

**PROMOTING SMALL-SCALE INDUSTRIES IN GHANA:
DEVELOPMENT INSTITUTIONS, CULTURE AND
POLITICS**

by

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**A thesis submitted to the Department of Political Studies
in conformity with the requirements for
the Degree of Doctor of Philosophy**

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This work is dedicated to my mom (Elizabeth Buckman), and the memory of my beloved father, J. K. Arthur, for supporting and encouraging my siblings and me to strive for the best in everything, despite the hindrances that were bound to crop up in life.

ABSTRACT

While Ghana's initial focus of industrial development programmes after attaining independence in March 1957 was in the promotion of investment in large-scale import-substitution industries, the last decade has seen a significant and distinct shift in policy and theory towards the role of small-scale manufacturing in the development process. This is evident in the large number of public and private agencies with projects in that sector. Similarly, analysis of cultural factors and their role in the development process that disappeared from the structurally-focussed theories, have once again become prominent. This study pulled together these issues and examined the activities of three agencies promoting small-scale industries: the National Board for Small-Scale Industries (NBSSI), the major government agency for small scale industries; the Ghana Regional Appropriate Technology Industrial Service (GRATIS), the public agency directly responsible and involved in technological development and transfer; and EMPRETEC Ghana Foundation, a non-governmental organization, which focuses on helping entrepreneurs to develop a professional management style. The study looked at the role of these agencies, and their programmes and services for client firms. In addition, the study focussed on the small-scale manufacturing firms being assisted by the agencies, and the impact of indigenous culture on their businesses. It interviewed the business owners, and examined whether the availability of services, and participation in programmes provided by the development institutions, changed or influenced their business practices and cultural orientation.

All in all, the institutional and cultural factors that inhibit or promote the development of effective and profitable enterprises, and the extent to which an enterprise culture of instrumental rationality and more broadly-based social trust is emerging among small-scale manufacturers in Ghana was analyzed. While it has been suggested that the problems of industrial development in Ghana and other developing countries are culturally shaped, it is the view of this study that indigenous cultural practices in Ghana are not as obstructive as has been argued by many Eurocentric writers. Based on the evidence presented in this study, I argue that Ghana's industrial development process has not fully taken-off because of institutional constraints confronting the manufacturing sector. As Paul Jackson points out, economic and industrial development can be stimulated when there is a harmonious relationship between manufacturers and their institutional environment much of which is provided by the state, through support in areas such as training, information, finance, export and investment promotion, equitable enforcement of laws, greater level of political transparency, and objectivity in governmental procedures and processes.

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noted that none of the individuals mentioned above are responsible for the ideas expressed or any shortcomings of this study, but the writer alone.

TABLE OF CONTENTS

ABSTRACT	ii
ACKNOWLEDGEMENTS	iii
LIST OF TABLES	viii
LIST OF FIGURES	viii
LIST OF ACRONYMS	ix
<u>CHAPTER ONE</u>	
Introduction	1
Statement of the Problem: Promoting Industrialization in Ghana	4
Methodology	6
Organization of the Study	18
<u>CHAPTER TWO</u>	
Theoretical Framework: Changing Paradigms in Industrialization	20
Introduction	20
State versus Market	20
The Structuralist Framework	21
Dependency Theory	25
Neo-liberal Framework	32
Asian NICs: State-Led or Market-Driven	34
The Role of Institutions and Culture	39
Concluding Remarks	48
<u>CHAPTER THREE</u>	
Economic, Cultural and Political Institutions in Ghana	50
Indigenous Cultural Practices	50
Colonial Economic Policies and Its Consequences	65
Concluding Remarks	76
<u>CHAPTER FOUR</u>	
The Ghanaian Experience of Industrialization	78
Introduction	78
Nkrumah's Economic Policies	78
Ghana: 1966-1981	86
The PNDC and SAP	92
Review of Literature on Small-Scale Enterprises	105
Concluding Remarks	117
<u>CHAPTER FIVE</u>	
State and the Industrialization Process :The NBSSI	119
Background	119
The NBSSI: A Historical Perspective	120
Financial Assistance Schemes of NBSSI	125
Operating the Loan Schemes	127
Non-Financial Programmes and Services of NBSSI	129
Promotional and Marketing Activities	139

Impact of Programmes and Services	139
Problems Confronting NBSSI	141
NBSSI and Client Firms	149
Characteristics of Client Firms	150
Capital and Finance	153
Business Assistance Fund	156
Education and Worker Skills	159
Marketing	161
Political and Cultural Questions	164
Association Membership and Lobbying	164
Control and Authoritarianism	166
Extended-Family System, Ethnicity and Employment of Workers	170
Ethnicity	174
Concluding Remarks	178

CHAPTER SIX

State and Technology: GRATIS	180
Introduction	180
The Origins of GRATIS	181
GRATIS/ITTUs Programmes and Services	184
Gender and Technology	193
Politics and Problems	197
GRATIS and Client Firms	207
Characteristics of Client Firms	207
Capital and Finance	214
Education and Worker Skills	217
Marketing	221
Impact of Programmes	224
Political and Cultural Questions	227
Membership of Association and Lobbying	227
Control and Authoritarianism	231
Extended-Family System, Ethnicity and Employment of Workers	235
Ethnicity	239
Concluding Remarks	241

CHAPTER SEVEN

NGOs and Industrial Development: EMPRETEC Ghana Foundation	243
Empretec Clients	244
Empretec's Programmes and Services	245
Non-Financial Programmes	249
Empretec and Client Firms	255
Characteristics of Business Owners	255
Finance	258
Education and Entrepreneurial Skills	261
Marketing	262

Impact of Empretec Programmes	264
Political and Cultural Questions	268
Control and Authoritarianism	274
Family, Ethnicity, and Employment Decisions	278
Ethnicity	282
Concluding Remarks	284
<u>CHAPTER EIGHT</u>	
CONCLUSIONS: Comparison, Themes, Options and Policy Implications	286
Comparing the Organizations	286
Finance	290
Education, Human Resources and Worker Skills	299
Marketing	301
Cultural and Political Questions	304
Culture of Control and Authoritarianism	304
Extended-Families, Ethnic Ties, and Employment Practices	308
Policy Implications	315
Conclusion	339
REFERENCES	342
APPENDICES	359
VITA	370

LIST OF TABLES

Table 4.1: Trends in Ghana's Cocoa Industry	93
Table 4.2: Developments in Industrial Output, 1971-90 (In percent)	94
Table 4.3: Ghana-Selected Economic Indicators, 1983-1988	97
Table 5.1: Sectoral Distribution of Loans	128
Table 5.2: Recovery rate for PAMSCAD Credit Line	144
Table 5.3: Recovery rate for Revolving Fund	145
Table 5.4: Year of Establishment	150
Table 5.5: Employment Levels among client firms	151
Table 5.6: Type of Business Activity	151
Table 5.7: Age Distribution of Business Owners	152
Table 5.8: Starting Capital	153
Table 5.9: Educational Levels of Business Owners	159
Table 5.10: Contacting MPs and Government Officials	164
Table 5.11: Allowing Workers to Take Decisions	168
Table 5.12: Employment of Family Members	171
Table 5.13: Ethnic Composition of Interviewees	176
Table 6.1: Year of Establishment	207
Table 6.2: Age Distribution of Business Owners	208
Table 6.3: Type of Business Activity	209
Table 6.4: Employment Levels among Client Firms	210
Table 6.5: Capital Sources for GRATIS Clients	214
Table 6.6: Education and Worker Skills	217
Table 6.7: Contacting MPs and Government Officials	228
Table 6.8: Allowing Workers to Take Decisions	233
Table 6.9: Employment of Family Members	237
Table 6.10: Ethnic Composition	240
Table 7.1: Year of Business Establishment	255
Table 7.2: Age Distribution of Business Owners	256
Table 7.3: Employment among Client Firms	256
Table 7.4: Type of Business Activity	257
Table 7.5: Contacting MPs and Government Officials	270
Table 7.6: Allowing Workers to Take Decisions	275
Table 7.7: Employment of Family Members	280

LIST OF FIGURES

Figure 1: A Map of Ghana Showing Administrative Regions	xiii
Figure 2: A Map Showing Accra-Tema Metropolis	xiv
Figure 3: A Map Showing Kumasi Metropolis	xv

LIST OF ACRONYMS

ADD	Associated Dependent Development
AFRC	Armed Forces Revolutionary Council
AGC	Ashanti Goldfields Company
AGI	Association of Ghana Industries
ARPS	Aborigines Rights Protection Society
ASSI	Association of Small Scale Industries
BACs	Business Advisory Centres
BAF	Business Assistance Fund
BP	British Petroleum
CABS	Clients' Accounting and Bookkeeping Service
CEO	Chief Executive Officer
CHRAJ	Commission on Human Rights and Administrative Justice
CIDA	Canadian International Development Agency
CPP	Convention People's Party
CSIR	Council for Scientific and Industrial Research
DANIDA	Danish Agency for International Development
DC	District Commissioner
DFID	Department for International Development
ECLA	Economic Commission for Latin America
ECG	Electricity Company of Ghana
EDC	Engineering Design Centre
EDD	Entrepreneurship Development Department
EDP	Entrepreneurship Development Programme
EU	European Union
GAD	Gender and Development
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GDS	German Development Service
GEDC	Ghana Enterprises Development Commission
GIFAC	Ghana International Handicraft and Fashion Fair
GIHOC	Ghana Industrial Holding Corporation
GIMPA	Ghana Institute for Management and Public Administration
GIPC	Ghana Investment Promotion Centre
GNCCI	Ghana National Chamber of Commerce and Industry
GNTC	Ghana National Trading Corporation
GRATIS	Ghana Regional Appropriate Technology Industrial Service
GSB	Ghana Standards Board
GTZ	German Technical Co-operation
HPS	Hire Purchase Scheme
IDC	Industrial Development Corporation
INDUTECH	Industrial and Technology Fair
IFIs	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
ISI	Import Substitution Industries
IT	Information Technology

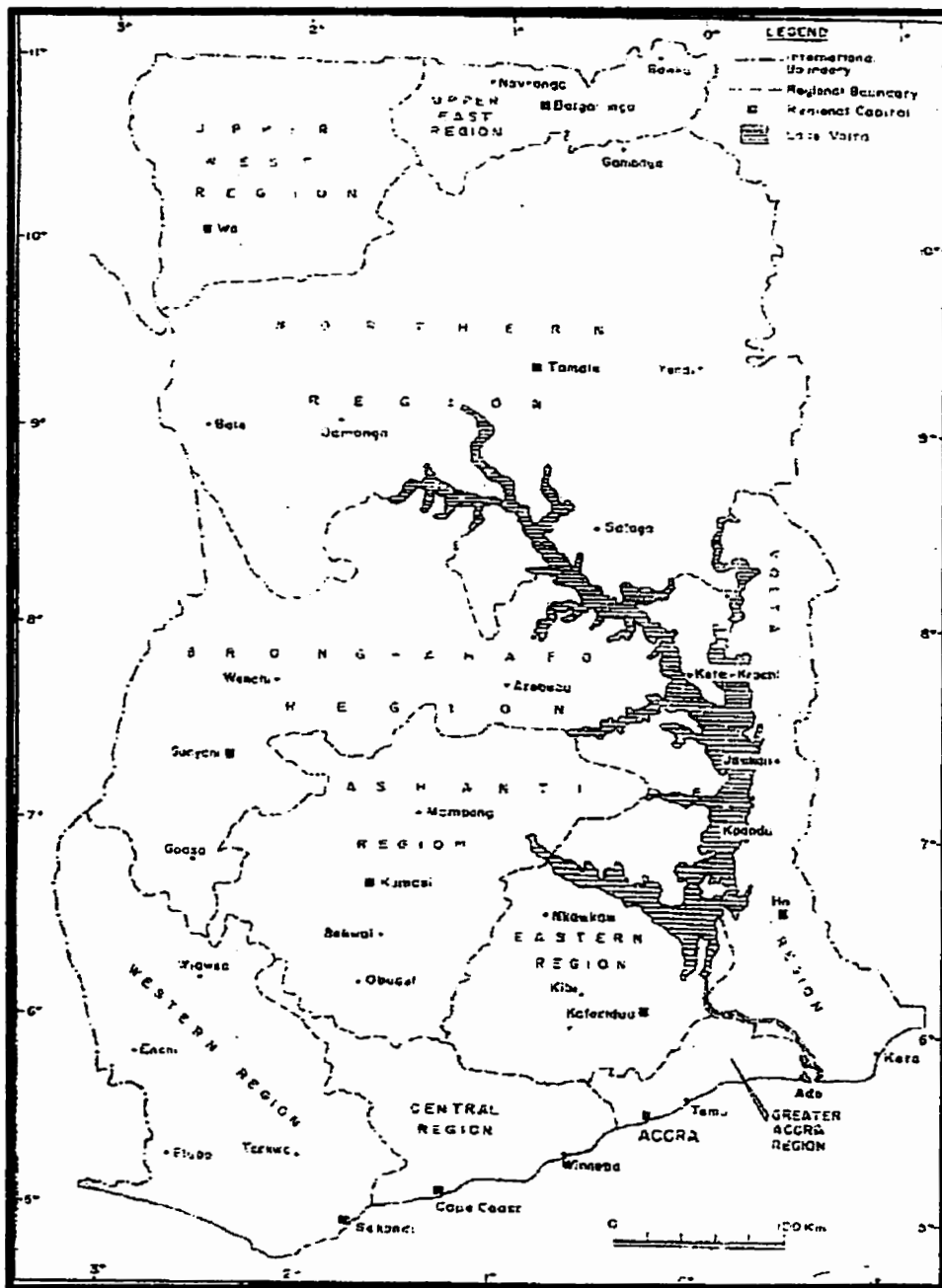
ITTU	Intermediate Technology Transfer Unit
JSS	Junior Secondary School
KNUST	Kwame Nkrumah University of Science and Technology
MDPI	Management Development and Productivity Institute
MEGA	Mutualist Empretec Guarantee Association
MEST	Ministry of Environment Science and Technology
MFEP	Ministry of Finance and Economic Planning
MNC	Multinational Corporation
MOTI	Ministry of Trade and Industry
MPs	Members of Parliament
NBSSI	National Board for Small Scale Industries
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NGO	Non-Governmental Organization
NIB	National Investment Bank
NICs	Newly Industrializing Countries
NLC	National Liberation Council
NRC	National Redemption Council
PAMSCAD	Programme Of Action to Mitigate the Social Cost of Adjustment
PDC	People's Defence Committee
PEF	Private Enterprise Foundation
PNDC	Provisional National Defence Council
PNP	People's National Party
PP	People's Party
RAWID	Rural and Women's Industries Division
SAP	Structural Adjustment Programme
SBLs	Small Business Loan Scheme
SCC	State Construction Corporation
SDA	Seventh Day Adventist
SES	State Enterprises Secretariat
SFC	State Fishing Corporation
SHC	State Housing Corporation
SMC	Supreme Military Council
SOEs	State Owned Enterprises
SSA	Sub-Saharan Africa
SSE	Small Scale Enterprises
SSS	Senior Secondary School
TCC	Technology Consultancy Centre
TKP	Turn-Key Package
UAC	United Africa Company
UN	United Nations
UNCTC	United Nations Centre on Transnational Corporation
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
UST	University of Science and Technology
VALCO	Volta Aluminium Company Limited

VAT	Value-Added Tax
WC	Working Capital
WDC	Worker's Defence Committee
WEDD	Women Enterprise Development Department
WTO	World Trade Organization
WW2	World War 2

APPENDICES

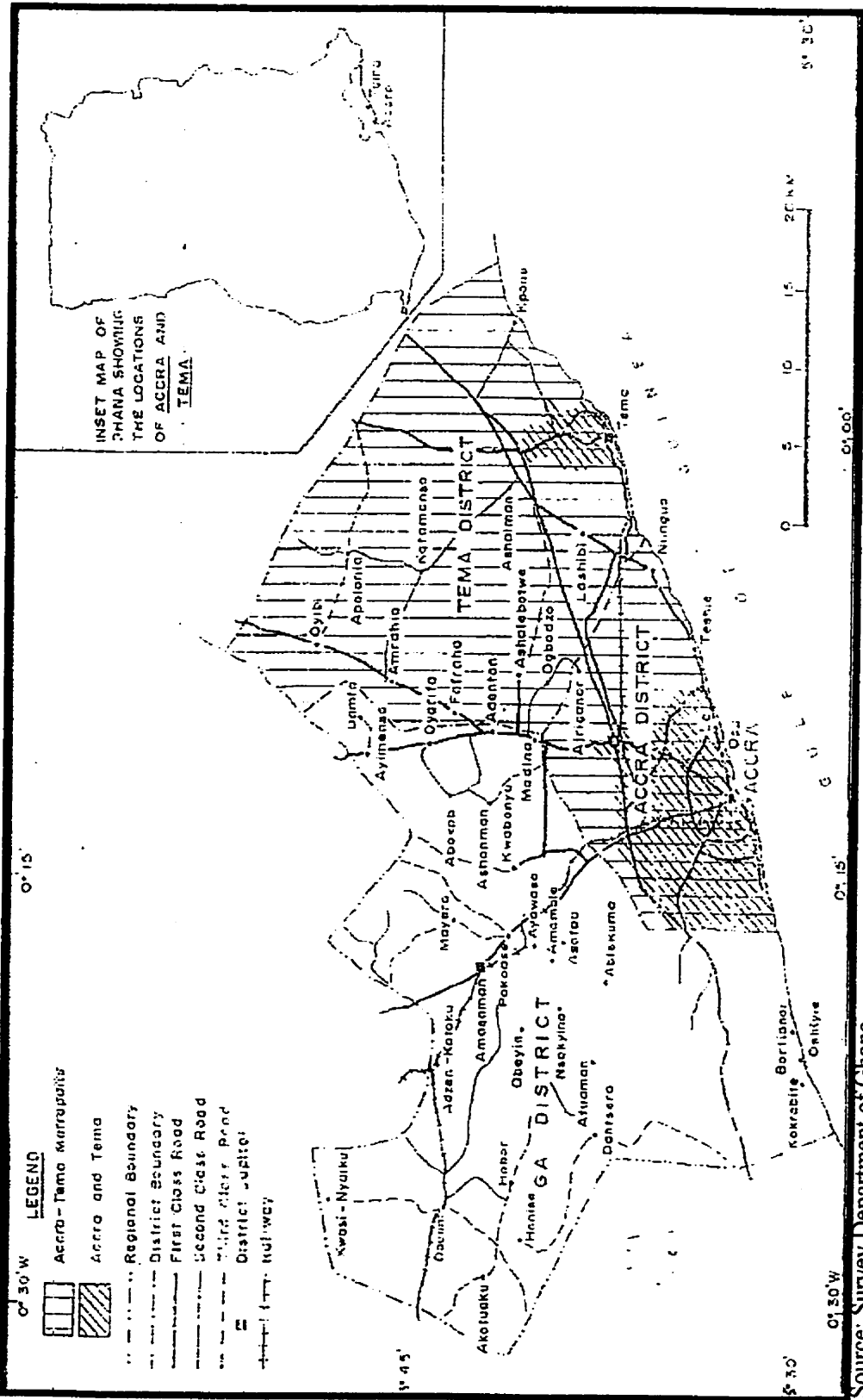
Appendix 1- List of Interviewees	359
Appendix 2- Interview Guide for Officials of Organizations	361
Appendix 3- Interview Outline for Owners of Small-Scale Enterprises	364

Figure 1. A Map of Ghana Showing Administrative Regions



Source: Survey Department of Ghana

Figure 2. A Map of Accra-Tema Metropolis



Source: Survey Department of Ghana

CHAPTER ONE

INTRODUCTION

From the beginning of large-scale efforts to assist the development of African societies, industrialization has been considered the goal and central focus of the process; the key to the achievement of self-sustaining growth, the application of modern science, the generation of skill formation and of technical and production capacity of society, the rational exploitation of natural resources, and of overcoming mass poverty.¹ The initial focus of industrial development programmes in Ghana was on the promotion of investment in large-scale import-substitution manufacturing, especially in local branches of international corporations or publicly-owned parastatal companies.² Small-scale indigenously-owned industry, defined in this study as an enterprise employing thirty or less people, was almost entirely neglected.³ Moreover, while analysis of the cultural factors underlying the

¹ See T. Kemp (1989), *Industrialization in the Non-Western World*, London: Longman; L. Mytelka (1989), "The Unfulfilled Promise of Industrialization," *African Studies Review*, vol.32, No. 3, pp.77-137; S. Wangwe (ed) (1995) "Introduction," *Exporting Africa: Technology, Trade and Industrialization in Sub-Saharan Africa*, London: Routledge, pp.1-15; Baah-Nuakoh et al. (1996), *Exporting Manufacturers from Ghana: Is Adjustment Enough?* London: Overseas Development Institute.

² T. Killick (1978), *Development Economics in Action. A Study of Economic Policies in Ghana*, London: Heineman.

³ There is some confusion and disagreement in Ghana of what constitutes a small-scale enterprise. As Baah Nuakoh et al. (1993, p.2) state, while the 1988 Ghana Statistical Service (GSS) Industrial Survey defined a small-scale enterprise as one with less than ten workers/employees, the National Board for Small-Scale Industries (NBSSI) employs a multiple criteria of fixed assets and employment size in its definition. Given the difficulty involved in valuing the assets of an enterprise, this study follows the footsteps of Steel & Webster (1990) and Baah Nuakoh et al. (1993) by defining a small-scale enterprise as one employing 30 or less people. It should however, be pointed out that seven business owners, who accounted for 7% of the total number of business owners interviewed for this study had more than 30 employees. These manufacturing firms were included because not only did I become aware of their business size after conducting interviews with the owners, but also because I was of the view that their inclusion would not significantly affect the findings of this study.

development of industrial capitalism were prominent features of classical Western social theories and played a prominent role in the early post-1945 development thinking; consideration of such factors increasingly disappeared from the structurally-focussed theories that have dominated the field. This is because culture was subsequently treated as a dependent variable linked to structural changes. Recently, however, there has been a significant and distinct shift in interest in both policy and theory towards the role of small-scale manufacturing in the development process;⁴ while, after years of neglect, analysis of cultural factors in the development process has once again become prominent.⁵

Events in Ghana have strongly reflected the wider trends in both policy and research. For the first quarter century after independence in 1957, Ghanaian governments pursued the goal of large-scale state-led industrial development. Initial success was followed by the virtual collapse of the manufacturing sector during the severe economic crisis of the early-1980s. From the mid-1980s, however, in conjunction with structural adjustment policies and market reforms, there has been an increasing interest in the active promotion of indigenous small-

⁴ D. Anderson (1982), "Small Industry in Developing Countries: A Discussion of Issue," *World Development*, vol. 10, No. 11, pp. 913-948; I. Smillie. (1986), *No Condition Permanent: Pump-Priming Ghana's Industrial Development*, London: Intermediate Technology Publication; Z. Acs & D. B. Audretsch (eds), *Small Firms and Entrepreneurship: An East West Perspective*, Cambridge: Cambridge University Press; S. Lall et al. (1994), *Technology and Enterprise Development*, New York: St. Martins Press.

⁵ See G. Hofstede (1980), *Culture's Consequences: International Differences in Work-Related Values*, Beverly-Hills, CA: Sage Publications; B. Berman (1994), "African Capitalism and the Paradigm of Modernity: Culture, Technology and the State," B. Berman & C. Leys (eds), *African Capitalists in African Development*, London: Lynne Rienner Publishers, pp.235-261; F. Fukuyama (1995), *Trust: The Social Virtues and Creation of Prosperity*, New York: The Free Press; E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development*, London: Routledge; S. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers.

scale manufacturing.⁶ Today, some 93 public and private agencies supported by numerous grants from international and bilateral donors, are engaged in such promotional activities.⁷ Meanwhile, for more than twenty years there has been a growing body of social-science research by both Ghanaian and foreign scholars on cultural and behavioural aspects of both private and public organisations in Ghana that raises crucial questions about the impact of indigenous culture on the development process.⁸ This study pulled together these issues by examining the role of various public and private agencies assisting small-scale industries and the impact of their programmes on client firms, the structural characteristics of such small-scale manufacturers, and the institutional and cultural environment in which they operate.

⁶ I. Smillie (1986), *No Condition Permanent*, London: Intermediate Technology Publication; I. Smillie (1991), *Mastering the Machine: Poverty, Aid and Technology*, London: Broadview Press; W. Steel & L. M. Webster (1991), *Small Enterprises Under Adjustment in Ghana*, World Bank Technical Paper, No. 138, Industry and Finance Series, Washington, D. C.: World Bank.

⁷ GRATIS (1998a), *Inventory of Institutions Which Support Projects and Programmes for Micro, Small and Medium Enterprises Development in Ghana*, Accra.

⁸ See P. Garlick (1971), *African Traders and Economic Development*, Oxford: Oxford University Press; R. Price (1975), *Society and Bureaucracy in Contemporary Ghana*, Berkeley: University of California Press; J. Kuada (1994), *Managerial Behaviour in Ghana and Kenya: A Cultural Perspective*, Aalborg: Aalborg University Press; S. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers.

STATEMENT OF THE PROBLEM: PROMOTING INDUSTRIALIZATION IN GHANA

The economic crisis that Ghana experienced in the 1970s and 1980s led to an unprecedented increase in small-scale industrial activity, and a situation where they offered employment opportunities to the unemployed and others facing economic insecurity.⁹ The dismal performance of the industrial sector during the period of economic crisis and decline, especially in the large-scale manufacturing sub-sector, gave support to the idea that small-scale enterprises could be considered engines of industrial development.¹⁰ This is reflected in the large number of institutions with projects in support of the sector.¹¹

This study, therefore, focussed on the role of various public and private sector agencies in the promotion of small-scale manufacturing in Ghana, especially their impact on institutional and cultural factors that inhibit or promote the development of effective and profitable enterprises. Three of these agencies were selected for the study because of the size and characteristics of their programmes: The National Board for Small-Scale Industries (NBSSI), the major government agency for small-scale industry; Ghana Regional Appropriate Technology Industrial Service (GRATIS), the public agency directly involved in technological development and transfer for small-scale manufacturing; and EMPRETEC Ghana Foundation,

⁹ J. Loxley (1998), *Ghana: Economic Crisis and the Long Road to Recovery*, Ottawa: North-South Institute; W. J. Tettey (1996), *Computerization and the State Capacity Building in Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D Thesis, Queen's University, Canada.

