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BEYOND TRADE-OFFS

Integrated Financing Approaches for Just Transition in Global Textiles

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About Us

Swaniti Global, is an international policy and governance organization that operates at the intersection of policy, governance, and community needs to drive meaningful, long-term change. Swaniti works across regions to identify opportunities, unlock critical resources, and accelerate the energy transition through context-specific, collaborative strategies. Its approach is rooted in building partnerships with governments, communities, industry clusters, and civil society organizations to co-create solutions that are both innovative and impactful. By engaging with government systems to understand existing capacities and aligning them with community aspirations, Swaniti facilitates the design and implementation of integrated programs that address structural and developmental challenges.

Swaniti also invests in high-quality research on climate and development issues and collaborates actively with policymakers, elected officials, and communities worldwide to address pressing climate concerns and harness opportunities for impactful climate action. With deep technical expertise in public service delivery systems and a strong understanding of last-mile development challenges, Swaniti specializes in orchestrating multi-stakeholder engagements that drive systemic change. This includes unlocking public funding and leveraging institutional mechanisms to support large-scale transitions. Through its work, Swaniti Global aligns local development priorities with national policies and global climate objectives, contributing to the creation of resilient communities and inclusive, low-carbon economies.

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Introduction

The global energy landscape is undergoing a profound transformation, driven by urgent climate concerns and the imperative to decarbonize energy-intensive industries. The textile sector, which contributes 10% of global greenhouse gas emissions while employing millions of workers worldwide, sits at the epicenter of this challenge.[1,2] This transformation is further shaped by international climate agreements, complex global supply chains, and geopolitical concerns around energy security, all of which influence both the pace and direction of the transition.

However, achieving a just transition that safeguards livelihoods while advancing environmental goals requires addressing the social and economic disruptions that accompany this shift. Workers in traditional industries face displacement as green technologies evolve, creating emerging skills gaps that must be bridged to ensure inclusive participation in the new economy.[3,4] For the textile sector, where employment spans from cotton farmers to garment workers across global supply chains, the stakes are particularly high.

The drive toward sustainability has become essential for long-term economic and environmental viability. Yet this transition demands substantial financial investment, creating significant barriers particularly for small and medium-sized enterprises (SMEs) that form the backbone of textile manufacturing in many developing regions.[5] Green financing has emerged as a critical enabler in overcoming these barriers, accelerating the adoption of cleaner technologies and practices while ensuring the transformation benefits all stakeholders.

A well-structured and inclusive funding mechanism is therefore essential to ensure that this transformation is not only environmentally effective but also economically and socially just, laying the groundwork for a resilient, low-carbon future in the textile industry.[6] This blog analyzes funding architectures spanning from multilateral development bank concessional finance to sovereign and regional blended finance mechanisms, national industrial policy integration, and private sector impact capital tailored for Global South manufacturing hubs. Through operational models in Bangladesh and West Africa, we examine how transition mechanisms can simultaneously address social protection of laborers, industrial upgrading, and employment generation.

Current Funding Mechanisms Available to the Garment Industry

The financing architecture supporting equitable transition in garment manufacturing has crystallized into four distinct yet interconnected funding categories, each addressing specific aspects of the sector's environmental and social transformation requirements.

1. **Multilateral Development Bank Concessional Finance** operates as the primary institutional funding mechanism, deploying capital with below-market rates to improve green technology adoption. Some of the prominent MDB Concessional Finance tools are highlighted below:
    - The **Green Climate Fund's** Bangladesh intervention is a leading example,

approving approximately USD 256 million in blended financing approved in 2020, targeting to cut 14.5 million tonnes CO_2eq by 2030 through energy efficiency upgrades across ready-made garment facilities. **The program combines loans and grants for mills to install advanced equipment including efficient boilers, motors, and lighting systems, while providing technical assistance for capacity-building and enabling local banks to develop green lending capabilities.**[7]

