***Research Report***

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# *STRATEGIES FOR THE PROTECTION AND PROMOTION OF LOCAL MANUFACTURED FURNITURE IN GHANA*


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***Commissioned by***

***Wood Workers Association of Ghana-Western Region (WWAG-WR) For The Busac Project***

## List of Acronyms

| | |
|---|---|
| AGI | Association of Ghana Industries |
| BUSAC | Business Sector Advocacy Challenge Fund |
| ECOWAS | Economic Community of West African States |
| EU | European Union |
| FC | Forestry Commission |
| GATT | General Agreement on Tariffs and Trade |
| GIFEX | Ghana International Furniture and Woodworking Industry Exhibition |
| GNPC | Ghana National Petroleum Authority |
| GRA | Ghana Revenue Authority |
| MFN | Most Favoured Nation |
| MOTI | Ministry of Trade and Industry |
| STMA | Sekondi-Takoradi Metropolitan Assembly |
| TIDD | Timber Industry Development Division |
| TPR | Trade Policy Review |
| TUC | Timber Utilization Contracts |
| VAT | Value Added Tax |
| VPA | Voluntary Partnership Agreement |
| WITC | Wood Industries Training Center |
| WTO | World Trade Organization |
| WWAG-WR | Wood Workers Association of Ghana-Western Region |

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## Executive Summary

Woodworkers Association of Ghana-Western Region (WWAG-WR) is partly to be blame for the low purchase of local furniture from importers of furniture regardless of the high prices of foreign furniture. This has deepened the poverty levels of members and other dependent of the sector. As part of the efforts to reverse the current situation, the association with support from the Business Sector Advocacy Challenge Fund (BUSAC) seeks to implement a project titled *"Promoting Locally-Manufactured Wood Products in Ghana"* aimed at promoting locally produced furniture to make it more attractive and competitive.

As part of the project, a research was commissioned by WWAG-WR to ascertain the gaps in trade policies in relation to importation of furniture and the impact on local producers of furniture and make appropriate recommendations. To achieve this, between 14th September to 4th October, 2011, existing data on the subject was critically analyzed; visits undertaken to various furniture workshops and showrooms within the country and guided interviews held with various stakeholders in the wood, furniture and trade industry.

Highlights of the key findings are as follows: though imported furniture is expensive, it is attractive with modern design; the local made furniture are less expensive but relatively less attractive with its quality dependent on price paid by customers which further determines choice of materials used but lacks modern machinery and other materials for better finishing. Trade liberalization and WTO agreements have contributed to increasing importation of furniture as Ghana has no import quotas on furniture.

The research recommends the following: government to assist manufacturers of local furniture by reducing furniture importation and ensure the raw materials are available for the local market; local manufacturers to increase their capacity to meet local demand; take advantage of the increasing population in the region due to oil production whilst noting that consumers intend to buy their products without compromising on its quality.

# CHAPTER 1

## INTRODUCTION

This chapter entails brief profile of WWAG-WR, the background, objective, scope of work, method and structure of the research report.

### 1.1 Brief Profile of WWAG-WR

Wood Workers Association of Ghana-Western Region (WWAG-WR) is a network of wood workers in Western Region. It is a registered business association established to support members in the production, marketing and the growth of members' businesses. Currently the association has a total membership of about 822. The main objectives of WWAG-WR include;

- To assist and strengthen members of the association to achieve economic development and viability to ensure sustained growth of the wood industry.
- Influence government to approve policies and programmes which will enhance the provision of infrastructural facilities for the wood industry in the tertiary sector.
- Collaborate with other institutions to organize seminars, management and technical courses, fairs and be responsible for educational upliftment of members of the Association.

### 1.2 Background of the Research / Problem Statement

Members of the Association are facing a major competition from importers despite the high prices of foreign furniture. A recent survey by the Association of Ghana Industries (AGI) revealed that 78 percent of furniture on the Ghanaian market are imported, leaving only 32 percent to the local manufacturer. The importation of furniture is gradually collapsing the business of local producers**.** This situation has resulted in low-income and increased poverty among producers and indirect beneficiaries.

It is against this background that WWAG-WR have secured financial support from the Business Sector Advocacy Challenge Fund (BUSAC) to implement a project titled " Promoting Locally-Manufactured Wood Products in Ghana" The main rationale of the study is to increase access for locally produced furniture.

### 1.3 Research Objectives

The major objective of this research is to inform WWAG-WR on the gaps in trade policies in relation to importation of furniture and the impact on local producers of furniture and make recommendations.

### 1.4 Terms of Reference

Specifically, the 21 day research sought to carry out desk study and field interviews to:

a. Understudy the present situation within which WWAG operates and identify opportunities for them.
b. Understudy the present trade policy regime in relation to importation of furniture and make recommendations on strategies for local producers of furniture to compete with imported furniture, and
c. Make recommendation on strategies to be adopted to promote and protect the local produced furniture.

