Stakeholder Debate in Policy Implementation: An Evaluation of Bangladesh Leather Processing Industry Relocation Policy*

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Abstract: This paper focuses on stakeholder debate and conflict during policy implementation. In doing so it analyzes the reason behind the implementation snag of Bangladesh leather processing industry relocation policy, which is extreme stakeholder negotiation. Relevant stakeholders have been identified and their influence over the policy measure has been formulated. Underlying interactions among the stakeholders has been conceptually depicted to retrieve an image of the extreme stakeholder dispute behind this policy failure. Finally, based on the empirical evidence this policy measure has been evaluated in light of the effective participation of the concerned stakeholders.

Keywords: Stakeholder Conflict, Stakeholder Debate, Stakeholder Negotiation, Policy Implementation, Tannery Relocation, Leather Processing Industry.

Introduction

“Environmental problems are typically complex, uncertain, multi-scale and affect multiple actors and agencies. This demands transparent decision-making that is flexible to changing circumstances, and embraces a diversity of knowledge and values. To achieve this, stakeholder participation is increasingly being sought and embedded into environmental decision making processes, from local to international scales”(Reed, 2008). Additionally “stakeholder participation needs to be underpinned by a philosophy…[that] participants have the power to really influence the decision…If a decision has already been made or cannot really be influenced by stakeholders then participation is not appropriate”

On the other hand, Goodland (2004) states, “effective participation means agreement on precautions, mitigation and compensation[and] ‘meaningful participation’ if properly implemented, can achieve free, prior informed consent (FPIC); [whereas] FPIC might be achieved by guaranteeing benefits to the impacted communities through insurance, performance bonds, or escrowed trust funds”. Furthermore, Goodland (1995) claims that “environmental sustainability of a project concerning city development should include the decision made by the social community involved as major stakeholders”.

The above two calls for ‘effective participation’ of stakeholder during environmental decision making form the backdrop of this study, which aims to evaluate the ‘Bangladesh Leather Processing Industry Relocation Policy’, from a specific angle of “stakeholder debate” during policy formulation and implementation.

Bangladesh government undertook this policy option to relocated its noxious tannery industry from city center to outskirts dated back in 2003 (Rabbani, 2009) to ensure environmental compliance under increasing pressure from local and international communities (Bhowmik, 2012) and to comply with in country broader strategies (MoEF, GoB 1995, 2010, 2013). Its 2013 now and the new target of implementation is within June, 2013 (Saha, 2013) due to extreme debate and negotiation between different stakeholders over the course of time (Al-Muti and Ahmad, 2013). Specifically imposing the decision (introduced earlier by Reed, 2008) by government during policy design on the ‘impacted
social communities’ (prior stated by Goodland, 1995) which is the tannery owners in this case study, without considering its detrimental consequences during implementation stage.

This essay will shed light on the prior mentioned dispute in course of the finding reasons for this prolonged implementation snag. Literatures on stakeholder debate for this specific case study are scarce and there’s still much more to explore. But it is a worthwhile topic containing the potential of high research impact. Authors partially relied upon several studies concentrated to judge the sustainability of this policy but more on cautious assimilation of grey literatures and media reports21.

**Bangladesh Leather Processing Industry Relocation Policy**

**Background**

Dhaka the capital of Bangladesh has emerged along the river bank of Buriganga and so also its industries following the basic rules of urban growth water availability and transportation facilities (Hossain, 2008; Banglapedia, 2012). First tannery in Bangladesh established dated back to 1940 (Hossain, 2012) which have now reached at 243 among which 95 percent are located in Hazaribagh (Figure-1 A)(Paul et al., 2013). This 50 acre (approx.) leather processing industry is surrounded by some of the prestigious residential areas of Dhaka (Dhanmondi, Rayerbazar, Lalbag). This sector contributed 3 percent of the country’s export during the financial year 2010-2011 (Ibid.)

