

West Asia Future Lab for Innovation and Policy

Part of the West Asia Sustainable Fashion Academy

Future Proof Solutions for Green Textile-Fashion SMEs

September 20th, 2022 | 10:00-14:00m (KSA/GMT+3) | Digital

About the West Asia Future Lab

The West Asia Future Lab for Innovation and Policy – a collaborative partnership between [SEED](#), [GO4SDGs](#) and the West Asia Sustainable Fashion Academy – offers a platform for green SME stakeholders, such as policy makers, financiers and entrepreneurs, to make the textile and fashion sector ready for 2030 by developing future-proof solutions for today's challenges. The lab focuses on the clothing and apparel industries and addresses challenges along the value chain from production to consumption. The participatory lab process will connect policy makers, intermediaries and SMEs in a co-creation setting in order to develop tailored solutions in five action areas such as Innovation, Non-Financial Support, Finance, Policy and Market. The co-created solutions will provide concrete action items in how to better support West Asian green SMEs applying circular technologies or business models operating in the **textile and fashion sector**. To drive this systematic change, the participants of the lab will discuss priority areas such as shifting consumption patterns, improved practices and infrastructure investments.

The West Asia Future Lab was designed to engage a community and leverage the expertise of key green SME stakeholders across the region. The West Asia Lab is organized in collaboration with the West Asia Sustainable Fashion Academy and UNEP and is part of a Global Lab Series that engages green SME stakeholders in the Agri-Food and Textile-Fashion sectors across Africa, Asia, Latin America and West Asia. The practical insights of the regional labs will inform a New Green SME Action Agenda supporting the global advocacy efforts of the growing green SME community leading the way for future SME policies and frameworks.

About the West Asia Sustainable Fashion Academy

UNEP West Asia launched the regional sustainable fashion programme in 2020. It was kickstarted with the designation of the world-renowned fashion designer, Rami Kadi, as regional Goodwill Ambassador. Since then, the programme's message of transitioning to sustainable consumption and production has been conveyed through social media and people of influence.

The West Asia Sustainable Fashion Academy (WASFA) was launched in 2021 with the primary objective to implement the long-term goal of the regional sustainable fashion programme through partnerships with fashion schools to create courses on sustainable textiles, eco-design and sustainable fashion imbedded within their programmes.

In parallel, the Academy also hosts webinars and workshops, free of charge, with key stakeholders within the industry in an effort to shift consumer behaviour and promote more sustainable practices such as upcycling and slow fashion.

Upon completion of the various workshops/webinars, participants will get a Certificate of Participation and be included within the UNEP Expert Community to stay posted on the latest updates. Additionally, the trainings will provide the participants with exposure and allow them to be part of a sustainable value chain.

For its first year the WASFA launched three workshops:

- Eco Innovation & Sustainable Textiles (technical)
- Zero Waste Fashion: an Eco-Design Marathon (sustainable techniques)
- Training on Upcycling for NGOs

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The West Asian textile-fashion SME sector context

The fashion industry is a major contributor to global environmental problems. Locally, the fashion and textile industries impact water quality and people's health through the use of chemicals. Studies have found that the worldwide fashion industry uses or contaminates annually 215 trillion litres of water (Quantis, 2018). A pair of jeans alone may require as much as 10,000 litres of water from production to the market. This is as much as the average person drinks in 7 years (Khamis, 2022). Currently, the textile and fashion industry is estimated to be responsible for between 2 and 8% of Global Greenhouse Gas Emissions (Quantis, 2018, Ellen MacArthur Foundation, 2017). This is increasing, as people are consuming more rather than less. Today, the average consumer buys 60% more clothing and wears each item 36% less often before discarding it than they did 15 years. Combined with low recycling and re-use rates, this trend is increasing the amount of waste the textile industry creates (Koelblin, 2021; UNEP, n.d.).

Small- and medium-sized enterprises (SMEs) comprise the majority of businesses in the textile industry. They engage in activities across the textile value chain and include small-scale cotton farmers, fibre, yarn and fabric producers, dyeing and finishing facilities, apparel manufacturers and recyclers. Social groups that are marginalized in formal employment, such as women and rural migrants, represent a large share of their workforce. The growing push toward sustainable and circular practices in the textile industry leaves many SMEs behind, as they struggle to find the resources to engage in sustainable practices (UNEP, 2020).

In West Asia, textiles have played an important role in history and culture. Yet, West Asian countries have imported fashion trends from Europe and North America for many years. This is increasingly changing, with West Asia beginning to export fashion trends. The success of designers such as Lebanon's Rami Khadi, Rabih Kayrouz and Elie Saab, Kuwait's Yousef Aljasmī and Bahrain's Hala Kaikow on the international stage has led to increased attention to the West Asian fashion and textile sector (Iftahy et al., 2019, UNEP, n.d.-b). The sector has experienced tremendous growth across the region, with activity highly concentrated in fashion hubs such as the UAE, Qatar and Lebanon. This growth has been accompanied by increased attention to sustainable fashion; however, traditional and international brands continue to dominate the market (Khamis, 2022).

