Analysis of the
Home Décor & Home Textiles Handicrafts
Value Chain in Bangladesh

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Contents

Abbreviations

Banglacraft	Bangladesh Handicrafts Manufacturers and Exporters Association
BBS	Bangladesh Bureau of Statistics
BDTDC	Bangladesh Trade Development Council
BJRI	Bangladesh Jute Research Institute
BRDB	Bangladesh Rural Development Board
BSCI	Business Social Compliance Initiative
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSO	Business support organisation
CBI	Centre for the Promotion of Imports from developing countries (the Netherlands)
DCCI	Dhaka Chamber of Commerce and Industries
ECP	Export Coaching Programme (CBI)
EFTA	European Free Trade Association
EFTF	ECOTA Fair Trade Forum Bangladesh
EPB	Export Promotion Bureau of Bangladesh
ETP	Effluent treatment plant
EU	European Union
FTO	Fair trade organisation
GDP	Gross domestic product
GOB	Government of Bangladesh
HDHT	Home Décor and Home Textiles
HS	Harmonized System
JDP	Jute diversified products
JDPC	Jute Diversification Promotion Centre
NGO	Non-governmental organisation
PMC	Producer Management Committee
RMG	Ready-made garments
SDG	Sustainable Development Goal
SME	Small to medium-sized enterprise
SMCEs	Small and micro cottage enterprises
USP	Unique selling point
WFTO	World Fair Trade Organization

1. Executive summary

This value chain analysis (VCA) explores the interventions and support activities that are needed to let SMEs (small to medium-sized enterprises) involved in the home décor and home textile (HDHT) sector in Bangladesh to seize European market opportunities and tackle obstacles in a sustainable manner. Because the term 'handicrafts' is used in Bangladesh for products that are categorised as HDHT in European markets, this VCA study refers to 'HDHT handicrafts'. The focus is on four groups of HDHT handicraft products that are handmade from natural and/or recycled materials: basketry; shopping bags and totes; rugs and mats; and decorative home textiles. These products are particularly suitable for the European mid-market segments, or in some cases for the premium segments. European demand for ethically made products with a story is on the rise, although mainstream buyers remain primarily interested in product quality and price.

Collecting reliable trade data for the four products groups proved to be problematic because the Harmonized System (HS) categories are too broad to offer insight into groups of products that are handmade using specific natural materials. Nonetheless, it was calculated that the European Union (EU) markets for basketry and handwoven rugs from developing countries amounted to €400 million in 2016 and that the markets are expanding. Although Bangladesh's SMEs as yet have a small share in this market for basketry and rugs – €6.5 million – their share has been growing rapidly over the past five years. These figures suggest Bangladesh's firms could claim a larger share if their products are competitive.

There are about 400 HDHT handicraft manufacturers, with 90 of them involved in exporting. The 400 firms are virtually all SMEs with under 500 artisans on the payroll. Depending on the size of orders this may involve additional artisans on temporary hire – varying from dozens to a few thousand – who work at home. In total, the handicraft sector in Bangladesh likely offers employment to hundreds of thousands of artisans, possibly up to one million. Some may work only a few hours per week, others a full-time working week. The majority of HDHT handicraft goods produced by the production chain is sold domestically; only 20% is exported.

HDHT handicrafts are not a priority sector to the Government of Bangladesh (GOB). In 2015, it published the Handicraft Industry Policy (in Bengali only), but the policy has yet to materialise in practice. Nonetheless, the sector has been receiving support in a fragmented manner because the sector itself is fragmented. The GOB provides considerable support to jute production and jute-based handicrafts, but similar support does not exist for grass-based and cotton-based handicrafts. In addition, there has been government support for cottage industries, for rural development, for weavers operating handlooms, and for handicraft exporters.

The macro-economic context of the HDHT handicraft value chain is positive. With its GDP growing at well over 5% annually, Bangladesh's economy has been doing remarkably well over the past years. The prospects for the medium term are bright. Bangladesh has recently become a lower-middle income country and is on track to be graduated from the United Nation's list of Least Developed Countries by 2024.

A major asset of the Bangladesh HDHT handicraft value chain is that it scores high on sustainability. HDHT handicrafts are generally made from renewable, natural or recycled materials, resources whose collection does not affect biological diversity, that are normally not chemically treated, often naturally dyed, and manufactured by hand. In respect of social sustainability, over a quarter of the 90 HDHT handicraft exporters are WFTO certified, while a number of other companies are ethically driven as well. Socially responsible entrepreneurship is among the unique selling points (USPs) of the entire sector. About 80% of the artisans who work in the value chain are rural young women aged between 20 and 35, an important achievement in view of the very wide gender gap in Bangladesh, where only 33% of the women of working age participate in the labour force.

This VCA study involved the consultation of 54 stakeholders, 25 of them via personal interviews and 29 in the three focus groups we organised. The organisations that were consulted comprise potential or actual exporting HDHT handicraft manufacturers, business support organisations (BSOs), governmental agencies, NGOs and international experts. Almost all interviews and focus groups were organised in the first two weeks of May 2018. A validation workshop to discuss the draft report and VCA findings with key stakeholders took place mid-July 2018 in Dhaka.

The consultation round revealed a series of obstacles that hamper export growth. At company level, a major limitation is the vulnerable position of the SMEs in the HDHT value chain, both domestically and abroad. Their main raw materials include jute, cotton and grasses; for supply of the first two materials the SMEs depend on government policies and corporate strategies in respectively the powerful jute export and the ready-made garment (RMG) industries. Only in the supply of grasses do the HDHT handicraft SMEs serve as domestic chain leaders. In international markets, the SMEs have to deal with foreign importers and retailers, who have the market leverage to set the conditions for production processes, design and other product qualities in Bangladesh. At the level of business support, a major constraint is the limited services that are provided by the government and business support organisations (BSOs).

The study discusses a series of constraints and links them to suggestions for upgrading in the HDHT handicraft value chain. These are listed below.

(a) The number one constraint, according to all consulted stakeholders, is the lack of international marketing capacity among exporting SMEs. Our consultations revealed a lack of basic marketing and logistical knowledge. Upgrading international marketing capacity can be achieved via participation in a training or coaching programme that teaches SMEs how they could identify foreign buyers with a suitable supply chain strategy, and shows them how to negotiate with them and how to present their collections.

(b) The second widely shared concern regards the lack of design and innovative capacity among HDHT handicraft SMEs. Virtually all manufacturers we consulted struggle with the design of their new products: they cannot afford specialised designers, and if they can, the designers are not interested in handicrafts or have no clue of ‘market-based’ design that looks beyond aesthetics. Upgrading designing capacity is possible by setting up a market-based design programme in a (public-private) collaboration with existing art and design institutes in Bangladesh.

(c) HDHT manufacturers often pointed to the challenges they face to secure their raw materials: jute fabrics are expensive; it is hard for them to purchase small quantities of jute; flooding often delays the harvesting of wild grasses; and drying and storing of grasses is a major issue especially during the rainy season. These are constraints that can be mitigated by the SMEs themselves if they have better general and supply chain management skills, which can be learnt. Upgrading is possible by encouraging existing BSO training capacity in Bangladesh to start providing tailor-made training to HDHT handicraft exporters.

(d) If exporters want to claim a larger share of the European HDHT markets, the exporters need to be critical of their prices and consider productivity improvements. In a world where the fourth industrial revolution is about to begin, the HDHT handicraft sector in Bangladesh has yet to engage in the first one. However, modernisation of the sector would face manufacturers with a formidable dilemma since hundreds of thousands of artisans depend on craft work for their badly needed income. Yet this is indeed the challenge for the sector if it wants to maintain its competitiveness in the near future. The upgrading opportunity lies in establishing a national stakeholder platform, involving the entire value chain, where solutions are explored.

(e) HDHT handicraft manufacturers find the prices of jute fabrics too high. An important cause is that Bangladesh's farmers produce only a fraction of the required jute seed. In 2018, almost 75% of the seed supply of Bangladesh's strategic 'Golden Fibre' needs to come from India, the main competitor in the international jute market. Upgrading can be achieved by reviewing and supporting the existing and new initiatives of the various jute research institutes and prioritising the improvement of the domestically produced certified jute seed.

(f) HDHT handicraft exporters say they would benefit from modern market and business intelligence systems, set up and maintained by the government. There is presently no central information platform where SMEs could access data on (i) the entire value chain (from the plant breeding stage to manufacturing and to export markets), and on (ii) mainstream but 'ethical' companies that are interested in longer-term relationships with their suppliers. Upgrading opportunities lie in the establishment of a value chain intelligence system that is adequately maintained and that combines the available data in order to grasp the dynamics of (global) HDHT value chain.

(g) HDHT handicraft exporters do not cooperate effectively to leverage their collective market position vis-à-vis the government, suppliers or foreign buyers in the value chain. Most upgrading efforts would greatly benefit from a stronger voice of HDHT handicraft SMEs. This is another upgrading opportunity: addressing the causes of mutual mistrust and establishing a SME-owned platform, within or outside the present BSOs, that pragmatically enhances negotiation power of SMEs.

In addition to upgrading related to value chain constraints, there are two suggestions for upgrading that emerge from current value chain assets. Both are related to the sustainability of the value chain.

(h) The HDHT handicraft value chain offers opportunities for women to start learning artisanal skills and increase household incomes. It allows many to remain living in the village instead of moving to urban areas. However valuable that is, craft work is often a last-resort option. The dream of young women in rural Bangladesh is being educated and having a job with a real salary. This wish of rural women coincides with the needs of a modern handicraft industry. If Bangladesh's handicraft exporters want to target European mid-high and high market segments, the sector requires modernisation, while capacity building among artisans needs to be upgraded. The opportunity for upgrading lies in professionalising the artisan. By formalising handicraft training through vocational training institutes that award official certificates, a pool of skilled artisans could be created, while manufacturers could develop meaningful career paths to absorb a more diverse group of artisans. Artisan professionalisation would address Bangladesh's wide gender gap at a higher level and bring a new dynamic in the development of the women and their families.

(i) There are a few opportunities for greening the production, which is already very 'green'. The products in the four selected product groups are made of natural, renewable or recycled resources. However, opportunities for upgrading lie in waste management, particularly regarding the dyes and inks that are being used.

2. Introduction

The present value chain analysis is intended to be used by CBI in the development of a detailed business case for a Bangladesh Home Décor and Home textile (HDHT) export support programme. The value chain analysis should answer the question as to which interventions and support activities are needed to let small to medium-sized enterprises (SMEs) involved in the HDHT sector in Bangladesh to seize European market opportunities and tackle obstacles in a sustainable manner. The focus is on handmade products of natural and/or recycled materials in four product groups:

- Basketry
- Shopping bags and totes
- Rugs and mats
- Decorative home textiles

The study (a) maps European market opportunities for HDHT handicraft SMEs from Bangladesh; (b) analyses dynamics of the HDHT value chain between Bangladesh and Europe; (c) looks into the obstacles for HDHT handicraft SMEs in Bangladesh to further develop their businesses; and (d) discusses opportunities for sustainable upgrading of the HDHT handicraft value chain in Bangladesh. The study ends with suggestions for CBI interventions in support of export-oriented HDHT SMEs.

2.1 'HDHT handicraft': an explanation of terminology

When discussing the value chain of handmade HDHT products in respect of Bangladesh, one immediately faces the issue of confusing terminology, as the labelling of products varies across the value chain. Upstream in the value chain in Bangladesh, handmade HDHT products are labelled with the umbrella term of 'handicrafts'.

The term 'handicrafts' was defined by UNESCO in the following manner:

> 'Artisanal products are those produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restriction in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant.'[1]

In contrast, in international markets it is common to speak of 'home décor and home textile' products. This is also a broad classification because this product group label does not distinguish between handmade and mass-produced goods. For these reasons, this report will combine the terms used in producer and international markets and use the term 'HDHT handicraft'.

[1] This definition was adopted by the UNESCO/ITC Symposium 'Crafts and the international market: trade and customs codification' – Manila, 6–8 October 1997. UNESCO website: www.unesco.org/new/en/culture/themes/creativity/creative-industries/crafts-and-design/

2.2 Global market value of handicrafts

Handicrafts have traditionally been produced all over the world and enjoy a growing market demand due to a number of reasons. First, there is international consumer interest in regional traditional designs, especially when blended with contemporary styles. Second, handicrafts offer employment to millions of poor people with little income, generating opportunities which attract ethically motivated consumers. Third, handicrafts meet the increasing demand for goods with small carbon footprints; production is based on natural, renewable or recycled resources and uses very little energy. Finally, modern retail options, such as e-commerce portals, can be employed to display, advertise and sell handmade products internationally.

Estimating the international market for HDHT handicrafts is challenging. In producer countries products are listed according to the raw materials they are made of, irrespective of whether they are HDHT, while 'handicrafts' may also be a category in itself. In international markets the imported products are categorised by their end use, while normally no distinction is made between handmade and industry-made products (Barber and Krivoshlykova, 2006).

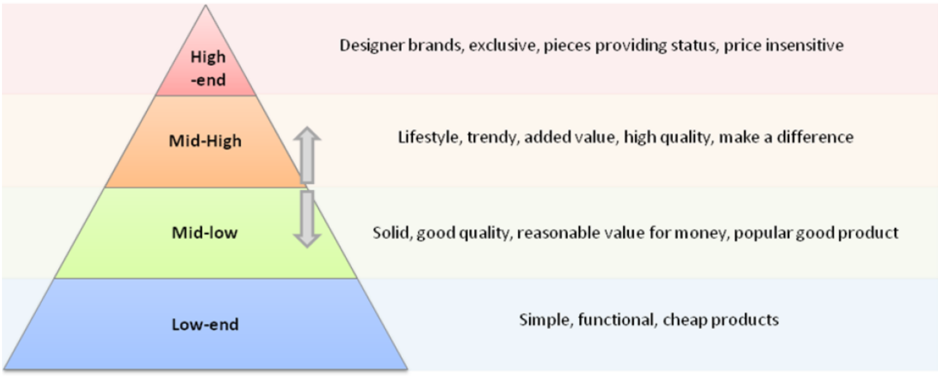
Despite the confusion in coding, several sources have attempted to estimate the global market for handicrafts. In 2006, an American consultant firm calculated the global handicrafts market by using global market value for home accessory products as a proxy. The estimated value was at least US$ 100 billion (Barber and Krivoshlykova, 2006). A few years later, an in-depth study of the Indian handicrafts sector figured the global market value for handicrafts at US$ 400 billion (Dasra, 2013). The study refers to an earlier Indian Government study that could not be traced. Finally, a recent international consultancy report claimed that the global handicrafts market had reached a value of US$ 526.5 billion in 2017 and is projected to reach approximately US$ 985 billion by 2023 (IMARC, 2016). Although it was not possible in the context of this study to cross-check these impressive figures, given the aforementioned confusion in coding, it seems that these grossly overestimate the real market value of HDHT handicrafts. Nonetheless, even assuming that the real market value is only a small percentage of current estimates, the global market for HDHT handicraft is much more than a niche market.