### 1.5 Methodology

To achieve these objectives, the following approaches were adapted for the study:

a. Review of secondary data from documented reports and the internet, publications, journals and articles.
b. Visit to some furniture production sites of WWAG-WR members and non members

c. In-depth guided interviews with key informants: importers of furniture, WWAG-WR members, furniture buyers, sawmill operators, officials of TIDD and Ministry of Trade and Industry and other principal stakeholders in the wood and furniture industry.
d. Analysis of data
e. Writing of technical report

**1.6 Limitation**

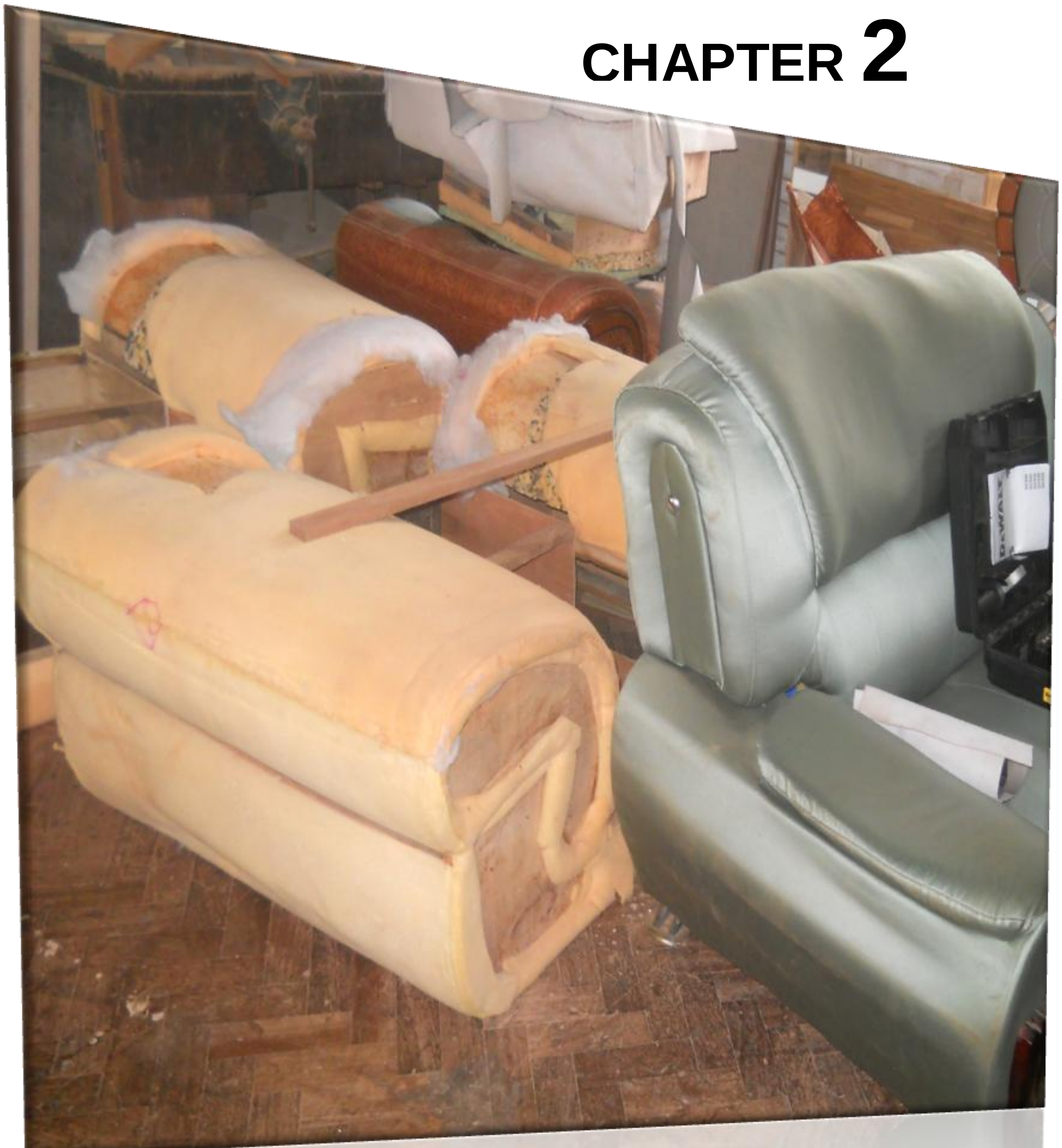
Due to time constraints (i.e. 21 days located to the study) and resource limitations, the study could not provide a comprehensive analysis of trade gaps and policies in relation to furniture importation and it impact on local producers. As such not all stakeholders industry were contacted. Nevertheless, this paper will contribute to the on-going debate on the effects of importation of furniture on local producers and the country as a whole.

**1.7 Organization / Structure of the research report**

The research report has been organised into four main chapters/ sections.

Section One comprises introduction, background of the study, problem statement, objective of the research, terms of reference/scope of the study, research methodology and limitations. The second section is devoted to the literature review, where the researcher gains some theoretical basis for the research under study. Chapter three discusses the present scope within which WWAG-WR operates, their challenges and opportunities. It further analyses the present trade policy regime in relations to importation of furniture. Chapter four which is the final chapter embraces or emphasis the recommendations and conclusions of the research under study.

# CHAPTER 2



## LITERATURE REVIEW

### 2.1 Introduction

This chapter provides the theoretical foundation for this study. It presents literature based on empirical studies on issues that border on furniture, its production, marketing and other related issues in and around the area of study. It reviews previous and recent studies on furniture related issues, the changes it has gone through and recent development and trend in the furniture industry.

### 2.2 Findings from the Literature Review

By way of definition, furniture is defined by *wordweb as* furnishings that make a room or other area ready for occupancy. The furniture industry is divided into different product groups, each of which has distinct market segments. The harmonized system of product classification distinguishes four wood product groups, namely office furniture, kitchen furniture, bedroom furniture, and dining/living and shop furniture as well as metal and plastic furniture and furniture parts. These product groupings do not differentiate between craft and mass-produced items or between low- and high-priced market items.