¹⁰ K. A. Ninsin (1991), *The Informal Sector in Ghana's Political Economy*, Accra: Freedom Publications.

¹¹ GRATIS, *Inventory of Institutions Which Support Projects and Programmes for Micro, Small and Medium Enterprises Development in Ghana*, Op. Cit, p. viii.

one of the largest and best established non-governmental organisations (NGOs) supporting small-scale industries. In addition, other agencies¹² drawn from a random sample of the remaining agencies active in the field and listed in the recent GRATIS directory were included.¹³ The focus of this research was on the programmes and services of the agencies, the way in which they deal with both institutional and cultural factors in shaping the development of small-scale industry, and the degree of success of their programmes and services for client firms. The relationship between the organisations and agencies active in the field of providing industrial development programmes to small-scale industries and how their programmes relate to the Government of Ghana's long-term development objectives was also examined.

The second focus of the research was on the small-scale manufacturing firms themselves. A sample of firms was drawn from the client list of the agencies- NBSSI, GRATIS, EMPRETEC- and their owners interviewed regarding the impact of the programmes and services of the agencies on their businesses. In the process, the socio-economic characteristics of client firms, their finances, worker skills and issues relating to the marketing of their products were also studied. I also focussed on the impact of cultural characteristics such as authoritarian control, patron-client ties, family responsibilities, ethnic ties and the scope and limits of social trust in business activities. The evidence from the study

¹²The agencies included are local ones like the Association of Ghana Industries (AGI), Private Enterprise Foundation (PEF), Association of Small-Scale Industries (ASSI), Ghana National Chamber of Commerce and Industry (GNCCI), and international agencies like the Department for International Development (DFID) of the United Kingdom, and Danish Agency for International Development (DANIDA).

¹³ See GRATIS, *Inventory of Institutions which Support Projects and Programmes for Micro, Small and Medium Enterprises Development in Ghana*, Op. Cit, Accra.

of both development organisations and enterprises, suggest the degree to which an enterprise culture of instrumental rationality, and more broadly-based social trust is being directly promoted and is actually emerging in Ghana.

METHODOLOGY

The structural and cultural characteristics of small-scale enterprises, the institutional context of the industrialization process, as well as the role and activities of various organisations involved in helping and promoting small industries in Ghana are the primary focus of this study. The operations of small-scale industries are examined because they have "demonstrated in both the developed and developing countries that they are able to serve as an effective means of realising the objectives of industrial development."¹⁴ Having introduced the main focus of the study, I would like to outline the main research techniques and strategies that were employed to gather information to enable us answer the questions raised in the research.

In doing so, it is expedient to point out that undertaking research in any place happens to be a real challenge, and it even becomes more compelling in a developing country like Ghana where apart from the fact that record-keeping is poor, individuals are generally not willing to volunteer information for fear that it would subsequently be used against them in some fashion. Thus, while various works have been written on research techniques and how to conduct field-work,¹⁵ it becomes obvious that once the research work begins, some of the

¹⁴ NBSSI (1994), *NBSSI News*, vol. 1, No. 1, p.1.

¹⁵ S. Devereux & J. Hoddinott (1993) (eds), *Fieldwork in Developing Countries*, Boulder, CO: Lynne Rienner Publishers; W. Shafir & R. Stebbins (1991) (eds), *Experiencing Fieldwork: An Inside View of Qualitative*

basic tenets of field-work that have been suggested may not be particularly helpful or relevant at all. Under these circumstances, it becomes imperative for researchers to be innovative and creative to enable them to collect the relevant information and also overcome the hindrances that are bound to crop up. To say this is not, however, to ignore some of the well tested methods like interviewing, sampling and ethnographic observation that have been employed to gather data and information in developing countries.

This study therefore relied on several research instruments and sources to collect the relevant evidence. Primary written sources, which included newspaper articles, archive papers, annual reports, business plans, policy papers and other documents from the organisations involved in assisting and promoting small industries, as well as official publications of the government were some of the material employed to gather relevant data and information. I also examined and evaluated instructional materials for clients used by various agencies, and attended some of the meetings held for client firms. In addition, in-depth interviews were conducted to collect primary information. Two sets of interviews were conducted, the first with officials of the agencies and organisations promoting small-scale industrial development (See Appendix 1 for List of Interviewees; and Appendix 2 for Interview Outline); and the second with the owners of small-scale industries themselves (See Appendix 3 for Interview Schedule) between March 1999 and October 1999.

The first group of interviews was not based on a representative sample of the staff of the organisations, international aid agencies, government ministries and other agencies involved in promoting small-scale industrial development. Rather, specific individuals such

Research, Newbury Park: Sage Publications.

as managers, project officers, instructors and technical consultants occupying various line, advisory and executive positions in these agencies were the focus of the interviews. This is because it is mostly such officials who initiate the major efforts that shape the direction and behaviour of their organisations.¹⁶ Although top-level personnel were targeted for interviewing, a number of interviews also were conducted with middle-level officials like project officers and their assistants who undertake follow-ups, interact regularly with client firms and are mostly in charge of policy implementation. In this regard, they were in the position to express their views and comment on issues that normally crop up in the attempt by the organisations to assist various industries. Information sought from the officials of the agencies active in the field included its history, aims and objectives; the policies and initiatives being pursued to assist small enterprises to deal with cultural and institutional issues; and how they assess the degree to which these have been successful for client firms.

It needs to be stated that interviewing the officials of the various agencies was on the whole not difficult. For prior to my departure from Canada to conduct the research, with the help of the directory compiled by GRATIS in 1998, I contacted via electronic mail (e-mail) many of the institutions and agencies informing them of my intention to interview them for my research. Since most of them replied positively to my messages, they were not surprised when I formally introduced myself in person as the researcher who had been in touch with them. Finally, a letter from the Head of Political Science Department, University of Ghana introducing me as a student affiliated with the department also went a long way to help me gain access to some officials. The only snag in dealing with these officials was that some of

¹⁶ J. Kuada (1994), *Managerial Behaviour in Ghana and Kenya*, Aalborg: Aalborg University Press, p.100.

them showed up late on the dates when interviews were scheduled, as well as the occasional disruptions, distractions and interruptions that came from technical problems in the telephone system and the local communications networks. On a couple of occasions, interviews had to be rescheduled because the officials did not show up for various reasons.

Regarding the small-scale industries themselves, in-depth interviews were also conducted with the owners of various enterprises. Because of the lack of an up-to-date industrial census (the last was published in 1988 by the Ghana Statistical Service), there was no reliable data-base for drawing a statistically significant random sample of small-scale industries in Ghana. Instead, smaller samples were randomly drawn from the client lists for Accra-Tema (See Figure 2) and Kumasi Metropolitan areas (See Figure 3) of the three agencies studied. Accra-Tema Metropolitan area was chosen because, apart from Accra being the political and administrative capital of Ghana, Accra-Tema is the most industrialized, developed and urbanised city in the country. In addition, it has a strong presence of small-scale industries and one of the largest number of informal sector activities in the country.¹⁷ Finally, having grown up and lived in the city, I was able to locate the small-scale enterprises that were scattered all over the metropolitan area. It should be added that although Accra-Tema Metropolis was the focus of the study, for purposes of comparison, context, and greater scope, a number of interviews were also conducted in the Kumasi Metropolis.¹⁸ This is

¹⁷ S. Agyei-Mensah (1997), *Fertility Change in a True and Space Perspective: Lessons from Three Ghanaian Settlements*, Trondheim: Norges Universitet, p.103.

¹⁸ A university graduate in Economics, who worked with the NBSSI in Kumasi as a project officer, but currently works with the Ministry of Finance and Economic Planning, Accra, helped in the collection of data among the NBSSI clients in Kumasi. His assistance was sought not only because he had worked with the organization and thus knew most of their clients, but also because I was not very conversant with the city of Kumasi, having lived a greater part of my life in Accra.

because it has a long history of entrepreneurial activities which dates back to the pre-colonial period; and also has a huge informal economy. In addition, Kumasi was selected to represent what Anheier & Seibel call a more "traditional urban area."¹⁹ Hence the selection of Accra-Tema and Kumasi was aimed at finding out whether cultural and traditional dictates of a more cosmopolitan society, Accra would make small-scale industries operate their businesses differently from a more "traditional" society, Kumasi. In all, a total of 103 small-scale entrepreneurs (comprising 36 NBSSI clients; 38 GRATIS clients; and 29 EMPRETEC clients) were interviewed for the study.

While I had initially planned to conduct a survey of the clients of the agencies, and then follow it up with in-depth interviews of a smaller sub-sample of those surveyed, it became obvious that such an approach would have proved to be too difficult and time-consuming. First, apart from my limited resources- money and time- and given the fact that most of small-scale entrepreneurs did not have much time at their disposal because of the nature of their businesses, I did not want to be seen by them as being a bother. More importantly, it became obvious after pre-testing the interview schedule on a number of clients that they indirectly or unknowingly provided answers to questions that were to be posed during the in-depth interviewing stage. It is against this background that an interview approach which consisted of both open and closed-ended questions was adopted. With such a strategy, quantitative data which was used for both comparison and analysis of responses was first collected. Secondly, it also enabled interviewees to respond to specific questions,

¹⁹ H. Anheier & H. Seibel (1987), *Small-Scale Industries and Economic Development in Ghana: Business Behaviour and Strategies in Informal Sector Economies*, Saarbrucken, Fort Lauderdale: Verlag breitenbach Publishers, p. 15.

while having the chance to narrate, describe and explain their personal experiences in their own words.²⁰ Interviewees were able to express their views on the wide range of issues explored in the study, thereby giving me access to the subjective perspectives of the respondents.²¹

Thus, a descriptive approach through in-depth interviews was adopted because my aim was to get a deeper understanding from the respondents, whereas a purely quantitative approach would not have been able to capture particular personal experiences. Underlying the descriptive and qualitative approach is the assumption that the social world can be understood by acquiring first-hand knowledge from individuals who are in the position of not only making sense but also interpreting their institutional environment.²² The interviews sought to find information relating to the history of the enterprises, and such characteristics as credit and finance, the educational background of entrepreneurs and training programmes attended, and production and marketing practices. Information on how various institutions and organisations assist the small enterprises in their operations, the problems client firms face, and the solutions that are necessary to deal with these problems also were elicited in the interviews. Furthermore, the interviews aimed at finding out whether the availability of and participation in programmes and workshops provided by the aid organizations changed or influenced their business practices and cultural orientation. Questions focussed on cultural

²⁰ G. Valentine (1997), "Tell me About...: Using Interviews as a Research Methodology," R. Flowerdew & D. Martins (eds), *Methods in Human Geography: A Guide for Students Doing a Research Project*, London: Longman, pp. 110-126.

²¹ M. Patton (1990), *Qualitative Research and Evaluation Methods*, Newbury Park, CA: Sage Publications.

²² S. Buame (1996), *Entrepreneurship: A Contextual Perspective. Discourses and Praxis of Entrepreneurial Activities Within the Institutional Context of Ghana*, Lund: Lund University Press, p.46.

factors aimed at finding out the attitudes and practices of business owners on the extended-family system and the responsibilities that accompany it, ethnic considerations in business practices, patron-client connections, and patterns of ownership and management control.

The interviewing process was complemented by the use of ethnographic methods. Since the interviews were conducted at the business premises of the entrepreneurs, it enabled me to observe at first hand their activities and operations. In interviewing the respondents, I observed among others the interactions between the owners of the business and their workers on one hand, and among the workers themselves; the instructions that were occasionally issued out to workers; and the language that was spoken, which tended to give a hint of the ethnic make-up of the work-force. These observations were made since they enabled me find out whether the information provided in the interviewing process was compatible with what had been observed. As Atkinson & Hammersley state, "ethnographic methods rely on participant observation, which is characterised by the collection of relatively unstructured empirical materials and data, that is, data that have not been coded at the point of data collection in terms of a closed set of analytic categories, and a writing style that is primarily interpretive and descriptive of phenomena."²³

I do not want to suggest however, that the methodology employed for this study did not have its own problems and weaknesses. First, apart from the selection of interviewees not being based on a systematic and well-defined random sample, in the area of interviewing, Kuada has observed that informant bias can be a serious drawback since certain respondents

²³ Atkinson, P. & Hammersley, M. (1994), "Ethnography and Participant Observation," N. Denzin & Y. Lincoln (eds), *Handbook of Qualitative Research*, London & Thousand Oaks, CA: Sage Publications, p. 248.

may deliberately mislead the interviewer. This can be done when interviewees, by assessing the intentions of the interviewer, give answers that they believe are expected and considered appropriate by the interviewer.²⁴ There was also the concern that some interviewees, especially government officials and employees, might be reluctant to openly express their views on certain issues which they might consider sensitive. Nonetheless, the first problem was dealt with by making the sample of industries as heterogenous as possible. Also, since the study relied on methodological triangulation which involved the use of several kinds of research methods and data sources,²⁵ the contradictions and flaws that might be unique to a particular method were overcome by the other. In effect, a "marriage" of different research methods and data sources, apart from giving the researcher the chance to check any inconsistencies, helped to reaffirm the various responses of interviewees.²⁶ Regarding the concerns of government employees, they were assured that while particular responses and organizational positions would be quoted for purposes of analysis, their names and identities would remain confidential.

Another issue was on how to select the small-scale enterprises to give a fair reflection of their activities. Since the clients of GRATIS and NBSSI are classified based on their activities, it was dealt with by randomly selecting from the client list entrepreneurs from the various categories to ensure that all the activities were represented. However, it should be stressed that given time and financial constraints, although the attempt was made to get as

²⁴ J. Kuada (1994), *Managerial Behaviour in Ghana and Kenya*, Aalborg: Aalborg University Press, pp. 94-95.

²⁵ Denzin, N. K. (1989), *The Research Act*, New Jersey: Prentice-Hall Inc, p. 236.

²⁶ Buame, *Entrepreneurship: A Contextual Perspective*, *Op. Cit.*

many categories to be involved in the sample, it was not possible to include all since the informal sector encompasses a wide spectrum of activities. Regarding EMPRETEC, since the client list provided by the organisation did not have such categorisation of their activities, a selection of what was considered a reasonable number of entrepreneurs was undertaken for purposes of interviewing them. In these circumstances, the study makes no claim that the entrepreneurs selected are representative of the wider population of small-scale entrepreneurs.

Having selected the small-scale entrepreneurs to be involved in the study, there was the problem of locating them. Locating the EMPRETEC clients was a bit easier since the client list provided by the organisation had very reliable phone numbers. Prospective respondents were thus called to schedule interviews with them at their convenience, and also to ask for directions to their business premises. It should be noted that once at the businesses of EMPRETEC clients, they were very co-operative, since most of them were highly educated and had at one point gone through the experience of conducting or writing a research paper. Also, their co-operation stemmed from the fact that I was introduced as a student and researcher by the Chairman of the clients' association.²⁷

A greater challenge involved locating the NBSSI and, especially, the GRATIS clients in Accra-Tema who had been selected for the study. This problem had to do with the fact that the client lists provided by these two agencies did not have information relating to the addresses, location or even phone numbers of their clients. Under these circumstances, the project officers of the organisations helped me to locate their clients, and also allay their

²⁷ Clients of EMPRETEC or EMPRETECOS as they are known hold regular meetings on the second Tuesday of every month to discuss issues of interest to their businesses. It was at one of such meetings (11th May, 1999) that I was introduced to other members of the clients association.

"suspicions" and fear by occasionally explaining the purpose of the information sought by me. However, some of the entrepreneurs who were originally in the sample and had been located were not prepared to co-operate on the basis that they had not received much support from any organization. In this regard, they did not see the reason why they should take time off their business and grant me an interview. For them, since they did not see the immediate and tangible benefits of my research work, they were not interested in providing me with information. I had no option than to drop these potential respondents. In addition, some of the small-scale industries which had been targeted for interviewing could not be located due to the fact that they had either re-located to an unknown premise, or wound-up their business operations without the knowledge of the various agencies.

The final problem was in terms of the availability of what Forrest calls "hard statistical data" on matters relating to growth, and especially the profitability of small-scale industries. As he notes, it has very rarely been possible to obtain accounts or published indicators for individual enterprises. Apart from the fact that open exposure of wealth and profits can be particularly sensitive where enterprises are family-owned, the fear of tax liability also prevents enterprises in developing countries from disclosing their profits and finances.²⁸ Hence, aside from providing information relating to their expenditures, the clients interviewed for this study were generally reluctant to disclose their profits on the basis that it was confidential personal information. In addition, there were no records or information relating to their payment of taxes from which some inferences could be made, which in itself is indicative of the

²⁸ T. Forrest (1994), *The Advance of African Capital: The Growth of Nigerian Private Enterprise*, Edinburgh: Edinburgh University Press, p. 10.

environment in which they operate. Thus, there was the problem of objectively assessing the impact of the programmes of agencies on client firms, especially on the issue of how clients' association with the various agencies studied for this study had made them profitable and facilitated growth.

Similarly, Aryeetey has pointed out that the inadequate institutional support, the general mistrust for government intentions, which can be extended to researchers, and the inability of the government to assure local investors that earlier decisions by the Armed Forces Revolutionary Council (AFRC) and Provisional National Defence Council (PNDC) governments (freezing of all bank accounts with balances exceeding 50,000 cedis and confiscating various assets through the Citizens Vetting Committee²⁹) that showed a bias against private wealth will not be repeated,³⁰ have all contributed to the cynicism of business owners on matters relating to the divulging of information on business profits and assets. Thus, even in a period of democratization, Ghanaian business owners still believe that doing business entails political risks,³¹ and this would become more apparent in discussions with client firms later in the study. Therefore, following Forrest, the objective and independent assessment of an enterprise's profitability as a result of their association with the various organizations, or what Jackson calls "hard measurability"³² was precluded. Under these

²⁹ Greater details of some of these policies will be provided in chapter four when we discuss the economic and industrial development policies of successive Ghanaian governments.

³⁰ E. Aryeetey (1994), "Private Investment Under Uncertainty in Ghana," *World Development*, vol. 22, No. 8, p. 1211.

³¹ C. Leechor (1994), "Ghana: Front-runner in Adjustment." Ishrat Husain & Rashid Faruqee (eds), *Adjusting in Africa: Lessons from Country Studies*. Washington, DC: World Bank, p. 153.

³² P. Jackson (1999), "New Roles of government in supporting Manufacturing: The capabilities of support agencies in Ghana and Zimbabwe," *Public Administration and Development*, 19, p. 289.

circumstances, I relied on the subjective views expressed by clients to draw out conclusions on the impact of various programmes on client firms in areas such as access to finance, improvement in business management, and cultural orientation to business. As Forrest rightly argues, any concerted effort to pursue the matter of business profitability during interviews was certain to bring discussion to an end.³³

In light of these weaknesses, it would be an over-statement to claim that the study has covered all aspects of the role of various organisations promoting small-scale entrepreneurs, and the impact of cultural and institutional arrangements on the industrialization process. However, the wealth of knowledge collected through the sampling of clients who were not only located but were willing to participate in the study, as well as the subjective, discursive and qualitative approach allowed me to gain insights into respondents' attitudes and values, thereby shedding considerable light on the issues that were examined.³⁴ Thus, this study can serve as a stepping stone for other researchers who might be interested in getting insights into the industrialisation process, and especially the factors that either facilitate or hinder industrial development in a country like Ghana.

³³ T. Forrest, *The Advance of African Capital. Op. Cit.*, p. 10.

³⁴ C. C. Robertson (1984), *Sharing the Same Bowl: A Socio-Economic History of Women and Class in Accra, Ghana*, Bloomington, Indiana: Indiana University Press, p.121; S. Buame (1996), *Entrepreneurship: A Contextual Perspective*, Lund: Lund University Press, p.26.

ORGANIZATION OF THE STUDY

The study consists of eight chapters. Chapter Two examines and discusses the theoretical paradigm that serves as the guide to the study. The discussions of the theoretical framework begin with a look at the structuralist, dependency and neo-liberal approaches to industrial and economic development. Given the shortcomings of these approaches, which are later discussed in detail, the institutional and cultural perspective is adopted as the basis of the study. Chapter Three analyses the nature and structure of political, economic and social institutions in pre-colonial Ghana, and the effect of colonialism on these institutions. Chapter Four, devoted to Ghana's experience of industrialization, discusses the nature of Ghana's political economy in the post independence era. Among the issues examined are the economic policies pursued by successive Ghanaian governments, and their implication for industrial development. The factors that accounted for the country's economic and industrialization problems in the 1970s and 1980s are examined in detail. The response of various governments, especially the PNDC as embodied in the Structural Adjustment Programme (SAP) is also discussed. This is followed by a review of the literature on small-scale industries and enterprises that focuses on issues such as the relationship between small-scale enterprises and employment generation and creation; the efficiency with which they utilise resources; the managerial and entrepreneurial capabilities and potential of small-scale enterprises; and the access they have to credit, capital and finance.

Chapters Five, Six and Seven deal with the activities of the agencies involved in the promotion and development of the small-scale manufacturing in Ghana. The aims and objectives of the selected organizations- NBSSI, GRATIS and EMPRETEC- are reviewed

in these chapters. It examines their policies and programmes, and the efforts of the organizations in helping client firms to deal with the problems confronting them. In addition, each of these chapters analyses the data and information derived from interviews and other evidence from their client firms. The socio-economic and structural characteristics of client firms, the impact of the programmes of the various agencies on the operations of the small-scale enterprises, their problems and successes are all delved into in these chapters. The issue of how indigenous cultural practices like authoritarianism, extended-family expectations, patronage and ethnic ties affect the business activities of the small industries are also discussed. In conclusion, Chapter Eight compares and contrasts the activities of the three organizations studied and their client firms by matching their responses. The views of officials of other agencies active in the field of promoting small-scale industrialization is also examined. Finally, it contains the summary, and draws out the policy implications for future industrial policy in developing countries like Ghana.

CHAPTER TWO
THEORETICAL FRAMEWORK
CHANGING PARADIGMS IN INDUSTRIALIZATION
AND DEVELOPMENT THEORY

Introduction

This present chapter focuses on the conceptual framework that serves as the guide for analysing and drawing conclusions from the information collected in the study. I review some of the theoretical paradigms that deal with the process of industrialization, as well as the institutional and cultural approach that is utilized as the basis of the study.

State versus Market

The discourses on development and industrialization centre on finding the right approach of going about the process. Among the questions that have bedevilled writers are the following: Should governments adopt a state-centred as opposed to a market-driven style of industrial development? Should import-substitution industries be abandoned in favour of export-driven measures? Should governments promote large-scale and foreign-owned industries as opposed to domestic investments? Do the institutional and cultural contexts within which the industrialisation process occur matter? Can small-scale industries become engines of industrial development in developing countries? Attempts to come up with answers have not been easy given the differences in opinions and experiences. The literature on development and industrialization which discusses the ability of countries to achieve rapid industrial growth can be placed into various theoretical categories: Structuralist, Dependency

and Neo-liberal.¹ A review of these theoretical frameworks show that they pay scant attention to the fact that there are institutional and cultural dimensions to industrialization and socio-economic development in places like Ghana. These lacunae in the theories are discussed below, where I highlight and establish both the linkage and the relevance of culture and institutional factors in the industrialization process.

THE STRUCTURALIST FRAMEWORK

The ideas embodied in the structuralist theory can be traced to Raul Prebisch and other social scientists of the Economic Commission for Latin America (ECLA) who were charged by the United Nations (UN) with analysing the economic problems of Latin America in the 1940s and 1950s.² As Larrain points out, the ECLA's focus was on the existence of a centre-periphery world system which favoured the central industrial countries. For, although the two world wars and the depression of the 1930s had forced Latin American nations to diversify their economies by means of import-substituting industrialization, the predominant forms of economic thought were still in favour of the old ideas: specialization or comparative advantage and international exchange were supposed to be the best mechanisms to eliminate

¹J. Weiss (1988), *Industry in Developing Countries: Theory, Policy and Evidence*, London: Croom Helm; J. Kennedy (1988), *African Capitalism: The Struggle for Ascendancy*, Cambridge: Cambridge University Press; C. Colclough (1991), "Structuralism versus Neo-Liberalism: An Introduction," C. Colclough & J. Manor (eds), *States or Markets: Neo-Liberalism and the Development Policy Debate*, Oxford: Clarendon Press, pp. 1-25; F. Fukuyama. (1995), *Trust: The Social Virtues and Creation of Prosperity*, New York: The Free Press.

² R. Jenkins (1992), "Theoretical Perspectives," T. Hewitt et al. (eds), *Industrialization and Development*, Oxford: Oxford University Press, p. 136; J. Martinussen (1997), *Society, State and Market: A Guide to Competing Theories of Development*, London: Zed Books Ltd, pp.50-51.

international differences between countries.³ However, the ECLA had its reservations with this argument since apart from industrialized countries keeping for themselves the benefits of technical progress as opposed to transferring them to the periphery, prices of primary products produced in the periphery had also deteriorated in relation to the price of industrial goods.⁴ Thus, the ECLA members were critical of economists like David Ricardo who believed that the international division of labour was inevitable because it was based on "comparative advantage," that is, the idea of some countries being better endowed to produce raw materials, whereas others would have advantages producing industrial goods.⁵ The structuralist theories of development and underdevelopment therefore focussed mainly on the social and economic structures of society, and saw economic and industrial development as involving changes in these structures.⁶ Structuralists explained the economic underdevelopment of the developing world in terms of the lack of investment and other structural factors that obstructed the process of change. For structuralists, the structural problems were reflected in the smallness of the domestic markets, which did not give the required incentives to the owners of capital, as well as in the small size of the manufacturing sector. Furthermore, the developing countries faced long-term trends of deteriorating terms of trade with the developed world because they had to sell greater quantities of their products

³ J. Larrain (1989), *Theories of Development: Capitalism, Colonialism and Dependency*, Cambridge: Polity Press, p. 102.

⁴ *ibid.*, pp. 103-104.

⁵ F. Cardoso & E. Faletto (1979), *Dependency and Development in Latin America*, Los Angeles, CA: University of California Press, p. viii.