3. European market for Home Décor and Home Textiles

3.1 HDHT market segments in Europe

The European market for HDHT products can be segmented in different price levels. Graph 3.1 provides a quick overview of the key characteristics per segment. Table 3.1 summarises information in respect of key features, final sellers and opportunities for developing country exporters per market segment.

Graph 3.1 HDHT market segments in Europe



Source: CBI, 2017

From Table 3.1 can be concluded that in *Home Textiles,* the mid-high segment offers most opportunities for emerging market SMEs that sell trendsetting goods to department stores or independent retailers, preferably under a brand name. The high-end segment may be too difficult because production under an exclusive designer brand is required. The low-end segment is less relevant to emerging market SMEs because competitiveness requires high-volume production against low prices. More or less the same applies to *Home Decorations.* The mid-high segment offers the most opportunities for emerging market SMEs, when they use authentic designs and techniques. The high-end segment may be too demanding as it requires a level of mastery of techniques that is beyond the capacity of most artisans. The low-end is only relevant when emerging market companies can compete on volume and price.

Table 3.1 HDHT market segments in Europe

	Home textile	**Home décor**
High-end Luxury		
Key feature	Exclusive designer brand name	Exclusive, supreme handmade, extreme design quality
Final seller	Sold at high prices at interior specialists or department stores	Sold at high prices
Opportunities for emerging market SME supplier	Few: difficult for emerging market suppliers; maybe as supplier in outsourcing relationship	For those who can offer the extreme mastery of techniques
Mid-high Value for money		
Key feature	Trend-setting, often carrying a brand name	Functional and decorative pieces that fit a coherent life style, such as 'cottage' or 'minimalist' styles
Final seller	Department stores and independent retailers	From small specialists to department stores and interior shops
Opportunities for emerging market SME supplier	Excellent	Best opportunities for exporters with strong identity, based on use of authentic materials and techniques
Mid-low Basic but fashionable		
Key feature	Trend following; price as determining factor; standardised products with limited variation	Every day, seasonal products
Final seller	Variety shops	Department stores, variety stores, garden centres
Opportunities for emerging market SME supplier		For exporters who can offer trendy products at popular prices, e.g. via discounts or sets of products

Low-end Inexpensive		
Key feature	Basic quality	Everyday basics, functional but not necessarily durable
Final seller	Factory outlets, discount stores, hypermarkets	Supermarkets, hypermarkets, DIY centres and discount outlets
Opportunities for emerging market SME supplier	Few: segment dominated by large Asian manufacturers that are difficult to compete with for SMEs	If you can compete with volume suppliers from China, Vietnam and Indonesia

Based on CBI 2018a and CBI 2018b.

3.2 European demand for four HDHT handicraft product groups

This report focuses on four groups of HDHT handicraft products that are handmade of natural and/or recycled materials. A recent HDHT market study (GloballyCool, 2018) concludes that these products are particularly suitable for the European mid-market segments, and in some cases up to premium. European demand for ethically made products is on the rise. Consumers are increasingly interested in the story behind the items they buy. However, to mainstream buyers, product quality and price continue to be the deciding factors, while the socially responsible background of the product may add value.

Below is an outline of the European demand for each of these groups.[2]

Basketry
Market segment: mid-mid to mid-high

Handwoven basketry from Bangladesh is made of natural materials such as jute, sea grass or palm leaves. Recycled materials are also possible, such as cotton or even plastic. Combining materials can add value to a design.

The product itself places basketwork mainly in the mid-mid market. However, adding value through quality designs, techniques and materials offers potential for the mid-high segment. Using their basket-weaving techniques, producers can also branch out into other product groups such as lampshades. Multifunctional designs are an interesting option as well.

These products are suitable for all types of international wholesale distribution, from specialists to lifestyle concepts and chains of interior/homeware shops, as well as importing departmental stores.

Rugs and mats
Market segment: mid-mid to mid-high

Handwoven or hand-knotted rugs and mats from Bangladesh are made of natural fibres such as jute. Recycled materials are also a good option, such as strips of recycled saris or leftover fabric pieces from textile manufacturing. The material for mats can be relatively coarse.

Smaller rugs like sotranjis are generally limited to the mid-mid segment due to their size. Larger handwoven carpets and rugs can move into the mid-high segment. The quality of the design, material and finishing is key.

[2] This section is based on ITC's Export Potential Map, CBI sources, and expert opinions (GloballyCool, 2018).

Distribution channels range from for all types of international wholesale distribution (especially for sotranjis) to smaller importing retail chains, smaller wholesalers, independent retailers and brands/lifestyle concepts.

Decorative home textiles
Market segment: mid-high

This product group contains handmade table linen, kitchen towels, throws and cushion covers. They can be made of natural materials, recycled materials, blended yarn or mixed fabrics. For home textiles of recycled materials, fabrics are often woven with newly spun yarns made from materials such as recycled cotton.

The mid-high market segment requires added value through quality materials, techniques and designs. Techniques like hand-weaving, embroidery (e.g. Kantha), block-printing and screen-printing offer opportunities.

The distribution of these more highly positioned products relies on smaller importing retail chains, small wholesalers with lifestyle concepts, independent retailers and brands.

Shopping bags and totes
Market segment: low-mid to mid-high

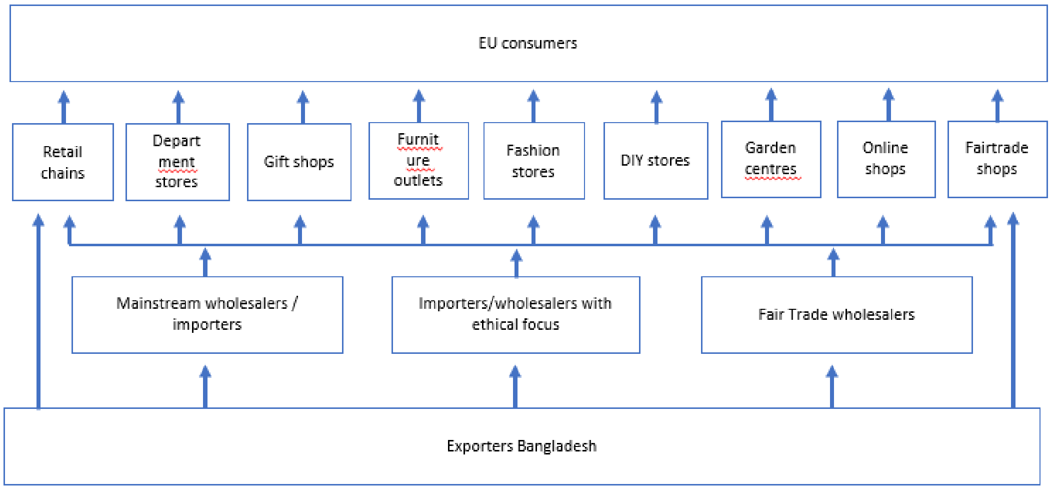
With the (impending) ban on plastic shopping bags in many European countries, the popularity of reusable shopping bags is increasing. More decorative bags can target the low-mid, mid-mid or mid-high market segments. The specific segment depends on the use of materials, techniques, design and different types of value addition. Such products include shoppers, beach bags and totes made of natural materials such as jute, sea grass, palm leaves, catkin or recycled materials.

The distribution of these middle segment products relies on importing retail chains, wholesalers with lifestyle concepts, independent retailers and brands.

3.3 Main HDHT market channels in Europe

In both the European Home Textiles and the Home Décor markets, larger, importing chain store retailers (e.g. H&M, IKEA, The Body Shop) increasingly control the global value chain. Prominent brands from the fashion industry (Zara, Esprit) also gain markets share in Home décor sectors by offering fashionable home products. The larger retail chains benefit from bypassing the wholesalers and importers and are expanding away from mature markets in western Europe to urban areas in eastern and southern Europe. The result is consolidation in the market, fewer players and more powerful lead firms in the chain. To emerging market SMEs these large retailers are not the obvious clients because of their leverage in the market and demanding standardisation requirements. Fair trade organisations (FTOs) and those mainstream firms with an explicit ethical focus in their supply chain strategy (Graph 3.1) may be more empathetic to production conditions under which HDHT SMEs from emerging markets operate.

Graph 3.1 European value chains of Bangladeshi HDHT handicraft products



Based on CBI, 2017

For Bangladeshi HDHT SMEs, most opportunities come from specialised European retailers supplied via importers/wholesalers. Cooperation with wholesalers in design and other delivery conditions may promote a longer-term relationship. Exhibit 3.1 provides a selection of European buyers that have been sourcing in Bangladesh recently.

Exhibit 3.1 Selection of European wholesalers and retailers – Fairtrade and mainstream – sourcing from HDHT handicraft SMEs in Bangladesh*	
Austria * EZA Fairer Handel GmbH (FTO) **Belgium** * Oxfam-Magasins du monde (FTO) **Germany** * EL PUENTE GmbH (FTO) * Globo Fair Trade Partner GmbH (FTO) * Contigo Fairtrade GmbH (FTO) * GEPA-The Fair Trade Company (FTO) * XXX Lutz KG * DW-Shop GmbH * Gruener Handle * Italacesti Import * Kik Textilien & Non-food GmbH **Italy** * CTM Altromercato SOC. Coop. (FTO) * Libero Mondoscs (FTO) * Three Trading Buying group	**Netherlands** * Fair Forward B.V. (FTO) * C&do BV **Norway** * Kid Interiør AS **Portugal** * Area Infinitas - Design de Interiores **Sweden** * The House of Fair Trade (FTO) * Afroart AB * IKEA * Dixie **United Kingdom** * Myakka Ltd (FTO) * Maison Bengal (FTO) * Traid Craft Plc (FTO) * Body Shop UK * Stone The Crows

*Based on interviews with and annual reports from HDHT handicraft exporters in Bangladesh

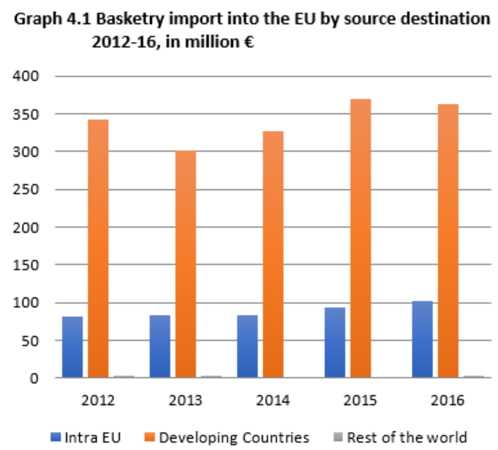
4. European HDHT imports from Bangladesh

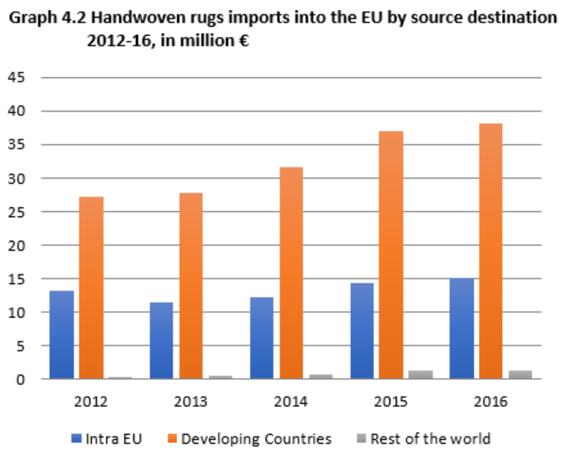
Estimating European demand for the four HDHT product groups is problematic. Because these products are so specific – they are handmade from specific natural materials – there are no relevant statistics available. HS categories are too broad to offer insight into these individual product groups. However, HDHT experts and importers agree that European demand for ethically produced home decoration products is healthy and increasing, and this trend is expected to continue in the coming years. Exporters need to claim a share of this market (GloballyCool, 2018).

Below, available trade figures are presented for basketry and handmade rugs.

4.1 EU HDHT imports by source destination[3]

Graphs 4.1 and 4.2 show that Europe is a good destination for basketry and handmade rugs from Bangladesh, and that other developing countries are the main competitors. Almost all basketry and handwoven rugs imported into the EU are sourced from developing countries. It is highly likely that the intra-EU trade mainly consists of re-export. The total value of imported basketry from developing countries is 10 times the value of imported handmade rugs. In 2012–2016, the value of imported basketry from developing countries remained in the range of €300–350 million. In the same period, the value of imported handwoven rugs from developing countries rose to about €38 million in 2016.

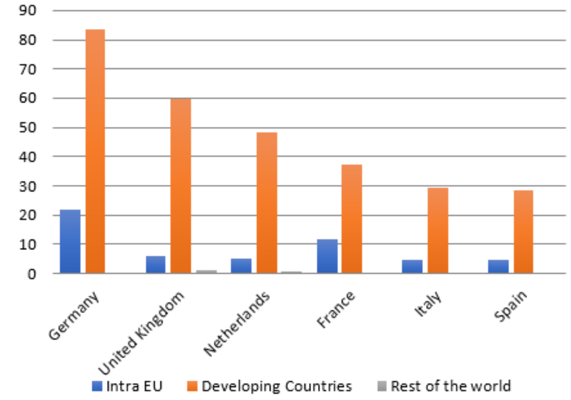




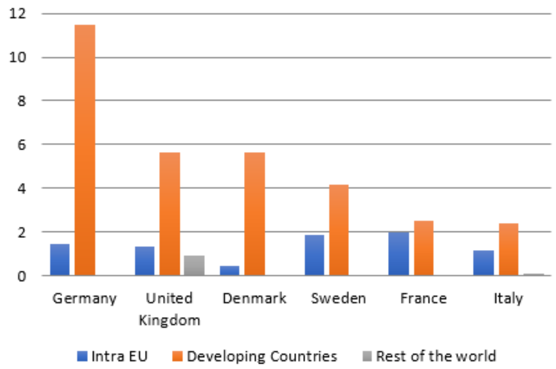
Germany is Europe's biggest importer of basketry and handwoven rugs, followed by the UK and France. The Netherlands is a major importer of basketry from developing countries (Graphs 4.3 and 4.4).

[3] All data presented in sections 4.1 and 4.2 is based on GloballyCool (2018).

