**ROUNDTABLE ON CIRCULAR TEXTILES**

**November 21, 2018, Movenpick Hotel, Colombo**

**Introduction**

The roundtable was organised by CSR Sri Lanka and MVO Nederland (CSR Netherlands) with the objective to explore the businesscase of a (precompetitive) joint recycling industry with the large textile companies (MAS, Hirdaramani, Brandix), a collector, sorter and recycler (Neptune), AOD (Academy of Design), the Dutch Embassy, Asian Development Bank, CSR Sri Lanka and MVO Nederland. The need for a joint recycling industry for textile waste is one of the outcomes of the [Sustainable & Inclusive Business Scan](https://mvonederland.nl/dossier/no-waste-sri-lanka) in Sri Lanka in February, 2018.

MVO Nederland represents a Dutch consortium on circular textiles who want to accelerate and mainstream recycled content in fabrics and garments. In this consortium, named ‘Clothes the Circle’, parties like Asics, Upset, Purify, Saxcell, Frankenhuis, Wieland sorting and Wageningen University are cooperating on the basis of a Memorandum of Understanding (MoU).

As the market in the EU is demanding more and more ‘circular products’ and therefor textile waste as feedstock for several recycling processes, the challenge is to reorganise the supply chain towards closed loop fabric & garment production. Therefor brands, recyclers, vendors, suppliers and spinners have to work together in a transparent circular system.

***Program and set up***

The roundtable was opened by Ms. Eva van Woersem, Deputy Head of Mission of the Embassy of the Kingdom of The Netherlands, followed by an introduction by Michiel van Yperen, sectormanager textiles MVO Nederland on:

* Goal and ambition of the roundtable;
* Overview technical innovations on circular textiles in the Netherlands;
* Overview market demand for circular textiles in the Netherlands;
* Building a businesscase & bilateral consortium to meet the growing demand on circular textiles.

During the interactive strategy session, the (post production) textile waste streams in Sri Lankan (cotton & polyester) was explored and whether the waste streams are already valorised. This was followed by a discussion to scape the businesscase of a joint recycling industry on textile waste in Sri Lanka and the needs in terms of expertise, roles, commitments and investments.

***Challenges and opportunities***

The introduction was focused on the need for circular textiles from the perspective of scarce resources and rising prices for virgin materials (cotton). Followed by technical updates and market updates of circular textiles (see slides). The demand for circular textiles exceeds the supply and therefor producing countries like Sri Lanka are needed in this new economy.

The three textile companies are responsible for appr. 40% of the total clippings in Sri Lanka.

It could be an idea to establish such an industry in a bounded area, Sri Lanka as transport hub. When such a recycling facility is in place it will benefit both Sri Lankan as Dutch/EU parties in the consortia. It will boost the supply of circular yarns, bring the price down and make it affordable for brands to jump into the circular economy and to address the SDGs as well. The participation of the AOD is needed to enhance the academic level and to bring in circular design. Involvement of BPPL can also be considered because of their knowledge and practices in polyester recycling and yarn spinning. By involvement of Nikhil Hirdaramani in the consortium, the Sri Lankan textile association JAAF is represented as well.

To fuel the discussion on a joint initiative in textile recycling, several scenarios were presented:

1. Do nothing and leave this to India (or other production countries)
2. Bilateral deals per factory with Neptune, Pure, Saxcell, other recyclers, etc
3. Joint collection/sorting plant for export of clippings to India/China/EU
4. Joint recycling plant for fibre production of:
	* Cotton mechanical (low end)
	* Cotton chemical (mid end)
	* Cotton purify (high end)\*
	* Polyester/Nylon mechanical (low end)
	* Polyester/Nylon chemical (high end)

\*The Purify/Pure technology is under development and the first operational set up will be in Belgium. The next set up will be in India (a feasibility study will be conducted in 2019).

The parties indicated that option 4 is most desirable and that option 2 and 3 are already partly in place. The question remains whether the parties are really committed to work together in a collaborative way as this is not usual in the highly competitive Sri Lankan context. For example, the quantity of waste flows may not be shared with the other parties as this is confidential information. Nevertheless, the parties indicated their commitment on working together on this businesscase on the basis of a sound feasibility study executed by an independent expert.

The feasibility study must contain at least:

* Scoping, what do we want to know and to what extend do we want to involve India;
* A sound business calculation, incl. value proposition and customer validation;
* Technical specs and data of the different technologies;
* Environmental (and chemical) footprint per technology;
* Traceability (with regard to brand protection);
* Investment pathways and BoI structure;
* Spinning pilots, in cooperation with India as spinning mills hardly exist in Sri Lanka.

***Follow up***

As main take away, the following roadmap can be considered:

1. MoU: There is willingness by all parties to cooperate and to form a coalition on this topic. Collaboration will bring the Sri Lankan textile industry in the next phase of the circular economy. To my opinion, the first step should be the signing of a Memorandum of Understanding (MoU) together to show your commitment for collaboration and a roadmap. MVO Nederland can draft a first concept for this if needed. CSR Sri Lanka can organise the signing ceremony with the parties in Q1 and invite key-stakeholders for that.
2. Feasibility study: For real commitment, a feasibility study by an independent party is needed to calculate the businesscase and to validate assumptions. MVO Nederland can support by selecting Dutch experts for this and bring them to Sri Lanka. But as it will be the feasibility study of the Sri Lankan coalition, the funding for this should be the responsibility of the parties involved. MVO Nederland can request the Dutch government to add on the private investments. CSR Sri Lanka can be the secretariat of this and support you in this process.

The first step to draw up a terms of reference by the parties in Sri Lanka who signed the MoU (the coalition). Then the costs (and needed budget) of the study can be defined. Again, MVO Nederland and CSR Sri Lanka can facilitate that process if needed.

1. Investment plan: When the feasibility study turns out positive, then the next step is to form a Board of Investors (BoI) to decide in which techniques and organisational/legal structure the parties wants to invest.
2. MVO Nederland will engage with the Dutch consortium, brands, experts, stakeholders and government to promote this roadmap.

***Annex 1: Participants***

* Hirdaramani group, Nikhil Hirdaramani (CEO)
* Hirdaramani group, Demith Gooneratne (Manager Environmental Sustainability)
* Hirdaramani group, Piyumi Perera (Head of Design – Woven Cluster)
* MAS Holding, Shanila Athulathmudali (Manager Environmental Sustainability)
* MAS Holding, Manorika Ranasinghe (Executive Environmental Sustainability)
* MAS Holding, Erandi Salgado (Executive Environmental Sustainability/data expert)
* Brandix Apparel Limited, Binura Perera (Mechanical Engineer)
* Neptune Recyclers, Abdullah Kassim (Managing Director)
* Neptune Recyclers, Rizan Jaufer (Chief Executive Officer)
* Neptune Recyclers, Nibras Nizam (Expert)
* AOD, Michelle Mirchandani (External Relations Manager)
* AOD, Shilanthi Abayagunawardana (Head designer Island Collection)
* ADB, Thusitha Molligoda (Senior Investment Officer)
* EKN, Eva van Woersem (Vice Ambassador)
* EKN, Mirthe Hellema (Intern)
* CSR Sri Lanka, Dinidu Endaragalle
* CSR Sri Lanka, Thilina Premjayanth
* MVO NL, Gerard Teuling
* MVO NL, Michiel van Yperen

***Annex 2: Slides***

See separate pdf