⁶ *ibid.*, p. ixv.

in order to acquire the same export income.⁷

Accordingly, Prebisch and other structuralists were of the view that the developing countries had no other option but to deepen their process of industrialization and produce their own manufactured goods.⁸ For structuralists, economic development demands that there is a shift in the relative contribution of different sectors of the economy away from agriculture and toward industry, particularly manufacturing.⁹ Since the social and economic structure of a society, particularly the size of its industrial sector is a requirement for long-run growth, resources had to be shifted into new industries to reduce the income elasticity of demand in the periphery for manufactured imports from the centre. What is required is that investment is allocated in line with expected returns in alternative activities, and the structuralist case is that in most countries at relatively low-income levels, this will entail an increasing share of additional resources going to industry. Manufacturing industries were essential in the growth of society since it raises productivity not just in the sector itself, but also in the other sectors of the economy. Furthermore, productivity gains and technical progress arising in manufacturing could be passed on to other sectors through their purchases of capital and intermediate goods.¹⁰ Therefore, in policy terms, structuralist authors are associated with the protectionist import-substitution programmes pursued in the majority of the developing

⁷ Martinussen, *Society, State and Market, Op. Cit.*, p.75.

⁸ J. Martinussen, *Society, State and Market, Op. Cit.*; J. Weiss (1988), *Industry in Developing Countries*, London: Croom Helm; Larrain, *Theories of Development, Op. Cit.*, p. 104.

⁹ Jenkins , "Theoretical Perspective," *Loc. Cit.*, p.141.

¹⁰ Weiss, *Industry in Developing Countries, Op. Cit.*, pp. 84-113.

countries in the 1950s and 1960s.¹¹

Structuralists contended that developing countries had to protect their domestic industries over a long transition period because, as latecomers, they would otherwise be suppressed by the international market and the dominance of the large transnational corporations.¹² Given the weak position of private capital, structuralists were of the view that state intervention and comprehensive investment planning were necessary means to accomplish the most rational exploitation of the scarce resources in the developing world.¹³ Therefore, industrialization and economic growth could be realized when governments intervened in the process through the provision of subsidies, industry protection, high tariffs, restricting foreign investment, and the promotion of exports through cheap credits.¹⁴

The structuralist position was that in the absence of such protection, local industries could fall victim to foreign industries which had superior competitive position, and could thus ultimately drive them out of business. Protection had to be given to producers of light manufactures, such as textiles and food processing which could be carried out by local industrialists since such activities involved the use of relatively simple standardised technologies, were not particularly capital-intensive, and could draw on pools of relatively

¹¹ *ibid.*, p.85.

¹² R. Prebisch (1984), "Five Stages in my Thinking on Development," G. Meier & D. Seers (eds), *Pioneers in Development*, New York: Oxford University Press, cited in Martinussen, *State, Society and Market, Op. Cit.*, p. 76.

¹³ Martinussen, *State, Society and Market, Op. Cit.*, p.76; Larrain, *Theories of Development, Op. Cit.*, pp 104-105.

¹⁴ See Weiss, *Industry in Developing Countries, Op. Cit.*, pp.82-83; H. Shapiro & L. Taylor (1990), "The State and Industrial Strategy," *World Development*, Vol. 18, No. 6, pp.862-863.

unskilled labour.¹⁵ In addition, states and governments had to step in to correct the imperfections in the market system for "without adequate political intervention, market forces are bound to generate inequalities, dislocations and exploitation which will have devastating effects on the integrity of society as a whole."¹⁶

DEPENDENCY THEORY

Besides the structuralist perspective, another theory that directly relates to the question of industrial development and capitalism comes from the works of scholars like Andre Gunder Frank, Samir Amin, Fernando Cardoso, Enzo Faletto and Peter Evans.¹⁷ Despite their critique of the prevailing economic wisdom of "comparative advantage" in international economic relations, ECLA economists were themselves criticized for not calling attention to the imperialist economic relationships among countries, and also ignoring asymmetric relations between classes. In the words of Larrain, the ECLA was "criticised from the left because it did not carry out a class analysis of Latin America and its disagreement with the international theory of trade did not alter its faith in a capitalist road of development. For all its radical and critical assessment of centre-periphery system, ECLA failed to analyse capitalism itself in the periphery as a structure of domination and class exploitation."¹⁸

¹⁵S. Haggard (1993), "Import-Substitution Industrialization," J. Krieger et al. (eds), *The Oxford Companion to Politics of the World*, New York: Oxford University Press, p. 414.

¹⁶ E. Brett (1988), "States, Markets and Private Power: Problems and Possibilities," P. Cook & C. Kirkpatrick (eds), *Privatization in Less Developed Countries*, Sussex: Wheatsheaf, p. 64.

¹⁷ P. Kennedy (1988), *African Capitalism: The Struggle for Ascendancy*, Cambridge: Cambridge University Press, p. 106; G. Rist (1997), *The History of Development: From Western Origins to Global Faith*, London & New York: Zed Books, p. 109.

¹⁸ Larrain, *Theories of Development, Op. Cit.*, p. 108.

Dependency theory therefore emerged as a counter-critique of the ECLA approach by emphasizing the inequalities of wealth and opportunity inherent in a development that derives from capitalist expansion and the strengthening of imperialism.¹⁹

Andre Gunder Frank argued that underdevelopment was a creation of Western imperialism because Africa, Latin America and other non-Western societies were incorporated into the world capitalist economy as subordinate partners. Through the global system of market exchange, the West was able to exploit the resources of the periphery countries. The centre-periphery relationship existing among nations perpetuated the exploitation of the periphery since existing trade relations favour the West. While demand for manufactured goods increased, the prices and demand for primary products which are produced by the periphery countries fell. Hence, “development and underdevelopment were two sides of the same coin,” since development at the centre was realized at the expense of the underdevelopment of the peripheries.²⁰ Implicit in this argument is the idea that development of the periphery could not take place since surplus from the periphery are transferred to the centre. Dependency theory claimed that there was a basic mechanism capable of explaining underdevelopment, and that the development of the industrialized world was made possible because of the corresponding underdevelopment of the Third World.²¹

Therefore, dependency theorists explained underdevelopment and exploitation in

¹⁹ Cardoso & Faletto, *Dependency and Development in Latin America*, *Op. Cit.*, pp. viii-ix.

²⁰ A. Frank (1969), *Latin American: Underdevelopment or Revolution*, New York: Monthly Review Press.

²¹ V. Randall & R. Theobald (1998), *Political Change and Underdevelopment: A Critical Introduction to Third World Politics* (2nd ed), Durham: Duke University, p.130.

terms of foreign trade and investment.²² For Frank, it is only when the periphery is able to break-away from global capitalism or *delink* from the world market that development and growth could take place in these societies, since there was a net outflow of capital from the periphery to the centre.²³ In addition, Frank argued that the production process imposed on the peripheral countries gives rise to a small domestic bourgeoisie which directs the process and shares the benefits with the metropolis. In the resulting class structure, the small commercial and productive bourgeois class enjoys the fruits from the labour of the working class. In effect, majority of the people in the peripheral economies are deprived of adequate purchasing power.²⁴

Apart from the classical or “pure” form of dependency theory, there is also the model of Associated-Dependent Development (ADD), developed by writers like Peter Evans, Fernando Cardoso and Enzo Faletto, who, unlike Frank who denounced the middle class or lumpen bourgeoisie for betraying the national and proletariat interests, use concrete historical analysis to identify specifically those classes which strive to maintain dependency.²⁵ In addition, apart from disagreeing with the idea of dependency resulting in stagnation, ADD theorists outlined what Larrain calls “concrete situations of dependency” and thus rejected the attempts by dependency theorists to construct a general theory which applies like a blanket to all developing countries and simply attributes their undevelopment to external

²² A. Amsden (1988), “Taiwan’s Economic History,” R. Bates (ed), *Toward a Political Economy of Development*, Berkeley: University of California Press, p.171.

²³ Martinussen, *Society, State and Market*, *Op. Cit.*, p. 89.

²⁴ Frank, *Underdevelopment or Revolution*, *Op. Cit.*

²⁵ J. Toye (1993), *Dilemmas of Development*, Oxford: Blackwell, p.128.

factors and variables.²⁶ ADD theorists therefore argue that economic activities in the periphery are characterized by what Evans calls a “triple alliance” of elite local private entrepreneurs, international capital and the state, which draws support from an emerging middle class. By entering into alliances with multinational corporations (MNCs) who normally possess technology that they do not disperse in the peripheral economy, the state and local private entrepreneurs have created a system of industrialization that benefits the elite partnership but excludes the larger population from the rewards of the growth. Under this alliance, the state’s role is strengthened and consolidated not only to ensure that members of the alliance are able to sustain their own extravagant lifestyles, but also for guaranteeing security, improving relations with the rest of the state apparatus, and offering a potential for disciplining other private entrepreneurs and partners. Through state enterprises, the state is able to break through bottlenecks that local capital is unable to tackle and foreign capital is unable to confront independently.²⁷

Multinational corporations are often compelled to involve the local bourgeoisie in their businesses, since they have legitimacy and personal ties to the state and local population. By being embedded in local networks and social structures, the local bourgeoisie are better placed to perform integrative tasks than multinational managers, and also mollify the local population who might resent the control of their economy by foreigners. However, in their comprador capacity, the national bourgeoisie bear part of the responsibility for the polarization of the global capitalist economy. By playing the role of intermediary between the

²⁶ Larrain, *Theories of Development, Op. Cit.*, pp. 112-113.

²⁷ P. Evans (1979), *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*, Princeton, NJ: Princeton University Press, p.278

Third World masses and metropolitan interests, the compradors help the metropolitan capitalists to perpetuate the inequality, domination, exploitation and underdevelopment of the Third World countries.²⁸

Thus, while classical dependency emphasizes exports of primary products from the periphery and the importation of manufactured goods as the basis of exploitation, ADD argues that primary products are complemented by increased exports of manufactured goods from some societies in the periphery. However, the periphery relies heavily on the importation of capital goods, equipment and machinery from the centre to process its manufactured goods, and foreign firms account for a substantial share of the exports of the manufactured goods. This results in increased power for the foreign firms to shape what goes on within the peripheral economy.²⁹ This reformist strand of dependency theory, argues that the development experiences of countries vary, depending on the balance between domestic and foreign capital in the structure of production, and in civil society and politics.³⁰

Dependency theory in all its variants, however, is extremely reductionist and narrowly drawn, since it tends to ignore structures and factors internal to the periphery to explain underdevelopment. The theory fails to draw attention to the fact that there are significant differences among countries in the periphery. For these countries differ not only in their cultural practices but also in their historical experiences. Another problem with dependency theory is that it misconstrued the nature of capitalism, since capitalism is a mode of

²⁸ Kennedy, *African Capitalism, Op. Cit.*, p. 106

²⁹ Evans, *Dependent Development, Op. Cit.*, pp.80-81.

³⁰ Toye, *Dilemmas of Development, Op. Cit.*, p.129.

production and not a structure of exchange relations. Hence, a society does not necessarily become capitalist because it trades with the centre. These assumptions were put forth by dependency theorists because they sought to attribute the underdevelopment of the periphery to the so-called exploitation by the centre.

The “comprador model” of indigenous business and the state can also be criticized for ignoring the differences among the various individuals who serve as intermediaries, as well as tensions and conflicts that are inherent in the supposed relations between the triple alliance. Kennedy argues that these tensions and conflicts arise because the local bourgeoisie are themselves both victims and collaborators of foreign companies. According to him, there are compradors who act as “front-men” for foreign firms; others who are in power positions within the foreign companies because of their training and competence, but are unwilling victims or parties of international capital due to their lack of resources to engage in their own business; and finally genuine partners who are established in their own right with foreign firms, and have the foreign firms as their main or sole source of market demand or inputs. By not differentiating between the different situations in which local businesses find themselves, it assumes that all of them are willing to be part of a scheme to exploit the Third World. It is naive to assume that all local businesses are homogeneous, united and therefore capable of wielding long-term strategies designed or calculated to under-develop entire regions of the global economy, for some of them enter into such partnerships for sound and practical reasons. To subsume all relationships between the national bourgeoisie and foreign capital as comprador service is to do disservice to all local entrepreneurs, and to become oblivious to

the fact that such business partnerships abound all over the world.³¹

It is incorrect for dependency theorists to attribute underdevelopment to only external variables, since they fail to take cognisance of how internal structures and factors can shape development. Although exploitation limits the resources of the periphery, it does not in itself explain underdevelopment. Instead of seeing the centre-periphery relationship as being static, dependency theorists need to realize that societies can develop even if incorporated into world capitalism. The growth of the NICs clearly epitomises this point. By pursuing a wide range of strategies (establishing extensive and advanced educational systems, and providing facilities for scientific research) to build up their technological capabilities and reducing their reliance on foreign companies, they called into question the idea that developing countries cannot overcome their technological disadvantage.³² Since the NICs have experienced considerable growth in the face of foreign trade and investment, dependency theory needs to see events in the periphery not solely as the outcome of external forces. Underdevelopment may be explained not only by the surplus extraction that occurs in the unequal exchange relations and exploitation of profits, but also by internal factors and structures.³³ Hence, instead of seeing their relationship with the centre as a self-reproducing system which offers no way out, the periphery has varied chances of achieving development.

³¹ Kennedy, *African Capitalism, Op. Cit.*, pp.112-128.

³² *ibid.*, p.121.

³³ Amsden, "Taiwan's Economic History," *loc. cit.*, p.172.

NEO-LIBERAL FRAMEWORK

While the structuralist and dependency frameworks were widely in vogue in the 1950s and 1960s, they came under increasing attack from neo-liberal theorists in the 1970s and 1980s.³⁴ Structuralist policies were strongly criticised for creating what neo-liberals considered a wide range of short-term costs and for hindering the long-term development of the industrial sectors of many countries.³⁵ Dependency theory, on the other hand, was attacked for attributing the underdevelopment of countries in the periphery solely to external factors. The thrust of the neo-liberal theory, which gained prominence in the 1980s in its attempt to throw theoretical light on the process of economic and industrial development was that the state had to be "rolled-back."

With the support of multinationals and international financial institutions like the World Bank and International Monetary Fund (IMF), neo-liberals called for a market-based approach to economic and industrial growth.³⁶ Neo-liberal growth theory which starts on the assumption that human-beings are "rational utility maximizing" individuals³⁷ was advanced by agencies and institutions in the Western world that were expected to be the main beneficiaries of market-friendly policies.³⁸ Neo-liberal theorists argued that a "market-friendly"

³⁴ J. Weiss (1988), *Industry in Developing Countries*, London: Croom Helm; H. Shapiro & L. Taylor (1990), "The State and Industrial Strategy," *World Development*, Vol. 18, No.6, pp. 861-878.

³⁵ Weiss, *Industry in Developing Countries*, *Op. Cit.*, p.116.

³⁶ Arthur MacEwan (1999), *Neo-liberalism or Democracy? Economic Strategy, Markets, and Alternatives for the 21st Century*, London: Zed Books, Chapter One.

³⁷ F. Fukuyama (1995), *Trust: The Social Virtues and Creation of Prosperity*, New York: The Free Press; J. Toye (1993), *Dilemmas of Development*, Oxford, Blackwell.

³⁸ C. Leys (1996), *The Rise and Fall of Development Theory*, Bloomington: Indiana University Press, p.19.

approach is the best means of ensuring industrial growth and capitalist development since market forces are superior to the state as an agent of economic growth and transformation. For them, the "state has no business doing business" because states are imperfect in maximising allocative efficiency, that is, creating increased output and income from given resources;³⁹ and that it is only when internal and external competition is stimulated that industrial and capitalist development could take place. For Fukuyama, markets are more efficient allocators of resources than states, and that giving free rein to self-interest promotes growth.⁴⁰ The theory therefore holds that a huge public sector and excessive state intervention were the reasons for the economic decline in most developing countries.

Neo-liberals therefore attacked structuralists for downplaying the importance of markets in industrial and capitalist development. In their view, state intervention results in "black marketeering" and they make reference to import licencing to support their argument. For them, import licences create excessive rents and profits for individuals in society since restrictions imposed on imports push the prices of goods beyond their market value. The theory's explanation is that "intervention in the operation of markets will force market prices away from economic values that reflect the scarcity of commodities or resources. Thus, it is argued that significant losses in economic efficiency will be created if producers and consumers respond to distorted rather than efficient market prices."⁴¹ Therefore, the theory asserts that state interventions are distorting, exhibit a bias against exports, and also have a

³⁹ Weiss, *Industry in Developing Countries, Op. Cit.*, p.172.

⁴⁰ F. Fukuyama, *Trust, Op. Cit.*, p.17.

⁴¹ Weiss, *Industry in Developing Countries, Op. Cit.*, p.178.

significant negative effect on the economy of a country since they hinder the efficient functioning of markets. In the words of Cook & Kirkpatrick, this means that policy prescriptions should be aimed at "reducing the size of the public sector, the removal of governmental regulation and controls, the fostering of competition and a greater reliance upon on the market and price mechanisms for the allocation of resources."⁴² Neo-liberals therefore contend that their policies, however much dislocation and pain they may cause in the short run, will lead to a higher standard of living in the long run.⁴³

Asian NICs: State-Led or Market Driven

Nowhere is the debate between neo-liberal theorists and structuralists/statists regarding the appropriate method of industrial development more pronounced than in the Asian Newly Industrialising Countries (NICs). Various neo-liberal theorists have argued that the industrial successes chalked up by the NICs reinforces their claims that market forces are superior to statist policies. Neo-liberal growth theorists explained the Asian economic growth in the 1970s and 1980s in terms of the efficient allocation of resources which took the form of limited governmental intervention in the economy through removal of subsidies, abolition of import licences and price controls; low levels of price distortion; integration of domestic product markets into the international markets; and vigorous export promotion.⁴⁴ Neo-liberal

⁴² P. Cook & C. Kirkpatrick (1988), "Privatization in Less Developed Countries: An Overview," P. Cook & C. Kirkpatrick (eds), *Privatization in Less Developed Countries*, Sussex: Wheatsheaf, p.9.

⁴³ A. MacEwan, *Neo-Liberalism or Democracy? Op. Cit.*, p. 6.

⁴⁴ B. Balassa et al. (1986), *Toward Renewed Economic Growth in Latin America*, Washington, DC: Institute of International Economics, cited in R. Kiely (1994), "Development Theory and Industrialization: Beyond the Impasse," *Journal of Contemporary Asia*, vol. 24, No. 2., p. 135.

theorists argued that the governments of the NICs adopted the right economy policies by "getting the prices right."⁴⁵ "Getting the prices right" meant that "prices find their right levels" and that these prices were established within the framework of a "freely operating domestic and international market."⁴⁶

According to Fukuyama, while "economic planning does play a relatively greater role in Asia, the most successful sectors with Asian economies have tended to be those permitting the greatest degree of competition in domestic markets and integration into international ones."⁴⁷ For him therefore, Asia's post-war economic miracle is ample demonstration that capitalism as a path of economic and industrial development is potentially available to all countries, and that economic liberalism allows late modernisers to catch up with and even overtake early industrialisers.⁴⁸ Krueger also argued that living standards fell in the now-developing countries after 1950, a time observers associate with active government intervention, and slow growth rates.⁴⁹ Like other neo-liberals, Krueger implies that state intervention is responsible for the slow growth rates of most African countries. Therefore, for neo-liberals, if all developing countries that aim at industrialising, alleviating poverty, and avoiding huge national debts adopt an "outward orientation and a market-friendly" approach

⁴⁵R. Kiely (1994), "Development Theory and Industrialization: Beyond the Impasse," *Journal of Contemporary Asia*, vol. 24, No. 2., p. 136.

⁴⁶ R. Wade (1992), "East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence," *World Politics*, 44, p. 271.

⁴⁷ F. Fukuyama (1992), *The End of History and the Last Man*, London: Heinemann, p.102.

⁴⁸ *ibid.*, pp. 103-107.

⁴⁹ A. Krueger (1990), "Government Failures in Development," *Journal of Economic Perspectives*. 4, No. 3., p.12.

as the Asian NICs, they will enjoy high growth rates.⁵⁰

Wade however, expresses his reservation with the argument advanced by Krueger and other neo-liberal theorists. According to him, some African and non-African economies experienced high growth rates under interventionist regimes between 1950-1970. Thus, it is erroneous to attribute the economic crisis that has bedevilled African countries to the interventionist policies adopted by their governments.⁵¹ The neo-liberal position was thus countered by arguments espoused by revisionists like Amsden and Wade.⁵² Revisionists like Wade concede that the industrial success of some NICs like Korea and Taiwan in the 1960s was to a certain extent due to their "outward orientation" which took the form of a virtual free trade regime for exporters and lowering of protection more generally, a free labour market, high interest rates, and conservative government budgeting.⁵³

Nonetheless, they emphasise that economic growth in the NICs were not due primarily or solely to the adoption of *laissez-faire* policies, but by the strategic intervention of the state in the economy. Amsden argues that instead of "getting the prices right" to stimulate industrial growth, the NICs deliberately "got the prices wrong" as part of their development strategies. In Korea for instance, the government adopted a "carrot-stick" approach in its dealings with business groups. While carrots of subsidies were offered to private enterprises as a way of boosting export outputs and import substitutes, sticks of withdrawing subsidies

⁵⁰ See F. Fukuyama, *The End of History*; H. Hughes (1988), *Achieving Industrialization in East Asia*, Cambridge: Cambridge University Press.

⁵¹ Wade, "East Asia's Economic Success," *loc cit.*, pp. 282-283.

⁵² See Wade, *Governing the Market*; Wade, "East Asia's Economic Success"; A. Amsden (1989), *Asia's Next Giant: South Korea and Late Industrialization*, Oxford: Oxford University Press.

⁵³ Wade, *Governing the Market*.

for those industries whose performance were below government expectations were also used.⁵⁴ Finally, there were high levels of market discrimination in the NICs since their governments decided which industrial sectors had to be supported.

In this regard, Amsden suggests that "getting the prices wrong" were the right economic measure taken by the NICs. By assuming a central role through the provision of subsidies to industries, the Korean government became a major entrepreneur deciding "what, when and how to produce." In the face of international competition, the domestic markets of the NICs were strengthened through tariffs and quantitative restrictions. Among others, NIC governments were engaged in direct investment in strategic industries, regulation of exchange rates, business licencing, import duties and trade restrictions. In effect, the NICs adopted all those policies that neo-classical theorists believed were economic anathema and would undermine a country's industrial development.⁵⁵ But instead of experiencing economic problems, the NICs had considerable growth rates. Amsden thus points out that late industrializers like South Korea and other NICs realized their development goals not through innovation but on the basis of subsidies, price distortions and learning which involved borrowing, adapting and improving upon foreign designs.⁵⁶ Unlike early industrializers like Britain and United States whose strategic focus was on the corporate headquarters, especially in the research and development department, late industrializers focussed more on the shop-floor level of the organization because that is where borrowed technology is first made

⁵⁴ A. Amsden, *Asia's Next Giant*, pp. 141-145.

⁵⁵ *ibid.*, pp. 63- 145.

⁵⁶ *ibid.*,p. 141.

operational and later optimised.⁵⁷

Governments of the NICs assumed a leadership role even when their economies were liberalized. Kiely suggests that even in Hong Kong which is often depicted as having had a more liberal economy, there were close ties between business and government, since the state's dominance in the economy has not been in doubt.⁵⁸ The Hong Kong government, apart from enforcing labour standards, also determined wage policies.⁵⁹ Thus, what Wade calls "governed market policies" which entailed the ability of governments to exercise discretion in economic policies explains the industrial and capitalist development of the NICs.⁶⁰

Hence, we are cautioned in using the NICs as evidence that *laissez-faire* policies are the only way of ensuring industrial and economic growth.⁶¹ For capitalist economic development of the Asian NICs resulted from a "different mix of state and market. The states remained strongly protectionist and involved direct controls over a wide array of resources generally in the hands of central agencies, and notably the central bank."⁶² As MacEwan argues, by reducing explicit social regulations of private activity and leaving things to the market, neo-liberalism prevents the implementation of programmes that would allow people to exercise political control over their economic affairs, involve people in solving their own

⁵⁷ R. Wade, *Governing the Market*, pp. 286-291.

⁵⁸ Kiely, *Loc. Cit.*, p.114.

⁵⁹ See A. Choi (1994), "Beyond Market and State: A Study of Hong Kong's Industrial Transformation," *Studies in Political Economy*, vol. 45., pp. 28-64.

⁶⁰ Wade, *Governing the Market*, *Op. Cit.*

⁶¹ See Amsden, Wade, Kiely, *Op. Cit.*

⁶² Brett, "States, Market and Private Power: Problems and Possibilities," *Loc. Cit.*, p.54

problems and serve the material needs of the great majority.⁶³ Thus, he suggests an economic strategy that is not only state-led, but also based on democratic principles that result in greater growth and equity, the protection of the environment, the maintenance and strengthening of social community and broad participation in decision-making.⁶⁴ For although neo-liberalism touts a minimal role for government in economic affairs, it not only generally depends upon a very strong government,⁶⁵ but also relies on the state in constructing and organizing markets.⁶⁶ For this reason, the role of the state cannot be overlooked in explaining rapid growth, since the existing evidence support the argument that successful economic and industrial development have involved state intervention and improvisation.⁶⁷

THE ROLE OF INSTITUTIONS AND CULTURE

When one examines conventional theories of economic and industrial development, we find that the connections between institutions and the cultural context which provides and sustains them has been misunderstood by mainstream economic theory, which is essentially acultural. These theories leave out broader institutional and cultural factors in their analyses and assume wrongly that the process of industrial development could be the same everywhere, and that countries need only to adopt particular policies to realise their industrial development goals. However, policies and practices which support economic success in one cultural

⁶³ A. MacEwan, *Neo-Liberalism or Democracy?* p. 5.

⁶⁴ *ibid.*, p. 2.

⁶⁵ *ibid.*, p. 8.

⁶⁶ *ibid.*, p. 19.