Graph 4.3 Basketry import into the EU by main importing country and source destination 2012-16, in million €



Graph 4.4 Handwoven rugs import into the EU by main importing country and source destination 2012-16, in million €

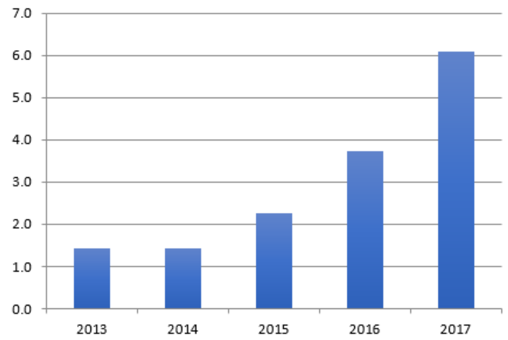


4.2 The relative HDHT import position of Bangladesh in Europe

If EU intra-trade of basketry is ignored, Bangladesh is Europe's fourth supplier of basketry, behind mass producers China, Vietnam and Indonesia, but before India and Pakistan. In the smaller market of handwoven rugs, India is Europe's number one supplier, covering 44% of the import market for these. Ignoring intra-European trade, Pakistan is the second largest importer at 8%. Bangladesh ranks far lower with an import value that is just 10% of the value of handwoven rugs imported from Pakistan.

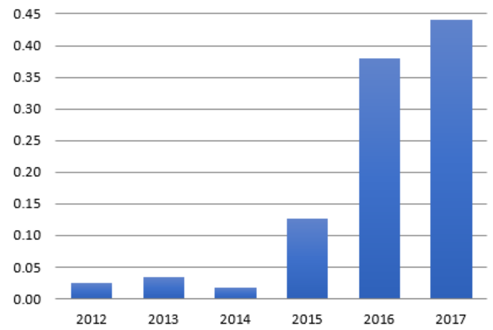
Whereas Bangladesh's market share is relatively small, the import of both basketry and handwoven rugs into Europe has been growing. Imports started in 2013 with almost nothing, but have been on the rise ever since. Grass-based baskets are the most important product in terms of market value, €6 million in 2017. The value of imported handwoven rugs has increased over the past years but did not exceed the €500,000 in 2017.[4]

Graph 4.5 EU imported basketry from Bangladesh made from natural materials* 2013-2017, in million €



* Excluding bamboo and rattan

Graph 4.6 EU imported handwoven rugs from Bangladesh 2013-2017, in million €

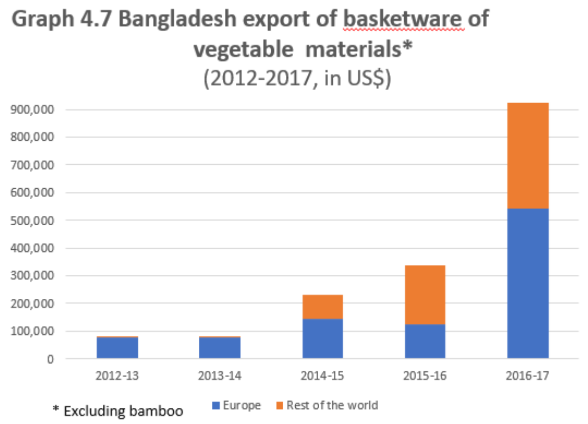


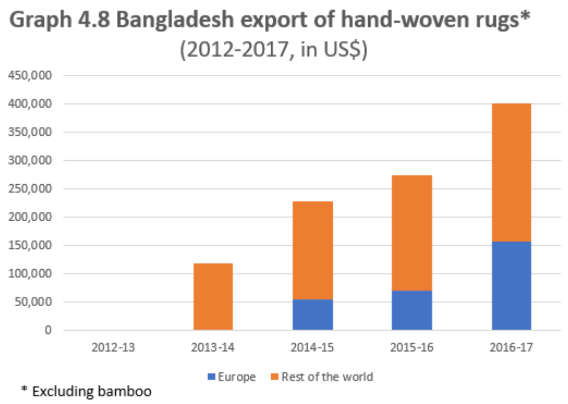
For both the wild grasses-based basketry and the handwoven rugs, Germany has been Bangladesh's main destination. Other countries, such as Spain and the Netherlands, began importing from Bangladesh a few years later. For handmade rugs, Germany is presently the only serious destination, with a steadily increasing demand.

[4] Participants of the Validation Workshop in Dhaka doubted the low value of handwoven rugs imported into the EU from Bangladesh. They roughly estimated the value at around €6 million.

4.3 The importance of the European HDHT market for Bangladesh

Besides Bangladesh's position as importer into the EU, it is relevant to examine how important Europe is as export destination for Bangladesh. Our calculation is based on data received from the Export Promotion Bureau (EPB) of Bangladesh. The graphs 4.7 and 4.8 show the total exports of





basketry and mats.[5] Here too, the limited total value of the annual exports is significant: under US$ 1.5 million. The rather steep rise in the export of basketry in the last year is interesting to note. The export of mats is rising as well, but more gradually. Finally, another significant factor is that the importance of Europe as an export destination is tending to decrease. Bangladesh's HDHT handicraft exporters apparently are managing to diversify their markets internationally.

The first conclusion that can be drawn from the above data is that the Bangladeshi export of grass-based basketry and handwoven rugs into Europe is small. Even when local stakeholders are correct in their comment that the value of imported rugs is far higher, the value of these imported HDHT handicrafts (between €6.5–12 million) remains very limited. However, Bangladesh SMEs have been expanding their exports of handmade basketry and handmade rugs to Europe in recent years, and there is more room for Bangladesh's products in the €400 million European import market, if these are competitive. This is the challenge for Bangladesh's HDHT handicraft exporters.

5. Bangladesh: key socioeconomic trends

5.1 Bangladesh: overall economic situation

Bangladesh's economy has been doing remarkably well over the past years, and the prospects for the medium term are bright.

[5] The total export values of both groups differ considerably from the European import data in graphs 4.5 and 4.6. The likely cause is a combination of factors: the values are based on two different sources (ITC and EPB), different HS codes have been included in the data of both sources, and the assignment of HS codes at the border may have been different or incorrect.

Bangladesh: Selected macro-economic features

* Steady economic growth for years; growth is projected to remain robust in the medium term
* Inflation is contained (5.3% in February 2017)
* Macro-economic stability is expected to be maintained
* Poverty (income < US$ 1.90 pp/pd) has declined from 44% in 1991 to 14% in 2016/17
* Lower-middle income country status since 2015
* Wide gender gap: only one-third of female population participates in labour market
* Risks: potential deterioration of financial sector stability, slippage in fiscal reforms, and resurgence of confrontational politics

Source: World Bank 2017; 2018

Bangladesh's GDP has been growing steadily, well over 5% per year, with key roles for the industry and services sectors (Table 5.1).

Table 5.1. Bangladesh Sectoral Growth per Fiscal Year (FY) 2010–16

	Overall GDP Growth	Agriculture	Industry	Services
FY10	5.57	6.2	7.0	5.5
FY11	6.46	4.5	9.0	6.2
FY12	6.52	3.0	9.4	6.6
FY13	6.01	2.5	9.6	5.5
FY14	6.06	4.4	8.2	5.6
FY15	6.55	3.3	9.7	5.8
FY16	7.11	2.8	11.1	6.2

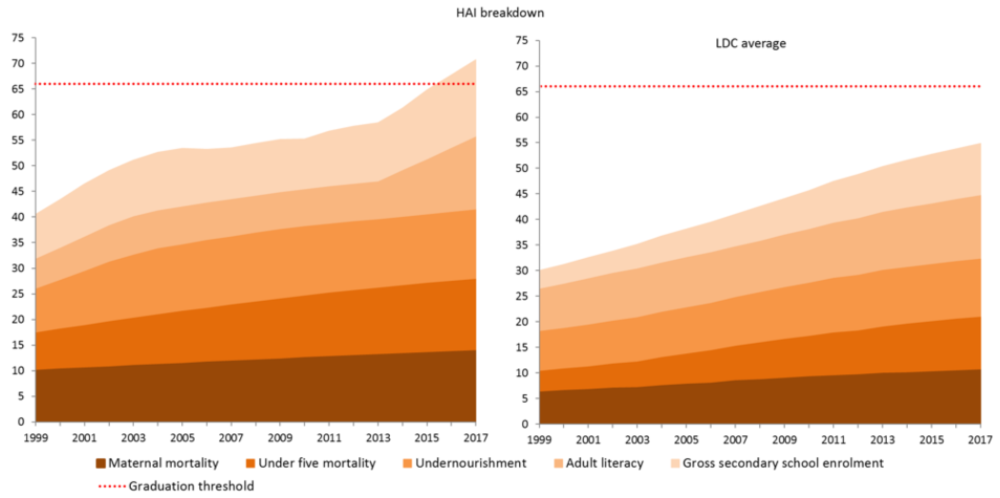
Source: Bangladesh Bureau of Statistics

From: World Bank, 2017

Bangladesh has recently become a lower-middle income country and is on track to be graduated from the United Nation's list of Least Developed Countries by 2024 (United Nations, 2017). Besides a significant reduction in poverty, maternal and under-five mortality as well as undernourishment have diminished above the average of LDCs, while literacy rates and secondary school enrolment have increased more than the average for other LDCs (Figure 5.1). Declining poverty is resulting from labour-intensive exports, reduction in food inflation, and a rise in wages (World Bank, 2017).

Graph 5.1

Human assets index, Bangladesh and LDC average, 1999-2017



Source: United Nations, 2017

5.2 Gender Gap

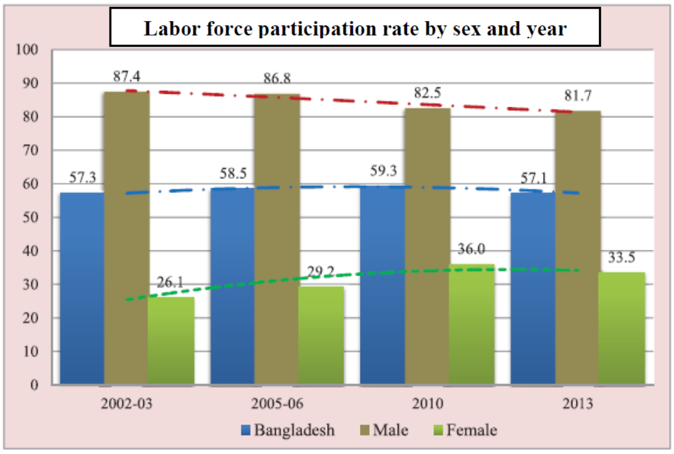
The gender gap in Bangladesh remains wide, despite the fact it has been gradually diminishing during the past decade (Graph 5.2). Only 33% of working-age women participated in the labour force in 2013, against over 80% of the men. The World Bank speaks of a 'huge waste', and states that in order to maintain the high economic growth in the near future, female participation in the labour market has to rise to 45% by 2020 (World Bank, 2017).

Closing the gender gap in labour markets

'The government, business and civil society in Bangladesh need to work hand-in-hand to promote gender equality in labor markets. Reducing the prevalence of early marriage, strengthening girls' early orientation to career development, improving the jobs orientation of education providers, ensuring gender equity in labor legislations and fostering non-discriminatory workplace environment are top priorities. In addition to raising other challenges, gender-based discrimination leads to a major misallocation of resources. Strategic investments have to be made to increase women's participation in the formal economy. Women's labor market access and agency have to be addressed in a more holistic way.'

Source: World Bank, 2017

Graph 5.2



Source: BBS (2015). Report on Labour Force Survey (LFS) Bangladesh

6. The Bangladesh HDHT handicraft value chain

The handicraft sector in Bangladesh forms part of the cottage and craft industry and comprises small manufacturing units which are mostly located in rural areas, operated either by the owner themselves or with the assistance of a small workforce of 10–20 people. The bigger companies have central offices in Dhaka, but their production units are located in rural areas or they outsource their production to such units.

In this study, virtually all handicrafts manufacturers are categorised as small to medium-sized enterprise (SME), because they have less than 500 people on the payroll. Most companies have only few staff and a few hundred compound-based artisans that are formally employed. But they may also provide seasonal employment to thousands of home-based artisans, depending on the volume of individual orders. Overall, annual sales of these SMEs are relatively small, less than US$ 1 million.

It is challenging to estimate the number of people that are involved in Bangladesh's handicraft sector. The 2013 Bangladesh census has reportedly found that small and micro cottage enterprises (SMCEs) employ over 20 million people.[6] This figure covers all rural non-farm jobs, including the HDHT handicraft sector, but also the service sector (such as repairing and rental services for machinery, hospitality), and manufacturing (such as agribusiness). Bangladesh's agriculture has performed very well over the past two decades, a development that significantly promoted the rural non-farm sector via forward and backward linkages. The 2010 Labour Force Survey found that non-farm employment in Bangladesh rural areas is almost 50% greater than all urban employment together (Gautan and Faruqee, 2016: 21).

Although there are claims that Bangladesh's HDHT handicraft sector creates employment for several millions of artisans,[7] the real number is likely far lower because of double counting. Stakeholders in the industry we consulted figured that a more realistic number of handicraft artisans in Bangladesh would amount to several hundreds of thousands, up to one million.

[6] 'Recognising contribution of small and cottage enterprises', *The Financial Express*, 19 February 2017. http://thefinancialexpress.com.bd/views/opinions/recognising-contribution-of-small-and-cottage-enterprises

[7] 'Policy void hobbles handicraft industry development', T*he Financial Express Bangladesh*, 15 March 2015. http://lankabd.com/getDetailsStory.html?storyId=29464&goToHomePageParam true &site Language=en

Most handicraft products end up in the domestic market. In 2010, about 80% of production was reportedly sold nationally.[8] The main player in the domestic market is BRAC-Aarong, which has 18 outlets across Bangladesh and a workforce of reportedly 65,000 people. This fair-trade company has been in the market for over 30 years and been able to create its own brand value through organising fashion shows, exhibitions and other promotional activities in the country.[9] Aarong supported the first home décor expos in Bangladesh, *Home Fest Dhaka,* in 2015 and 2016.

Among other players in the domestic market is Prokritee, also fair trade, which aims at expats and tourists, and which has two of its *SOURCE* retail outlets in the diplomatic zones of Dhaka. SOURCE's wholesale department sells its products to the retailers in Dhaka. Prokritee also organises the *DhakaCraft Bazaar*, a day-long event which takes place 5–7 times a year, mostly in the diplomatic zones of Dhaka city. For the 30–35 vendors, it is a place to meet domestic and foreign customers, and fair-trade supporters (Prokritee Annual Report 2015/16).