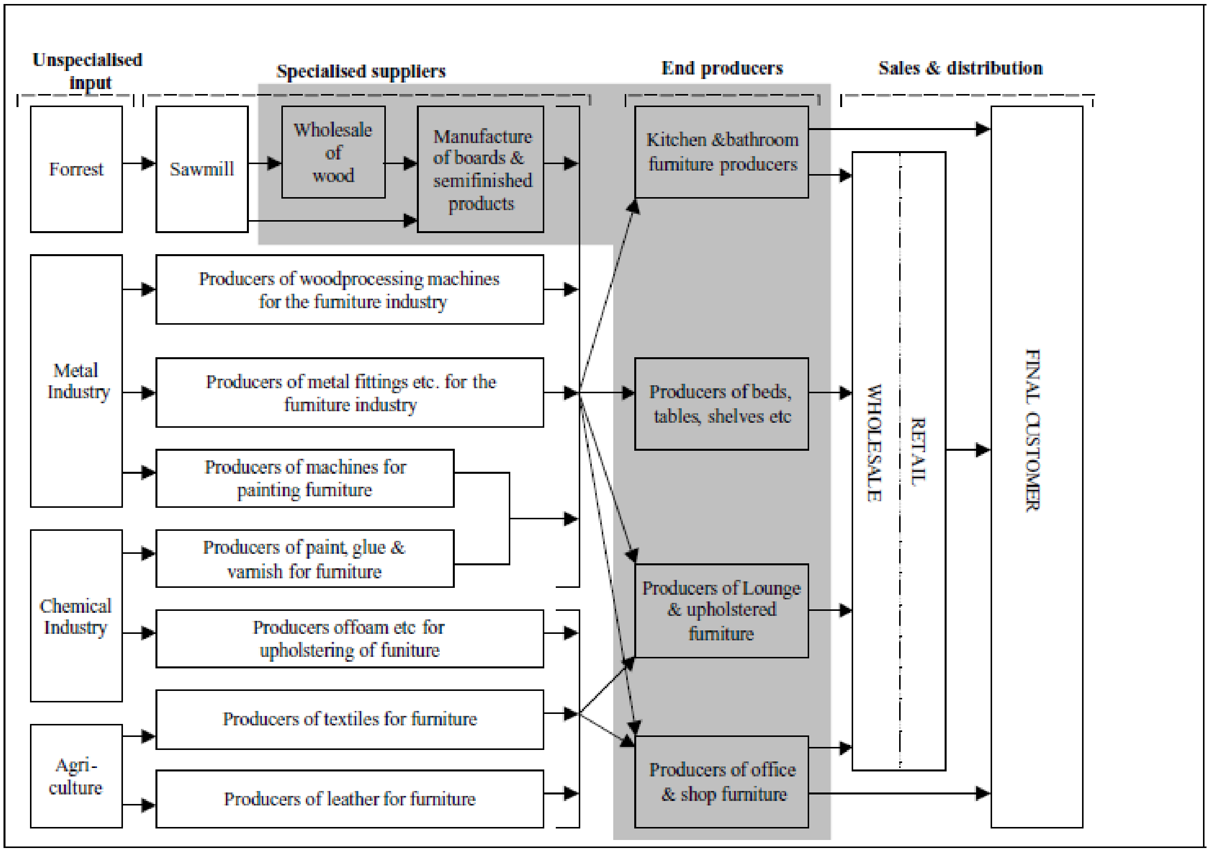
The wood furniture sector is important to Ghana's economy for two primary reasons: firstly, furniture production adds value to existing timber resources, and secondly, firms in the sector remain predominantly labour intensive; hence providing employment for a number of people.

However, global trends certainly impact on Ghana's furniture manufacturers in some way, and an understanding of global trends is hence vital for a resilient furniture sector. From the perspective of both domestic - and export-market focused furniture firms there is a need for manufacturers to 'know the enemy' if they are to survive in a global context. It is only by benchmarking themselves against their foreign competitors that Ghana's furniture manufacturers can develop some idea of where their sector's comparative and competitive advantage lies.

What *is* clear is that where the furniture industry is dominated by small firms, institutions that co-ordinate the cooperation of these small entities plays very important role in the success of the industry, particularly in its export activities. Local furniture producers often do not have huge inventory and rely on just-in-time deliveries. The sawmills or wholesalers manage the inventory of non-processed wood. The furniture industry in WR includes firms that produce small batch orders of, say, single sofa as well as few firms that mass-produce 'knock-down' furniture to large retail chains.

However, the market for furniture is highly competitive. On the one hand it is a relatively easy sector to enter, and one that, for a number of reasons, developing countries are eager to compete in. On the other hand it is a sector in which many industrialised nations have a traditional strength and a reputation for excellence. Secondly, the major markets for furniture are also the more developed markets with better informed and hence more demanding consumers. In these markets the shifting nature of demand is particularly apparent.

The wood furniture value chain is crucial as it's helpful in addressing the insertion of producers into global product markets in a number of ways.




*A model of the value chain of the furniture industry (adapted from Maskell 1997, p.153)*

Figure 1 above shows the wood furniture value chain, which for the forestry sector involves the provision of seed inputs, chemicals, equipment and water. Cut logs then go to sawmill, which obtains its primary inputs from the machinery sector. From there, sawn timber moves to furniture manufacturers who, in turn, obtain inputs from the machinery, adhesives and paint industries and also draw on design and branding skills from the service sector. Depending on which market is served, the furniture then passes through various intermediary stages until it reaches the final customer, who after use consigns the furniture for recycling or refuse.

