and the footwear sector. Further, there is a larger dependency on imports for chemical, machinery, moulds and accessories.

Tanneries require machinery, chemicals and tools as inputs. Most of the tannery machineries are exported from the outside. The footwear sector requires close to 21 input components for manufacturing ranging from soles, lasts, upper, laces and other components. No large components manufacturers are present in Bangladesh. However, this situation is expected to change once the production capacity reaches a critical size making it attractive for component manufacturers to setup production facilities in Bangladesh.

Equal privileges and incentives like RMG sectors

Over the years, RMG sector enjoys encouraging policy support and financial incentives for its steady and speedy growth. It has been nurtured by government incentives for last three decades. In many cases other sector like leather do not enjoy equal policy support and required export incentives. So, the sector lack well behind the RMG sector.

Duties and taxes

The import tax (custom duty) regime in Bangladesh has seen significant reforms in the last decade and has moved towards uniformity. However, leather and leather goods exporters have to pay a number of levies, taxes, and fees over and above custom duties and these have emerged as a dominant component of trade taxes for some product categories. These additional levies include – supplementary duty (SD), value-added tax (VAT), advance income tax (AIT), regulatory duty (RD), and advance trade VAT (ATV).

Enabling situation for SME

A large number of small and micro enterprises are engaged in production of leather product and footwear. They need improvement of quality, designs, product range, productivity, and overall production.

Leather garments

For a country so strong in the RMG sector, there has been not any progress in the manufacture and export of leather garments. The leather available in Bangladesh is ideally suited for certain types of garments. Moreover, leather of Bangladesh can also be used for upholstery, both for home and automobiles.

Graduation from LDC to Developing Country.

Bangladesh will likely to be recommended for graduation at the following triennial review in 2021. Following the review, Bangladesh would officially graduate from the LDC status in 2024. In the case of market access, Bangladesh will lose the preferential access in terms of tariff and rules of origin. The preference will be eroded both in unilateral preferences and regional trade agreements. In case of GSP, Bangladesh will lose the DFQF treatment granted by developed countries.

Steps Suggested

The roadmap identifies challenges and suggests remedial majors for rapid growth of export of leather sector. Following steps have been suggested and elaborate action plan of roadmap has been given in the action plan chapter.

Compliance

- Ensuring compliances: Improving compliance by tanneries (first finished product at the initial stage) as one of the critical growth drivers for the leather sector in the coming years. Improving social, environmental, safety, health, and chemical compliance by tanners will make leather and leather product from Bangladesh globally acceptable. Profitability for this sector is likely to increase with compliance, as order sizes increases, and buyers see the value in purchasing compliant-leather from Bangladesh. Compliance also ensures that the tanneries and leather factories can grow their business without affecting the environment. Some of the compliance-related interventions recommended for the sector are:
 - In consultation with the association, develop a national social, environmental, chemical safety, occupational, and health compliance guideline and certification scheme. This should be aligned with international compliance standards.
 - Establish a sustainability and compliance cell under the ambit of an active association. This cell will oversee and ensure that tanneries meet social compliance standards in terms of work place safety and adhere to national and international labor laws. A compliance and monitoring cell at the EPB may also be established under the guidance of MoC.
 - Leather sector will require financial support in engaging compliance experts to assist them in complying with international compliance standards and policy support and financial incentive will be required.
 - Technical assistance to tanneries to obtain the Leather Works Group (LWG) certification for traceability, which is an internationally accepted and recognised certification for leather and leather-related products and aligned with internationally accepted environmental protocols and priorities. This requires tanneries to be able to trace the source of leather to slaughterhouses and adopt good and safe environmental practices in use of chemicals and discharge of effluents.
 - Around 40% of raw, hides and skins are collected during Eid-ul-Adha. Extensive awareness programs should be formulated to help people to collect hides and skins in a proper hygienic way during Eid.
 - Capacity building and financial support will also need to be provided to the leather sector until such time that they can fully comply with all the necessary international standard.
 - Apart from these compliance certifications and standards, physical infrastructure at Tannery Estate Dhaka (TED) Savar, must also be fully developed. Here, ensuring the proper operations and maintenance of the Central Effluent Treatment Plant (CETP) with all the tanneries following a well-understood, comprehensive discharge guideline with all the acceptable parameters of compliance will play a crucial role in ensuring the sustainability of the tanneries, and even the leather sector at large.
 - Strengthening downstream value chain through focussed investment promotion activities to encourage entrepreneurs to invest in value addition of by-products of tanneries. This could lessen use of tannery waste for other purposes detrimental to health. Solid waste disposal management should be strictly monitored and the guideline to assist emerging environmental friendly by product factories be assisted. This could further generate employment opportunity in the downstream business.

Quality and productivity in the production process

- Development of skills and know-how: To bridge the gap between industry and academia in terms of technical know-how, there needs to be regular interaction and collaborative learning. The facilities at ILET and COEL (among others) could be upgraded to be aligned with industry needs. It may benefit from a twinning partner, especially an international institute of repute in the leather sector. Vocational training needs to be provided to tannery workers. While the Center of Excellence for Leather Skill Bangladesh Limited (COEL) provides this training, the training capacity has to be augmented to meet the skilling requirements of the sector.
- Bridging the gap between industry and academia: To begin with, industry-academia meets can be organised at regular intervals to discuss specific areas of collaboration such as relevance of curriculum, design of innovative short-term refresher/ immersion programs and training workshops, industry internships, academic research funded by industry, etc.
- Training of trainers programme to skill the workforce: A short-term training programmes, taking into account the immediate industry needs. These training programmes, which provide a recognition of the participants' efforts to skill themselves, can also provide certifications to the participants.
- Twinning¹⁸ with international academic institutions: For sufficiently long term, not less than 3 years, to begin with. The scope of collaboration between the institutions will include exchange of curriculum and curriculum design, exchange of faculty, student exchange, faculty training workshops, exposure visits, collaborative research, and in the end, affiliations offering certificate programmes through partner institutes.
- Research grants for applied research on leather: While fundamental research is a long-term venture and is best left to government/university/industry to fund, finding solutions to practical problems of science or engineering faced by the industry is essential for the sector's progress.

Productive use of Hazaribagh tannery area

Over the years, Hazaribagh has been developed as the center of tannery production with its linkage, factories and workforce. The abandoned factory area can be transformed into modern green factories and thus helping the owners utilize locational advantages of the area grown over the period.

Equal policy support and similar incentive privilege

For diversification of export, it is important to make scope for at least equal policy support and export incentives given to the RMG sector. Initially, it may need extra and added policy support and incentives for exponential growth in the leather export.

Development of SMEs

For leather sector, small and medium enterprises can play a driving role for speedy growth of leather sector to meet domestic demand and export target. The small footwear and leather product making units spread out in various clusters all over the country are yet to be recognized a formal manufacturing segment. It is high time that the government comes up with some facilitating measures to help them grow up in a cluster to their potential and contribute to the economy in a desired manner. Congenial policy, financial help and required training should help SME to grow rapidly and mainstreaming it with the big factories.

- Development of SMEs: There are a large number of small and micro enterprises that work either directly for domestic market, or as sub-contractors for large firms, especially during peak season. There is considerable scope to improve the quality, designs, product range, productivity, and overall production of such clusters. When one or two such clusters absorb modern production practices and technology, it spreads fast amongst other clusters. A study needs to be conducted to understand artisanal clustering and ways in which it can be implemented for the leather goods and footwear sector in Bangladesh.
 - Motivating big retailers to source their products from artisan cluster

¹⁸According Macdonagh et al. (2002), twinning is the “establishment of a formal link between a specific department/institution in the UK and a corresponding department/institution in the developing world, to facilitate an accurate assessment of need and consequently to ensure effective mutual collaboration at all levels.” With respect to Bangladesh, this means collaboration between an advanced institute (e.g. CLRI), and one that is still at an intermediate level of development (ILET). (Source: Macdonagh, R., Jiddawi, M., and Parry, V. (2002). Twinning: The future for sustainable collaboration. BJU International. 89(Supl.): 13-17. Retrieved from: <http://onlinelibrary.wiley.com/doi/10.1046/j.1465-5101.2001.128.x/pdf>

- Conduct a study to understand artisanal clustering and ways in which it can be implemented for the leather goods and footwear sector in Bangladesh

Technical assistance for process and productivity improvements and Research and development of new leathers

The capacity of tanners needs to be developed in the following areas:

- Assortment of each lot of leather at wet blue/ crust stage to decide the type of finishing that will maximise value yield from the stock.
- Use of advanced technology to improve the quality of low-grade leather.

The next section of the roadmap discusses the development of a CFC, which will also be responsible for capacity development of tanners.

Establishing slaughtering houses

- The Government of Bangladesh, through the concerned department, may facilitate establishment of small and medium sized slaughterhouses in major urban centers preferably on a PPP model.
- As far as the slaughter of animals during Eid is concerned, it appears that the only way to improve the current situation would be to train as many local butchers as feasible in major urban centers before the Ramadan period and provide them with a certificate.

Research and development of new leathers

At present, Bangladesh produces only a limited range of leather types. As bulk of the production is crust leather, not much research and innovation happen in developing new types of leather. In addition, the know-how to upgrade low-grade leather, which accounts for at least 20% of any lot of raw hides and skins, is found to be lacking among tanners. Improving low-grade leather using methods such as roller coating, printing, etc., is an art in itself.

Some of the recommendations that are specifically applicable to the footwear subsector only are:

- Diversifying into new markets and new products: In terms of product diversification, espadrilles are an innovative product that is currently gaining traction around the world. The new markets that the sub sector can target is given below:
 - Sports footwear – USA, UK, France, Germany, Belgium, Netherlands, and Austria.
 - Footwear, outer soles of rubber/plastic uppers of leather coverage ankle nesoi – Italy, France, UK, Belgium, Netherlands and Canada.
 - Of footwear, outer soles of rubber/plastics uppers of leather, nesoi – USA, Germany, Japan, Italy, France, Belgium, Netherlands, and UK.

Some of the recommendations that are specifically applicable to leather goods subsector only are:

- Diversifying into new markets and new products: Based on an analysis of historical export-import patterns, some of the new products that Bangladesh could cater to in existing markets are trunks and suitcases. Some of the new markets that the subsector could potentially enter include the following:
 - Handbags – USA, France, Italy, UK, Korea, Japan, Germany, and China.
 - Gloves and mittens – USA, Germany, Japan, France, Italy, UK, Spain, and Sweden.
 - Belts and bandoliers – USA, Germany, Japan, France, Italy, UK, and Korea.
 - Other articles of leather – USA, Italy, Poland, Czech Republic, Germany, and France.

Policy for encouraging value addition

However, this move to make finished leather will require tanners to invest in new technology and improve their skill levels. Policy support in the form of financial incentives followed by stringent enforcement of regulations is required. In this regard, the export roadmap recommends the following measures:

It is important to developing a scheme to subsidize the cost of engaging experts by tanneries. This subsidy can be provided on a cost sharing basis and contingent to meeting defined milestones in moving from producing crust to finished leather.

Improving bonded warehouse facilities and duty drawback process

The bonded warehouse regime in Bangladesh permits licensed manufacturers to import inputs required for export-oriented manufacturing duty free. Many of the large exporting firms in the leather sector use bonded warehouse facilities. However, SME exporters mostly depend on duty drawback, as the licensing process is cumbersome, paper intensive, and time consuming.

In a detailed study conducted by the World Bank¹⁹ suggested,

- To establish an automated bonded warehouse management system.
- Instead of a transaction-based control mechanism, a risk-based control mechanism may be adopted.

Attracting foreign and domestic investments

The following initiatives are recommended:

- Prospective domestic investors must also be made aware of the great potential in the sector and be motivated to enter this sector. Able entrepreneurs of RMG and other sectors may be sensitized and approached formally.
- The advantages of investing in this sector in Bangladesh have to be specially brought out in attractive pamphlets, presentations, and videos.
- The comparative and competitive advantages of the leather sector in Bangladesh vis-à-vis competing exporters such as Vietnam, Indonesia, and China need to be analysed and exposed to investors through BIDA, MoC, MOFA, EPB, BPC.
- Formation of a high-level empowered committee consisting of a senior officer of MOC, another senior representative of Bangladesh Investment Development Authority (BIDA), and two or three leading industry representatives with the mandate like reach out to existing FDI/ JV companies to promote Bangladesh as investment destination and visit target countries and organise investment seminars and local roadshows to meet prospective local investors to encourage diversification of the leather sector.

It may be added here that some large tanners from abroad keen to relocate to Bangladesh may want to have their own premises where they would establish their tanneries rather than being a part of an Industrial Estate. The Government of Bangladesh policy in this regard must be quite lucid and welcoming in this regard. While allowing such tanneries to be established in appropriate locations, care must be taken to ensure that such tanneries comply with all environmental and labor standards that are globally accepted.

Given the need to engage with large brands and wholesalers steps towards improving market access like participation in international fairs and trade delegations to present Bangladesh as a sourcing destination for leather is needed. Improving level of compliance with environmental, social, and safety standards required by international markets. Preparing direct marketing content highlighting the sector's strengths.

In achieving the targets envisaged, the role of the tanning sector will be crucial. Action has to be taken on a wide front to modernize the tanning sector as well as strengthening its technical competence by induction of superior technical expertise. Institutional capability in training workforce also needs considerable strengthening. If immediate action is initiated on all fronts suggested, it is reasonable to expect that the leather sector will consolidate and expand to meet the emerging challenges successfully.

¹⁹ "Bangladesh Bond Warehouse Regime - Assessment + Recommendations", Brian J. O'Shea (2015).

Policy support

The Government of Bangladesh has taken a policy position that supports export-led manufacturing growth for Bangladesh.

Through bonded warehouses and duty drawbacks, exporters are exempt from import duties on all inputs required for export-oriented manufacturing. However, there is scope for further liberalization of trade policy, especially in new and emerging sectors such as the leather sector, on par with ready-made garments sector. In addition, industrial policy has been largely liberalized. BIDA was created to provide a one-stop solution to all investors. However, its role can be strengthened further to attract more investment into this sector.

- Trade policy related measures include
 - Commercial trade of inputs related to leather sector can be encouraged and supported to improve import lead times and to reduce cost of imported inputs.
 - Encourage input manufacturers to set up manufacturing facility in Bangladesh and avail duty exemptions and concessions as deemed exporters, thereby reducing the overall cost of inputs.
 - GoB's plan to set up a Trading Economic Zone to permit duty free bulk procurement and distribution of imported inputs is a step in the right direction and will reduce cost and lead time of imported inputs.

Strengthening of BIDA's role

If the interactions between potential investors, especially FDIs/JVs and various government agencies can be reduced considerably, and they are required to deal with only a single agency, BIDA, for all their requirements, it would be a major step forward towards attracting such investments.

Making policy and infrastructure information available to investors

It may be a good idea to publicize land banks available in the country with location, area available, agency responsible and major features of such land, along with their price, to enable potential investors to make appropriate decisions before they prepare their project reports.

Taxes and policy unpredictability

There is a high level of regulatory unpredictability in terms of formulation and implementation of rules and regulations for businesses. This unpredictability serves as a strong deterrent to innovation and investments in the country in general, and in the leather goods and footwear subsector. To create a stable business environment, policies, rules, and regulations should be fixed for a period of four to five years. A customs window for rapid processing of sample shipments for the leather and footwear industries may be established to expedite the process.

Export Policy

The latest Export Policy 2015-18 aims at improving the overall exports from Bangladesh to 60 bn USD by 2021. The latest government policy considered footwear and leather products amongst the highest priority sectors for the country. Key highlights of policy support to the sector are:

- Domestic market sales of up to 20% is allowed to export-oriented businesses located outside of Export Processing Zones (EPZs), i.e. Leather industries exporting at least 80% of their manufactured products will be treated as 100% export-oriented industries – for the purpose of claiming incentives.
- Export subsidies are granted on select products; these range between 5% and 15%.
 - The cash incentive against the export of leather products and footwear has been enhanced from 12.50% to 15% effective from FY16.
 - Cash incentive of 5% for export of crust leather from tanneries relocated to Savar.
- Duty free import of all type of raw materials and machineries for export-oriented industries.
- Concessional duty on import of specified machinery for the leather sector.
- Support in the form of tax holidays, duty free imports of raw materials, machinery for export-oriented leather market, and bonded warehousing along with other policy supports.
- 90% loans against letters of credit and funds for export promotion.

- Export credit guarantee scheme.

Given the fact that the cash incentives and other policies are for a short duration, it is difficult for the investors to take investment decisions. It will therefore be appropriate if policy measures, such as cash incentives and trade policy, are applicable for at least five years, if not for a greater duration, to enable the potential investors to take informed decisions.

Foreign Direct Investment²⁰ (FDI)

FDI is the key for export growth as the foreign investor are closely connected with the global market and brand and retailers and global market share. They have exiting access to market. So FDI can play major role in helping expansion of export growth at a rapid pace.

FDI inflows into Bangladesh have been on the rise. According to the seventh five-year plan, FDI in Bangladesh is expected to increase to 9.6 bn USD by FY 2020. Of the 2 bn USD FDI inflow (net) in 2015-16, 16.35 mn USD FDI inflow (net) was into the leather and leather goods sector. This is a little less than 1% of the total inflows into the sector.²¹ FDI inflow into the leather and leather goods sector has steadily increased over time, with the highest being in 2013-14, but has declined since then.

Bangladesh pursues highly liberal FDI policies. For FDI, there are no limits on foreign equity participation, i.e. the Government of Bangladesh allows 100% foreign equity. Full repatriation of capital invested from foreign sources is allowed. Similarly, profits and dividend accruing to foreign investment may be transferred in full. If foreign investors reinvest their repatriable dividends and or retained earnings, those will be treated as a new investment.

The general impression was that despite difficulties, FDI-based businesses were continuing to operate from Bangladesh because they found it profitable to manufacture and/or procure from here. However, with a more congenial, proactive, business-friendly environment, specifically addressing some of the key issues raised, FDI could lead to an immediate and substantial increase in exports from Bangladesh.