The Bangladesh Rural Development Board (BRDB) is a government organisation that has the intention of becoming the public equivalent of Aarong. The BRDB operates by organising small and marginal farmers into cooperative societies in support of farm and off-farm income-generating activities, including handicrafts. In respect of HDHT handicraft products, the BRDB prioritises domestic sales. It has 23 training centres and its own outlet store in Dhaka where products from cooperatives are being sold under the brand name *Karupalli* (Interview B4).

The following sections describe the supply chain of the HDHT manufacturers, largely comprising three different raw materials: jute, grass, and cotton (see Graph 6.1). The manufacturing SMEs typically source all three types of materials, either because they manufacture a diversity of products (from rugs and baskets to textile), or because they combine different raw materials in making their products.

6.1 Jute supply

Bangladesh has been cultivating jute for centuries, and with 1.3 million tonnes of jute is the second largest producer, behind India with produces nearly 2 million tonnes. However, Bangladesh is the world's largest exporter of jute fibre, accounting for 70% of global raw jute exports which are of a quality that is considered the best in the world.[10] The jute industry was Bangladesh's flagship industry during the decade following the nation's independence in 1971, when the crop accounted for 70% of the country's exports. Due to inefficiencies and rising competition from synthetic materials, it lost much of its lustre ever since the mid-1980s. Nevertheless, the 'Golden Fibre' *(Sonali Aansh)* has remained a policy priority to the Government of Bangladesh (GOB) because it contributes to 5% of total foreign exchange earnings and 4% of the country's GDP (Bhuiyan, 2016). The market prospects for jute have also been improving because of a globally growing interest in renewable, natural materials as an alternative to plastic. For example, governments all over the world are phasing out the sale of lightweight plastic shopping bags. The reusable, fancy jute shopping bag could be an attractive alternative.

[8] 'Textile Handicrafts and its Prospect in Bangladesh.' *Textile Today*, 1 March 2010. http://textiletoday.com.bd/textile-handicrafts-and-its-prospect-in-bangladesh/

[9] 'Aarong, Bangladesh'ss craft and fashion icon looks forward to go international'. *Textile Today*, 12 June 2017. www.textiletoday.com.bd/aarong-bangladeshs-craft-fashion-icon-looks-forward-go-international/

[10] 'Top Jute Producing Countries in the World', *World Atlas*. https://www.worldatlas.com/articles/top-jute-producing-countries-in-the-world.html, accessed 7 June 2018.

In Bangladesh, two product sectors are distinguished for jute goods: (a) traditional jute goods with low value added, such as the jute bags used for packaging commodities, such as coffee beans and grains, and (b) 'jute diversified products', including shopping bags, baskets and home décor handicrafts, which have higher value addition and can target mid and high segment HDHT consumer markets. The jute diversified products (JDP) group had an estimated value at around US$ 35 million in 2015 (Bhuiyan, 2016). The Ministry of Textiles and Jute promotes the sector explicitly through its Jute Diversification Promotion Centre (JDPC), which should revive 'the past glory of jute as "Golden Fibre"' by producing high value-added jute products to the benefit of farmers and others involved in the sector.[11]

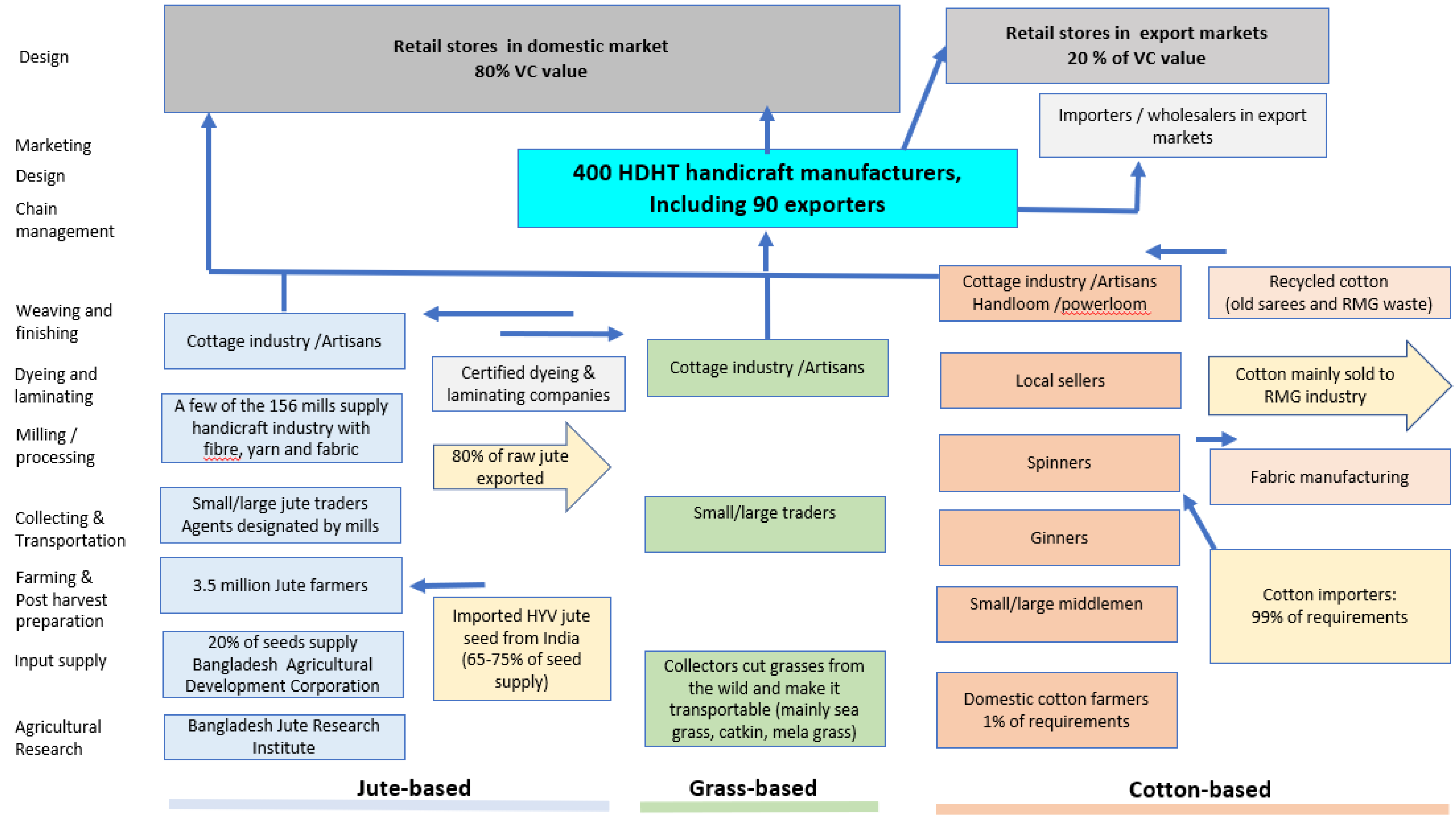
6.2 Wild grasses supply

Most handmade baskets, shopping bags and mats in Bangladesh are made of grasses, such as seagrass (*hogla* in Bengali), catkin (*kaisa*) and palm leaves, sometimes in combination with jute or cotton. HDHT handicraft manufacturers increasingly also combine grasses with recycled material, which often consist of cotton from old sarees or cotton waste from Bangladesh's ready-made garments (RMG) industry.

The grasses used for handicrafts are predominantly harvested from the wild. They grow on the temporary dry areas in riverside areas and are generally considered to be weeds without any particular purpose. Their exploitation by the handicraft industry is therefore profitable for people living along rivers who can freely harvest the renewable material on the riverbanks. They cut the grass, bundle it, and sell it to traders who will pick up the bundles with their lorries and sell it at the markets. Farmers may also arrange the transport to the markets themselves. The value of the grasses for the handicraft manufacturing has encouraged some people living near rivers to collect grass seeds and grow grass as a crop on the free land along the riverbanks.

[11] Website of the Jute Diversification Promotion Centre. www.govserv.org/BD/Dhaka/225372257640632/Jute-Diversification-Promotion-Center.

Graph 6.1 HDHT handicraft value chain in Bangladesh



Sources: CBI 2012; TraidCraft 2014; Bhuiyan 2016; Researcher interviews, Bangladesh, 2018, Validation Workshop, Dhaka, 2018

6.3 Cotton supply

Even though Bangladesh is the second largest ready-made garment (RMG) exporter in the world, for its cotton supply it relies almost entirely on imports. Almost half of cotton requirements are imported from India, while 20% is sourced in African countries.[12]

Several HDHT handicraft manufacturers explained that cotton is the most expensive raw material, with jute coming second. Importing cotton is not an option for small quantities and therefore manufacturers resort to local cotton sellers. In addition to this, they use recycled cotton, old sarees and RMG cutting waste, which is cheaper. According to one entrepreneur the price of recycled cotton is 20-25% of the price of new cotton (Interview A3).

6.4 Sustainability of the value chain

Overall, the Bangladesh HDHT handicraft value chain scores high on social sustainability. Over a quarter of the 90 exporting Banglacraft members are WFTO certified, while a number of other companies we visited were ethically driven as well. Socially responsible entrepreneurship is among the unique selling points of the entire sector.

The manufacturers we interviewed point to the fact that managing their artisans is a challenge, given that they are poor people with little or no education, living in remote rural areas in the country. The companies need to invest substantially in their artisans in respect of communication, training and individual support in resolving the many daily household and health issues that their artisans have to cope with. Based on data shared with us by three exporters, turnover among factory-based artisans is low, at about 5%. Such a figure indicates a sufficient level of job satisfaction, although in rural Bangladesh it may also reflect the lack of alternatives.

Artisans tend to be paid per item produced. For every new product, the piece rate is established by special teams. These teams initially make the product to determine a fair amount of time that artisans will need when producing it. Companies commonly have producer management committees (PMCs), which regularly consult with the management to discuss issues concerning working conditions. The PMC also makes suggestions about piece rates. The introduction of new products to be manufactured is unpopular among artisans because they require time to learn making the new item efficiently, which slows down their speed of production and temporarily reduces their income.

There are no systematic records of wages paid in the handicraft sector, but based on data provided by two interviewees, artisans could make between BDT 3000 and BDT 5000 (US$ 35–60) a month, when they work full-time and perform well. That is below the current minimum wage in the RMG industry (BDT 5300). This wage standard was set in 2013 and garment industry workers have recently started campaigning to double the minimum wage in the context of the rising cost of living since 2013.[13]

We have no indications of abuses among the artisanal workforce in Bangladesh. According to research on occupational health risk in the handicraft sector in India, artisans may suffer from

[12] 'Rationalization of Bangladesh cotton import', *Textile Today*, 26 August 2017. www.textiletoday.com.bd/rationalization-bangladesh-cotton-import/ ; Tabib, Md, F. (2014) Cotton Supply Chain in Bangladesh. www.cottonbangladesh.com/April2014/CottonSupplyChain.htm

[13] 'Bangladesh garment workers call for increased minimum wage'. Website IndustriALL Global Union, accessed 5 March 2018. www.industriall-union.org/bangladesh-garment-workers-call-for-increased-minimum-wage

headache, backache, joint pains, skin diseases and lung disorders. The authors conclude that the integration of ergonomic principles into existing handicraft industry tools, methods and work environments would reduce the risk of occupational injuries (Meena et al., 2012).

In terms of social inclusiveness, the HDHT handicraft value chain in Bangladesh provides employment opportunities in particular to young women. The industry is a major contributor to closing the gender gap in Bangladesh. There is broad consensus among interviewees that 80% of the artisans comprise women, which is also reflected in the reports we consulted. Only in weaving is the percentage lower, at about 50%, due to the required physical effort. Young women dominate the artisanal workforce. What we heard and observed is that most women are between 20–35 years of age, while a few are over 50. The main motivations for applying for a job are: income, low entry level, training on the job, the creative work, and the 'slow' and safe working environment.

In respect of environmental sustainability, we have no indication that Bangladeshi HDHT handicraft exporters are unable to meet the EU legal importing requirements. The unique selling point (USP) of HDHT handicraft is that the items are made from renewable, natural materials whose harvest does not affect biological diversity. They are normally not chemically treated, often naturally dyed and manufactured by hand. Overall, these products are not the prime suspects in violating EU product safety, wildlife or biological diversity regulations.

6.5 HDHT handicraft value chain dynamics

The HDHT SMEs hold a vulnerable position in the HDHT value chain. Upstream, in the domestic market, they operate in three sub-chains of raw materials. The jute and cotton chains are supply-driven, because big industry interests control the supply of both raw materials. In respect of jute, the government intensively regulates the jute chain, which has as main focus the export of raw jute. In cotton, the supply is fully organised in view of the interests of the powerful RMG industry. In both cases, the HDHT handicraft SMEs (literally) have to work with the leftovers of both sub-chains. They have no market or other power to influence the supply of these raw materials. This weak value chain position is a constraint to their business, especially also because the standards of foreign buyers entail specific requirements regarding the quality of raw materials (see also section 7.4). Only the supply of grasses is demand-driven, with the HDHT handicraft SMEs being the domestic chain leaders. There is no private or government organisation that is interested in the product, and the SMEs have to actively invest in the supply of grasses, as is discussed below in section 7.4.

Downstream in the value chain, which ends in foreign markets, HDHT exporters have to deal with foreign importers and retailers. These are the lead firms of the global value chain, who have the market leverage to set the conditions for production processes and product qualities in Bangladesh. The vulnerability of Bangladesh's small HDHT exporters is enhanced by the lack of sufficient knowledge of design. Handicraft design education at either vocational or academic level is almost non-existent in Bangladesh, a constraint that is elaborated upon in sections 7.2 and 8.2.2. Consequently, the design of HDHT handicraft exports is to a large extent determined by foreign buyers.

6.6 HDHT handicraft value chain support organisations

The actors in the HDHT handicraft value chain receive support from a wide variety of organisations: governmental agencies, business support organisations (BSOs), NGOs and foreign donors. The most prominent organisations are discussed below. Graph 6.2 provides an overview of the organisations in the value chain and where in the chain they operate. The graph in Appendix VI indicates the relevance of the same organisations for interventions via a stakeholder assessment grid.

6.6.1 Business support organisations

The **Bangladesh Handicrafts Manufacturers and Exporters Association** (Banglacraft) is an association of 400 manufacturers of handicraft products, with 90 of them being involved in exporting. Banglacraft's focus in on:

- advocating the interests of its members vis-à-vis the government
- collecting and sharing information among the members
- organising training sessions, such as on jute development, product design and development, and marketing.

