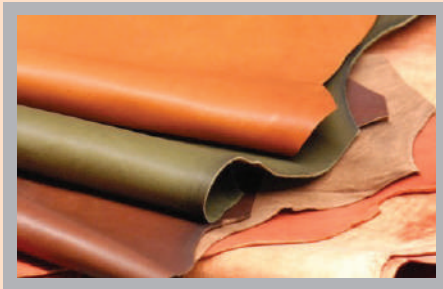




Government of the People's Republic of Bangladesh
WTO Cell, Ministry of Commerce
Bangladesh Regional Connectivity Project-1
Probashi Kollayan Bhaban
Eskaton Garden, Dhaka-1000

Policy Review/Policy Study/Policy Paper Preparation
on
Leather and Leather Goods Development Policy 2019



December 2021

**Government of the People's Republic of Bangladesh
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on
Leather and Leather Goods Development Policy, 2019**

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Submitted to

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Preface

The final report intends to respond to the requirement according to the provision of the contract agreement signed between Bangladesh Regional Connectivity Project-1 (BRCP 1) and South Asian Network on Economic Modeling (SANEM) for conducting **“Policy Review/Policy Study/Policy Paper Preparation under the Bangladesh Regional Connectivity Project 1)”** in collaboration with International Development Association (IDA), The World Bank. The objective of this technical assistance project is to review the existing government policies related to trade to strengthen cooperation in trade, transport, and transit facilities and facilitate the economic empowerment of women traders. The ongoing context and challenges are compared with the existing policies. It has also analyzed the best practices of regional comparators to promote and improve trade-related activities as well as the relevance of SHE trade with the existing policies. Finally, based on the findings, the recommendation for future policy has been identified.

Consultancy services for conducting the **“Policy Review/Policy Study/Policy Paper Preparation under the Bangladesh Regional Connectivity Project 1)”** was provided by the South Asian Network on Economic Modeling (SANEM), Bangladesh. The study team consists of four senior-level experts. The major objective of the study is to depict a clear picture of the current state of the implementation of the policies, challenges and to provide the suggestion for future policies. Furthermore, Reviewing and identifying the gaps in the existing policies were also aimed to be found out for this study.

The review of the **Leather and Leather Goods Development Policy 2019** has identified some specific areas including compliance of the leather sector, promoting export of the sector, attracting investment in the sector, financing and incentives for the sector, infrastructural development, LDC graduation, skill development and, enhancing the participation of women entrepreneurs in the supply chain of this sector.

We are hopeful about the policy recommendations which would be beneficial for policy makers and other stakeholders for the development of the leather sector including the participation of women in this sector.

Md. Mijanur Rahman

Project Director (Joint Secretary)

Bangladesh Regional Connectivity Project-1

Ministry of Commerce

Acknowledgment

It is indeed a great pleasure that Bangladesh Regional Connectivity Project 1 (BRCP-1), Ministry of Commerce has entrusted International Development Association (IDA), the World Bank to carry out “**Policy Review/Policy Study/Policy Paper Preparation**”. The final report of the study has been prepared based on a validation workshop held on 21 November 2021. The studies are 1) Export Policy 2018-21 2) Import Policy Order 2015-18, 3) Industrial Policy 2016, and 4) Leather and Leather Goods Development Policy 2019.

The four policy papers contain objective, scope, and methodology for the studies, current context, and challenges, deviation from the international practices, the relevance of the policies with the SHE trade. The consultants also described the best practices of regional countries adapted to facilitate trade-related activities. In the end, the findings from the analysis and recommendations for the upcoming policy papers are portrayed.

The authors wish to thank Md Mijanur Rahman, Project Director, Bangladesh Regional Connectivity Project 1, and Md Munir Chowdhury, National trade expert, BRCP-1 for their valuable comments and continuous support in undertaking the study.

We cordially express our indebtedness to Mr Tapan Kanti Ghosh, Secretary, Ministry of Commerce for his aspiration and guidance to conduct this study. We are also thankful to all the officials and participants who took part in the consultation meetings and workshops for helping us with their constructive criticism and valuable suggestions during the study period.

This work would not have been possible without the participation of the relevant stakeholders in the Key Informant Interviews (KIIs) as well as in the Focus Group Discussion (FGD).

Thanks are also due to all respondents of interviews, FGDS, KIIs who helped us by providing their information during the data collection period.

The contribution and support provided by everyone for the study are greatly appreciated.



Dr. Selim Raihan

Executive Director, SANEM

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List of Acronyms

APTA	Asia Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BIDA	Bangladesh Investment Development Authority
BIDS	Bangladesh Institute of Development Studies
BSCIC	Bangladesh Small and Cottage Industries Corporation
BPC	Business Planning & Consolidation
BTA	Bangladesh Tanners Association
BWCCI	Bangladesh Women Chamber of Commerce and Industry
CDP	Committee for Development Policy
CDP	Committee for Development Policy
CEPT	Central Effluent Treatment Plant
CIT	Corporate Income Tax
DFQF	Full Duty-free, Quota-free
EBA	Eco-System Based Adaptation
EPB	Export Promotion Bureau
EPFO	Employees' Provident Fund Organization
EPZ	Export Processing Zone
ESQ	Environment, Social, and Quality
EU	European Union
EVFTA	EU-Vietnam Free Trade Agreement
FAO	Food and Agriculture Organization
FBCCI	Federation of Bangladesh Chambers of Commerce and Industries
FDDI	The Footwear Design and Development Institute
FDI	Foreign direct investments
FGD	Focus Group Discussions
FTA	Free Trade Agreements
GFT	Green Transformation Fund
GSP	Generalized System of Preferences
GVC	Global value chain
HRD	Human Resource Development
HS	Harmonized System
IDLS	Integrated Development of Leather Sector
IFLADP	Indian Footwear, Leather and Accessories Development programmes
ILET	Institute of Leather Engineering and Training
ILO	International Labour Organization
IMF	International Monetary Fund
ISO	International Organization for Standardization
KII	Key Informant Interview
LDC	Least Developed Countries
LFMEAB	Leather goods And Footwear Manufacturers & Exporters Association of Bangladesh
LLG	Leather and Leather Goods
MFN	Most-Favoured-Nation
MLFAC	Mega Leather, Footwear and Accessories Cluster
NBR	National Board of Revenue
RCA	The Revealed Comparative Analysis
RECP	The Regional Comprehensive Economic Partnership
RMG	Ready-Made Garment

RSL	Restricted Substances List
SAFTA	South Asian Free Trade Area
SI	Supporting Industries
SME	Small and Medium Enterprise
SPZ	Special Economic Zone
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UNCTAD	United Nations Conference on Trade and Development
VAT	Value-added tax
WB	World Bank
WTO	World Trade Organization

Executive summary

While looking into the sectors other than RMG for export diversification in Bangladesh, the sector that has significant potential is the leather sector although the sector is with meagre size and small export earnings compared to RMG. The leather sector is the second-largest exporting sector of Bangladesh. In the fiscal year 2020-21 the total exports earning from this sector stand at \$941.67 million. The government of Bangladesh has identified leather as a thrust sector. The government declared the 2016-17 fiscal year as the "Leather Year". However, it is important to reckon that the potential of this sector can be realized only if the key constraints to the expansion of this sector can be addressed properly. Given the current performance and potential of the leather sector, the government has launched the Leather and Leather Goods development policy, 2019 with a mission to ensure an enabling situation for the leather sector of Bangladesh. The policy has a target of increasing the earning of this sector to \$5 billion by 2024 which is expected to contribute 1 percent of the GDP.

This study conducts a thorough review of the Leather and Leather Goods (LLG) development policy 2019 by applying a mixed methodology. The in-depth desk research as well as the data collected from the Key Informant Interviews and Focus Group Discussions have helped to identify some key aspects of the LLG development policy such as current implementation challenges of the policy, the relevance of the policy in the context of the LDC graduation of Bangladesh and the key challenges faced by the women entrepreneurs of this industry. The study also focuses on the current scenario of the leather sector of Bangladesh and presents the international best practices in terms of developing the leather sector. As the global best practices, the study points out the key factors that contribute to the expansion of the leather sector of India and Vietnam.

Section two of this review paper gives an overview of the leather sector of Bangladesh. The broad leather sector is divided into three segments: processed leather, leather products, and leather footwear. The study finds that although Bangladesh's leather export was highly concentrated in raw leather, the composition has changed remarkably over the last decade, raising the share of leather footwear and leather products. However, despite the increasing volume of the exports of leather footwear and products, Bangladesh's share in the market of the top importers is still very low showing the potential of this sector to capture the global market.

Section three of this paper presents a brief overview of the Leather and Leather Goods Development Policy 2019 while section four identifies the key issues to the development of leather sector of Bangladesh and their reflections in LLG development policy 2019. The key findings of this study point out that the LLG development policy 2019 is a relatively new and updated policy document which covers almost all the issues or constraint to the expansion of this sector. Moreover, the policy also presents a detailed work plan to address those issues by identifying the relevant stakeholders. However, the policy faces serious implementation challenges. Most of the measures that have been suggested in the policy are yet to implement. For example, a single meeting of the implementation committee that has been formed to ensure the implementation of the policy has not yet been taken place although the meeting was proposed to hold in every three months.

The review of this policy identifies the absence of social and environmental compliances in the leather factories as the major constraint to the expansion of this sector. Due to poor adoption of global standards set by Leather Working Group, Bangladeshi exporters have failed to avail compliance and environmental certifications from the global body for the leather goods sector. Obtaining the certification from the Leather Working Group is usually considered a precondition for the leather sector to gain the global export market but the certification would be a far cry without functioning central effluent treatment plant, solid waste management, and chrome recovery units in the tannery estate. Although the LLG development policy has put much emphasis on making the sector compliant to international social, environmental, and labour standards, the industry is not getting the certification of the leather working group due to the inadequate capacity of the CETP, and insufficient testing facility. In this context, the paper suggests taking immediate measures to make the sector compliant to international standards by increasing the capacity of the CETP, or by introducing the compliant factory award.

The poor infrastructural facility is another major constraint to the expansion of the leather sector of Bangladesh. The current infrastructure for slaughtering animals is poorly maintained, leading to unhygienic and unscientific handling of hides and skins, resulting in a reduced value of leather. The leather industry along with the overall exports sector of Bangladesh faces serious constraints due to the high cost of doing business resulting from infrastructural bottlenecks. Most of the businessmen agree that the high cost of doing business is a major constraint to the expansion of the overall export sector of Bangladesh. Countries such as India, Vietnam, and China are way ahead of Bangladesh in almost all major business indicators. The excessive cost of doing business not only makes a country less competitive as an exporter but also imposes a detrimental effect on the prospect of attracting foreign investments. Both these factors are critical for expanding exports of leather goods. In this regard the LLG development policy 2019 has proposed several measures such as increasing efficiency of the customs department, building central bonded warehouses for reducing lead time and ensuring one stop service. However, entrepreneurs in the leather sector are not enjoying the full benefits of these measures.

The other issues that have been identified as the constraint to the expansion of this sector include the highly concentrated markets, and products, highly protected domestic market, access to finance, and lack of skilled workforce. Although some specific measures such as different incentives, duty-free import of modern machinery, reducing the lead time, initiating the one-stop service, etc. have been suggested in the LLG development policy to address these issues, these measures are facing serious implementation challenges. Therefore, the entrepreneurs are not getting the benefits of these measures. This study suggests taking immediate measures to ensure the implementation of these policies.

This study also tries to identify the potential challenge that the leather sector can face due to the LDC graduation of Bangladesh. In this regard, the study finds that Bangladesh will face some high tariff rates in the post-graduation period in the major markets of leather and leather products. But it is also argued that the sector is competitive enough due to the availability of cheap labour or raw materials to overcome this shock. Despite the high tariff rate due to LDC graduation the leather sector of Bangladesh might be able to expand in the

future if the sector can be made compliant with international standards and the issues of infrastructural bottlenecks can be addressed immediately.

One major objective of this review was to identify the potential constraint to the inclusion of women entrepreneurs in the value chain of the leather sector and suggesting the necessary provisions. In this regard, section five of this review paper finds that although there are hardly any women entrepreneurs in the tanning sector, a few women entrepreneurs are now coming to the leather products and footwear sector. The leather and leather goods development policy 2019 mentions promoting the participation of women entrepreneur in the leather sector by providing training, and loans without mortgage. However, according to the female entrepreneurs the key problem associated with promoting 'She' trade not only in the leather sector but in the overall export sector of Bangladesh is that they lack the financial knowledge or skills necessary to reap the benefits of different trade incentives.

Section six of this paper investigates the policies of the competing countries of Bangladesh in the leather sector such as India and Vietnam. In this regard, it is found that for the development of the leather sector of India, the very specific Indian Footwear, Leather, and Accessories Development programs (IFLADP) have been adopted. Under the IFLADP, several assistance or incentives are provided to the overall leather industry of industry such as scheme for 70% cost for upgradation/installation of Common Effluent Treatment Plants (CETPs), grant on the cost of plant and machinery, Human Resource Development (HRD) sub-scheme focussing which might be exemplary for Bangladesh as well. The most important factor that contributed to the expansion of the leather sector of Vietnam is that the sector is competitive due to its abundant supply of cheap and highly skilled labour. Moreover, the country's economic, political, and social stability in addition also helped to make the increase the competitiveness of the industry. The overall business performances, satisfactory performances in the ease of doing business such as reducing lead time, making the customs or documentary compliances easier, etc. contributed to expanding the sector by attracting FDI. The leather sector of Vietnam has been receiving a large influx of foreign direct investment in recent years. A host of free trade agreements (FTAs) have created optimal conditions for an influx of investment into Vietnam as investors try to access preferential tariffs. For example, the free trade agreements of Vietnam with the European Union which took into effect last year contributed to a surge in the exports of footwear to the region's 27 member countries. Bangladesh can follow this strategy of Vietnam in attracting FDI in the leather sector as well the expanding the sector.