Export Processing Zones/ BEZA

With a view to increase FDI inflows into the country, the Government of Bangladesh set up Bangladesh Export Processing Zones Authority (BEPZA) initially. It worked with limitations. A new horizon opens with the plan of expanding industrial growth through establishment of Bangladesh Economic Zone. A bundle of attractive packages has been offered to attract investment in the BEZA. Government has already made commitment to allow two of the zones for leather sectors.

A product-wise break up of investment shows that of the 461 industries in the EPZs, only 33 units are in the leather and footwear sector, with a total investment of 242.92 mn USD, and employing 35,245 personnel.

Financing for new machinery and equipment

A liberal and business friendly bank interest structure is imperative for growth of leather sector. Policy support like tax holiday and low interest rate along with government assistance for a tenure of the stipulated time suggested in the roadmap is important.

²⁰While FDI is discussed in the leather goods and footwear chapter, Bangladesh Bank provides FDI-related data and information for the leather sector as a whole. Hence, the exact amount of FDI investment in tanning and leather goods and footwear is not known.

²¹Source: Bangladesh Bank. (2016). FDI in Bangladesh, Survey Report. [Online]. Retrieved from: <https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjanjun2016.pdf>

Encouraging leather garments

Encourage manufacturers for production of leather garments and products for upholstery.

Graduation from LDC to Developing Country.

Bangladesh will likely to be recommended for graduation at the following triennial review in 2021. Following the review, Bangladesh would officially graduate from the LDC status in 2024. After graduation new challenge of duty free quota free access to existing market withdrawal. are details study should immediately to face the challenges the leather sector will encounter after 2024. Bangladesh representations in the World Trade Organizations in Geneva should immediately be strengthened and pragmatic strategy and action plan need to be formulated immediately.

Aligning the Role of Relevant Government Agencies and Departments for Attaining Exponential Growth

For Foreign Direct Investment and Joint Ventures

- **Bangladesh Investment Development Authority (BIDA)** – One-stop service at 2018 has been enacted to facilitate one-stop service for FDI. They have already developed some modus operandi for operationalizing one stop service and made MoU's with different agencies and departments. One-stop service should be expedited with specific time frame as per the law. Delivery of service and clearance procedure should be simplified and specifically time bound. BIDA, in collaboration with the business association and entrepreneurs should lead specific missions to contact leading brands and retailers. They should also arrange exposure visits, roadshows and exhibitions for attracting FDI. For successful implementation of one-stop service, BIDA should work in close contact with the National Board of Revenue, Registrar of Joint Stock Companies and Firms and the Chief Controller of Import and Export under the framework of one-stop service act. Full automation and time bound service delivery is urgent.
- **Bangladesh Economic Zone Authority (BEZA)** – BEZA should expedite the operationalization of the one-stop service to facilitate FDI and JV and simplify all the procedures to attract FDI and JV.
- **National Board of Revenue (NBR)** – NBR should simplify custom procedures and ensure predictability of tax, custom duty, VAT and other duties. They should also avoid any sudden imposition of tax and other duties.
- **Bangladesh Bank (BB)** – BB needs to adopt pro FDI policies and remove cumbersome barriers for foreign investors and JVs.
- **Department of Environment (DoE)** – DoE needs to ensure timebound clearance for all FDI and JV.
- **Export Promotion Bureau (EPB)** – EPB should establish a cell to monitor FDI and JV and establish a market research cell for assessing FDI.
- **Foreign Missions Abroad** – Foreign missions should facilitate exporters to make contact with brands, retailers and probable investor. They should also keep constant contact with agencies relevant for FDI and JV.
- **All land and sea port under Ministry of Shipping and the airport under Ministry of Civil Aviation and Tourism** – The bottleneck created in the sea and air ports need to be rationalized and mitigated to decrease lead time.

For meeting compliance

- **Department of Environment (DoE)** - A strong cell should be constituted in the DOE 's structure to expedite approval procedure within 5 working days for export. A compliance cell for the approval to be constituted in consultation with the Business Associations. The approval procedure for DOE should also be strictly time bound.
- **Bangladesh Standards and Testing Institute (BSTI)** – BSTI should ensure all capabilities of certification for all the parameters of leather sector. The approval procedure for the Certification should be time bound.
- **Bangladesh Accreditation Board (BAB)** – BAB should facilitate private certification agencies to grow and assist them to get authorities for certifications.

- **Municipal corporations and Ministry of Local Government and Rural Development (LGRD)** –The local government should ensure that butcher houses are constructed in all cities and there is strict adherence to slaughtering in butcher houses. They should also take the responsibility of raising awareness through local government bodies.
- **Department of Livestock (Ministry of Livestock and Fisheries)** – The DLS should ensure compliant and sustainable growth of cattle head which conforms to all traceability parameters.
- **BSCIC** – BSCIC must ensure quality CETP and hire an international standard operator for CETP in Savar tannery.

For increasing productivity/scaling

- **Ministry of Commerce (MoC)** – The MoC needs to ensure that the level of skills, technology and productivity in the country are enhanced by strengthening its agencies such as EPB, Business Promotion Councils (BPC), business associations, Sector Skill Council NSDC, etc.
- **Business Promotion Councils (BPCs)** – The BPCs under the Ministry of Commerce should be strengthened with full capacity of promoting different export oriented sectors and with special emphasis on the leather and allied sectors.
- **Ministry of Industries (MoI)** – The MoI needs to build capacity of the BAB and BSTI for equipping them with testing capacity of all the parameters as well as assisting private sector certification agencies to grow.
- **Ministry of Education (MoE)** – The MoE needs to set up a communication channel for regular interaction between industry and academia with a focus on worker and management level. They also need to focus on improving the quality of faculty, teaching methodology and curriculum.

Tanning sub-sector

Overview

Bangladesh leather sector export primarily originated from the tanning subsector. Endowed with around 1.3-1.8 % of world cattle head population and 3.7% of goats, it comprises a significant chunk in the export basket. The need to transform from tanning to finished leather product is essential for more value addition. But transformation and phasing should be gradual as both are two competing sectors. The business associations related with tanning subsector and leather goods subsector have contradicting views. So, the roadmap for leather sector should essentially include tanning sub sector for few more years.

Bangladesh has a good supply of raw materials for sustaining the growth of its leather sector as shown in figure 1-2. Bangladesh Tanners Association (BTA) has stated that the actual annual availability of leather produced from hides and skins in the country is 312.5 mm sq.ft., about 50 mm sq.ft of split leather is also produced and a bulk of this is exported.

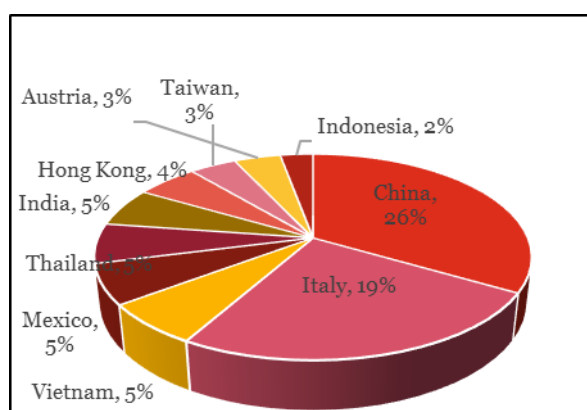


Figure 1: Export markets for Bangladesh (2015)

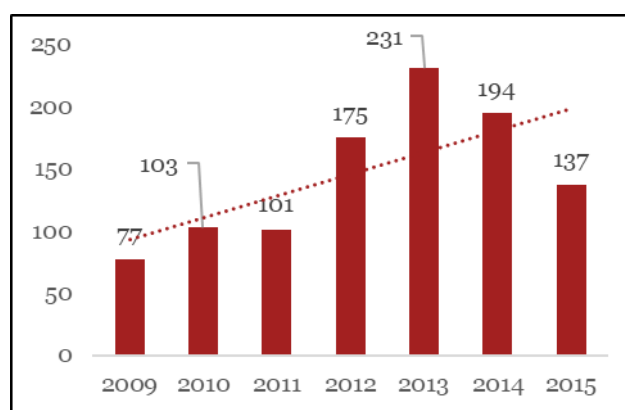


Figure 2: Export of other animal skins from Bangladesh (in mn USD)

Korea, Hong Kong, and China together form more than 60 % of the market for Bangladesh's bovine skin exports. Bangladesh exports most of the bovine leather in crust form²² to these countries, which in turn use the leather for more value-added products. Bangladesh exports only high-quality leather from select tanners to Italy and Spain, since both countries produce high value-added products. Around 220 tanneries operating out of Hazaribagh account for more than 90% of tanneries in the country.²³ Out of these 220, around 113 are operational. Approximately 65% of these tanneries have capacity to produce only up to crust leather. It is pertinent that the SME sector dominates the tannery industry. A BTA survey noted that 57.89% of firms operating in this sector are proprietary, 32.33% are limited companies, and 4% are traded in stock markets.

Mapping Bangladesh's export of bovine skin in 2015 to the global imports of bovine skin shows that the country's exports are less than 1% of the global imports. Similar to bovine skin, the export of other animal skins from Bangladesh has also increased since 2009, with a CAGR of 10% over the six-year period. Bangladesh has been exporting crust leather of other animals (snakes, crocodiles, deer, camel, etc.) mostly to Hong Kong, Italy and Japan, which together add up to more than 60% of the country's exports. Over the next five years, Bangladesh is expected to increase the volume of leather goods and leather footwear that it manufactures and exports. This increase in the export volume of value added products is likely to fuel the demand for additional finished leather. If the tanneries successfully relocate to TED Savar and continue to produce finished leather, they may be able to cater to the needs of the leather goods and leather footwear subsectors. However, despite the tanneries' efforts, it is likely that the leather goods and leather footwear manufacturers will continue to rely on import of finished leather. This is because local production of finished leather is unlikely to meet the growing demand for finished leather in the near future.

²²Crust refers to tanned leather hide, with no additional finishing. Occasionally, this can take this form indefinitely.

²³Manzur, S.N. (n.d.). Challenges facing the Bangladesh leather industry. 118 SLTC conference. LFMEAB. [Online].

There has been a decline in leather exports from 2013-14 onwards. This decline could be attributed to two reasons: 1) A number of tanneries were shut down when they were asked to relocate from Hazaribagh to Savar and 2) Bangladesh failed to maintain compliant standard of leather export.

While the main factor for growth in the tanneries subsector is growth in the leather goods and footwear subsectors, tanneries, and finished leather is likely to see growth only if all compliance-related issues are addressed soon. Currently, this is the biggest challenge that the subsector faces, and any growth in this subsector hinges upon compliance with the required international environmental, chemical, social, and safety standards.

Specific challenges in the tanneries subsector

Apart from Savar tannery management, Bangladesh needs to see other challenges. Some of the challenges faced by the tanneries have been briefly described below:

Category	Challenge	Description
Compliance	Procurement of raw hides, particularly during Eid ul Adha	During Eid ul Adha, 40-50 % of raw hide is collected from cities and beyond cities. It is difficult to maintain and preserve raw hide in rural areas and intermediary groups hinders rational price leading to a chaotic situation in the whole supply chain.
	Poor environmental compliance of tanneries	Most tanneries do not comply with environmental regulations, occupational safety, and health related standards, thus reducing the acceptance of leather and leather goods in international markets.
	Poor traceability of leather produced in the country	Incomplete supporting infrastructure at TED has contributed towards poor traceability of leather, reducing the country's image and acceptability of leather goods from Bangladesh using local leather.
	Higher than required chemical usage	Chemical usage in tanneries is substantially higher than international standards; Also, limits to traces of chemicals in finished leather have become quite exacting with the REACH standards of the EU.
Physical infrastructure	Poor infrastructure for slaughtering animals	Current infrastructure for slaughtering animals is poorly maintained, leading to unhygienic and unscientific handling of hides and skins, resulting in reduced value of leather. During Eid, a large number of animals are slaughtered by semiskilled butchers across the country resulting in considerable damage to hides and skins.
	Inadequate capacity of CETP	The CETP at TED, Savar, can process only 25,000 cubic metre of wastewater per day, limiting the volume of leather that can be produced in the estate. However, demand for leather is likely to outstrip this supply soon, thus requiring development of perhaps another such estate or encouraging large stand-alone tanneries at different locations that conform to DOE standards of environment management.

Category	Challenge	Description
	Inefficient use of water	Lack of a water tariff has resulted in inefficient use of water by tanneries. This results in huge wastewater inflow into ETPs, which do not have the capacity to process excess wastewater inflow.
	Cold- chain preservation	No existing cold-chain system exists for hides and skins; as untreated hides and skins tend to rot; this limits the quality of available raw materials for the tanneries.
	Waste disposal/recycling	A lack of waste disposal/recycling systems and facilities result in a high degree of pollution and wastage of materials that can be upcycled into useful goods.
Finance	Limited access to finance	Some of the tanneries have not received the land allotment titles in Savar. Hence, they do not have the collateral to raise finance for relocation. Relocation of tanneries from Hazaribagh to TED, Savar, is likely to be an expensive affair and cost 862 million USD (approximately 7,000 crores BDT) in total for all tanneries put together.
a) Technology	Unattainability of SMEs to procure and use machine and technology to produce higher value leather	SME tanners cannot afford or lack the information available to use modern equipment and machinery, which are often required to produce high value leather.

The challenges suggest measures to be taken.

Specific measures for the tannery subsector

Following are the specific steps suggested:

Efficient management of the Savar Tannery Estate

Savar Tannery Estate is important for accelerated development of the entire leather sector in Bangladesh. Therefore, efficient management of the Savar Tannery Estate is critical. The future image of the leather sector in Bangladesh, especially in the eyes of the foreign buyers and visitors, will hinge on how efficiently the Savar Estate will be managed. However, the following are some of the key issues to be addressed on a priority basis:

- The effluent discharge from individual tanneries is not regulated to ensure that the Common Effluent Treatment Plant (CETP) functions well.
- Chrome recovery plants are not functioning. This affects the quality of effluent that flows into the CETP, and thereby affects the functioning of the CETP.
- There is no clear strategy for solid waste management within Savar estate.
- There is no plan in place for long-term operation and maintenance of the CETP and Savar estate.
- Bituminised roads are yet to be laid and some sections do not have access to gas, power, and water.

Despite these limitations, tanneries have started shifting to TED, and 35 of them have started operations for making wet blue from raw material. Given the importance of the Savar Tannery Estate in improving export performance of leather sector, the export roadmap recommends the following interventions:

- Efficient operation and maintenance of the CETP: The Common Effluent Treatment Plant (CETP) is the heart of the Savar Tannery Estate.
- Steps should be taken regarding long-term operation and maintenance of the CETP, on the O&M of the CETP.

- Regulating discharge of effluent from tanneries:
- Proper understanding of CETP effluent discharge parameters: While defining the quantum of effluents discharged into the CETP has been described above, the quality of the effluent is also equally important. CETP processes are typically set up to process certain chemical components and compounds, and anything other than that can quickly degrade the ability of the CETP to process the effluents.
- Efficient solid waste management: Given the environmental and social compliance requirement at Savar Tannery Estate, efficient disposal of solid wastes is crucial. The Roadmap recommends installation of power generation system from solid waste and CETP sludge. Additionally, the solid waste can also be used to extract useful by products.

Improve quality of raw hides/ skins

For meeting the ambitious export targets, the additional requirement of leather required. As hides and skins are by-products of the meat industry, its availability cannot increase independent of an increase in meat consumption. It is unlikely that the current availability of hides and skins within the country will increase in the short or medium term. However, there is significant scope to improve the quality of raw hides and skins sourced in Bangladesh.

Common facility center for producing finished leather

Huge investments in machinery and equipment are required for tanneries to move up the product value chain - from making crust leather to finished leather. Many small and medium tanneries do not find this financially viable, as their operating capacity is much smaller than the design capacity of new machinery. A Common Facility Center for processing crust into finished leather needs to be set up and used on a sharing basis by tanneries. In many developing countries, such CFCs have been set up during the early phase of development of the leather sector. In addition to reducing financial burden for individual tanneries, the CFC will also reduce on the job cost of training their workers on the new processes and machinery.

Leather Goods sub-sector

The export of assorted leather goods from Bangladesh has also shown a marked increase, especially over the last three years. Among the leather goods, the most prominent item of export is handbags, followed by gloves and mittens, belts, etc. and small articles of leather. In fact, export of handbags and gloves/mittens has increased substantially between 2011-12 and 2015-16. There are around a 100 of small-to-medium leather goods manufacturers²⁴, with some catering to the domestic markets in Bangladesh and others exporting to international markets.²⁵

From the figure below, it is clear that the main items of export in this category are articles of leather, gloves/mittens, and belts.

Table 5: Export of leather goods from Bangladesh (value in mn USD)

HS Code	Description	2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
4201	Saddlery, harness	0	0	0	0	0	n/a
4202	Leather products - handbags, trunks, suitcase, etc.	28	43	66	115	172	58%
4203	Gloves & mittens	34	67	69	61	173	51%
4205	Other articles of leather	38	52	106	73	43	3%
4206	Articles of gut	0	0	0	0	0	n/a
Sub-total (Leather goods)		99	162	240	249	388	41%

(Source: Bureau of statistics, Bangladesh)

Footwear (leather and non-leather) sub-sector

The total production of footwear in Bangladesh was 399 mn pairs in 2016, making Bangladesh the seventh largest producer of footwear in the world. However, the current consumption of footwear in Bangladesh is much lower at 375 mn pairs, ranking it as 12 among global consumers. Its export of leather footwear was 37 mn pairs in 2014 and 48 mn pairs in 2015. Approximately 48% of all footwear exported consisted of leather footwear as per the World Footwear 2015 Yearbook. The bulk of the footwear consumed in the domestic market is made of either rubber or textile materials, with the share of leather shoes and footwear being lesser in volume. Accurate data regarding the domestic market is not available. However, keeping in view that the population size and their prosperity is increasing; in the near future, it is likely that the demand for leather footwear of all types will increase substantially in the domestic market.