Banglacraft is a key organisation in the handicraft sector because it represents all manufacturers and exporters, and is recognised in this role by the GOB. It is presently the only organisation that can promote the sector, and which has the authority to do such things as convene meetings with other value chain stakeholders. However, according to members we interviewed, Banglacraft is limited in its capacity to support SMEs, in part because its Executive Committee members are replaced every two years, which has a negative effect on its management.

The **ECOTA Fair Trade Forum** (EFTF) is a networking and coordinating body of fair-trade handicraft SMEs in Bangladesh. The organisation promotes fair-trade practices to alleviate poverty and to improve the wellbeing of artisans in the SME supply chain. The EFTF has 38 members, of which 26 are exporters. Together, the members reportedly employ an estimated 115,000 artisans. The EFTF could also take up a representation role for the HDHT handicraft exporters if it is able to move beyond the realm of the fair-trade channels towards mainstream markets.

The **Dhaka Chamber of Commerce and Industries (DCCI)** is a non-profit trade body promoting the development of business and industry in Bangladesh. The organisation serves 4000 members, of which 85% are SMEs. The organisation has its own DCCI Business Institute (DBI) with modern classroom infrastructure to help entrepreneurs and executives to upgrade their knowledge and skills through short and long-term courses, including those that lead to a Bachelor degree in Business Administration. DCCI is not explicitly serving HDHT handicraft SMEs but indicates it is willing to cooperate with CBI in SME training.

6.6.2 Governmental agencies

There is a wide network of ministries and entities falling under these ministries that in one way or another are involved in the HDHT handicraft sector. The large number of governmental stakeholders is to be explained by the great number of Bangladeshi people who are involved either in the farming and collection of raw materials or in the manufacturing of handicrafts. At least six ministries are directly related to the HDHT handicraft sector: the **Ministry of Commerce** (Export Policy Department, Export Promotion Bureau); **Ministry of Planning**; **Ministry of Agriculture**; **Ministry of Textiles & Jute**; **Ministry of Industries**; and the **Ministry of Local Government Rural Development and Cooperative**. Below the most prominent agencies of these ministries are briefly discussed.

The **Export Promotion Bureau** (EPB), part of the Ministry of Commerce, supports, among other things, the HDHT handicraft manufacturers with their promotion at international HDHT Fairs. The EPB maintains an advanced list of relevant international trade fairs and communicates about them with the private sector and Bangladesh's embassies. The EPB invites companies to participate in trade fairs and can subsidise 50% of the exhibition costs (60% for SMEs) and also overhead costs.

The consultations with HDHT handicraft SMEs indicated that the EPB is recognised as a valuable GOB agency because of its support and expertise.

Graph 6.2 Overview of value chain supporting organisations and where in the chain they operate

	Government	BSOs	NGOs & donor organizations
Marketing Design Chain management	* Export Promotion Bureau	* ECOTA WFT * Banglacraft * DCCI Business Institute	* PUM Netherlands senior experts
Weaving and finishing Dyeing and laminating Milling / processing	* Bangladesh Handloom Board * Jute Diversification Promotion Centre * Bangladesh Rural Development Board * Bangladesh Small and Cottage Industries Corporation		* CARE Bangladesh * iDE Bangladesh * TraidCraft
Collecting & Transportation			
Farming & Post harvest preparation			
Input supply	* Bangladesh Agricultural Development Corporation		
Agricultural Research	* Bangladesh Jute Research Institute		

A series of other GOB agencies play a role in respect if activities more upstream in the value chain and may therefore influence the supply chain of HDHT handicraft exporters.

The **Bangladesh Rural Development Board** (BRDB) is the prime government body working for rural development and poverty alleviation under the Ministry of Local Government Rural Development and Cooperative. The BRDB services 79,400 cooperatives and 64,000 informal farmer groups, comprising a total 7 million rural people. It is active in the domestic handicraft market with an own brand name.

The **Bangladesh Handloom Board** (BHB) operates under the aegis of the Ministry of Textiles and Jute. Its mission is the development, promotion and extension of the handloom sector by creating backward and forward linkages for the textile sector; stimulating export of handloom products; generating employment, alleviating poverty and improving the standard of living of the handloom weavers. The BHB has been implementing a number of package programmes covering input supply, innovation of suitable designs, financing of working capital, development of human resources, modernisation of handloom technology, efficient marketing management, and formation of sound weavers' societies.[14]

The **Bangladesh Small and Cottage Industries Corporation** (BSCIC) is a government organisation under the Ministry of Industries, established with the aim of accelerating industrial growth through the promotion of small and medium-sized enterprises and cottage industries. To provide services to the entrepreneurs, the organisation operates a network of centres throughout the country, such as the Small and Cottage Industries Training Institute (SCITI), 15 Skill Development Centres (SDCs) and a Design Centre. In respect of handicrafts, the BSCIC aims, among other things, at the improvement of

[14] Khan, Md. A. (2013). *Role of Handloom Board to Generate Employment in Rural Area: A Study of Enaitpur Thana in Sirajgonj.* Master thesis, Institute of Governance Studies, BRAC University, Dhaka.

product quality and design, training and skills improvement of artisans, diversification of products and improvement of standards, preparation of an integrated catalogue of handicraft products, and participation of 'artisans/designers' of handicrafts in overseas fairs.[15]

The **Jute Diversification Promotion Centre** (JDPC) falls under the Ministry of Textiles and Jute, and was created to support the sustained development of jute economy through extension of uses and production of jute products and jute diversified products (JDPs) of high value addition. The JDPC provides technical information and know-how, design and product development services, and provides raw materials through the Raw Materials Bank. It also offers training programmes for entrepreneurs, designers and artisans.[16]

The **Bangladesh Jute Research Institute** (BJRI) is part of the Ministry of Agriculture and has the mandate to carry out research on agricultural, technological, marketing and economic aspects of jute. The BJRI has released dozens of new jute plant varieties and also explores diversification of jute applications. It has 'innovated dozens of new techniques', such as the blending of jute and cotton (Rahman, 2014).

6.6.3 Non-governmental and donor organisations

Below we briefly discuss a number of NGOs, which very recently have been involved in programmes to strengthen the handicraft value chain in Bangladesh. The list is not exhaustive. The NGO BRAC is not included because it is operating its own integrated chain and focusing on the domestic market, as discussed above in the introduction of this section.

iDE Bangladesh
iDE is an international NGO with over 30 years of experience in designing and delivering market-based programmes in 11 countries. In cooperation with The Asia Foundation, iDE Bangladesh is implementing the Women's Economic Empowerment through Strengthening Market Systems (WEESMS) programme, a five-year (2016-2021) initiative funded by the Embassy of Sweden. The programme is designed to increase women's participation in the labour market in rural and peri-urban Bangladesh. It aims to promote women's entrepreneurship and strengthen the enabling environment for women to access formal and informal productive employment opportunities in nine districts in Rangpur and Khulna, specifically in the sub-sectors of jute home textiles and diversified products, and processed and packaged food.

Traidcraft
Traidcraft is a UK-based fair-trade NGO, advocating the importance of organic farming, sustainability and transparency to the lives of growers and artisans around the world. The organisation supports farmers and artisans upstream in the value chain, and sells their products in Traidcraft retail outlets in the UK as well as online. In 2015, Traidcraft engaged in its Jute Empowered Women Ensured Livelihoods (JEWEL) project that aims at improving the livelihoods and wellbeing of disadvantaged women working in jute supply chains. The project offers the women training opportunities on issues such as effective group operation, advocacy and negotiation, agricultural operations, and poultry and livestock rearing.[17]

PUM Netherlands senior experts

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[15] 'Geographical indication: BSCIC opens new horizons of opportunity for craft products and prospects for jamdani in Bangladesh'. *The Guardian*, 27 June 2018. www.theguardianbd.com/geographical-indication-bscic-opens-new-horizons-of-opportunity-for-craft-products-and-prospects-for-jamdani-in-bangladesh/
[16] Website JDPC: www.jdpc.gov.bd/site/page/8eeadbc6-ebb3-445e-9d90-9516a5f43ec8/Main-functions
[17] Traidcraft (2017). New livelihoods for women in rural Bangladesh. www.traidcraft.org.uk/traidcraft-in-depth/2017/12/5/new-livelihoods-for-women-in-rural-bangladesh

PUM is a Dutch volunteer organisation committed to the sustainable development of small and medium-size enterprises in developing countries and emerging markets. PUM experts support SMEs via a two-week advisory mission, followed by a remote coaching trajectory during the implementation of their recommendations. PUM forges partnerships with diverse stakeholders to create synergies in the implementation of programmes directed at promoting SMEs and an enabling environment.[18]

CARE Bangladesh is an international humanitarian NGO that is implementing projects to improve food and livelihood security, promote gender equality and women empowerment, and improve child health and nutrition, with an eye to eventually reducing child mortality. The organisation has also been engaged in the development of the handicraft value chain. For example, in 2007 it supported what now is one of the biggest HDHT handicraft exporters, Classical Handmade Products, by selecting and training a group of women in rug-making according to specifications of a European customer (CARE Bangladesh, 2014). The organisation has also been actively involved in strengthening the chain of jute diversified products.[19]

6.7 Government support for the HDHT handicraft value chains

HDHT handicraft is not a priority sector to the Government of Bangladesh (GOB), but the sector has been receiving support in a fragmented manner because the sector itself is fragmented. The GOB provides considerable support to jute production and jute-based handicrafts, but similar support does not exist for grass-based and cotton-based handicrafts. On the other hand, there has been government support for cottage industries, for rural development and for weavers operating handlooms.

The GOB has also been promoting handicraft exports. In early 2016, the Ministry of Industries launched its *Hasta and Karushilpa Nitimala-2015* (The Handicraft Industry Policy, 2015), which envisages generating employment by mainstreaming the crafts trade production and export. The policy, which was published in Bengali only, would provide necessary capacity building training to artisans.[20] Although interviewees noted that the implementation of the Handicraft Policy is yet to materialise, the export policy of the Ministry of Commerce has been supporting HDHT handicraft exports already at least for over a decade.

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[18] Website PUM: www.pum.nl/

[19] Switch Asia (2015). Strengthening the value chain of jute diversified products in Bangladesh. www.switch-asia.eu/fileadmin/user_upload/Publications/2017/Jute_Diversified_Products/Switch_Asia_Impact_Sheet__2015_-_Jute_Diversified_Products.pdf

[20] 'Handicrafts exports to get govt support', *The Asian Age*, 26 January 2016. https://dailyasianage.com/news/9081/handicrafts-exports-to-get-govt-support; 'Draft Handicraft Industry Policy gets cabinet nod', *Campus Live 24.com*, 13 April 2015. www.en.campuslive24.com/draft-handicraft-industry-policy-gets-cabinet-nod/; 'Policy void hobbles handicraft industry development', T*he Financial Express Bangladesh*, 15 March, 2015. http://lankabd.com/getDetailsStory.html?storyId=29464&goToHomePageParam true &site Language=en

Table 6.1 Bangladesh government benefits and facilities to handicraft exporters

	Highest priority sector	Special Development Sector
	Jute	Handicrafts; Handloom products; Diversified jute products
1. Project loan at reduced interest rates on a priority basis	X	X
2. Income tax rebate	X	X[1]
3. Possible financial benefits or subsidies for utility services, such as electricity, water and gas in consistent with WTO Agreement on Agriculture, and Agreement on Subsidies and Countervailing Measures	X	X
4. Export credit at lower interest rates and on soft terms	X	X
5. Air transport facilities on priority basis	X	X
6. Duty draw-back/bond facilities	X	X
7. Facilities for setting up ancillary industries including infrastructural development for reducing cost of production	X	
8. Priority in getting electricity, gas, telephone connection along with facilities for setting up ancillary industries to reduce cost of production		X
9. Expansion of institutional and technical facilities for improving and controlling quality of products	X	
10. Expansion of technical facilities to improve quality of products		X
11. Duty-free import of equipment for setting up compliant industry	X	
12. Assistance in production and marketing of products	X	
13. Assistance in marketing of product		X
14. Assistance in exploring markets abroad	X	X
15. Necessary initiatives to attract foreign investments	X	X
[1.] The government offers an income tax exemption on export earnings from handicrafts and cottage industries (according to S.R.O No. 339-L/86, dated 13 August 1986).		

Based on: Ministry of Commerce, Bangladesh, 2014, *Export Policy 2015-2018*.

For example, the Ministry of Commerce distinguishes *Highest Priority Sectors* from *Special Development Sectors*. Jute is designated as one of the Highest Priority Sectors: those sectors that have special export potential, which can only be utilised properly with governmental support to resolve constraints. Special Development Sectors are those sectors which also have export potential, and will receive support to consolidate their export base, but whose production, supply and export bases are not strengthened. Handicrafts, handloom products and diversified jute products are designed as Special Development Sectors (Ministry of Commerce, 2014). The benefits accruing to the respective designations are listed in Table 6.1 and Exhibits 6.1 and 6.2.