1. Introduction

1.1. Background

The significant economic development of Bangladesh over the last two decades has been characterized by stable economic growth. Bangladesh is one of the fastest-growing economies with an average GDP growth rate of around 6 percent over the past two decades (Khondker & Eusuf, 2015). There is a consensus that one key factor of achieving the impressive growth rate is the robust growth in export earnings. However, the key issue is that the export sector has been highly dominated by the Ready-Made Garment (RMG) sector leading to significant export concentration. The reliance on a mono-product-driven export basket poses a serious risk to the sustainability of this impressive export performance of Bangladesh (Sattar, 2015). Due to the increasing concern among the policymakers over this issue of export concentration, several measures have been taken in the Seventh and Eighth Five Year Plans as well as the recent export policies providing support to the potential thrust sectors that can help to broaden our export basket.

While looking into the sectors other than RMG for export diversification, the sector that has significant potential is the leather sector although the sector is with meagre size and small export earnings compared to RMG. The leather sector is the second-largest exporting sector of Bangladesh. In the fiscal year 2020-21 the total exports earning from this sector stand at \$941.67 million. Recently, China has been withdrawing from the global leather goods market and Bangladesh should be ready with huge potential to attract foreign investment in the sector. The main reason for China's focus shift is the rising labour cost. In consequence, Bangladeshi manufacturers are now planning to fill the vacuum in the international footwear market being left by China, but Vietnam and Cambodia are ahead in this game as we will find out. Therefore, to capture the new emerging market, the leather sector of Bangladesh will have to be competitive. Given the current performance of the leather sector along with its solid manufacturing base accompanied by a strong backward linkage, exploiting the full potential of the leather sector should be considered as a high priority for expanding exports and promoting export diversification. In this context, the government has launched the Leather and Leather Goods (LLG) development policy, 2019 with a mission to ensure an enabling situation for the leather sector of Bangladesh. The policy has a target of increasing the earning of this sector to \$5 billion by 2024 which is expected to contribute 1 percent of the GDP.

This current study on reviewing the leather and leather goods development policy 2019 is a part of a series of policy reviews, where the main objectives are to identify the key challenges of the policy in developing the sector and identifying the moves necessary for the sector in the context of LDC graduation and finding the ways to expand exports in the sector. One major objective of this study is to identify the policy support necessary to promote women's entrepreneurship in this sector.

1.2. Objectives and research questions

For any sector, a thoroughly planned policy is a key to diversify the products, increase trade with global partners, and being connected with the GVC. However, policy loopholes and time-

inconsistent provisions can make a well-planned policy inefficient. The Leather and leather Goods Development Policy 2019 is a relatively new and one of the few sectors specific policies in Bangladesh. However, a lot has changed since then and, in the meantime, Bangladesh has been qualified for the graduation from the group of LDCs. Therefore, it is deemed imperative to revisit the provisions of the current LLG development policy and implementational challenges to make it more effective, forward-looking, and consistent with changing global trade scenario. Despite broad mention about provisions to facilitate women entrepreneurs in production-related activities, much progress in women's entrepreneurial development is yet to be observed. Therefore, it is imperative to dig deeper to understand the gender biases embedded in society that limit women's mobility, interactions, active economic participation, and access to business development services. Studies such as Rahman (2019), Afroze, et al., (2014), Ahammad and Moudud-UI-Huq (2013) identifies the general barriers to female entrepreneurship as lack of funds, funding, knowledge, market information, training, access to finance, ICT, and regulatory barriers such as tax, VAT, and company registration.

In this regard, the broad objective of this study is to review the existing Leather and Leather Goods Development Policy, 2019 and provide feedback to the relevant stakeholders to strengthen the development of the sector. The policy reviews will also provide advocacy for mainstreaming female traders in the leather sector and facilitate policy coherence between national development priorities and international obligations on trade facilitation. The broad research questions of this policy review are.

- What were the primary objectives of the LLG development policy, 2019?
- What is the possible implementation/institutional challenges achieving the objectives?
- What policy constraints and barriers do exporters of leather and leather goods face?
- How can the policy provide further provisions for female exporters of leather and leather goods?
- Any country example that Bangladesh can follow in formulating its future LLG development policy?
- Is the policy gender-inclusive?
- What could be the necessary alterations, exclusions, and inclusions of the existing provisions of the LLG Development policy, 2019, to make it more coherent and forward-looking?

1.3. Scope of the study

The scope of this policy review of the LLG development policy, 2019, is to analyse whether the stated objectives of the policy and the tool/measures to achieve those objectives are sufficient to ensure the sustainable development of the sector. The review will also investigate the relevant policies of regional comparators and suggest what provisions from those countries, Bangladesh might adopt. The study will also identify the implementational challenges of the policy and shed light on the provisions to effectively mainstream women in the trade and global value chain. In addition to that, this study will provide some appropriate recommendations about inclusion, exclusion, revisions, alteration, and extension of the

existing provisions of the policy to make it more relevant and coherent to the present context of global trade.

1.4. Methodology of the study

Given the objectives and the key research questions of this study, a mixed methodological approach has been followed consisting of

- (i) Rigorous desk research of all relevant policy documents, literature, and secondary data, and
- (ii) Primary data collection and analysis by conducting Key Informant Interview (KIIs) and Focus Group Discussions (FGDs) with stakeholders relevant for the study.

Therefore, the research methodology can be categorised as follows:

Desk Research

As the first part of the study, comprehensive desk research has been conducted by the research team. The desk research includes all pertinent documents and literature on the export of leather and leather goods, international trade in the sector, and the situation of female-headed businesses operating in the sector. The research team has also examined and analysed the available secondary data and identify the differences in policy across countries. The research team has mainly focused on the following documents for desk review,

- Leather and leather goods development policy documents.
- Relevant secondary literature, reports, and publications
- UNCTAD database, WTO data, World Bank, IMF, and data from Export Promotion Bureau on the exports of leather and leather goods

Primary data collection

In collecting primary data, a qualitative approach has been followed. Social aspects that are mostly unrepresented in the quantitative data can be addressed through qualitative data, which are expected to provide in-depth information on social dimensions and characteristics. As part of the qualitative data, the team will conduct Focus Group Discussions (FGD) and Key Informant Interviews (KIIs).

Focus Group Discussion (FGD)

For this study, the research team has carried out 3 FGDs comprising 8-10 participants in each FGDs. The participants of the FGDs were primarily the entrepreneurs of the leather and leather goods industry. The three FGDS were conducted with representatives from LFMEAB, Tanners Association, and Bangladesh Women Chamber of Commerce and Industry (BWCCI).

Key Informant Interview (KII)

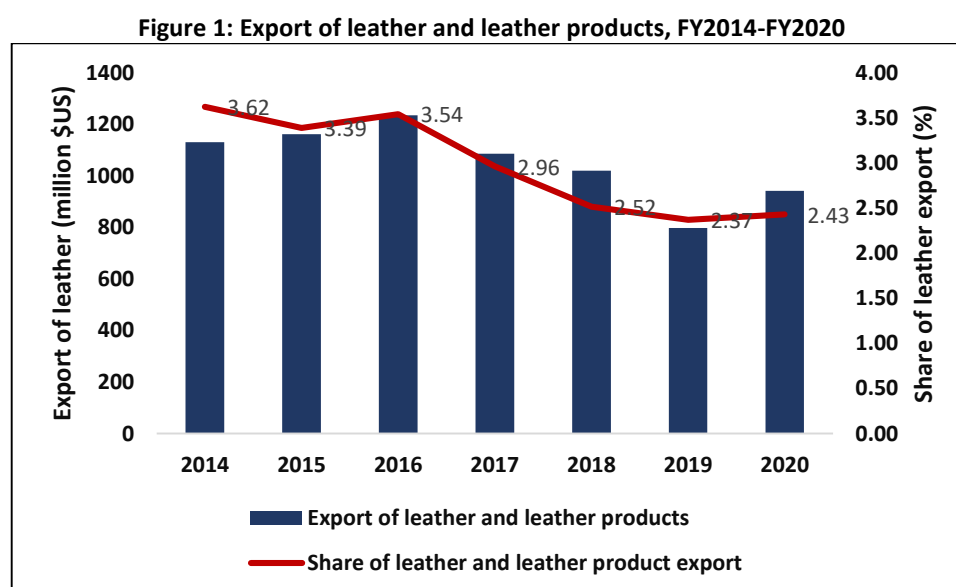
For an in-depth understanding of the policies, assessment of projects, and identifying gaps, Key Informant Interviews (KII) is a useful tool. For this particular study, the research team has carried carry out a total of six KIIs (Annex).

1.5. Organisation of the paper

This report is organized as follows: After this introduction in Section I, Section II provides a brief overview of the leather sector including some of its salient features, Section III gives an overview of the LLG development policy 2019, Section IV discusses the key challenges to the expansion of this sector in the light of the leather and leather goods policy 2019, Section V discusses the challenges faced by the women entrepreneurs in the leather sector, Sections VI provides the global best practices in promoting the leather sector, Section VII contains discussions on the key strategies to overcome the challenges or the recommendations and Section VIII concludes.

2. An overview of the leather sector of Bangladesh

The leather sector is considered the major thrust sector for the manufacturing industry of Bangladesh. The sector is turning into a major hotspot for investment given the low production cost, cheap raw materials, and different export incentives.¹ The global leather export market has expanded significantly: from \$74.5 billion in 2000 to \$271.21 billion in 2021.² The expansion of the global leather market is driven by the high value-added leather goods market. The size of the global leather goods market was USD 95.4 billion in 2018 and it was forecasted that it would reach USD 128.61 billion by 2022.³ Despite the growing size of the global leather market, the leather sector of Bangladesh has not expanded much due to different limitations. The exports earning from the leather sector in Bangladesh saw a peak in 2016. However, the earning from this sector declined in the subsequent years. In 2019, the share of leather in the total exports earning of Bangladesh was 2.37 percent which is less than 3.54 percent of 2016 (Figure 1).



Source: Bangladesh Export Promotion Bureau

The broad leather sector is divided into three segments: processed leather, leather products, and leather footwear. In terms of Harmonized System (HS) of classification, the processed leather sector falls under HS 41, and the leather products comprise under HS 42 & 43 respectively. All kinds of footwear fall under HS 64 while leather footwear, in particular, falls under HS 6403. The description of the products under the different HS classifications of the leather sector has been presented in Table 1.

Table 1: Summary of the leather sector and definition

HS Code	Subsector	Definition
41	Processed leather	Raw hides and skins (other than fur-skins), wet and crust leather

¹ <https://www.thedailystar.net/business/news/leather-turning-big-draw-foreign-investors-1977121>

² <https://www.statista.com/statistics/861562/leather-goods-market-value-worldwide/>

³ <https://lfmeab.org/global-leather-goods-market-size-demand-forecasts-industry-trends-updates-2018-2025/>

HS Code	Subsector	Definition
42 & 43	Leather goods	Articles of leathers like saddlery and harness, travel goods, handbags, and similar containers and articles of animal gut, fur-skins, artificial fur, and other manufacturing products of fur.
6403	Leather footwear	Leather footwear

While looking into the export composition of leather over time in Bangladesh, it is found that Bangladesh's leather export was highly concentrated in raw leather, although it is declining. In 2000, more than 90 percent of LLGs exports were in raw leather (Figure 2). However, the composition then changed remarkably, raising the share of leather footwear and leather products. Between 2000 and 2020, the share of raw leather declined to 12.6 percent whereas the same for leather products and footwear increased respectively from 2.1 percent to 26.8 percent and from 7.4 percent to 60.5 percent (Figure 2).



Source: Export Promotion Bureau

Due to the compliance issue, Bangladesh can't utilize locally produced raw materials to produce high value-added leather products. However, the raw leather from Bangladesh is exported to major exporting countries of leather products. In the global market, the major importers of raw leather are China, Italy, and Vietnam (Table 2). However, these countries are also the top exporters of leather and leather goods. These countries import the low-valued raw leather from countries like Bangladesh and export them by transforming it into high value-added leather products.

While looking into the market of leather products (HS 42), the USA is found to be the major importing country. The country alone imports around 15 percent of the global leather products.

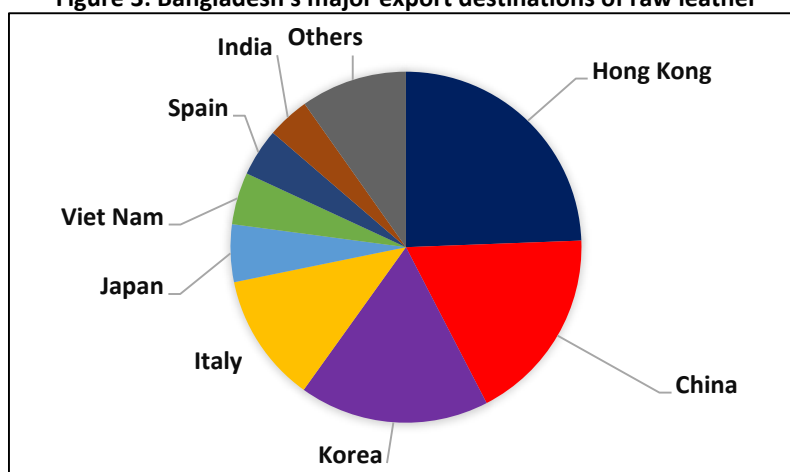
Leather footwear has emerged as a promising export item for Bangladesh. The top importing countries of leather footwear in the global market include USA, Germany, France, Italy, and the UK. Despite the fact the share of leather footwear in the total exports of leather has been increasing over time in Bangladesh, Bangladesh's share in the market of the top importers is still very low showing the potential of this sector to capture the global market.