In terms of the number of footwear exporting firms, there are about 2,500 footwear-making units in and around Dhaka city, of which 30 are large-scale footwear exporting firms. The footwear sector provides employment to an approximately 180,000 people, 70% of them being women. Some of the world's leading footwear brands, including Armani, Bass, Hugo Boss, Timberland, and Hush Puppies source their products from Bangladesh.

Leather footwear, including ankle boots, accounts for the largest segment of footwear export from Bangladesh with around 80% share of total footwear exports in 2015-16. However, there has been growth in the sport shoes segment from 14% in 2012-13 to ~20% by 2015-16. It clearly indicates that there is a sharp increase in manufacture and export of sports shoes with leather uppers. This augurs well for leather footwear

²⁴Paul, Hira & Antunes, Paula & Covington, Anthony & Evans, P & Phillips, P.S.. (2013). Bangladeshi Leather Industry: An Overview of Recent Sustainable Developments. Journal- Society of Leather Technologists and Chemists. 97. 25-32.

²⁵The exact number of manufacturers catering to domestic and international markets is unknown.

exporters as leading brands make these shoes, and subject to their satisfaction regarding quality and price, their procurement might gain momentum.

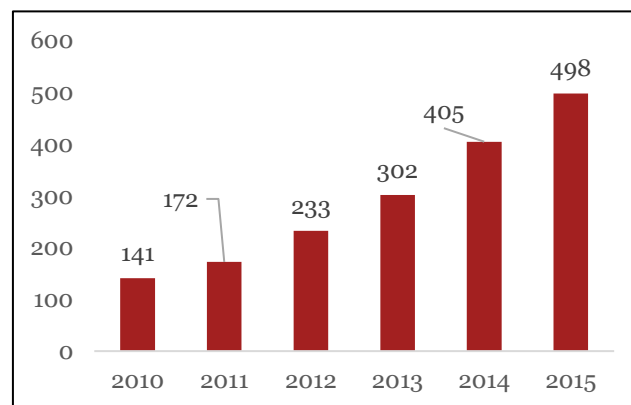


Figure 1: Footwear exports from Bangladesh, 2010-2015 (in mn USD)

Global export trends are similar to that of Bangladesh, demonstrating an increase in exports over time between 2009 and 2015 with a CAGR of 4% (refer figure 2-3). Of the top three global export destinations for footwear, Bangladesh is already exporting to these countries: USA, Germany, and UK.

Source: Trademap

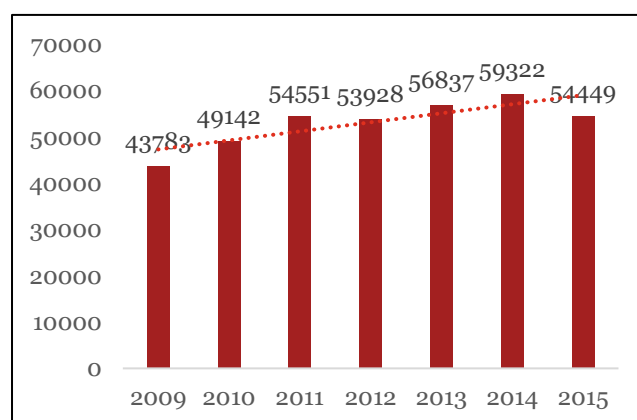


Figure 2: Global footwear export, 2009-2015 (in USD mn)

Source: Trademap

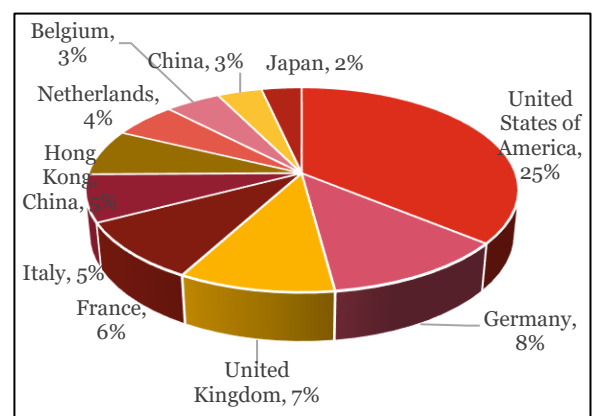


Figure 3: Top ten global export destinations for footwear (2015)

It is quite interesting to note that in the first two months of FY 2016-17, while export of leather declined slightly, the export of footwear and leather goods have retained their growth trend. The factories that produce footwear for export are generally not in the domestic market yet, with the exception of a large footwear manufacturer. This kind of dichotomy exists in many developing countries because export production is eligible for special incentives and trade policy support such as zero duty imports into bonded warehouses. At the same time, the domestic market is generally price sensitive, and not demanding in terms of new designs.

Discussions with some of the buying houses and foreign investors revealed that the main driver for their increased presence in the country is the Generalized Scheme of Preferences (GSP) advantage in many key markets, including the EU, Japan, Australia, and New Zealand.

Marketing strategy

At present, footwear and leather goods exporters from Bangladesh do not have to do direct marketing as brand owners or buying houses underwrite their production. However, foreign buyers currently operating in Bangladesh may shift to another country if the costs are lower in other countries. It is therefore necessary that the industry in the country develop its own strengths during this phase of development so that it will be able to address any challenges that it may encounter in the future.

In this regard, developing their own marketing skills and strategy, based on products developed with its own efforts either through local or foreign designers, right from the early stages of the sector's development is considered vital for sector's long-term sustenance. Currently, most of the footwear manufacturers do not have their own international marketing team, making it difficult to connect with foreign buyers. They often work through intermediaries who bring in these orders.

Hence, the marketing strategy for Bangladesh's footwear sector should be able to achieve the following goals:

- To create awareness of unique products in Bangladesh (e.g. jute-based products like espadrilles).
- To create confidence about quality and reliability of Bangladesh footwear and leather products (e.g. Aarong, Dhaka).
- To highlight infrastructure improvements from time to time and emphasise why Bangladesh is a promising destination for sourcing.
- To showcase the leather manufacturers' improved compliance levels with regard to occupational safety and health, labor laws, and environment regulations.
- To highlight capacities available and capability to expand quickly.

Direct and digital marketing

For any company approaching the western markets for direct marketing, the key requirements are quality and timely delivery. The requirements vary across the different phases of a company:

- Final stage: Here, they could graduate to supplying large fashion brands where requirements are very stringent, delivery times are very tight, and failure is dealt with harshly. Prices are definitely better.

Country brand promotion:

Promoting a specific product brand is an expensive process requiring large financial resources. Leading brands invest heavily on advertisement and publicity and go to great lengths to ensure that their products produced at different locations conform to specified standards (e.g. Reebok, Nike, Clarks, ARA, and Sioux). For a manufacturer to emerge as a brand owner independently, it will take considerable efforts, resources, and time. It is also important to point out that the firm-level brand creation and promotion is not an essential requirement to grow the business. For example, China produces nearly 15 billion pairs of shoes per year, and yet does not have any major brands. As discussed earlier, the reason for this is that brand promotion involves high cost and risk. Therefore, unless a company has high volumes, say a minimum of 10 million pairs of shoes per year, it is usually not cost effective to create brand awareness.

To promote the country as a reliable destination for producing leather footwear, the country/industry brand promotion has to be carried out consistently over a period. Some suggested measures for country/industry brand promotion are:

- Conduct a detailed study on what international buyers, both current and prospective, know about Bangladesh and Bangladesh exports.
 - What do international buyers find attractive in a prospective seller?
 - How can this information about the preferences of international buyers be translated into greater exports from this sector?
- LFMEAB/EP Organisation can draw up a detailed comprehensive action plan incorporating the above ideas of country promotion.

Promoting products in select markets

Another strategy that is worth consideration is for the industry to engage market agents in select markets for select products and use these agents' services for exporting firms from the country establishing contacts with potential buyers in such countries. It is a somewhat expensive proposition. The whole exercise could cost about 180,000 USD per year per market agent.

Institutional back-up for marketing

For quite some time to come, the industry may depend on foreign buyers for market access. However, direct marketing efforts must also be done simultaneously. At present, LFMEAB seems to be the only association, along with COEL, which provides support to export efforts of the industry in the country. The Knowledge Center of COEL provides exporters with some information on markets, trade regimes and regulations, etc. and helps organize participation of the industry in international fairs, etc.

Leather footwear

To reach the export targets in the roadmap, for both organic and exponential growth, a skilled workforce is critical. In fact, there is already a high demand for a skilled workforce now, and with the targets that have been set under Scenario II, this demand is likely to increase in the next five years. The bulk of the HR requirement will be for semi-skilled and skilled workforce, along with a good number of designer, technical, supervisory, and managerial personnel, including quality management and quality control management. Apart from this, there is also a shortage of personnel for machine maintenance, including technicians who are well versed with the electrical systems and motors that are used in the manufacturing process. One unique feature of this sub-sector is that women can competently handle the jobs available, if trained properly, as it is a light industry. A large proportion of women work in footwear factories.

Design and product development

The inherent strength of the sector will improve only when the country produces adequate number of well-qualified and trained candidates for superior positions in a company. This would call for providing regular education and training at postgraduate level.

However, qualified and trained designers are only one part of the challenge. The other part is demand creation. Footwear, as a part of the fashion industry, is subject to constant changes. There is a need to quickly identify market trends, create new designs, interpret these designs for the product, and develop the appropriate samples. Studying the market trends will put the footwear manufacturers at as advantage as they can then be prepared when an order comes in.

To meet this demand, there is an urgent need for an Institute of Footwear Design and Fashion Technology. In creating such a new institution or upgrading an existing one, the easiest course is to either collaborate with a successful foreign institute of this nature. It would be most desirable for Bangladesh to create its own footwear design, development, and fashion technology by twinning it with similar international organization on appropriate terms. In the short term, the objective of the institute will be to follow international trends. In the long term, the institute should aim to become an independent organization that is fully capable of developing its own fashion and trends.

- Short-term training of designers – As an immediate step, the private sector and the national institutions must have trained designers. For meeting this need, it is essential to evolve a scheme where a certain number of candidates, with suitable aptitude, sponsored by private sector and national institute, could be sent abroad for training in reputed institutions every year. These candidates must have some experience in design concepts and interpretation.
- Building institutional base: Simultaneously, it is necessary to create/strengthen training capability of the national institution within the country. A twinning process with a reputed institution abroad is the best way to achieve this capability in the shortest possible time. Equipping such an institution with modern equipment and tools of design, especially CAD/CAM is necessary.
- Servicing the industry in the interregnum: An additional approach would be to provide space for foreign designers to set shop in Bangladesh for brief durations in the year. They might visit the country two to three times in a year, preferably in an institution, create, and offer designs to the industry. Alongside they could also offer training to candidates sponsored by private sector/local institutions.

Development of innovative new products

A particular type of footwear made in Bangladesh, Espadrilles, has a good export market. This product consists of a jute-based sole, vulcanized with top of either textile, synthetic, or leather uppers. The unique selling point of this product is that it is environment-friendly. This type of footwear is also mostly seasonal and worn during summers or in summer-like weather. This is also labor intensive and good for Bangladesh. The shoe design is reported to have originated in the Pyrenees (Spain and France).

Availability of components and consumables

One critical shortcoming of the footwear sector at present is the inability of components and consumables required to keep up with the pace at which footwear manufacturing is currently taking place. Footwear manufacture has now emerged as an assembly operation. As far as footwear is concerned, for an average pair of shoes, there are as many as 32 components/consumables. Factories manufacture some of these components in house, but most are procured from outside these factories. In the initial years of growth, importing them is the only option, as the size of demand within the country may not justify investments in such component facilities. However, as the industry grows, it will make economic sense for manufacturers of such components to set up shop within the country.

Non-leather sub-sector

In recent years, non-leather products are engulfing the leather sector with increasing demand strength for its quality and high competitive price. The trend of transformation is worldwide. With existing infrastructure of leather and leather goods manufacturing capacity of factories, Bangladesh can easily take the opportunity of transformation by minor adjustment of machineries and know how. Non-leather footwear needs extra attention and policy support to cope with the new trend of demand worldwide and should be included in the future plan along with leather footwear.

Challenges in the leather goods and footwear (leather and non-leather) subsector

Some of the challenges faced by the manufacturers have been briefly described below in no particular order of importance:

Category	Challenge	Description
a) Compliance	Noncompliance/ weak compliance of leather goods with international standards	Due to lack of compliance with international environmental, social, and safety standards in the factories and manufacturing premises, some of the large international buying houses often refrain from purchasing from Bangladesh.
b) Testing and quality control	Inadequate testing, certifying and quality control practices	International testing and certification is unavailable in Bangladesh, adding to the lead-time.
c) Finance	Limited access to finance	Access to finance, for technology upgradation and expansion of units, is constrained for SMEs.
d) Human capital	Lack of skilled and semi-skilled workforce	<u>Product design:</u> There is a dearth of professionals skilled in product design; most of the current designers in the country are expats, resulting in higher cost of production and increases dependence on external sources. <u>Managerial skills:</u> Managerial skills and capabilities are also limited within the country, with a heavy dependence on expats. <u>Low female labor force participation:</u> Women's participation in the labor force is higher in more organized manufacturing set-ups, which they perceive to be safer in comparison to smaller units.

Category	Challenge	Description
e) Technology	Limited availability of necessary technology	Software for product design is minimally available, as there are no local vendors generating new product designs. In addition, there has been minimal IT penetration in all parts of the production process, resulting in manual processing and delays.
f) Other components for manufacturing	Dependency on imports for components	Manufacturers depend on import of moulds, accessories, and components resulting in high lead-time.

Steps to be taken – leather goods, footwear and non-leather footwear

Ref	Objective	Intervention
1	Detailed study should be conducted to assess present status and future potential of non-leather goods	
2	To improve basic compliances of non-leather footwear manufacturers	<p>Strengthen the institutional capacity of business associations so they can assist firms to comply with international standards.</p> <p>Conduct a national-level awareness-raising programme to improve the firm's understanding of the benefits of compliance and the costs and risks associated with non-compliance.</p> <p>Develop a compliance performance matrix, with incentives and disincentives associated with each compliance type.</p> <p>Develop a national social, environment, chemical, safety, occupational and health. compliance guideline and certification.</p>
3	To ensure the sustainability of the sector	Assist manufacturers with better waste management and energy efficiency techniques.
4	To improve the level of skills, technology, and productivity	<p>Set up a technical center for footwear that will perform the following functions: Provide exclusive testing facilities to test the physical quality and chemicals in the product in Bangladesh in collaboration with international institutes of repute to improve the quality of products manufactured.</p> <p>Develop a pool of trainers for the sector through training of trainers with internationally reputed institute courses</p> <p>Develop effective training delivery systems for the private sector to promote an institutionalized approach to effective training delivery systems.</p> <p>Introduce a testing-based certification for the workforce, by tying up with an international institute of repute.</p> <p>Application of productivity techniques to manufacturing processes to improve firm level competitiveness</p> <p>Identify operations for de-skilling (i.e. improving production processes to allow for automation/lowering skill requirements) of operations involving leather and non-leather footwear manufacturing.</p>
5	To improve fashion and design capability and support the growth of the footwear subsector in the country	<p>Establish a Footwear Design, Development and Fashion Center.</p> <p>Develop human resource for the design studio through international trainings and exchange programmes.</p> <p>Bring in established designers to work with designers in Bangladesh – this can be done by season.</p>

Ref	Objective	Intervention
		Set up a reference library for market research.
		Exhibition, shows, and competitions to showcase the potential of the sector and attract creative people into the sector.
6	To reduce the cost of imported inputs and components	Authorize business associations to review the utilization declarations provided by exporters.
		Encourage investments in the components manufacturing industry that can cater to the needs of manufacturers in Bangladesh, and export to other countries.
7	To improve access to finance	Develop fiscal and tax incentives for firms committing to or undertaking compliance initiatives.
8	To promote social, safety and environmental compliance	Rationalize import duties in order to promote fire safety and other compliance initiatives as provided to RMG sector
9	To improve policy environment for trade and investment	Decrease planning risk and ensure predictability for businesses
10	To enhance the image of industry/country in select markets abroad	Strengthening capacity of EPB to arrange events and expo in important and probable destinations of leather and leather product exports.
		Publication of a special pictorial magazine of the leather sector.
		To invite opinion makers from select markets to visit Bangladesh and write on country capability.
		Support the advertisement of manufacturers in leading international magazines to aid the general product-discovery process of export diversification.
11	Assisting firms to establish contacts with leading importers/brands	Creation of a platform for showcasing their products.
12	To attract foreign investments from other countries	Engage sector experts well conversant with the market to help reach potential investors.
13	To evaluate potential for product diversification in the Bangladesh non- leather sector	Enhance the capacity of the industry to explore new product space
14	To upgrade artisanal micro enterprises to produce better quality products integrating them as backward linkage in the global value chain	Conduct a study to understand artisanal clustering and ways in which it can be implemented for the non-leather footwear sector in Bangladesh.
15	To enlarge production base of Espadrilles footwear, improving quality and market diversification	Engage a market agent well conversant with the product and its market to identify international markets for export and prepare firms to be export-ready for this product.
16	To improve the design capability of non-leather footwear products	Create a Design, Product Development, and Training Center.
17	To enlarge production base of Espadrilles footwear, thus improving quality and market diversification	Engage a market agent well conversant with the product and its market to identify international markets for export and prepare firms to be export-ready for this product.