'Jute diversified products' is a category of jute products that, when exported, is eligible for government support. However, due to absence of any list of diversified jute products and any definition of diversified jute goods, exporters face problems in receiving the incentive of 20% cash subsidy against exports. In 2017, the Ministry of Textiles & Jute was about to list 232 diversified jute products that are eligible for the subsidy, including shopping bags, curtains, cushion covers, pillow covers, sofa covers, table mats, flower vases, storage items, indoor and outdoor gardening materials, and lifestyle products like shoes. To receive the benefit, exporters will have to get certification from JDPC that their products are diversified jute goods.[21]

Exhibit 6.1 Government support for Handicrafts made from local raw materials

5.3.01. Steps will be taken to set-up *Karupalli* [the BRDB outlet store for Karupalli-branded handicrafts - JvW] in different places including Dhaka;
5.3.02. Commercial production of inputs, such as bamboo, cane, coconut, palm, wood, etc. will be encouraged with a view to making the raw materials of handicrafts easily available;
5.3.03. Export of value-added products made from local inputs, such as bamboo, cane, water hyacinth, coconut coir, etc. will be encouraged;
5.3.04. Assistance will be provided for the development of design in order to bring newness and diversity to the production of handicrafts products. Steps will be taken to establish a design centre under joint initiative of public and private sector. Steps will be taken for the multi- dimensional training on export of handicrafts;
5.3.05. Steps will be taken to send marketing mission abroad, to organize and participate in international trade fairs both at home and abroad in order to expand and consolidate the market of handicrafts products;
5.3.06. Initiative will be taken to set-up display centre for handicraft products at Hazrat Shahjalal International Airport Port; and
5.3.07. Necessary steps will be taken under the initiative of the public and private sector for the improvement of handicrafts products.
From: *Ministry of Commerce, Export policy 2015-2018*

Exhibit 6.2 Government support for the Jute Industry

5.5.01. Steps will be taken to bring dynamism to the activities of the Bangladesh missions abroad, to send marketing mission abroad and to participate in the International Trade Fairs for the expansion of market of Jute and Jute Products abroad;
5.5.02. Steps will be taken to introduce feeder vessels in different routes from Mongla Port;
5.5.03. Commercial Banks will take steps to provide loan facilities to the jute products exporters;
5.5.04. An integrated `plan of action' for increasing productivity of the jute industries through strengthening research activities, BMRE of Jute Mills and other activities in order to develop and diversify jute products;
5.5.05. Steps will be taken to identify and remove obstacles hindering export of jute and jute products to different countries;
5.5.06. Initiatives will be taken to popularize the use of jute in the international market by highlighting environment-friendly quality of jute through Bangladesh Missions abroad;
5.5.07. Assistance will be provided to jute and jute products exporters to participate in international trade fairs and exhibitions with a view to creating markets;
5.5.08. Government support will be provided for establishing design centres with a view to bringing diversity to jute products; and
5.5.09. Initiative will be taken to provide similar facilities to jute products as provided to other agricultural products.
From: *Ministry of Commerce, Export policy 2015-2018*

[21] 'Govt moves to boost exports of diversified jute products', The Daily Star, 2 April 2017. https://www.thedailystar.net/business/govt-moves-boost-exports-diversified-jute-products- 1384924

To summarise the financial benefits handicraft exporters can receive from the government:

1. The handicraft industry, in general, is waived for company income tax, which is 20–25%.
2. Handicraft companies receive a subsidy of 20% of the value of their foreign sales when the payment from abroad is being received by the Bangladeshi central bank.
3. The Export Promotion Bureau (EPB) promotes Bangladesh's firms during the main international trade fairs. The EPB maintains an advanced list of trade fairs that are relevant to Bangladeshi industries. It communicates about this with the private sector and the embassies. EPB will invite companies to participate. It will subsidise 50% of the exhibition costs – 60% in case of SMEs – for selected international trade fairs such as the HKDTC in Hong Kong, and also overhead costs.

7. HDHT handicraft value chain constraints

Judging from newspaper articles published in Bangladesh, the HDHT handicraft sector has to cope with a series of significant constraints.[22] What the articles indicate is that foreign demand for handmade crafts is not a problem, but the opportunities to serve them are under-exploited because the industry faces challenges in manufacturing and in shifting the focus from the domestic to foreign markets. Potters and bamboo craftsmen face increasing costs for raw material and equipment and have limited access to capital, while potters and basket makers suffer from competition from cheap, mass-produced substitutes. The 2003 handloom census by the Bangladesh Bureau of Statistics showed that almost 40% of handloom units were no longer operational, mainly (in 79% of the cases) due to lack of capital. Lack of yarn was also a significant cause of non-operation (12%). Sale issues were only a minor problem (5%), however (Liton et al, 2016).

In the section below, we present the most important constraints in the HDHT handicraft value chain, which we mainly found during our own consultations with stakeholders in interviews and focus groups. Except for the first two, the constraints are not presented order of importance.

7.1 Lack of international marketing capacity

The one value chain obstacle that was mentioned by virtually all interviewees is the lack of marketing capacity among the exporters. The exporters and focus group participants explained their day to day challenges they face when dealing with foreign buyers, and their stories were confirmed by governmental and business support organisations.

Our meetings revealed a lack of basic marketing and logistical knowledge, considering the questions that were posed: How can repeat orders be acquired? How do you cope with former buyers that no longer respond? How can we make ourselves more visible to foreign buyers? How should we send freight abroad? What is the best negotiation strategy in communication with foreign buyers? How can we benefit from social media in our marketing efforts? How can we use online sales platforms to sell our products abroad?

There is no marketing knowledge centre that Bangladeshi HDHT handicraft exporters could consult about ethics in supply chain management of potential foreign buyers, nor is there a platform for

[22] 'Bamboo crafts on decline', *Daily Star*, 25 January 2017; 'Save the potters', *Daily Star*, 4 November 2016; 'Dinajpur craft export industry in decline', *Daily Star*, 11 September 2015; 'Khulna handicraft industry beset with problems', *The Independent*, 7 December 2015.

knowledge sharing among the SMEs themselves. A more systematic analysis of sustainability elements in the supply chain management of potential foreign buyers may benefit the exporters.

7.2 Lack of design and innovative capacity

A second widely shared concern among interviewees was the lack of capacity to innovate, in design and in techniques. The exporters and BSOs were very well aware of the need to blend traditional designs with innovative, contemporary styles to become internationally competitive. But the capability to do so is very limited. European HDHT buyers confirm that the limited design capacity in Bangladesh is a major weakness of the sector, especially in comparison with India and Pakistan. They conclude that training programmes in the past have unfortunately not been effective.[23]

Virtually all manufacturers we interviewed struggle with the design of their new products, a finding that was also confirmed in the focus group meetings with Banglacraft and EFTF. Some interviewees said they would incidentally hire external professional HDHT designers. Only very few companies can afford hiring their own designers who have a degree from the Dhaka Art College, or who have a talent and an interest in designing but no relevant educational background. They keep up their knowledge of latest trends via the Internet and the trend books that previous buyers send.

Even when HDHT handicraft SMEs can afford designers, it is difficult to find them. There is a shortage of designers, and most graduates from the fashion teaching universities in Dhaka, BUFT and Shanto-Mariam University of Creative Technology, prefer a job in the RMG industry. There is a similar situation in the Home Décor sector where Art College graduates seek a job in the furniture industry. The handicraft sector’s reputation is less appealing to young designers, with work often requiring longer stays in rural areas, away from the dynamics of the big city.

Moreover, the SMEs need ‘market-based design’ that looks beyond aesthetics and explores creations in the context of opportunities and limitations in the entire value chain. The product design should fit latest consumer trends, be transportable, and produced from locally available and renewable resources, that are inexpensive, biodegradable, harmless to health, environmentally friendly, and easily convertible into sellable products. There are no art or design institutes in Bangladesh that combine those elements into their programmes.

Only manufacturers with a turnover of €0.5 million to €1 million or higher are capable of designing their own collections. It is a vulnerable strategy because buyers may not be interested, but it is a good opportunity to show potential buyers what they are capable of. That might convince buyers. Exporting SMEs send their (electronic) catalogues, send samples upon request, and wait for feedback. Foreign buyers usually adjust the design for functional and/or aesthetical reasons in size, colour and shape. Bigger department stores avoid working with middlemen and deal directly with manufacturers. In such cases they will also coordinate the design.

A few interviewees said they were innovating, for example by blending recycled cotton with grasses in products, by recycling farm waste, or by experimenting with screen and block printing. The majority, however, highlighted that the lack of such innovations is a hindrance to the entire sector to become more competitive.

7.3 Inefficient specialised services

[23] Private communication with GloballyCool, June 2018.

Inefficiency of specialised services was mentioned as an obstacle in the jute-based chain where SME manufacturers source the dying process from ‘jute finishers’. The problem is that for different processing steps, different specialised finishing companies are needed. This implies that the jute has to be transported to different finishing companies that have a certified effluent treatment plant (ETP), which is inefficient. It requires a strategic decision whether and in which direction an SME invests in additional functions. Only the biggest manufacturers have upgraded their dyeing processes and can do this in-house (CBI, 2012).

7.4 Insecure raw material supply

7.4.1 Jute fabrics are expensive

Several entrepreneurs pointed out that jute fabric as a resource is expensive. One of the reasons is that Bangladesh is not self-sufficient in jute seed supply and depends for jute seed on imports from its main competitor in the jute market, India. In 2014, Indian seed accounted for 65% of the jute seed supply in Bangladesh (Rahman, 2014), while in 2018 that figure was almost 75%.[24] Legally imported seed is certified by the Seed Board of India, but much of the Indian seed illegally crosses the border and is often of dubious quality.

The Bangladesh Jute Research Institute (BJRI) has bred and released a few dozen new high-yielding varieties (HYVs) of jute and jute-related fibre, which would increase productivity. However, the dissemination of these varieties is still limited because it is financially not attractive for Bangladeshi farmers to serve as seed producers.[25] Importing jute seed from Maharashtra (India) is therefore considered to be the most efficient option (Rahman, 2014).

Bangladesh’s dependency on the importation of seed, a key input, renders the entire jute-based supply chain vulnerable. For example, in 2016 the Indian jute industry faced a shortage of jute seed, which caused the Indian government to consider a temporary ban on their export.[26] Ultimately this situation contributes to the upward pricing pressure on jute.

7.4.2 Purchasing small quantities of high-quality jute is difficult

Jute-sourcing SMEs face the problem of acquiring sufficient quantities of high-quality jute (yarn). SMEs usually require relatively small quantities, under 10 yards (9.14 metres), but this cannot be purchased from the jute mills that are used to sell big volumes of jute especially to foreign buyers. SMEs have to resort to Jute Entrepreneurs’ Service Centre, a government body that sells jute against subsidised prices but also at lower quality (Bhuiyan, 2016). One entrepreneur explained that this was problematic when foreign buyers obliged him to acquire a specific jute supplier with a testing lab (Interview A4).

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[24] ‘6,300 tonnes jute seed to be imported from India’, *The Daily Sun*, 22 February 2018. www.daily-sun.com/post/290752/6300-tonnes-jute-seed-to-be-imported-from-India

[25] Jute seed production competes with production of other crops, such as rice and vegetables that also have shorter production cycles than jute seed, which requires 11 months. Jute seed production requires a huge area of land, since on one acre of land only 200–300 kg of seed can be produced. Jute seed producers face competition from subsidised jute seed supply. The production cost of 1 kg of jute seed is around BDT 250–300. The GOB sells this at a subsidised rate of BDT 120 (Rahman, 2014). (BDT: Bangladeshi taka (Tk)).

[26] ‘Centre yet to take a call on jute seeds export ban.’ *The Hindu Business Line*, 24 March 2016. www.thehindubusinessline.com/economy/policy/centre-yet-to-take-a-call-on-jute-seeds-export-ban/article8393768.ece

7.4.3 Flooding hampers harvesting wild grasses

Grasses, such as catkin and seagrass, grow in the wild in river areas and are normally available in sufficient quantities. However, frequent flooding in Bangladesh may delay harvesting, which is problematic to those manufacturers who have to work under tight order deadlines with their foreign buyers. This problem is likely to become bigger in the future under the influence of climate change.

7.4.4 Insufficient capacity in drying and storing

The people who harvest the natural grasses in river areas do not have proper homes themselves, let alone sufficient space to dry and store the harvested grasses. Especially during the rainy season, it is therefore critical to manufacturers to create storage facilities and have dehumidisation equipment available, which require considerable investments.

7.5 Lack of cooperation among SMEs

The HDHT handicraft exporters in Bangladesh do not cooperate effectively to leverage their collective market position vis-à-vis the government or other actors upstream or downstream in the value chain. Membership of Banglacraft and EFTF provides the exporters visibility within the government and the WFTO, but does little to strengthen their vulnerable position in the chain. An important reason that prevents SME exporters from cooperating at a higher level is the lack of trust. The copying of new designs that takes place among SMEs causes friction and lowers mutual trust.

7.6 High international shipping costs

European buyers point to the relative high shipping costs incurred when they source from Bangladesh. Both international ports, Chittagong and Mongla, have shallow waters – up to 9 metres only. In comparison, the newest ports of competitors in the area (Colombo, Karachi, Mumbai) will be 16–18 metres deep. Bangladesh's exports now have to be carried in feeders to hub ports in the region to link up with deep-sea services, while exports of India and Pakistan can use direct services to their main markets (GloballyCool, 2018). According to the World Bank, better governance, private investment and competition in Bangladesh's container ports will lead to more economic opportunities and jobs.[27]

[27] 'Efficient ports to boost exports by 7pc: WB'. The Daily Star, 1 May 2017. www.thedailystar.net/business/efficient-ports-boost-exports-7pc-wb-1399174

Table 7.1 SWOT analysis of the Bangladesh HDHT handicraft sector

Strengths	**Weaknesses**
* Value chain based on renewable, natural resources: - renewable, locally available grasses that are perceived as weeds, harvested from the wild and can be sold; - jute – the *Golden Fibre* – is of high quality and a key crop to the GOB; - cotton waste from RMG industry. * Bangladesh has a rich and living cultural handicraft tradition with solid domestic demand that can serve as springboard for exportation. * Export companies' staff have good command of the English language. * The fair-trade standard is well-known; adoption of other social buyers' standards not too demanding.	* SME lack experience in international marketing. * Central marketing intelligence system is absent. * Infrastructure for HDHT handicraft innovation and design training is absent. * SMEs are weak in basic management skills, including supply chain management. * SMEs face insecure supply chains: - jute supply chain depends on imported high-quality seeds from India; - SMEs face difficulties in acquiring sufficient quantities of tested high-quality jute because export of raw jute is priority for jute mills; - new cotton is the most expensive raw material in HDHT handicraft, due to an almost total dependence on imported cotton. * SMEs do hardly cooperate due to lack of mutual trust. * High shipping costs compared to India and Pakistan.
Opportunities	**Threats**
* Considerable and increasing global demand for *handmade HDHT* products. * Sustained demand in Europe for natural products with low carbon footprint. * Low labour costs in rural areas of Bangladesh. * Willingness to learn among HDHT export SMEs. * Wide gender gap: 66% of Bangladesh women in working age not yet employed. - Handicraft sector can absorb more young women in rural areas. - Possibilities to help young women develop from low-skilled producers into professional artisans.	* India and Pakistan offer similar handicraft products and face similar political pressures to boost exports. * Due to limited overall value, the GOB may perceive HDHT handicraft exports as marginal, not worth a viable development strategy. * Young generation may opt for RMG or other industry that has higher reputation, better payment, and is located in more dynamic, urban areas. * Competition from machine-made products whose appearance resemble hand-made HDHT products.

8. HDHT handicraft value chain: upgrading opportunities

8.1 Upgrading opportunities in raw material supply

Inadequate supply of high-quality seed, due to high dependency on foreign seed and the use of lower-quality seed creates a vulnerability in jute supply. This weakness upstream in the supply chain results in lower productivity on the farmers' jute fields, higher jute prices, and in lower quality of jute. Such effects compromise the competitive position of handicraft exporters.

There is an opportunity here for a value chain-wide approach in reviewing and supporting the existing and new initiatives of the Bangladesh Agricultural Development Corporation and the Bangladesh Jute Research Institute, and to prioritise the improvement of the domestically produced certified jute seed. The involvement of specialised European plant-breeding and seed-producing organisations could be part of the intervention.