⁶⁷ Shapiro & Taylor, "The State and Industrial Strategy," *loc. cit.*, p. 876.

context often meet with failure in another as they do not fit the new cultural context.⁶⁸ As Whitley argues, "economic efficiency and success... are socially constructed and so vary across significantly different social contexts. Thus the hypostatisation of an asocial, general economic and/or managerial rationality which determines efficient structures and practices ... irrespective of institutional differences" should be strongly rejected.⁶⁹ Similarly, Jackson points out that markets are entwined in complex networks of cultural understandings, societal norms and social networks.⁷⁰

Despite the widespread application of various neo-liberal economic policies and programmes, the industrialisation process has still not taken off as expected in most African countries because of cultural and institutional differences.⁷¹ Western-styled industrial policies and technology transfer have not been successful because they are imported solutions which are not based upon the indigenous institutions in African countries.⁷² According to Kuada, since "Western concepts, skills and techniques have evolved as solutions to specific socio-economic problems in the West and are, as such, dependent on the cultural values, norms and practices of these countries to succeed, it becomes instructive to argue that cultures of non-Western countries do influence the receptivity to and practice of concepts imported into

⁶⁸ E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development: Urban Female Entrepreneurship in Ghana*, London & New York: Routledge, pp. i & 23.

⁶⁹ R. Whitley (1992), *Business Systems in East Asia*, London: Sage, p.2.

⁷⁰ P. Jackson, "New Roles of government in supporting manufacturing: The Capabilities of Support agencies in Ghana and Zimbabwe," *Loc. Cit.*, p. 283.

⁷¹ P. O. Pedersen, & M. McCormick (1999), "African Business Systems in Globalizing World," *The Journal of Modern African Studies*, 37, 1, p.109.

⁷² See Kuada, Chamlee-Wright, *Op. Cit.*, Pedersen & McCormick, *Loc. Cit.*

them."⁷³ In this vein, current efforts at industrial and economic development in the non-Western world rarely achieve their goals and objectives "because the skills and knowledge imparted are grafted on to the existing cultural values and norms of the countries in which they are to be applied."⁷⁴ Stated differently, economic and industrial development policies "do not operate in a socio-cultural vacuum" and that they are influenced by the "business rules, culture and languages of the adopting societies."⁷⁵ Thus, while economic rationalists and neo-liberals consider cultural beliefs, practices and expectations as being irrelevant to economic outcomes, cultural and institutional relativists see differences in social conventions and moral codes as being so strong across societies that they generate highly distinctive forms of successful business organisation and practices which are specific to their context.⁷⁶

Since the structuralist, neo-liberal and dependency theories ignore the context in which the industrialization process takes place, the institutional and cultural framework which offers a new perspective by looking at internal variables and the environment is employed as the theoretical paradigm for this study. In the process, the study draws upon works⁷⁷ "united by a common emphasis on the centrality of institutions to the way business is organised and

⁷³ Kuada, *Managerial Behaviour in Ghana and Kenya*, p. xv.

⁷⁴ *ibid.*, p. xvi.

⁷⁵ W. J. Tettey (1996), *Computerization and the State Capacity Building in Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D Thesis, Queen's University, Canada, p.90.

⁷⁶ Whitley, *Business Systems in East Asia*, p.3.

⁷⁷ See M. Granovetter (1985), "Economic action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology*, 19, 3, pp. 481-510; J. March & J. P. Olsen (1989), *Rediscovering Institutions: The Organizational basis of Politics*, New York: Free Press; Whitley *Op. Cit.*, Buame, *Op. Cit.*

conducted"⁷⁸ to analyse the information derived from various research instruments. Since cultural theories can be explained by making reference to the institutions that generate and reproduce them,⁷⁹ a convincing cultural theory must also be a theory of institutions and social relations.⁸⁰ Institutions as defined by Hall consists of formal rules, compliance procedures and standard operating practices that structure the relationship between individuals in various units of the polity and economy.⁸¹ Implicit in this definition is the idea that when individuals are in any relationship, they are regulated and influenced by a set of rules and regulations that could either be formal or informal. Thus, the basic assumption underlying the institutional and cultural theoretical perspective is that "institutions and the environment do matter" in any endeavour.

While seeking to correct the weaknesses in the theoretical paradigms already discussed, it should be stated that the institutional approach is not a homogeneous and monolithic body of knowledge since it includes various approaches (economic, political and socio-cultural), each with its own techniques and concepts. For instance, making use of the concept of bounded rationality and opportunistic behaviour, economic new-institutionalists like Oliver Williamson contend that institutions are governance structures that eliminate opportunism, expand rationality, increase efficiency and reduce uncertainty by providing

⁷⁸ Pedersen & McCormick, "African Business Systems in a Globalizing World," *Loc. Cit.*, p. 111.

⁷⁹ P. Hall (1986), *Governing the Economy: The Politics of State Intervention in Britain and France*, New York: Oxford University Press, p.34.

⁸⁰ R. Ellis & M. Thompson (eds) (1997), *Culture Matters*, Boulder, CO: Westview Press, p.12.

⁸¹ P. Hall, *Governing the Economy*, p. 19.

dependable and efficient frameworks for socio-economic exchange.⁸² The political institutionalist perspective developed by scholars like James March and Johan Olsen holds that, since political institutions define the framework within which politics takes place, it becomes difficult to be sanguine about contemporary theories of politics that ignore institutions or relegate them to a secondary role.⁸³ Political institutionalist therefore dispense with the erroneous assumption that political phenomena like public institutions may be accounted for by means of non-political factors.⁸⁴

Finally, there is the cultural framework. While subjected to many interpretations and definitions, underlying all is a concept of culture as being "intimately connected to social institutions and individual behaviour... the context in which meaning is negotiated and renegotiated.... Culture provides the interpretive framework that allows us to understand objects as symbols, actions as part of an overall plan, or interactions as social relationship."⁸⁵ Thus, the social and cultural paradigm sees all industrial and economic activities as being embedded in particular social relations. For Granovetter all forms of behaviour are so "constrained by ongoing social relations that to construe them as independent is a grievous

⁸² Oliver Williamson (1979), "Transaction Cost Economics: The Governance of Contractual Relations," *Journal of Law and Economics*, 22, pp. 3-61, cited in S. K. Buame, *Entrepreneurship: A Contextual Perspective*, *Op. Cit.*

⁸³ March & Olsen, *Rediscovering Institutions*, p. 172.

⁸⁴ J-E Lane (1993), *The Public Sector: Concepts, Models and Approaches*, Newbury Park: CA: Sage Publications, p. 172

⁸⁵ Chamlee-Wright, *Cultural Foundations of Economic Development*, p. 24

misunderstanding."⁸⁶ It is in this vein that Kuada makes reference to Hofstede's⁸⁷ 1980 four dimensions of national culture to show how social relations affect the decision-making process:

(a) Power distance- indicating the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally. The distribution of power in a society is reflected in the values of both the less powerful and the more powerful members of the society.

(b) Uncertainty Avoidance- indicating the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by providing clearly defined rules to guide peoples' behaviour. Uncertainty avoidance may create a strong inner urge in people to work hard in order to protect themselves against eventualities in the future. Societies cope with uncertainty through various institutional frameworks, including technology, religion and law.

(c) Individualism-Collectivism- indicating whether the social framework in which people are supposed to take care of themselves is loosely or tightly knit.

(d) Masculinity-Femininity- indicating the extent to which the dominant values in the society are characterized by assertiveness, acquisition of money, etc (masculinity) or emphasize quality of life, sympathy and support for the disadvantaged (femininity).⁸⁸

Thus, the essence of Hofstede's 1980 four dimensions is that it brings to focus some

⁸⁶ Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *Loc. Cit.*, p. 482.

⁸⁷ G. H. Hofstede (1980), *Cultures's Consequences, International Differences in Work-related Values*, Beverly-Hill, CA: Sage Publications.

⁸⁸ Kuada, *Managerial Behaviour in Ghana and Kenya*, pp. 9-10.

of the critical factors that structure and influence relations between people in a given environment and how it affects the decisions they take in various endeavours. Where a society is characterised by low individualism, high collectivism and high power distance as is the case in most African societies, the consequences are superior-subordinate relations based on patronage, fear and unquestioned loyalty. In addition, considerations such as formal qualifications, expertise or performance are relegated to the background, while factors such as kinship and ethnicity have major bearings on decisions and behaviour; not forgetting that high power distance can result also in low levels of trust, acceptance of close supervision, quiet acquiescence in superiors' instructions, and centralization of decision-making.⁸⁹ By contrast, societies with high levels of individualism, as observed in Western societies for instance, tend to place high premium on objectivity and efficiency; while family ties and religious experience play very little or no significant role when individuals have to make choices from among a number of alternative courses of action.⁹⁰

Having chosen the institutional and cultural theoretical framework, it becomes imperative to discuss the process of industrial development based on the experiences of both the Western and non-Western worlds. In the Western world, one can talk about the hegemonic bourgeois culture of trust which contributed to the development of capitalist enterprises. As Berman points out, Max Weber was among the early writers who not only explained the development of capitalism in the Western world but also exposed the extent to which the instrumentality of both the state and market rested on the existence of widespread

⁸⁹ *ibid.*, p. 10.

⁹⁰ S. S. Boye (1999), "Modeling the Mind: Capturing Culture," *The Journal of Management Studies*, vol. 14, pp. 85-86.

social trust in the probity and competence of widely-scattered, mutually anonymous actors.⁹¹ The ethics of trustworthiness, the avoidance of double standards in dealing with individuals in all business and trade transactions, and the use of "community controls to guarantee both personal probity and the reliability of legal procedure" were found to be of particular significance for the development of capitalism.⁹² In the final analysis, a hegemonic bourgeois culture of instrumental rationality as expressed in social trust, hierarchy that depended on expertise and competence, bureaucratic administration and technology "provided a framework of business ethics applicable to all transactions that both constrained self-interest in the interest of the integrity of the market itself and disciplined individual behaviour through the threat of the loss of the reputation for trustworthiness."⁹³ Thus, for industrial development and "proper capitalism to have developed in Western Europe, appropriate economic conditions (whilst necessary) were not of themselves sufficient. In addition to a capitalist spirit, a set of orientations and values, was required."⁹⁴

The institutional and cultural perspective has been used to account for the industrialisation process among the Asian NICs.⁹⁵ For example, Hamilton and Waters refer to values such as obedience, respect for authority and the Confucian emphasis on self-

⁹¹ B. Berman (1997), "Ethnicity, Social Trust and the Democratic Process in Africa," Paper Presented at the Annual Meeting of the African Studies Association, Columbus, Ohio, November 13-16, pp. 2-6.

⁹² R. Bendix (1962), *Max Weber: An Intellectual Portrait*, London: Longman, pp. 70-77.

⁹³ *ibid.*, p. 6.

⁹⁴ Randall & Theobald, *Political Change and Underdevelopment*, p. 23.

⁹⁵ See Wade, *Governing the Market*; Wade, "East Asia's Economic Success;" Whitley, *Business Systems in East Asia, Op. Cit.*; G. Hamilton & T. Waters (1997), "Ethnicity and Capitalist Development: the Changing Role of Chinese in Thailand," D. Chirot & A. Reid (eds), *Essential Outsiders: Chinese and Jews in the Modern transformation of South East Asia and Central Europe*: Seattle and London, pp. 258-284.

discipline and family welfare to explain their economic growth.⁹⁶ Relatedly, Wade argues that apart from the logic of capital being allowed to work under the direction of the state, economic growth in most NICs was achieved within the framework of a relatively authoritarian, paternalistic and corporatist structure.⁹⁷ There was the need to have a state which was bureaucratically and politically effective to ensure industrial and capitalist development. Whitley also discusses the importance of highly personal, particularistic and diffuse ties between families in Taiwan, Hong Kong and other Chinese business communities, as well as the long-term alliances between Japanese companies, to call into question the generality of the Anglo-Saxon and Western models of firms and markets where legal-rational and professional modes of skill development and organisational norms are considered to be the basis of legitimacy.⁹⁸

Thus, while some broad generalizations have been made about the style of industrial development of the Asian NICs, they do not however, invalidate the assertion that different social contexts encourage or constrain the development of distinctive and effective ways of organising economic activities. In East Asian countries like Hong Kong and Taiwan, there is the lack of delegating responsibilities, mutual commitment, interdependence, and strong institutional trust mechanisms which inhibits the development of impersonal authority and trust relations within firms, and leads to extensive reliance on personal networks between

⁹⁶ Hamilton & Waters, "Ethnicity and Capitalist Development," *Loc. Cit.*, p. 250.

⁹⁷ Wade, *Governing the Market*, p. 297.

⁹⁸ R. Whitley, *Business Systems in East Asia*, pp. 11-13.

enterprises.⁹⁹ Hence, it will be wrong for one to attribute the growth and industrial development process among the Asian NICs to market liberalisation without considering the cultural environment in which the process occurred. Despite the claim that their adoption of neo-liberal policies account for their industrial development, one realises that industrial growth and business practices among the East Asian societies was largely determined by their historical experiences, and institutional structures, as well as their cultural practices.¹⁰⁰

Concluding Remarks

From the preceding discussions, it becomes clear that the industrialization process is determined not only by neo-liberal economic principles, or by unequal trade and exploitation as suggested by dependency theory. Rather, we need to take into consideration the fact that the internal conditions and environment in which industrialization take place can go a long way to determine whether the process would be facilitated or hindered. Thus, serious doubts can be raised about the universal applicability of Western models of industrial and economic development since the industrialization process is generally influenced by the cultural values of societies. With unique historical experiences and socio-cultural landscapes, as well as institutional/structural arrangements that are idiosyncratic to particular societies, it would be erroneous to suggest that there is a single model of industrialization. Hence, institutional specificity and the larger social and cultural context play an important role in determining the industrial and economic development process of a society. Out of cultural values emerge business orientations on such issues as respect for authority, patronage, obligations and

⁹⁹ *ibid.*, pp.22-23.

¹⁰⁰ See Whitley, *Business Systems in East Asia*.

responsibilities to family members, and ethnic preference in dealing with people. Cultural and institutional analysis is therefore essential to building relevant development theory, and sound industrialization and development policies.¹⁰¹ Therefore, the essence of the cultural and institutional perspective for this study is that, while making us understand that in developing a class of capitalists, there are certain kinds of attitudes that one expects them to express, at the same time it enables us to place the actions of entrepreneurs into context. Finally, it stresses that the preferences and actions of individuals in the process of industrial and entrepreneurial development are shaped by the norms, beliefs and values of their setting.¹⁰²

¹⁰¹ Refer to Whitley, Kuada, Buame, Chamlee-Wright, *Op. Cit.*

¹⁰² Buame, *Entrepreneurship: A Contextual Perspective.*

CHAPTER THREE

ECONOMIC, CULTURAL AND POLITICAL INSTITUTIONS IN GHANA

This chapter is devoted to the nature, characteristics and structure of the Gold Coast prior to and after its colonization by Britain. It analyzes the type of political, socio-cultural, and economic institutions that existed in the pre-colonial societies and the effect of colonialism on them. I am particularly interested in the effect of colonialism on the cultural practices in Ghanaian society, and the extent to which colonial rule promoted industrialization in the Gold Coast.

Indigenous Cultural Practices From Pre-Colonial to Post-Colonial Ghana.

In examining the effect of colonialism on pre-colonial institutions, I attempt to identify what can be considered to be some of the salient cultural, economic and political characteristics of contemporary Ghana and their implications for industrial development, as well as the origins of these institutions. Colonial rule built on to the indigenous belief system and culture, and in the process disseminated only elements of pre-existing African ideologies,¹ failed to promote industrialization, and also produce an entrepreneurial class in Ghana.²

Berman for instance, argues that most countries in Africa are characterized by "bureaucratic authoritarianism, pervasive patron-client relations and a complex ethnic dialectic

¹ P. Nugent (1995), *Big-men, Small Boys and Politics in Ghana*: Accra: Asempa Publishers, p. 18.

² S. Buame (1996), *Entrepreneurship: A Contextual Perspective. Discourses and Praxis of Entrepreneurial Activities Within the Institutional Context of Ghana*, Lund: Lund University Press.

of assimilation, fragmentation and competition that produced, contained and divided communities of trust based on particularistic linkages that undermined the functioning of universalistic institutions, as well as a ruthlessly competitive and materialistic politics devoid of ideology."³ Woode makes a similar point regarding the conduct of public administration by asserting that affairs "in Ghana is characterized by a displaced sense of purpose, elite mentality, nepotism, distrust, paternalism, centralism, disregard for time, and an absence of organizational loyalty."⁴ However, to understand the basis of such cultural practices and behaviour, one needs to go back to colonial rule and before. The discussions that follow therefore examine some of the main cultural beliefs and practices in Ghana.

A cultural value common to many Ghanaians is the emphasis placed on wealth, respect for authority, hierarchy and the "big-men/big-women" of society.⁵ The deep historical roots of this cultural predisposition among the Akans for instance, have been discussed in a number of excellent anthropological and historical case studies.⁶ For example, Arhin points out that with the introduction of Western-style education by Methodist missionaries to the coastal Fante societies in the 1830s and 1840s, educated individuals became models of social excellence in these communities. Similarly, among the Ashantis, successful individual

³ B. Berman (1997), "Ethnicity, Social Trust and the Democratic Process in Africa," Paper presented at the Annual Meeting of the African Studies association, Columbus, Ohio, November 13-16, p. 10.

⁴ S. N. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers, p. 1

⁵ See M. Assimeng (1981), *Social Structure of Ghana*, Accra: Ghana Publishing Corporation; Nugent, *Big-men, Small Boys and Politics in Ghana*, *Op. Cit.*; Woode, *Values, Standards and Practices in Ghanaian Organizational Life*, *Op. Cit.*

⁶ C. Lentz (1998), "The Chief, the Mine Captain and the Politician: Legitimizing Power in Northern Ghana," *Africa*, 68, 1, p. 47.

entrepreneurs were accorded community recognition of their capacity by being called "abirempon" (big-men) or "sikani" (wealthy person).⁷ The model of the good citizen was therefore the "abirempon" or "sikani," that person who had accumulated wealth through his or her own efforts.⁸

Since wealth and private accumulation were viewed as supremely social acts, individuals who were successful in doing so were rewarded by the state through the granting of titles and special privileges in complex rituals and ceremonies, as well as the right to command popular deference.⁹ It should be noted that while wealth in the pre-colonial period was often accompanied by the granting of special status, the latter apart from being earned, was also contingent on one's community involvement and practice. In other words, wealthy individuals had to place part of their wealth at the service of the larger community and not just for self-aggrandizement. In the face of clearly defined social hierarchies spanning diverse institutions in Ghana in the pre-colonial period, individuals aspired to such statuses of prestige, honour, respect, and "big-man." These were usually attained by virtue of being a person of wealth, education, high political or military position, and by being successful in farming, trading and craftsmanship.¹⁰ The dominant political philosophy of wealth in pre-

⁷ Refer to K. Arhin (1983), "Rank and Class Among the Asante and Fante in the Nineteenth Century," *Africa*, 53, 1, pp. 2-22.

⁸ I. Wilks (1975), *Asante in the Nineteenth Century: The Structure and Evolution of a Political Order*, Cambridge: Cambridge University Press, p. 430.

⁹ I. Wilks (1979), "The Golden Stool and the Elephant Tail: An Essay on Wealth in Asante," G. Dalton (ed), *Research in Economic Anthropology*, Vol. 2, Greenwich, Connecticut, Jai Press, pp. 13-16; Nugent, *Big-men, Small Boys and Politics in Ghana*, *Op. Cit.*, p. 19; T. C. McCaskie (1995), *State and Society in Pre-Colonial Asante*, Cambridge: Cambridge University Press, p.42.

¹⁰ See Arhin, "Rank and Class Among the Asante and Fante in the Nineteenth Century," pp. 2-22; Nugent, *Big-men, Small Boys and Politics in Ghana*, p. 34; R. Kea (1982), *Settlements, Trade and Politics in the*

colonial Ghana, with its premium on individual achievement and the conversion of economic success into political status and vice versa still predominates in behaviour in contemporary Ghana.¹¹ However, colonialism, as will be pointed out, shut the door on the potential capitalist and entrepreneurial class that existed in pre-colonial Akan societies, because during the colonial period, the state was more inclined to cohabit with foreign than indigenous capital.¹²

Furthermore, colonial rule firmly implanted the administrative structures and institutions of authoritarian rule such that they became the model and decisive point of reference for the development of the bureaucracy in Ghana.¹³ The colonial system of government created a distance between the government and the governed, and this same pattern of governing persisted in the post-colonial period.¹⁴ Such is the similarity between Ghana and Britain's formal administrative system that Price calls it a case of "institutional emulation."¹⁵ Administrative behaviour in Ghana was shaped by the imported bureaucratic conventions. Under colonial rule, power was vested in the hands of a few individuals, namely, European administrators, who ran the colonial state without much regard for the views of not only their subordinates but also the people who were ultimately affected by the decisions that

Seventeenth Century Gold Coast, Baltimore, John Hopkins University.

¹¹ I. Wilks (1979), "The Golden Stool and the Elephant Tail: Wealth in Asante," *Loc Cit.*, cited in C. Lentz (1998), "The Chief, The Mine Captain and the Politician: Legitimizing Power in Northern Ghana," *Africa*, 68, 1, p.47.

¹² P. Nugent, *Big-men, Small Boys and Politics in Ghana*, *Op. Cit.*, p. 18.

¹³ F. Heady (1979), *Public Administration: A Comparative Perspective*, New York: Marcell Dekker, Inc. p.314.

¹⁴ Gyekye, *Tradition and Modernity*, p. 136.

¹⁵ R. Price (1975), *Society and Bureaucracy in Contemporary Ghana*, Berkeley: University of California Press, p. 150.

were taken. Apart from the centralized nature of colonial rule, the administrators enjoyed exclusive benefits, such as social clubs and hospitals, which further detached them from their African subordinates and constituents.¹⁶ "As a transplantation of the bureaucratic and juridical norms and institutions of the modern state in Europe, the African colonial state was foremost an alien bureaucratic system of rule.... In the colony, native populations were subjects, not "citizens" in the sense of individuals with rights and obligations to the state."¹⁷

Colonial administration, which was based on a top-down approach to decision-making, was reinforced among the colonizers through the inculcation of these values in the individuals who were privileged to attend the elite secondary schools and universities of colonial Africa.¹⁸ Such authoritarian patterns of administering Ghana persisted because the individuals who took control of the bureaucracy after independence were primarily trained in the same few elite educational institutions. Having gone through the same socialization process, the bureaucratic elites exhibited the same authoritarian tendencies as their colonial predecessors. Considering themselves as the bearers of knowledge, power and authority, these bureaucrats expect lower-level personnel and the "ordinary people" to heed to their instructions and demands. It is in this regard that bureaucrats and political leaders in Ghana were less than enthusiastic about the introduction of democratic practices in the period

¹⁶ W. J. Tettey (1996), *Computerization and the State Capacity Building in Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D. Thesis, Queen's University, Canada, p. 39.

¹⁷ D. Eyoh (1995), "From the Belly to the Ballot: Ethnicity and the Politics in Africa," *Queen's Quarterly*, vol. 102, No. 1, p. 41

¹⁸ B. Berman, "Ethnicity, Social Trust and the Democratic Process in Africa," p. 10.

immediately before independence.¹⁹

Thus, the granting of special status to wealthy individuals, deference to the "big-men/big-women" and "the notion of obedience to higher authority was deeply embedded in the traditions of many Ghanaian societies.... Ghanaian attitudes stress obedience to any type of authority figure. In fact, obedience was required of people in subordinate positions to anyone perceived as being above them.... Obedience was viewed as a necessary precondition for providing leaders with the capacity to govern."²⁰ According to Assimeng, "almost invariably, when children quarrelled with elders, children were adjudged guilty, not so much because of the substantive nature of the case, but because it is held to be impudence and uncustomary for children to dare challenge their elders."²¹ Therefore, when individuals, especially young people or those in subordinate positions, question or challenge authority, they are considered disrespectful and are normally reprimanded. Such is the situation that the "small boys" or "lesser officials tended to pass even mundane decisions upwards, for fear of being seen to undermine the status of the big-man at the top."²² The result of this cultural orientation is unquestioning acquiescence, and the fetish regard of authority and leaders.²³

Another feature associated with countries like Ghana is what most Western writers

¹⁹ H Kuklick (1979), *The Imperial Bureaucrat*, Stanford, CA: Hoover Institution Press, p. 145

²⁰ N. Chazan (1983), *An Anatomy of Ghanaian Politics: Managing Political Recession, 1969-1982*, Boulder, CO: Westview Press, p. 84.

²¹ Assimeng, *Social Structure of Ghana, Op. Cit.*, p.74.

²² Nugent, *Big-men, Small Boys and Politics in Ghana, Op. Cit.*, p. 52.

²³ Assimeng, *Social Structure of Ghana*, p. 76.

refer to as "neo-patrimonialism."²⁴ In the pre-colonial political system of the Ashanti for instance, there were a series of hierarchical levels of authority which operated from the family units to the paramount chief. The chief's authority was recognized throughout the territory under his domain, although the ruler's authority was supported by well-developed administrative and legislature machinery, as well as judicial institutions. In both centralized and acephalous societies, there were structures and mechanisms in place that ensured checks and balances. The underlying political belief of inclusion, representativeness, consultation and participation were qualities which conditioned not only the deliberations of chiefs and traditional councillors and elders, but also determined that decisions were collectively arrived at in the interest of the people.²⁵ Thus, the pre-colonial societies contained institutional and cultural constraints on arbitrary power and a degree of responsiveness to public sentiment.

However, in order to consolidate their positions in society during colonial rule, the colonial authorities abandoned some of the principles of ruling in the pre-colonial system, and relied on local collaboration²⁶ with the chiefs and the "Big-men" to run their colonies.²⁷ With continued labour shortages in the mines and plantations, as well as in the construction of

²⁴ See for example, M. Bratton & N. van de Walle (1997), *Democratic Experiments in Africa*, New York: Cambridge University Press, Chapter Two.

²⁵ K. A. Busia (1951), *The Position of the Chief in the Modern Political System of the Ashanti*, London: Oxford University Press; K. Awoonor (1990), *Ghana: A Political History*, Accra: Sedco Publishing Limited; K. Gyekye (1997), *Tradition and Modernity*, Op. Cit.

²⁶Boahen (1987, pp.41-44) contends that the chiefs and "big-men" were not collaborators bent on achieving their own selfish ends as portrayed by many Western writers. Rather, they entered into alliances with the colonial authorities to protect their sovereignty and ensure that their territorial independence was not taken over by competing outside forces.