Ref	Objective	Intervention
18	Monitoring and evaluation	Establishing a systematic monitoring and evaluation system for the sector

Some Immediate Actions

1. **Optimizing the Savar Tannery Estate** – The CETP of Savar TED should be fully operation with all required parameters. BSCIC can shortlist internationally reputed CETP operators with proven track record in the leather industry and set up a selection body comprising of tanners, qualified environmental experts, globally recognized certification bodies and the government to finalize one operator. They must be given a clear time bound mandate to diagnose faults of existing CETP, if any, recommend the solutions and monitor and supervise the remediation. It can be handed over through a management contract on PPP basis to a globally proven CETP operator. The process should be completed in next 9-month time.
2. **Establish one-stop service** – One-stop service under the framework of the enacted law should be fully operational within 6-month time. Delivery of service and clearance procedure should be simplified and specifically time bound. BEZA should also establish a one-stop service to facilitate FDI and JV and simplify all the procedures to attract FDI and JV. It should be competed in 6 months time.
3. **Ensure compliance and certification** – BSTI should develop its capacity and capability of certification for all the parameters of leather sector. The approval procedure for the Certification should be time bound. BAB should facilitate private certification agencies to grow and assist them to get authorities for certifications.
4. **Equalize the customs and tax formalities for all export sectors** - The following changes should be implemented within the next 6 months:
 - a. Examination of import materials used in export-oriented leather factories should be similar with RMG.
 - b. Renewal of general bond should be made for every 3 years like RMG
 - c. Issuing utilization permission (UP) for raw materials/packing uses by bonder should be given to LFMEAB
 - d. Ascertaining co-efficient for its member factories should be permanently made the responsibility of LFMEAB
 - e. Cash incentive for repatriation of export earnings from third party/country should be similar with the RMG sector.
 - f. Import availability of raw materials should be made case to case basis (by back to back L/C)
 - g. Cut off time for shipment of export goods (hand over goods to carrier) should be 24 hours before departure of vessel.
 - h. Waiver should be given to services including expenditure on workers welfare and entertainment, laboratory test fees, IT enabled services and rent a car facility.
5. **Introduce a Temporary Tax moratorium (TTM)** - Commission a study by qualified experts to identify HS codes for the top 50 raw materials/components needed to be imported for production of footwear and leather goods for export. If this TTM is made available for an initial period of 10 years, companies who are not direct manufacturers would import duty free the essential raw materials and accessories such as outsoles, PU and PVC materials, product finishing chemicals, laces and metal hardware and hold in stock, duty free, in Bangladesh. Exporters would purchase from this stock as per their requirements, through payment vide local LC which can easily be reconciled with their final export of finished goods. This will make readily available to local exporters, especially new and emerging ones, a wide array of required inputs that they can use to convert to export orders for finished products. As a result, export lead times for exporters can be reduced by 30-60 days.
6. **Establish a bonded warehouse system** - A bonded warehouse should be established that can cater to the need of small exporters and manufacturers, in consultation with business associations within 6-months.
7. **Facilitate domestic investment in leather sector** – For exponential growth, massive and aggressive investment by the able entrepreneurs is essential. The Ministry of Commerce and the Ministry of Industry should take immediate steps to encourage domestic entrepreneurs to invest in the leather sector. Bank interest rates, repayment schedule, tax holiday, cash incentive for export, etc. should be given priorities to draw a large number of exporters to diversify their concentration from RMG sector. Buying house for leather sector should be encouraged with all rational facilities.

8. **Automation of service delivery** – Automation and specific timeline for service delivery should be completed in 6 months time in all the agencies and departments like National Board of Revenue and all its subordinate offices for customs, taxation and VAT, all the port authorities (sea, air, land), BIDA, BEZA, EPB, CCIE, RJSC and other relevant agencies and departments.

Bangladesh's Graduation from LDC Status

According to its preliminary calculations, the CDP Secretariat confirmed that Bangladesh will, for the first time, meet the criteria for graduation during the CDP's triennial review of the LDCs. Therefore, the country will likely be recommended for graduation at the following triennial review in 2021. Following the review, Bangladesh would officially graduate from the LDC status in 2024.

There are a number of possible impacts on the export and overall business after graduation.

Generalized System of Preferences

The appropriately named EBA scheme grants duty-free quota-free access to all products, except for arms and ammunition. The scheme defines specific rules to ensure identification of origin of goods. Importing countries typically monitor the origin of these goods.

After 2027, provided that Bangladesh ratifies 27 conventions relating to human and labor rights (improved work conditions, higher poverty alleviation efforts, women's empowerment among others) as well as environmental protection (such as reduction of carbon emission) and good governance, Bangladesh may be granted access to the Generalized System of Preferences Plus (GSP+), giving it dedicated preferential tariff rates. The GSP Plus facilities grants full duty suspension for 66% of tariff lines to eligible countries vulnerable in terms of economic diversification and export volumes. The EU has in particular raised the alignment of the Bangladesh Labor Act (BLA) and the Export Processing Zone (EPZ) Act with the ILO labor rights conventions as one of the priority actions.

However, in the long run, (i.e. post 2027), if Bangladesh fails to gain GSP+ status or negotiate the necessary FTAs, there is likely to be a significant impact on exports. A study by the Center for Policy Dialogue (CPD)²⁶ indicates that Bangladesh would likely face additional tariffs of about 6.7 % in absence of LDC preferential treatment, resulting in a possible export loss of USD 2.7 billion in view of potential earnings (equivalent to 8.7 % of Bangladesh's global exports in FY15). The CPD study further estimates that the impact would be most adverse in case of exports to the European Union (EU), where 97.8 per cent of Bangladesh's exports currently enter on a tariff-free basis. In this market, Bangladeshi goods would face additional tariffs of 8.7 per cent. Advanced developing countries like China and India have also allowed tariff-free access to Bangladeshi products. These preferential benefits will also not be available. Preference erosion would have adverse implications for export competitiveness, industrial production and jobs unless compensatory measures are put in place.

In order to combat these challenges, the primary thing to focus on is improving the overall capability of the economy. Broadly there needs to be structural improvements in the diversification of the economy, overall technological upgradation, improved training and skill development of human resources, and significant institutional strengthening. Attracting FDI will also become increasingly important. To remain globally attractive, the economy must undergo structural changes, achieve resource efficiency, and improve productivity. These are especially important in the light of the challenges posed by the Fourth Industrial Revolution. Bangladesh needs to be ready to rapidly adapt in order to ensure the economy and specifically the exporting sectors remain globally competitive.

In terms of ensuring that the loss to be incurred by the preference erosion and end of various international support measures is not catastrophic, Bangladesh must improve its export competitiveness and diversify both markets and products for export. Bangladesh has to be a more proactive member in the regional and sub-regional initiatives, such as Bangladesh, Bhutan, India, Nepal Initiative (BBIN Initiative), the Bangladesh, China, India, Myanmar Forum for Regional Cooperation (BCIM), and Bay of Bengal Initiative

²⁶ "Mapping out a strategy" <http://cpd.org.bd/mapping-out-a-strategy/>

for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Bangladesh should also remain an active participant in WTO negotiations as well.

Roadmap Action Plan

This chapter provides a detailed outline on the steps to be undertaken for implementation of the roadmap. Some of the interventions proposed as a part of the roadmap would require support from multiple agencies within the government and support from industrial associations and other agencies. The action plan provides the responsibility matrix that suggests the agencies that are responsible for implementation of a particular intervention. These agencies must have sufficient personnel for carrying out multiple activities within a short time duration. The first step in the implementation would be to select institutions who would anchor all the activities related to implementation of the roadmap.

A primer on how to read the action plans

The roadmap action plans are presented in a tabular format with eight separate headings that provide an overview of the interventions and policy recommendations. The content of the headings is explained below:

Ref. and objective: The overarching strategic objectives that the interventions are aiming to achieve. The objectives fall under a number of top-level goals such as “Ensuring Compliances” to “Improving Market Access”. These top-level goals are aligned with addressing the primary challenges and constraints that the sector faces.

Intervention: The specific targeted measures that have been designed to tackle one particular aspect of the challenge or constraint. The interventions seek to answer the question “what to do?”

Specific action(s): The various steps that need to be taken in order to implement the intervention. The specific actions are a more detailed list of tasks that will need to be completed for a successful intervention. The specific actions seek to answer the question “how to do it?”

Lead agency: The indicative lead agencies that will spearhead the implementation of the intervention.

Supporting agencies: The indicative supporting agencies that will work with the lead agency to implement the intervention. The supporting agencies will also provide valuable input and technical assistance in the form of expertise, knowledge, and know-how as well as (where appropriate) additional resources. These supporting agencies will work very closely with the lead agency during the entire implementation period.

Timeline (in months): The timelines given are indicative. They are to serve as estimates in the planning process and will need to be revised as and when necessary.

*** Italic and Bold:** Short term interventions have been marked in *italic* and **bold**

Action Plan for Leather Sector in general

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
	Ensuring compliances					
1	To improve the level of social, environmental, and safety compliance in the leather sector in Bangladesh	Develop documented national social, environment, chemical, safety, occupational and health, compliance guidelines and certification schemes.	<ul style="list-style-type: none"> Identify the current status (i.e. conduct a baseline assessment) of the current issues surrounding compliance in the leather sector value chain (starting from collection to selling point.) Identify measures and steps to improve the environmental sustainability of the sector, including social, security and safety issues, through value chain assessments and develop a compliance guideline. 	BTA under the guidance of MoC and MoI	BFLLEA, with the Department of Environment (MoEF), and the Ministry of Labor and Employment, BSTI, BAB	12 months (medium term)
			<ul style="list-style-type: none"> Collaborate with business associations to develop parameters for national compliance certification aligned with international compliances. (This could initially apply to export-oriented firms) 			9 months (short term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>only.) Parameters for chemical compliance certification should align with international Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL) as well as Zero Discharge of Hazardous Chemicals (ZDHC).</i>			
			<ul style="list-style-type: none"> <i>Buyers preferences should be taken care of regarding usage of chemical guidelines and in other compliance issues. A pragmatic list of chemicals that are vital to ensuring compliance should be shortlisted via a consensus between the buyers and producers.</i> 			9 months (short term)
			<ul style="list-style-type: none"> Establish accreditation labs that can serve the various clusters; These labs should have international accreditation for 			18 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>issuing certificates; however, BSTI should be equipped with the latest requirements and parameters of the international standard compliance. Capacity and authority of BAB should be strengthened to cope with the emerging requirements of compliance standard.</p> <ul style="list-style-type: none"> The accreditation labs will need to work closely with a certification board that will need to be established to support compliance practices and efforts. 			
		<p><i>Establish a 'Sustainability and Compliance Cell' for each subsector like tannery, leather goods and footwear.</i></p>	<ul style="list-style-type: none"> <i>BTA/BFLLFEA along with industry experts to flesh out the scope of this sustainability and compliance cell</i> <i>Develop a DPR detailing the role of the cell (for 6 months) through extensive</i> 	MoC	<p><i>In consultation with BTA/ BFLLFEA, respective associations will monitor, including LFMEAB</i></p>	<p><i>12 months (short term)</i></p>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>stakeholder consultations.</p> <ul style="list-style-type: none"> • <i>BTA/BFLLFEA to determine the personnel required for the cell and recruit them.</i> • <i>The cell will ensure strict compliance standards for future establishment of factories in the leather sector.</i> • <i>As a part of this cell, engage a consultant to conduct a study on the type of programmatic approach the leather sector can take to improve sustainability-related parameters. These sustainability parameters can be aligned with the national goals of the Government of Bangladesh and goals like the Sustainable Development Goals (SDGs).</i> 			

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<ul style="list-style-type: none"> <i>(This cell should be linked to the BTA/BFLLFEA.)</i> 			
		<i>Establish a Sustainability and Compliance Cell in the EPB in the leather sector under the guidance of MoC</i>	<ul style="list-style-type: none"> <i>Develop a DPR detailing a role of the cell through extensive stakeholder consultation</i> 	<i>EPB</i>	<i>MoC, business associations</i>	<i>12 months (short term)</i>
		<i>Organizing capacity-building workshop for the staff deployed in the Sustainability and Compliance (S&C) Cell.</i>	<ul style="list-style-type: none"> <i>Determine the workshop course structure – Identify course modules</i> <i>Engage international experts proficient in sustainability and compliance concepts related to leather to conduct these workshops.</i> <i>In addition, these capacity building workshops should also include all other important stakeholders in the leather sector including the Ministry of Environment and Forests (Department of Environment), Ministry of Labor and Employment, Ministry of</i> 	<i>MoC</i>	<i>In consultation with MoI, MoEF (DoE), Ministry of Labor and Employment, Ministry of Fisheries and Livestock, NBR, BTA, BFLLFEA and EPB</i>	<i>9 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>Fisheries and Livestock, and financial institutions, Bangladesh Bank, and other financial institutions banks.</i>			
		Financial support for engaging international compliance experts (for occupational health and chemical management) to provide handholding support to leather sector on a need basis.	<ul style="list-style-type: none"> Identify international compliance experts, especially for occupational health and chemical management. Engage them for a period of 24 months so they can offer support to the leather sector specially for tanneries – this can be done on a 50-50 cost sharing basis between the Ministry of Commerce and the tannery. 	MoC	BTA/BFLLFEA and other relevant associations	24 months (medium term)
2	To improve basic compliances of manufacturers	Strengthen the institutional capacity of business associations like LFMEAB and BTA so they can assist firms to comply with international standards (for social, environment, safety, documentary, chemical and occupational health and safety).	<ul style="list-style-type: none"> Work with firms to conduct a quick needs assessment to identify the different stages of compliance that firms are at, to provide a compliance strategy that best suits the needs of the firm. Conduct a need assessment for LFMEAB and BTA to understand resources and personnel constraints. Match this 	MoC	Relevant business association, BPC, and Ministry of Labor & Welfare	24 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>with the firms' need to identify how this gap will be bridged.</p> <ul style="list-style-type: none"> • Review international best practices and identify ways to replicate and implement in Bangladesh. • International certification system should be augmented through connecting international certification agencies so that private sector certification agencies may grow very quickly. 			
		Conduct a national-level programme to improve the firms' understanding of the benefits of compliance and the costs and risks associated with noncompliance.	<ul style="list-style-type: none"> • Organise workshops once every 3 months inviting all tanneries, leather goods and footwear manufacturers to participate. The workshop will include awareness on labor compensation and welfare guidelines and international compliance issues on labor. • Track the stage of compliance of different firms and evaluate their progression over a period of 24 months. 	MoC	Relevant business associations	24 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<ul style="list-style-type: none"> Monitoring, learning and evaluation efforts to evaluate the effectiveness of these compliance programmes, like root-cause analysis for slow pace of compliance. 			
		<i>Develop a compliance performance matrix, with incentives and disincentives associated with each compliance type.</i>	<ul style="list-style-type: none"> <i>Hold consultations to determine ways to develop a fair and transparent compliance performance matrix.</i> <i>Validate the performance matrix with leather goods and footwear manufacturer.</i> 	<i>MoC</i>	<i>Business association</i>	<i>Develop within 6 months, and review every 6 months (short term)</i>
		Build capacity of the BAB and BSTI for equipping them with testing capacity of all the parameters as well as assisting private sector certification agencies to grow	<ul style="list-style-type: none"> Build capacity of BAB and BSTI for testing parameters of international requirements. Allow private sector certification agencies to grow at par with international standards and requirements. 	MoI	MoC, BAB, BSTI, Business associations	24 months (medium term)
		<i>Develop a national social, environment, chemical, safety, occupational, and health compliance guideline and certification.</i>	<ul style="list-style-type: none"> <i>Identify measures and steps to improve the environmental sustainability of the sector, through value chain assessments and</i> 	<i>MoC</i>	<i>Business association</i>	<i>Develop within 6 months, and implement within the next 6 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p><i>develop a compliance guideline.</i></p> <ul style="list-style-type: none"> • <i>Collaborate with business associations to develop parameters for national compliance certification, aligning with international compliances.</i> 			
3	To ensure the sustainability of the sector	Assist manufacturers with better waste management and energy efficiency techniques.	<ul style="list-style-type: none"> • Identify the set of international sustainability related certifications that manufacturers and importers are bound to comply. • Match these certification requirements with the current status of the manufacturers' production facilities – in terms of waste management, energy efficiency, and building efficiency. • Identifying international certification experts to help comply with these certifications. • Prepare for the certification audit. 	MoC	Business association	Over a period of 24 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<ul style="list-style-type: none"> Identify scope of collaboration and linkage with international agencies. 			
	Access to finance					
4	<i>To ensure availability of and access to finance</i>	<i>Setting up of special fund by financial institutions or multilateral agencies to lend at reasonable rates as well as explore expanding existing funding sources.</i>	<ul style="list-style-type: none"> <i>The MoI and the MoC to coordinate with the ERD to approach multilateral agencies.</i> <i>The MoC and MoI may also approach international financial institutions.</i> <i>MoF to instruct banks to facilitate financing to leather sector investors.</i> <i>Allocate a larger share of the Green Transformation Fund for tanneries and other leather products.</i> 	<i>MoC and MoI</i>	<i>MoF, ERD, Bangladesh Financial Institution Division (BFID)</i>	<i>12 months (short term)</i>
	Development of skills and know-how					
5	To improve industry – academia interaction with a focus on worker and management level	Setting up a communication channel for regular interaction between industry and academia.	<ul style="list-style-type: none"> ILET and BTA could invite tanners and other manufacturers of leather goods every year, so they can share their knowledge. ILET and BTA could also organise field 	Business associations	ILET, Ministry of Education, Leather Sector ISC, (NDSP), KUET, other relevant polytechnic institutes	Periodic