Table 2: Top importing countries of leather products and Bangladesh's share in that market

Raw leather (HS 41)		Leather Products (HS 42)		Leather footwear (HS 6403)	
Importers	Share in global HS 41 import	Importers	Share in global HS 42 import	Importers	Share in global HS 6403 import
China	18.3	USA	15.3	USA	18.8
Italy	11.3	Japan	7.7	Germany	11.1
Vietnam	9	China	7.2	France	7.6
Hong Kong	3.8	France	6.6	Italy	5.6
Mexico	3.6	Germany	6.3	UK	5.3
France	3.5	Hong Kong	5.6	China	5.3
Germany	3.3	Italy	4.9	Netherlands	4.7
USA	3.1	Korea	4.9	Poland	3.1
Thailand	2.9	UK	4.2	Russia	2.9
Indonesia	2.6	Netherlands	2.7	Switzerland	2.6

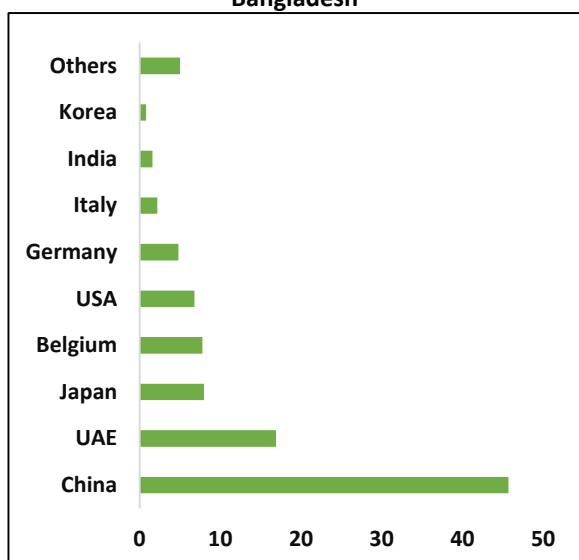
Source: ITC data

Since one key objective of this study is to identify the key policy measures for promoting the export performances of the leather sector in Bangladesh, we have tried to figure out the export destinations of the leather and leather products of Bangladesh. Bangladesh exports the raw leather mainly to Asian countries such as Hong Kong, China, and South Korea, accounting for more than 60 percent of exports in this category. The top export destinations of the leather products are China, UAE, Japan, and the USA (Figure 4). As discussed earlier, in recent years the share of leather footwear in the total exports earnings of the leather sector has increased significantly. The top export market for the leather footwear of Bangladesh is Germany, Japan United States, and Netherlands (Figure 5).

Figure 3: Bangladesh's major export destinations of raw leather

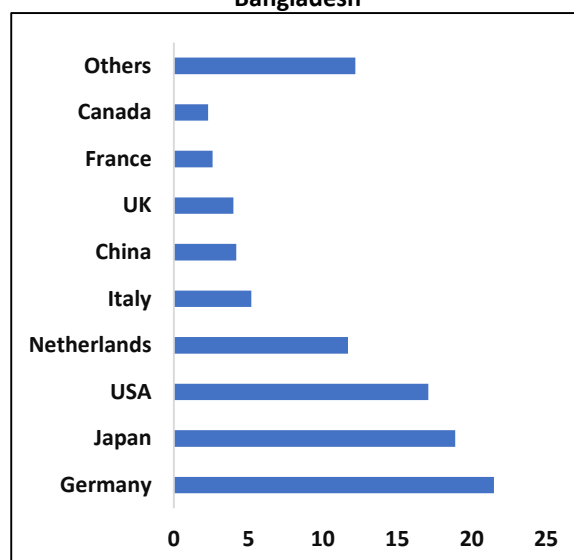
Source: ITC data

Figure 4: Export market of leather goods for Bangladesh



Source: ITC data

Figure 5: Export market of leather footwear for Bangladesh



Source: ITC data

Given the fact that Bangladesh has a very good potential in the global leather market which is obvious from the above discussion, in this section, we have tried to identify some key features of the leather sector of Bangladesh that might be helpful to unlock the potential of this sector. The leather sector of Bangladesh is highly competitive due to the availability of cheap raw materials as well as the labour force. The Revealed Comparative Analysis (RCA) is usually used to show the level of competitiveness of a country in a certain export item. The RCA analysis for Bangladesh shows that other than RMG, Bangladesh has competitiveness in leather, leather products, and leather footwear (Table 3).

Table 3: Top Products with highest RCAs at the 2-digit HS code in 2020

Code	Product label	RCA	Exported value in 2020	Share
'53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	70.22	742572	0.02
'61	Articles of apparel and clothing accessories, knitted or crocheted	37.28	19041704	0.45
'62	Articles of apparel and clothing accessories, not knitted or crocheted	33.64	16786231	0.40
'65	Headgear and parts thereof	12.48	289887	0.01
'67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles ...	5.13	133951	0.00
'46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	4.98	33445	0.00
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3.91	1165646	0.03
'64	Footwear, gaiters and the like; parts of such articles	3.46	1010936	0.02
'41	Raw hides and skins (other than furskins) and leather	2.71	96137	0.00
'14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	2.57	7864	0.00
'42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles ...	1.68	287035	0.01
'03	Fish and crustaceans, molluscs and other aquatic invertebrates	1.65	451006	0.01
'24	Tobacco and manufactured tobacco substitutes	1.16	103215	0.00
'57	Carpets and other textile floor coverings	1.09	38889	0.00

The second important feature of the leather sector of Bangladesh is the high backward linkage. The locally sourced raw material of the leather sector ensures the competitiveness of this sector. Being an agricultural country, the country is abundant in livestock. According to the FAO (2016), Bangladesh accounts for around 1.6 percent of the world's cattle stocks, and 5.5 percent of the goat stocks. The high backward linkage of the leather helps to ensure high domestic value addition.

The world has been facing a changing trade pattern over the last few years which is expected to continue in the post Covid period. China has been a dominant player in the international market of leather and leather goods over the last decade. However, due to the changing pattern of trade China has been losing some market and therefore, China's share in the global leather market is on the decline. Moreover, due to the increase in wages in China, it is losing an advantage in labour-intensive sectors like leather. Many investors now are likely to shift their businesses from China. In this context, the leather sector of Bangladesh might have good potential to capture the market.

As a thrust sector government has been offering certain incentives for the foreign investors as well exporters of the leather sectors. The export incentive on crust leather is 7.5 percent while it's 15 percent on leather goods. Moreover, the special economic zones with different facilities for investors are also under implementation. All these measures have been contributing to attracting FDI in the leather sector in Bangladesh. New investors from Japan, Taiwan, and Vietnam have been contacting local leather goods and footwear manufacturers either to make investments in joint ventures or companies they could establish themselves.⁴

The overall prospects and challenges of the leather sector of Bangladesh can be summarized in the SWOT analysis (Figure 6).

Figure 6: A SWOT analysis of the leather sector of Bangladesh

<p>Strengths</p> <ul style="list-style-type: none"> • High growth and investment potential • Availability of highly reputed, high-quality leather • Government's provision of incentives and exporter-friendly policies • A large pool of inexpensive manpower 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Insufficient use of better technologies and appropriate production methods • Lack of R&D and training • Inefficient raw material procurement • Difficulty in obtaining bank loans
<p>Opportunities</p> <ul style="list-style-type: none"> • Potential to replicate RMG success story • Large and growing global leather export market • Establishment and promotion of economic zones all over the country • Establishment of new tannery estate in Savar 	<p>Threats</p> <ul style="list-style-type: none"> • Stricter international standards • Stiff competition from other Asian economies • Lifting of trade preferential treatment soon • High costs of doing business

Source: ADB, (2018)

⁴ <https://www.thedailystar.net/business/news/leather-turning-big-draw-foreign-investors-1977121>

3. An overview of the Leather and Leather Goods (LLG) development policy 2019

The leather sector is the second-largest exporting sector of Bangladesh and thus has a significant impact on the economy of Bangladesh. Almost 6 lakh people are directly employed while another 3-lakh people are indirectly in this sector. This industry contributes 4% in the export Sector which is 0.5% of Bangladesh's GDP. Goals have been set to increase the export earnings from this sector to USD 5 billion by 2024. To achieve the goal, the government of Bangladesh has rightly adopted a specific policy for the development of the leather sector of Bangladesh titled "Leather and Leather Goods (LLG) development policy, 2019".

Vision	<ul style="list-style-type: none"> To convert the leather industry into a sustainable, eco-friendly, and competitive industry
Mission	<ul style="list-style-type: none"> Increasing the productivity of leather and leather goods by using developed and eco-friendly technology, adding the highest price. Earning the capability of entering internal and international markets.
Goals	<ul style="list-style-type: none"> Increasing the internal markets by 2024 Increasing Export Revenue to 5 billion US\$ The increasing contribution of leather to GDP from 0.5% to 1% by 2024

Figure 7: Objectives of the leather policy



The key issues identified in the leather and leather goods development policy as well as the proposed work plan or strategies to address those issues have been summarized below.

Table 4: Summary of the leather and leather goods development policy 2019

Key issue	Proposed measures
Compliance	<ul style="list-style-type: none"> • Providing the preferential incentive fund to the factories adopting the environmental compliance strategies • Reviewing the existing law/policy related to the environment to make them compatible with the local and international standard • Ensuring preferential loan for adopting green technology • Providing financial help to ensure the adoption of green technology as well as establishing a capital market for protecting the environment • Combining the different government organizations working on the environment • Forming the audit unit in association with BSCIC to ensure the environmental standard. • Reviewing the compliance of the tanneries • Ensuring new technologies to protect pollution • Increasing the capacity of CETP established at the Savar tannery estate • Establishing modern central cold storage in the tannery estate • Ensuring specific place for the solid waste as well as its management
Ensuring clean production	<ul style="list-style-type: none"> • Giving CETP certificates based on international standards. • Check whether necessary instruments are present in CETP laboratories • Ensure the technicians are well informed about the mechanism of CETP and assess their progress. • Law and regulation should be enacted and disclosed for clean production in industries and tannery waste disposal in CETP • Encouraging Cluster Organizations for getting ISO 14000 certification • Building an independent authority that would check the effectiveness of CETP, condition of produced waste, whether rules are being followed from time to time
Market expansion	<ul style="list-style-type: none"> • Focusing more on the exports of the high value-added products by discouraging the exports of the crust and finished leather • Making the participation of the entrepreneurs in the international trade fair • Taking steps to ensure the preferential treatment in the market of the developed countries for the leather industry of Bangladesh • Making the entrepreneurs aware of the importance of compliance • Providing special funds for increasing productivity as well as product development • Attracting big brands and retailers • Ensuring branding of the leather sector through effective marketing strategy • Raising awareness to introduce the leather industry as an eco-friendly, creative, and high-quality industry • Taking help from Bangladeshi embassies to reach the market • Organizing business fair in countries especially in the potential market • Financing through the Export Credit Guarantee Scheme, Export Development Fund

Key issue	Proposed measures
	<ul style="list-style-type: none"> Developing communication among the government, international brands, and private sector and environmental organizations to identify the demand for leather products.
Infrastructure development	<ul style="list-style-type: none"> Increasing efficiency of the customs department so that the process gets easier for all leather, leather goods, and shoe exporters. Building central bonded warehouses for reducing lead time and cost and getting raw materials easily Ensuring that raw leather goods are released quickly Setting up a separate Electricity system for the tannery industry Developing the capacity of the regulatory authority to ensure that all the factories related to leather and leather goods get all the customs clearances from one place. Enacting law for building slaughterhouses in specific places and providing training to the butchers. Establishing an economic zone for the leather sector ensuring transportation and other infrastructural facilities
Efficiency and developing human capital	<ul style="list-style-type: none"> Developing plan for the skills development in the leather, leather footwear, and product sector Setting up 'Product design and development institute' in collaboration with an international institute Encouraging BGMEA University of Fashion and Technology Institute to take initiatives regarding product development, shoes, and leather goods design and sales activities Developing ILET and setting up relations with management training institutes. Including leather engineering in local universities. Training sessions should be arranged for village/local people for extracting leather properly from the cattle. Setting up a business-friendly investment package to attract international training centers that will either set up a business or collaborate with the local ones
Developing backward and forward linkage	<ul style="list-style-type: none"> Establishing capital-intensive mechanized finishing machinery in every step of the value chain of the leather sector. Developing forward linkage and establishing communication based on the experience of the companies. Arranging local and international trade fairs for leather products to find new partners in the sector Making the existing tax and duty system easier Providing the bonded warehouse facilities Encouraging the commercial production of cattle in future Providing incentives to the firms establishing a partnership with international chemical producers
Women entrepreneurship Development	<ul style="list-style-type: none"> Encouraging female entrepreneurs with the help of the SME foundation to utilize the potentials of this sector. Taking necessary steps to increase the participation of women entrepreneurs in the supply chain of this sector. Giving loans to females willing to expand or interested in investing in this sector entrepreneurs without a mortgage

Key issue	Proposed measures
	<ul style="list-style-type: none"> • Attracting women in the managerial position of the industries • Arranging vocational training for women to ensure their participation in this sector.
Attracting FDI	<ul style="list-style-type: none"> • Developing a special cell of Bangladesh Investment Development Authority (BIDA) for assessing the investment possibilities in the LLG sector. • Ensuring one-stop service in BIDA • Keeping the import policy on importing the raw materials, machinery, and other equipment for a fixed amount of time • Making the incentives offered for the leather sector like those of the RMG sector • Encouraging foreign or joint investment in producing the chemicals necessary for the leather sector and developing the different components of footwear accessories of leather products domestically.