- The **International Finance Corporation'**s recent deployments demonstrate evolving MDB appetite for garment sector investments. The USD 100 million EPIC Group package—structured as USD 70 million in sustainability-linked loans and USD 30 million in green loans—targets machinery upgrades for improved energy and water efficiency while strengthening ESG management practices with specific targets for GHG reduction and gender diversity in management. This 2024 transaction is expected to create 10,500 direct jobs and 17,000 including indirect employment, while improving working conditions across facilities.[8]
- The **Asian Development Bank's** €10.8 million loan to Envoy Textiles Ltd in 2023 represents targeted intervention in Bangladesh's spinning sector, funding replacement of outdated machinery to reduce electricity consumption and emissions per ton of yarn. The project includes a gender action plan and is projected to create approximately 250 new jobs, demonstrating how MDBs integrate employment creation with environmental objectives.[9]

2. **Sovereign and Regional Blended Finance:** Sovereign and regional blended finance mechanisms leverage public sector anchor funding to de-risk private investment while addressing specific geographic or sectoral development priorities. The below textile sector initiatives demonstrate how these targeted approaches combine government resources with complementary funding streams to achieve both economic and social transformation objectives.
    - **European Union Just Transition Fund** applications, while concentrated in coal and steel regions, demonstrate textile sector potential through targeted interventions. **Ireland's CycleUp Textiles** project received €186,649 to train marginalized workers, including immigrants and women, in textile upcycling and circular economy skills, illustrating how JTF resources can simultaneously address environmental and social inclusion objectives.[10,11,12]
    - The United States has developed distinctive approaches through targeted regional interventions. The **Appalachian Regional Commission** awarded USD 10 million in October 2023 to The Industrial Commons in North Carolina for developing a circular textile hub in Morganton, complemented by USD 5 million in state funding and catalyzing USD 60 million in private investment. This facility will recycle textile waste into yarn while training workers for advanced manufacturing in circular fabrics, having already trained over 3,700 workers locally. Additionally, USAID provided USD 2 million to North Carolina State University's Wilson College for "Hilando Oportunidades," Honduras' first technical textile education program, which will certify approximately 1,500 youth in spinning, knitting, dyeing, and garment production over two years.[13,14,15]
3. **National Industrial Policy Integration** demonstrates the most ambitious financing scale, with India's comprehensive scheme portfolio leading the way for

systematic sector transformation with the below flagship schemes: [16]

- The **Amended Technology Upgradation Fund Scheme (ATUFS)** maintains an approved outlay of ₹17,822 crore (approximately USD 2.1 billion), enabling over 1.4 million firms to upgrade equipment since 2016 through subsidized bank lending. The complementary Production-Linked Incentive scheme allocates ₹4,445 crore for 2021-28 to foster integrated textile parks and production facilities.
- India's **Samarth skilling scheme** demonstrates significant employment impact, training approximately 382,000 workers with roughly three-quarters achieving job placements, using ₹115 crore in 2023-24. This coordinated approach of technology upgrading, production incentives, and skills development addresses multiple transition challenges simultaneously through integrated policy frameworks.

4. **Private Sector Impact Capital and Philanthropic Innovation** increasingly functions as the testing ground for unproven technologies and business models with the below private sector instruments capturing a large segment of the existing contributions:

    - The **Fashion Climate Fund,** launched in 2022 by major brands including H&M Group and Lululemon alongside foundations, aims to raise USD 250 million in grant funding designed to leverage USD 2 billion in blended capital for supply chain decarbonization. The fund subsidizes suppliers adopting carbon-cutting measures including efficiency programs, fuel switching, and improved materials while building portfolios of proven climate solutions.[17,18]
    - The **Good Fashion Fund** represents specialized impact investment for South Asian textile manufacturers, providing long-term USD loans for circular and low-impact technologies such as waterless dyes and solar dryers, accompanied by technical support. This approach addresses financing gaps that traditional banks avoid due to perceived technology risks, enabling transition to new production practices with employment co-benefits.[19]