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>visits to tanneries and other leather goods factories, so students can get hands-on experience at these tanneries through (12 week and upwards) internships.</p> <ul style="list-style-type: none"> • Exchange programme and exposure visits to model factories with particular focus on SMEs. • Develop a public database of interns that can be used to trace and promote networking among leather sector graduates. • Assist ILET, KUET and other relevant institutions in developing short-term and long-term diploma/graduation courses (1-year, 2 years, and 4 year) that meet the needs of the industry. This needs to be assessed in discussion with the relevant stakeholders 			
6	To improve skill development infrastructure	Upgrading the facilities at ILET and other similar institutions	<ul style="list-style-type: none"> • Conduct discussions with ILET/Dhaka University, KUET and other similar institutions including 	ILET/similar institutions	business associations, KUET, NSDC, BSTI etc.	24 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>business associations to assess the current status of facilities and the equipment.</p> <ul style="list-style-type: none"> Identify the needs of ILET, KUET and other institutions, their need for additional equipment, machinery and personnel that is required to upgrade their facilities in consultation with BSTI. Procure the necessary equipment and hire required manpower to work towards making these institutions at par with other international leather institutes. Assist a domestic private sector player who could function in similar roles as ILET and KUET to increase capacity of industry related to leather sector. 			
7	To improve the skills of the workforce	To conduct train the trainers programme for tanneries.	<ul style="list-style-type: none"> Conduct discussions with tanneries to identify the training that their workforce largely requires. Organise two months, intensive, but short-term training 	COEL, ILET	BTA and ILET	36 months (ongoing) (long term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>programmes for a group of workers.</p> <ul style="list-style-type: none"> Evaluate their performance across a set of productivity-related measures. Develop a publicly accessible database of these trainers. Modify the training course based on this evaluation and expand the coverage of the training program to include more workers. 			
8	<i>To improve the quality of faculty, teaching methodology, and curriculum</i>	<i>Twinning with an appropriate international institute of repute.</i>	<ul style="list-style-type: none"> <i>Identify an international institute.</i> <i>Identify the mechanism for twinning faculty members, area of new courses, proposed outcome, and the process of twinning to help acceptance of certification in the international market. These are to be identified through a need-based assessment developed in close consultation with the major stakeholders from the sector.</i> 	<i>ILET and COEL to choose a twinning partner</i>		<i>6 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
9	To invest in scientific progress through research and development	Provide research and development grants to BUET/KUET and other similar institutions to undertake applied research.	<ul style="list-style-type: none"> Association (BTA/BFLLFEA) to identify areas for research, with practical applications in the leather sector. (These can be identified based on industry needs, and in consultation with ILET/KUET's ongoing research.) Based on the research areas identified, ILET/KUET can conduct applied research in the leather sector. 	ILET/KUET (to conduct the research); Associations to identify the areas of research) with BSTI to be involved in the process		36 months (long term)
	Improving productivity and quality					
10	To improve the level of skills, technology, and productivity	<ul style="list-style-type: none"> Augment existing testing facilities with a technical center for each subsector like tanneries, footwear and leather goods that will perform the following functions: Provide exclusive testing facilities to test the physical quality and chemicals in the product in Bangladesh with tie-ups with international institutes of repute to improve the quality of products manufactured – physical and chemical 	<ul style="list-style-type: none"> Conduct the need assessment – range, areas and parameters of testing. Conduct a feasibility study to identify geographical areas for locating testing centers and future requirements suitable for testing the facility. Identify a list of machinery, equipment, and personnel required for testing the facility. Prepare a detailed project report. 	MoC	Business Association, ILET, FDDI, NPO, BSTI and BAP to be consulted	18 to 24 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		<ul style="list-style-type: none"> To organize R&D 	<ul style="list-style-type: none"> Identify a set of international institutes that may be selected to collaborate with Bangladesh for the purpose. 			
		Develop a pool of trainers for the sector through training of trainers with courses of internationally reputed institute.	<ul style="list-style-type: none"> Identify international institutes of repute for training. Develop a selection procedure. Firms will nominate a number of trainers (i.e. workers) that can be sent abroad for training, based on their performance. These trained trainers to complete international training will return to disseminate their learnings to the rest of the firms. 	MoC	Business associations, sector skills council of the NSDC to identify and select trainers for training abroad.	36 months Study: 3 months, Planning 6 months, Implementation PI 12 months, Implementation PII 15 months (long term)
		<i>Develop an effective training delivery system for the private sector to promote an institutionalized approach to effective training delivery system</i>	<ul style="list-style-type: none"> <i>Assess the training delivery system effectiveness, conduct a training of trainers programme for leather sector in the light of international best practices, and have greater public and private participation -</i> 	MoC	<i>Business association, Sector skill council NSDC</i>	<i>6 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p><i>promote PPP models for training delivery.</i></p> <ul style="list-style-type: none"> <i>Identify gaps in the current training delivery systems, and ways to improve the programmes so trained personnel/workers meet industry standards.</i> <i>Engage firms to operationalise the practices recommended in the study.</i> 			
		Introduce a testing-based certification for the workforce, by tying up with an international institute of repute.	<ul style="list-style-type: none"> Collaborate with the Industry Skill Council for leather and COEL to identify if they can collaborate with an international institute for certifying the current training programmes. Create incentives to get certified trainees. Cost to be shared between the government and the manufacturer. Manufacturers could receive fiscal or non-fiscal benefits for investing in these certifications for their workers. 	MoC		60 months (long term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		Application of productivity techniques to manufacturing processes to improve firm level competitiveness.	<ul style="list-style-type: none"> Work with productivity improvement/engineering firms to assess, identify, apply lean manufacturing systems to develop process, management, storage, logistics, etc. 	Suitable business association	BUET, ILET and similar institutions.	18 months (medium term)
		Identifying operations for de-skilling (i.e. improving production processes to allow for automation/lowering skill requirements) of operations involving footwear and leather goods manufacturing.	<ul style="list-style-type: none"> Leather goods and footwear manufacturers to work with manufacturers association to identify processes and areas that can be deskilled. 	Suitable manufacturers association		12 months (short term)
11	To improve fashion and design capability and support the growth of the leather sector in the country	<ul style="list-style-type: none"> Establish Design, Development and Fashion Centers for leather goods and footwear subsectors. 	<ul style="list-style-type: none"> Conduct a feasibility study to identify the requirements of this design studio. This will include a need assessment to identify the technical know-how, management, and technical persons required to operate such design studio. The study should also ascertain the current level of in-house process development activity and capability of the same. The study should outline the capacity building required to enable 	MoI	MoC, BIDA, EPB and foreign missions	24 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p>existing players ready to use the design studio.</p> <ul style="list-style-type: none"> • Design the studio ensuring that it conforms to international standards. • Selection and agreement of key institution where this center be housed and who will build, develop, maintain and transfer the know-how. Identify several champions who are willing and can be made ready to undergo the transformation leading to ODM factory. • Explore and attract joint venture investment and FDI from major brand manufacturing companies and retailers. • Expedite one stop service for investors. • Formulate supportive policy for enabling transformation from OEM to ODM. 			
		Developing human resource for the design studio through	<ul style="list-style-type: none"> • Identify international design schools/institutes for collaboration. 	MoI	MoC in consultation with business associations like LFMEAB and COEL	1 month (for identification of institutes)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		international trainings and exchange programmes.	<ul style="list-style-type: none"> Identify relevant short- and long-term training programmes most important to the industry. Select design students – based on performance at their own institute or a national competition. Facilitate exchange programmes: <ul style="list-style-type: none"> The trained students would disseminate their training and skills to co-workers International students may be invited to work in the design center in the country and collaborate with one manufacturer each for developing new designs, and work on other needs of the manufacturers 			36 months (for implementation) (short term)
		Bring in established designers to work with designers in Bangladesh	<ul style="list-style-type: none"> Identify international designers that local manufacturers are interested in working with. International designers to be invited to work in the design institute and collaborate with one manufacturer each for 	MoI	MoC and suitable business associations and an industry representative	60 months (ongoing) (long term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			developing new designs.			
		Set up a reference library for market research.	<ul style="list-style-type: none"> Identify international institutes/centers with similar reference libraries for fashion and design. Procure visual and audio material for the reference library as a part of the fashion and design center. 	Suitable business association		60 months (ongoing) (long term)
		Exhibition, shows, and competitions to showcase the potential of the sector and attract creative people into the sector.	<ul style="list-style-type: none"> Arrange exhibitions and shows on a yearly basis showcasing the latest leather goods and footwear innovations. Publicise the growth and potential of the sector in schools and colleges to promote this as a career opportunity. 	Suitable business association		36 months (ongoing) (long term)
	Enabling policy and regulations					
12	To reduce complications of importing raw materials for re-export	Simplify process of importing raw materials for re-exporting finished product	<ul style="list-style-type: none"> Simplification of DoE's rules for clearance of raw materials for re-export. Ensuring export growth friendly rules and regulations in the import policy order. Develop a suitable and rational timeline 	MoC	DoE, NBR	

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			clearance for importing raw materials for DoE <ul style="list-style-type: none"> Developing an export and re-export friendly customs and port procedures. 			
13	<i>To reduce the cost of imported inputs and components and improve backward linkage in leather footwear</i>	<i>Authorize business associations to review the utilization declarations provided by exporters.</i>	<ul style="list-style-type: none"> <i>Allow (SBWH) facility for all export-oriented leather and leather goods manufacturers;</i> <i>Allow partners of the sub-contracts to use SBWH materials given proper clearance and vetting.</i> 	<i>MoC</i>	<i>National Board of Revenue, Tariffs Commission, Customs</i>	<i>12 months (short term)</i>
		<i>Encourage investments in the components manufacturing industry that can cater to the needs of manufacturers in Bangladesh.</i>	<ul style="list-style-type: none"> <i>Develop incentives for improving existing backward linkage industries. These incentives can range from tax holidays etc. e.g. add an extra 35 % depreciation + 15 % investment allowance for these new investments and backward linkage industries.</i> 	<i>MoF</i>	<i>MoC, National Board of Revenue, Tariffs Commission, Customs, relevant business associations</i>	<i>12 months (short term)</i>
		<i>Allow independent businesses, like trading houses, to import components and stock them for use</i>	<ul style="list-style-type: none"> <i>The government to remove the barrier and allow private enterprises for setting up these trading houses.</i> 	<i>MoC</i>	<i>National Board of Revenue</i>	<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		<i>by leather goods and footwear manufacturers when needed.</i>	<ul style="list-style-type: none"> <i>The government to formulate rules and regulations for this sector.</i> <i>NBR to create/setup a Bonded Warehouse for these component importers that has a one-year window (tentative.)</i> 			
14	<i>To improve access to finance</i>	<i>Develop channels for increasing funding available for leather sector manufacturers that are investing in new technology or improving compliance related initiatives.</i>	<ul style="list-style-type: none"> <i>Increase fund allocation for the leather sector in Export Development funds.</i> <i>Bank interest rate should be reduced and made easily accessible.</i> 	<i>MoC</i>	<i>MoF</i>	<i>12 months (short term)</i>
			<ul style="list-style-type: none"> <i>Establish credit facilities that offer conditional finance at concessional rates for meeting objectives such as compliance, value chain upgradation and promotion of market.</i> 	<i>MoF</i>	<i>MoC, Bangladesh Bank</i>	<i>12 months (short term)</i>
15	<i>To promote social, safety, and environmental compliance</i>	<i>Develop fiscal and tax incentives for firms that demonstrate commitment to or undertake initiatives</i>	<ul style="list-style-type: none"> <i>Provide import duty exemption to all fire safety equipment and other equipment related to compliance.</i> 	<i>MoF</i>	<i>National Board of Revenue, Tariffs Commission, Customs</i>	<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		for compliance related initiatives.				
			<ul style="list-style-type: none"> Increase allocation for leather and footwear sector under the EDF and Green Transformation Fund 	MoF	MoC, Bangladesh Bank	12 months (short term)
			<ul style="list-style-type: none"> Tax benefit for LEED certified factories for leather goods and footwear sectors 	MoF	NBR, MoC	12 months (short term)
16	To improve policy environment for trade and investment	Ensure predictability and decrease planning risk for investments.	<ul style="list-style-type: none"> The government should fix the rate of advance income tax, supplementary income tax, import duty, and other fiscal measures for a period of five years. Frequent and unexpected changes to the fiscal policy reduces investor confidence, increases cost of doing business, and limits entrepreneur's ability to plan for the medium to long term. 	NBR (IRD of MoF)	MoF, MoC, in coordination with other relevant bodies	12-18 months (medium term)
			<ul style="list-style-type: none"> Regulatory and policy impact analysis to ensure the implementation of evidence-based regulations and 	MoC	NBR, Tariff Commission, EPB	Ongoing

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			policies in support of business association level efforts. (Formation of a committee to regularly review and advise on updates to tax rates and tariffs in due consultation with manufacturers and leading research tanks in the country.)			
		Improve trade logistics	<ul style="list-style-type: none"> Set up a customs window for rapid processing of sample shipments for the leather and footwear industries. 	MoF	NBR, EPB, business associations	9 months (short term)
	Improving market access					
17	To improve market access for leather goods manufacturers through existing and new avenues	Prepare detailed terms of reference for extensive export marketing.	<ul style="list-style-type: none"> Strengthening EPB as a center of export promotion. Strengthening capacity of EPB for providing detailed and comprehensive strategies with business development targets. These strategies must focus extensively on integration into existing high profile digital marketing platforms used by global buyers. 	EPB	MoC, MOFA, business associations	1 year, and then ongoing (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<ul style="list-style-type: none"> Activities of foreign missions regarding engagement with the foreign importers should be made under supervision of a public private sector committee. A strong monitoring system should be developed at EPB and MoC will ensure monthly review. Business associations and owners at private level should make contact with retailers, buyers, importers and government and foreign missions abroad should facilitate them with all out support. 			
18	<i>To be prepared to face the challenges after graduation from LDC</i>	<i>Identify challenges and formulate strategies to encounter new situation</i>	<ul style="list-style-type: none"> <i>Assess challenges of graduation from LDC and identify provisions of WTO that are required for a developing country. Recommend strategies for upcoming challenges after graduation.</i> <i>Manpower structure of Government, e.g. existing</i> 	<i>MoC</i>	<i>Tariff Commission, EPB</i>	<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p><i>Bangladesh civil service trade cadre should be rejuvenated through new recruitment and capacity building to encounter new challenges after graduation.</i></p> <ul style="list-style-type: none"> <i>Strengthening capacity and status of WTO office in Geneva. It should be manned with experienced officers with reasonable academic and professional background.</i> <i>Missions abroad should be given specific task of facilitating market access within its jurisdiction.</i> <i>A detailed and comprehensive study to be conducted by tariff commission in consultation with private business association and think tank.</i> 			
19	To enhance the image of industry/country in	Engaging country experts/PR firms for major countries for year long	<ul style="list-style-type: none"> Create a detailed terms of reference on tasks, outcomes, and targets 	MoC	EPB, Business associations like LFMEAB	36 months (long term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
	select markets abroad	publicity blitz culminating to an annual special event/expo participated by leading exporters of the country with all key products of the leather sector.	<p>to be achieved by the PR firm.</p> <ul style="list-style-type: none"> After firm selection, the PR firm to work with business associations, and leather goods and footwear manufacturers to identify ways to promote the country's leather goods and footwear sector. 			
		Publication of a special pictorial magazine of the leather sector.	<ul style="list-style-type: none"> Choose a set of designers from the design institute/center to lead these efforts. Design magazines in collaboration with business associations. Availability of the magazines should be made to missions abroad and relevant brands, retailers and importers in the leather sector. 	Business associations	EPB	24 months (ongoing) (medium term)
		To invite opinion makers from select markets to visit Bangladesh and write on country capability	<ul style="list-style-type: none"> Identify international journalists and leather experts who write proficiently on leather goods and footwear in popular international magazines. Invite them for a one-week tour of the industry to show them the capability of the industry. 	EPB	Business associations	24 months (ongoing) (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		Supporting advertisement of manufacturers in leading international magazines to aid the general product-discovery process of export diversification.	<ul style="list-style-type: none"> Design center, in collaboration with business associations like LFMEAB, to identify international magazines, and help the sector publish its latest designs and fashions. Cash incentives for new markets and new products of 3 % are given to the RMG sector. The same should be expanded to cover all other relevant exporting sectors contingent on the results of an empirical analysis of incentive competitiveness effectiveness. 	Business associations	MoC, EPB	36 months (long term)
20	<i>Assisting firms to establish contacts with leading importers/brands</i>	<i>Creation of a platform for showcasing their products</i>	<ul style="list-style-type: none"> <i>Organise sourcing shows in Bangladesh so manufacturers can showcase their products and interact with potential buyers, brands and retailers annually for the next five years.</i> <i>SMEs find it prohibitively expensive to engage in foreign trade</i> 	<i>MoC</i>	<i>Business associations like LFMEAB, BIDA</i>	<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>fairs, so they should be strongly engaged in the sourcing shows.</i>			
21	<i>To promote dialogues between different actors</i>	<i>Strengthening of the existing Leather Sector Business Promotion Council.</i>	<ul style="list-style-type: none"> • <i>Strengthen the dialogue platform where all industry associations can come together once in three months to discuss their status and anything that concerns their industry. This will allow for a formal feedback mechanism for the MoC on policy and regulatory issues. This can also be used to evaluate the progress of the roadmap or addressing any other challenges.</i> • <i>Associations should be enabled to create research units/wings to pursue studies and capture trends to share at these platforms.</i> 	<i>MoC</i>	<i>Business associations, Business Promotion Council (BPC)</i>	<i>9 months (short term)</i>
	Attracting foreign investments					