In contrast, from the beginning to date no environmental protection measure (i.e. Effluent Treatment Plant) has been taken for this high risk industry (Human Rights Watch, 2012). Liquid effluent and solid waste eventually find its way to Dhaka’s main river Buriganga (Biswa and Hamada, 2013) through sewers and its adjacent areas (Figure-1 B). Numerous studies have been undertaken to assess the pollution level and health risk of this area (Asaduzzaman et al., 2006; Karim et al., 2013; Sunny et al., 2012; Hoque and Clarke, 2013). All echoing the same notion of disastrous impact on surface and ground water and health of exposed population. Recently this area has been ranked within world’s top ten worst place for toxic threat (Blacksmith Institute and Green Cross Switzerland, 2013)
Figure-1: (A) Present and Proposed Location of Bangladesh Leather Processing Industry  
Source: Banglapedia (2012)  
(B) Drainage Network of Bangladesh Leather Processing Industry  
Source: Human Rights Watch (2012)

Description

In response to the criticisms from local community, scientific group and international and local environmental watchdogs, government began to think about the relocation of this industry from city center towards outskirts since the 1991 (Table-1).

Which was further pushed by a high court ruling in 2001 (Human Rights Watch, 2013, p.32). Followed by a formal announcement of relocation in 2002 and a *writ petition* in the Supreme Court by Bangladesh Environmental Lawyer’s Association (BELA) in 2003 (ELAW, 2012). Under these circumstances, Bangladesh Small and Cottage Industries Corporation (BSCIC) under the Ministry of Industries signed a trilateral agreement with Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association (BFLFLEA) and Bangladesh Tanneries Association (BTA) on 23rd October, 2003 (Rabbani, 2009). According to that, tannery industry is supposed to be relocated to Savar (outsirt of Dhaka and more upstream) for ensuring planned development through establishment of Common Effluent Treatment Plant (CETP) within a “Tannery Industry Town”. Near about 400 acres of land acquired for this purpose among which 200 acre is for future expansion (Sheltech, 2009 cited in Bhowmik, 2013). Total 205 plots have been developed over 200 acres of land and distributed among 155 tanneries (Paul et al., 2013). Whereas government has a plan to redevelop the present location as a residential and recreational area (Bhowmik and Islam, 2009).

Table 1: Timeline of Bangladesh Leather Processing Industry Relocation Policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-liberation</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>Establishment of first tannery</td>
</tr>
<tr>
<td>1965</td>
<td>30 tanneries most of which were owned by the West Pakistani businessmen</td>
</tr>
<tr>
<td>Post-liberation</td>
<td></td>
</tr>
</tbody>
</table>
| 1972 | All tanneries were nationalized under the nationalization decree  
- Government formed Bangladesh Tanneries Corporation (BTC) |
| 1973-1981 | Due to management crisis all tanneries were brought under Bangladesh Chemical Industries Corporation (BCIC) and three among them three under Bangladesh Freedom Fighters Welfare Trust |
| 1982 | Failing to make profit, government transferred the ownership to private body |
| 1986 | Government ordered 903 polluting factories (including the Hazaribagh tanneries) to adopt measures to control their pollution within three years |
| 1991 | The question of relocation began to be discussed among policy makers |
| 1993 | It was decided that tanneries will shift to Savar and 17.30 acres land were acquired |
| 1998 | An inter-ministerial meeting was held on August regarding the relocation |
| 2001 | High Court of Bangladesh ordered polluting factories (including the Hazaribagh tanneries) to adopt adequate measures to control pollution within one year |
| 2002 | Relocation policy announced by that time prime minister of Bangladesh Nationalist Party (BNP) |
Government and tannery owners signed an agreement.
Government (BNP) pledged to provide financial assistance where tanneries would finance 60 percent of the costs and the rest by government.
“Tannery Industry Town-Savar, Dhaka” Project was initiated to be completed by December, 2005.

**2005**
The project was revised to be completed within May, 2009.

2006
- Government allocated 205 plots on 199.40 acres of land among 155 industries and proposed Tk 2.5 bn as compensation as it was estimated that the owners would incur a loss of Tk 11 bn.
- No firm participated in the first tender for CETP.
- Second tender for CETP, only one firm responded.

2007
- Two firms responded to the third bid call, among them WBDC, JV a Bangladesh-Singapore joint venture, got the job.
- Executive Committee of the National Economic Council (ECNEC) passed the first revised proposal of relocation.

2008
- Cabinet purchase committee cancelled the deal on allegations that the WBDC-JV had submitted false documents about its experience.
- WBDC-JV then went for a legal battle on cancellation of awarding the deal to it; government stuck to go for a fresh tender until it was over.
- A 14-member committee headed by the joint secretary of the Ministry of Industries was held on September and resolved that all the tanneries shall shift within February, 2010.