In economies across West Asia, SMEs make up the vast majority of businesses at over 90% (Stepanyan et al., 2019). However, the regional textile industry is highly competitive with big brands dominating the market and driving the change towards new trends of sustainability. SMEs are dominantly engaged in the production of traditional fashion products. Yet, they increasingly enter the field of sustainable and circular production by engaging in the second-hand market and advancing the field of recycling (Mordor Intelligence, 2021). Moreover, the consumption patterns are shifting toward more sustainability. Recent studies have found that 75% of poll respondents in West Asia prefer to buy from eco-conscious fashion companies (compared to only 54% globally) (Khamis, 2022). This is happening in an already large and still rapidly growing industry. In the UAE, the average person spends 1,600 USD annually on fashion, which is double the US average (Koelblin, 2021). With the market quickly developing toward online fashion and production and consumption moving toward sustainability, there is an enormous need for future-proof solutions.

Five Action Areas for the West Asian Textile-Fashion SME Sector

1. Innovation

The West Asian fashion sector is characterised by a fast-growing e-commerce sector. It is expected to increase by 40%, reaching a market share of 9% compared to today's 2%. In Saudi Arabia, the e-commerce sector has already reached 20% market share (Iftahy et al., 2019). Online platforms are booming as internet access stands as high as 99% in countries like the UAE, Qatar, Bahrain and Kuwait (World Bank, n.d.-a). These are the countries where the online retail market is expanding and where also the fashion industry is growing. However, West Asia is characterised by huge regional differences, with internet access as low as 25% in Yemen (World Bank, n.d.-b). The unique history of political unrest, conflict and economic crisis of each country in West Asia has led to diverse local contexts in terms of regulations and infrastructure, allowing for more or less potential for the e-commerce sector.

Some countries, such as the UAE, have become a hub for innovation in the fashion and textile sectors. First, a recent shift towards cultural acceptance of second-hand shopping has allowed for a fast-growing scene of second-hand luxury and thrift stores. Moreover, SMEs and universities drive research into alternative products, materials and production technologies, such as 3D sampling and plant-based dyes. For instance, the **UAE-based SME DGrade has developed a high-quality yarn made from recycled plastic water bottles** (Northway, 2022). To further improve waste management, **Lebanese-based SME FabricAID collects unwanted clothes, upcycles them and re-sells them at micro prices to disadvantaged communities** (Darwish, 2021).

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2. Non-Financial Support

Launching a new enterprise is challenging in almost every country and every sector. In the fashion and textile industry, it is particularly difficult as the industry is dominated by large-scale, multinational companies. At the same time, the regional fashion industry is still in its nascent state. While the Arab Fashion Week has become one of the world's major events for fashion, it was only founded in 2015 and remains one of the few opportunities for West Asian designers to promote themselves internationally (Arab Fashion Week, n.d.). Additionally, production is often problematic due to various factors: the fluid political situation, lack of investment, cheap imports, desire for international luxury brands, etc.

To navigate this complex situation, it is even more important for West Asian enterprises in the fashion industry to have access to non-financial support schemes. There is an increasing focus on this type of non-financial support, even though they currently remain limited in their size and reach. The existing support schemes are dominantly driven by local entrepreneurs who have managed to succeed internationally. For instance, **Fashion Trust Arabia is a non-profit mentorship program for emerging designers** founded by Lebanese-born Tania Fares (Cook, 2018). Additionally, **international organisations increasingly support incubator and acceleration schemes through local partnerships, such as She Wins Arabia**, a new collaboration between the International Finance Cooperation (IFC), the World Bank and Abu Dhabi Global Market (Malek, 2022). These non-financial support schemes have improved the ecosystem for SMEs in the textile and fashion sector. However, they focus on traditional business support and networking activities, leaving much to be done regarding the enterprises' sustainability.

3. Finance

Finance is a key element to incubate a new circular enterprise or change existing companies towards more sustainable business models. Especially in an industry as competitive as the fashion industry, it is challenging for SMEs to receive financing in order to compete with their multinational competitors. This difficulty has increased due to the economic challenges of COVID-19. A recent study found that 80% of SMEs in West Asia felt they require financial grants to deal with the effects of the pandemic and grow their businesses (Hoorens et al., 2020). Today, some financing schemes are in place across West Asia to support enterprises in the textile and fashion industries, especially in the newly emerging fashion hubs in the Gulf Countries (i.e. Dubai, Riyad, etc.).