4. Constraint to the expansion of the LLG sector and reflections in the LLG development Policy 2019

Leather and leather product is a leading export item of Bangladesh and it has the potential to capture the rapidly growing global market. The government of Bangladesh has identified leather as a thrust sector. The government declared the 2016-17 fiscal year as the "Leather Year". However, it is important to reckon that the potential of this sector can be realized only if the key constraints to the expansion of this sector can be addressed properly. Against this backdrop, this section highlights some of the major constraints faced by the leather sector of Bangladesh and proposes recommendations to deal with them.

4.1 The social and environmental compliance issue

The major constraint to the expansion of the leather sector of Bangladesh is that the products produced are not compliant with international environmental, social, and labour standards. Due to poor adoption of global standards set by Leather Working Group, Bangladeshi exporters have failed to avail compliance and environmental certifications from the global body for the leather goods sector. Obtaining the certification from the Leather Working Group is usually considered a precondition for the leather sector to gain the global export market but the certification would be a far cry without functioning central effluent treatment plant, solid waste management, and chrome recovery units in the tannery estate.

The key parameters on which the buyers of leather and leather goods focus are

- The factory must comply with the environmental regulations of the country
- The labour and work environment must be consistent with the local law and international conventions (ILO)
- The Testing and Quality Control Lab has to have the required equipment that is capable of testing leather for all such parameters under the Restricted Substances List (RSL)

Given the importance of the compliance issue, the government rightly adopted the tannery estate project. As a part of the project, the CETP has been installed in the Tannery Estate Dhaka in Savar. However, the refining capacity of that CETP is only half of the waste generated by the tanneries during the peak season. Therefore, the waste is being discarded before it is fully treated in the CETP. And since no measures have been taken to treat the solid wastes generated by the tanneries, the once clean and clear Dhaleshwari river water is now getting polluted. There are also issues like incomplete construction of the common chrome recovery unit, CETP commissioning, and a lack of resource generation through solid waste management. In short, the tannery estate project turned out to be a complete failure due to the inefficiency of the implementing agency BSCIC. Consequently, though the businessmen are craved to get the global compliance certificate, a partial function of the Central Effluent Treatment Plant (CETP) at Savar has become a major barrier towards this direction.

Although it was important to ensure compliance with the ESQ (environment, social, and quality), ISO, and other national and international standards, it was not possible. The CETP does not have full functioning laboratories to conduct all the tests. Therefore, chemical usage

in tanneries is substantially higher than international standards. Moreover, 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. Consequently, the industries are not getting the certificate from the Leather Working Group. This leaves them with no choice but to sell goods to some non-compliant Chinese factories and accept prices that are 40 percent lower than the international norm.

In this context, the leather and leather goods development policy has put emphasis on ensuring clean production, solid waste management, increasing the capacity of CETP, and improving the working environment in the factories. Moreover, the policy also proposes providing special incentives for the compliant factories and developing funds for green technology adoption. No denying that these measures are timely and praiseworthy. However, all these measures mentioned in the LLG development policy, 2019 are facing serious implementation challenges bringing little benefits to sector.

4.2. LDC graduation

As a recognition of the impressive economic performances, Bangladesh is scheduled to graduate from the group of LDCs in 2026 as decided in the latest review of the committee for development policy (CDP). As a least developed country, Bangladesh is qualified for the GSP facilities under which the developed countries provide duty-free market access to many products of the relatively poor countries. As an LDC Bangladesh enjoys duty-free market access not only in the EU market but also in many other markets. After graduating from the group of LDCs, these trade preferences will either be lost or significantly diminished (Razzaque et al., 2018). From section 3, we have found that the major export destinations of the leather sector of Bangladesh include the USA, China, the EU, and Japan. Therefore, to investigate the possible impacts of the LDC graduation of Bangladesh on the exports of the leather sector of Bangladesh, it is important to figure out the potential tariff rate that Bangladesh will face in the post-graduation periods.

Bangladesh's most important products are not covered by the LDC-specific preference scheme in the USA. Therefore, no important impacts are expected in the market of the United States due to the graduation of Bangladesh from the group of LDCs.

The GSP facilities in the EU contain three types of arrangements: standard GSP, GSP+, and EBA. Bangladesh as an LDC enjoys the EBA facilities which allow duty-free market access to Bangladeshi products. When Bangladesh graduates from the LDC category, first, it would be entitled to a transition period of three years, meaning that if it graduates in 2026, it would have access to the EBA until 2029. However, after 2029, to avail of other preferential arrangements such as standard GSP or GSP+, Bangladesh will have to maintain certain criteria. Currently, Bangladesh does not fulfil the criteria, and therefore, after 2029 Bangladesh will face the MFN tariff rate in the EU market which is around 8% to 17% percent. But Bangladesh will certainly get a long transition that should be utilized to make the industry competitive. In this regard, Vietnam can be a good example. The leather sector of Vietnam faced around 14 percent tariff in the market of USA but still, they performed well in that market.

One important market of the leather sector of Bangladesh is Japan. In the case of clothing and footwear, most exports from Bangladesh are not covered by the standard (non-LDC) GSP. In footwear, of which Japan is the second-largest importer, tariffs for the products most exported would range from 22 to 175 percent.

On June 16, 2020, the Chinese government announced duty-free export facilities for 97% of its tariff line. After graduation, Bangladesh would no longer have access to those rates. APTA or MFN rates would apply. Tariffs for Bangladesh's top export products to China would be 6-14 percent under APTA or MFN

In India, Bangladesh currently benefits from DFQF treatment on 94.1 percent of tariff lines related to its LDC status. After graduation, SAFTA, APTA (non-LDC), or MFN rates would apply, depending on the product. Tariffs on most of the main exports by Bangladesh to India would be between 0 to 10 percent

Table 5: Tariff arrangement before and after the graduation from the group of LDCs

Country/Region	Trade preference now	Trade preference after LDC graduation
USA	No preferential market access	MFN tariff
European Union	Duty-free market access	MFN tariff
Japan	Duty-free market access	Tariffs for footwear would range between 22 to 175 percent.
China	Duty-free market access to 97 percent tariff lines	6-14 per cent under APTA or MFN
India	DFQF treatment on 94.1 percent of tariff lines	0 to 10 percent

Source: Razzaque et al., (2020) & CDP, (2019)

LDC graduation is a monumental accomplishment for Bangladesh. There is, however, no denying that the development transition will also bring some challenges. However, the leather sector of Bangladesh is competitive enough to overcome these challenges. It is important to look for a free trade agreement with the major trading partners and ensure the compliance of the sector to international rules and regulations.

4.3. Infrastructural development

The basic raw materials of the leather sector are hides and skins of bovine or equine animals, sheep or lambs, or other animals. The current infrastructure for slaughtering animals is poorly maintained, leading to unhygienic and unscientific handling of hides and skins, resulting in a reduced value of leather (KII with experts). Larger percentages of the hides are collected during Eid. At that time a large number of animals are slaughtered by semiskilled butchers across the country resulting in considerable damage to hides and skins.

Although the first infrastructural issue that we have just discussed is specific to the leather sector, the overall exports sector of Bangladesh faces serious constraints due to the high cost of doing business resulting from infrastructural bottlenecks. Most of the businessmen agree that the high cost of doing business is a major constraint to the expansion of the overall export sector of Bangladesh. Countries such as India, Vietnam, and China are way ahead of

Bangladesh in almost all major business indicators. The excessive cost of doing business not only makes a country less competitive as an exporter but also imposes a detrimental effect on the prospect of attracting foreign investments. Both these factors are critical for expanding exports of leather goods

The World Bank Doing Business Survey 2020 shows that on average it takes about 9 procedures and 125 days to get an electricity connection in Bangladesh which is amongst the worst performances in the world. In India and Vietnam, for comparison, it requires 4 procedures and 31 days to get a connection while in China it is obtainable in 32 days with only 4 procedures. Amongst other factors contributing to the excessive cost of doing business include time required for registering properties, costs of enforcing contracts, and high land price. On average, the registration process in Bangladesh takes about 271 days compared to 9 days in China, 58 days in India, and 53.5 days in Vietnam.

Table 6: Relative performance of Bangladesh in trading across borders (Export and import)

Economy	Rank	Time to Export		Time to Import	
		Documentary compliance (Hours)	Border compliance (Hours)	Documentary compliance (Hours)	Border compliance (Hours)
Bangladesh	176	147	168	144	216
Vietnam	104	50	55	76	56
China	56	9	21	13	36
India	68	12	52	20	65

Source: world doing business indicator report 2020

One important barrier to unlocking the trade potentials of Bangladesh is the burdensome regulations particularly regulations related to the cross-border clearance processes. The repetitive handling of documents and lack of clear separation of release and clearance processes of the customs often increases the average release time of the products. Procedures and formalities involving trading across borders are much more involved and costlier in Bangladesh. On the export side, it takes on average about 147 hours for documentary compliance and 168 hours for border compliance (Table 6). For the competing countries of Bangladesh like Vietnam and India, the corresponding figures are 50 and 55 and 12 and 52 respectively.

Given the infrastructural bottlenecks in the leather sector specifically and the overall export sector of Bangladesh, several measures have been planned in the leather and leather goods development policy, 2019 such as

- Increasing efficiency of the customs department so that the process gets easier for all leather, leather goods, and shoe exporters.
- Building central bonded warehouses for reducing lead time and cost and getting raw materials easily
- Ensuring that raw leather goods are released quickly.
- Setting up a separate Electricity system for the tannery industry
- Developing the capacity of the regulatory authority to ensure that all the factories related to leather and leather goods get all the customs clearances from one place.

- Enacting law for building slaughterhouses in specific places and providing training to the butchers.

However, most of these plans have not been implemented yet and businessmen are suffering from these issues. Therefore, it is high time to focus on these issues to make the sector more competitive as well as to attract FDI in the leather sector.

4.4. Improving the skills and quality of the products

Leather and leather products are recognized as fashion products. Due to the increase in income worldwide, there is a surge in the demand for leather products worldwide. The analysis of Razzque et al, (2018) shows that the quality of the leather Bangladesh exports is high, but the unit price is relatively less. 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. To develop more value-added exports item, it is important to focus on quality products attracting buyers and investors.

However, a major constraint to improving the quality of the leather products in Bangladesh is the severe dearth of skilled workers ranging from a semiskilled and skilled workforce, designers, technical workers, supervisory and managerial personnel, including quality management and quality control management. In 2015/16, in the leather sector, the share of skilled labour in total employment was only 9.7 percent (BIDS, 2017). Although some institutions such as ILET, Dhaka, and KUET offer the degree on supervisory and managerial degrees for the tanning industry, there is a lack of industry-academia collaboration in ensuring the participation of skilled manpower in the industry. Moreover, there is a scope to revise the curriculum because in many cases the skills produced cannot meet the demand of the industry. However, given the importance of the skilled labour force in the leather sector, some specific plans have been undertaken in the leather and leather goods development policy, 2019 such as

- Developing plan for the skills development in the leather, leather footwear, and product sector
- Setting up 'Product design and development institute' in collaboration with an international institute
- Encouraging BGMEA University of Fashion and Technology Institute to take initiatives regarding product development, shoes, and leather goods design and sales activities
- Developing ILET and setting up relations with management training institutes.
- Including leather engineering in local universities.
- Training sessions should be arranged for village/local people for extracting leather properly from the cattle.
- Setting up a business-friendly investment package to attract international training centers that will either set up a business or collaborate with the local ones

These measures and policies are praiseworthy. However, most of these initiatives have not been implemented yet. All the measures that have been suggested in the policy should be implemented and the progress of the implementation of the plans should be constantly monitored.

4.5. Highly protected domestic market (Anti export bias)

One major constraint to the expansion of the export sector of Bangladesh is the anti-export bias caused by the high protection for the domestic market. The high protection for the domestic market tends to encourage producers to concentrate and target the domestic market only. In summary, the very high trading cost as discussed above along with the highly protected domestic market induce the producers to produce for the domestic market rather than the international market as the domestic market is more lucrative to them.

The profit margin in domestic sales is much higher than that of exports due to high protection and this discourages the entrepreneurs from going for exports. High tariff protection serves as indirect subsidies to import substitutes, subsidies that are much higher than given to exports. Domestic sales become much more profitable than exports. For example, the total tax incidence for leather footwear is 127.72%. The imported leather footwear faces 25% CD, 45% SD, 5 ATI, and 3% RD. The total tax incidence for finished leather and leather products is 31% and 89.32% respectively (Table 7). This anti export bias causes a serious policy gap in the trade policy. This gap will be very costly if not addressed as Bangladesh graduates from the LDC status and comes under the full scrutiny of relevant WTO (World Trade Organisation) provisions.

