# amfori Focus

## Bangladesh

Reaping the Rewards of Rapid Transformation

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### Bangladesh: Fast Facts

<table>
<thead>
<tr>
<th><strong>Capital city</strong></th>
<th><strong>Language</strong></th>
<th><strong>Population density</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhaka</td>
<td>Bangla</td>
<td>1.291* persons per km²</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Currency</strong></th>
<th><strong>Total area</strong></th>
<th><strong>GDP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Taka</td>
<td>147,570km²</td>
<td>274 billion US$*</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th><strong>Independence</strong></th>
<th><strong>Population</strong></th>
<th><strong>Population growth</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>25 March 1971</td>
<td>168m*</td>
<td>1.02%*</td>
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</tbody>
</table>

*2018 data

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World’s Second Fastest Growing Economy
Bangladesh
Much Done, More to Do

Every time I visit Bangladesh, I am always impressed by how the country has taken giant strides in economic and social development. 2021 will see the 50th anniversary of its independence and over the past half century, the country has overcome considerable adversity and is growing rapidly. With this progress, Bangladesh can be proud that in 2024 it will likely be upgraded from the least developed country status.

The ready-made garment industry continues to grow and it is a key sourcing country for many of our members. We see this trend continuing strongly in the future. Such economic growth and entrepreneurial spirit has helped to greatly reduce the country’s poverty rate, increase national income rates and push the GDP from $150 billion in 2013 to $275 billion in 2018, (the second-fastest worldwide), according to IMF figures. Alongside this growth, there is a commitment to improving workers’ rights and addressing corruption. We will continue to work alongside the government, our range of stakeholders and with all businesses to build on our progress in this regard.

amfori’s activities on the ground in Bangladesh are also keeping pace with the changing face of the country’s industry. Now that women are playing a more and more important role in Bangladeshi RMG industry, the amfori Gender Diversity and Women Empowerment Programme have seen initial great success. I hope to see further improvement as we continue to build on these initiatives.

Economic Drivers

A Fast Growing Ready-Made Garment Industry

Bangladesh’s thriving ready-made garment (RMG) industry has grown exponentially over the last decade. Exports to the EU in this sector have more than tripled from €4.8 Billion in 2008 to €16.2 Billion in 2018. Only China stands ahead of Bangladesh with €26.7 billion.

A major contribution and driving force behind this growth in RMG has been the “Everything But Arms” (EBA) arrangement from the EU’s General Scheme of Preferences (GSP). Under this arrangement, EU imports of RMG from Bangladesh carry a 0% duty rate instead of the standard 12%.

The RMG sector is the largest economic sector in Bangladesh, surpassing all other industries by a large margin, accounting for 94% of total exports in the EU. There are an estimated 5000 to 7000 factories producing RMG products, employing around 5 million people, of which 80% are women.

The importance of the RMG industry as a part of the economic growth of Bangladesh is detailed in the chart below:

Bangladesh: GDP / RMG Exports

![Graph showing GDP ($Bn) and Exports (€Bn) over years]

(49%) (40%) (32%) (24%)


0 50 100 150 200 250 300

18 16 14 12 10 8 6 4 2 0

GDP ($Bn) Exports (€Bn)
Economic Prospects

A Marked Decrease in Poverty

Bangladesh’s sustained economic growth has lifted millions of citizens out of poverty, at record rates. Based on the World Bank’s poverty headcount data, it has reduced poverty across the country by 50% over the last two decades. This figure is likely to continue to decrease in the coming years.

Alongside this advancement, life expectancy, literacy rates and per capita food production have also risen considerably. Progress was underpinned by a 6.5% growth on average in the past decade, culminating with 7.9% growth in 2017/2018, according to official estimates from the International Monetary Fund (IMF). Official figures in 2018 place Bangladesh within the top three countries worldwide for economic growth, with a growth rate exceeding 8%.

Building a Better Future

Workers’ Rights and the Bangladesh Accord

In recent years, Bangladesh has made considerable progress in improving workers safety in factories thanks in large part to the Accord on Fire and Building Safety. This is a legally binding international agreement between the Bangladesh Government, global retailers (half of which are amfori members) and trade unions to build a healthy and safe environment for RMG workers. Its work focusses on improving building safety through inspections, corrective action plans, training programmes and public disclosure.