²⁷ A. Phillips (1987), *The Enigma of Colonialism: British Policy in West Africa*: London: James Curry; C. Boone (1994), "States and Ruling Classes in Post-colonial Africa: The Enduring Contradictions of Power," J. Migdal et al. (Eds), *State Power and Social Forces*, Cambridge: Cambridge University Press.

roads and railways, the colonial authorities relied on local chiefs to recruit individuals under their control to undertake these chores and duties. The chiefs who were paid by the colonial authorities served as guarantors of the political order and recruiters of unskilled labour to work in the mines and plantation.²⁸ Therein lies the basis of the patronage system and "institutionalization of clientelism" which developed under colonial rule, and which became a noticeable characteristic of the Ghanaian society. For the payments offered by the colonial authorities to the chiefs for recruiting people to be used as labour encouraged them to force and discipline recalcitrant workers.

Furthermore, the existence of patron-client networks or "Big Man-Small Boy" politics in the rural areas which involved the "building of hierarchies of decentralized despotism of local chiefs and headmen" meant that access to state resources was attainable through these networks.²⁹ This linked patrons in a mutual and beneficial relationship with their clients. While the clients depended on the patrons for assistance, the patrons relied on the support of the clients.³⁰ These local-level authorities were the links in the hierarchical chain made up of the various forms of personal rule.³¹ Added to this, Boone observed that the bureaucratization of control over rural markets tended to expand the role and influence of the village "big-men"

²⁸ Phillips, *Enigma of Colonialism*, p.28.

²⁹ B. Berman, " Ethnicity, Social Trust and the Democratic Process in Africa," *Loc. Cit.*, p. 11

³⁰ W. Barrows (1974), "Comparative Grassroots Politics in Africa," *World Politics*, vol. 26, No. 2, p. 290-293; D. Gordon (1992), "African Politics," A. Gordon & D. Gordon (eds), *Understanding Contemporary Africa*, London & Boulder: Lynne Rienner Publishers, pp. 68-69

³¹ C. Boone (1994), " States and Ruling Classes in Post-colonial Africa: The Enduring Contradictions of Power," J. Migdal et al. (eds), *State, Power and Social Forces*, Cambridge: Cambridge University Press, p. 117.

since they used their positions to create networks of political control in the countryside. Such patron-client relationships were necessary to the attempt by colonial authorities and the bureaucracy to extract resources at the periphery or local level. Thus, the process of state building and consolidation was realized by linking locally-based power structures to the central authorities. State patronage and clientelism therefore emerged as loosely centralized modes of political control and governance operated both at the local level of the regime and within the political economy at large.³² This system of control helped to consolidate regimes by offering access to state resources in exchange for political acquiescence. The "big-men" and chiefs who collaborated with the colonial authorities became part of the extended patron-client networks established after independence, and they became linked to the national system of administration. The post-colonial state was thus characterized by an "infinitely variable multiplicity of networks whose underground branches join together the scattered points of society."³³

Another cultural disposition and orientation that differentiates Ghana and other African countries from the West has to do with the definition and understanding of what constitutes the family. Awoonor has rightly pointed out that the first group basic to the existence of individuals is the family and it embraces both the immediate and distant relations.³⁴ Thus, while families are part of the social fabric of all societies, unlike the West where the individual/nuclear family is the basic social unit, the family in Ghana includes

³² *ibid.*, pp. 131-132.

³³ J-F. Bayart (1993), *The State in Africa: The Politics of the Belly*, London: Longman, p. 220.

³⁴ Awoonor, *Ghana: A Political History, Op. Cit.*, p.3.

extended-family members like parents, grandparents, children, grandchildren, cousins, nephews and their children, in-laws, as well as the "departed relatives" designated as the "living-dead," and even the unborn members who are still in the loins of the living.³⁵ Accordingly, individuals in African societies do not and cannot exist alone, but corporately. "Whatever happens to the individual happens to the whole group, and whatever happens to the whole group happens to the individual. The individual can only say: 'I am because we are; and since we are, therefore I am.'³⁶

Being an all-pervasive social institution through which resources are organized to satisfy the collective needs, individuals in societies like Ghana are expected to fulfil their moral social responsibilities and obligations by providing for extended family members who are unable to care for themselves.³⁷ Since an individual's wealth in society was measured by the number of mouths it fed and how many people's well-being it supported, wealthy individuals owe their wealth to extended-family members and to the community at large.³⁸ This makes social pressures exerted on individuals in positions of power, especially by extended-family members a pervasive cultural element in Ghana.

The social expectations that come with one's position in society shape the

³⁵ J. S. Mbiti (1969), *African Religions and Philosophy*, Nairobi: Heinemann, pp. 106-107.

³⁶ *ibid.*, pp. 108-109.

³⁷ S. K. Buame (1996), *Entrepreneurship. A Contextual Perspective*, Lund: Lund University Press, pp. 148-150.

³⁸ Awoonor, *Ghana: A Political History, Op. Cit.*, p. 27.

administrative behaviour in Ghana.³⁹ In situations where the bureaucratic organizations are embedded in a social system based on corporate descent groups as is the case in Ghana, an individual's responsibilities and obligations are not only to their nuclear family but also to their extended relations. The role expectations and social pressures and responsibilities directed at such individuals in the higher echelons of society by their "significant others," that is, extended family members, make them prone to exploit the resources of state and society for their personal ends. The consequence is that individuals regard official positions not only as an instrument through which the benefits and resources of society can be distributed to friends and other clients, but also as a means of having a share of the "national cake." Bayart observed that any "official decision affords an opportunity for gain, from a fiscal control to a technical verification, from signature of a nomination form or a concessionary market to an industrial agreement or an import licence. Civil service departments and public enterprises constitute virtually bottomless financial reservoirs for those who manage them, and for the political authorities which head them."⁴⁰ Invariably, such actions result in the erosion of impersonal bureaucratic norms and practices, massive waste, and indiscipline in the public sector.⁴¹ This produces the "politics of the belly;" a situation where public officials use their position for personal gain, both self-enrichment and advancement.⁴²

³⁹ Price, *Society and Bureaucracy in Contemporary Ghana*, *Op. Cit*; Woode, *Values, Standards and Practices in Ghanaian Organizational Life*, *Op. Cit*.

⁴⁰ Bayart, *The State in Africa: Politics of the Belly*, p. 78.

⁴¹ R. Sandbrook & J. Barker (1985), *The Politics of Africa's Economic Stagnation*, Cambridge: Cambridge University Press, p. 127.

⁴² Bayart, *The State in Africa: Politics of the Belly*.

Apart from using their official positions to provide financial and other material assistance to themselves and their extended family members, individuals considered part of society's elite are also expected to maintain a high standard of living. Since any managerial position by itself carries high status, managers are expected to acquire all the tangible symbols that are associated with upper income groups of the population.⁴³ These include owning cars, large modern houses, and wearing imported clothing. The relationship between public administrative organizations and their socio-economic environment is such as to inhibit the fulfilment of the behavioural requirements for organizational effectiveness.⁴⁴ Accordingly, "administrative infrastructure established to solve economic problems serves instead to create additional obstacles to economic success."⁴⁵ A consequence of this cultural phenomenon is that instead of being impersonal in their relationships to public institutions, individuals have had to be particularistic and not universalistic in their orientations and behaviours.⁴⁶

Finally, there is the issue of ethnicity. Most indigenous people of Africa have lived for hundreds of years, and continue to live in units which are normally referred to as ethnic groups. Although various ethnic groups existed in the pre-colonial African societies like the Gold Coast, and each of them was independent or at least autonomous, there were no clear

⁴³ J. Kuada (1994), *Managerial Behaviour in Ghana and Kenya, A Cultural Perspective*, Aalborg: Aalborg University Press, p. 202.

⁴⁴ Price, *Society and Bureaucracy in Contemporary Ghana*, p. 206.

⁴⁵ *ibid.*, p. 5.

⁴⁶ *ibid.*, pp. 27-30.

lines of demarcation, thereby making it difficult to say where the ethnic boundary exists.⁴⁷ Pre-colonial socio-cultural boundaries were thus marked by fuzziness and flexibility, and a lack of ethnic consciousness and institutional separation, although there were large numbers of linguistically and culturally related people.⁴⁸ The modern ethnicities of Africa however, have their origins in colonial rule, especially with the Berlin Conference of 1884/5 which formally partitioned Africa among the colonial powers. For purposes of control, the colonial authorities ensured that administrative units contained people who were not only linguistically related but supposedly homogeneous. The effect of the classification of people and demarcation of boundaries was that people were encouraged to think "ethnically."⁴⁹

Ethnic identities have thus become another cultural feature of most African societies. According to Eyoh, ethnicity was used by the colonial authorities to "fashion the institutional infrastructure of political domination and control the subject populations."⁵⁰ Furthermore, colonial states fostered the "rigidification of communal identities," which invariably "led to the marrying of once fluid and mobile identities to demarcated territories."⁵¹ The effect is that "social trust is largely contained within ethnic communities and imbedded in the personalistic

⁴⁷ Mbiti, *African Religions and Philosophy, Op. Cit.*, p. 101; G. K. Nukunya (1992), *Tradition and Change in Ghana: An Introduction to Sociology*, Accra: Ghana Universities Press, p. 224.

⁴⁸ B. Berman (1998), "Ethnicity, Patronage and the African State: The Politics of Uncivil Nationalism," *African Affairs*, vol. 97, No. 388, p. 310.

⁴⁹ *ibid.*

⁵⁰ D. Eyoh (1995), "From the Belly to the Ballot: Ethnicity and the Politics in Africa," *Queen's Quarterly*, 102, 1, p. 41.

⁵¹ *ibid.*, p. 44.

ties of patron-client networks."⁵² While modernizing influences have had the effect of reducing ethnic affiliations as a source of particularistic role expectations, a sizeable number of individuals expect ethnic affiliations to influence the treatment they receive from individuals of their own ethnic group.⁵³ It is not uncommon to find ethnic considerations being used in offering or withholding favour, sympathy or justice.⁵⁴ Ethnicity has become one of the social "linkage structures employed by Ghanaians to further their own goals," and a "tangible identity recognized as central organizing principles in Ghanaian social life."⁵⁵

In the organizational context, Kuada suggests that in Ghana, individuals in positions of power and authority are constantly pressured into employing people from their own ethnic communities because "managers are seen as representatives of their communities and are expected to champion the communities' interest in the broader socio-economic mobility process."⁵⁶ However, ethnicity as a criterion for recruitment has profound consequences for managerial behaviour, decision-making and organizational performance. Apart from the likelihood that managers might tend to mistrust colleagues who might not hail from the same ethnic group, the organizational commitment of members from outside the superior's ethnic community tends to be generally low. The implications are that belonging to the "wrong"

⁵² B. Berman, "Ethnicity, Social Trust and Democratic Politics," *Loc. Cit.*, p. 14.

⁵³ R. Price (1973), "The Patterns of Ethnicity in Ghana: A Research Note," *Journal of Modern African Studies*, 11, 3, pp. 470-475; S. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers.

⁵⁴ Nukunya, *Tradition and Change*.

⁵⁵ Chazan, *Anatomy of Ghanaian Politics*, *Op. Cit.*, p. 135

⁵⁶ Kuada, *Managerial Behaviour in Ghana and Kenya*, *Op. Cit.*, p. 171.

ethnic or social group can disqualify an individual from advancement and thereby render any assessment of his formal qualifications and performance irrelevant.⁵⁷ In effect, individuals who might be in the position to contribute to the industrial development of the enterprise might be excluded from doing so because of their ethnic background.

There are however, some scholars who think that ethnicity is not that important in the Ghanaian context. Barrows, for example, argues that ethnicity has no role in transactions since "interpersonal relationship-marriage ties, friendship-cut across ethnic groups in almost random fashion, neutralizing their potential political impact and drawing them into a network of reciprocal obligations."⁵⁸ Gyekye makes a similar argument. According to him, with web-like ethnic backgrounds which might stem from inter-ethnic marriages, movements of peoples from place to place in the wake of wars of invasion and conquest, enslavement and consequent adoption or incorporation into communities of the various groups, and in the wake also of the search and pursuit of better economic lives elsewhere, ethnicity keeps changing. Hence, it would be difficult to explain the actions of individuals by ethnicity alone, since they would most likely be of multi-ethnic extraction or have multiple identities.⁵⁹ It is in this regard that Kuada cautions us to the effect that it would be a grave error to presume that ethnicity is a predominant and accepted phenomenon in Ghana, or that its negative management consequences are condoned.⁶⁰

⁵⁷ *ibid.*, p.10.

⁵⁸ Barrows, "Comparative Grassroots Politics in Africa," *World Politics*, 26, 2, p. 288.

⁵⁹ Gyekye, *Tradition and Modernity, Op. Cit.*, pp. 98-99.

⁶⁰ Kuada, *Managerial Behaviour in Ghana and Kenya*, p. 173.

Colonial Economic Policies and Its Consequences

Politically, while Africa was certainly not in a Hobbesian state of nature at the dawn of the colonial era, for Adu Boahen, colonialism undoubtedly contributed to the establishment and maintenance of continuous peace and stability in Africa. At the social level, a benefit of colonialism was its spread of Western-style education. With the abolition of the slave trade and the British take-over of the Gold Coast in 1874, the time had come for the colonies to engage in trade in natural products or "legitimate commerce."⁶¹ Colonialism provided an infrastructure of roads, railways and harbours, although they were limited to the areas rich in natural resources. It also facilitated the spread and consolidation of the money economy in Africa and with it not only a change in the traditional standards of wealth and status, but also the creation of a class of wage earners and salaried persons. However, apart from saddling most colonies with mono-crop agricultural export economies, colonialism totally neglected and subsequently delayed the industrial and technological developments of Africa.⁶²

Prior to the Gold Coast becoming a British Colony, it was a major trading centre which served as a trade route and link between black Africa and the Mediterranean populations to the north.⁶³ Trade was mainly between Europeans and other African societies. Gold trade had linked the Gold Coast to Europe through North Africa. Gold was moved from the Gold Coast and other West African societies to North Africa in exchange for salt and manufactured goods like cotton textiles. It was such trade links that first attracted the

⁶¹ Hopkins, *Economic History of West Africa*, p. 124.

⁶² A. A. Boahen (1987), *African Perspective on Colonialism*, Baltimore: John Hopkins University, pp. 95-112.

⁶³ E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development*, London & New York: Routledge, p.4.

Portuguese to the Gold Coast in the latter part of the 15th Century (1471), and which was subsequently followed by other Europeans like the British, Dutch and Danes who built forts and castles along the coast of Ghana to serve as their fortified trade posts.⁶⁴ The arrival of the Europeans broke the monopoly that North Africans had in trade with the Gold Coast. Extensive trade in all kinds of goods and products (rubber, palm oil, clothing, firearms, brandies and schnapps) and slaves took place between the people of the Gold Coast and their European counterparts.

In addition, the Gold Coast was producing its own building materials, soap, beads, iron tools and cloth, as well as gold that was exported to Europe and the Mediterranean World.⁶⁵ Agbodeka adds that the Gold Coast had a well established cottage/craft, extractive and manufacturing industries. Apart from the use of the open pit system to mine gold, the pottery industry was also highly developed throughout the country since various communities used them for storage purposes, cooking and serving meals. Finally, cloth-making, especially kente-weaving, as well as the availability of various species of wood from various products had encouraged the development of these manufacturing industries in the pre-colonial period.⁶⁶

However, colonialism did not encourage the local manufacturing industries or improve the pre-colonial production techniques. Rather it neglected, destroyed and eradicated pre-existing industries and handicrafts through the importation of substitutes which helped or

⁶⁴ F. Agbodeka (1992), *An Economic History of Ghana From the Earliest Times*, Accra: Ghana Universities Press, p. 10

⁶⁵ A. A. Boahen, *African Perspective on Colonialism* p. 101.

⁶⁶ Agbodeka, *Economic History of Ghana*, pp. 16-19.

contributed to Africa's industrial and technological backwardness. For example, imported brassware partially replaced the indigenous pottery industry, while African-made textiles experienced decline due to the importation of cheap foreign cloth from Manchester (United Kingdom) by the United Africa Company (UAC). Similarly, in the mining industry, while European entrepreneurs first negotiated concessions for mines in the early 1870s, imported European technology replaced rather than supplemented the pre-colonial efforts of the indigenous people. Deep mining was avoided by the Africans because they lacked the necessary equipment, especially machinery for pumping water, and also due to the reluctance of the European firms and Companies to put such technology at their disposal. In addition, the indigenous people whose land contained minerals like diamonds were not only expected to purchase licences from the colonial District Commissioner (DC) before engaging in any mining activities, but also they had to employ only traditional or "native" methods to do so. Finally, bauxite and manganese, which were discovered between 1917-1930, were put under the control of expatriate European companies. The overall effect of these policies were that the indigenous people were limited in their industrial endeavours by the colonial authorities.⁶⁷

Apart from not encouraging local industries, another act of the colonial authorities was their early attempt to introduce new land policies. The colonial authorities attempted to destroy the existing land tenure system with their own laws, and thereby deprive the local people their rights to land. They sought to undermine the land tenure system by imposing an

⁶⁷ R. Howard (1978), *Colonialism and Underdevelopment in Ghana*, New York: Africana Publishing Company, pp. 68-83; Boahen, *African Perspective on Colonialism*, *Op. Cit.*; K. Ofori-Yeboah (1991), *State and Industrial Development in Ghana: A Critical Review of Development Policies Under Nkrumah and Rawlings*, MA Thesis, Queen's University, p.38; Agbodeka, *Economic History of Ghana*, *Op. Cit.*, p. 34.

individual land tenure system or private property in land, as well as declaring all so-called "waste," "empty," and "unused" land as government or Crown land. This was aimed at promoting plantation estates which could enhance production in rubber, palm products, groundnuts and other agricultural products, as well as give European entrepreneurs or Companies control of the production of gold in the colony.⁶⁸

Following the formation of the Aborigines Rights Protection Society (ARPS) in 1897 by chiefs and educated elites to protest the new land initiative which they saw as an attempt to undermine the very essence of traditional rule, coupled with the anxieties about potential land disputes, the idea of a new land policy was dropped.⁶⁹ Ultimately, however, the colonial authorities managed to undermine the pre-colonial mode of production by introducing a pre-capitalist form of production which was based on peasant production. By this new form of production, the rights of individuals and groups to land was widely accepted, but claims to private property were not.⁷⁰ For, while the colonial authorities affirmed the role of commodity production the "expansion of agriculture was to rely on the African peasantry, secured in its access by traditional property relations."⁷¹

The structure of the Gold Coast's economy also underwent major transformation. For example, from 1881 to 1885, 73% of the total exports of the Gold Coast were palm products,

⁶⁸ R. Howard, *Colonialism and Underdevelopment in Ghana*; Phillips, *Enigma of Colonialism*, p. 68.

⁶⁹ Boahen, *African Perspective on Colonialism*, p. 69; Phillips, *Enigma of Colonialism*, p.96.

⁷⁰ Phillips, *Enigma of Colonialism, Op. Cit.*, p. 111.

⁷¹ *ibid.*, p. 156.

of which palm oil accounted for 47% and kernels for 26%.⁷² Later, cocoa seeds, which had been introduced from Fernando Po in 1879 by a Ghanaian contract farmer (Tetteh Quarshie) to Mampong, became the major crop produced and exported by the Gold Coast. By 1911, the Gold Coast had become the world's largest single producer of cocoa, exporting about 40,000 tonnes per annum,⁷³ rising to 231 000 tonnes in 1926; while by the same period, palm products as a source of exports had virtually disappeared.⁷⁴ It is no surprise that by 1955 cocoa accounted for almost 70% of Ghana's total exports. Cocoa exports eclipsed the exports of palm products and minerals like gold, bauxite and manganese.⁷⁵ Colonialism encouraged the colonies to produce primary products like cocoa to be exported to the metropolitan countries. To maintain the competitiveness of the metropolitan country in the international market, the colonies became sources of raw material to feed various manufacturing industries in Britain, as well as markets for their finished products.⁷⁶ This type of commercial relationship which involved the export of primary commodities and importation of manufactured goods became the main feature of the economy.

With the exception of the production of the primary products for exports, all the other sectors of the Gold Coast economy were controlled by British interests. Until the government-owned Ghana Commercial Bank (GCB) was opened in 1952, the commercial

⁷² K. Ofori-Yeboah, *State and Industrial Development in Ghana*, p.36

⁷³ P. Curtis et al. (1992), *African History*, London: Longman, pp. 508-509.

⁷⁴ K. Ofori-Yeboah, *State and Industrial Development in Ghana*, p. 37.

⁷⁵ K. A. Ninsin (1991), *The Informal Sector in Ghana*, Accra, Freedom Publications, pp. 1-12.

⁷⁶ Boahen, *African Perspectives on Colonialism*, p. 30; Phillips, *Enigma of Colonialism*, p. 27; Ofori-Yeboah, *State and Industrial Development in Ghana*.

banking needs of the country were served by expatriate banks.⁷⁷ These expatriate-owned banks like the Bank of British West Africa, which opened in 1897, and the Barclays Bank which began operations in 1917 in the Gold Coast served the financial needs of British businesses, while discriminating against African entrepreneurs in their granting of loans. They did so by charging higher service fees or by outright refusal to grant the local entrepreneurs bank overdrafts and other facilities.⁷⁸ To serve their commercial interest, the colonial authorities also constructed railways, roads and harbours to facilitate the exploitation of the colony's natural resources and economic potentials. A railway line from Sekondi to Kumasi was finished in 1903, while another one from Accra to Kumasi was completed in 1923. Finally, the railway triangle was completed with the construction of another line between the coastal ports of Accra and Sekondi in 1927.⁷⁹

The railway pattern shows that the colonial authorities limited their infrastructural development to the coastal and central parts of the country which were noted for their natural resources. The construction of railways and roads to the cocoa and mining areas was aimed at facilitating the transportation of goods and heavy machinery, especially for the mining industry, to and from the metropolitan country.⁸⁰ Railways were not extended to the Northern parts of the country because it had no such export crops or minerals. In other words, the

⁷⁷ P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press, p. 60.

⁷⁸ R. Howard, *Colonialism and Underdevelopment in Ghana*, pp. 134-140; Boahen, *African Perspectives*, Op. Cit. p. 61.

⁷⁹ A. Hopkins, *Economic History of West Africa*, Op. Cit., p. 194.

⁸⁰ Boahen, *African Perspective on Colonialism*, p. 60

infrastructure was meant to facilitate the exploitation of the natural resources, but not to promote the accessibility and development of all regions of the colony.⁸¹ Thus, even at the height of Ghana's cocoa boom in the 1920s, the colonial authorities did not invest the revenue derived from cocoa sales into the industrialization and infrastructural development of the country.⁸² Only a few small factories like that for Rose's Lime Juice were set up in Atebubu in the Central Region in the 1920s and 1930s to process limes.⁸³

The economic policies and infrastructural development undertaken during the colonial period resulted in the uneven development of the southern, middle belt region and northern parts of the country. The economic opportunities that were available to the indigenous people during the colonial era varied greatly so that the southern inhabitants enjoyed Western-style education corresponding to that provided in Britain. Not only that, they were also afforded the opportunity to acquire education in the West, and invariably became the "been-tos"⁸⁴ and elites of the society. On the other hand, the middle belt region of Ghana was characterized by the existence of large individually-owned cocoa plantations, as well as a group of individuals (rural farmers, mineral traders, timber merchants) who became rich because of their involvement in the mining and other extractive industries as well as in farming. However, the

⁸¹ *ibid.*, p. 101.

⁸² K. A. Ninsin (1992), "Planning for the Growth of Small-scale Industries in the Informal Sector: the Realities and Challenges of the Ghanaian Situation," E. Aryeetey (ed), *Planning African Growth and Development: Some Current Issues*, Accra: ISSER/UNDP, p. 262.

⁸³ Phillips, *Enigma of Colonialism*, p. 36

⁸⁴ The "been-tos" were basically an identifiable group in terms of their attendance at Western universities, adoption of Western values and lifestyles, individualism, Christianity, petty-bourgeoisie class interest, export and import trading and ownership of small businesses, or undertaking mostly white-collar professional jobs (Ofori-Yeboah, 1991, p.39).

northern part of the country was largely neglected in terms of educational opportunities and thus had to supply the bulk of the labour in the mines and farm-lands.⁸⁵

Besides the European businesses, another group of people involved in entrepreneurial activities were the Levantine migrants (Syrians and Lebanese) who settled in West Africa at the close of the 19th Century and engaged in trading and exports of cocoa, cotton and rubber. They also operated in areas and communities with low profit margins, and stuck to their businesses until things improved. Their practices of keeping proper account records on sales and expenditures, stocks and inventory, as well as their acquaintance with market changes and customer needs really contributed to the development of their businesses.⁸⁶ With their business and economic success, they moved into motor transport, and ran hotels and restaurants, as well as engaged in other small-scale endeavours⁸⁷ which have continued to contemporary times.

Therefore, the development of indigenous technology, manufacturing enterprises and the emergence of an entrepreneurial middle class which could accumulate capital and promote free enterprise was not encouraged by the colonial government.⁸⁸ Despite pressures from the indigenous people in the 1940s and 1950s, and the support of the then Governor, Alan Burns

⁸⁵ D. Apter (1972), *Ghana in Transition*, New York: Atheneum, p. 49; cited in K. Ofori-Yeboah, *State and Industrial Development in Ghana*, p. 41.

⁸⁶ P. Kennedy (1988), *African Capitalism: The Struggle for Ascendancy*, Cambridge: Cambridge University Press, pp. 46-48.

⁸⁷ Hopkins, *Economic History of West Africa*, p. 200.

⁸⁸ G. Kay (1972), *The Political Economy of Colonialism in Ghana: A Collection of Documents and Statistics*, Cambridge: Cambridge University Press; Wilks, *Asante in the Nineteenth Century*, p. 721; Kennedy, *African Capitalism*, p. 31; Buame, *Entrepreneurship: A Contextual Perspective*.

for the colonial government to encourage and support local industries like furniture and soap-making, this did not materialize. Only the wood-working industry was not systematically undermined by the colonial government, while cloth weaving and hand-spinning were encouraged to become cottage industries as opposed to modern industrial establishments. The few Ghanaians who established artisan workshops and small trading enterprises were mostly soldiers who had received their gratuities after being demobilized after World War II, and other people who had worked abroad for a time in the years just before, during and after the war.⁸⁹ Therefore, by the 1940s and 1950s, the number of local manufacturing industries that had any hopes of developing was very small.⁹⁰ Had traditional production techniques in all the local manufacturing industries been encouraged and modernized, and industrialization promoted, African industrial and technological development could have commenced much earlier.⁹¹

What emerged in Ghana, according to Buame was a class of "political entrepreneurs" who spent most of their time, energies and resources resisting the political and economic system.⁹² By 1950, Ghana had not developed the semblance of a manufacturing sector because the colonial power, Great Britain simply did not have an industrial development policy for the country.⁹³ In addition, the colonial authorities did not encourage a local

⁸⁹ P. Kennedy, *African Capitalism*, p. 59.