Table 7: Total tax incidence for the leather and leather products in Bangladesh

HS	Customs duty	Supplementary duty	Value added tax	Advanced Income Tax	Regulatory duty	Advance Trade Value	Total Tax Incidence
41	5%	0%	0-15%	0-5%	0%	0%	7 to 31%
42	10-25%	0-20%	15%	5%	0-3%	0%	26.2% to 89.32%
6403	25%	45%	15%	5%	3%	0%	127.72%

Source: http://www.bangladeshcustoms.gov.bd/trade_info/duty_calculator and Razzaque et al., (2018)

Rationalization of high tariffs and para-tariffs is essential to enhance the efficiency of the producers and create a pro-export motivation among the entrepreneurs (Sattar, 2015). It is important to ensure the immediate rationalization of the existing tariff policy, making it time-bound and performance-based as well as taking steps to fulfil the commitment with WTO which will be more strictly reviewed after LDC graduation in 2026.

4.6. Expanding market and products

The leather sector along with the whole export sector is concentrated in a smaller number of countries and products. There is scope for Bangladesh to increase the exports of leather in terms of the number of countries, the number of leather goods, and the size of exports to each of the destination countries. Exploring new markets is therefore likely to require far stronger policy support. It is in this context that there is a need for export promotional measures to shift from their traditional focus on finding new export market opportunities to supporting new and existing exporters to increase survival rates during the first few years after beginning to export

In the case of Bangladesh's finished leather goods, the share of the top five partners is more than 85 percent. In contrast, the share of the top 5 partners was 46 percent, 61 percent, and 70 percent for China, India, and Vietnam, respectively. In leather footwear, the top 5 destination markets account for three-quarters of Bangladesh's exports, while for China, India, and Vietnam the corresponding shares are between 62 and 66 percent.

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 organization can draw up a detailed comprehensive action plan incorporating the above ideas of country promotion. Moreover, in the LLG development policy 2019, several measures have been proposed such as

- ☐ Focusing more on the exports of the more value-added products by discouraging the exports of the crust and finished leather
- ☐ Making the participation of the entrepreneurs in the international trade fair
- ☐ Taking steps to ensure the preferential treatment in the market of the developed countries for the leather industry of Bangladesh
- ☐ Making the entrepreneurs aware of the importance of compliance
- ☐ Providing special funds for increasing productivity as well as product development
- ☐ Attracting big brands and retailers
- ☐ Ensuring branding of the leather sector through effective marketing strategy
- ☐ Raising awareness to introduce the leather industry as an eco-friendly, creative, and high-quality industry
- ☐ Taking help from Bangladeshi embassies to reach the market
- ☐ Organizing business fair in countries especially in the potential market
- ☐ Financing through the Export Credit Guarantee Scheme, Export Development Fund

However, there are still little or no initiatives to implement most of these policies. For example, most entrepreneurs can not avail the benefits of an export credit guarantee scheme, export development fund, or green transformation fund. Moreover, there is scope to ensure monitoring of the initiatives of the embassies and ensuring the participation of entrepreneurs in the trade fair.

4.7. Backward and forward linkages

As mentioned above that the main advantage of the leather sector of Bangladesh is that about 85 percent of the total raw materials are sourced from the domestic market. However, due to the compliance issue, most of the raw hides and skins are exported as crust leather without any value addition within the country. Chemicals a major input to the tannery industry are

mostly imported from Germany and the UK. The very high tariff on the imports of chemicals often hinders the expansion of the sector. In the leather policy 2019, restructuring the tariff rate and providing support for the import of machinery has already been proposed. Moreover, the policy has suggested allowing bonded warehousing facilities for the leather sector, which would exempt export-oriented goods from duties and other taxes.

The other issues related to forward and backward linkage of the leather sector that has been mentioned in the LLG policy 2019 include

- ❑ Establishing capital-intensive mechanized finishing machinery in every step of the value chain of the leather sector.
- ❑ Developing forward linkage and establishing communication based on the experience of the companies.
- ❑ Arranging local and international trade fairs for leather products to find new partners in the sector
- ❑ Making the existing tax and duty system easier

4.8. Financing and incentives

For the infrastructural development as well as for adopting modern and green technology by importing modern machinery the leather industry will require a large amount of funds. The government needs to extend assistance in terms of subsidized funds and providing incentives on the exports as well as the imports of different raw materials and machinery. In the success of the RMG sector of Bangladesh, several incentives such as duty drawback, bonded warehouse facilities, cash compensation, duty-free imports of machinery, etc. played an important role. Given the prospects of the leather sector in diversifying the export basket of Bangladesh, the government offered some cash assistance on the exports of the leather and leather products. currently, the cash assistance is 10 percent for the exports of crust and finished leather from the tanners shifted to Savar Tannery Estate and 15% for the exports of leather products.⁵ However, since Bangladesh is going to graduate from the group of LDCs in 2026, such export support measures like cash assistance schemes are most unlikely to be possible to continue with given the rules and provisions of the WTO. Therefore, the government should reinvigorate and extend policy support to expand the export base rapidly before Bangladesh loses its LDC preferences and privilege (Razzaque et al, 2018).

Moreover, the bonded warehouse facilities are also offered on the imports of raw materials. But all the entrepreneurs cannot access the facility and therefore they have to import the raw materials illegally. Therefore, it is important to revise the facility by revising the duty on the import of raw materials of the leather sector.

Access to finance is usually identified as a major constraint to the expansion of the industry by entrepreneurs. For ensuring access to finance as well as the development of the industry, several incentives have been proposed in the LLG policy 2019.

⁵ http://www.bangladeshcustoms.gov.bd/trade_info/export_incentives

- ☐ Managing funds for the leather sector through the Green Transformation Fund (GTF) and distributing through the commercial bank.
- ☐ Financing through the Export Credit Guarantee Scheme, Export Development Fund
- ☐ Expanding the capacity of the export development fund
- ☐ Providing special incentives on the import of modern machines
- ☐ Providing an incentive for importing the raw materials of the leather sector
- ☐ Ensuring preferential loan for adopting green technology

However, most of the entrepreneurs cannot obtain the benefits of most of these incentives either due to the implementations problem, or documentation problem or due to lack of information. Successful leather and footwear exporting countries like Vietnam and India have rolled out financial support for the technological development of export-oriented firms. If introduced, such a scheme can also benefit the leather sector in Bangladesh.

4.9. Attracting FDI in the leather sector

FDI is the key for export growth as the investors are closely connected with global markets, brands, and retailers. FDI can play an important role in transforming the leather sector of Bangladesh. In this regard, Vietnam can be a good example. Around 60 percent of the leather and leather goods exports in Vietnam are due to FDI or joint venture.

Currently, the leather sector in Bangladesh is turning into a hotspot for foreign investment due to the country's low manufacturing costs, availability of cheap raw materials, and its eligibility for trade benefits on exports. New investors from Japan, Taiwan, and Vietnam are highly interested to invest in this sector either in joint ventures or in companies they could establish themselves. The export incentive on crust leather and leather is a major factor drawing foreign direct investment (FDI) to this sector. Moreover, the large domestic market of leather is also a driving factor behind attracting FDI in this sector. Currently, total investment in leather and leather goods and footwear is more than \$1 billion, of which some \$700 million is from domestic investors while the remaining \$300 million is from foreign investors who are engaged in the export of manufactured goods.⁶ Foreign investments in this sector mainly came from Germany, Taiwan, China, India, and Italy.

Moreover, Bangladesh offers a very attractive investment proposition in the leather sector. Although Bangladesh has a high potential in attracting FDI in the leather sector and there is policy support, excessive cost of doing business and infrastructural bottlenecks, are widely considered as the principal constraints to increase FDI inflow in this sector. In this context, the LLG development policy introduced in 2019 have proposed some measures for promoting FDI in the leather sector which includes

- ☐ Developing a special cell of Bangladesh Investment Development Authority (BIDA) for assessing the investment possibilities in the LLG sector.
- ☐ Ensuring one-stop service in BIDA
- ☐ Keeping the import policy on importing the raw materials, machinery, and other equipment for a fixed amount of time

⁶ <https://www.thedailystar.net/business/news/leather-turning-big-draw-foreign-investors-1977121>

- Making the incentives offered for the leather sector similar to those of the RMG sector
- Encouraging foreign or joint investment in producing the chemicals necessary for the leather sector and developing the different components of footwear accessories of leather products domestically.

However, most of these measures have not been fully implemented yet. Entrepreneurs are not enjoying the benefits of one-stop service properly. Moreover, frequently changing policies and lack of confidence among the domestic investors or entrepreneurs work as a major constraint to attract FDI. It is important to keep in mind foreign investors will not be attracted until or unless the domestic entrepreneurs are comfortable.

5. 'She' trade in the leather sector

Women entrepreneurs do not operate in isolation. They work under the same macro, regulatory and institutional framework as their male counterparts (Ahammad & Moudud-Ul-Huq, 2013). However, it is necessary to dig deeper to understand the gender biases embedded in society which limit women's mobility, interactions, active economic participation, and access to business development services. The core barriers to female entrepreneurship identified by anecdotal studies are a paucity of funding along with a lack of knowledge, sufficient information, marketing, capacity building and training, access to finance, design and product development, regulatory barriers regarding tax, VAT and company registration, promotional activities, ICT etc. (Rahman, 2010; Afroze et al., 2014; Ahammad & Moudud-Ul-Huq, 2013). However, in maximum cases, women are deprived due to the negative attitude of our society & community which is the major barrier to female entrepreneurship in Bangladesh (Rahman, 2010).

The leather sector has some broad sub-sectors as mentioned earlier. Although there are hardly any female entrepreneurs in the tanning subsector of the leather industry, few female entrepreneurs are now coming to the leather goods and footwear sector. The leather and leather goods development policy, 2019 mentions promoting the participation of women entrepreneur in the leather sector. But according to the female entrepreneurs the key problem associated with promoting 'She' trade not only in the leather sector but in the overall export sector of Bangladesh is that they lack the financial knowledge or skills necessary to reap the benefits of different trade incentives. As a result, most of the female entrepreneurs are not aware of the information about SME loans, mortgages, required documents and also do not know how to get official assistance and incentives. In addition, they do not know about the legal and appropriate business process and procedure, HS code for a particular product as well as how the export and import process works, and for any business-related help which agency can help them. While most of the potential women entrepreneurs are discouraged due to the lack of knowledge about these legal and financial strategies or skills, many women entrepreneurs who participate in the business suffer in the long run. The government has launched the facilities of special training programs for women, but the implementation and the effectiveness of the program is very poor and therefore of little help to the potential entrepreneurs. The key measures that have been suggested in the LLG development policy 2019 for promoting women entrepreneurship includes

- Encouraging female entrepreneurs with the help of the SME foundation to utilize the potentials of this sector.
- Taking necessary steps to increase the participation of women entrepreneurs in the supply chain of this sector.
- Giving loans to female entrepreneurs without a mortgage.
- Attracting women in the managerial position of the industries
- Arranging vocational training for women to ensure their participation in this sector.

Table 8: Key issues to women entrepreneurship development in the leather sector

Issues	Remarks
Information gap	<ul style="list-style-type: none"> • Women entrepreneurs often cannot access the special incentives provided to them due to a lack of proper information mediums. • Lack of information on how to avail SME loans, mortgage requirements, documents requirements, and appropriate authorities to seek assistance often makes it difficult for women entrepreneurs to start a business.
Social stigma	<ul style="list-style-type: none"> • Women entrepreneurs often cannot operate their business after evening due to social outlooks. • Harassments in the banks and various registration processes are constantly faced by women entrepreneurs. • For women traders engaged in export and import the condition of the land ports is not gender friendly.
Lack of financial and business knowledge	<ul style="list-style-type: none"> • Women entrepreneurs mostly lack business knowledge regarding how to plan projects, legal procedures to start a business, how to avail special incentives, customs procedures, and knowledge of HS code, etc. • Due to these knowledge gaps often women entrepreneurs perceive these procedures as complex business registration processes and refrains from formal trading. • Many women entrepreneurs have insignificant or no knowledge about maintaining proper accounting books which is crucial for receiving finances.
Absence of assistance	<ul style="list-style-type: none"> • Women entrepreneurs mostly face difficulties in business processes due to the absence of appropriate support staff and the lack of a women-friendly business and banking environment. • Often women entrepreneurs have to take assistance from their male counterparts in the financing and business starting process • Dedicated help desks in the banks for women entrepreneurs are seldom seen.
Bank loans/ SME loans and cumbersome process	<ul style="list-style-type: none"> • Women entrepreneurs fail to avail even the 15% total allocated credit amount allocated towards them due to cumbersome procedures, and lack of appropriate documents. • As commercial banks disburse these loans, there are often high mortgage requirements which many women entrepreneurs don't have. Also, they fail to manage bank guarantees. • Often small businesses run by women have full or most transactions in cash, therefore there is no proper accounting and financial traceability. This makes difficult for banks to provide loans to the small business run by women.

