Policy Note

Social Circular Economy in Panipat: A strategy for green and inclusive recovery

May 2020

CRB CENTRE for RESPONSIBLE BUSINESS
Enabling Change for Impact

intellecap

FASHION FOR GOOD

Supported by:

Laudes Foundation

Social Circular Economy in Panipat: A strategy for green and inclusive recovery

Background

Haryana is one of the leading textile clusters in India owing to the easy availability of raw materials, strategic location and skilled labours. Sirsa, Fatehabad, Bhiwani, Hisar and Jind are the main cotton producing districts of the state[1]. Textile and apparel clusters in Panipat, Gurugram, Faridabad, Hisar and Sonipat accounts for employment of about 1 million people and exports worth USD 3 billion[1]. Cotton based products accounts for the major share of textile production in Haryana.

The Panipat cluster in particular is famous for production of blankets, and presently accounts for about two third of the total blankets produced in the country[2], whereas Gurugram and Faridabad are famous for readymade garments and knit wears. Some of the Asia's largest ready-made garment manufacturers have their manufacturing facilities in Gurugram. Government of Haryana is focussing on setting up of integrated textile parks in Hisar, Faridabad and capacity extension in Panipat and Gurugram clusters[2].

Haryana's clusters might face trouble in future owing to pollution and groundwater depletion. Haryana, being one of the severely water scarce states of India that need to implement strict measures to reduce water wastage and promote recycling. The annual replenishable ground water resource i.e. the dynamic reserves in the state averages at 3560 mcm per year compared to 9260 mcm withdrawn per year, indicating the dire need to conserve water in the state. Several areas also suffer from water and soil pollution linked to chemicals used in the processes and lack of adequate purification facilities.

Recently, the Covid-19 pandemic has affected the Panipat cluster badly. About 60% of Panipat's labour force was constituted of migrant labourers (as of March 2020). Many had already left when lockdown was imposed in March, owing to the harvest season. About 10-15% of the labourers left due to the lockdown, as factories had to shut down. Exporters of recycled goods were hit hardest; their source of raw materials (through waste imports) was cut off and the European markets were closed early due to the virus spreading rapidly in the EU countries in March and April.

Circular economy can help the cluster recover and become more resilient.

Circular Economy

Circular economy is an economic system where materials and energy circulate in loops and stay within the value chain, as opposed to a linear system of take-make-dispose. In a circular economy the concept of waste is eliminated—material value is reused, recycled, and repurposed. Ideally, a circular economy would run wholly on renewable energy.[3] India can benefit up to ₹40 lakh crores and a reduction of 44% in GHG emissions if we opt for complete circular economy.

The three basic principles for circular economy:

- Designing out waste and pollution

---

[1] Department of Industries & Commerce Haryana. 2019. Haryana Textile Policy. Chandigarh: Department of Industries & Commerce Haryana. https://investharyana.in/content/pdfs/Textile%20Policy%202019.pdf.

[2] CII, 2016. *Textile Sector Profile.* Gurugram: Government of Haryana. http://www.bippharyana.in/documents/Sector%20Profile-Textile.pdf.

[3] Ellen Macarthur Foundation. 2016. https://www.ellenmacarthurfoundation.org/assets/downloads/publications/Circular-economy-in-India_5-Dec_2016.pdf

- Keep products and materials in use
- Regenerate Natural Systems

The present economic model of 'take-make-dispose' relies on cheap, easily available materials and sources is often subjected to supply chain risks and is extremely wasteful and unsustainable both environmentally and economically. The increasing supply chain risks, price volatility, and decreasing availability of natural resources is increasing the relevance of circular economic model. A successful circular economic model forms a closed loop and is restorative and regenerative by design. It aims to keep products, material, and components at their highest value and utility[4]. By incorporating circular business models, not only sustainability issues like resource efficiency, pollution can be solved but also issues like reduction in unemployment and better livelihoods of stakeholders can be dealt efficiently.

The Covid-19 pandemic had led to many businesses move their operations from China; for India textile clusters to benefit from such a move, they must implement policies that adhere to international norms.

Incorporating Circular Economy in Haryana's Textile Policy

Centre for Responsible Business, along with **Intellecap** and **Fashion for Good**, has held consultations and interviews with Haryana textile and apparel industry stakeholders to understand the challenges and priority areas of the state, especially the Panipat cluster, where interventions are necessary. The ideas below had emerged from those conversation. Some of these are action ideas, while others are supporting policy interventions that would help Haryana's textile clusters *to provide its businesses with opportunities to pursue circularity in its products and processes, and thus recover quickly from the business disruption caused by the pandemic.*

Material

- Panipat has a thriving recycling industry (pre-pandemic) which is largely dependent upon imports of textile and apparel waste from Europe and US. Disruption in global supply chains amidst pandemics and other disasters call for shoring up domestic supply routes for textile and post-consumer apparel waste. Domestic collection and transport of such waste is erratic in India; incentives must be put in place to set up robust collection mechanisms. Landfilling/burning of textile waste must be penalized/prohibited.
- Industrial R&D on recycling technology (both mechanical and chemical) is a must to increase material recovery and salvaging mixed fabrics.