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
22	<i>To attract foreign investments from other countries</i>	<i>Engage sector experts well conversant with the market to help reach potential investors.</i>	<ul style="list-style-type: none"> <i>BIDA should establish one stop service immediately.</i> <i>Predictability of tax regime should be transparent and guaranteed for at least 5 years</i> <i>Port facilities should be improved, and lead time should be reduced at par with other competing countries.</i> <i>Customs procedures should be simplified, and service delivery should be strictly time bound.</i> <i>Banking arrangements should be simplified and business friendly to attract foreign investors from other countries.</i> <i>Foreign missions should be given specific task and volume target for augmenting foreign investment.</i> <i>Rules and regulations for Joint</i>	<i>PMO</i>	<i>MoC, NBR, BB, BIDA, relevant business organizations</i>	<i>12 months each for leather goods and footwear manufacturers (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p><i>Venture businesses should be simplified.</i></p> <ul style="list-style-type: none"> <i>Taiwan, China and other countries looking for relocation of investment should be formally approached by BIDA.</i> <i>Big actors and brands and retailers should be formally approached by BIDA.</i> <i>Offer cash incentives for promotion of local content, value addition, and capacity building.</i> 			
	Diversifying into new products					
23	<i>To evaluate the potential for product diversification in Bangladesh leather sector</i>	<i>Enhance the capacity of the industry to explore new product space</i>	<ul style="list-style-type: none"> <i>Engaging brands, retailers and investors to develop diversified product.</i> <i>Enabling R&D facilities to be established with incentives.</i> <i>A fashion and design center in collaboration with the government or development</i> 	<i>LFMEAB/EP Organization</i>	<i>MoC</i>	<i>6 to 8 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p><i>partners should be established.</i></p> <ul style="list-style-type: none"> • <i>Explore risk mitigation strategies for firms to innovate and develop certain new products and market them.</i> • <i>Creating incentives for developing value-added products and follow the value chain accordingly.</i> • <i>Identify the barriers to trade that prevent expansion into new markets (such as Russia).</i> 			
24	<i>To upgrade artisanal micro enterprises to produce better quality products fetching better average prices</i>	<i>Conduct a study to understand artisanal clustering and ways in which it can be implemented for the leather goods and footwear sector in Bangladesh.</i>	<ul style="list-style-type: none"> • <i>Motivating big retailers to source their products from the artisan cluster.</i> 	<i>MoC</i>	<i>An association of the cluster and select retailers and BIDA</i>	<i>9 months (short term)</i>

Action Plan for the Tannery Subsector

Apart from intervention in general, some added intervention is needed for tannery subsector. Following are the suggested action plans for the subsector:

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
1	Shifting of Hazaribagh tannery should be completed immediately	Timely completion of the shifting	<ul style="list-style-type: none"> Handover of land and title to the owners should be fully completed. 	MoI	BSCIC, MoF	18 months (medium term)
		Government commitment of assistance should be fulfilled and ensured	<ul style="list-style-type: none"> Tax holiday Reasonable and rational access to finance Completion of all utility service required (road, power supply, water supply, etc.) Full functioning of CETP with all the required compliance parameters 			
		Factory owners should assist and cooperate with the government initiatives to complete the process in time	<ul style="list-style-type: none"> Factory owners should be made to comply with all commitments and agreements with the government 	BSCIS	MoI and MoC	12 months (short term)
2	Hazaribagh can be used as green leather factory area with required international environmental standard	Rules and law might need amendment so that the existing Hazaribagh estate can be used for “Green Factory” purpose	<ul style="list-style-type: none"> Law relating to establishment of tanneries and leather factories should be amended 	MoI	MoC and business associations	18 months (medium term)
3	Procurement of hides and skins	Planned arrangement of procurement should be	<ul style="list-style-type: none"> Training of the butchers 	MoC in collaboration	Union Porishod,	12 months (to be continued)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
	should be made in a proper way during Eid ul Adha	made in collaboration with the tanners and MoC	<ul style="list-style-type: none"> Establishment of modern slaughterhouse Awareness programs for the butchers and general public 	with Ministry of Local Government institutions	Municipality, Municipal corporations	(medium term)
4	To assist tanners obtain LWG certification	Providing technical assistance to guide 40 tanneries initially in obtaining LWG clearance.	<ul style="list-style-type: none"> Identify tanneries who will be interested in applying for this certification. Forty tanneries can be selected for the first year. Connect with and engage LWG certifying auditor/expert to conduct workshops once every three months, for a period of one year. Assessment of the tanneries by the LWG experts to analyse the current state of the tanneries. Prepare and select tanneries for audit. Depending on the success of these tanneries in obtaining a LWG certification, more tanneries can be included in the second and third year. Simultaneously develop national capacity to help sustain these efforts; this has 	Industry associations, like BTA/BFLLFE A		36 months (2 experts for every 5 tanneries) (long term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			to be done by developing domestic expertise through imparting training to national experts.			
5	<i>To identify technology, operational, and infrastructure bottlenecks for efficient operation of CETP</i>	<i>Independent technical assessment of CETP including treatment components and compliance parameters to be conducted</i>	<ul style="list-style-type: none"> <i>The MoI should conduct a study to assess the technical readiness of the CETP and other treatment components and engage an independent international expert.</i> <i>The study findings to be submitted to the MoI, so immediate necessary action for TED Savar.</i> 	<i>MoI</i>	<i>BTA</i>	<i>3 months (short term)</i>
6	<i>To ensure sustained operations and maintenance of CETP at Savar Estate</i>	<i>Selection of a private operator through an international competitive bidding.</i>	<ul style="list-style-type: none"> <i>The MoC, MoI, and industrial associations like BTA to work together to develop a DPR for the O&M of the CETP.</i> 	<i>MoI</i>	<i>MoC, ILET and Department of Environment - to decide on O&M arrangement</i>	<i>1 month (short term)</i>
7	<i>To regulate the capacity of discharge from tanners</i>	<i>Assessing the proposed capacities of operations of allottees and suggestions on</i>	<ul style="list-style-type: none"> <i>BSCIC may collect plans regarding capacity of the tannery and the volume of effluent to be discharged</i> 	<i>BSCIC</i>	<i>MoI, DOE and relevant business associations such as BTA</i>	<i>1 month (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		capacity limitations on tanneries, if required.	<p>daily by the allottees.</p> <ul style="list-style-type: none"> Options, based on quantum of effluent discharge: Capacity of the CETP is around 20,000 cubic meters per day. Increase of production may surpass the total present capacity of effluent treatment plant. A second CETP should be planned to be established beforehand assessing and forecasting the future effluent trend. A flow meter should be installed at each tannery's outlet. Each tannery will be charged towards O&M cost on a kilolitre basis. Extra discharge will be charged with extra payment. 			
8	To improve the tanneries' understanding of the CETP	Tanneries should set up operational control to comply with the CETP parameters.	<ul style="list-style-type: none"> BTA and other agencies to implement a programme to 	BTA, BFLLEA,	MoI and CETP private operator, with the	6 months to 1 year (short term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<p><i>engage all the operating tanneries to help them understand and abide by the CETP parameters.</i></p> <ul style="list-style-type: none"> <i>The CETP operator to prepare a guideline for tanneries on the chemical content of effluent that can be discharged from the tanneries to CETP.</i> 		Department of Environment (Ministry of Environment and Forests)	
9	To convert tannery solid waste into useful by-products	Preparation of project profiles and presentation to potential private entrepreneurs.	<ul style="list-style-type: none"> <i>Engage an international expert consultant to study the potential for converting tannery solid waste into useful economic by-products and other environmentally friendly products.</i> <i>The solid waste management should be aligned with the compliance of international standard.</i> <i>The expert consultant should develop strategies for making this by-product industry</i> 	MoI		3 months (short term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			for new ventures in the leather sector			
		<i>MoI may explore the possibility of exploring new estates in other possible suitable areas</i>	<ul style="list-style-type: none"> <i>MoI will conduct a study to explore possibility of expanding and finding new locations for leather sector manufacturing</i> 	<i>MoI</i>	<i>BSCIC, Business associations</i>	<i>12 months (short term)</i>

Action Plan for Leather Goods and Footwear (leather and non-leather) subsectors

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
1	<i>To improve basic compliances of leather goods and footwear manufacturing</i>	<i>Strengthen the institutional capacity of business associations so they can assist firms to comply with international standards.</i>	<ul style="list-style-type: none"> <i>Work with firms to conduct a quick needs assessment to identify the different stages of compliance of current firms and to provide a compliance strategy that best suits the needs of the firm.</i> <i>Conduct a needs assessment for LFMEAB to understand resources and personnel constraints. Match this with firms needs to identify how this gap will be bridged.</i> <i>Review international best practices and identify ways to replicate and implement the same in Bangladesh.</i> <i>Certifying firms with international compliance</i> 	<i>Relevant business association,</i>	<i>MoC, MoI, Ministry of Labor & Welfare, DoE</i>	<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>certificate gradually.</i> <ul style="list-style-type: none"> • Equip BSTI with testing capacity of all the required parameters. • Encourage private sector certification authority of international standard to grow 			
		<i>Conduct a national-level awareness-raising programme to improve the firm's understanding of the benefits of compliance and the costs and risks associated with non-compliance.</i>	<ul style="list-style-type: none"> • Organise workshops once every 3 months inviting all leather product and footwear manufacturers to participate in, that include labor compensations and welfare guidelines. • Track the stage of compliance of different firms and evaluate their progression over a period of two years. • Monitor the effectiveness of these compliance programmes. 	MoC	Relevant business association	12 months and ongoing (short term)
		<i>Develop a compliance performance matrix, with incentives and disincentives</i>	<ul style="list-style-type: none"> • Hold consultations to determine ways to develop a fair and transparent compliance 	MoC	Relevant Business association	12 months (short term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		<i>associated with each compliance type.</i>	<i>performance matrix.</i> <ul style="list-style-type: none"> <i>Validate the performance matrix with leather product and footwear manufacturer.</i> 			
		Develop a national social, environment, chemical, safety, occupational and health. compliance guideline and certification.	<ul style="list-style-type: none"> Identify measures and steps to improve the environmental sustainability of the sector, through value chain assessments and develop a compliance guideline. Collaborate with business associations to develop parameters for national compliance certification, and the compliance certification should be fully aligned with international compliances. Encourage the use of compliant adhesive. Prepare a list of discouraged inputs for the leather products footwear subsectors. 	MoC	Business association	18 months (medium term)
2	To improve the level of skills, technology, and productivity	Set up a technical center for leather products and footwear that will perform the following functions:	<ul style="list-style-type: none"> Conduct the needs assessment. Conduct a feasibility study to identify 	MoC	Relevant business association	18 months (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		Provide exclusive testing facilities to test the physical quality and chemicals in the product in Bangladesh in collaboration with international institutes of repute to improve the quality of products manufactured.	<p>location suitable for the testing facility.</p> <ul style="list-style-type: none"> Identify a list of machinery, equipment, and personnel required for the testing facility. Prepare a DPR. Identify a set of international institutes that will collaborate with Bangladesh for this purpose. Selecting the international institute for collaboration. 			
		<i>Develop a pool of trainers for the sector through training of trainers with internationally reputed institute courses</i>	<ul style="list-style-type: none"> <i>Identify international institutes of repute for training.</i> <i>Develop the selection/application process.</i> <i>Firms will nominate a number of trainers (i.e. workers) that can be sent abroad for training.</i> <i>These trainers to complete international training and return to disseminate their learnings.</i> 	<i>MoC</i>	<i>Relevant business associations to identify and select trainers for training abroad</i>	<i>12 months (short term)</i>
		<i>Develop effective training delivery systems for the private</i>	<ul style="list-style-type: none"> <i>Assess the effectiveness of training delivery systems, identify</i> 	<i>MoC</i>		<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		sector to promote an institutionalized approach to effective training delivery systems.	<p>suitable trainer candidates, and conduct a training of trainers programme for non-leather footwear manufacturers in international best practices. Ensure that there is greater PPP, by using a PPP model for training delivery.</p> <ul style="list-style-type: none"> Identify gaps and intervention needed in the current training delivery systems and suggest ways to improve the programmes. 			
		Introduce a testing-based certification for the workforce, by tying up with an international institute of repute.	<ul style="list-style-type: none"> LFMEAB and other business associations may identify scope of collaboration with an international institute for certifying their training programmes for enabling workers to have worldwide demand Create incentives to get certified 	MoC		12 months (short term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>trainees. Cost to be shared between the government and the manufacturer. Manufacturers could receive fiscal or non-fiscal benefits for investing in these certifications for their workers.</i>			
		<i>Application of productivity techniques to manufacturing processes to improve firm level competitiveness</i>	<ul style="list-style-type: none"> • <i>Work with productivity improvement/engineering firms to assess, identify, and apply lean manufacturing systems to develop process, management, storage, logistics, etc. These firms will help identify and implement the right productivity improvement tool or methodology that is best suited for a particular firm's needs.</i> 	<i>Suitable business association</i>		<i>12 months (short term)</i>
		<i>Identify operations for de-skilling (i.e. improving production processes to allow for automation/lowering skill requirements) of</i>	<ul style="list-style-type: none"> • <i>Leather product and footwear manufacturers to work with manufacturers association to identify processes</i> 	<i>Suitable manufacturers association</i>		<i>12 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
		<i>operations involving leather product and footwear manufacturing.</i>	<i>and areas that can be deskilled</i>			
3	<i>To improve fashion and design capability and support the growth of the subsector in the country</i>	<i>Establish a Leather Goods and Footwear Design, Development and Fashion Center.</i>	<ul style="list-style-type: none"> <i>Conduct a feasibility study to identify the needs of this design studio. This includes a needs assessment to identify the know-how (TKH), management, and technical persons required to operate such design studio. The study should also ascertain the current level of in-house process development activity and capability of the same. The study should outline the capacity building required to enable existing actors ready to use the design studio.</i> <i>Design the studio ensuring that it conforms to international standards.</i> <i>Select and agree on a partner who will</i> 	<i>Ministry of Industries</i>	<i>Ministry of Commerce in consultation with COEL</i>	<i>6 months (short term)</i>

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>build, develop, maintain, and transfer the know-how. Identify manufacturers ready for transformation leading to ODM factory.</i>			
			<ul style="list-style-type: none"> OEM to ODM enabling policy 			24 months (medium term)
4	<i>To evaluate potential for product diversification in the Bangladesh leather product and footwear subsectors</i>	<i>Enhance the capacity of the industry to explore new product space</i>	<ul style="list-style-type: none"> <i>In the long run, the design center can identify new products for the country to expand their product line.</i> <i>Explore risk mitigation strategies for firms to innovate and develop certain new products and market them.</i> <i>Create incentives for developing value-added products and follow the value chain accordingly.</i> 	EPB	Business associations	12 months (short term)
5	<i>To upgrade artisanal micro enterprises to produce better quality products fetching better average prices</i>	<i>Conduct a study to understand artisanal clustering and ways in which it can be implemented for the non-leather footwear sector in Bangladesh.</i>	<ul style="list-style-type: none"> <i>Study one typical cluster and suggest interventions.</i> <i>Implementing the report.</i> <i>Motivating big retailers to source</i> 	MoC	An association of the cluster and select retailers and BIDA	12 months (short term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
			<i>their products from artisan cluster.</i>			
6	<i>To enlarge production base of Espadrilles footwear, improving quality and market diversification</i>	<i>Engage a market agent well conversant with the product and its market to identify international markets for export and prepare firms to be export-ready for this product.</i>	<ul style="list-style-type: none"> • <i>Develop terms of reference for international market agents.</i> • <i>Identify international market agents well through competitive bidding.</i> • <i>Engage a market expert for a group of footwear manufacturers, to help them understand the production process for espadrilles.</i> 	<i>LFMEAB and other business association</i>		<i>12 months (short term)</i>
7	To improve the design capability of leather goods and footwear products	Create a Design, Product Development, and Training Center.	<ul style="list-style-type: none"> • Identify the equipment and machinery required for this center. (Indicative list provided in the roadmap document.) • Develop the terms of reference for the development of the center. • Invite bids from national and international private operators for the setting up of this center. 	MoI	MoC	24 months (ongoing) (medium term)

Ref	Objective	Intervention	Specific action(s)	Lead agency	Supporting agencies	Timeline (in months)
8	To improve market access for leather and non-leather goods and footwear manufacturers through existing and new avenues	Prepare detailed terms of reference for direct and digital marketing.	<ul style="list-style-type: none"> Strengthening EPB as a center of export promotion. Strengthening capacity of EPB for providing detailed and comprehensive strategies with business development targets. These strategies must focus extensively on integration into existing high profile digital marketing platforms used by global buyers. Business associations and owners at private level should make contact with retailers, buyers, importers and government should facilitate them with all out support. 	MoC, MoPA, MoFA, EPB, Business associations, commercial wing of foreign mission abroad	MoC	6 months, and then ongoing (short and medium term)
9	<i>Detailed study should be conducted to assess present status and future potential of non-leather goods</i>	<i>A detailed study should be conducted to assess present global status and future potential of non-leather goods</i>	<ul style="list-style-type: none"> <i>A study to be conducted by EPB in consultation with business associations</i> 	<i>EPB</i>	<i>Business associations, Tariff Commission</i>	<i>12 months (short term)</i>

Annex 1: Priority Policy Issues to be Addressed: Comparison between RMG & Leathergoods and Footwear Sector

1. Major policy discrepancies between RMG & Leathergoods and Footwear Sector

Sl. No.	Policy Support/Facilities	RMG/Textile	Leather/Footwear
1	Examination of import materials by customs at port	Few numbers of materials examined randomly or no examination	Heavy examination and in some cases 100% physical examination of materials causing delay
2	Renewal of General Bond	Every 3 years	After 1 year for the first time. And afterwards after every 2 years.
3	Issuing Utilization Permission (UP) for raw material/packing usage by bonder	BGMEA/BKMEA authorized	LFMEAB not allowed to be authorized
4	Ascertaining coefficient for its member factories	BGMEA/BKMEA authorized	On 17/05/2018, NBR issued an order (ADESH) extending join responsibilities with DEDO to ascertain co-efficient for LFMEAB member factories for 6 months, which already ended/expired on 16/11/2018. However, <u>no further extension or permanent order/adesh is issued from NBR.</u>
5	Cash incentive for repatriation (pottaborshon) of export earnings from third party/country.	In case of RMG sector, cash incentive for repatriation of export earnings from third party or other countries, either the payment is made by LC/TT is available as per the circular of Bangladesh Bank (FE Circular No-02, Date: 25th January 2018).	In leather goods and footwear sector, the facility is not available. As Bangladesh government is emphasizing on market diversification, it is extremely necessary to avail cash incentive for repatriation of

Sl. No.	Policy Support/Facilities	RMG/Textile	Leather/Footwear
			export earnings from the third party in leather goods and footwear sector.
6	Import availability of raw materials	Case to case basis (by Back-to-Back LC)	Yearly allocation of limit for each individual raw materials based on estimated export for a company.
7	Import of Busbar Tranking System for Electric Safety [lifesaving appliance]	@1% duty rate (As per Customs First Schedule: FY'2018-19)	25% Duty rate (Name of leather sector is not clearly defined on SRO)
8	Cut-off time for shipment of export goods (handover goods to carrier)	24 hours before departure of vessel	96 hours (4 days) before departure of vessel
9	Waiver of VAT	NBR has issued <u>SRO on November 29, 2018</u> offering full waiver of Value Added Tax (VAT) on 4 types of services including expenditure on workers' welfare and entertainment, laboratory test fees, IT-enabled services and rent-a-car facility ONLY to apparel exporters.	<u>No waiver of VAT on services such as laboratory test, information-technology</u> expense and workers welfare fund etc.