One of the major aspects of Ghana's reform and liberalization measures has been in the area of trade policy. Ghana had a system of import licensing, which enabled restrictions on imports, mainly for balance of payments purposes. In addition to import licenses, prior deposit cash requirements and credit controls were also used to influence the flow of imports into the country. The import licensing system was dismantled in 1989. Except for a limited number of items on a negative list, all items could be imported without prior approval. With the abolition of the import licensing system and the reduction of tariffs, there was a large influx of imported goods into the Ghanaian market.

Since 1 January 1995 that Ghana has been a WTO[1] member, it trade policies are to a larger extent affected by WTO's agreements. The WTO implements systematic global trade policies established by General Agreement on Tariffs and Trade (GATT). Originally, GATT sought to promote importing by reducing tariffs and other trade barriers. The new version of GATT called for continued liberalization of international markets and the reduction and elimination of tariffs and trade barriers. The agreement mandates the reduction and elimination of tariffs designed to impede and to control competition in favor of domestic businesses. However, WTO replaced GATT. Clearly, international trade in furniture is being facilitated by the reduction of import tariffs in terms of WTO agreements. According to WTO reports, since Ghana's last TPR in 2001, Ghana has continued to implement trade liberalization reforms, albeit at a somewhat slower pace. Ghana's applied tariff consists of four bands (zero, 5%, 10%, and 20%); this structure applies to all goods except for 13 petroleum products, which face specific tariffs. MFN rates on agricultural products (WTO definition) are generally higher, with an average of 17.5%, while non-agricultural products carry an average tariff of 12.0%. Some 12% of all tariff lines now carry the zero rate. Imports from other ECOWAS members are duty free. In addition to tariffs, imports are subject to a value-added tax of 12.5%, a National Health Insurance Levy of 2.5%, and excise taxes; no distinction is made between domestic and imported goods in the imposition of internal taxes. Two additional charges, the ECOWAS levy and the Export Development and Investment Fund Levy, apply only on imports.

[1] WTO is a formal organization that intend to supervise and liberalize international trade

Although furniture importation to Ghana is on the ascendancy, the main raw material, wood is constantly being exported from Ghana to other countries particularly the EU. Current wood products exported from Ghana included sawn timber, lumber, boules, plywood, veneer, mouldings, profile boards, flooring, furniture parts, sleepers, poles and pegs. Ghana signed a voluntary partnership agreement (VPA) with the European Union on 20/11/09 in Brussels, making Ghana the first country to sign a voluntary agreement with the EU. [GBN 30/01/10]. The agreement provides a legal framework and monitoring system aimed at ensuring that all timber imports into the EU from Ghana have been acquired, harvested, transported and exported in accordance with the law in Ghana. The agreement establishes a national Legality Assurance System for all commercial wood and wood products. The same system will also cover timber and timber products sold to non-EU markets, as well as on the domestic market. Ghana decided to enter into a VPA to demonstrate its commitment to good forest governance and as a means to maintain access to valued markets and open up new markets. The EU is Ghana's most valuable market, accounting for 43% of the value of total exports and 33% of total volume. It remains the largest importer of Ghana's timber products.

In terms of trade, Ghana realized € 8,570,895 from the export of 25,238 m3 of wood products in July 2011. The country realized €10 million from the export of 30,168m3 of wood products in December 2010. The corresponding figures for the same period in 2009 were €9.8 million and 37,594m3, showing an increase of 2% in value and a decrease of 19.75% in volume respectively. The total value of €137,847,837 for January to December 2010, primary products including poles and billet accounted for Euro 6,779,913 as compared to Euro 12,613,306 from the total value of Euro 128,226,984 in the same period in 2009. Europe accounted for €40 million and 85,304m3 in value and volume respectively of total wood products for January-December 2010. Key markets during the period included Italy, France, Germany, United

Kingdom, Belgium, Spain, Ireland and Holland. *(Reports on export of wood products for July 2011, December 2010 and 2009 by the Timber Industry Development Division -TIDD)*

Again, Ghana can be said to have more export permits for emerging markets. According to the TIDD, during the second quarter of 2010, the head office in Takoradi and its regional office in Tema issued altogether 15 export permits for the shipment of rosewood sawnwood to China. In terms of volume, the total amount was 508 cu.m of rosewood sawnwood, worth Euro 166,468 shipped by Nkoranza Sawmill, Geavag Company Ltd, Effedan Services Ltd, Chester Wood Supply & Company Ltd and Trust Wood Company Ltd. In the second quarter of 2010, altogether 57 export permits were issued for several timber companies to ship teak billets, poles and logs to India, totalling 4,272 cu.m. In addition, a total of 16 export permits [2,439 cu.m] were issued in Takoradi for the shipment of Gmelina billets and poles to India. One export permit for 151 cu.m of rubberwood sawnwood was issued in Takoradi for Best Glow Wood Ltd for shipment to Malaysia. *[ITTO Report 16-31/10/10].* Again, TIDD vetted, processed, and approved 1,974 export permits during Q2 of 2010 covering shipment of various timber and wood products through the ports of Takoradi and Tema as well as for overland exports to neighbouring ECOWAS countries. The regional offices in Sunyani, Kumasi and Tema and the head office in Takoradi accounted for 3.6%, 5.3%, 25% and 66% of the total export permits issued during Quarter two respectively. Compared to quarter one of 2010, quarter two approvals increased sharply by 22.5%

# CHAPTER 3

## RESEARCH FINDINGS AND DISCUSSIONS

### 3.1 Introduction

This chapter presents the current situation within which WWAG operates; their problems, and challenges. The chapter further analyses the present trade policy regime in relations to importation of furniture, discusses gaps in the policies and its impact on local furniture manufacturers.

