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Collaborative approach is critical for recovery of apparel sector post-COVID-19

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- **Experts at CPD-IPS-SV international webinar on the 'Recovery of the Apparel Sectors of Bangladesh and Sri Lanka: Is a Value-chain Based Solution Possible?' call for suppliers, buyers, governments and international organisations to work closely together for speedy and sustainable recovery of the apparel sectors from the COVID-19 shock**

The Centre for Policy Dialogue (CPD), Bangladesh and the Institute of Policy Studies of Sri Lanka (IPS), in partnership with Southern Voice, hosted a webinar on 20 April focused on solutions to the challenges that the COVID-19 pandemic has created in apparel supplying countries, in particular Bangladesh and Sri Lanka. Researchers from CPD and IPS presented their findings and recommendations of a study which explores a value-chain-based solution for Bangladesh and Sri Lanka, where major market players will implement responsible business practices to support a sustainable recovery of both countries' apparel sectors.

This webinar presented an opportunity for key global apparel value chain stakeholders, particularly those based in Europe, Bangladesh and Sri Lanka to provide insights into how to implement solutions for the recovery of the apparel sector.

The medium-term recovery of the global apparel value chain from the disruptions of the pandemic has been set back by the prolonged demand slump. Global imports of apparels during the period of Jan-Aug 2020 have contracted by 23% compared to the same period in 2019. Sri Lanka's apparel exports fell by 27.6% in 2020 and Bangladesh's apparel export fell by 17% in 2020.

Initiatives of major brands/buyers were limited to inventory smoothing, reshoring, and over-concentration of orders to a limited number of sources. The recovery of many supplying countries has been slow, including that of Bangladesh and Sri Lanka. Innovative 'value-chain-based solutions' where all stakeholders work collaboratively are required to help all the market players cope with the crisis, ensure rebound and smooth recovery, and ultimately make the value chain resilient.

Introductory remarks

Making the introductory remarks, CPD Executive Director Dr. Fahmida Khatun said that CPD and IPS have recently conducted a joint study in partnership with the Southern Voice to analyse the potential of a value-chain-based solution to support the recovery of the local apparel sectors because of the ongoing COVID-19 pandemic. She noted that the pandemic has severely disrupted the global apparel value chain and the study proposes solutions to the challenges that have emerged for the apparel-supplying countries particularly in Bangladesh and Sri Lanka.

Dr. Khatun said that the medium-term recovery measures implemented by market players were not impactful across the value chain and



CPD Executive Director Dr. Fahmida Khatun



CPD Research Director Dr. Khondaker Golam Moazzem



IPS Research Economist Kithmina Hewage



MAS Holdings Director - Strategic Transformation Husni Saleh



Bangladesh Apparel Exchange Founder and CEO Mostafiz Uddin



The Design Collective Store Co-Founder and Managing Director Binu Wickramasinghe



H&M Group Head of Sustainability - Global Production Pierre Börjesson



ILO Geneva Director of Better Work Dan Rees

that new solutions which take into account the entire value chain are needed for the industry to recover from the COVID-19 induced crisis. The CPD-IPS study on the 'Recovery of the Apparel Sector of Bangladesh and Sri Lanka: Is a Value-chain Based Solution Possible?' has adopted a whole value-chain approach taking into account all challenges facing the apparel sectors.

Joint keynote address

CPD Research Director Dr. Khondaker Golam Moazzem emphasised the importance of implementing a value-based solution for the recovery of the apparel sectors, where brands, buyers, governments and international organisations work collaboratively for the sector's recovery. He emphasised the need for a solution from a value-chain point of view, and called for a re-distribution of orders among supplying countries so that countries like Bangladesh and Sri Lanka can return to pre-COVID levels.

If this pandemic is prolonged – which increasingly looks to be the case – the demand slump will continue affecting many more buyers and suppliers as well. Governments have been tied by fiscal constraints but what has been done so far is inadequate and short-term in nature. Thus, an innovative approach which takes into account the whole supply chain is needed for medium-term recovery, he said.

IPS Research Economist Kithmina Hewage stressed on the lack of initiatives across the value chain as a key concern, and noted that initiatives to support the recovery of the apparel sector in supplying countries have been inadequate. "Companies that had taken certain measures to improve their resilience such as purchasing stocks well in advance and diversifying their export markets were able to mitigate the effects much better than companies that did not. Furthermore, national-level policies were limited by fiscal constraints and this affected the apparel sector. In comparison to Sri Lanka, Bangladesh had a wider basket of policy tools to support the industry and was able to give more fiscal stimulus to the economy whereas Sri Lanka tended to rely more on monetary policy," Hewage said.

Panel discussion moderated by CPD Distinguished Fellow Prof. Mustafizur Rahman

"A value chain is only as strong as its weakest link," said MAS Holdings Director – Strategic Transformation Husni Salieh pointing out that the overall value of the value chain is truly optimised only when the stakeholders work collaboratively especially during crises. Sharing insights from MAS's experience, Salieh said: "The pandemic hit many parts of the value chain and the only way we could manage the situation was by working together. Our key customers were flexible and encouraged us to leverage the opportunity around digital e-commerce sales. Suppliers prioritised our raw material supplies and even the Government evolved their crisis management to ensure that it not only saved lives but also livelihoods."

Speaking candidly on his experience with cancelled orders due to the pandemic, Bangladesh Apparel Exchange Founder and CEO Mostafiz Uddin said that there is a lack of responsible business practices among the brands during the ongoing crisis and that there is a lack of support from buyers. He opined that many do not consider manufacturers as partners, and that brands should consider their suppliers as business partners and act responsibly.

Sharing insights from her store which houses over 60 local clothing and accessory brands, The Design Collective Store Co-Founder and Managing Director Binu Wickramasinghe highlighted the difficulties faced by small and medium-scale retailers, and explained that challenges in sourcing raw materials have led to a slowdown in catering to market demand because of the import restrictions on raw materials. Restricting everything is not helpful. It is important to maintain a balance, and take into account the struggles of smaller businesses as they have to put up with a bigger struggle to survive during a crisis, she asserted.

"As a small enterprise, it was difficult for us to obtain a loan from the Government. Our retail is a niche designer-oriented business. The pandemic hampered our usual cycle so we had to get into online retailing but our e-commerce did not have the kind of merchandise our customers needed so we had to diversify into other categories like loungewear and skincare which were still in demand. However, the transition was not smooth and the second wave was crucial for us as customers got scared and stopped spending," she said.

H&M Group Head of Sustainability – Global Production Pierre Börjesson said that the pandemic had shown the importance of accelerating digitalisation in doing business. He added that Bangladesh and Sri Lanka should consider how the market could be made more agile and flexible in terms of product diversification, services connected to the products and addressing the sustainability to achieving the possibility of trading higher than in the past. The COVID-19 pandemic has exposed the vulnerabilities in the apparel industry and has shown the importance of digitalisation. Customers have become savvier thus we must accelerate the supply chain and as the study suggests, the whole value chain has to work together in long-term partnerships to set a new way of doing business, he noted.

ILO Geneva Director of Better Work Dan Rees said that sector-specific measures may not address existing challenges, and opined that to build strong resilience and protect the workers, trust, and cooperation among the stakeholders and a long-term plan is needed. "The entire value chain coming together with greater purpose and unity is important to tackle the major issues faced by the industry. To build back better, it is important to create an ordinance or pact among to ensure credibility and social protection in the value chain," he added.