2. Policy Measures

i) Fiscal Policy Measures:

Sl. No.	Policy Support/Facilities	RMG/Textile	Leather/Footwear
1	Cash Incentives on FOB export ²⁷ <i>** Initial Period Cash Incentives (1994 onwards)</i>	4% to 6% 25%	15% Need to fix it at least for five years to ensure predictability
2	Duty free import of raw materials	Yes	Yes
3	Corporate Tax Rate	10% for a factory if a factory has "Green Building Certifications" holders and a general tax rate is 12%	No such preference is given. Corporate tax is 35%, and 25% if publicly listed company
4	Deduction of AIT from export proceeds ²⁸	0.25%	0.25%
5	Income tax rebate for export	50%	50%

²⁷ FE Circular No. 26 (Published on 10th September 2018), Bangladesh Bank

²⁸ 265-AIN/Income Tax/2018 (Published on 6th September 2018), National Board of Revenue

Sl. No.	Policy Support/Facilities	RMG/Textile	Leather/Footwear
6	EDF (Export Development Fund) credit facility offered by Bangladesh Bank ²⁹ (@ 1.5% + Libor)	\$ 25 million	\$ 15 million The ceiling needs to be increased
7	2 Step loan facility @ 6% for compliance/retrofitting (by JAICA)	Yes	No
8	Low cost Finance for Housing of Workers - @ 2%	Yes	No
9	Preferential working capital finance facility for Textile sector at low cost	9% (1990-2011)	17%
10	Export Incentive for export to emerging market or non-traditional market (via L/C or TT)	4-6% cash Subsidy	Not available.

ii) Non-Fiscal Policy Measures:

Sl. No.	Policy Support/Facilities	RMG/Textile	Leather/Footwear
1	Extended Bonded Warehouse facilities	Single bonded warehouse for 2 sister-companies within 60 KM range radius	Not allowed for Footwear
2	Utility connection	Priority	Non-Priority
3	Non-Consumable Materials	Exemption facility for non-consumable materials is available.	No exemption available.
4	Environmental Classification based on hazardous materials consumption	Able to classify as “Green Factory” if the requirements are fulfilled by Ministry of Environment, Forest and Climate Change	Marked as “Orange” factories despite some of LFMEAB members have achieved “Green Building Certification” and “LEED certification” from abroad.

3. Recommendation for Additional Policy Support:

Sl.	Recommendations	Responsibility
1	All RMG specific policy supports should be made available for all exporting units including footwear exporting industries eliminating discrimination between various exporting sectors.	MOC MOF
2	Issuing UP (Utilization Permission) by Bond Authority to Packing/Box suppliers without requiring BTB LC. UP should be issued against Sight LC by any member firm of LFMEAB.	MOF (Customs & Excise)
3	Withdrawal/Reduction of 20% source tax on remittance/payment of Dividend.	MOF (NBR)

²⁹ FE Circular No. 12 (Published on 21st May 2018), Bangladesh Bank

Sl.	Recommendations	Responsibility
4	Withdrawal/Reduction of 20% source tax on remittance/payment of TKH Fees/Royalty.	MOF (NBR) This is a must to reduce the cost of design, critical technical service and other royalty cost.

MOC = Ministry of Commerce

MOF = Ministry of Finance

NBR = National Board of Revenue

4. Lead Time for Import & Export: Bangladesh & Competitors

i) Bangladesh Case - Export to EU Countries:

Activity	RMG	Footwear
	Average Days	Average Days
Opening LC for Raw Materials	3	3
Raw Materials Preparation & Sourcing	15	15
Shipping Time up to Chittagong Port (from China)	15	15
Outer to Un-Stuffing at Port	5	5
Customs Clearance up to Factory	5	5
Production Period	20	15
Export Shipment Ex-factory to Onboard	2	5
Shipping Time to Buyers Port (Europe)	30	35
Total Lead Time:	95	98

NB: Figures have been arrived at by discussion with various exporting companies on the basis of previous experience and represent average timeline. These may vary in various cases.

ii) Lead Time for Competitors

(Median Calendar Days)

Country	Bangladesh	India	Vietnam	Cambodia	China
Lead Time for Import	34	21	21	24	24
Lead Time for Export	28	17	21	22	21

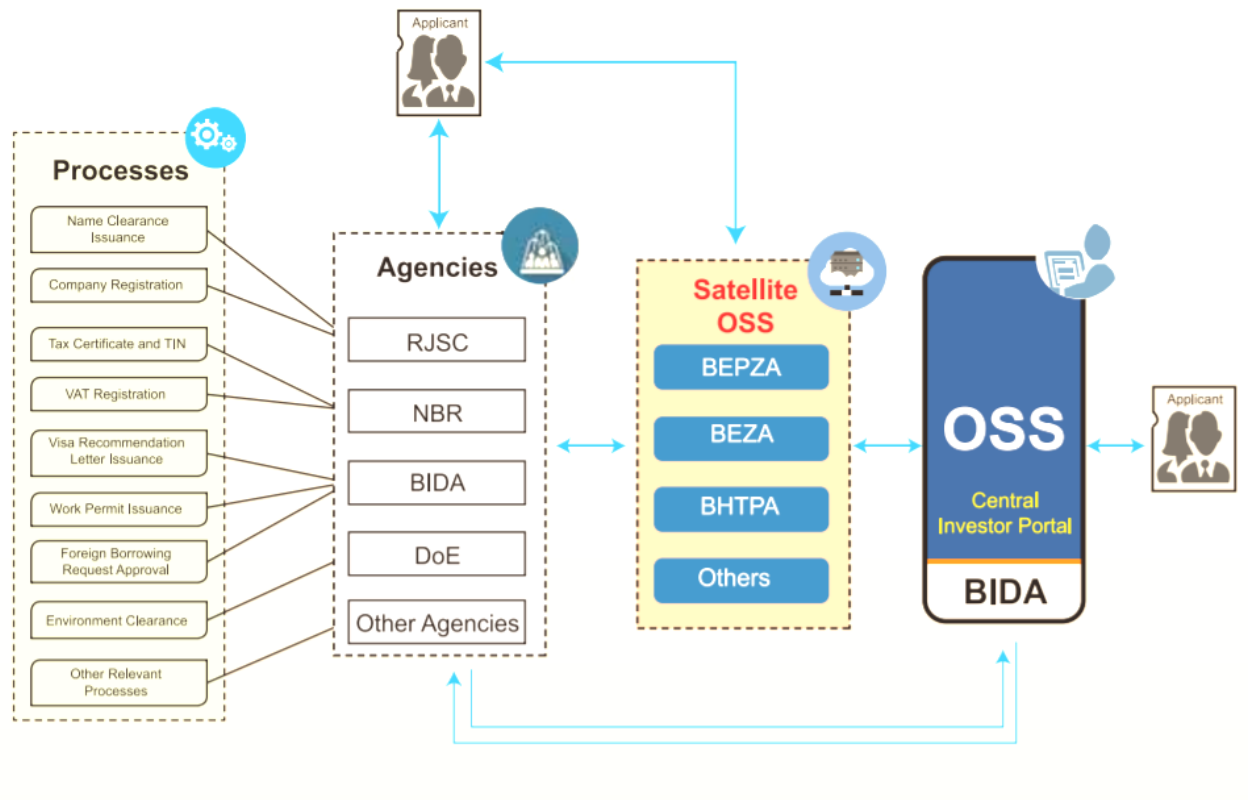
Source: World Bank, Doing Business Report, 2014.

Lead Time for Import: From port of discharge to consignee's factory.

Lead Time for Export: From exporter's factory to port of arrival.

Annex 2: BIDA's One Stop Service

The OSS Model



রেজিস্টার্ড নং ডি এ-১

বাংলাদেশ



গেজেট

অতিরিক্ত সংখ্যা
কর্তৃপক্ষ কর্তৃক প্রকাশিত

সোমবার, ফেব্রুয়ারি ১২, ২০১৮

বাংলাদেশ জাতীয় সংসদ

ঢাকা, ৩০ মাঘ, ১৪২৪/১২ ফেব্রুয়ারি, ২০১৮

সংসদ কর্তৃক গৃহীত নিম্নলিখিত আইনটি ৩০ মাঘ, ১৪২৪ মোতাবেক ১২ ফেব্রুয়ারি, ২০১৮ তারিখে রট্রপতির সম্মতিলাভ করিয়াছে এবং এতদ্বারা এই আইনটি সর্বসাধারণের অবগতির জন্য প্রকাশ করা যাইতেছে :—

২০১৮ সনের ১০ নং আইন

বাংলাদেশের জনগণের জীবনমান দ্রুত উন্নয়নের স্বার্থে দেশি ও বিদেশি বিনিয়োগ পরিকল্পনা দ্রুত বাস্তবায়নকল্পে বিনিয়োগকারীগণকে তাহাদের প্রস্তাবিত কোনো প্রকল্প বা উদ্যোগ এর জন্য প্রয়োজনীয় যে কোনো সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, ছাড়পত্র বা পারমিট নির্দিষ্ট সময়ের মধ্যে প্রদান নিশ্চিতকরণের লক্ষ্যে বিধান প্রণয়নকল্পে প্রণীত আইন

যেহেতু বাংলাদেশের জনগণের জীবনমান দ্রুত উন্নয়নের স্বার্থে দেশি ও বিদেশি বিনিয়োগ পরিকল্পনা দ্রুত বাস্তবায়নকল্পে বিনিয়োগকারীগণকে তাহাদের প্রস্তাবিত কোনো প্রকল্প বা উদ্যোগ এর জন্য প্রয়োজনীয় যে কোন সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, ছাড়পত্র বা পারমিট নির্দিষ্ট সময়ের মধ্যে প্রদান নিশ্চিতকরণার্থে বিধান করা সমীচীন ও প্রয়োজনীয়;

সেহেতু এতদ্বারা নিম্নরূপ আইন করা হইল :—

১। সংক্ষিপ্ত শিরোনাম ও প্রবর্তন।—(১) এই আইন ওয়ান স্টপ সার্ভিস আইন, ২০১৮ নামে অভিহিত হইবে।

(২) ইহা অবিলম্বে কার্যকর হইবে।

২। সংজ্ঞা।—বিষয় বা প্রসঙ্গের পরিপন্থি কোনো কিছু না থাকিলে, এই আইনে—

- (১) “আঞ্চলিক ওয়ান স্টপ কেন্দ্র” অর্থ ধারা ৫ এর উপ-ধারা (১) এ উল্লিখিত আঞ্চলিক ওয়ান স্টপ সার্ভিস কেন্দ্র;
- (২) “ওয়ান স্টপ সার্ভিস” অর্থ এই আইনের অধীন কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ বা আঞ্চলিক কেন্দ্র কর্তৃক তপশিল-খ তে বর্ণিত কোনো সেবা প্রদানের প্রক্রিয়া;

(১৭৮১)

মূল্য : টাকা ১২.০০

- (৩) “কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ” অর্থ ধারা ৪ এর উপ-ধারা (১) এ উল্লিখিত কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ;
- (৪) “তপশিল” অর্থ এই আইনের নিম্নবর্ণিত কোন তপশিল, যথা :—
- (ক) কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষের তালিকা তপশিল-ক; এবং
- (খ) সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, ছাড়পত্র বা পারমিট প্রদানকারী সংস্থা বা কর্তৃপক্ষ এবং সেবাসমূহের তালিকা তপশিল-খ;
- (৫) “নির্ধারিত” অর্থ বিধি দ্বারা নির্ধারিত;
- (৬) “ফোকাল পয়েন্ট” অর্থ ধারা ৪ এর উপ-ধারা (৫) এর অধীন সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, ছাড়পত্র বা পারমিট প্রদানকারী সংস্থা বা কর্তৃপক্ষ কর্তৃক নির্ধারিত কোনো ব্যক্তি; এবং
- (৭) “সেবা, সুবিধা, প্রণোদনা, অনুমতি, ছাড়পত্র বা পারমিট প্রদানকারী সংস্থা বা কর্তৃপক্ষ” অর্থ তপশিল-খ এ উল্লিখিত সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, ছাড়পত্র বা পারমিট প্রদানকারী সংস্থা বা কর্তৃপক্ষ।

৩। আইনের প্রাধান্য।—(১) আপাতত বলবৎ অন্য কোনো আইনে ভিন্নরূপ যাহা কিছুই থাকুক না কেন, কোনো দেশি ও বিদেশি বিনিয়োগ, প্রকল্প বা উদ্যোগ বাস্তবায়ন ও পরিচালনার ক্ষেত্রে এই আইনের অধীন ওয়ান স্টপ সার্ভিস সম্পর্কিত বিধানাবলি নিম্নবর্ণিত অবস্থাদ্বাধীনেও কার্যকর থাকিবে, যথা :—

- (ক) অন্য কোনো আইনের অধীন সেবা প্রদানের ক্ষেত্রে;
- (খ) সুবিধা ও প্রণোদনা প্রদানের ক্ষেত্রে;
- (গ) কোনো কর্তৃপক্ষ বা সংস্থা কর্তৃক লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, প্রদানের ক্ষেত্রে;
- (ঘ) দফা (ক) হইতে (গ) এ উল্লিখিত হয় নাই সরকার কর্তৃক নির্ধারিত এইরূপ কোনো ক্ষেত্রে।

(২) এই আইনের অধীন কোনো সেবা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, প্রদানের ক্ষেত্রে আপাতত বলবৎ অন্য কোনো আইন বা আইনের বিধান যদি এই আইনের সহিত অসামঞ্জস্যপূর্ণ হয়, তাহা হইলে সেই আইন বা আইনের বিধান যতখানি অসামঞ্জস্যপূর্ণ, ততখানি অকার্যকর বলিয়া গণ্য হইবে।

৪। কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ, ইত্যাদি।—(১) তপশিল-ক এ উল্লিখিত যে কোনো সংস্থা যে আইন বা আইনগত দলিল দ্বারা প্রতিষ্ঠিত উহার কার্যপরিধিভুক্ত যে কোন প্রকল্প বা উদ্যোগ বাস্তবায়নের জন্য কোনো উদ্যোক্তা বা বিনিয়োগকারীকে প্রয়োজনীয় যে কোনো সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, নির্দিষ্ট সময়ের মধ্যে প্রদানের জন্য কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ বলিয়া গণ্য হইবে।

(২) কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষের ফোকাল পয়েন্ট সমন্বয়ে, নির্ধারিত পদ্ধতিতে, গঠিত হইবে।

(৩) তপশিল-ক এ উল্লিখিত সংস্থার প্রধান নির্বাহী কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষেরও প্রধান নির্বাহী হিসাবে গণ্য হইবেন।

(৪) কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ নির্ধারিত পদ্ধতি ও সময়সীমা অনুসরণে সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষের নির্দিষ্টকৃত ফি আদায় সাপেক্ষে, ও সময়সীমা অনুযায়ী সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, প্রদান নিশ্চিত করিবে।

(৫) সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষ কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষের চাহিদা অনুযায়ী নির্ধারিত পদ্ধতিতে নিজ সংস্থার উপযুক্ত কর্মচারীকে ফোকাল পয়েন্ট নির্ধারণ করিবে, যিনি এই আইনের উদ্দেশ্য পূরণকল্পে, কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষের সদস্য হিসেবে গণ্য হইবেন এবং তিনি নিজ সংস্থা বা কর্তৃপক্ষের পক্ষে ক্ষমতাপ্রাপ্ত ও সংশ্লিষ্ট কার্য সম্পাদন করিবার অধিকারী হইবেন :

তবে শর্ত থাকে যে, উক্তরূপ ক্ষমতাপ্রাপ্ত ফোকাল পয়েন্ট কোনো বিশেষ কারণে কোনো কার্য সম্পাদন করিতে সক্ষম না হইলে তাৎক্ষণিকভাবে তাহার সংশ্লিষ্ট কর্তৃপক্ষ বা সংস্থাকে অবহিত করিবে এবং সেইক্ষেত্রে উক্ত কর্তৃপক্ষ বা সংস্থা দ্রুততম সময়ের মধ্যে চাহিত সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামে অভিহিত হউক না কেন, প্রদান করিবে।

৫। আঞ্চলিক কেন্দ্র।—(১) সরকার, তপশিল-ক এ উল্লিখিত কোনো সংস্থার প্রস্তাব বিবেচনাক্রমে, প্রজ্ঞাপন দ্বারা নির্দিষ্টকৃত অঞ্চলের জন্য উক্ত সংস্থার আওতাধীন সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষের মধ্য হইতে প্রয়োজনীয় সংখ্যক ফোকাল পয়েন্ট সমন্বয়ে আঞ্চলিক ওয়ান স্টপ সার্ভিস কেন্দ্র গঠন করিতে পারিবে।

(২) আঞ্চলিক কেন্দ্র ওয়ান স্টপ সার্ভিস পদ্ধতিতে সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, প্রদানের জন্য দায়িত্ব পালন করিবে।

৬। ওয়ান স্টপ সার্ভিসের সুবিধা গ্রহণ।—(১) কোনো উদ্যোক্তা বা প্রকল্প বাস্তবায়নকারী ওয়ান স্টপ সার্ভিসের সুবিধা গ্রহণ করিতে চাহিলে কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষের নিকট নির্ধারিত পদ্ধতিতে আবেদন করিতে হইবে।