Issues	Remarks
	<ul style="list-style-type: none"> • Women entrepreneurs often fail to provide mandatory documents such as VAT and TIN certificates, and trade licenses.
Reluctancy of bankers to provide loans to women	<ul style="list-style-type: none"> • As the commercial banks are directed by the Bangladesh Bank and SME Foundation to provide concessional loans to women entrepreneurs, therefore banks are often reluctant to disburse loans to a woman compared to a male entrepreneur. • The interest rate at which women entrepreneurs are getting low is lower than the interest rate borne by their male counterparts. Therefore, the banks perceive a loss in disbursing the loans to the female entrepreneurs. • Though a minimum of 15% of the total SME loans is to be disbursed to the women entrepreneurs it is often unfulfilled. The commercial banks report to the Bangladesh Bank and SME foundation, that no eligible women entrepreneurs were applying for loans.
Inefficient training facilities	<ul style="list-style-type: none"> • Though the intent to train the women entrepreneurs with appropriate pre-investment business knowledge is an excellent initiative, however the straining is mostly a waste of resources and done to tick boxes. • Women entrepreneurs have an interest in the non-conventional sectors; however, lack of specific training creates hurdles in doing so. • Vocational training is less prevalent in Bangladesh and the percentage of women receiving vocational training is even lower. • The training programs are not efficiently designed. Often doesn't cover significant topics and it's hard for the training organisation to extend its outreach to the grassroots levels.
Coordination failure	<ul style="list-style-type: none"> • Coordination failure among authorities in charge of the promotion of women's entrepreneurship is another significant bottleneck to mainstreaming women in entrepreneur activities. • The officials in charge of implementing the provisions of the policies often lack capacity which makes the provisions inefficient.

6. Global Experience

The Leather industry in India comprises major segments namely footwear, finished leather, leather goods, leather garments, footwear components, saddlery, and harness. All these segments have high growth potential. In recent years the leather sector in India is performing quite well. Total leather and leather products export from India stood at US\$ 5.07 billion in 2019-20.⁷ However, the Covid 19 induced economic shock caused a significant decline in the export earnings of India from the leather sector. In India, exports of Leather and Leather products for the period April 2020 – March 2021 reached 3 681.58 million US dollars, which compared to 5 070.55 million US dollars in April 2019 – March 2020, a decline of 27.39%.⁸ However, the sector is expected to rebound quickly as soon as the global economy recovers from the economic shock.

The overall business environment, several incentives as well as continuous progress in the ease of doing business are the main driving factors to the growth of the leather sector of India. The policies adopted for attracting FDI also helped to expand the sector. The key policies related to FDI for the expansion of the sector include

- Leather products manufacturing is allowed 100% FDI through an automatic route.
- The government of India has allowed 100% FDI in single-brand retailing in India, with a clause of 30% mandatory local sourcing.
- The Leather industry in India is de-licensed, facilitating expansion on modern lines with state-of-the-art machinery and equipment.

The business-friendly tax system as well as different concessions for the leather sector also helped to develop the sector. The government provides Goods and Service Tax (GST) concessions for the finished leather (12 to 5%), CETPS (18 to 12%), and certain leather chemicals (28% to 18%).⁹

For the development of the leather sector of India, the very specific Indian Footwear, Leather, and Accessories Development programs (IFLADP) have been adopted. Under the IFLADP, several assistance or incentives are provided to the overall leather industry focussing on several issues hindering the expansion of the sector which might be exemplary for Bangladesh as well. The key assistance provided under the IFLADP includes

Table 9: Incentives for the leather sector of India

Assistances	Description
Integrated Development of Leather Sector (IDLS) sub-scheme	▪ 30% grant is provided on the cost of plant and machinery for Micro and Small units and 20% for other units, with a ceiling of USD 0.307 Million for each product line.
Mega Leather, Footwear and Accessories Cluster (MLFAC) sub-scheme	▪ 50% grant with a ceiling of USD 19.23 Million based on size is provided. This is mainly for the establishment of Mega

⁷ <https://www.ibef.org/exports/leather-industry-india.aspx>

⁸ <https://www.worldfootwear.com/news/indias-leather-industry-with-two-digits-decline-in-the-last-fiscal-year/6770.html>

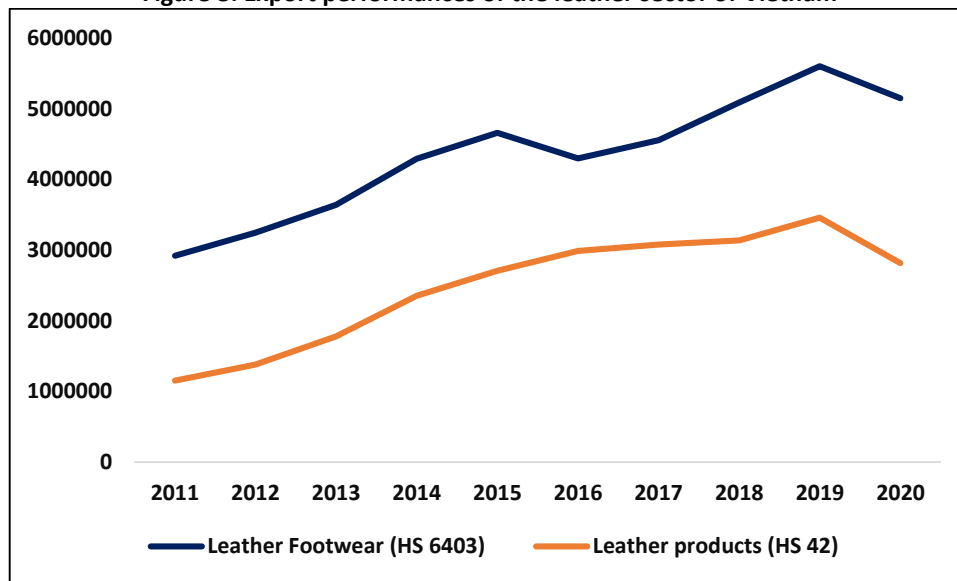
⁹ <https://www.makeinindia.com/sector/leather>

Assistances	Description
	Leather Clusters to boost infrastructure facilities and support services for production and export.
Human Resource Development (HRD) sub-scheme	<ul style="list-style-type: none"> Assistance for Placement Linked Skill Development training to unemployed persons is provided - USD 230 per person, for skill up-gradation training to employed workers - USD 76 per employee and for training of trainers - USD 3,076 per person. The Footwear Design and Development Institute (FDDI) has established itself as the premier training institute for the provision of skilled manpower in the leather industry. It has 55 training centres across India including eight branches. Another 4 branches are being set up. About 25,643 persons have been trained under primary skill development training programme during 2018-19.
Leather Technology, Innovation and Environmental sub-scheme	<ul style="list-style-type: none"> The help is provided for upgradation/installation of Common Effluent Treatment Plants (CETPs): 70% of the project cost. The sub-scheme also offers support to national level sectoral industry council/ association and support for the preparation of vision document for the Leather Footwear and Accessories Sector.
Promotion of Indian Brands in Leather, Footwear and Accessories Sector sub-scheme	<ul style="list-style-type: none"> Eligible units are approved for Brand Promotion. Government assistance is limited to 50% of the total project cost subject to a limit of USD 461,538 for each brand, annually for 3 years.
Additional Employment Incentive for Leather, Footwear and Accessories Sector scheme	<ul style="list-style-type: none"> Employers contribute 3.67% to employees' provident fund for all working in the leather, footwear, and accessories sector. The employees are enrolled in the Employees' Provident Fund Organization (EPFO) for first 3 years of their employment.

Source: <https://www.makeinindia.com/sector/leather>

In recent years, the leather sector in Vietnam recorded a strong performance with current value growth of 14%, which was mainly to gradual economic improvement and higher awareness among the Vietnamese consumers of branded products. The leather sector of Vietnam comprises leather products and leather footwear. In 2019, the exports earnings of Vietnam from the leather products sector increased to 3.4 billion while exports of leather footwear increased to 5.6 billion (Figure 8). Due to the Covid 19 induced economic shock, the exports earnings from the leather sector fell significantly. However, the leather sector of Vietnam seems to be on the path of a recovery driven by the free trade agreement with the European Union as well as the several incentive schemes from the government. Vietnam's Leather, Footwear and Handbag Association (Lefaso) expects its industry to achieve exports of more than \$20 billion this year after suffering from a decline last year due to the impact of the Covid-19 pandemic on supply chains, consumption, and trade.

Figure 8: Export performances of the leather sector of Vietnam



Source: ITC data

Given the stride of the leather industry of Vietnam, it is important to investigate the factors that drive the industry. The most important factor that contributed to the expansion of the leather sector of Vietnam is that the sector is competitive due to its abundant supply of cheap and highly skilled labour. Moreover, the country's economic, political, and social stability in addition also helped to make the increase the competitiveness of the industry. The overall business performances, satisfactory performances in the ease of doing business such as reducing lead time, making the customs or documentary compliances easier, etc. contributed to expanding the sector by attracting FDI.

The leather sector of Vietnam has been receiving a large influx of foreign direct investment in recent years. A host of free trade agreements (FTAs) have created optimal conditions for an influx of investment into Vietnam as investors try to access preferential tariffs. Over the past few years, Vietnam has been active in signing bilateral trade agreements with countries throughout the world. According to data from the Lefaso, in 2018 FDI covered almost 80% of Vietnam's footwear export.¹⁰ The major Free Trade Agreements of Vietnam include.

Table 10: Different free trade agreements of Vietnam

Agreements	Descriptions
CPTPP	<ul style="list-style-type: none"> On March 8, 11 countries including Vietnam signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP in Chile. The agreement represents 13.5 percent of the global economy.
EU-Vietnam FTA	<ul style="list-style-type: none"> The EU-Vietnam Free Trade Agreement (EVFTA) will mutually lift 99% of the tariffs within ten years.¹¹ The EVFTA took into effect in August 2020. Immediately on the EVFTA comes into

¹⁰<https://www.worldfootwear.com/news/vietnam-is-already-taking-advantage-of-the-us-china-trade-war/4059.html>

¹¹ <https://market-insights.upply.com/en/eu-vietnam-free-trade-agreement-a-promising-start>

Agreements	Descriptions
	effect, duty was lifted from 71% of Vietnamese exports to the EU.
UK-Vietnam FTA	<ul style="list-style-type: none"> ▪ The UKVFTA between the UK and Vietnam was signed on December 29, 2020, and it took into effect in May 2021. Under this agreement, all customs duties between the two countries will be eliminated when it is fully implemented.
RCEP	<ul style="list-style-type: none"> ▪ The Regional Comprehensive Economic Partnership (RCEP) is a proposed agreement between the member states of the Association of Southeast Asian Nations (ASEAN) and its free trade agreement (FTA) partners.
AEC	<ul style="list-style-type: none"> ▪ The AEC was established in 2015 which is considered as the realisation of the region's end goal of economic integration. It envisions ASEAN as a single market and production base, a highly competitive region, with equitable economic development

The free trade agreements of Vietnam with the European Union which took into effect last year contributed to a surge in the exports of footwear to the region's 27 member countries. For example, in the first quarter of 2021, footwear exports to the EU increased by 19.2 percent. Moreover, the several FTAs that are expected to come into effect in near future have made the country a lucrative destination for foreign investment. The leather and leather products of Vietnam currently face an average tariff of 14.3% in the market of the USA. Despite the very high tariff rate, its exports of leather and leather footwear are considerably high in the USA market particularly due to the competitiveness of the industry. However, Vietnam is trying to have MFN facilities in the market of the USA.

The leather sector of Vietnam is highly dependent on the import of raw materials. Vietnam has to import up to 60% of materials for footwear production, mainly from China. Moreover, the new orders are moving from China to Vietnam in the context of the trade war and Vietnam has FTA with the EU. But footwear imported to the US and EU from Vietnam will have to conform to some new regulations on Rule of Origin set by the US Government and EU. In recent years, the government of Vietnam has introduced policies to encourage growth as well as maintain the competitiveness of Supporting Industries (SI) investment in Vietnam. The different incentives for the supporting industries include.

Table 11: Incentives for the supporting industries in Vietnam

Incentives	Descriptions
Corporate Income Tax (CIT) incentives	<ul style="list-style-type: none"> ▪ income from investment in manufacturing supporting industrial products is entitled to exemption for the first four years, a 50% reduction for the subsequent nine years, and a preferential tax rate of 10% for 15 years
Import duties	<ul style="list-style-type: none"> ▪ an exemption on import tax for imported machines and equipment to form fixed assets.
Value-added tax (VAT)	<ul style="list-style-type: none"> ▪ income from SI can be declared on a quarterly basis. If a company generates income from both supporting industrial products and from other business activities, it shall declare VAT on a quarterly basis or may declare VAT on a monthly basis and notify such to its managing tax authorities.

Incentives	Descriptions
Land rental fee	<ul style="list-style-type: none"> investment projects of manufacturing in the field of SI, also known as secondary projects, are exempted from land rent for seven years. Investment projects in craft villages and projects on technical infrastructure located in the SI zone will be eligible for an exemption for 11 years.