⁹⁰ Agbodeka, *Economic History of Ghana*, pp. 135-140.

⁹¹ Boahen, *African Perspective on Colonialism*, p. 101.

⁹² S. Buame, *Entrepreneurship: A Contextual Perspective*.

⁹³ K. A. Ninsin, *Informal Sector in Ghana, Op. Cit.*, p. 10.

capitalist and manufacturing class to emerge because they feared the social disruptions that could emanate from the implications of such a transition, e.g, land alienation, which the weak state was incapable of containing.⁹⁴ Hence,

African entrepreneurs, businessmen, and small industrialists bear the scars of colonial neglect ... colonial rule was rigged in favour of foreign enterprise. If any economic opportunities remained for Africans, it was for one of two reasons: either the Europeans did not care to enter the particular sector, most likely because it was not profitable, or Europeans simply were not available in sufficient numbers to launch a project and see it through the difficult initial phase.⁹⁵

That Ghana bears these scars of colonialism is seen in the fact that after over forty years of independence, its economic structure has not changed fundamentally from what pertained in the colonial period.

As Basil Davidson points out, in order to understand the current economic and industrial problems, as well as the "curse of the nation-state" in Africa, one has to go back to colonial rule.⁹⁶ Without asserting that the industrial and economic state in which Ghana and other African countries find themselves is solely due to colonialism, the point is that "colonial administration and institutions effectively never provided a congenial atmosphere, the training, the knowledge, the financial resources and other facilities or incentives that could induce the individuals" to engage in entrepreneurial and industrial activities.⁹⁷ Thus, while Ghana and

⁹⁴ W. J. Tettey (1996), *Computerization and the State Capacity Building In Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D Thesis, Queen's University, p. 37.

⁹⁵ H. Bretton (1973), *Power and Politics in Africa*, Chicago: Aldine Publishing Company, pp. 215-216.

⁹⁶ B. Davidson (1992), *The Blackman's Burden: Africa and the Curse of the Nation-State*, New York: Times Book.

⁹⁷ S. Buame, *Entrepreneurship: A Contextual Perspective*, p. 104.

other African countries cannot continue to totally blame colonialism for their economic and industrial woes, it is equally ridiculous and disingenuous for some scholars⁹⁸ to attribute the present state of the African economies solely to mismanagement, inefficiency, ineffective leadership, plundering of national resources, systemic corruption and other rent-seeking behaviour while ignoring the harmful effects of colonial economic policies. Because the European profits came from mining and trade and not modern industry, the colonial authorities ensured that Ghana was not to be fully developed in its industrial sector.⁹⁹ Therefore, Ghana's colonial heritage was "its dependent political economy, the underdevelopment of its productive forces and its truncated class structure."¹⁰⁰

Given the colonial administrative policies which discouraged and made it virtually impossible for Ghanaians to be involved in industrial and other entrepreneurial activities, they were encouraged to instead seek employment in the lower levels of the colonial civil service. The only way of getting employed in the colonial bureaucracy was through the acquisition of the relevant educational qualifications, and such an orientation has persisted to contemporary times. With the educational system geared towards the production of white-collar workers and bureaucrats, individuals in Ghana place high premium on educational qualifications which would enable them to get a state position as opposed becoming industrialists or

⁹⁸ See For example, D. Rimmer (1992), *Staying Poor: Ghana's Political Economy, 1950-1990*, Oxford: Pergamon Press Limited; M. Todaro (1994) (5th ed), *Economic Development in the Third World*, London: Longman.

⁹⁹ R. Howard, *Colonialism and Underdevelopment, Op. Cit.*, p. 20.

¹⁰⁰ *ibid.*, p. 230.

entrepreneurs.¹⁰¹ Ghanaian families continuously channel their resources into educating their children and other relatives in the hope that they would eventually become part of the higher echelons or "big-men and big-women" of society. Such is the case that individuals who could not attain higher education and work in white-collar jobs were considered educational drop-outs.

Concluding Remarks

From the preceding discussions, we realize that although there was an indigenous enterprise culture with a thriving industrial spirit in pre-colonial Gold Coast, colonialism between 1874 and 1957 failed to establish the "institutions and economic processes capable of generating a sound basis for future self-sustaining entrepreneurial activities and national economic autonomy,"¹⁰² or develop an industrial base in Ghana. In fact, rather than sustain and strengthen indigenous industry, colonialism subverted and corrupted the indigenous form of entrepreneurial spirit, and in the process the modes of securing capital and finance for entrepreneurial development were drastically altered. While noting that Ghana enjoyed a "higher literacy rate, better health care and a standard of living that was higher than any other country in West Africa," Smillie concludes that the "nostalgic portrait of a country born with silver spoon in its mouth is misleading."¹⁰³ When Britain granted self-government to Ghana and handed over power to the Kwame Nkrumah-led Convention People's Party (CPP) on 6th

¹⁰¹ K. A. Ninsin, *Informal sector in Ghana, Op. Cit.*, p.44; S. Buame, *Entrepreneurship. Op. Cit.*, pp. 105-106.

¹⁰² S. Buame (1996), *Entrepreneurship: A Contextual Perspective. Discourses and Praxis of Entrepreneurial Activities Within the Institutional Context of Ghana*, Lund: Lund University Press, p.103.

¹⁰³ I. Smillie (1986), *No Condition Permanent: Pump-Priming Ghana's Industrial Revolution*, London: IT Publication, p.7.

March 1957, the country had a low level of industrial activity in light of the policies that had been pursued during the colonial period. For the indigenous people, involvement in mining and other extractive industries, trading, farming, and education were the keys to personal economic advancement, especially for individuals who attended the elite secondary schools and universities of colonial Africa. With their education, they became the elite class that generally dominated nationalist politics, and used their position in the state structures to accumulate wealth. In effect, as a result of colonial policies, not only did structural imbalances and varying economic opportunities develop among the regions in Ghana,¹⁰⁴ but also by the post-colonial period, distinct ethnic identities, patron-client ties, authoritarian control, and "status groups and ranks" had become part of Ghana's institutional arrangements.

¹⁰⁴ K. Ofori-Yeboah, *State and Industrial Development in Ghana*, p. 39

CHAPTER FOUR

THE GHANAIAN EXPERIENCE OF INDUSTRIALIZATION

Introduction

Ghana's economic history since the attainment of independence on 6th March 1957 can aptly be described as being chequered in nature. Whilst independence was expected to put the economic destiny of Ghanaians into their own hands and therefore improve the living conditions of the citizens, such high hopes and expectations have to large extent proved illusory. Ghana was in a severe economic crisis when the International Monetary Fund (IMF) and World Bank initiated a SAP that was implemented in the 1980s and 1990s. In order, however, to understand the reasons for the dismal performance of the economy after independence, and especially the state of the manufacturing sector in the 1980s and 90s, it is imperative to examine the national economic environment. This chapter will therefore examine Ghana's political economy in the post independence period. Only by looking at the economic policies that were pursued by successive governments can we understand the implications they have had for the industrialization process.

NKRUMAH'S ECONOMIC POLICIES

Ghana's efforts at industrialization has been of very recent origin. At independence, there was little manufacturing activity and the development of indigenous enterprises apart from traditional crafts and repair work associated with mining and plantation activity, and

some self-employment among local artisans.¹ However, the desire to shift from the status of dependence to a position of self-reliance demanded a strategic change in Ghana's colonial role as exporter of raw materials and importer of finished products. The answer lay in the building of an industrial base for the utilization of local raw materials to produce finished products both for home consumption and for export. Thus, rapid industrialization became the primary goal of the Nkrumah government when it took office, because industrialization, it was felt, "would form important linkages with various sectors of the economy, by supplying other industries and agriculture, or by increasing the demand for their products as inputs."² Industrialization was not only embraced by policy makers as an integral part of the development process, but was also to be characterized by the mass production of standardized manufactured goods.³

Sir Arthur Lewis, the then United Nations Economic Advisor to the Ghanaian government, was commissioned by the Nkrumah administration to come up with an economic and industrial development policy for the country. He urged the government to shelve the idea of industrialization given the shortage of capital and the narrow domestic market of the country.⁴ Instead, he recommended that the government should devote its resources to the

¹ See P. Kennedy (1988), *African Capitalism: The Struggle for Ascendancy*, Cambridge: Cambridge University Press, p.30; S. Lall et al. (1994), *Technology and Enterprise Development*, New York: St. Martins Press, p.24; K. A. Ninsin (1992), "Planning for the Growth of Small-Scale Industries in the Informal Sector: The Realities and Challenges of the Ghanaian Situation," E. Aryeetey (ed), *Planning African Growth and Development: Some Current Issues*, Accra: ISSER/UNDP, p.264.

² I. Smillie, *No Condition Permanent*, *Op. Cit.*, p. 7.

³ L. Mytelka (1989), "The Unfulfilled Promise of African Industrialization," *African Studies Review*, 32, 3, pp. 77-137.

⁴ K. A. Ninsin (1991), *The Informal Sector in Ghana's Political Economy*, Accra: Freedom Publications, p. 29.

modernization of the agricultural sector, invest in the provision of social infrastructure, and also pursue a vigorous promotion of exports which could earn adequate investable surpluses in foreign exchange. In effect, Lewis believed that modernization of the agricultural sector would eventually result in the successful industrialization of the country. However, based on his ideology of "state capitalism and socialism" and greatly influenced by mainstream development theory of the 1950s and 1960s, Nkrumah abandoned the Lewis strategy, and assigned a strong and more interventionist role for the state in the industrialization process.⁵

In the complete absence of a capital market, or a local entrepreneurial class in manufacturing, and given the rudimentary nature of indigenous industry,⁶ the task of industrial development fell on the Ghanaian government. Thus, "the post-colonial regime assumed not only the tasks of all modern states: protector of public order, and property rights, provider of social and physical infrastructure, and macro-economic manager (i.e., manipulator of fiscal, monetary, and trade policies to promote growth and restrain inflation); it also appropriated the roles of economic regulator, planner, and to varying degrees, entrepreneur."⁷ In addition, the Nkrumah government undertook numerous development projects, notable among them being the construction of the Akosombo Dam which supplied hydro-electric power to Ghana and neighbouring countries, the building of a first class international port at Tema in 1961, and the construction of a motor-way which linked Tema, Ghana's leading industrial city, with

⁵ T. Killick (1978), *Development Economics in Action: A Study of Economic Policies in Ghana*, London: Heinemann; K. A. Ninsin, *Informal Sector in Ghana*, *Op. Cit.*

⁶ Killick, *Development Economics*, *Op. Cit.*, R. Sandbrook (1993), *The Politics of Africa's Economic Recovery*, Cambridge: Cambridge University Press; S. Lall et al., *Technology and Enterprise Development*, *Op. Cit.*

⁷ Sandbrook, *Politics of Africa's Economic Recovery*, *Op. Cit.*, p. 22.

Accra, the capital.⁸

Adopting a "fast track" strategy of industrialization, the Nkrumah government established import substituting industries (ISIs) and state-owned enterprises (SOEs) with the view that the state will "capture the commanding heights of the economy." SOEs and ISIs were also "necessary in view of the protectionist policies of the industrial countries and, given the impracticability of achieving a successful export trade without first establishing a home base."⁹ Thus, the state-led strategy of economic and industrial development of the Nkrumah government was expected to ameliorate poverty, create investment, save foreign exchange, increase wage employment, improve labour productivity, spread welfare,¹⁰ and also be the "instruments of modernization and sources of investible surpluses."¹¹ The state-owned enterprises showed signs of realizing their objective of being the agents of industrial development as the manufacturing industry sector as a percentage of Gross Domestic Product (GDP) rose from ten percent (10%) at independence to fourteen percent (14%) by 1970.

However, despite some achievements and successes, by the middle of the 1970s, the economy and especially the ISIs and SOEs began to perform badly and became a source of worry to successive Ghanaian governments. With only a few exceptions, the ISIs and SOEs exhibited pervasive patterns of inefficiency, becoming financial liabilities for the Ghanaian government. As Smillie points out, a mango canning factory was installed with the capacity

⁸ M. Oquaye (1980), *Politics in Ghana, 1972-1979*, Accra: Tornado Press, p.2.

⁹ Killick, *Development Economic in Action*, p. 21.

¹⁰ C. Moser (1978), "Informal Sector or Petty Commodity Production: Dualism or Dependence in Urban Development," *World Development*, 6, No.9/10, p. 1042.

¹¹ Killick, *Development Economic in Action*, p.216.

that exceeded the entire world trade in canned mango products; while a glass factory which could produce sheet glass in addition to bottles was selected over one that produced bottles alone, because the Minister responsible wanted the most complete modern factory; ignoring the fact that the demand for glass sheet in Ghana was minuscule.¹² Thus, far from creating a vibrant integrated industrial sector, the SOEs and import-substitution trade and industrialization strategy led to the building up of a highly import-dependent manufacturing sector and only increased the country's dependence on external factors of production. The "anti-export bias inherent in the import-substitution strategies discouraged exports, exacerbated the foreign exchange constraints, and reduced the capacity to import, thereby stifling production."¹³ The import-substitution strategy, apart from reducing the share of manufactured imports in relation to total imports, did not transform the technical basis of Ghanaian industry. It only enabled successive governments to set up industries that would engage in the local production of what the country used to import-consumer items like textiles, footwear, soap, matches, plastics.¹⁴

The problems of Ghana's economy were not limited to the industrial sector. In agriculture, Nkrumah's cronies and political appointees, who had little or no knowledge of agriculture and farming methods, were put in charge of managing state farms and co-operatives.¹⁵ Their incompetence is shown in the fact that the "state imported expensive farm

¹² Smillie, *No Condition Permanent*, p. 8

¹³ UNDP (1997), *Ghana Human Development Report*, Accra: UNDP, p. 10

¹⁴ K. A. Ninsin, "Planning for the Growth of Small-Scale Industries.." *Loc. Cit.*, p. 30

¹⁵ Killick, *Development Economics in Action*, pp. 194-195; J. Frimpong-Ansah (1992), *The Vampire State in Africa: The Political Economy of Decline in Africa*, Trenton, NJ: Africa World Press.

machinery which was wholly inappropriate for the local hard soil conditions.... Meanwhile, interventionist agricultural policy was destroying the one sector which had demonstrated its growth potential-the private agricultural sector."¹⁶

Many writers have advanced various reasons to explain the poor performance of the ISIs and SOEs.¹⁷ According to Stein, shortages of competent middle level managers, the over-hiring of lower-level personnel, and poor investment choices and decisions all combined to undermine the capacity of industries to perform to their optimal capacity. In addition, the shortages of government investment funds, the mandatory payment of profits to the state coffers, coupled with the intervention by the government in industrial decisions for political rather than economic reasons undercut the working capital and reinvestment ability of industries.¹⁸

For Rimmer, the problems of the SOEs, ISIs and the economy as a whole stemmed from corruption and rent-seeking behaviour on the part of government officials. According to him, "by 1965 Ghana was an administrative jungle. There were 31 ministries the functions and responsibilities of which had been periodically reshuffled. State enterprises were scattered all over the place. The total reached 53, and there were also a dozen joint state/private enterprises and two dozen public boards, but it is not certain that anyone knew at the time

¹⁶ E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development*, London: New York: Routledge, p.65.

¹⁷ See I. Smillie, *No Condition Permanent*, *Op. Cit.*; J. Frimpong-Ansah, *Vampire State*, *Op. Cit.*; D. Rimmer (1992), *Staying Poor: Ghana's Political Economy, 1950-1990*, Oxford: Pergamon Press Ltd; H. Stein (1992), "De-Industrialization, Adjustment, the World Bank and IMF in Ghana," *World Development*, 20, 1, pp. 83-95; Chamlee-Wright, *Cultural Foundations of Economic Development*, *Op. Cit.*

¹⁸ Stein, "De-Industrialization, Adjustment, the World Bank and IMF in Africa," *Loc. Cit.*, p. 84.

how many of these bodies were there."¹⁹ Rimmer's rent-seeking interpretation of this period begs a further question. If economic policies were designed primarily to transfer wealth to the political and economic elites, then it did not make economic sense to destroy the private agricultural sector through pricing and taxation policies.²⁰

For Chamlee-Wright, the interpretation that the political and economic structures were designed to maximize the wealth of the political leadership does not coincide with the fact that they eventually destroyed the source of their wealth and their hold on power.²¹ Therefore, she attributes the failures of the economic policies of the Nkrumah administration to problems generally relating to centralized planning, and the entrepreneurial role assumed by the state. For her, "as an entrepreneur, the state is ill-suited to recognize profit opportunities across sectors, the most prudent production technique or the most advantageous investment decision.... The state cannot make economically sound decisions because it is operating completely outside of the context in which knowledge necessary to inform those decisions are geared."²² Ofori-Yeboah also argues that the intensity of the drive to industrialize, and the emphasis on the need to transform the colonial economic structure are not factors which can easily be explained in terms of a desire to redistribute wealth in favour of those in power. For the Nkrumah government was insistent in its desire to remove the distortions created by the

¹⁹ D. Rimmer, *Staying Poor, Op. Cit.*, p. 91.

²⁰ Chamlee-Wright, *Cultural Foundations of Economic Development, Op. Cit.*, pp. 75-76.

²¹ *ibid*, p.76

²² *ibid.*, p. 77.

colonial structure of the economy, which was based upon primary production.²³

Notwithstanding the different reasons and interpretations offered to explain Ghana's economic problems during Nkrumah's regime, the writing was clearly on the wall that although the government had invested heavily in the industrial and agricultural sectors after independence, and thus looked to them as the main instruments of structural and economic transformation, these investments had failed to yield the desired results.²⁴ With the servicing of Ghana's debt accounting for twenty five percent (25%) of total exports in each of the four years commencing from 1965,²⁵ Western creditors and the IMF called on the Nkrumah government to introduce a stabilization programme. Among the conditions set by such international bodies for the rescheduling of Ghana's debt were their insistence on cut-backs in government expenditures and the removal of state subsidies on SOEs.²⁶ Motivated by his socialist inclinations and ideological beliefs, Nkrumah rejected the IMF conditionalities. It was against this background of political and economic dissatisfaction with the performance of the Nkrumah administration that a military coup led by Lt. Generals E. K. Kotoka and A. A. Afrifa overthrew the Nkrumah government on 24th February 1966. Subsequently, the National Liberation Council (NLC) under the Chairmanship of General J. A. Ankrah was formed to take charge of the government.

²³ Ofori-Yeboah, *State and Industrial Development in Ghana*, *Op. Cit.*, p 94.

²⁴ S. Lall et al., *Technology and Enterprise Development*, *Op. Cit.*, pp. xii-xiii.

²⁵ E. Hutchful (1984), "International Debt re-negotiation: Ghana's Experiences," *Africa Development*, vol. IX, No. 2, p. 9.

²⁶ A. Asamoah (1996), *Socio-Economic Development Strategies of Independent African Countries: The Ghanaian Experience*, Accra: Ghana Universities Press, p. 84.

GHANA: 1966-1981(THE NLC, PP, NRC, SMC, AFRC, AND PNP GOVERNMENTS)

When the NLC came to power, it decided to divest itself of some of the large SOEs in the hope that the financial burden that the government shouldered during the previous administrations could be lightened or reduced. In effect, the NLC government reversed the economic and industrial policies and measures that had been undertaken by the Nkrumah government. It also came to terms with the IMF and in so doing reduced government expenditure, removed state subsidies, terminated barter agreements it had previously reached with certain socialist countries, and scrapped import licensing and exchange controls.²⁷ Thus, the cornerstone of the NLC economic policies was the re-organization of the economy in favour of private capital. The government's role was limited to the development of infrastructure, while economic and industrial investment was left in the hands of private entrepreneurs. Furthermore, to promote private entrepreneurship among Ghanaians, the NLC passed the Ghanaian Enterprises Decree, 1968 (NLCD 323) which among other provisions barred foreigners from entering specified mining areas, and also reserved certain economic and industrial activities for Ghanaians.²⁸ The NLC government, which was basically a transitional administration, handed over power to the civilian government of Dr. K. A. Busia in October 1969 after democratic elections had been conducted under the supervision of the NLC.

²⁷ *ibid.*, p. 88.

²⁸ These included the taxi business, small-scale enterprises in the field of extractive, processing or manufacturing or transportation employing 30 persons or less, and agencies representing overseas manufacturers (J. D. Essek (1971), "Government and Indigenous Private Enterprise in Ghana," *The Journal of Modern African Studies*, 9, 1, pp. 11-29; K. Jonah (1980), *The Politics of Economic Decolonization: The Case of Ghana's Indigenisation Policy*, MA Thesis Submitted to the Department of Political Science, University of Ghana, Legon, pp. 54-59.

Busia's Progressive Party (PP) government continued the private sector initiative begun by the NLC regime. Apart from pursuing a laissez-faire policy, the Busia government saw rural development as crucial to economic growth and thus invested heavily in the hinterlands of Ghana.²⁹ In addition, Busia publicly favoured policies of liberalization, and in fact reduced the budgets of both the military and civil service.³⁰ While this was the case, it has also been pointed out that the Busia government did not go far enough with its cost-cutting measures and only paid lip-service to them. In his desire to hold on to power, Busia considered it politically prudent to continue in the government-led and expansionary policies pursued during the Nkrumah era. However, the most controversial aspect of Busia's economic policies was the passage of the Aliens Compliance Order in 1969, and the Ghanaian Business Promotion Act (Act 334 of 1970). The first measure provided for the deportation of over 150,000 foreign nationals lacking valid residence permits, most of whom were from other West African countries. The second, Act 334, reserved certain fields of economic activity (petty trading, commercial transport, printing, baking, manufacture of cement blocks, advertising and publicity) as the exclusive preserve of Ghanaians.³¹ Since most of the foreign businesses affected by the two measures were small-scale in nature, and to help Ghanaians buy out the business that foreigners were compelled to give up under the two Acts, the government subsequently introduced the Small Business Loans Scheme (SBLs) to serve as

²⁹ M. Oquaye, *Politics in Ghana*, p.4.

³⁰ E. Chamlee-Wright, *Cultural Foundations of Economic Development*, Op. Cit., p.80.

³¹ J. D. Essek (1971), "Government and Indigenous Private Enterprise in Ghana," *The Journal of Modern African Studies*, 9, 1, p. 27; K. Jonah (1980), *The Politics of Economic Decolonization: The Case of Ghana's Indigenisation Policy*, MA Thesis Submitted to Political Science Department, University of Ghana, Legon, p. 61.

a source of funds for Ghanaians who wished to buy out the non-Ghanaians businesses.³²

However, many small-scale entrepreneurs had difficulties accessing the SBLS because of the conditions attached to it. These conditions included the need to acquire stocks and fixed assets, the guaranteeing of the loans by either mortgage or real property; persons, partnerships, companies or co-operatives acceptable to the official acting for the office; and by life insurance policies where the loan repayment period and amount of loan do not exceed the corresponding maturity period and the value of the policy. Given that small-scale entrepreneurs could not meet these restrictive conditions, they were in effect disqualified from obtaining the loans. Thus, although the loan scheme was aimed at providing financial assistance to small-scale entrepreneurs, there is little evidence that the scheme benefitted those in the informal sector.³³

Despite the economic measures and policies pursued by the PP government, the budget deficits, balance of payment problems, and the accumulation of national debts which exceeded 1000 million cedis proved to be too much for Busia to handle. The only solution was for the government to devalue the currency by about forty-four percent (44%), but as it turned out, this policy, together with the reduction of benefits and perquisites as well as expenditure for the military, were the reasons which were used by the armed forces led by Colonel I. K. Acheampong to overthrow the Busia administration on 13th January 1972.³⁴

On coming to power, the Acheampong regime, the NRC, abruptly ended pro-IMF

³² NBSSI (1994), *NBSSI News*, p. 9.

³³ K. Ninsin, "Planning for Growth of Small-Scale Industries in the Informal sector," *Loc. Cit.* pp. 268-271.

³⁴ M. Oquaye, *Politics in Ghana*.

policies of export promotion, and the liberalized trade regime introduced under the NLC and Busia administrations. Apart from undertaking a revaluation of the currency, the NRC government put a freeze on trade liberalization, and also pursued a vigorous domestic agricultural policy under the "Operation Feed Yourself" programme which aimed at increasing agricultural production. As Asamoah points out, the "aim of the Operation Feed Yourself Programme was to induce all social strata of the urban population to get involved in back-yard gardening and other agricultural activities elsewhere, as to supplement food production."³⁵ This programme achieved its aim, for by 1975, hardly any food was imported since the country produced all or more of its food requirements. As a corollary to the "Operation Feed Yourself Programme," the "Operation Feed Your Industries" programme which aimed at putting increased emphasis on the production of selected industrial and cash crops such as rubber, sugar-cane, cotton, groundnuts, and cashews for local industries and for export was launched in 1975.³⁶

Another aspect of Acheampong's economic policies was his indigenisation strategy, which increased the role of the state through restriction by legislation of economic activities which foreign capital could undertake.³⁷ The crux of the indigenisation strategy as embodied in the Investment Policy Decree of 1975 provided for state acquisition of shares in foreign companies like British Petroleum (BP) and Shell Limited through parastatal bodies like the Ghana Commercial Bank and National Investment Bank (NIB). The Acheampong

³⁵ Asamoah, *Socio-Economic Development Strategies of Independent African Countries*, p.94.

³⁶ M. Oquaye, *Politics in Ghana*, p. 13.