One key challenge in financing in West Asia is the low representation of women in the funding ecosystem due to the persistence of gender biases. An OECD report found that women-led enterprises receive 23% less funding than male-led enterprises. According to the IFC, only 6% of private equity and venture capital funding in West Asia is directed toward female-led enterprises. This is despite the fact that female-led enterprises achieve 35% higher returns on investments and 12% higher revenues than male-led enterprises (Malek, 2022). A recent study by McKinsey estimates the economic loss of this gender bias at 1 trillion USD annually (Assi & Marcati, 2020).

To improve finance for SMEs in the region, **the Nomou Programme provides access to finance in the form of medium-term risk capital to SMEs and entrepreneurs in Egypt, Jordan, Iraq and Oman**. The programme aims to enable SMEs to develop supply chains and create employment (GroFin, n.d.). Additionally, non-financial support schemes such as those offered by **Fashion Trust Arabia and She Wins Arabia increasingly connect non-financial and financial support**, providing loans and grants to SMEs (Cook, 2018; Malek, 2022). There is very little support that specifically focuses on the sustainability of the supported SMEs or aims to make them more environmentally friendly. Instead, the financing schemes are largely based on the business-readiness of the enterprises.

4. Policy

In West Asia, the hub of the textile and fashion industry are the UAE. There, the industry has benefited from some larger governmental support schemes that aim to attract larger industries from abroad. The Emirati government has set up "Free Zones" in which fewer regulations and taxes apply. Additionally, the government has heavily invested in local infrastructure in these zones. While this policy does not specifically target the textile industry alone, much of the industry was attracted from abroad, especially from the region due to the promise of good infrastructure (Ajman Free Zone, 2021).

Even in the UAE, the government implemented the policy of the free zones not to benefit the textile industry but industry in general. The textile industry is not generally considered a priority sector for governments in the region. Regional strategic plans, such as the Kuwait Vision 2035, Bahrain Economic Vision 2030, the Jordan Vision 2025 and others, do not include considerations of the fashion and textile industries despite their growing economic relevance in the region. SMEs also remain under-represented in these strategic documents. However, this is changing. While not going into much detail, the Bahrain Economic Vision 2030 mentions the need to improve access to capital for SMEs. **The Jordan Vision 2025 recognizes the enormous role of SMEs in its economy**, representing 98% of total establishments. Furthermore, the strategy outlines the need to focus policies on financial and non-financial support, highlighting the special needs of the "missing-middle" (enterprises that

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require financing between 10,000 USD and 1 million USD). Despite this increased attention to SMEs, the policy requirements outlined in the strategy takes a holistic SME approach not focusing on sector specificities.

5. Market

West Asia is becoming the next big fashion hub. The average person in Saudi Arabia spends 500 USD per year on fashion, double the Chinese average. In the UAE, the average person spends 1,600 USD annually, double the US average (Koelblin, 2021). Furthermore, the markets are developing at a rapid pace. Between 2018 and 2022, Saudi Arabia's online fashion market alone grew from 715 million USD to 3 billion USD. During the same period, the online fashion market across the rest of the Gulf Countries grew from 140 million USD to 500 million USD and in Egypt from 125 million USD to 300 million USD (Khamis, 2022). This rapid expansion is driven by two factors: First, much of the spending on leisure, entertainment and luxury goods takes place outside of the region, mainly in Europe and North America. For example, 50% of what people in Saudi Arabia spend on leisure and entertainment and 70% of what they spend on luxury goods is spent abroad. This is changing as the domestic fashion, and textile industries grow and locally offer more goods to customers. Secondly, women are increasingly able to participate in the workforce, raising their consumption capacity as well. Following the recent relaxation of rules on women's dress in Saudi Arabia and other countries in the region, more and more women have become more active consumers in the market (Iftahy et al., 2019).

The growing demand in the fashion and textile industries in West Asia leads to an increased need for sustainable options. Moreover, there is an increased demand specifically for sustainable alternatives. In its recent Global Consumer Insights Survey, the professional service network PwC found that 75% of the poll respondents in West Asia said they buy from eco-conscious fashion companies (compared to only 54% globally) (Khamis, 2022). Additionally, there is an enormous financial potential for the market of recycled and reused textiles. The cost to consumers of throwing away clothing that could still be worn is estimated at 460 billion USD globally.

Nevertheless, 37% of SMEs in the region report that they need better access to markets, value chains or alternative sale channels (Hoorens et al., 2020). This need has recently become more recognized by governments across the region. Thus, several policies have emerged to improve market access for SMEs (OECD/EU/ETF, 2018). For example, **Lebanon's 2019 – 2023 Public Procurement Reform aims to allow for better SME access to public procurement**. Public Procurement accounts for 20% of the governmental budget. Increased SME involvement in these activities has the potential to open up additional markets for SMEs and improve the local economy (Government of Lebanon, 2020). Similarly, **the 2018 – 2022 Jordan Economic Growth Plan aims to improve the export readiness of SMEs** through a supportive policy environment and governmental incentives.

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