Source: <https://news.bloombergtax.com/daily-tax-report-international/tax-incentives-for-supporting-industries-in-vietnam>

The industrial policy and export policy adopted by Vietnam also helped to expand overall export earnings including the exports of the leather industry. The key features of the industrial policy of Vietnam that contributed to the expansion of the sector include.¹²

Table 12: Key features of Vietnam's industrial policy that promoted the development of leather sector

Institutional Framework/Political economy	Enabling factors	Future focus	Take away
<ol style="list-style-type: none"> Vietnam's industrial policy framework is governed by a national Socio-Economic Development Strategy (SEDS) projected for ten years, Ministry of Industry and Trade, and the Ministry of Planning and Investment overseas the industrial policy framework, SEDS highlights as priorities knowledge-intensive industrial production and higher local content in products, and human resource development, Vietnamese government provided incentives to the priority sectors on R&D, provision of the production site and trade promotion support, Effective focus is also given to sunrise and sunset industries, Vietnam's deregulation and market liberalization under 	<ol style="list-style-type: none"> Privatization, Shifting from SOEs to FDIs, Liberalization of the economy, The smooth functioning of EPZs and IZs, Ascension to WTO, BTA, and FTAs, Knowledge spill-over through FDIs, US-China trade and tech war, sector-wise targeted strategies and domestic value addition, favorable credit schemes for manufacturing and service sector firms, providing incentives on FDIs 	<ol style="list-style-type: none"> Skill development, allocation of FDIs in more value-added sectors, Greater integration to the GVC, Export and import diversification, Branding Vietnam and supporting local brands, Investment in e-commerce, Attracting FDI in environmentally sustainable projects, Infrastructural development and Greater prominence of PPI in infrastructural investment, 4IR, priority sectors such as mechanical engineering, ICT, 	<ol style="list-style-type: none"> Attracting FDIs in sectors other than the high performing one, creation of local backward linkage industry which Vietnam somehow failed to achieve, Use of BTA and FTA negotiations to become more integrated into GVC, Effective development of SMEs, Preparation for the 4IR, Effective sector-wise targeted strategies, Drawing FDIs in leather, light engineering, ICT, service sector, renewable energy, Branding local enterprises, Gradually removing better performers and worse performers from the industrial priority sectors, Promotion of PPP and infrastructural investment,

¹² Anh, N., Duc, L., & Chieu, T. (2016-07-28). The Evolution of Vietnamese Industry. In *Manufacturing Transformation: Comparative Studies of Industrial Development in Africa and Emerging Asia*. : Oxford University Press. Retrieved 21 Aug. 2021, from <https://oxford.universitypressscholarship.com/view/10.1093/acprof:oso/9780198776987.001.0001/acprof-9780198776987-chapter-12>.

Institutional Framework/Political economy	Enabling factors	Future focus	Take away
WTO has effectively expanded the industrial production base		electronic equipment, new and renewable energy, digital content, textiles, leather and footwear, plastic, and agriculture	11. Effective implementation of IZs, EPZs, and SEZ, 12. Proper investment in E-commerce, 13. Promoting favorable credit schemes for SMEs in the manufacturing and service sector

7. Recommendations

The Leather and Leather Goods development policy, 2019 is a relatively new and updated policy document. The document is well articulated pointing out the key constraints to the expansion of the leather industry in Bangladesh as well as recommending the necessary solutions. The policy document contains the detailed work plan to implement the proposed solution identifying the relevant stakeholders. The key issue with the policy is the lack of implementation. Most of the measures that have been suggested in the policy are yet to implement. For example, a single meeting of the implementation committee that has been formed to ensure the implementation of the policy has not yet been taken place although the meeting was proposed to hold in every three months. Another broad issue that has been addressed in this review paper is to identify the key constraints faced by women entrepreneurs in the leather sector. Moreover, in the changing global trade pattern, some new challenges such as LDC graduation emerge, or the existing challenges come in different forms. In this context, this chapter tries to provide some specific recommendations for each of the existing and emerging challenges to the expansion of the leather industry of Bangladesh.

The LLG development policy, 2019 is a mere guideline without having any binding effect. In the context of Bangladesh, it may be reasonably deduced that a policy without having enforceability cannot bring the desired outcomes. The language of the policy usually remains aspirational which fails to generate any sense of obligation. The policy without being enforceable cannot prevent possible deviation or violation of its objectives for which the policy has been formulated. It is noted that the policy covers few significant areas in its objectives that are aimed to facilitate the growth of industrialization in Bangladesh. However, it should not be forgotten that industrial growth should not be devoid of inclusivity, sustainability, governance, and accountability. Though there are some references of inclusivity and sustainability in the policy, but in the absence of any monitoring and compliance measures, mere references will not help to attain the ultimate objectives of the policy itself. It is mentionable that the policy contains an action plan to actualize the objectives of the policy, however, the status of the implementation of the action plan based on a concrete assessment is not found anywhere which raises question regarding enforcement of the policy. Such assessment could also facilitate to formulate the forthcoming policy addressing any missing area or implementation challenge of the existing policy. It is noted that for practical purposes it may not be possible to make the whole policy binding and considering this, there may be two parts in the policy where one part may deal with the aspirational measures (non-binding) and another part shall deal with the operative or functional measures that must be complied with (binding).

Table 13: Key recommendations to the expansion of the leather sector

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
Social and environmental compliance (Section 3.1, 3.2 and 3.3)	<ul style="list-style-type: none"> Providing the preferential incentive fund to the factories adopting the environmental compliance strategies 		<ul style="list-style-type: none"> To encourage firms to be compliant, the compliant factory awards/incentives may be initiated, and non-compliant factories can be subjected to punishment 	
	<ul style="list-style-type: none"> Ensuring preferential loan for adopting green technology Providing financial help to ensure the adoption of green technology as well as establishing a capital market for protecting the environment 		<ul style="list-style-type: none"> The policy may clearly state the implementation strategies of this incentive and the entrepreneurs can be made aware of this incentive 	
	<ul style="list-style-type: none"> Reviewing the existing law/policy related to the environment to make them compatible with the local and international standard 	Unchanged		
	<ul style="list-style-type: none"> Forming the audit unit in association with BSCIC to ensure the environmental standard. 	Unchanged		
	<ul style="list-style-type: none"> Increasing the capacity of CETP established at the Savar tannery estate 		<ul style="list-style-type: none"> Initiatives may be taken for increasing the capacity of BSCIC or bringing the Savar Tannery Estate under the direct supervision of the Prime Minister's Office To obtain the certification of leather working group the relevant authorities may take some immediate measures to increase the capacity of the CETP and ensure its efficient operation and maintenance. Moreover, it is also important to ensure that the chrome recovery plant is functioning. The initiatives to allow the private factories to establish Effluent Treatment Plant need to be continued and strengthened. In this regard, some concessional loans or monetary incentives can be offered to the firms having in-house ETP. 	
	<ul style="list-style-type: none"> Ensuring specific place for the solid waste as well as its management 		<ul style="list-style-type: none"> The policy may more clearly specify the measures for the solid waste management in the Savar Tannery Estate and the progress in the implementation of the measures needs to be monitored. 	

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
	<ul style="list-style-type: none"> Reviewing the existing law/policy related to the environment to make them compatible with the local and international standard 		<ul style="list-style-type: none"> For the sustainability of the leather sector, it is important to ensure the compliant and sustainable growth of cattle head which conforms to all traceability parameters 	
	<ul style="list-style-type: none"> Establishing testing labs 		<ul style="list-style-type: none"> The policy may focus on the measures for establishing testing labs to ensure that the usage of chemicals in tanneries is in accordance with the international standards. Moreover, it is also important to ensure that BSTI has all capabilities of certification for all parameters of leather 	
Infrastructural development (section 3.4)	<ul style="list-style-type: none"> Increasing efficiency of the customs department so that the process gets easier for all leather, leather goods, and shoe exporters. Ensuring that raw leather goods are released quickly 		<ul style="list-style-type: none"> The policy may include necessary provision updating the HS code system in case of importing the chemicals for the leather industry as well as making the customs clearance easier for chemicals The policy may take measures for making the procedures of getting different licenses such as environment, fire, etc. easier. The policy may focus on implementing this provision and the implementations strategy and plan in this regard may be updated. The policy may include digitalization as a measure to reduce the hassles of long registration process 	
	<ul style="list-style-type: none"> Building central bonded warehouses for reducing lead time and cost and getting raw materials easily 	Unchanged		
	<ul style="list-style-type: none"> Ensuring the implementation of one-stop service in getting the customs clearances Developing the capacity of the regulatory authority to ensure that all the factories related to leather and leather goods get all the customs clearances from one place. 		<ul style="list-style-type: none"> Taking immediate action to reduce the lead time in export and import because there are hardly any measures taken although it has been mentioned in the policy. In this regard the LLG development policy may provide a detailed working plan 	

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
	<ul style="list-style-type: none"> Establishing an economic zone for the leather sector ensuring transportation and other infrastructural facilities 		<ul style="list-style-type: none"> Immediate measures need to be taken for implementing the plan of Special Economic Zones for the leather sector 	
	<ul style="list-style-type: none"> Enacting law for building slaughterhouses in specific places and providing training to the butchers. 	Unchanged		
Market expansion (section 3.5)	<ul style="list-style-type: none"> Helping the participation of the entrepreneurs in the international trade fair 		<ul style="list-style-type: none"> The participation of the entrepreneurs in the international trade fair might help find new markets in the leather sector. Although earlier the government used to bring the delegation of the entrepreneurs in the different trade fairs, nowadays entrepreneurs are deprived of this opportunity. Therefore, it is important to ensure the participation of entrepreneurs in trade fairs with the government financing 	
	<ul style="list-style-type: none"> Focusing more on the exports of the high value-added products by discouraging the exports of the crust and finished leather 	Unchanged		
	<ul style="list-style-type: none"> Taking steps to ensure the preferential treatment in the market of the developed countries for the leather industry of Bangladesh 	Unchanged		
	<ul style="list-style-type: none"> Taking help from Bangladeshi embassies to reach the market 		<ul style="list-style-type: none"> The embassies can play an important role in finding new markets. The effort of the embassies needs to be monitored by the implementation committee of the LLG development policy The role of embassies in the potential market needs to be strengthened or BIDA can appoint dedicated officials in searching for new market. 	
	<ul style="list-style-type: none"> Financing through the Export Credit Guarantee Scheme, Export Development Fund 		<ul style="list-style-type: none"> In diversifying the basket of leather goods entrepreneurs might require a large investment. Therefore, it is important to ensure that the entrepreneurs get the advantage of the EDF, Export Credit Guarantee Scheme, and GTF in developing new 	

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
			products or expanding business. Currently the entrepreneurs are not enjoying the full benefits of these funds. ▪ For expanding the markets of the leather sector of Bangladesh, special incentives can be provided to exporters exporting to new markets similar to that of RMG ¹³	
	<ul style="list-style-type: none"> Attracting big brands and retailers Ensuring branding of the leather sector through effective marketing strategy Organizing business fair in countries especially in the potential market 	Unchanged		
Backward and forward linkage (Section 3.6)	<ul style="list-style-type: none"> Establishing capital-intensive mechanized finishing machinery in every step of the value chain of the leather sector. 	Unchanged		
	<ul style="list-style-type: none"> Developing forward linkage and establishing communication based on the experience of the companies. 	Unchanged		
	<ul style="list-style-type: none"> Arranging local and international trade fairs for leather products to find new partners in the sector 	Unchanged		
	<ul style="list-style-type: none"> Making the existing tax and duty system easier 	Unchanged		
	<ul style="list-style-type: none"> Providing the bonded warehouse facilities 	Unchanged		
	<ul style="list-style-type: none"> Encouraging the commercial production of cattle in future 	Unchanged		

¹³ Under the current export policy RMG exporters exporting to new markets (other than Canada, the EU, and the USA) receive 3 percent cash assistance

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
	<ul style="list-style-type: none"> Providing incentives to the firms establishing a partnership with international chemical producers 	Unchanged		
Improving skills and quality of the product (section 3.7)	<ul style="list-style-type: none"> Developing plan for the skills development in the leather, leather footwear, and product sector 		<ul style="list-style-type: none"> To meet the demands of a skilled workforce in the industry, short term (6 months) training can be arranged immediately. 	
	<ul style="list-style-type: none"> Setting up 'Product design and development institute' in collaboration with an international institute 		<ul style="list-style-type: none"> The training institutes for the leather sector can be established in the Savar Tannery Estate 	
	<ul style="list-style-type: none"> Developing ILET and setting up relations with management training institutes. 	Unchanged		
	<ul style="list-style-type: none"> Including leather engineering in local universities 		<ul style="list-style-type: none"> In most cases, the curriculum is not updated or the quality of the graduates from the leather institutes is not up to the mark to meet the demand of the industry. Therefore, the curriculum of the leather institutes needs to be updated following the industry demand to bridge the gap between the industry and academia 	
	<ul style="list-style-type: none"> Training sessions should be arranged for village/local people for extracting leather properly from the cattle 	Unchanged		
	<ul style="list-style-type: none"> Encouraging BGMEA University of Fashion and Technology Institute to take initiatives regarding product development, shoes, and leather goods design and sales activities 		<ul style="list-style-type: none"> To increase research on leather in Bangladesh, steps may be taken for arranging the grants on applied leather research 	
	<ul style="list-style-type: none"> Setting up a business-friendly investment package to attract international training centers that will 	Unchanged		

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
	either set up a business or collaborate with the local ones			
Boosting domestic and foreign investment (section 3.8)	<ul style="list-style-type: none"> Developing a special cell of Bangladesh Investment Development Authority (BIDA) for assessing the investment possibilities in the LLG sector. 		<ul style="list-style-type: none"> The role of BIDA needs to be strengthened by ensuring that the potential foreign or domestic investors are interacting only with BIDA rather than many governments agencies. There may be a co-ordination between BIDA and BSCIC in providing the services to the leather sector. To attract FDI as well as boost domestic investment, it is important to ensure the necessary infrastructure as well as a comfortable environment for the foreign infrastructure. 	
	<ul style="list-style-type: none"> Ensuring one-stop service in BIDA 		<ul style="list-style-type: none"> To attract FDI as well boost domestic investment, it is a must to ensure that the one-stop service is functional The digitalization of the business process is necessary to attract FDI as it will reduce the cost of doing business and hence be congenial to FDI attraction 	
	<ul style="list-style-type: none"> Keeping the import policy on importing the raw materials, machinery, and other equipment for a fixed amount of time 	Unchanged		
	<ul style="list-style-type: none"> Making the incentives offered for the leather sector like those of the RMG sector Establishing Special Economic Zone for the leather sector 		<ul style="list-style-type: none"> The Special Economic Zones for the leather sector that has been proposed in the LLG development policy may be developed as soon as possible by ensuring the proposed facilities 	
	<ul style="list-style-type: none"> Encouraging foreign or joint investment in producing the chemicals necessary for the leather sector and developing the different components of footwear accessories of leather products domestically. 		<ul style="list-style-type: none"> More specific policies for the development of support industries may be introduced as Vietnam has done. For the development of the support industries, incentives in the form of corporate income tax exemption, or land rental fee exemption can be offered. The free trade agreements of a country with the major trading partners often attract FDI. Therefore, it 	