### 3.2 Present Situation of WWAG-WR

As noted early, WWAG-WR operates in Western Region and supports an estimated 822 members in the production, marketing and the growth of members' businesses. The association operates in eight of the 17 districts in the region with two zones. The operational districts are Sekondi-Takoradi Metropolis, Shama District, Nzema East Municipality, Jomoro District,Tarkwa Nsuem Municipality, Ahanta West District; Mpohor Wassa West and Amenfi West District.

Wood is the basic raw material used by members of the association in producing the various furniture types. However, access to quality wood is extremely difficult and compels furniture manufacturers to succumb to the purchasing of sub-standard wood normally called *bush cut*[2]. Even such wood is bought at high price from middle persons. This is because most local furniture producers do not get direct supply from sawmills as directed by law and also lack the purchasing power to buy from the sawmills. It is estimated that one needs a minimum of GH¢1000.00 to buy from sawmills. In STMA for instance, members of WWAG-WR buy bush cut from *Kokompe.* Office furniture, kitchen furniture, bedroom furniture, and dining/living and shop furniture remain the main furniture types produced. Some culturally significant names such as *Ahenfie, Otumfo* are given to some furniture types. In terms of living room furniture, the skeleton is done or ordered from carpentry shops, then to the upholstery house for the necessary

[2] Wood supplied by chainsaw operations.

upholstery works and finally ready for sale. Usually, producers do not produce in advance but rely on orders by their customers who are mostly households and/or individuals. Depending on the agreed price between the producer and customer, the right materials are used for the work. As such, a complete dining/living room furniture set can be sold at relatively different price set for the same furniture design; the determinants of which are the quality of materials used *(e.g. quality of wood, foam-low density, high or super high density, quality of leather or fibre)*. However, as most association members operates on small scale and have no showrooms; their finish products are displayed on way-side. As noted by one producer in Tanokrom, Takoradi ***'' we use less quality wood and foam-low standards and display on way-side as we know our customers come from their homes with their own price but when you go to the big shops with showroom , you meet the price there; they make good products to set a standard and maintain their name''.***

Nevertheless, though frequent training session are to be conducted for members, mandatory monthly contibutions/dues which would help in the process are not paid regularly by members. WWAG-WR members have difficulty accessing credit facilities from financial institutions due to their inability to provide collaterals as demanded by the institutions. Information sharing among members is very poor. For instance, new furniture designs are keep secret; most producers do not wants their colleagues to see their *'skeleton'.*

On the other hand, there exist few well established and registered furniture producers with proper showrooms but do not belong to WWAG-WR. This group, in addition to manufacturing locally, also engage in furniture importation and display both furniture in their 'big' showrooms with clear distinctions to enable their clientelle in making their choice and purchase. Their buyers are mostly middle class Ghanaians and few foreigners operating in the country as well as institutions and companies. Few of them however obtain high quality wood from sawmills.

### 3.3 Problems / challenges faced by WWAG-WR members

The following challenges has however rendered a number of members in active furniture production out of business and/or reduced drastically their involvement in the sector. The following problems were noted by the researcher as facing WWAG-WR and contributing to the low patronage of locally manufactured furniture.

- **Lack of raw materials:** Local basic raw material, wood, is not easy to come by. Sawmills are not providing for the local sector as they are export oriented and the few available raw materials are expensive, due to the presence of middle person which makes cost of production high. The dependence on middlemen such as agents and wholesalers clearly impact on the end price. This has led to high cost of producing local furniture because of high cost of inputs (wood and abrasives). Even, the supply of bush-is irregular and makes manufacturers unable to meet customers demand on time. This among others has made many buyers to label local furniture manufacturers as '*liars'*.

- **Poor design and poor quality, especially in finishing:** The most obvious weaknesses of Ghanaian manufacturers lie in the area of product design and quality. Ghanaian manufacturers are clearly aware of these problems, but appear to be struggling to devise effective responses. Internationally, the trend in furniture design seems to be towards furniture with a softer, more rounded look, as well as to a combination of wood with other materials such as aluminium or glass, and the combination of natural and stained wood. Another obvious trend is towards multi-purpose furniture. Similarly, in terms of quality, the finish achieved by Ghanaian manufacturers seems to be much rougher than that achieved by their competitors. Furthermore, the growing international demand for eco-friendly finishes such as wax or oil rather than varnishes has yet to be successfully met by domestic manufacturers. As indicated, Ghanaian manufacturers are aware of their shortcomings. Manufacturers attribute quality problems to older-style equipment, and a heavy dependence on labour for the final finishing processes. The main difference acknowledged by most stakeholders as between the local and imported furniture is the quality and design.

- **Competition from imported furniture:** Local furniture manufacturers are facing a major competition from importers regardless of the latter's high prices. The researchers' visit to showrooms in parts of Takoradi, Kumasi and Accra revealed that though locally made furniture is much cheaper than imports of relatively the same standard, most buyers both Ghanaian indigenes and foreigners resident in the country prefer the latter. Whilst furniture importers sell a sofa set for between GH¢3,800 and GH¢5,500 (depending on the leather quality-grade A to C), the local version ranges from GH¢400 to GH¢1200. At a particular showroom in Takoradi, a well established local furniture firm has locally manufactured king-size bed on sale at GH¢1,800 whilst the imported was GH¢3,800.

- **Capacity:** Local furniture manufacturers are too small to be a significant supplier to a large foreign furniture chain. They simply have insufficient capacity to fulfill large demands.

