Resource Efficiency Financing

Save money and the environment

www.textilepact.net
Bangladesh RMG sector aspires to become a $50 billion industry by 2021. Partnership for Cleaner Textile (PaCT) is playing a leading role in bringing together Brands, Factories, Financial Institutions, Technology Suppliers and other stakeholders to work collectively in addressing high use of resources – water, energy and chemicals through resource efficiency measures.

PaCT partner factories who invested $29 million in resource efficiency collectively enjoy $8 million in savings annually!

What is Resource Efficiency Financing (REF)?

REF involves capital investments in modern, efficient, and eco-friendly practices that are designed to use less resources, while providing the same or better output. This could include replacement of old equipment or system upgrades. REF leads to increased profitability through savings, improved productivity, and reduced operating costs. PaCT has demonstrated a strong business case for resource efficiency in the textile factories, with an average payback of less than 4 years.

Typical areas of Resource Efficiency upgrades include

✓ Measurement and control systems
✓ Process heat recovery
✓ Electrical motors and transformers
✓ HVAC, boilers, and lighting
✓ Onsite energy generation facilities
Here’s a snapshot of how factories can invest in resource efficiency projects to **DO MORE WITH LESS!**

1. **Registration**
   - Factories, nominated by apparel brands, sign up to become PACT partner factories.

2. **Resource Efficiency Assessments in factories**
   - PACT technical experts first identify potential opportunities for resource efficiency, options for upgrades, and opportunities for investments in resource efficiency.

3. **Financing upgrades**
   - The experts then evaluate the opportunities/upgrades to identify bankable resource efficiency projects and later develop investment proposals.

4. **Implementation of upgrades**
   - Factories finally implement the recommended projects and enjoy the benefits of resource efficiency—reduced costs, investments, and environmental footprint.

5. **Financial Closure**
   - After review, the bank lends finance to factories to invest in the resource efficiency projects, and also provides linkage with relevant technology service providers.

6. **Introduction to PACT Partner Banks**
   - Factories meet with partner banks, specially trained in RET by PACT experts. Banks review investment proposals and evaluate the costs and benefits of implementing the proposed resource efficiency projects.

According to EBRD*, every $1 they spent on assessing industrial energy efficiency projects resulted in **$1,000** of new investment in energy efficiency!

*European Bank for Reconstruction and Development (EBRD)*
What does PaCT offer?

**Financial Institutions (FIs)**

**Opportunities**
- Development of strategies, process, targets, innovative resource efficiency product offerings with eligible activities, review criteria, and product specifications
- Capacity building of FI staff through customized training on REF
- Access to dedicated database of resource efficiency technology suppliers through Textile Technology Business Center (TTBC)
- Promotional materials, brochures for scaling up financing
- Access to PaCT partner factories that have already completed assessments and are keen on resource efficiency upgrades

**Benefits**
- Typically, average loan size increases by 15-20 percent when energy efficiency is incorporated to an existing loan
- Early mover advantage through new product offering
- New client acquisition through joint calls
- Increased sales and diversification of credit portfolio

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**Factories**

**Opportunities**
- Access to low cost funds for resource efficiency investments
- Technical expertise and advisory support in resource efficiency projects
- Access to world renowned Technology Service Providers (TSPs) for reliable resource efficiency equipment through TTBC

**Benefits**
- Reduced financing and operating costs leading to higher profitability
- Access to a pool of FIs with REF loan products
- Enhanced brand reputation through strengthened buyer-supplier relationship
- Reduced wastewater generation and GHG emissions

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**Technology Service Providers (TSPs)**

**Opportunities**
- Access to finance for resource efficiency equipment
- New business links with FIs and factories
- Access to a platform for technical knowledge dissemination and capacity building through TTBC workshops

**Benefits**
- Increased promotion and sales of resource efficiency equipment to a targeted market
“With an initial investment of $100,000, the company was able to reduce wastage of water, energy, steam, dye and chemical worth $500,000 within a year. So, it is a matter of mindset.”

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