

AUTHORED BY: Mrs. Roberta Wallace Boakye - Assistant Manager, Business Development & Research, Mr. Debrah Agyapong - Senior Officer, Business Development & Research, Mr. Rafik Jawula Safianu - Officer, Business Development & Research

THE VIABILITY OF THE TEXTILE & GARMENT INDUSTRY: THE CASE OF GHANA.

INTRODUCTION

The contribution of Industrial Development in achieving a sustained economic growth cannot be overemphasized. African countries including Ghana pursued Import Substitution Industrialization in the 1960s and 1970s to enable their economies move from an Agrarian dominated to Modern Industrialized Economies. Like many African countries, Ghana's industrial strategy was meant to reduce economic dependence and increase the exportation of manufactured goods to put the country in a position to earn foreign exchange. Economic policies over the years have targeted various sectors of production that have export potential.

GHANA'S TEXTILE AND GARMENT INDUSTRY IN RETROSPECT

The Textile Industry in Ghana is one of such production areas which when nurtured, would serve as a strategic foreign exchange earner. Historically, the industry has been a worthy contributor in influencing the economic outcomes of the country through the creation of employment, promotion of import substitution and serving as a means of foreign exchange.

However, there has been some steady drop in terms of employment and general productivity within the textile industry over the years due to declining levels of investments and regulatory lapses. A report by the Institute for Statistical, Social and Economic Research (ISSER) on Ghana's Textile and Garment Industry indicates that the industry employed some 25,000 workers which accounted for 27 percent of total manufacturing employment in 1977. By 1995, however, employment within the sub-sector had declined to a mere 7,000, declining further to 5,000 by the year 2000.

The alarming rate of decline has been associated with several challenging factors including the influx of foreign textiles into the local market, lack of regulatory enforcement, inadequate access to capital, issues with the supply chain and nature of dyes for the printing of textile cloths among others. The Textile Industry has suffered and continues to suffer unjustifiably from unbridled importation of all manner of textile and garment products, some through dubious means with questionable origin and quality. These products have flooded the local market and have led to the collapse of many local textile factories.

Currently local textile manufacturers are only able to meet a quarter of the total demand while the remainder is sourced overseas, with its accompanying consequence on government revenue.

POLICIES TO CATER FOR SETBACKS AND ENHANCE GROWTH

The historical decline and challenges confronted by the textile and garment industry has resulted in an urgent need for government to implement restorative policy measures aimed at curbing the existing glitches and revive the textile industry.

The most recent policy efforts have been the inauguration of the Textile Tax Stamp which the Ministry of Trade and Industry envisage will help prevent tax evasion at the ports and act as a check against the dumping of fake and pirated textile products on the market. Other measures such as the designation of the Tema port as a single-entry corridor for textile print importation and the implementation of a zero-rated VAT for a period of 3 years are being considered.



The African Growth and Opportunity Act (AGOA) is an initiative by the US Government with the primary aim of enhancing growth within the African sub region through trade facilitation. It is a deliberate policy attempt by the US to encourage Africa's drive towards an export-oriented economy by granting qualified member state duty free access to the United States Market. Ghana has taken advantage of this policy measure to scale up its levels of exportation of general goods and services by being the third highest exporter to the US Market. Available statistics from the AGOA website indicates that Ghana exports about \$886 Million worth of produce behind South Africa and Nigeria that export about \$5 billion and \$2.2 billion respectively.

deep-rooted challenges of the textile industry with the view to developing a holistic policy frame work targeted towards making the industry more competitive and productive. Initial discussions and stakeholder consultations brought relevant institutions within the investments sector together to assess the baseline strategies to be adopted by the interested parties in fulfilment of this objective. The GHERZI team must conduct detailed analyses to identify the challenges faced by the local textile industry and proffer effective recommendations towards addressing these challenges. The recommendations should form the bases for a tailor-made policy framework that will target specific areas of concern within the Textile sub sector in Ghana.