- **Financial constraint:** Obtaining credit facility from most financial institutions e.g. banks and savings and loans companies by WWAG-WR members is indeed very difficult and where possible very time consuming aside the high interest rate. Again, the bad credit rating of some association members remains a contributing factor in their inability to access loans.

- **Low technology adoption**: Some local furniture manufactures have attributed their poor finishing and unattractive designs to the use of outdated machinery. Most machines employed by the local sector are really obsolete. Modern machinery for finishing does not exist. Even when available, most WWAG-WR members do not have the ability to use modern machine.

- **Power outage and high utility bills**: the outdated machinery used by furniture manufacturers' uses electricity to operate. However, the frequent power outage in most parts of the country during working hours poses a huge challenge to the operations of furniture producers as work is disrupted and results in loss of productive hours. Again, recent whopping increases in utility bills especially electricity are making payment difficult for most members.

### 3.4 Analysis of government policies and trade policies

Since time immemorial, there has been debate over the appropriate trade policy for developing countries. The contention has been between free market advocates and trade protectionists. his section of the report critically examines and analyse the gaps in government policies and trade policies in relation to the importation of furniture and the impact on local producers.

On one hand, liberalization of trade has gone too fast and too far to resulted in the dumping of furniture on the domestic market. Undeniably, WTO agreements have impacted on Ghana's importation of furniture by reduction of import tariffs. At present there are no import quotas on furniture in Ghana. This is in line with the WTO's Agreement in which quantitative restrictions are not permitted. Only a small number of items are prohibited or subject to permits mainly for health and safety grounds. According to the WTO Secretariat's 2001 trade policy review of Ghana, the country has no legislation allowing the imposition of anti-dumping, countervailing or safeguard measures on imports. "However the government does monitor the impact of 'unfair' import competition on domestic industries and may take compensatory action against such products.'' (WTO 2001: Pt III. Para 5).

On the other hand, some local laws/ agreements are not useful in promoting and protecting the local industries. For instance, though Ghana's young oil industry present opportunity to WWAG-WR members in terms of local content, there exist gaps in the petroleum agreements. *Article 7.2 of Petroleum Agreement between Government of Ghana, GNPC, Tullow Oil and others states '' In connection with its performance of petroleum operations, contractors shall have the right within the terms of applicable laws; (e) to provide or arrange for reasonable housing, schooling and other amenities permanent or temporary for its employees and to import personal and household affects, furniture and vehicles, for the use of its personnel in Ghana".* Additionally, under Ghana's Fiscal Regime in relation to legal framework for upstream oil/gas operations, companies in the sector enjoy certain tax incentives. Among the incentives include, *no import tax for personal and household effects of Foreign National Employees of the Contractor, its Affiliates and Subcontractors*. The relevant question therefore is: What is the essence of the local content if furniture for instance, which producers in WR can produce could be imported with no import duty? This means, local furniture manufacturers thinking of an emerging market for the sector in view of the oil production are bound to be disappointed.

Again, despite the fact that section 36 of LI 1649 / Timber Resources Management Act, 1997 (Act 547) mandates all holders of Timber Utilization Contracts (TUCs) to supply 20% of their lumber to the domestic market, this to a larger extent is not done. As such, most local producers use *bush cut* for their work. This is because most sawmills are skewed towards exports and thus rely on orders from foreign countries especially the EU which is the largest importer of Ghana's timber products. Also, the specifications and species required by the foreign buyers defer from that needed by the local sector. For instance, whilst most export orders prefers less than 10'' in length; the local sector on the other hand prefers specifications like 2'6'14 and upwards. The sawmills therefore regard and satisfy the export and local markets as primary and secondary markets respectively. Unfortunately, the few small- to medium-scale sawmills that could produce lumber exclusively for the domestic market have failed. The dedicated sawmills could not adequately supply domestic markets because their concessions do not have enough quantities of the desired species. The wood supply gap persists and continues to be filled by chainsaw lumber. (Willem Paulus, June 2009).

Nevertheless, the VPA that Ghana has signed may partly mean that more wood products are bound to be exported to foreign countries especially the EU even though the agreement also intends to address the problem of illegal logging to supply the domestic market. However, if wood export increases at the expense of the domestic market and furniture importation even remains at the current stage or is held constant, local furniture manufactures would be worse-off in view of their present conditions.

Aside that, the new Public Procurement Act 2003 (Act 663) that aims at ensuring an efficient and transparent procurement system that supports private-sector development applies to all procurement of goods, works, and services by ministries and other government agencies, public institutions, e.g. universities and hospitals, and state-owned enterprises to the extent that they use public funds. However, firms that are not registered with the Registrar General Department and Ghana Revenue Authority[3] are not considered by the Act. Unfortunately, an estimated 98% of WWAG-WR members operating on small-scale are yet to register their enterprises and therefore unable to obtain supply orders from the public sector as well as many private institutions that also requires such registration for their procurement purposes.