2009
- The government in that time (*Bangladesh Awami League*) said it would not bear the cost of CETP, the owners will have to pay for it.
- High Court ruled government to ensure relocation by February, 2010, “failing of which [they] shall be shut down”.

2010
- The relocation plan revised for the third time to be achieved by December, 2012.
- The tender of CETP was floated for the fourth time.

2012
- Chinese joint venture JLEPCL-DCL was awarded the contract of CETP.

2013
- European Union (chief buyer of Bangladeshi leather exports) threatened to boycott the country's products as of 2014 if the CETP is not completed.
- ECNEC passed the second revised proposal.
- Government targeted to complete the project by June, 2016.
- It will now bear 80 percent of the core project cost, the rest will be beard by the tannery owners by installments (15 years).
- The relocation of the tanneries, however, still remains uncertain as the factory owners are yet to sign the memoranda of understanding (MoU) with the government, due to their discontent about the allotment costs.


**Ruling Government Party:**
- Bangladesh Nationalist Party (BNP)
- Bangladesh Awami League (BAL)
- Non-elected Caretaker Government

Though its 2013 now this relocation is yet to occur. This relocation plan has been revised several times targeting December, 2005 then December, 2006; May, 2009; February, 2010; August, 2010; April, 2011; June, 2012; December, 2012 and now June, 201622 (Human Rights Watch, 2012, p.32; Saha, 2013; Sarker and Siddique, 2013). Timeline of events of this protracted relocation policy has been illustrated chronologically in Table 1. Different disputes and their consequences rose during this time period have been also mentioned to explore the reason behind this prolonged policy implementation.

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22 End of February, 2016 has recently been agreed as the final date - Editor
Evaluation
The main factor played behind this lengthy policy implementation procedure is extreme stakeholder debate and negotiation considering various economic and socio-political issues (Al-Muti and Ahmad, 2013; Bhowmik, 2012) among the actors which are depicted in Table-2. Influence of the different actors over this policy measure and the inherent interaction between them is portrayed through a conceptual diagram (Figure-2). The subject policy will be evaluated in the coming section from different perspectives of stakeholder debate.

Economic loss and benefit (i.e. compensation, project cost bearing etc.) played a vital role behind this extreme negotiation between the three key stakeholders - BSCIC, BTA and BFLLEFA (Bhowmik and Islam, 2009). In the agreement of 2003 government approved to bear 40 percent of the total cost (TK175.75 crore) whereas tanners had to bear the rest (Lanteigne, 2010). This imposed decision gave rise to the issue of extreme negotiation regarding compensation, CETP cost bearing and other financial aids (Bhowmik, 2013, p.110). In the last so called consensus (Jibon, 2013) the new target of relocation was set for June, 2016 resulting project cost spiralled to near about 100 percent (TK1078.71 crore) in comparison to the starting point (Saha, 2013). Now government is willing to bear 80 percent of the liability but the deal is still to be agreed by the tanners because of the new debate about increase in the per square feet allotment cost (TK197 to 376.15) of project raised due to inflation, time value of money and price increase of construction materials and technologies.

**Figure-2: Conceptual Diagram of the Actors and Stakeholders of the Policy**

**Source:** Bhowmik and Islam, 2009; Bhowmik, 2012, 2013; Al-Muti and Ahmad, 2013; Sarker and Siddique, 2013; ELAW, 2012; Bryson, 2004 & authors own representation

**Notes:**
- Area of the Rectangle Represents the Operational Scale or Number of the Actors
• Ash Color (Rectangle) Characterizes Negative Consent towards the Policy Tool and Black Color (Rectangle) Symbolize the Opposite
• Width of the Arrow (Ash) Denotes Influence upon the Policy Measure (i.e. thick arrow = higher influence)
• Arrows in Black Represents the Relationship Between the Actors: Direction Represents the Orientation and Width Symbolizes the Significance