The Ghana Free Zones Authority (GFZA) was established to strategically position Ghana as an export-oriented economy by creating an enabling environment for local and foreign enterprises to enhance their production and export opportunities.

This has been done by licensing and granting export-oriented businesses some fiscal incentives such as a ten-year corporate income tax holiday from the date of commencement of operations. Currently about Seven (7) Textile and Garment companies have been licensed to operate under the Free Zones in Ghana. These companies are Hegebo int. ltd, Maagrace garment ind. ltd, Dignity DTRT, Northshore Apparel, Kad Manufacturing Limited etc. with an aggregate employment figure of over four thousand (4,000) as at end of the year 2021.



Studies further reveals that the textile and clothing industry fall short of the highest export products from the sub Saharan region. This calls for an urgent need for government to leverage the opportunities created by the AGOA initiative to restore the sector and scale up the production of locally manufactured textiles prints, Garment and apparels for the United States Market.

As part of initiating broad national steps towards improving growth and efficiency of the Textile and Clothing Sector, the Ministry of Trade and industry (MoTI), the GHERZI Textile Organization and the Paladium Group are engaged in a collaborative effort to unravel the

CONTRIBUTION OF GHANA'S FREE ZONES REGIME TO THE TEXTILE AND GARMENT SECTOR

A time-tested policy strategy that can be adopted to promote Good Economic Performance is to increase exports. This can be done by building the capacity of indigenous industries to become more active and effective and consequently scale up the manufacturing of non-traditional export products and services.



The figure increased to 5,404 at the end of 2022. In 2020, the listed Free Zones Textile Companies recorded a combined export figure of \$12,496,429, however the value of exports for these Enterprises increased to \$22,205,750.7 in 2021 with a further increase of 46,857,537.07 in the year 2022. Knowledge transfer opportunities are enhanced as a result of the employment platforms created by the Ghana Free Zones Authority. Existing policy actions and opportunities created by the Ghana Free Zones Authority (GFZA) is a useful resource for the Textile and Garment industry to optimize opportunities for growth through an augmented export platform.

The readiness of the Textile industry to become an export-oriented sector will hugely require the creation of a business-friendly environment in a coordinated technical format towards the attainment of quality products, competitive prices and to conform with international standards in the course of production.

CONCLUSION

Employment within the Textile Industry could be increased when local factories take advantage of the opportunities created by the Free Zone scheme to reduce their production cost and maximize output. Critical attention and investments are required in the Textile and Clothing Industry by Government, local and foreign investors. Access to financial support and enforced regulation is one area which needs major government support.

Transportation and information infrastructure need immediate upgrading. Electricity, water, fuel and transportation cost occupies approximately 30% of total cost of production in the textile mills. With the provision of a good transport system, information infrastructure and energy quotas by the Government of Ghana, the textile sector will be in a very good position to compete favorably on both the local and International Market.



REFERENCES

- [1] Fianu, D. A. G., Eunice, V. B., Joyce, A., & Oppong, A. (2014). The Production and Exportation of Garments under the AGOA Initiative: Challenges Facing Garment Producers in Ghana. *Journal of Business Management*, 17(2003), 34-44.
- [2] Huang, D., Neequaye, E. N., Banahene, J., Van, V. T., & Fynn, S. (2018). A Comparative Analysis of Effective Free Trade Zone Policies in Ghana: A Model from Shanghai Free Trade Zone, 900-922. <https://doi.org/10.4236/ojbm.2018.64066>
- [3] Peter Quartey The Textiles and Clothing Industry in Ghana in: Herbert Jauch / Rudolf Traub-Merz (Eds.) The Future of the Textile and Clothing Industry in Sub-Saharan Africa Bonn: Friedrich-Ebert-Stiftung , 2006. (2006).
- [4] the World Bank. (2003). Better Governance for Development in the Middle East and North Africa. Orientations in Development. <https://doi.org/doi:10.1596/0-8213-5635-6>