³⁷ K. Jonah, *Politics of Economic Decolonization*, p. 19.

government also introduced import licences which were "recklessly dissipated against public interest.... Whereas established commercial houses and reputable industries were ignored wholly or partially in their legitimate demands and whereas factories closed down for lack of import licences, favourites of the regime... obtained import licences for frivolities."³⁸

At the same time, the Acheampong government decided to repudiate the country's international debt and also pursue a plethora of non-price trade measures. The effects were that external sources of capital investment for industrialization were not forthcoming, while the protectionist economic policies, and the shortages of foreign exchange all had a direct disincentive effect on exports in general, and manufacturing in particular.³⁹ *Kalabule*,⁴⁰ a local slang euphemism for corruption became the order of the day. So institutionalized and formalized was *kalabule* that both private individuals and public officials engaged in all forms of unscrupulous practices with an aim of getting their share of the "national cake."⁴¹ In short "during Acheampong's government, there were no ethos that stress the importance of public duty and national responsibility.... Narrow personal interests were pursued at the expense of the national interest."⁴²

With *kalabule*, bribery, price-gouging, profiteering, hoarding, smuggling, shortages

³⁸ Oquaye, *Politics in Ghana, Op. Cit.*, p. 31.

³⁹ Chamlee-Wright, *Cultural Foundations of Economic Development*, p. 82; Baah-Nuakoh et al., *Exporting Manufacturers*, pp. 26-28.

⁴⁰ According to Oquaye (1980, p.17), the word *kalabule* probably sprang from the Hausa expression "kere kabure"- keep it quiet.

⁴¹ *ibid.*, p.23.

⁴² S. Buame, *Entrepreneurship: A Contextual Perspective, Op. Cit.*, p. 117.

of basic commodities and other rent-seeking behaviour being pervasive in Ghana, the NRC, later called the Supreme Military Council (SMC 1) faced opposition from professionals, especially lawyers, university students, workers and trade unions. Such was the opposition that a palace coup, led by General F. W. K. Akuffo ushered in the SMC 2 on 5th July 1978. In a speech to the nation on coming to power, Akuffo stated that the SMC 2 would attempt to improve the economic situation of the country by raising the required external financial resources to produce the needed foreign inputs and generally lift the level of efficiency in the economy.⁴³ Despite this assurance from the Akuffo government, apart from removing Acheampong and making an attempt to help solve the country's economic problems by devaluing the currency and introducing a new currency to mop up the excess liquidity in the monetary system, there was nothing "new" in terms of policy and attitude of the SMC 2.⁴⁴

It therefore came as no real surprise that on June 4th 1979, another military coup staged by mostly junior officers of the army toppled SMC 2. The Armed Forces Revolutionary Council (AFRC) which took over the administration of the country under the Chairmanship of J. J. Rawlings launched a "Housing Cleaning Exercise" designed to stamp out bribery, corruption and other social vices and unethical practices from society. After almost four months in office, the AFRC handed over power to the democratically elected People's National Party (PNP) under the leadership of Dr. Hilla Limann. When Limann took office, the economy of the country was still in ruins, and characterized by hyperinflation, shortages of foreign exchange, and declining investment and savings. To arrest the deplorable

⁴³ Oquaye, *Politics in Ghana*, p. 113.

⁴⁴ *ibid.*, p. 132.

state of the economy, the government took a number of measures. These included the imposition of controls on imports, and the design of an investment code which sought to attract foreign investors by assuring them of their continued management control as long as their initial risk capital remained outstanding.⁴⁵ The non-response of the economy to these measures resulted in the government having to turn to the IMF for financial assistance. However, the negotiations for assistance ground to a halt because the government was not ready to meet the usual IMF conditionalities which included currency devaluation and job retrenchment.⁴⁶ Rawlings, who had prior to handing over power to Limann on 24th September 1979 "promised" to keep an eye on the administration, did not hesitate to remove him from office in another military coup on 31st December 1981, ushering in the government of the Provisional National Defence Council (PNDC).

THE PNDC AND THE STRUCTURAL ADJUSTMENT PROGRAMME (SAP)

When the PNDC took over the reins of power, the Ghanaian economy and especially the industrial sector was on the brink of collapse after over a decade of decline. Although the agricultural sector remained very dominant, the inability of production to keep up with population growth due to the absence of programmes to encourage production, meant that the sector had become stagnant.⁴⁷ Cocoa production and output which accounted for about 70% of the country's export revenue was down from 413 000 tonnes in 1970 to 224 000

⁴⁵ K. Ofori-Yeboah, *State and Industrial Development in Ghana*, p. 110.

⁴⁶ S. Buame, *Entrepreneurship: A Contextual Perspective*, p. 118.

⁴⁷ UNDP (1997), *Ghana Human Development Report*, Accra: UNDP, p. 10.

tonnes in 1981.⁴⁸ (See Table 4.1). Furthermore, industrial production in Ghana grew at only 1.4 percent a year from 1973 to 1983,⁴⁹ while the contribution of the manufacturing sub-sector to GDP fell from 11.3% in 1971 to 6.9% in 1983.⁵⁰ (See Table 4.2). The capacity utilization in medium and large-scale plants was down to a mere 18%,⁵¹ while domestic savings had fallen from 12% to 3% and investment rate from 14% to 2% of GDP between 1970 and 1982.⁵² Finally, by 1982, SOEs which depended heavily on government subventions, accounted for about 10% of government expenditures, were also unable to pay social security contributions on behalf of their employees, meet their tax obligations or service government guaranteed loans on which virtually no interest or principal was being paid.⁵³

Table 4.1: Trends in Ghana's Cocoa Industry

	1970	1975	1980	1981	1982	1983
Production ('000 tons)	413	396	258	224	179	159

Source: Loxley (1991), *Ghana: The Long Road to Recovery, 1983-90*, Ottawa: North-South Institute.

⁴⁸ J. Loxley (1991), *Ghana: The Long Road to Recovery, 1983-90*, Ottawa: North-South Institute, p. 5.

⁴⁹ W. Steel & G. Meier (1989), "Overview," W. Steel & G. Meier (eds), *Industrial adjustment in Sub-Saharan Africa*, Washington, DC: World Bank, p. 8

⁵⁰ I. Kapur et al. (1991), *Ghana: Adjustment and Growth, 1983-91*, Occasional Paper 86, Washington, DC: International Monetary Fund (IMF), p. 12

⁵¹ S. Lall et al., *Technology and Enterprise Development, Op. Cit.*, p. 29.

⁵² K. Bofo-Arthur (1999), "Ghana: Structural Adjustment, Democratization and the Politics of Continuity," *African Studies Review*, 42, 2, p.48.

⁵³ E. Gyimah-Boadi (1991), "State Enterprises Divestiture: Recent Ghanaian Experiences," D. Rothchild (ed), *Ghana: The Political Economy of Recovery*, Boulder & London, Lynne Rienner Publishers, p.197.

Table 4.2: Developments in Industrial Output, 1971-90 (In percent)

	Cumulative change Annual average growth 1971 - 1983		Cumulative change Annual average growth 1971 - 1983		Shares in real GDP		
					1971	1983	1990
Industrial Production	-47.5	-5.2	78	8.6	18.6	11.6	14.3
Mining and Quarrying	-60.9	-7.5	73.8	8.2	2.4	1.1	1.3
Manufacturing	-48.5	-5.4	89.1	9.5	11.3	6.9	9.1
Electricity, Gas, Water	141.2	7.6	112	11.3	0.3	0.9	1.3
Construction	-50.4	-5.7	40.6	5	4.6	2.7	2.6

Source: Kapur et al., (1991), Ghana: Adjustment and Growth, 1983-91, p.12.

As a government which came to power with revolutionary programmes, and a socialist and populist ideology, the PNDC engaged in "people's power" to mobilize individuals to deal with the economic problems confronting the country. People's Defence Committees (PDCs) and Worker's Defence Committees (WDCs) were established throughout the country in January 1982 to be "watch-dogs" of the government's revolution by imposing a new system of justice which involved the constant monitoring of public officials, rooting out corruption, and also spearheading the economic development process.⁵⁴ There was, for instance, the confiscation of assets through the Citizens Vetting Committee of individuals and business owners who were believed to have gotten their wealth through corrupt means. Furthermore, the government attempted an independent self-reliant stabilization programme which involved a slow down in money supply, confiscation of 50 cedi (C) notes and their conversion into forced loans to the state redeemable after five to ten years, and a freeze on all bank balances over C50,000. State monopoly was also instituted in the export and import trade while

⁵⁴ E. Hutchful (1989), "From Revolution to Monetarism: The Economics and Politics of Adjustment Program in Ghana," J. Loxley & B. Campbell (eds), *Structural Adjustment in Africa*, London: Macmillan, pp. 92-93.

internal distribution of essential commodities were undertaken by the "People's Shop" under the control of the PDCs.⁵⁵

Despite these initiatives to deal with the economic crisis, a number of unforeseen and unanticipated problems further worsened the situation. The severe droughts and bush-fires that Ghana experienced between 1982 and 1983, which adversely affected agriculture and food production, the production of hydro-electric power, and consequently industrial production; the repatriation of over 1.5 million Ghanaians from Nigeria in 1982/83; the deterioration in the country's terms of trade; the shortage of foreign exchange and a concomitant brain drain define the dire straits in which Ghana found itself. While basic infrastructure like roads and health services deteriorated, deprivation became a fact of life for many Ghanaians.⁵⁶

The economic crisis experienced by Ghana and other developing countries in the 1970s and 1980s raised serious questions about their ability to establish a competitive economic and industrial structure that could transform their economies.⁵⁷ It is in this vein that besides relying on "people power" to deal with the great turbulence and precipitous economic decline as well as develop its industries, the PNDC government also turned to its socialist allies and other friendly countries like Libya for financial support. When the government failed to obtain financial aid and other forms of assistance from its "socialist friends," except

⁵⁵ *ibid.*, pp. 100-101.

⁵⁶ J. Loxley (1988), *Ghana: Economic Crisis and the Long Road to Recovery*, Ottawa: North-South Institute; K. Boafo-Arthur (1999), "Structural Adjustment, Democratization and the Politics of Continuity," *African Studies Review*, 42, 2, p. 48.

⁵⁷ S. Wangwe (1995), "Introduction," S. Wangwe (ed), *Exporting Africa: Technology, Trade and Industrialization in Sub-Saharan Africa*, London: Routledge, p. 3.

emergency fuel supplies from Libya, the PNDC felt that there was no alternative to an IMF loan facility. There was thus an ideological shift in favour of market-based as opposed to the socialist and revolutionary programmes, as well as government-initiated solutions to the economic problems the country had to grapple with. So despite the initial "socialist rhetoric," "revolutionary objectives," anti-Western stance and the dismissal of neo-liberal economic principles by the PNDC, the government, faced with the harsh economic realities and under pressures from the IMF and World Bank, implemented a Structural Adjustment Programme (SAP) in 1983.⁵⁸ The assumption underlying the SAP was that economic and enterprise-level inefficiencies were reflections of distortion or inappropriate macro-economic policies. Thus, if appropriate adjustments were put in place, the economy would receive the right signals through the market and restructure accordingly.⁵⁹

In this regard, the main elements of Ghana's SAP were currency devaluation, limited state involvement in the economy and the retrenchment of government workers.⁶⁰ In addition, quotas, import licenses and high tariff rates that were instituted by governments on certain imported goods to conserve foreign exchange were all abolished under the trade liberalization policy.⁶¹ To get the manufacturing and export sector of the Ghanaian economy to make its

⁵⁸ E. Hutchful (1989), "From Revolution to Monetarism: The Economics and Politics of Adjustment Program in Ghana," J. Loxley & B. Campbell (eds), *Structural Adjustment in Africa*, London: Macmillan, p. 102; K. Bofo-Arthur (1999), "Ghana: Structural Adjustment, Democratization and the Politics of Continuity," *African Studies Review*, 42, 2, p. 48.

⁵⁹ S. Wangwe, "Introduction," *Loc. Cit.*, p. 9.

⁶⁰ J. Loxley (1988), *Ghana: Economic Crisis and the Long Road to Recovery*, Ottawa: North-South Institute.

⁶¹ K. Appiah-Adu (1999), "Marketing in a Liberalized Developing Economy: Emerging Trends and Implications for Strategy," *The Journal of Management Studies*, Vol. 14, p.19.

optimum contribution, a comprehensive programme of export promotion with incentives and diversification was also pursued. Thus, a market-determined exchange rate was instituted in September of 1986, and exporters were also permitted to retain part of their external proceeds in external accounts to defray foreign exchange costs associated with their businesses.⁶² In addition, concessions of paying income tax at the rate of 45% as compared to previous levels of 55%, the exemption from payment of customs duties on plant machinery, equipment and accessories for purposes of commercial mining operations were offered to mining operators, while no sales tax was also charged on manufactured goods designed for export markets by non-traditional exports.⁶³

Table 4.3: Ghana-Selected Economic Indicators, 1983-1988

	1983	1984	1985	1986	1987	1988
Real GDP (% Change)	-4.6	8.6	5.1	5.2	4.8	6.2
Savings/GDP (%) ⁶⁴	2.4	5.3	6	4	5	5
Investment/GDP (%)	7.8	6.9	9.6	9.7	10.8	12.3
Inflation (%)	122	40.2	10.4	24.6	39.8	31.4
Total Debt ⁶⁵	1908	2255	2555	2910	3408	3392
Debt Service Ratio (%)	30.5	23.3	32.2	28.9	49.9	62.8

Sources: Martin, M. (1991, pp.245-253); EIU Country Report, Ghana, No.1, 1990, cited in Boafo-Arthur (1999, p.52).

⁶² K. Anyemedu (1991), "Export Diversification under the ERP," D. Rothchild (ed), *Ghana: The Political Economy of Recovery*, London: Lynne Rienner Publishers, pp.211-213.

⁶³ These products included unprocessed agricultural products such as fresh tuna, pineapples, yams, cola nuts, bananas, as well as processed and semi-processed products like sawn wood, aluminium products, natural rubber sheets (Baah-Nuakoh et al., 1996, p. 2).

⁶⁴ Domestically generated savings (i.e., excluding aid grants) (Martin, 1991, p.245).

⁶⁵ Figures in US\$ million

Table 4.3, which provides a summary and overview of the performance of the Ghanaian economy after the implementation of the SAP, shows that the real GDP growth rate averaged 6% from 1984-1988, while there was a steady increase and expansion in the levels of investment from 7.8% in 1983 to 12.3% in 1988. Although subject to yearly fluctuations, inflationary levels which had reached 122% in 1983 had by 1988 witnessed a dramatic fall to 31.4%. According to Kapur et al., industrial sector activity was also boosted by the increased availability of foreign exchange, and imported inputs and raw materials, equipment and machinery. As Table 4.2 shows, after falling from almost 19% in 1971 to less than 12% in 1983, the share of industrial sector output in total GDP rose to over 14% by 1990 and the manufacturing sub-sector grew to 9% over the same period.⁶⁶

While the economic and industrial growth during the implementation of the SAP in Ghana seems impressive, they were not without problems. In the first place, although some optimism was expressed to the effect that the export promotion measures pursued under the SAP would invariably reduce Ghana's reliance on gold and cocoa as the major foreign exchange earners, this did not happen. The diversification away from primary products and activities does not seem to have occurred in the area of commodity exports. Cocoa, timber and minerals still dominate merchandise exports.⁶⁷ Although non-traditional exports responded favourably in dollars, increasing from \$23.8 million in 1986 to \$71.7 million in 1993, there was no substantial change in the structure of Ghanaian exports. Exports were still

⁶⁶ I. Kapur et al. (1991), *Ghana: Adjustment and Growth, 1983-91*, Occasional Paper 86, Washington, DC: International Monetary Fund, pp. 10-12.

⁶⁷ UNDP, *Ghana Human Development Report*, p. 12.

basically dominated by minerals, cocoa and timber, which altogether accounted for over 85% of exports. Thus, there was little diversification into manufactured products for exports.⁶⁸ Furthermore, with the steady inflow of external donor assistance into the Ghanaian economy to support SAP, the country's dependence on external aid worsened the debt burden. Ghana's external debt which stood at \$1.9 billion as of the time of introducing SAP in 1983 reached \$3.39 billion in 1988, resulting in an increase in debt service ratio from 30.5% in 1983 to 62.8% in 1988.⁶⁹

In addition, the industrial sector, consisting of manufacturing, mining and quarrying, electricity and water, and construction, which took off strongly in the first five years after the implementation of SAP with an average annual growth rate of 11.2%, faded out after five years of implementation; for between 1989 and 1999, the average annual growth rate declined to 4.4%. This is because the manufacturing sub-sector, which contributes about 60% of the total value of industrial production, witnessed an average annual growth in output of 3.2% between 1990 and 1999, as compared to the 14.5% average annual growth that it experienced between 1984-1987. For example, in the last five years, real growth rate of the manufacturing sector was 1.8% in 1995, 3% in 1996, 5.4% in 1997, 4% in 1998, and 4.8% in 1999. Similarly, the manufacturing sub-sector's share in real GDP which stood at 9.17% in 1990 had by 1999 dropped to 8.3%.⁷⁰

The initial success of the manufacturing sector was due to the improved utilization of

⁶⁸ K. Baah-Nuakoh et al., *Exporting Manufacturers from Ghana*, p. 2.

⁶⁹ K. Boafo-Arthur (1999), "Ghana: Structural Adjustment, Democratization and the Politics of Continuity," *African Affairs Review*, 42, 2, pp. 48-52.

⁷⁰ ISSER (2000), *The State of the Ghanaian Economy in 1999*, Legon: ISSER, pp. 106-107.

installed capacity that resulted from the easing of foreign exchange restrictions pursued as part of the SAP. Reduction in foreign exchange restrictions made available foreign exchange for the importation of raw materials, spare parts, equipment and machinery necessary for effective and utilization of existing plants and machinery. However, the recent decline of the manufacturing sector was also due to problems relating to high interest rates and hence high rate of credit, as well as the depreciation of the cedi which compelled many import dependent industries to battle the high cost of production.⁷¹ To make matters worse, manufacturing activities were severely undermined and devastated by import competition. With the export boom generated by the SAP, local manufacturers, especially those in the small-scale sector, lost the advantage that they enjoyed on the local market.⁷² Since most foreign companies had a comparative advantage in terms of their cost of production, local industries were driven out of business because they could not cope with the level of competition. An example of this trend was found in the case of the soap industry. In the face of economic crisis and the accompanying shortages of foreign exchange to import goods, the local soap industry grew to meet the needs of the average Ghanaian. With liberalization, the local soap industry was adversely affected because they could not compete with the prices of either the imported soap or the products of the multinational corporation whose production and packaging costs were significantly lower.

According to Smillie, dozens of local soap manufacturers who were "producing an acceptable, low cost, and definitely affordable product ... discovered that when the giant Lever

⁷¹ *ibid.*, pp. 106-108.

⁷² Ninsin, "Planning for the Growth of Small-scale Industries in the informal Sector," *Loc. Cit.*, p. 278

Brothers plant obtained enough foreign exchange to resume production, people were willing to pay twice the price for a soap whose only evident superiority was its round shape, its perfumed scent and attractive packaging..... Demand for the affordable product declined, making its production unaffordable to many producers."⁷³ However, "had there been time and assistance for Ghana's small-scale soap-makers, they might have been able to add inexpensive perfume and an attractive wrapping to their product before Lever Brothers drove them out of business."⁷⁴

While the share of manufacturing has consistently declined since 1990, the share of other sub-sectors in real industrial output have also marginally experienced a rising trend. The share of mining and quarrying, as well as construction rose slightly from 9.1% and 18.5% to 11% and 21.9% respectively from 1990 to 1999. The share of electricity and water sub-sector in real industry output also rose from 9.2% to 11.5% between 1990 and 1997, before dropping to 10.3% in 1999. Similarly, the share in real GDP of the other industrial sub-sectors in 1999 were as follows: construction (3.2%), mining and quarrying (1.6%), and electricity and water (1.5%), in that order.⁷⁵ Thus, the initial benefit of SAP was fast eroded by the unfavourable macro-economic environment, which to a significant extent crippled the industrial sector, especially the domestic manufacturing sector.⁷⁶

Furthermore, since the greatest source of employment in Africa has generally been the

⁷³ Smillie, *No Condition Permanent*, *Op. Cit.*, p. 55.

⁷⁴ I. Smillie (1991), *Mastering the Machine, Poverty, Aid and Technology*, London: Broadview Press, p. 225.

⁷⁵ ISSER, *The State of the Ghanaian Economy in 1999*, pp. 111-112.

⁷⁶ *ibid.*, pp. 106-108.

public sector,⁷⁷ putting a freeze on employment in the public sector and laying-off public servants affected the lives of a great number of Ghanaians. The government's promise of providing training programmes for the retrenched labour force was not fulfilled. The lack of employment opportunities for the workers who were laid off reflected the fact that the government's hope of the private sector absorbing this labour force did not materialize. With the reduction of the public sector under the SAP, and in the midst of the state's inability to respond to their needs and the attendant economic privation, an increasing number of Ghanaians turned to the informal sector for employment.⁷⁸ The informal and small-scale sector of Ghana thus became the fastest growing sector in terms of employment creation at 6.5% per annum, compared to 1% in the formal sector.⁷⁹

Since 1993, the National Democratic Congress (NDC) government, which came to power after democratic elections were held in November and December of 1992, has pursued economic policies similar to that of its predecessor, the PNDC. Through the Ghana Investment Promotion Centre (GIPC) which was established by an Act in 1994 (Act 478), the government has pursued a vigorous free market economic, industrial, trade and investment policy, as well as promoted non-traditional exports.⁸⁰ Furthermore, as part of its responsibilities, the GIPC is charged with assisting investors in getting approval from the

⁷⁷ B. R. Riddell (1992), "Things Fall Apart Again: Structural Adjustment Programmes in Sub-Saharan Africa," *The Journal of Modern African Studies*, 30, 1, p. 58.

⁷⁸ Tettey, *Computerization and State Capacity Building*, *Op. Cit.*, p. 51; UNDP, *Ghana Human Development Report*, *Op. Cit.*, p. 46.

⁷⁹ UNDP, *Ghana Human Development Report*, p. 46.

⁸⁰ Ghana Investment Promotion Centre (GIPC) (no date), *Investors's Guide to Ghana*, Accra: Buck Press Limited.

appropriate institutions and agencies to facilitate their operations, while helping investors with the information regarding the legal, regulatory and procedural guidelines for setting up a business in Ghana.⁸¹ Also, under the new Ghana Investment Act of 1994 (Act 478), a number of incentives have been introduced for foreign investors. First, not only will it be easier for foreign investors to repatriate their dividends or net profits, but also no foreign enterprise shall be nationalized or expropriated by the Government. In a situation where a foreign enterprise is acquired by the government of Ghana in the interest of the country, payment of fair and adequate compensation must be made to the owners. Tax holidays, exemption from the payment of withholding taxes on dividends arising out of free zone investment, a hundred percent (100%) duty exemption for production equipment, generous capital allowances, and the ability for foreign investors to own a hundred percent (100%) of any business in Ghana, following the repeal of the indigenisation laws introduced decades ago, are all part of the incentives and benefits of Ghana's industrial and investment policy.⁸²

The legislation on export processing zones, the liberalized investment climate and the concomitant wide range of incentives to investors seem to be yielding economic dividends. Since 1994, about nine hundred and seventy two (972) new investment projects in the manufacturing, service, tourism, building and construction, and the general trading sectors of the Ghanaian economy have been registered.⁸³ Furthermore, total industry employment that increased from 91,700 in 1983 to 131,600 in 1987 when average growth rate of the

⁸¹ Appiah-Adu, "Marketing in a Liberalized Developing Economy," *Loc. Cit.*, pp. 18-19.

⁸² Republic of Ghana (1995), *The Free Zone Act*, Accra: Buck Press Limited, p. 12; K. Kwawu (1999), "Ghana-Thirty-Nine Years of Republican Existence," *High Street Journal*, p. 26.

⁸³ ISSER, *The State of the Ghanaian Economy in 1999*, pp. 128-129.

sector over the same period was 12.2%, but fell to 47,200 in 1991 when the growth rate in that year was 3.2%, is being reversed. According to ISSER, the supposed rise in employment in the industrial sector over the last five years has come from the improved performance of some divested SOEs, free zones projects, as well as the investment programmes of the GIPC.⁸⁴ For instance, it is estimated that new employment opportunities (53,919 for Ghanaians and for 3,339 non-Ghanaians), would be generated in the country because of GIPC's new investment projects in manufacturing, building and construction, and other sectors of the economy.⁸⁵ Also, after two years of implementation, fifty-nine companies in furniture/wood products, metal fabrication, garments and protective clothing, beauty products, fibreglass manufacturing, warehousing, food processing, pharmaceuticals, packaging and telecommunication had been registered in Ghana's free zone programme. Ghana's export processing legislation is unique in the sense that any factory situated in any part of the country can benefit from the provision of the export zone legislation as long as at least seventy percent (70%) of its target market is the world.⁸⁶

The policy measures and their consequences are part of the government's long-term development plan called *Vision 2020*, which aims at making Ghana a middle income country by the year 2020.⁸⁷ It should be noted that apart from pursuing a free market economic,

⁸⁴ Among the divested SOEs that improved their performance are the Golden Tulip and Tema Steel Company that increased their employment from pre-divestiture levels of 116 to 347, and 130 to 584 respectively. Similarly, the Coca Cola Bottling Company of Ghana which had a pre-divestiture employment level of 372 now has a workforce of 636. (ibid, p. 113).

⁸⁵ *ibid.*, p. 129.

⁸⁶ ISSER, *The State of the Ghanaian Economy in 1998, Op. Cit.*, p. 167.

⁸⁷ *ibid.*, p. 170.

investment and industrial policies that is supposed to optimize the rate of economic development for the country, the NDC government also aims at diversifying the productive base of the economy. This can be achieved by promoting micro- and small scale enterprises which can not only satisfy the increasingly-sophisticated local and foreign demand for food and manufactured goods, but also contribute to employment generation and the processing of local raw materials for supply to large industrial concerns.⁸⁸ It is under these circumstances that both public and private agencies have been active in promoting small-scale industries to help them to contribute towards the rapid industrial and socio-economic development of Ghana.

REVIEW OF LITERATURE ON SMALL-SCALE ENTERPRISES

Recently, significant research on industrialization focuses on the role of small and medium-scale industries in the economy of many countries. While there is agreement on the fact that countries in the developing world have shifted focus from large-scale enterprises to small-scale ones, the literature is filled with conflicting research findings on the contribution that they can make to these economies. As Acs and Audretsch note, there is the view that small firms and enterprises do not perform an important role in the economy and that they will play an increasingly diminished role in the future.⁸⁹ This is in contrast to the position that small and medium-scale enterprises are more critical to the economic and industrial advancement

⁸⁸ Republic of Ghana (1997), *Ghana-Vision 2020*, Accra: National Development Planning Commission, pp. 6-7.