Water

- Cluster based development has the advantage of efficient collection system of waste water and recycling. The recycled water can be redistributed to the units and act as an offset to reduce the dependency on the intake of fresh water.

- ZLD technology is being adopted across the industry to minimize water loss. Also, it has been proven that recycled water is suitable for dyeing operations. ZLD and recycled-water supply should be considered for common infrastructure development in all clusters, as individual MSMEs wouldn't be able to install necessary equipment due to high costs.

[4] Ellen MacArthur Foundation. 2017. *TOWARDS A CIRCULAR ECONOMY: BUSINESS RATIONALE FOR AN ACCELERATED TRANSITION.* Ellen MacArthur Foundation. https://www.ellenmacarthurfoundation.org/assets/downloads/publications/A-New-Textiles-Economy_Full-Report_Updated_1-12-17.pdf.

- The scheme of interest subsidy (as declared in the Haryana Textile Policy 2019) can be linked with the performance-based metrics of usage of recycled water[5].

Technology

- Schemes like TUFS (Technology Upgradation Fund Scheme) should be amended to enable industries to switch to technologies that have proven capacity to reduce water, energy and chemical consumption. New, efficient technologies are often costly, and it is difficult for smaller units to invest in, leading to overall loss of opportunity for the sector.

- Government can incentivise smaller units to set up bioremediation units that have proven to be cost-effective in some clusters in Gujarat and Rajasthan. Such units can typically be set up with a few lakh rupees; this amount could be provided as an interest-free or subsidised loans.

- Government can build more 'Centres of Excellence on Textile Technology' for promoting cost effective indigenous researches in the field. Special emphasis can be given to researches on recycling technologies and quality assurance.

- Panipat is a recycling hub. Numerous small and large organizations are involved in importing waste, and converting them into floorings, home furnishings, blankets, etc. Haryana Textile Policy 2019 suggests that a carpet research facility would be set up – this could be augmented to perform R&D on recycling and quality assurance. This would help conserve and utilize resources, and also help to increase exports. There is also an opportunity to quantify the amount of waste/recycled fibre handled in Panipat and other clusters in Haryana – this data can help in making policies and explore ways to make the sector competitive.

Energy

- The Haryana Government had discontinued contributions under TUFS (Technology Upgradation Fund Scheme), which was equivalent to an amount of 5% of capital subsidy. Under the new textile policy (Haryana Textile Policy – 2019)[6] while the Amended TUF Scheme or A-TUFS is mentioned, eligibility criteria for availing the scheme is prohibitive for the micro and small industries— they are often unable to make new investments of more than 50% of their gross capital investment or ₹10 crores at one shot. The state government should provide additional incentives, especially in the form of capital support to help small businesses meet the eligibility criteria. This would help the textile clusters improve their environmental footprint.

- A stable, long-term renewable energy policy is a must to encourage businesses to invest in new technologies. As businesses will be hesitant to invest in renewables in the short term, subsidy for solar installations/operations must be brought back. This could counter the proliferation of coal-based units for running boilers. Setting up solar-based micro-grids can be considered for each cluster.

Other required Interventions

- *Digital literacy and tax education*

[5] https://investharyana.in/#/textile

[6] Haryana Textile Policy 2019. https://investharyana.in/content/pdfs/Textile Policy 2019.pdf

Many stakeholders in this sector, especially from micro units, felt that the GST filing cycles are difficult for them as they do not have adequate understanding if the taxes, and are forced to spend hours with chartered accountants in order to file taxes/returns on time. Also, many do possess adequate digital literacy to navigate the websites and online forms. This impacted labourers in the industry during the pandemic, when many were unable to access benefits that required online form submissions. Post-pandemic, when more and more systems will move online, programs to impart and monitor digital literacy for all stakeholders will be crucial. A centre/helpline for taxes in each cluster can also benefit numerous businesses.

- *Housing for migrant workers*

  The 2019 policy has provisions for subsidizing worker housing in new textile parks, but for "domicile" workers. While this is in line with the state's goal to increase employment of Haryana residents, more than 60% of textile workers employed in various segments in clusters like Panipat are migrant workers, especially from Uttar Pradesh and eastern states like Bihar, Jharkhand, Odisha and West Bengal. The Covid-19 pandemic has exposed vulnerabilities among migrant workers; provisions for housing must be extended to them as well, in order to retain workforce in the face of future pandemics and disasters.

- Existing labour laws must be retained, and changes should be made to improve living conditions and wages. This is a must, if international brands and manufacturers are to be brought in. Supply chains are in scrutiny globally; businesses that and regions without labour laws that follow international standards will be unable to attract investments.