8.2 Upgrading opportunities for exporters

8.2.1 Improving exporters' international marketing management

To claim a larger share of the European or other foreign HDHT markets (potential) exporters need to upgrade their international marketing management capacity. One way is to participate in a training or coaching programme that covers three dimensions: 'knowing who', 'knowing what' and 'knowing how'.

Knowing who: Which foreign buyers should exporters address? How could they assess supply chain strategies of foreign buyers to select one with a good fit? Fair-trade buyers are easily identifiable and are the preferred contacts because they have a long-term investment horizon and tend to be lenient in respect of challenges the exporting company may face. But since many European buyers prefer their own Codes of Conduct, international marketing requires exporters to serve mainstream markets. The upgrading opportunities comprise the systematic scanning of supply chain strategies of potential foreign buyers, through which exporters can distinguish between mainstream buyers who position themselves as ethically trading companies with serious CSR policies, and companies who follow a pure commercial sourcing strategy and who may be tough to deal with.

Knowing what: Staying informed about foreign style trends; anticipating those trends in a professional manner (i.e. beyond just using the internet); keeping up with new techniques; monitoring strategies of exporters from competing countries.

Knowing how: Advanced knowledge and skills of (international) negotiating, logistics, managing international trade fairs. There was consensus among interviewees that participation in international Fairs such as *Ambiente* (Frankfurt), *Maison et Objet* (Paris) and *HKTDC* (Hong Kong) is a key element in the marketing strategy. Such trade fairs gave them orders and a network. But much can be won if exporters know how to maintain that network and how to get repeat orders.

8.2.2 Upgrading in design and techniques

In order to target at the mid-high and higher segments in European HDHT markets, exporters could win a lot by bringing their design at a higher, more professional level. The obvious option is to improve the connection between the HDHT handicraft sector and the art/design institutes in Bangladesh, which include the following.

- The *Faculty of Fine Arts*, part of the *University of Dhaka,* a public university. The Faculty consists of eight departments, among them being the Crafts Department which offers courses in subjects such as wood carving, pottery, weaving and tapestry. However, the focus is on art, that is refining the aesthetic aspects of creation, not on making decorative pieces that are marketable (Interview A10). Nevertheless, many HDHT handicraft designers in Bangladesh are alumni from the Faculty of Fine Arts or its predecessor the Fine Arts Institute (Interview F1).

- The *BGMEA University of Fashion & Technology* (BUFT), a private university led and financed by the RMG industry in Bangladesh. BUFT's focus is on RMG and primary textile. It has Bachelor and Master programmes in management, production, (chemical) engineering, and design/fashion. Although BUFT has no programmes related to handmade home textile, addressing this in the curriculum could be an option (Interview C1).

- The *Shanto-Mariam University of Creative Technology* is a public university offering Bachelor and Master programmes in design but also with a focus on the RMG industry. Only in the course 'accessories' students will use a traditional raw material: jute. Around 80% of the graduates ends up in the RMG sector (Interview C2).

Collaboration could take the form of a few courses on relevant aspects such as market-based design, technical aspects of design, engineering, chemical engineering and quality control. Intended participants are both the prospective designers for handicraft manufacturers, as well as regular students. The framework of collaboration with established institutes could also help handicraft organisations attract and invite prominent foreign experts with added value for the network of the institutes and who could give high-level master classes or workshops.

The public-private collaboration in handicraft design could further be linked to the earlier plans by the GOB to establish a handicrafts design institute for which the GOB had reportedly set aside land around 2005.[28]

8.2.3 Improving productivity

Even when aiming at high-end segments in foreign HDHT markets, price and capacity in the production of bigger volumes remains key for any exporter. It requires a continuous search for productivity increases, which is arguably the most sensitive form of upgrading in the handicraft value chain. Increases in output per artisan results in a lower cost price, which can be considerable. Experts calculated, for example, that the output of a person operating power looms is 10 times the output of a person operating a handloom. One the interviewees referred to this situation as follows:

> 'The world is witnessing the fourth industrial revolution but in Bangladesh in many places the first is about to begin. We still work in cottages with power and handloom that may be 200 years old. The efficiency is low.'

Any form of mechanisation in the handicraft industry raises the question of the added value of the qualification 'handmade'. But rather than a marketing issue, the broadening of the definition of

[28] 'Handicraft exports show modest performance', *RMG Bangladesh*, 3 Aug 2015. http://rmgbd.net/handicraft-exports-show-modest-performance/

handmade is much more a social issue.[29] Upstream in the handicraft value chain there are hundreds of thousands of artisans who depend on the chain for their income and for whom few or no employment alternatives are at hand. The likely drastic reduction in employment opportunities resulting from mechanisation and automation would bring misery to these chain actors. This is a formidable dilemma, which places the handicraft industry in a difficult position. Several governmental bodies have been created in defence of their rural constituencies. The Bangladesh Handloom Board, for example, is envisaging a re-development of the handloom industry and even a considerable increase in the number of weavers by 2021 (Interview B3). Similarly, the Bangladesh Rural Development Board supports its rural cooperatives and is selling their handicraft in its own outlet under its own brand.

If Bangladesh wants to expand its handicraft sector by securing a bigger share of the international market, it is inevitable for the sector to address modernisation. There is no need for machines to replace large groups of people if new foreign markets can be accessed. But considering the high level of social sensitivity, this form of upgrading should be discussed not just by manufacturers and exporters at the end of the chain, but in a chain-wide context, involving all stakeholders, including the relevant GOB agencies.

Meanwhile, we have already found indications of the modernisation process through the expansion of producing units. When more machines and sophisticated equipment are included in the production process, artisans are required to spend more working time in the production unit rather than at home. Although the cottage industry may be waning, the handicraft factory may be set to emerge. Such factories can upscale production for bigger orders and secure a basic level of product standardisation that the larger foreign customers may require.

8.2.4 Strengthening SME management skills

Several constraints in the HDHT handicraft value chain have causes that are beyond the influence of individual SMEs. However, the negative effects on the HDHT handicraft manufactures could be mitigated by preparing the company better for these value chain constraints. This requires higher levels of management skills within SMEs, especially in the following areas:

(a) anticipating and coping with temporary shortages of raw material supply
(b) quickly upscaling production to cater to bigger orders
(c) forming market combinations to attract and supply bigger orders
(d) improving financial management (e.g. tax form submissions) and ICT management.

8.2.5 Enhancing social inclusiveness of the value chain

Interestingly, it is the relatively strong performance of Bangladesh's rural economy that is driving many poor male artisans to make a career switch and start working as factory workers, shopkeepers, hawkers or rickshaw drivers, all jobs where they can make more money. As is illustrated by the life story in Exhibit 8.1, this development offers opportunities for women to start learning artisanal skills after their marriage, and do seasonal work or combine work with their daily household duties. By doing so, they can complement the household income to such a level that this allows them to remain living in their villages instead of moving to urban areas. But it is a last resort option. Assuming that the highlighted life story is far from unique, the decision of young people in rural Bangladesh to find employ in crafts work is a pragmatic one. Their dream is another one: becoming educated and finding a job with a real salary.

[29] Competing handicraft producing countries face similar issues, see for example this article about India: Chatterjee, A. (2014). *Can our future be handmade?* Some highlights of the 5th Kamaladevi Chattopadhyay Memorial Lecture (29 October 2014, Centre for Cultural Resources and Training, New Delhi). www.craftscouncilofindia.org/wp-content/uploads/2015/06/CCI-Newsleter-March-2015.pdf

The wish of rural women to be educated coincides with the needs of a modern handicraft value chain. If Bangladesh's handicraft exporters aim to target European mid-high and high market segments, the capacity building among artisans needs to be upgraded. The usage of the term *artisan*, also in this report, actually conceals the diversity of skills and capabilities among this group. In fact, handicraft work is considered to be low-skilled and with a low entry barrier. This is precisely why it is attractive to poor and uneducated women.

Exhibit 8.1 Live story Shahanaz Begum

'I was born in 1979 and after my marriage I became a wife of a rickshaw puller. My parents arranged my marriage near to my 18th birthday with all good intentions and hoping for a better life – safe as a loving daughter ought to be. The desire of my parents did not come true. Life at the beginning was not as my parents and I dreamed of.

Income from working as a rickshaw puller varied so widely every week that my husband could not meet the needs of family even we were just two persons. He had to leave rickshaw pulling and become day labourer. Gradually he learnt some masonry and carpentry skills. He improved in earning. I also thought to start some work to add to our household income. I started thinking of having a house and good place for my children yet to come.

My mother, seeing our condition, also thought of ways to help me and my husband. My mother started teaching me basketry. I regret not having the interest earlier to learn what she does. Of course, my idea was that I will someday become educated and have a job in a good office. But many things, especially my parents concern that I do not lose my social standard, caused it to happen that I married before becoming educated and eligible for the job of my desire. Let's forget the dream. My mother was working for Bangladesh Trade Company. I began working for the same organisation […]. In two years, I started working with DH Ltd now 20 years ago.

Many things took place in the last twenty years. But most significant to me are the two children I now have. Because of the same issues as my parents faced, I arranged marriage for my daughter early in her life. For many women like me and my daughter the dream still lives – the dream continues to exist without being realised. However, my son is now in class nine. I want him to be educated and become a teacher – enlightening villagers by educating future generations of both girls and boys.

I feel proud to be able to make many kinds of baskets. I am able to make new items. I enjoy the creativity and skills development initiatives maintained by DH Ltd. It is an opportunity for me to earn around BDT 8000 per month on average. I love to be with DH Ltd. There are many good reasons: the policies, principles and facilities DH Ltd provides is not given by any other organisation. It is a pleasant organisation for women to work and earn with decency and in an environment where everyone's value is cherished.'
(slightly edited from: Dhaka Handicrafts, Annual Report 2016/17).

The opportunity for upgrading lies in professionalising the artisan. At present, training of artisans is being organised in-company via short-term traineeships, or by NGOs.[30] By formalising handicraft training through vocational training institutes that award official certificates, a pool of skilled artisans could be created, who would have a good understanding of market-based design, traditional and modern techniques, material qualities, waste management, and international quality requirements. At the same time, manufacturers could develop meaningful career paths to absorb a more diverse group of artisans.

[30] For example, CARE Bangladesh, in 2007, supported what now is one of the biggest HDHT handicraft exporters, Classical Handmade Products, by selecting and training a group of women in rug-making according to specifications of a European customer (CARE Bangladesh, 2014).

In this respect, the HDHT handicraft sector offers more opportunities to rural young women than sustaining their survival strategy, however valuable that is in itself. A serious professionalisation of the artisan is needed to expand HDHT handicraft exports from Bangladesh, while it would also enhance the status and appeal of the handicraft sector. Professionalisation of the artisan would offer rural women in-depth vocational education, and a career in a formal work environment. Rather than serving as a last-resort option, such a process could address the wide gender gap at a higher level and bring a new dynamic in the development of the women and their families.

8.2.6 Further greening of production

There are few opportunities for greening the production because the HDHT handicraft value chain is already very 'green'. The products in the four selected product groups are made of natural, renewable or recycled resources. However, opportunities for upgrading lie in waste management, particularly of dye and ink that is being used. The smaller firms outsource dyeing to specialised and certified companies, but some bigger firms are dyeing small quantities in-house. It could be explored to what extent in-house dyeing is preferable and how waste is to be handled safely, in line with international standards.

8.2.7 Developing cooperation among SMEs

The HDHT handicraft SMEs hold a vulnerable position in the value chain in respect of both foreign buyers and domestic suppliers of raw materials. They could in principle diminish that vulnerability by some form of cooperation and collaboration. For this to happen they should first address and overcome the issue of mutual copying which tends to create mutual mistrust but may have positive spillover effects to the benefit of the entire group. Cooperation could start on specific aspects by a small group of willing SMEs, within or outside the existing handicraft support organisations Banglacraft and ECOTA WFT.

8.3 Improving support services to the value chain

8.3.1 The need for value chain market intelligence

There is a need for a well-maintained database for the HDHT handicraft value chains. This data base should be easily accessible to GOB agencies, as well as to BSOs and other stakeholders who work on upgrading of the chain. The data should provide data on the entire value chain – from the plant breeding stage to manufacturing and to export markets – for all raw materials. Much of the required data is probably already available but stored in separate systems of individual GOB agencies that cover specific subsectors, but also available abroad. A value chain market intelligence system is required to combine the relevant data in order to grasp the dynamics of (global) value chains, which the HDHT handicraft value chain of Bangladesh is part of.

8.3.2 The need for value chain business intelligence

By far the majority of companies we visited said that they would benefit from a modern business intelligence system, set up and maintained by the EPB. Such a system is especially relevant when exporters reduce their dependency on fair-trade buyers. Even though global fair-trade markets may grow due to geographical expansion, further penetration in mature markets, such as western Europe, is becoming increasingly unlikely.[31] Companies seem to be tending to lose their interest in independent standards and certifications, and are designing their own corporate ethical standards instead. Others are exploring alternative manners of addressing supply chain challenges such as child labour and gender inequality. Such 'ethical companies' are likely to be more interested in developing longer-term relationships with their suppliers and are therefore important targets for Bangladeshi

[31] Fair Trade International, (2017). Annual Report 2016-2017. https://annualreport16-17.Fairtrade.net/en/

HDHT handicraft SMEs. A modern business intelligence system could continuously search for and monitor such companies to the benefit of Bangladesh's HDHT handicraft exporters.

8.3.3 Improving the role of the BSOs

Upgrading and modernising the Bangladesh handicraft value chain is quite a challenge for the business support organisations that represent and/or service SME manufacturers and exporters. The BSOs will be in the vanguard of the necessary change process. This requires them to operate in a proactive manner to develop new ideas, to invite young entrepreneurs to become board members who could learn from their experienced colleagues, and who could bring in fresh approaches. It requires the BSO's to set up databases with marketing information on foreign markets, to use modern media to showcase the innovations in handicrafts, and to advocate the sector's interest at home and abroad. Processes of upgrading in the value chain greatly depend on the upgrading of BSOs.

9. Conclusions for possible CBI initiatives

What can be concluded from the above analysis is in the first place that there is a considerable and growing international market for HDHT handicraft in Europe and elsewhere. Exports could help Bangladesh's handicraft manufacturers diversify their markets and become less dependent on the domestic market. Overall, the best European market opportunities for Bangladesh's SME exporters of handmade basketry and bags, handwoven rugs and handwoven home textiles lie primarily in the mid-high HDHT market segments.

However, expanding handicrafts exports requires more than boosting production and hiring more artisans. It requires a series of initiatives by a range of stakeholders for which some form of cooperation is required in order to let the combined interventions support a value chain-wide upgrading strategy aiming at a modernisation of the handicraft sector in Bangladesh.