[3] The Ghana Revenue Authority (GRA) consist of the erstwhile three Revenue Agencies, namely the Value Added Tax Service (VATS), Customs, Excise and Preventive Service (CEPS) and the Internal Revenue Service (IRS)

### 3.5 The Impact On Local Producers

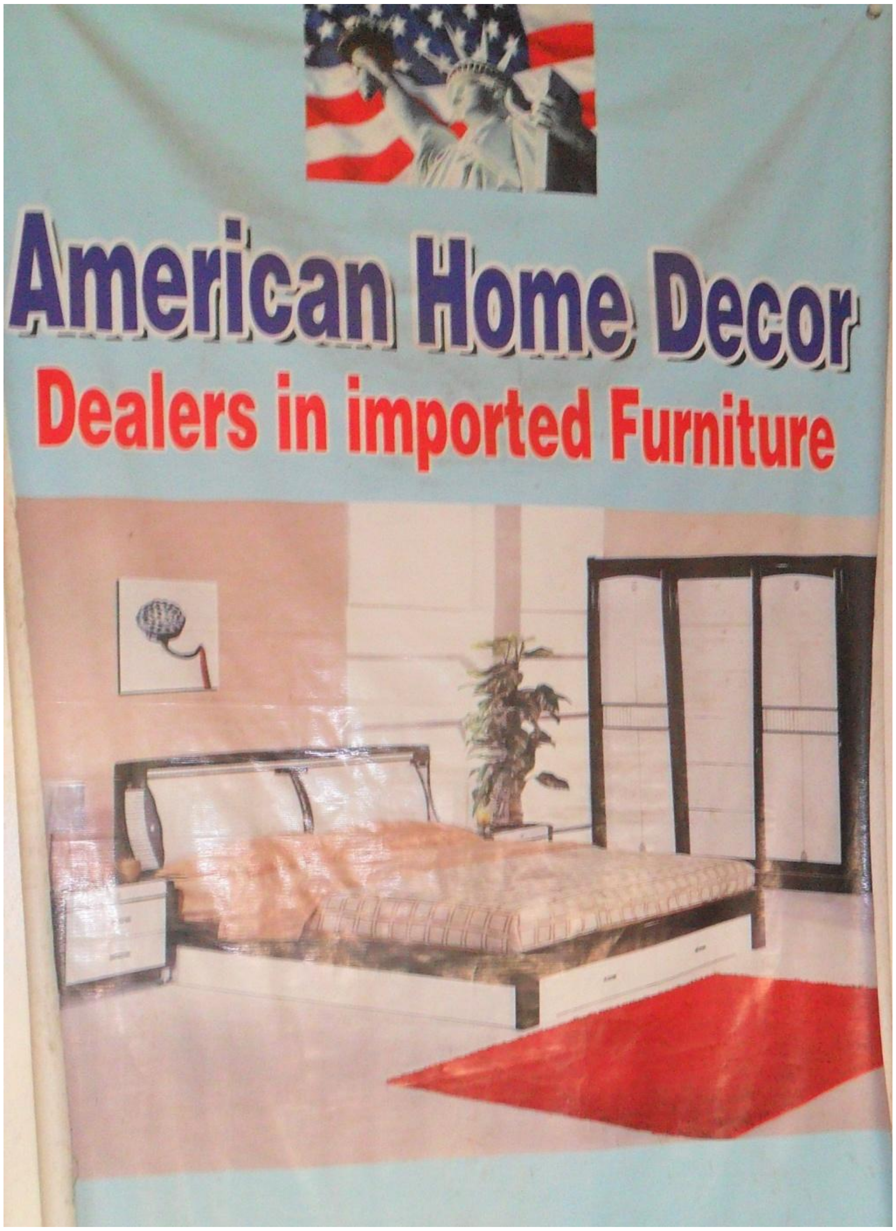
The main impact of furniture importation on local producers is that their business is gradually collapsing due to the rate at which furniture is being imported into the country.

As noted by one furniture manufacturer, *'' There is low patronage of our goods leading to low income, some of ur brothers, furniture manufactureres are out of business and others shifting to entirely different businesses due to frastrations whilst few have even died as they had nothing to live on after living the sector''*. Put differently by another furniture producer *'' how can I pay my childrens school fees in this era that I earn absolutely nothing from the furniture work''*.

Indeed, there is increaing poverty level among most members. Often times, they are compelled to accept prices low below cost of production and therefore incur losses.

Another impact on the economy at large is the decreasing numbers of local furniture manufactures coupled with the declining interest in furniture works by the youth. Even in situations where some furniture manufacturers willingly decide to train some youth mostly males within their communities at no fee, the latter in most instances refuse the offer; claiming the sector is unattractive due to the 'poor' living standards/conditions of most manufactureres.

# CHAPTER 4



## CONCLUSION AND RECOMMENDATION

### Introduction

This final chapter identifies opportunities for WWAG-WR and makes conclusions and recommendations based on the research findings.

### 4.1 Opportunities for WWAG-WR

Though a number of challenges were identified in the preceding chapter as confronting members of WWAG-WR, there also exist opportunities for the association. Following the commercial oil production in the Western region, there is potential for growth in the furniture business and subsequent living standard improvement of local furniture manufacturers. This is because, aside the large number of households in the region and the existing figure of public and private firms, companies, churches and schools who all requires various furniture types; there is recently influx of new companies of varied sizes and people into the region in view of the commercial oil production; a trend which in no doubt would escalate as the years go by. Simply put, the implication is potential huge market for the local furniture industry. Certainly, such an opening creates avenue for increased business growth with its resultant increase in income levels/employment with linkage to poverty reduction.

Nevertheless, to fully benefit from such opportunities, measures need to be taken in addressing the challenges identified and a brave attempt is made by the researcher by proposing a number of possible solutions. First, the association should consider employing a furniture designer with ongoing exposure to international trends to address the poor design. More practically, both value-adding features and better finishing are a critical aspect of improved product design. The problem of poor quality equally suggests other solutions. New and improved machinery and particularly automated finishing plants would seem to be of some importance here, while at the same time labour skills and motivation clearly impact on product quality. Research into new, ecologically-friendly finishing techniques is also essential. Finally, if local furniture manufacturers are to meet the demands of large foreign furniture chains they will have to increase their capacity significantly. Clearly however, most furniture manufacturing units acting on their own have little chance of making significant changes in many of these areas and needs to consider partnerships.