Global Best Practices for Garment Sector Equitable Transition

Bangladesh's Integrated Systematic Framework

- Bangladesh's approach represents an operational equitable transition model globally, integrating emergency social protection, systematic industrial upgrading, and financial sector development into a unified policy approach.
- The model's foundational innovation lies in its demonstrated emergency response capabilities, operationalized during COVID-19 through rapid deployment of approximately €113 million in European Union and German funding. This intervention provided Tk 3,000 monthly payments to laid-off or disabled ready-made garment workers for three months supporting their livelihood and social stability. [20]
- Building on this social protection foundation, Bangladesh developed SREUP as

a systematic industrial transformation mechanism addressing building safety compliance, environmental performance, and productivity enhancement simultaneously. The program's blended finance structure combines concessional loans, performance-based grants, and technical assistance deployed through 14 local bank intermediaries, balancing credit risk while building local lending expertise for future green investments.[21] The bonus grant mechanism upon verified project completion incentivizes quality implementation across safety and environmental upgrades. The program's scope covers fire safety systems, solar installations, effluent treatment, and worker welfare facilities, recognizing that just transition requires simultaneous attention to safety, environmental, and social outcomes rather than isolated interventions.[22]

- The model's effectiveness stems from its integration with existing export infrastructure and international buyer requirements. By connecting SREUP eligibility to export performance and global supply chain standards, the program aligns industrial upgrading incentives with market access preservation, ensuring commercial sustainability beyond donor funding periods.

West Africa's Regional Value Addition Strategy[23,24]

- The Partenariat pour le coton demonstrates a coordinated financing approach to economic transformation, launched in February 2024 through partnership between WTO and FIFA. The initiative aims to mobilize $12 billion across Cotton Four countries (Benin, Burkina Faso, Chad, Mali) plus Côte d'Ivoire to transform the region's cotton sector from traditional raw commodity export toward sustainable, value-added textile manufacturing. A Joint Declaration signed in June 2024 formalized collaboration between UNIDO, WTO, International Trade Centre, and Afreximbank, alongside financial institutions Africa Finance Corporation and International Islamic Trade Finance Corporation.
- The partnership's approach addresses economic transition through coordinated investment in "sustainable and fairly produced textiles" while prioritizing decent job creation for women and youth demographics by investing in skill enhancement, and infrastructure development essential for sectoral transformation. AFC's Glo-Djigbé Industrial Zone in Benin exemplifies the model's potential, successfully transitioning from raw cotton processing to finished garment production, with "Made-in-Benin" t-shirts now retailing internationally and 80,000 children's leggings exported to French markets, demonstrating how coordinated financing can enable developing regions to move up the value chain while maintaining commitments to sustainable production standards and inclusive employment practices.

Strategic Pathways for Global South Textile Transformation[25,26,27]:

The financing mechanisms and regional experiences examined reveal emerging patterns that may shape just transition trajectories in global textiles. The stark contrast between Bangladesh's integrated SREUP model combining emergency social protection, systematic industrial upgrading, and financial sector development and West Africa's $12 billion Cotton Partnership demonstrates how different contexts require distinct architectural approaches. Bangladesh's success emerged from established manufacturing infrastructure facing compliance pressures, while West

Africa's initiative represents commodity-to-manufacturing transformation across multiple countries.

These divergent approaches raise intriguing questions about cross-regional learning. Could Bangladesh's integrated social protection mechanisms inform West Africa's industrial zones? Might West Africa's multi-country coordination frameworks offer lessons for regional initiatives in South Asia or Latin America? The evidence suggests effective financing architecture may need greater context-specificity than current international frameworks acknowledge

The four funding categories outlined multilateral concessional finance, sovereign blended mechanisms, national industrial policy, and private impact capital appear most effective when operating coordinately rather than in isolation. The convergence of these mechanisms signals fundamental reconfiguration of industrial transformation possibilities. Rather than accepting historical patterns where environmental progress displaces employment, these emerging models suggest strategic financial architecture can potentially catalyze simultaneous advancement across multiple development objectives. Yet critical questions remain: Can these models achieve climate-required scale and speed? How can mechanisms better address global supply chain power imbalances? The textile sector's evolution becomes a testing ground for whether developing economies can transcend traditional trade-offs between prosperity, sustainability, and social cohesion suggesting promising directions while requiring continued experimentation and cross-regional learning.

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