Based on the above discussion of constraints and upgrading opportunities in Bangladesh's HDHT handicraft value chain, a number of possible interventions for CBI can be identified.

1. Upgrading a group of (prospective) HDHT handicraft exporters in their international marketing management, as described in section 8.2.1. CBI has ample experience in multiple-year export coaching and training trajectories, and the exporters we interviewed and who had followed such CBI support projects were very positive about their impact on their management skills and foreign sales.

2. Developing and/or improving a market intelligence and business intelligence system as described in sections 8.3.1 and 8.3.2. The EPB is the obvious agency for developing such a system, because it is part of the GOB and because of its ample exporting support expertise, also in the handicraft sector.

3. Assisting the sector with developing a strategic export marketing plan.

4. Supporting the sector with addressing the issue of market-based design and innovation capacity in the handicraft value chain. A working group could be established to discuss the best options for improving trainings opportunities for handicraft designers as discussed in section 8.2.2.

5. Discussing with BSOs who train or otherwise support SMEs to what extent they could help enhance general management skills of future CBI programme participants, as discussed in section 8.2.4. The BSOs that offer such SME training include, for example:
   * DCCI Business Institute (DBI), which offers a variety of management trainings for professionals and has its own teaching infrastructure.
   * PUM Netherlands Senior Experts, which supports SMEs in developing countries, including Bangladesh. PUM and CBI have signed an MoU for a new CBI HDHT project in Bangladesh.

6. Facilitating regular roundtable discussion and knowledge sharing meetings for exporting HDHT SMEs, but only if the SMEs see value addition in such an initiative.

7. Developing a value chain-wide platform for knowledge sharing and discussing obstacles in and modernisation of the value chain, as is discussed in sections 8.1; 8.2.3; and 8.2.4. Preferably that platform would be led by the domestic leaders of the handicraft value chain, which comprise manufacturers and exporters on the one hand, and relevant GOB agencies on the other.

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Appendix II Methodology

Data for this study has been collected in the following ways:

(a) Desk research of CBI reports, international handicraft studies, Bangladesh government reports, and newspaper articles, company annual reports, and other documents concerning the HDHT handicraft sector in Bangladesh.

(b) During the field study in May 2018, 54 stakeholders were consulted, of which 25 via personal interviews and 29 in one of the three focus groups we organised. A full list of interviewees and of focus group participants can be found in Appendices III and IV. The organisations that were consulted comprise the following stakeholder groups:
   * Exporting and potential exporting handicraft manufacturers
   * Business support organisations (BSOs)
   * Governmental organisations
   * NGOs
   * International experts

   The interviews were jointly carried out by both the local and European consultants. Almost all interviews were conducted in the first two weeks of May 2018. Every interview was summarised in a Word document, which was later coded for further analysis purposes.

(c) In mid-July 2018, a validation workshop with key stakeholders was organised in Dhaka, to discuss the draft report and VCA findings. The workshop consisted of three sessions focusing respectively on: the value chain description; value chain constraints; and the opportunities for upgrading and possible CBI interventions. The workshop participants are listed in Appendix V.

Appendix III List of Interviewees

Manufacturers
Saidpur Enterprises, Interview 1 May 2018
M. Ghayasuddin, General Manager

Dhaka Handicrafts, 4 May 2018
Tanu Dey, Director and CEO

Heed Handicrafts, 2 May 2018
Mr Ranjit Kumar Sarker, Manager

Weavers Bangladesh, 2 May 2018
Mr Abu Taher, CEO

Classical Handmade Products, Saidpur, 1 May 2018
Mr Tauhid Bin Abdus Salam, Managing Director

Golden Jute Product, 2 May 2018
Hakim Ali Sardar, proprietor

Handtouch, 2 May 2018
Mr Md Ali Khan, Founder

Prokritee, 1 May 2018
Mr Swapan Kumar Das, MBA, Executive Director
Mr Sk Ahmed Uallah, Saidpur Units Manager
Mrs Suraiya Chowdhurry, Advisor Design, 16 July 2018

Rishilpi Handicrafts Limited, 16 July 2018
Mr Munshi Khairul Islam, Managing Director

Business Support Organisations

Dhaka Chamber of Commerce and Industries (DCCI), 9 May 2018
Mr AHM Rezaul Kabir, ndc, Secretary General
Mr Md Joynal Abdin, Additional Secretary DCCI and Executive Director DCCI Business Institute (DBI)

Banglacraft (as part of Focus group II)
Ashtafur Rahman Faruque, President

EFTF / WFTO Bangladesh (part of focus group III)
Mr Swapan, President

Government Agencies

Export Promotion Bureau (EPB), 3 May 2018

Md Abdur Rouf, Director

Export Promotion Bureau (EPB) 6 May 2018
Ministry of Commerce
Mr Bijoy Bhattacharjee, Vice Chairman & CEO (Additional Secretary)

Export Promotion Bureau (EPB), Trade Fair staff, 6 May 2018
Ministry of Commerce
Abu Mukhles Alamgir Hossain, MBA, DU, Assistant Director EPB

Bangladesh Handloom Board (GOB), 3 May 2018
Md Mijanur (Mizan) Rahman, Joint Secretary

Bangladesh Rural Development Board (BRDB), 8 May 2018
Md Maududur Rashid Safdar, Director General (Additional Secretary)

Industry and Energy Division, Ministry of Planning (PM), 7 May 2018
Ms Shamima Nargis, Secretary (in-charge)

Educational Institutes

BGMEA University of Fashion & Technology (BUFT), 3 May 2018
Prof. Ayab Nabi Khan, Pro-Vice Chancellor

Shanto-Mariam University of Creative Technology, 9 May 2018
Director Bachelor programmes

NGOs

PUM Bangladesh, 8 May 2018
John Hummel, PUM representative

European Expert

Remco Kemper, 13 April 2018
European HDHT market expert

Appendix IV List of focus group participants

I. Focus group ECOTA FTF, 5 May 2018
EFTF
Md Njuruzzaman, Program Manager

Aranya
Ms Shanaz Parveen, Senior Manager

Dew Crafts
Shah Abdus Salam, CEO

Corr The Jute Works
Ms Bertha Gity Baroi, Director

Basha
Dedarul Islam Ripon, Director of Operations

Swajan Crafts
Bimal Bihari Banik, Managing Partner

Dev Tech Associates
Patriar Jonson Gomes, Director

Creation
Md Rasheduk Karim Munna, Managing Director

Kumudini Cares
Mahavir Pati (Chandan), Director

YWCA Craft Centre
M. Bayens, Manager

Dhaka Handicrafts Ltd
Ms Tanu Dey, CEO

SHOHOJOGITA
John K. Gomes

II. Focus group Banglacraft, 9 May 2018
Ashtafur Rahman Faruque, President

Companies that attended the meeting:
Artefact
Shohelee Nazneen and Banglacraft Executive Member

Corr the Jute Works
Ananda Gomes, Deputy Director

Classical Handmade Products BD:
Mr Tauhid Bin Abdus Salam, Managing Director

Shakh Crafts
Razia Sultana, CEO; Deep Textile Mills Ltd, Director

Al-Helal Fashion
A.B. Helal and Banglacraft Executive Member

Natural Crafts BD
Mh. Abu Kawsar; and Banglacraft Executive Membe,

Dahlia's Gems & Pearls
Syeda Sharifa Akber-Dahlia, Proprietor

Uttaran Enterprise
Kazi Shahab Uddin, and Vice President Banglacraft

TdK (BD) Ltd
Md Khairul Alam

Jermatz Ltd
Ismat Jerin Khan, Managing Director. Also Director SME Foundation

Kanishka Designer Wear, and Vice President Banglacraft

III. Focus group with NGOs and donor organisations, 6 May 2018

iDE Bangladesj
Mr S.M. Riasat Alam (Senior Sector Coordinator), and Ms Sanooie xx

Traidcraft
Mr Shahed Ferdous, Country Director

PUM
John Hummel, Representative

EFTF / WFTO Bangladesh
Mr Swapan

WFTO Asoa
Ms Tanu Dey

Appendix V Participants Validation Workshop, Dhaka, 15 July 2018

Mr Ghayas Uddin, Manager
Saidpur Enterprise

Mr Mohammad Ali Khan, Proprietor
Hand Touch

Mr Hannan Sarker, Managing Partner
Swajan Crafts

Mr Shah Abdus Salam, CEO
DEW Crafts

Mr Abu Taher, Chief Operating Officer
Weavers Bangladesh

Mr Tauhid Bin Abdus Salam, Managing Director
Classical Handmade Products

Ms Shohelee Nazneen, Proprietor
Artefact

Mr Mh. Mozahidul Islam, Monitoring & Extension Executive
Jute Diversification Promotion Centre

Mr Munshi Khairul Islam, Managing Director
Rishilpi Handicrafts Limited

Mr Swapan Kumar Das, Chairman
ECOTA Fair Trade Forum (WFTO Bangladesh Chapter)

Ms Tanu Dey, Secretary,
WFTO Asia

Mr Muhammad Maududur Rashid Safdar, Director General
Bangladesh Rural Development Board (BRDB)

Mr AHM Rezaul Kabir, Secretary General
Dhaka Chamber of Commerce & Industry

Mr Bijoy Bhattacharjay, Vice Chairman
Export Promotion Bureau

Ms Swaroja Thapa, Team Leader
iDE (WEESMS)

Mr S M Riasat Alam, Senior Sector Coordinator
iDE Bangladesh

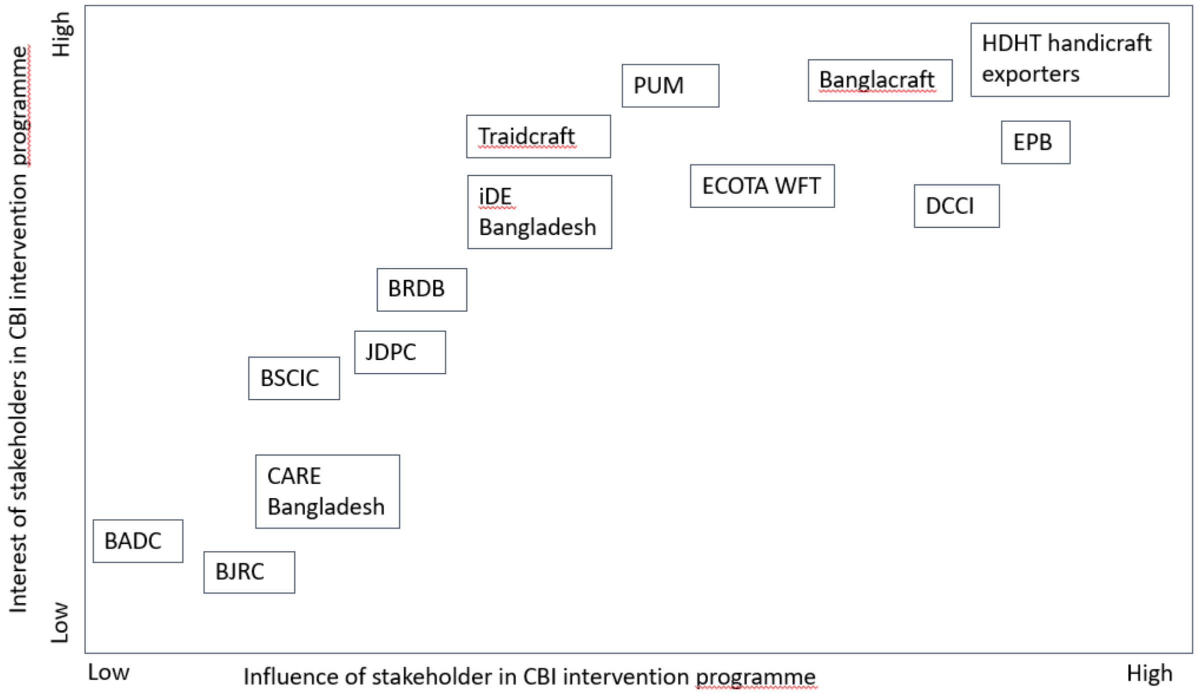
Ms Mahjabeen Quader, Senior Adviser on Economic Affairs & CSR
Embassy of the Kingdom of the Netherlands

Ms Tushar Kona Khandker, Bangladesh Consultant
CBI, The Netherlands

Mr Hugo Verhoeven, Senior Programme Manager
CBI, The Netherlands

Mr Jeroen van Wijk, Consultant and VCA researcher
Fair & Sustainable Consulting, The Netherlands

Appendix VI Stakeholder assessment grid



Appendix VII Overview of value chain constraints and interventions

Value chain constraint	Upgrading opportunity	Possible initiator
Lack of international marketing capacity	Developing a coaching trajectory for (prospective) HDHT handicraft exporters in upgrading their international marketing management	CBI
	Designing a plan for establishing a modern and well-maintained information centre for Market and Business Intelligence	CBI could support EPB in designing such a plan
	Developing a strategic export marketing plan	CBI
Lack of design and innovative capacity	A working group could be established to explore the best options for designing a market-based design programme in collaboration with one existing art/design institute	Banglacraft or ECOTA supported by CBI
Insecure raw material supply	Existing BSO training capacity in Bangladesh could be encouraged to start tailor-made supply chain management training to HDHT handicraft exporters in enhancing their general management skills	CBI could explore opportunities for such SME training and coaching with the DCCI Business Institute and PUM
Lack of cooperation among HDHT SMEs	Convening regular roundtable discussion and knowledge sharing meetings for exporting HDHT SMEs	Banglacraft, temporarily supported by CBI. Alternatively, EPB could serve as convenor, with temporary CBI support
Improving productivity through modernisation of the HDHT handicraft value chain	Limited mechanisation could speed up some of the production activities of artisans in central production units	HDHT handicraft manufacturers
Inefficiency specialised services, e.g. in dyeing	Developing a chain-wide platform involving all stakeholders for knowledge sharing and discussing obstacles in and modernisation of the entire value chain	CBI could explore willingness of Banglacraft to initiate and lead such a forum. Alternatively, the initiative could be with a group of major HDHT handicraft exporters
Jute fabrics are expensive, partly due to dependency on importation of jute seed		
High international shipping costs		
Enhancing the social inclusiveness of the chain	Professionalise the artisan by developing - formal vocational degree programmes or HDHT handicraft artisans. - career paths for artisans with a hierarchy in the profession	* A number of major HDHT handicraft manufacturers * Vocational institutes * Jute Diversification Promotion Centre
Further greening of production	Upgrading waste management	A number of major HDHT handicraft manufacturers