### Table 2: Type of Actors and their Interests in the Policy

<table>
<thead>
<tr>
<th>Issue/Policy: Bangladesh Leather Processing Industry Relocation</th>
<th>Actors/Stakeholders</th>
<th>Category &amp; Scale</th>
<th>Aspect of Involvement</th>
<th>Goal/Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>European Union</td>
<td>Principal Buyer (International)</td>
<td>Implementation</td>
<td>Threatened to boycott for early implementation of the policy to ensure a neat image worldwide of their supply chain</td>
</tr>
<tr>
<td></td>
<td>Human Rights Watch Overseer (International)</td>
<td>Implementation</td>
<td>Protect the basic right of the exposed community through awareness building</td>
<td></td>
</tr>
<tr>
<td></td>
<td>United Nations Industrial Development Organization (UNIDO)</td>
<td>Development Partner (International)</td>
<td>Implementation</td>
<td>Provided an on-site solution and against the relocation because of further risk of pollution via relocation in the upstream (Savar)</td>
</tr>
<tr>
<td></td>
<td>Bangladesh Small and Cottage Industries Corporation (BSCIC)</td>
<td>Government Regulatory Authority (National)</td>
<td>Formulation &amp; Implementation</td>
<td>Relocation initiative under local and national pressure and to ensure environmental compliance</td>
</tr>
<tr>
<td></td>
<td>Bangladesh Environmental Lawyers Association (BELA)</td>
<td>Overseer (National)</td>
<td>Formulation</td>
<td>Immediate relocation to protect the local environment specially the adjacent Buriganga river</td>
</tr>
<tr>
<td></td>
<td>Asociación Cluster de Industrias de MedioAmbiente de Euskadi (ACLIMA) &amp; Khulna University</td>
<td>Consultancy &amp; Academic (International &amp; National)</td>
<td>Formulation</td>
<td>Analyzed the present pollution scenario and proposed an extensive and resource consumptive remediation plan for redevelopment in present location; against the relocation in terms of research findings</td>
</tr>
<tr>
<td></td>
<td>Bangladesh Tanners Association (BTA)</td>
<td>Principal Actor (National)</td>
<td>Formulation &amp; Implementation</td>
<td>Core opposition for relocation; negotiating for years regarding compensation and other aids</td>
</tr>
<tr>
<td></td>
<td>Bangladesh Finished Leather, Leather Goods &amp; Footwear Exporters’ Association (BFLLFEA)</td>
<td>Co-Principal Actor (National)</td>
<td>Formulation &amp; Implementation</td>
<td>Co-core opposition for relocation; negotiating for years regarding compensation and other aids</td>
</tr>
<tr>
<td></td>
<td>Workers</td>
<td>Most Affected Group (Local)</td>
<td>Effect</td>
<td>Tannery as the principal livelihood; physically victim for the delay in policy implementation; will be also effected economically during and after relocation</td>
</tr>
<tr>
<td></td>
<td>Exposed People</td>
<td>Effected</td>
<td>Effect</td>
<td>Wants early relocation to get</td>
</tr>
</tbody>
</table>
Tanners from the beginning were negotiating about the compensation package as well as running business in the current location, considering further risk of pollution in Savar, cost-effectiveness of providing CETP in Hazaribagh, production loss during relocation and other ‘pull factors’ of the current location (i.e. transportation, utilities etc.). Their willingness to pay for ensuring compliance in current location, cost-benefit analysis of the project for two scenarios (Hazaribagh and Savar) and sustainability from the perspective of urban planning has been well documented by Bhowmik (2012, 2013).

Politically biased perspective hampered this relocation in various ways. When the first agreement was reached about relocation (2003) the ruling government party was Bangladesh Nationalist Party (BNP), who agreed to bear the cost of CETP (Table-1). During 2003-2009 the bargaining from tanners was about increased amount of cost bearing by the government itself (from its predetermined 40% share). But during 2009 when Bangladesh Awami League (BAL) came to the power they refuse to bear the substantial cost of CETP (Table-1) and the bargaining started again from the beginning resulted in nothing but delay. This has been termed as the usual biasness and unethical practice of Bangladeshi politics by Al-Muti and Ahmad (2013). On the other hand tanners are divided among themselves according to political beliefs and place of origin within the country. Al-Muti and Ahmad (2013) states, “significant portion of the leather entrepreneurs bear allegiance to the opposition party, and thus apparently had an interest in delaying the relocation project beyond the 2014 national election in order to prevent the ruling political actors from being able to claim it as a success during its tenure”.