Although an agreement to extend the validity period by three years to 2021 was initially negotiated, the government ordered its termination by November 2019. However, following discussion and intervention from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), an MOU was signed for the Accord to last until mid-June 2020. It will be replaced by the RMG Sustainability Council which will continue the work of the Accord.

Ready-Made Garments – A Golden Opportunity to Diversify

Expanding beyond the RMG sector

Bangladesh’s success has relied heavily on its RMG industry. The country’s exports in the RMG sector have benefitted greatly on the high utilisation rate of the preferences offered by its EBA status.

However, an over-dependence on RMG could become an obstacle for the country’s continued growth when it graduates from EBA to the standard General Scheme of Preferences (GSP), in 2024. Higher duties of 9.6% for clothing will create competition for Bangladesh with nearby countries, such as Vietnam, who will then have implemented a Free Trade Agreement with the EU. Bangladesh may also find it difficult to adjust to comply with more restrictive rules of origin requirements.

Bangladesh should look to diversify its industry sector to ensure continued growth in the years to come.

Adapting to a Changing EU Market

In recent years, EU member states have implemented, or are in the process of implementing, human rights due diligence legislation. These new regulations will require EU companies to identify, prevent, report on, and rectify, social responsibility improvements in their supply chain. Poor reporting will result in financial penalties and the “naming and shaming” of companies for a failure to comply.

While this is a positive development for all those involved, it will require third countries such as Bangladesh to implement sustainable policies in these areas. In addition, EU consumers are becoming more and more aware of the conditions in which the clothes they buy are produced, and EU brands are reacting by implementing further CSR campaigns.
Political Affairs Could Impact Trade

There have been reports that corruption is a frequent occurrence, especially in factories, customs authorities and among law enforcement officers. In 2018, Bangladesh ranked 149 / 180 in the Corruption Perceptions Index.

In addition, although some improvements to labour and human rights have been implemented, many commentators believe that progress is too slow. As a result, the European Commission is being encouraged to initiate an investigation under the GSP regulation to analyse if its preferences should be suspended. Should an investigation go ahead, a decision would be delivered within 18 months of the beginning of the enquiry. Bangladesh therefore needs to address these concerns seriously.

amfori in Bangladesh

amfori advocates for Women’s Empowerment

amfori is working for progress on gender diversity in Bangladesh with the Women’s Empowerment Programme. The cornerstone of this programme is the Shobola Project where amfori is partnering with the CSR Centre and DBL Group in six amfori BSCI factories across Dhaka and Chittagong.

Launched in January 2019, this project involves training top and mid-level management on gender, sexual harassment and discrimination issues. The programme also empowers female factory workers through leadership exercises and training.

amfori engages on the Living Wage

In August 2018, amfori adopted an official stance for raising the legal minimum wage in Bangladesh, resulting in the Bangladeshi government implementing a 51% minimum wage increase in the textiles and garments industry.

Building Community between our Members and Producers

As of mid-2019, there are almost 400 amfori members sourcing from around 3000 factories in Bangladesh the third most important producer country for amfori members. In 2018, over 1,400 amfori BSCI audits of factories were conducted.

In addition, between March 2016 and August 2019, amfori conducted 107 producer training workshops. The amfori Dhaka office also offers locally-based services and support for members.

Improving the environmental impact of producers

Producers in Bangladesh have participated in amfori’s environmental and chemical programme to improve their environmental performance and to establish sound chemical management systems at their facilities. Over 1000 producers have completed environmental self-assessment questionnaires to identify their strengths and weaknesses and to address the latter through adequate mitigation measures to achieve substantial improvements. More than 35 factories are actively working on the implementation of audit/assessment corrective action plans - a direct consequence of amfori environmental assessments and chemical management audits.

To increase the know-how and understanding of environmental and chemical matters, amfori also supports all producers in Bangladesh with a wide range of capacity building activities. Over 490 employees have benefitted to date from participating in amfori environmental and chemical workshops.

We are amfori

amfori is the leading global business association for open and sustainable trade. We empower 2,400 companies to operate as successful, sustainable businesses by helping them monitor and improve the social and environmental performance of their supply chain. We also engage locally and globally to promote a policy environment that enables them to operate efficiently and responsibly.

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