(২) উপ-ধারা (১) এর অধীন আবেদন প্রাপ্তির পর নির্ধারিত সময়ের মধ্যে কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ আবেদনপত্রটি উহার সভায় উপস্থাপন করিবে এবং আবেদনকারী কর্তৃক চাহিত প্রয়োজনীয় সেবা, সুবিধা ও প্রণোদনা (প্রয়োজ্য ক্ষেত্রে), লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, প্রদানপূর্বক নির্ধারিত পদ্ধতি অনুসরণে উহা নিষ্পত্তি করিবে।

(৩) আবেদনকারী আবেদন দাখিলের পূর্বে তাহার প্রস্তাবিত উদ্যোগ বা প্রকল্প বাস্তবায়নে প্রয়োজনীয় সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট, ছাড়পত্র, উহা যে নামেই অভিহিত হউক না কেন, বিষয়ে কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ বা, ক্ষেত্রমত, সংশ্লিষ্ট আঞ্চলিক কেন্দ্র কর্তৃক ক্ষমতাপ্রাপ্ত কোনো কর্মচারীর সহিত আনুষ্ঠানিক বা অনানুষ্ঠানিকভাবে বিস্তারিত আলোচনা ও তথ্য আদান-প্রদান করিতে পারিবে।

(৪) আবেদনকারীকে কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ বা আঞ্চলিক কেন্দ্র ব্যতীত অন্য কোনো সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষের নিকট পৃথক কোনো আবেদন করিতে হইবে না:

তবে শর্ত থাকে যে, কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ আবেদনপত্রে চাহিত সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষের নিকট নির্ধারিত পদ্ধতি অনুসরণে কাগজাদি প্রেরণ করিবে, যাহা সংশ্লিষ্ট সংস্থা উহার দাপ্তরিক রেকর্ডের জন্য ব্যবহার করিতে পারিবে।

৭। ওয়ান স্টপ সার্ভিস নিশ্চিতকরণ কমিটি।—(১) এই আইনের অধীন ওয়ান স্টপ সার্ভিস কার্যক্রম তদারকির জন্য সরকার, সরকারি গেজেটে প্রজ্ঞাপন দ্বারা, একজন মন্ত্রীকে প্রধান করিয়া প্রজ্ঞাপনে উল্লিখিত সংখ্যক সদস্য সমন্বয়ে ওয়ান স্টপ সার্ভিস নিশ্চিতকরণ কমিটি নামে একটি কমিটি গঠন করিতে পারিবে।

(২) ওয়ান স্টপ সার্ভিস নিশ্চিতকরণ কমিটির কার্যপরিধি উক্ত প্রজ্ঞাপন দ্বারা নির্ধারিত হইবে।

৮। ওয়ান স্টপ সার্ভিস প্রদানের দায়বদ্ধতা।—(১) আঞ্চলিক কেন্দ্র উহার সম্পাদিত কার্যাবলি সম্পর্কে ত্রৈমাসিক ভিত্তিতে কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষের নিকট এবং কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ উহার নিজের এবং আঞ্চলিক কেন্দ্রের সম্পাদিত কার্যক্রম সম্পর্কে ষাণ্মাসিক ভিত্তিতে সরকারের নিকট প্রতিবেদন দাখিল করিবে।

(২) সরকার প্রতিবেদন পর্যালোচনায় কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ, আঞ্চলিক কেন্দ্র এবং সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষ বা উহার ফোকাল পয়েন্টের কার্য সম্পাদনে অবহেলা, অনীহা বা অনিয়মের উপাদান রহিয়াছে মর্মে নিশ্চিত হইলে ধারা ৯ এর অধীন ব্যবস্থা গ্রহণের নির্দেশনা প্রদান করিতে পারিবে।

(৩) সরকার কর্তৃক প্রদত্ত নির্দেশনা পালনে সংশ্লিষ্ট সংস্থা বা কর্তৃপক্ষ দ্রুত ব্যবস্থা গ্রহণ করিবে এবং গৃহীত ব্যবস্থা সম্পর্কে সরকারকে অবহিত রাখিবে।

৯। জবাবদিহিতা।—(১) আপাতত বলবৎ অন্য কোনো আইনে যাহা কিছুই থাকুক না কেন, কোনো ফোকাল পয়েন্ট এই আইনের অধীন নির্দিষ্ট সময়ের মধ্যে তাহার উপর অর্পিত দায়িত্ব পালন বা কার্য সম্পাদন না করিলে উহা তাহার অদক্ষতা ও অসদাচরণ বগিয়া গণ্য হইবে।

(২) উপ-ধারা (১) এর অধীন কোনো ফোকাল পয়েন্টের বিরুদ্ধে অদক্ষতা ও অসদাচরণ পরিলক্ষিত হইলে, কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষ বা, ক্ষেত্রমত, আঞ্চলিক কেন্দ্র উক্ত ফোকাল পয়েন্টের নিয়ন্ত্রণকারী কর্তৃপক্ষ বা সংস্থাকে এতদসম্পর্কে অবহিত করিবে।

(৩) উপ-ধারা (২) এর অধীন অবহিত হইবার পর উক্ত ফোকাল পয়েন্টের নিয়ন্ত্রণকারী কর্তৃপক্ষ বা সংস্থা তাহার বিরুদ্ধে কর্তব্যে অবহেলার জন্য প্রচলিত বিধি-বিধান অনুযায়ী ব্যবস্থা গ্রহণ করিতে পারিবে।

১০। তপশিল সংশোধনের ক্ষমতা।—সরকার, সরকারি গেজেটে প্রজ্ঞাপন দ্বারা, কোনো তপশিল সংশোধন করিতে পারিবে।

১১। বিধি প্রণয়নের ক্ষমতা।—(১) এই আইনের উদ্দেশ্য পূরণকল্পে সরকার, সরকারি গেজেটে প্রজ্ঞাপন দ্বারা, বিধি প্রণয়ন করিতে পারিবে।

(২) উপ-ধারা (১) এর অধীনে বিধি প্রণীত না হওয়া পর্যন্ত ওয়ান স্টপ সার্ভিস কার্যক্রম ত্বরান্বিত ও নিশ্চিত করিবার লক্ষ্যে সরকার এই আইনের উদ্দেশ্যের সহিত সামঞ্জস্যপূর্ণ হওয়া সাপেক্ষে, সরকারি গেজেটে প্রজ্ঞাপন দ্বারা, যে কোনো সাধারণ বা বিশেষ আদেশ প্রদান করিতে পারিবে।

১২। অসুবিধা দূরীকরণ।—এই আইনের বিধান অনুযায়ী ওয়ান স্টপ সার্ভিস প্রদানের ক্ষেত্রে কোনো অসুবিধা দেখা দিলে, সেবা, সুবিধা, প্রণোদনা, লাইসেন্স, অনুমতি, পারমিট বা ছাড়পত্র প্রদানকারী সংস্থা বা কর্তৃপক্ষের সহিত পরামর্শক্রমে, উক্তরূপ অসুবিধা দূরীকরণার্থে সরকার, সরকারি গেজেটে প্রজ্ঞাপন দ্বারা, যে কোনো ব্যবস্থা গ্রহণ করিতে পারিবে।

১৩। ইংরেজিতে অনূদিত পাঠ প্রকাশ।—(১) এই আইন কার্যকর হইবার পর, সরকার, সরকারি গেজেটে প্রজ্ঞাপন দ্বারা, এই আইনের মূল বাংলা পাঠের ইংরেজিতে অনূদিত একটি নির্ভরযোগ্য পাঠ (Authentic English Text) প্রকাশ করিবে।

(২) বাংলা ও ইংরেজি পাঠের মধ্যে বিরোধের ক্ষেত্রে বাংলা পাঠ প্রাধান্য পাইবে।

তপশিল-ক

[ধারা ২ এর উপ-ধারা (৪) ও ধারা ৪(১) দ্রষ্টব্য]

কেন্দ্রীয় ওয়ান স্টপ সার্ভিস কর্তৃপক্ষের তালিকা :

- ১। বাংলাদেশ বিনিয়োগ উন্নয়ন কর্তৃপক্ষ;
- ২। বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ;
- ৩। বাংলাদেশ রপ্তানী প্রক্রিয়াকরণ অঞ্চল কর্তৃপক্ষ;
- ৪। বাংলাদেশ হাই-টেক পার্ক কর্তৃপক্ষ।

তপশিল-খ

[ধারা ২ এর উপ-ধারা (৪) ও (৭) দ্রষ্টব্য]

সেবা, সুবিধা ও প্রণোদনা, লাইসেন্স, অনুমতি, ছাড়পত্র বা পারমিট প্রদানকারী সংস্থা বা কর্তৃপক্ষ এবং সেবাসমূহের তালিকা :

ক্রমিক নং	সেবার নাম	সেবা, সুবিধা ও প্রণোদনা, অনুমতি, ছাড়পত্র বা পারমিট প্রদানকারী সংস্থা বা কর্তৃপক্ষ
১	২	৩
১।	ছাড়পত্র, কোম্পানি নিবন্ধন, আর্টিক্যালস অব এ্যাসোসিয়েশন ও মেমোরেভাম অব এ্যাসোসিয়েশন এবং শেয়ার ট্রান্সফার	যৌথ মূলধন কোম্পানি ও ফার্মসমূহের নিবন্ধকের কার্যালয়
২।	নিবাসী ও অনিবাসী ভিসা	সুরক্ষা সেবা বিভাগ, স্বরাষ্ট্র মন্ত্রণালয়, পররাষ্ট্র মন্ত্রণালয় ও ইমিগ্রেশন ও পাসপোর্ট অধিদপ্তর
৩।	অর্থনৈতিক অঞ্চল, পার্ক ইত্যাদি ঘোষণা	বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ, বাংলাদেশ হাইটেক পার্ক কর্তৃপক্ষ, গেজিসলেটিভ ও সংসদ বিষয়ক বিভাগ এবং প্রশাসনিক মন্ত্রণালয়/বিভাগ
৪।	অর্থনৈতিক এলাকার (রপ্তানি প্রক্রিয়াকরণ এলাকা, অর্থনৈতিক অঞ্চল, পার্ক ইত্যাদি) অভ্যন্তরে ভূমি বরাদ্দ, ব্যাংক ঋণ এর অনাপত্তিপত্র, নমুনা প্রেরণের অনুমতি, সাবকন্ট্রাক্ট প্রদানের অনুমতি, বিনিয়োগ প্রস্তাব/প্রকল্প ছাড়পত্র ও অফসোর ব্যাংকিং লাইসেন্স এর অনাপত্তিপত্র	বাংলাদেশ রপ্তানি প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ ও বাংলাদেশ হাইটেক পার্ক কর্তৃপক্ষ
৫।	ওয়ার্ক পারমিট প্রদান	বাংলাদেশ রপ্তানী প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ, বাংলাদেশ হাইটেক পার্ক কর্তৃপক্ষ, বাংলাদেশ বিনিয়োগ উন্নয়ন কর্তৃপক্ষ ও সুরক্ষা সেবা বিভাগ, স্বরাষ্ট্র মন্ত্রণালয়
৬।	ট্রেড লাইসেন্স	স্থানীয় সরকার প্রতিষ্ঠান, যেমন- সিটি কর্পোরেশন, জেলা পরিষদ, পৌরসভা ও ইউনিয়ন পরিষদ
৭।	উদ্যোক্তাগণের আবেদনের প্রেক্ষিতে ভূমি অধিগ্রহণ	ভূমি মন্ত্রণালয়, সংশ্লিষ্ট অঞ্চলের জেলা প্রশাসন ও প্রত্যাশী সংস্থা

১	২	৩
৮।	ভূমির জায় ও লিজ দলিল রেজিস্ট্রেশন	নিবন্ধন পরিদপ্তর ও সংশ্লিষ্ট সকল সাব-রেজিস্ট্রি অফিস
৯।	নামজারি	সংশ্লিষ্ট উপজেলা ভূমি অফিস
১০।	পরিবেশগত ছাড়পত্র	পরিবেশ অধিদপ্তর
১১।	নির্মাণ পারমিট	বাংলাদেশ রপ্তানী প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ ও পূর্ত কাজের অনুমোদন প্রদানকারী প্রতিষ্ঠানসমূহ
১২।	বৈদ্যুতিক সাবস্টেশন, ওয়ারিং সংক্রান্ত ছাড়পত্র ও জেনারেটর স্থাপনের অনুমতি	বাংলাদেশ রপ্তানী প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ, বিদ্যুৎ সংযোগ প্রদানকারী প্রতিষ্ঠান ও পূর্ত কাজের অনুমোদন প্রদানকারী প্রতিষ্ঠানসমূহ
১৩।	কলকারখানার মেশিন লে আউট প্ল্যান অনুমোদন এবং কারখানা বা প্রতিষ্ঠানের রেজিস্ট্রেশন ও লাইসেন্স প্রদান, নবায়ন ও সংশোধন	কলকারখানা ও প্রতিষ্ঠান পরিদর্শন অধিদপ্তর
১৪।	বিদ্যুৎ সংযোগ	বিদ্যুৎ বিভাগ ও এর আওতাধীন বিদ্যুৎ বিতরণ সংস্থাসমূহ, যেমন- বাংলাদেশ বিদ্যুৎ উন্নয়ন বোর্ড, বাংলাদেশ পল্লী বিদ্যুতায়ন বোর্ড, ঢাকা ইলেকট্রিক সাপ্লাই কোম্পানি লিমিটেড, ঢাকা পাওয়ার ডিস্ট্রিবিউশন কোম্পানি লিমিটেড, ওয়েস্ট জোন পাওয়ার ডিস্ট্রিবিউশন কোম্পানি লিমিটেড, নর্থ ওয়েস্ট জোন পাওয়ার ডিস্ট্রিবিউশন কোঃ লিঃ ও অন্যান্য বিদ্যুৎ বিতরণ সংস্থা
১৫।	গ্যাস সংযোগ	জ্বালানী ও খনিজ সম্পদ বিভাগ এর আওতাধীন গ্যাস বিতরণ সংস্থাসমূহ, যেমন- তিতাস গ্যাস ট্রান্সমিশন এন্ড ডিস্ট্রিবিউশন কোম্পানি লিঃ, বাখরাবাদ গ্যাস ডিস্ট্রিবিউশন কোম্পানি লিঃ, জালালাবাদ গ্যাস ট্রান্সমিশন এন্ড ডিস্ট্রিবিউশন কোম্পানী লিঃ, পশ্চিমাঞ্চল গ্যাস কোম্পানি লিঃ, কর্ণফুলী গ্যাস ডিস্ট্রিবিউশন কোম্পানি লিঃ, সুন্দরবন গ্যাস কোম্পানি লিঃ ও অন্যান্য গ্যাস সরবরাহকারী প্রতিষ্ঠান

১	২	৩
১৬।	পানি সংযোগ ও পর্যালোচনা	সংশ্লিষ্ট অঞ্চলের ওয়াসা, সিটি কর্পোরেশন ও পৌরসভা
১৭।	টেলিফোন ও ইন্টারনেট সংযোগ	বাংলাদেশ টেলিকমিউনিকেশনস কোম্পানি লিমিটেড
১৮।	অগ্নি নিরোধ সংক্রান্ত সেবা ও ছাড়পত্র	ফায়ার সার্ভিস ও সিভিল ডিফেন্স অধিদপ্তর
১৯।	বিস্কোরক লাইসেন্স	বিস্কোরক অধিদপ্তর
২০।	বয়লার সার্টিফিকেট, বয়লার নিবন্ধন ও সনদপত্র নবায়ন	প্রধান বয়লার পরিদর্শকের কার্যালয়
২১।	ডিভিডেন্ট, রেমিটেন্স ও ক্যাপিটাল এর প্রত্যাশন	বাংলাদেশ ব্যাংক
২২।	বিভিন্ন প্রকার প্রণোদনা, আমদানি ও রপ্তানি, বন্ড লাইসেন্স ও কাস্টমস সংক্রান্ত ছাড়পত্র	জাতীয় রাজস্ব বোর্ড, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ, বাংলাদেশ রপ্তানী প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ হাইটেক পার্ক কর্তৃপক্ষ
২৩।	টি আই এন ও ভ্যাট রেজিস্ট্রেশন	জাতীয় রাজস্ব বোর্ড
২৪।	স্থানীয় জন্ম ও বিক্রয়ের ছাড়পত্র	জাতীয় রাজস্ব বোর্ড, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ, বাংলাদেশ রপ্তানী প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ হাইটেক পার্ক কর্তৃপক্ষ
২৫।	আমদানি ও রপ্তানি পারমিট জারিকরণ, বাণিজ্যিক আমদানি নিবন্ধন সনদপত্র, রপ্তানি নিবন্ধন সনদপত্র এবং ইনভেন্টরি নিবন্ধন সনদপত্র	আমদানি ও রপ্তানি প্রধান নিয়ন্ত্রকের দপ্তর
২৬।	সার্টিফিকেট অব অরিজিন	বাংলাদেশ রপ্তানি উন্নয়ন ব্যুরো
২৭।	পানি ও বর্জ্য শোধনাগার স্থাপনের অনুমতি	বাংলাদেশ রপ্তানি প্রক্রিয়াকরণ এলাকা কর্তৃপক্ষ, বাংলাদেশ অর্থনৈতিক অঞ্চল কর্তৃপক্ষ, বাংলাদেশ হাইটেক পার্ক কর্তৃপক্ষ ও পরিবেশ অধিদপ্তর।

ড. মোঃ আবদুর রব হাওলাদার
সিনিয়র সচিব।

মোঃ আব্দুল মালেক, উপপরিচালক, বাংলাদেশ সরকারী মুদ্রণালয়, তেজগাঁও, ঢাকা কর্তৃক মুদ্রিত।
মোঃ আলমগীর হোসেন, উপপরিচালক, বাংলাদেশ ফরম ও প্রকাশনা অফিস,
তেজগাঁও, ঢাকা কর্তৃক প্রকাশিত। website: www.bgpress.gov.bd