Lobbying strongly by tanners due to their favorable economic, social and political position affected the implementation of the policy further. Due to their financial position they got strong linkages within government and negotiated with top level of the country throughout these years without suffering any penalties from its inception till date (Leather International, 2013). Human Rights Watch (2012) in its study elaborated how tanners continuously extended the time of relocation along with the government in the face of several ruling from High Court between these time periods (2003-date). This has been possible with strong lobbying actors or representatives on behalf of the tanners within government. One of the example is the ‘lawyer’ “who represented the tannery associations in one petition to the High Court in February 2010 for an extension was ‘a member of the government’. He is also the nephew of in that time Prime Minister”, representing strong conflict of interests (Ibid., p.12).
Regulatory chill and glacier pace of the government bureaucracy has been observed for the tanneries which has been extrapolated during the study of Human Rights Watch (2012) and others. According to a Department of Environment official “there is a de facto policy not to monitor or enforce environmental laws because the Ministry of Industries is preparing a site in Savar for relocation of the tanneries. In the words of one official who requested anonymity, since the plan to shift, the Department of Environment has been inactive” (Ibid., p.33).

Disregard of alternatives and imposing decision under the pressure of powerful (i.e. European Union) while decision making is another aspect for this implementation delay and stakeholder debate. ACLIMA (2007) along with Khulna University, Bangladesh conducted an extensive research on the pollution of Hazaribagh and recommended to install CETP within it other than relocation. Because the recovery of present land after relocation for any further use will be extremely resource and time consumptive (cited in Bhowmik, 2013). Absence of which can impose serious health risk. Align with that research findings, earlier UNIDO proposed (Hasnain et al. 1999) an initiative to install CETP in Hazaribagh, but government opposed it with the help of local political leaders (Bhowmik, 2012; Human Rights Watch, 2012). Motivation behind governments’ stem attitude towards relocation can be explored if the study of Paul et al. (2013) and the objectives of the project (Bhowmik, 2012, p.4)is critically analyzed, which is simple revenue earning for governments side and profit making for EU. When the tanneries will move towards new location, they can expand their existing production scale (Paul et al. 2013) which in turn will result more cost-effective supply for EU and more revenue for government. It will make more profit for the tanners also but they are concerned about their huge investment in Hazaribagh and production loss during transition period, which cannot be neglected in a resource constraint country like Bangladesh.

Failure of top-down approach, in other countries during tannery relocation due to owner’s strong unwillingness should be also taken into consideration while judging this policy. Three case studies has been summarized by Bhowmik (2013), which have been adopted here and presented below (Table 3). Critical analysis and insights from them has not been performed by the author due to the scope of this study. Only the summary has been presented here showing how stakeholder’s unwillingness and debate in those cases resulted in failure of the respective policy measure.

<table>
<thead>
<tr>
<th>Country</th>
<th>India</th>
<th>Egypt</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>Tamil Nadu</td>
<td>Cairo</td>
<td>Leon</td>
</tr>
<tr>
<td>Number of Tanneries</td>
<td>577</td>
<td>320</td>
<td>675</td>
</tr>
<tr>
<td>The River Polluted</td>
<td>Palar</td>
<td>Nile</td>
<td>Gomez</td>
</tr>
<tr>
<td>Causes of Failure of Relocation Projects</td>
<td>Appeals from social communities including tannery owners</td>
<td>Unwillingness of the tannery owners to assist the government in ownership and</td>
<td>No progress because of the unwillingness of the tannery owners</td>
</tr>
</tbody>
</table>

Table 3: A Comparative Overview of the Tannery Relocation Projects that have Failed
Conclusion

Bangladesh Leather Processing Industry Relocation Policy is an imposed decision on relevant stakeholders (especially on tannery owners). It failed completely to address Goodland’s (2004) suggestion for taking consent from the community affected before undertaking any project for the sake of its success and Reed’s (2008) proposition to ensure that stakeholder can affect the decision making. Government had taken the decision to ensure environmental decision which is also crucial but selected the policy options without considering other alternatives and proper research about further risk and sustainability. Recent agreement about the relocation within June, 2016 is questionable by the concerned people of this industry (Human Rights Watch, 2012) due to new debate about the increased allotment cost and failure of similar attempt in other countries.

References


<table>
<thead>
<tr>
<th>transfer issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference</td>
</tr>
<tr>
<td>Kennedy (1999)</td>
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<tr>
<td>Bartone and Benavides (1997)</td>
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<tr>
<td>Blackman (2000)</td>
</tr>
</tbody>
</table>

Source: Adopted and Reproduced from Bhowmik (2013, p.115)


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