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
			is important to take initiatives to sign the free trade agreements as Vietnam is doing with the potential exporting countries	
Strengthening public private partnership (section 3.9)	<ul style="list-style-type: none"> Developing advisory institutional framework to ensure the participation of both public and private sector in managing the environmental compliance and restructuring the value chain of the leather sector 		<ul style="list-style-type: none"> The public private partnership model may be utilized in developing the infrastructure for the environmental compliance to ensure a greater efficiency. 	
	<ul style="list-style-type: none"> Developing a forum with the existing business association and other business organization 	Unchanged		
Financing and incentives (section 3.10)	<ul style="list-style-type: none"> Continuing the existing cash incentives for the exports of leather and leather products at least for the next five years. 		<ul style="list-style-type: none"> Maximum utilization of the policy support such as duty drawback, cash assistance measures should be ensured before LDC graduation 	
	<ul style="list-style-type: none"> Providing the bonded warehouse facilities to the 100% export-oriented leather industries 		<ul style="list-style-type: none"> The procedures to obtain the bonded warehouse facilities should be made easier. Those who are not eligible for the bonded warehouse facilities (firms who do not import directly) can be provided with some alternative facilities 	
	<ul style="list-style-type: none"> Providing special incentives on importing the machineries for the leather sector. 		<ul style="list-style-type: none"> Although the issue of duty-free import of modern machinery has been mentioned in the LLG policy 2019, the entrepreneurs are not enjoying its benefits. Moreover, they are facing hassles in the port in importing the machinery. Therefore, it is important to ensure the duty-free import of modern machinery and reducing the hassles in the ports. 	
	<ul style="list-style-type: none"> Offering export subsidy, and incentives on purchasing machinery and fire safety equipment for the export-oriented industries 	Unchanged		
	<ul style="list-style-type: none"> Providing incentives on importing the raw materials of the leather industry 		<ul style="list-style-type: none"> The duty imposed on importing chemicals used for the leather sector should be reconsidered. 	

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
	<ul style="list-style-type: none"> Managing the financing for the leather sector from the green transformation fund and distributing through the commercial banks. Expanding the capacity of Export Development Fund for the leather industry. Ensuring preferential loan for adopting green technology 		<ul style="list-style-type: none"> To make the transition of the tanneries to the Savar Tannery Estate as well as for infrastructural development the short-term loan should be made long term Procedures to obtain a loan should be made easier particularly the documentation requirements Entrepreneurs should be made aware of the benefits of export development funds, export credit guarantee schemes, and green transformation funds. Moreover, the procedures to access these funds should be made easier. 	
'She' trade (the overall LLG development policy)	<ul style="list-style-type: none"> Encouraging female entrepreneurs with the help of the SME foundation to utilize the potentials of this sector. 		<ul style="list-style-type: none"> Well-planned training for women entrepreneurs must be designed. The future policies may mention training on business-related documentation requirements, financing scopes, along with venture-specific training. The training must reach grassroots levels on regular basis. Both public and private sectors must work together for efficient training and extensive coverage. Proper information dissemination about the incentives provided to the women entrepreneurs must be done at large 	
	<ul style="list-style-type: none"> Giving loans to females willing to expand business or interested in investing in this sector without a mortgage 		<ul style="list-style-type: none"> Making the banks more gender friendly. Mentioning appropriate measures to assist women entrepreneurs in banks, such as dedicated help desks for women entrepreneurs. Incentivizing the banks for providing loans to the women entrepreneurs. The incentives could either be monetary or some form of awards. Bangladesh Bank and SME foundation may maintain a hassle-free loan disbursement process specially catered to the women SMEs. 	
	<ul style="list-style-type: none"> Attracting women in the managerial position of the industries 	Unchanged		

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
	<ul style="list-style-type: none"> Taking necessary steps to increase the participation of women entrepreneurs in the supply chain of this sector 		<ul style="list-style-type: none"> Specific mentions to make the land ports operation women friendly to support the women entrepreneurs involved in cross border trading. 	To ensure the participation of women in the supply chain, it is important to focus on the networking with different stakeholders. In this regard a data base with the help of trade portal might play an important role.
Policy implementation, review, and assessment (section 4)	<ul style="list-style-type: none"> To coordinate the implementation of this policy a LLG development policy coordination committee has been formed. 	Unchanged	<ul style="list-style-type: none"> It is important to ensure that the meeting of this committee holds in every six months as proposed in the LLG development policy 2019. Moreover, another committee may be formed with some relevant stakeholders who can directly report to the coordination committee, or the committee may be restructured with some experts and industry insider led by the minister of the ministry of Industry. 	
	<ul style="list-style-type: none"> To ensure the implementation of the recommendation of coordination committee, the leather and leather goods development policy implementation committee has been formed. 	Unchanged		
SITF for the strategic implementation of the policy (section 5)	<ul style="list-style-type: none"> To ensure that different strategies and steps proposed in the LLG development policy 2019 are achieved in time, the strategic implementation team has been proposed. 	Unchanged		
Implementation plan of the policy	<ul style="list-style-type: none"> The policy contains a detailed plan of implementing the policy dividing the policies as short terms, medium term, and long term. The authorities responsible for implementing each of the initiatives and objectives have also been identified in the policy. 		<ul style="list-style-type: none"> The implementation plan of different strategies and objectives need to be revised given the adverse impact of the Covid 19 pandemic. The policy must ensure a better coordination among the relevant authorities responsible for implementing the plans and objectives. 	

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
Highly protected domestic market	<ul style="list-style-type: none"> The highly protected domestic market develops an anti-export bias among the entrepreneurs. They find the domestic market more lucrative and therefore, less willing to take the hassles of exporting. It indirectly induces many firms not to be compliant. This issue has not been addressed in the LLG development policy 2019. This issue has not been mentioned in the LLG development policy, 2019. 			<ul style="list-style-type: none"> Rationalization of high tariffs and para-tariffs is essential to enhance the efficiency of the producers and create a pro-export motivation among the entrepreneurs It is high time to shift our outlook from stringent protectionist policy towards a more liberal and performance-based policy. To prepare the leather sector for the post-graduation period the customs regulations should be made consistent with the WTO standards because the tariff policy will come under full scrutiny after graduating from the group of LDCs
LDC Graduation	<ul style="list-style-type: none"> Bangladesh is scheduled to graduate from the group of LDCs in 2026. As an LDC Bangladesh enjoys duty-free market access not only in the EU market but also in many other markets. After graduating from the group of LDCs, these trade preferences will either be lost or significantly diminished. This might affect the leather sector of Bangladesh because it will face high tariffs in the major markets like EU and Japan. However, the sector is competitive enough due to cheap labour and raw materials to overcome this shock. There is currently no provision related to LDC graduation in the LLG development policy 2019. 			<ul style="list-style-type: none"> To avoid the potential trade loss in the post-graduation period it is important to proactively explore the free trade agreements with the major exporting countries Measures may be taken to ensure that Bangladesh gets the second-best alternative to EBA benefit (e.g., GSP+ or standard GSP) in the EU market after the LDC graduation. To make the industry ready for the post-graduation period the competitiveness of the sector must be increased as the export subsidy or cash incentive on

Key issue	Reflection in the LLG development policy, 2019	Unchanged	Extension/modifications	New addition
				<p>exporting the LLG will not be valid in the post-graduation period.</p> <ul style="list-style-type: none"> ▪ The policy may include the necessary measure to make the tariff and other taxes for the leather and leather goods WTO consistent. The direct cash incentives for the leather industries can be gradually phased out or transformed into some form of domestic support or alternative ways may be searched for to provide the incentive for the exporters which is consistent with the WTO rules as India is doing.

8. Conclusion

This study conducts a thorough review of the Leather and Leather Goods development policy 2019 by applying a mixed methodology. The in-depth desk research as well as the data collected from the Key Informant Interviews and Focus Group Discussions have helped to identify some key aspects of the LLG development policy such as current implementation challenges of the policy, the relevance of the policy in the context of the LDC graduation of Bangladesh and the key challenges faced by the women entrepreneurs of this industry. The study also focuses on the current scenario of the leather sector of Bangladesh and presents the international best practices in terms of developing the leather sector. As the global best practices, the study points out the key factors that contribute to the expansion of the leather sector of India and Vietnam.

The key findings of this study point out that the LLG development policy 2019 is a relatively new and updated policy which cover almost all the issues or constraint to the expansion of this sector. Moreover, the policy also presents a detailed work plan to address those issues by identifying the relevant stakeholders. However, the policy faces serious implementation challenges. The review of this policy identifies the absence of social and environmental compliances in the leather factories as the major constraint to the expansion of this sector. Although the LLG development policy has put much emphasis on making the sector compliant to international social, environmental, and labour standards, the industry is not getting the certification of the leather working group due to the inadequate capacity of the CETP, and insufficient testing facility. In this context, the paper suggests taking immediate measures to make the sector compliant to international standards by increasing the capacity of the CETP, or by introducing the compliant factory award.

The other issues that have been identified as the constraint to the expansion of this sector include the infrastructural bottlenecks, highly concentrated markets, and products, highly protected domestic market, access to finance, and lack of skilled workforce. Although some specific measures such as different incentives, duty-free import of modern machinery, reducing the lead time, initiating the one-stop service, etc. have been suggested in the LLG development policy to address these issues, these measures are facing some serious implementation challenges. Therefore, the entrepreneurs are not getting the benefits of these measures. This study suggests taking immediate measures to ensure the implementation of these policies.

One major objective of this review was to identify the potential constraint to the inclusion of women entrepreneurs in the value chain of the leather sector and suggesting the necessary provisions. The study finds that although there are hardly any women entrepreneurs in the tanning sector, a few women entrepreneurs are now coming to the leather products and footwear sector. However, they are facing serious financial constraints, and, in many cases, they can not avail the special incentives or mortgage-free loans due to lack of financial literacy, or lack of proper training. Finally, this study also tries to identify the potential challenge that the leather sector can face due to the LDC graduation of Bangladesh. In this regard, the study finds that Bangladesh will face some high tariff rates in the post-graduation period in the major markets of leather and leather products. But it is also argued that the sector is competitive enough due to the availability of cheap labour or raw materials to

overcome this shock. Despite the high tariff rate due to LDC graduation the leather sector of Bangladesh might be able to expand in the future if the sector can be made compliant with international standards and the issues of infrastructural bottlenecks can be addressed immediately.

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Annexure

Table 14: List of KIIs for the policy review

Organization/Association	Key informant
Representatives from the Ministry of Commerce (1)	<ul style="list-style-type: none"> • Md. Abdur Rahim Khan (Joint Secretary))
Leather exporters/manufacturers (2)	<ul style="list-style-type: none"> • Mr. Md Saiful Islam (President, LFMEAB) • Mr. Shahin Ahmed, President, Bangladesh Tanners Association
Expert (3)	<ul style="list-style-type: none"> • Dr. M Abu Eusuf, Professor, Department of Development Studies, University of Dhaka • Professor Mustafizur Rahman (Distinguished Fellow, CPD) • Dr.Md. Abdur Razzaque (Chairman, RAPID)

Three FGDs were conducted in this study with the associations of entrepreneurs of the leather sector such as Leather goods And Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB), Bangladesh Tanners Association (BTA) and Bangladesh Women Chamber of Commerce and Industry (BWCCI).

Team Composition

Name of team member	Designation for this assignment	Assigned tasks or deliverables
Dr. Bazlul Haque Khondker	Team Leader	Finalize questionnaire, FGD, and KII checklists, Evaluation, and analysis, Draft synthesizing summary, Draft short summaries Finalizing reports
Dr. Selim Raihan	Co-Team Leader, Trade Expert	Coordinating and monitoring the team, monitoring all the activities performed by the team members, finalizing questionnaire, FGD, and KII checklists, Evaluation, and analysis, Draft synthesizing summary, Finalizing reports.
Mahtab Uddin	Policy Analyst	Monitoring all the activities performed by the team members, finalizing questionnaire, Coordinating FGDs and KIIs, Evaluation and analysis, Draft synthesizing summary.
Mohammad Golam Sarwar	Legal Expert	Analyzing the legal terms and provisions of the study, identifying the possible grounds of alterations, extensions, and exclusion of current legal provisions, providing legal recommendations.
Recardo Saurav Antor Halder	Senior Research Associate	Desk review, analyzing secondary data, designing questionnaire for KIIs, supervising and conducting FGDs, analyzing primary data, and drafting the reports.
Sakil Ahmed	Research Associate	Desk review, analysing secondary data, designing survey questionnaire for KIIs, supervising the survey, conducting FGDs, analysing primary data, and drafting the reports.
Zareen Tasnim	Research Associate	Research and analysis of relevant literature, primary and secondary data, supervising and conducting KIIs and FGDs.
Afia Mubasshira Tiasha	Research Assistant	Desk Review, developing KII questionnaire, assisting in conducting the KIIs, conducting FGDs.



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