

KATALYSING THE GROWTH OF BANGLADESH FURNITURE SECTOR



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Bangladesh is a developing country in the South Asia. It is surrounded by India and Myanmar on the north, west and the east respectively and is washed by the Bay of Bengal at the south. The country is well-known to the world for its ready-made garments and knitwear industry, which is the top-most export product followed by the frozen foods.

Bangladesh, a riverine delta, is mainly a plain land offering very fertile crop and fish cultivation zones to the native population. Further, over the years, different donor projects have been involved in the agricultural and fisheries sectors of Bangladesh to address food security and rural livelihoods improvement issues. The projects were and still are involved to enhance the technical know-how of the farmers, create provision for access to quality inputs and increase productivity and get better price. In comparison to this, there were only a few supporting projects for the development of the industrial or service sector of Bangladesh. Nevertheless, with the passage of time, the national level policy makers and the government of Bangladesh have put emphasis on the development of the latter.

At this backdrop, when Katalyst was launched (implemented by Swisscontact and GTZ International Services) in October 2002 (formerly named as Developing Business Services Market-DBSM), it contained both urban and rural sectors in its portfolio. The project was initially funded by a consortium of European donors, namely the Department for International Development-DfID, UK, Swiss Development Cooperation-SDC and Swedish International Development Agency-SIDA.

It was roughly a CHF 24 M project operating in the north and south of Bangladesh for agriculture and aquaculture sectors and only in and around Dhaka for the manufacturing sectors. Historically, Bangladesh has grown different industrial and service clusters across the country offering the potential to change and improve quite rapidly provided there is a common vision and commitment amongst the cluster members. Hence for urban sectors, the initial focus was to work in different clusters following

the cluster development and value chain approach. The role of the movers and shakers, the low hanging fruits providing quick benefits and the long-term overarching goal-all blended and mixed to obtain the objective of the project which is by and large poverty alleviation through enterprise competitiveness.

Katalyst launched its program in the furniture sector in 2004. The initial activities were in the Mirpur furniture cluster and manufacturers were supported to compete effectively against the imported products in terms of product quality (new finishing: lacquer, furniture making with alternative to wood: MDF), with better marketing practices (sales promotion in the cluster, after-sales service, customer responsiveness) and through more cooperation amongst the cluster members. Katalyst also received requests from the large local brands to explore the international furniture market.

A study on the export readiness assessment was conducted on the eight potential exporting firms by the Aktrin-

Courtesy: Jalal Furniture Company Limited





Photo credit: Legacy Furniture Ltd.

Csil is a group of international consultants who have experience in developing export strategies. After a week-long visit to furniture factories and showrooms, the resource persons presented a strategy to related stakeholders on 18 February 2010.

The team for formulating national export plan comprised of Reine Karlsson, the Country Sales Director of Ikea, Finland with experience in international trade and supply chain management.



Csil team visiting furniture firms in Bangladesh

Where as, Greger Nordin, another member of the team, is an expert in setting up export ready factory/production in Europe and Asia.

In addition to them, there were Mauro Spinelli, with expertise in market research and intelligence and Valentina Downey, a product designer for several design houses including Thai furniture for Italian market. Based on the assessment, the team has suggested a couple of markets where Bangladesh can enter with furniture, crafts and textile accessories.

As per the SWOT analysis, the team envisaged that Bangladesh could possibly export USD 50 M by 2015 provided there is favourable tariff structure, firms improve working conditions and be more responsible to environment.

The firms also need to improve production and market linkage. The team further advised to work on a sustainable plantation programme to obtain Forestry Stewardship Council's certificate and increase export volume to USD 1 bn by 2020.

Katalyst, EPB and BFEA will follow the plan with guidance from national and international resource persons in addressing the issues of conducive business environment, export marketing, improved production facilities, better designs and communication and other compliance issues. Katalyst has also launched development program for different furniture clusters in Bangladesh to build a strong base of furniture suppliers in the near future.

REGION	No OF CLUSTERS	% OF DISTRIBUTION
Dhaka	57	47.11%
Chittagong	26	21.48%
Sylhet	6	4.96%
Comilla	5	4.13%
Tangail	3	2.48%
Gajipur	6	4.96%
Narayanganj	6	4.96%
Jessore	5	4.13%
Faridpur	1	.83%
Bogra	6	4.96%
Total	121	100%

Furniture clusters in different geographical locations of Bangladesh

Dossenbach Associates. The committed firms were then taken to Bangladesh Expo in the UK in 2005, International Furniture Fair in Tokyo and production facilities in China in 2006. This was to provide them with a glimpse of where the world stands and where did they stand and where they needed to go to make export happen from Bangladesh.

As a result of these endeavours, three firms started to export in a limited scale to India, a market close to Bangladesh and depending largely on imported furniture. One of the firms started to negotiate with buyers in Japan for wooden floor tiles.

Katalyst grew bigger in phase II starting April 2008. UKAid (formerly branded as DfID), SDC were joined by the Canadian International Development Agency - CIDA and the Embassy of the Kingdom of the Netherlands-EKN and the size of the project became CHF 54 M. With phase II, the project became ambitious to achieve scale and reach more enterprises with sustainable and effective outcome of the endeavours. In stead of Mirpur and a handful of large manufacturers, Bangladesh furniture sector has

been taken in the portfolio. The sector organized in 121 clusters comprises of 71,000 enterprises employing around 1.7 M workers. The GDP contribution was 0.29% in 2008-09 with value addition worth USD 26 M with a 19% growth rate of the sector. (Furniture Sector Strategy, Katalyst 2009)

Katalyst aims to establish Bangladesh furniture industry as an exporting one whilst developing the competence of the selected local clusters to be integrated in the system and be benefited from the emerging growth opportunities. In doing so, Katalyst will work on improving the quality of the products through improved productivity and skills and creating market linkages both home and abroad.

With a scanty USD 3 M furniture export in 2008-09, the sector was lacking a comprehensive plan endorsed by relevant public and private sector stakeholders. Katalyst has been working with the Export Promotion Bureau (EPB), Ministry of Commerce, Bangladesh and Furniture Exporters' Association (BFEA) to formulate a national plan for furniture export. As part of this collaboration Katalyst brought in Csil, Center for Industrial Studies, Milan.