Again, to take advantage of the emerging huge market, it is crucial for WWAG-WR members to register as VAT operators to take advantage of purchases by government/public institutions and other companies that need VAT receipt for their purchases. This is imperative as most WWAG-WR members can not and do not transact business with public institutions due to the Public Procurement Act 2003 (Act 663) that requires firms to register their firms with the Registrar General Department and GRA.

### 4.2 Conclusion

The report does not make the assumption that local furniture manufacturers will have to enter the export market to survive. However, it is quite evident that the future of the furniture manufacturing industry in Ghana would be more lucrative and *"will continue to attract more competitors"* as the domestic market is not yet saturated. More houses and offices are being built and some few people change their furniture and will continue to change their furniture. Again, most stakeholders envisaged that the patronage of locally manufactured furniture would come with a lot of benefits such as the creation of employment that will lead to the reduction of crime. Nevertheless, as local furniture is less expensive than the imported but still lacks behind in demand, it denotes that price is no longer the sole basis for market control. Rather competitive criteria such as price and quality become the basis for market entry, while a range of other issues such as delivery, service and flexibility determine market performance. If local manufactures are to compete successfully in this market context it is vital that they identify their target market niches very carefully and develop their strengths accordingly. Also evident is that, besides the inability of local furniture manufacturers to produce quality, the existing laws are not helpful in promoting the local industry. Therefore, whilst stakeholders in the industry and government are being called upon to come to the aid of the manufacturers of local furniture by reducing furniture imports and ensuring wood supply for the domestic market, the latter should also note that consumers intend to buy products of good quality. Finally the inescapable overall conclusion points to the need for partnership/co-operation between members of WWAG-WR to assist the pooling of resources for mutual benefit.

### 4.3 Recommendation

Based on the findings and conclusions of this study, the following recommendations are made:

1. WWAG-WR should embark on an aggressive advertising campaign in the region to encourage the patronage of their products. Such campaign should equally consider creating awareness on the value of local furniture. This is because lack of education on why people should consume locally manufactured products is a problem that needs to be looked at as quickly as possible. There is therefore the need to create more awareness so that Ghanaians can consume what they produce.

2. Members of the association must take active part in trade fairs organize in the country that aims at boasting local produce. Fairs such as Ghana International Furniture and Woodworking Industry Exhibition (GIFEX) creates appropriate platform for WWAG-WR.

   Again, WWAG-WR should as a matter of urgency consider organizing WR furniture fair and invite all new and existing public and private firms/institutions operating in the region as well as use the occasion to create business contacts with companies and individuals.

3. WWAG-WR must consider the buying of land or liaising with Western Regional Coordinating Council, Free zone Board and other stakeholders for the provision of land as Wood Village for local furniture producers in WR to serve as a bigger marketing center; bearing the fact that most WWAG-WR members do not have showrooms and display their product by the way-side.

4. WWAG-WR members should register their enterprises with the Registrar General Department and Ghana Revenue Authority as VAT-registered entity to enable the purchase of their products by both private firms and public companies/institutions especially public institutions that uses public funds such as ministries, government

agencies, public institutions, e.g. universities and hospitals and state-owned enterprises as it remains crucial under the new Public Procurement Act 2003 (Act 663) as well as enjoy the benefits of been a registered business entity.

5. WWAG-WR must identify strategies to prevail on government and donor agencies for the provision and training on modern furniture machinery as well as take advantage of training programmes organized by WITC. This will contribute to improved product design and finishing.

6. Government must as a matter of urgency, institute more stringent and aggressive measures to compel designated sawmills mandated to supply lumber to the local market to do so fully. In doing so, government should set up a monitoring team comprising all the stakeholders in the timber trade to check activities of the all sawmills to avoid diversion of lumber destined for the domestic market. The need for stringent measures is necessary because despite the directive and the law mandating sawmills to supply 20 percent of all their lumber to the local market, the sawmills had intentionally failed to respond to the directive.

7. Forestry Commission must set up a team to help salvage logs that had been abandoned at leading bays and roadsides as well as the recovery of big tree branches for the local market. Undoubtedly, such a move could help reduce the pressure on wood workers for lumber and also go a long way to beef up the scanty supply from the sawmills. This is due to logs and treetops that were left to rot in the bush that could have been useful for the furniture industry, *considering the fact that local furniture manufacturers buy off-cuts from sawmills for their work.*

8. WWAG-WR should seek support of the Forestry Commission and other donors for the establishment of a forest plantation in the region. This has become necessary due to the fast depletion of the forest, which served as raw materials for the associations' work.

   Alternatively, as the forests deplete, local furniture producers will have to resort to bamboo and plastic materials. Additional, they should consider combining wood and metal in their work as employed by some few operators in the country. This technique not only reduces the use of wood but also offers potential customers a wide range of options/choices to choose from.

9. Though no quantitative import restrictions exist for furniture, it does not mean that our local market should be open door for imported furniture. Hence, government should put in appropriate measures to prevent imported furniture flooding our market. Whilst ensuring reduction of furniture importation into the country, it must equally aim at boasting and improving local production through credit supply.

10. WWAG-WR members should increase their capacity to meet local demand by institutions and individuals. In doing so, production of quality products should be of prime importance. This could be facilitated through the employment of modern furniture designer with unending exposure to global trends to tackle the poor design.

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