⁸⁹ Z. Acs & D. Audretsch (eds) (1993), *Small Firms and Entrepreneurship: An East West Perspective*, Cambridge: Cambridge University Press, p. 1.

of countries than previously acknowledged.⁹⁰

One of the major reasons for the renewed interest in the activities of small-scale industries in both the developing and developed worlds has to do with the prospects they have for creation of employment.⁹¹ In Sub-Saharan Africa (SSA), it is estimated that between 60 and 65 percent of the labour force in the urban areas find employment in the informal⁹² and small-scale sectors of the economy.⁹³ Since available evidence from SSA show that small-scale industries actually dominate the industrial sector and also employ the bulk of industrial workers at lower cost per job than larger firms, there is no reason why they should not be encouraged to expand their operations.⁹⁴ According to Steel and Webster, small-scale enterprises (SSE) tend to be relatively labour intensive and also utilize low levels of technology, which as a strategy is conducive to expansion of the SSE, and also consistent with employment and income distribution objectives, while at the same time allowing for

⁹⁰ See Anderson (1982), "Small Industry in Developing Countries: A Discussion of Issues," *World Development*, 10, 11, pp. 913-948; W. Steel & L. Webster (1991), *Small Enterprises Under Adjustment in Ghana*, World Bank Technical Paper, No. 138, Industry and Finance Series, Washington, DC: World Bank.

⁹¹ M. Harper (1984), *Small Business in the Third World*, New York: John Wiley & Sons Limited; J. Page (1979), *Small Enterprises in African Development: A Survey*, World Bank Staff Working Paper, No. 363, Washington, DC: World Bank; Steel & Webster, *Small Enterprises Under Adjustment in Ghana*, *Op. Cit.*; Acs & Audretsch, *Small Firms and Entrepreneurship*, *Op. Cit.*; R. Parker et al. (1995), *Small Enterprises Adjusting to Liberalization in Five African Countries*, World Bank Discussion Paper, Technical Department Series, No. 271, Washington, DC: World Bank.

⁹² The concept of the informal sector, traced to Hart (1970) and which was made prominent by the 1972 ILO World Employment Programme report on Kenya, is characterised by "ease of entry, family ownership, reliance on indigenous resources, and labour-intensive and adapted technology" (Bromley, 1978, p. 1033).

⁹³ S. N. Boapeah & M. Poppe (1992), *Strengthening Spatial Circuits of Rural Small-Scale Industries for District Development: A Case of Dangme West District, Ghana*, Dortmund: Spring Publications.

⁹⁴ Anderson, "Small Industry in Developing Countries," *Loc. Cit.*; C. Liedholm & D. Mead (1989), "Magnitude and Importance of Small-Scale Industry," W. Steel & G. Meier (eds), *Industrial Adjustment in Sub-Saharan Africa*, Washington, DC: World Bank, pp. 186-190.

sustained productivity increases through improvements in technology.⁹⁵

Advocates like Lall thus argue that the small-scale and informal sectors should remain areas of strength and should be encouraged to grow, upgrade productivity, and enter export markets. He suggests that policy biases against small-scale industries should be removed to enable them to grow larger. By so doing, these enterprises will not only attract individuals with the requisite skills but also establish linkages with large-scale industries.⁹⁶ However, Ninsin disputes this prevailing wisdom by saying that the informal and small-scale sector is incapable of generating significant employment and reasonable levels of income towards the amelioration of unemployment and poverty in developing countries like Ghana. He argues that this sector is a malignant symptom of a weak capitalist economy dominated and exploited by international capital through the weak national capitalist economy. Therefore, it does not have the chance of emerging as an independent and dynamic economic sector capable of creating employment. For him, the informal sector is rather full of precarious economic activities which have become the haven for people seeking desperately to eke out a living because they are unable to secure wage and salaried employment in the formal capitalist sector.⁹⁷

Furthermore, an ongoing debate on the activities of small-scale enterprises has centred on the efficiency with which they utilize resources. It has been suggested that small scale firms generate higher economic rates of return to capital than their large-scale industrial

⁹⁵ Steel & Webster, *Small Enterprises Under Adjustment, Op. Cit.*

⁹⁶ S. Lall (1989), "Achieving A More Ideal Structure," W. Steel & G. Meier (eds), *Industrial Adjustment in Sub-Saharan Africa*, Washington, DC: World Bank, p. 94.

⁹⁷ K. A. Ninsin (1991), *The Informal sector in Ghana's Political Economy*, Accra: Freedom Publications.

counterparts.⁹⁸ While conceding that this view may not be definitive, advocates believe nevertheless, that small-scale industries are economically more efficient than large-scale ones, since they are more innovative,⁹⁹ flexible, and adapt easily to new technologies, production and management techniques.¹⁰⁰

Despite their positive characterization by some writers, others are neither enthusiastic nor optimistic about the role of small-scale enterprises, especially with regard to their economic efficiency. In arguing against the view that small-scale enterprises utilize resources more efficiently, Berry cites evidence from her study of small-scale enterprises in two Yoruba towns in Nigeria to counter this claim. For her, the unit cost of production of small firms and enterprises are not lower than larger enterprise, and "small-scale entrepreneurs often find it difficult to delegate financial and managerial responsibility or to devise effective methods of accounting."¹⁰¹ Furthermore, as small firms grow too large for the owner to supervise all its operations, workers' efficiency declines and financial affairs may become increasingly disorganized. Thus, small-scale entrepreneurs in Sub-Saharan Africa choose to diversify their activities into a variety of small-scale activities rather than specialize and expand the operations of a single firm.¹⁰² Hart attributes this to the "economics of uncertainty," the

⁹⁸ Anderson, "Small Industry in Developing Countries," *Loc. Cit.*; Liedholm & Mead, "Magnitude and importance of Small-Scale Industry," *Loc. Cit.*

⁹⁹ G. Bannock & A. Peacock (1989), *Government and Small Business*, London: Paul Chapman Publishing Limited, p.60.

¹⁰⁰ Acs & Audretsch, *Small Firms and Entrepreneurship*, *Op. Cit.*, p. 229.

¹⁰¹ S. Berry (1985), *Fathers Work for Their Sons*, Berkeley: University of California Press, p. 137.

¹⁰² P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press.

illiteracy of many entrepreneurs and their consequent inability to manage complicated organizations, and the desire among business operators to escape the payment of income tax as long as their activities remain un-routinized and outside the control of the revenue inspection methods.¹⁰³

In a study aimed at finding out the factors responsible for preventing businesses in Ghana from expanding, Garlick argued that the concern for self-preservation in case of business misfortune, and the use of businesses as insurance against sickness and old age were some of the factors that militate against the expansion of businesses in Ghana and for diversification into other areas. More importantly, he stressed that it reflected typical management problems in Ghana.¹⁰⁴ The demands of the family, concerns with finding honest and able partners and subordinates, as well as the difficulties associated with delegating responsibilities as enterprises expanded made diversification more sensible and worthwhile.¹⁰⁵ Thus, "entrepreneurial eclecticism" was considered the appropriate and normal thing to do in Ghana.¹⁰⁶ Kennedy however, points out that entrepreneurs have devised certain strategies to avoid or minimize some of the risk associated with delegation. Among them are the provision of education for a family member in "business management, accounting or a relevant aspect of production technology with a view of offering them a position of responsibility at a later

¹⁰³ K. Hart (1970), "Small-Scale entrepreneurs in Ghana and Development Planning," *Journal of Development Studies*, 6, 4, pp. 108-109.

¹⁰⁴ Garlick, *African Traders and Economic Development in Ghana*, *Op. Cit.*, p. 55

¹⁰⁵ *ibid.*, pp. 55 & 139.

¹⁰⁶ K. Hart, "Small-scale entrepreneurs in Ghana and Development Planning" *Loc. Cit.*, p. 108.

date."¹⁰⁷

Another area of disagreement in the literature is on the relationship that exists between small-scale enterprises and entrepreneurial development and management. According to Page, in the absence of skilled managers in Africa, small enterprises are an outlet and training ground for entrepreneurs.¹⁰⁸ Since successful industrialization must have an indigenous base, the expansion of the small-scale enterprise helps to develop the entrepreneurial and managerial class that is needed as a basis for more efficient indigenous investment in and management of large scale industries.¹⁰⁹ Page however, argues that there is limited utilization of the technical and managerial training available to small scale entrepreneurs. With entrance requirements to various training programmes being very high, small entrepreneurs were unable to take advantage of existing programmes. Although enterprise owners were very proficient in small-scale manufacturing, they were mostly found wanting when it came to financial management and business organization. The failure of small-scale entrepreneurs to improve on their managerial skills is reflected in their tendency to hold excessive stocks or capital equipment; failure to operate under proper accounting procedures and practices; and failure to separate business finances from their personal and household incomes. The lack of education and in particular the failure to acquire basic financial management and

¹⁰⁷ P. Kennedy (1988), *African Capitalism: The Struggle for Ascendancy*, Cambridge: Cambridge University Press, pp. 167-168.

¹⁰⁸ J. Page (1979), *Small Enterprises in African Development: A Survey*, World Bank Staff Working Paper, No. 363, Washington, DC: World Bank, p. 28.

¹⁰⁹ W. Steel & L. Webster, *Small Enterprises Under Adjustment in Ghana*, Op. Cit.

organizational skills severely limit the size and complexity of firms.¹¹⁰

Sowa et al.'s survey of small industries in Ghana also revealed that although a large proportion of small-scale entrepreneurs in Ghana were well educated, most of them were found to be deficient in the technical and vocational training which is critical for most of the enterprises.¹¹¹ However, without technological and managerial support, small enterprises will remain uncompetitive. In their study of industrial and technological development in Ghana, Lall et al. concluded that small enterprises generally lacked university-trained technical and professional personnel-particularly engineers and scientists. The shortage of technically trained manpower in Ghana meant that small industrial enterprises were unable to utilize the higher skills that could improve their operations.¹¹²

Despite the strong links between industrial and technological capacity and the level of education and work experience of the entrepreneur, there were only minimal training programmes for entrepreneurship development. In addition, apprenticeship programmes which existed were only prevalent in certain activities with traditional technologies such as wood and metal working, and they held that this could not serve as a solution for Ghana's training needs. However, building up a variety of educational, training, and technology institutions to carry out the tasks that the government has to perform, the industrial and technological development capabilities of the country can be improved upon.¹¹³ This view is

¹¹⁰ J. Page, *Small Enterprises in African Development*, *Op. Cit.* pp. 29-30.

¹¹¹ N. K. Sowa et al. (1992), *Small Enterprises and Adjustment: The Impact of Ghana's ERP*, London: Overseas Development Institute, p. 45.

¹¹² S. Lall et al., *Technology and Enterprise Development*, *Op. Cit.*, See Chapter Ten.

¹¹³ *ibid.*, p. 198.

consistent with Ninsin's position that only management training courses by institutions that are well oriented and equipped could offer solutions to the acute problem of industrial development in Ghana. Such training programmes and the exposure to the science of management, would not only eliminate the *ad hoc* and haphazard style of management of most small-scale entrepreneurs, but also dispel the illusion and unfounded ideas that they could succeed or make it in their condition of ignorance.¹¹⁴

Another problem relating to the management and administration of small-scale enterprises centres on the widespread presence of patron-client relationships. In her study of the activities of entrepreneurs in two Yoruba towns in Nigeria, Berry reported that private capital and small-scale entrepreneurs direct their surpluses and profits into unproductive social investment like the maintenance of patron-client relationships. By investing their capital into the maintenance of patron-client relationships, small-scale entrepreneurs and industrialists undermine their ability and capacity to be technologically innovative and efficient. Also, she maintains that the expectations that came with such ties became a financial drain on the entrepreneurs, thereby affecting their ability to grow or expand.¹¹⁵

Forrest however, argues that his study of entrepreneurs and businesses in Nigeria did not find any support for the assertion that business owners were hampered by the demands for support or assistance from extended family members or their clients. Although he concedes that there are underlying pressures on business owners in the sense that they use

¹¹⁴ K. Ninsin (1992), "Planning for the Growth of Small-Scale Industries in the Informal Sector," E. Aryeetey (ed), *Planning African Growth and Development*, Accra: ISSER/UNDP, p. 278.

¹¹⁵ S. Berry, *Fathers Work for Their Sons*, *Op. Cit.*

their resources and wealth to support conspicuous expenditures like marriages, title taking for themselves and aid for their close kin, Forrest holds that "private philanthropy by wealthy individuals beyond contributions to extended kin is directed at education, health, infrastructure, social clubs and churches. Though it is clearly related to a search for individual recognition and social approval, it is not necessarily part of a Big-man syndrome where a stream of patronage is directed at building up networks of influence and adversely affects the growth and longevity of enterprises."¹¹⁶ He therefore challenges some of the widely held negative stereotypes about African enterprises, entrepreneurs, and their mode of operation.

Nonetheless, it has been shown how the costs (money and time) associated with rites of passage like funerals serve as a serious drain upon businesses and organizational life in Ghana. Garlick for instance, points out that since funerals are big social occasions a well-known businessman might sometimes receive in a single week more invitations than he could accept. Apart from the principal costs, that is, the purchase of a coffin, drinks, and the financial contributions normally made to the family of the deceased by businessmen, funeral ceremonies take place over an extended period of time (3-4 days) which result in the loss of several hours of selling time.¹¹⁷ As Woode notes, in Ghana "death brings everything to a dead-end, in the sense that when death occurs everything else must wait until the dead is buried."¹¹⁸

One area where there is consensus among researchers on the activities of small-scale

¹¹⁶ T. Forrest (1994), *The Advance of African Capital: The Growth of Nigerian Private Enterprise*, Edinburgh: Edinburgh University Press, p. 240.

¹¹⁷ P. Garlick, *African Traders and Economic Development in Ghana*, *Op. Cit.* pp. 104-105.

¹¹⁸ S. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers, p.39.

industries is in the lack of access to adequate finance, both short-term credit and long-term capital. Page's review of the structure and performance of small-scale enterprises in Africa revealed that small firms confront capital costs which exceed those available to larger enterprises, and that they have extremely limited access to commercial credit because bank lending to small firms is characterized by high administrative costs and the perceived risk of default.¹¹⁹ According to Chamlee-Wright, while the sight of Western-type banking institutions in the larger cities of Ghana might give one cause for optimism, the majority of female entrepreneurs in the informal sector never enter the doors of such institutions. Apart from the unwillingness of small entrepreneurs to accept the practices of formal banking institutions, the banks are also reluctant to serve the needs of small-scale entrepreneurs. The inability of female entrepreneurs to raise or provide the initial deposit required to establish savings accounts within the formal sector, coupled with the substantial collateral that is demanded by the banks as security before loans are granted, serve as a deterrent to bank credit for small entrepreneurs. Indigenous financial arrangements which take the form of mutual assistance networks provide the alternative to the formal banking system for female entrepreneurs.¹²⁰

Despite the optimistic views expressed on the role of small-scale industries in promoting industrial development in Ghana, past policies channelled financial and foreign exchange resources to large investments. The results are that small-scale enterprises have difficulty obtaining the necessary credits, and are forced to operate outside formal financial markets and institutions. Instead, they obtained funds primarily from family savings, gifts,

¹¹⁹ J. Page, *Small Enterprises in African Development, Op. Cit.*, pp. ii & 20.

¹²⁰ E. Chamlee-Wright, *Cultural Foundations of Economic Development, Op. Cit.* pp. 133-135.

loans from relatives, traditional money lenders, and through indigenous financial arrangements which take the form of mutual assistance networks.¹²¹

The problem of inadequate working capital bedevilled the operations of small-scale firms. Page notes that problems relating to the availability and adequacy of working capital results in small firms being unable to maintain adequate stocks of finished goods and raw materials, and also produce standardized products for inventory.¹²² Although public institutions were created to provide financial assistance to these enterprises, Steel reported that not only was preference given to commercial and trading firms as opposed to small manufacturing enterprises, but that interest rates on loans given to small industries were generally the same as those charged to large scale enterprises. Small-scale enterprises therefore stood at a disadvantage when competing with larger firms in their attempts at securing loans from financial institutions.¹²³ African governments have generally had a preference for large-scale and capital intensive enterprises, and a bias against the informal and small-scale enterprise sector such that little or no financial and instrumental support was provided to them.¹²⁴

Finally, there is the problem of small-scale enterprises having adequate access to

¹²¹ See Garlick, *African Traders and Economic Development in Ghana*, Op. Cit.; Steel & Meier, "Overview", *Loc. Cit.*; S. Boapeah & M. Poppe, *Strengthening Spatial Circuits of Rural Small-scale Industries for District Development*, Op. Cit.; Chamlee-Wright, *Cultural Foundations of Economic Development*, Op. Cit.

¹²² Page, *Small Enterprises in African Development*, Op. Cit., p. 22

¹²³ W. Steel (1977), *Small-Scale Employment and Production in Developing Countries: Evidence from Ghana*, New York: Praeger.

¹²⁴ K. A. Ninsin, "Planning for the Growth of Small-Scale Industries..." *Loc. Cit.*

intermediate inputs and imported spare parts.¹²⁵ Prior to the adoption of the SAP, Steel found that import licences were mostly granted to larger enterprises.¹²⁶ Page adds that "even in circumstances where foreign exchange allocations are directly available to small firms, they remained at a disadvantage relative to large enterprises due to their limited administrative resources and their consequent inability to undertake the protracted bureaucratic procedures required to obtain an import licence."¹²⁷ However, evidence is also provided by Lall et al. to the effect that despite having access to imported inputs since the liberalization of the economy, industrial and technological development has not greatly improved in Ghana. They attribute this to

the speed of liberalization, the scarcity and/or the cost of investible resources (or the inability of the financial system to assess and support worthwhile technological effort), the extra risk and uncertainty created by the change in policy regimes, lack of information and knowledge on feasible strategies (or on their own requirements of technologies and skills) on the part of the firms, deficiencies in the supply of the necessary skills in the labour market, poor institutional support for restructuring and technological upgrading by individual firms, and so on.¹²⁸

Thus, only a policy which provides financial and industrial extension services will augur well for industrial development in Ghana, and assist small-scale industries in developing the accounting and management skills that can raise industrial production and productivity.¹²⁹ It is in an attempt to deal with the financial stress facing small-scale enterprises, especially after

¹²⁵ Page, *Small Enterprises in African Development*, *Op. Cit.*, p. 34.

¹²⁶ W. Steel, *Small-Scale Employment and Production in Developing Countries*, *Op. Cit.*

¹²⁷ Page, *Small Enterprises in African Development*, *Op. Cit.*, p. 34.

¹²⁸ S. Lall et al., *Technology and Enterprise Development*, *Op. Cit.*, pp. 187-188.

¹²⁹ Steel & Meier, "Introduction," *Loc. Cit.*

the SAP, that the Ghanaian government established the Business Assistance Fund (BAF) and allotted C10 billion (US \$15,408,795.34)¹³⁰ in its 1994 budget statement to help small-scale entrepreneurs.

Concluding Remarks

In looking at the economic and industrial development strategies pursued by post-colonial Ghanaian governments, one notices some amount of inconsistencies. While the Nkrumah government adopted a socialist and state-led strategy, the NLC opted for a mixed approach by retaining some socialist forms of production, while at the same time introducing new capitalist forms. On the other hand, while Busia went for a free-enterprise approach and sought to develop both industry and agriculture simultaneously, the NRC/SMC governments apart from insisting on a human resource approach also adopted policies similar to those of Nkrumah.¹³¹ For the PNDC government, despite its initial anti-Western stance, faced with the harsh economic realities, it accepted and implemented the SAP that involved "rolling back" the state. The retrenchment of government workers and the freeze on employment in the public sector that formed part of the SAP, led an increasing number of people to turn to the small-scale sector for employment, as well as many public and private agencies to come up with programmes and services to assist the small-scale sector. Three such agencies (NBSSI, GRATIS and EMPRETEC) promoting small-scale industrialization were thus selected and examined for this study because of the size and characteristics of their programmes and

¹³⁰ The dollar equivalent is based on the official exchange rate of US \$1 to 648.98 cedis (ISSER, *The State of the Ghanaian Economy in 1994*, Legon: ISSER, p. 6.

¹³¹ Ofori-Yeboah, *State and Industrial Development in Ghana*, p. 110.

services. The question we are now faced with is what has been the impact of the programmes and services of these agencies on their client firms? The subsequent chapters of this study are devoted to that question. An understanding of the history of the three organizations, their role, aims and objectives, and programmes and services would help us answer this question.

CHAPTER FIVE

STATE AND THE INDUSTRIALIZATION PROCESS: THE NATIONAL BOARD FOR SMALL-SCALE OF INDUSTRIES (NBSSI)

Background

In the discussions in the previous chapter, we realized that while successive governments formulated and implemented economic policies with the intention of improving the lot of Ghanaians, little emphasis was placed on developing the small-scale manufacturing sector or providing financial and managerial assistance to entrepreneurs engaged in those activities. Although self-employment in small-scale activities was becoming a permanent feature of the Ghanaian economy, there was little commitment on the part of the government to help those involved.¹

The recent shift of focus from government ownership of large industries to one where small-scale industries are considered one of the prime movers of industrial development has given small-scale enterprises a ray of hope. The focus of this chapter is on the activities of the National Board for Small-Scale Industries (NBSSI), the government agency charged with assisting and promoting small-scale industrialization. Among the issues examined are its aims and objectives, the assistance it offers small-scale industries, its problems and how they are dealt with, and the impact of its programmes on client firms. In discussing the last issue, I also look at the socio-cultural characteristics of client firms, and how useful the NBSSI has been in helping them to deal with institutional and cultural issues that confront their businesses.

¹ K. A. Ninsin (1992), "Planning for the Growth of Small-scale Industries in the Informal Sector: the Realities and Challenges for the Ghanaian Situation," E. Aryeetey (ed), *Planning African Growth and Development: Some Current Issues*, Accra: ISSER/UNDP, p. 264.

THE NBSSI: A HISTORICAL PERSPECTIVE

As early as 1951 when the first African administration under Dr. Kwame Nkrumah was installed in Ghana, the Industrial Development Corporation (IDC) was established to lay the foundation for an industrial take-off, and also to boost the development of small-scale rural industries.² The corporation was engaged in industrial expansion by providing financial, advisory and technical assistance in the development of new and existing industries in both the public and private sectors. It also trained local personnel for management positions. As such, in addition to establishing its own enterprises, the IDC advanced considerable sums of money in long term loans to private entrepreneurs.³ Review of the performance of the IDC, however, showed gross inefficiency, inability to develop industry and a careless dissipation of funds.⁴ The poor performance and problems of the IDC derived from erratic supplies of local raw materials, deficiency of capital, inadequate technical personnel and poor management,⁵ as well as the lack of clarity about what the government wanted the corporation to do, ministerial apathy to general policy, indiscipline among staff, lack of

² NBSSI (1994), *NBSSI News*, vol. 1, No. 1, p. 3.

³ See P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press; K. E. Adjei (1977), "State Corporations in Ghana: Their Prospects and Performance," *Working Paper Series*, School of Administration, University of Ghana, Legon, vol.77-3; T. Killick (1978), *Development Economics in Action: A Study of Economic Policies in Ghana*, London: Heineman; D. Rimmer (1992), *Staying Poor: Ghana's Political Economy, 1950-1990*, Oxford: Peragon Press Ltd.

⁴ P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press; K. E. Adjei (1977), "State Corporations in Ghana: Their Prospects and Performance," *Working Paper Series*, School of Administration, University of Ghana, Legon, vol.77-3; T. Killick (1978), *Development Economics in Action: A Study of Economic Policies in Ghana*, London: Heineman; D. Rimmer (1992), *Staying Poor: Ghana's Political Economy, 1950-1990*, Oxford: Peragon Press Ltd.

⁵ E. N Omaboe et al. (1966), *A Study of Contemporary Ghana*, London: Allen & Unwin, pp. 290-293.

accountability, use of the corporation to distribute patronage, and governmental interference and political pressure.⁶ According to Arthur Lewis,

the IDC suffered greatly from outside interferences, in the shape of members of parliament and other influential persons expecting staff appointments to be made irrespective of merit, redundant staff to be kept on pay-roll, disciplinary measures to be relaxed in favour of constituents, businesses to be purchased at inflated prices, loans to be made irrespective of security.⁷

By 1958, the government and parliament had become very disenchanted with the IDC's operations, and there was a loss of morale within the corporation itself. This state of affairs in the IDC resulted in it being disbanded in 1962, and led to the establishment of the State Enterprises Secretariat (SES) in 1964.⁸ The objectives of the SES was to provide, within the framework of government policy, for the effective, efficient and profitable operations of statutory corporations engaged in trade and industry. The SES was also to see to the setting up of annual production and financial targets, initiation and co-ordination of training programmes for employees of statutory corporations, and ensure the implementation of these policies. Furthermore, the SES was to hold shares on behalf of the government in any statutory corporation and to be represented in any business enterprise financed jointly by the government and other parties. In spite of these laudable goals, the SES had to deal with a number of problems. The SES not only had become an extension of the civil service with many "bosses" steering the affairs of the various state corporations, but also the legislative instruments incorporating the various state corporations gave each corporation so much

⁶ T. Killick, *Development Economics in Action, Op. Cit.*, pp.244-245.

⁷ Quoted in T. Killick, *Development Economics in Action*, p. 245; J. Frimpong-Ansah (1992), *The Vampire State in Africa: The Political Economy of Decline in Ghana*, Trenton, NJ: Africa World Press, p. 75.

⁸ E. N. Omaboe et al., *A Study of Contemporary Ghana*, foot note 4, p. 288.

autonomy that it negated the role of the SES. The SES could have performed better if it controlled all the SOEs when it was established in 1964, but it was only assigned control over manufacturing industries.⁹

After the change of government in 1966, the Ghana Industrial Holding Corporation (GIHOC) Decree (NLC D 207) was enacted by the National Liberation Council (NLC) in 1967 and existing state enterprises were brought under its control. GIHOC took over the assets and liabilities of the SES, but the principal objectives for establishing it was to place all the manufacturing enterprises under one holding corporation in order to bring order and rationalization to the utilization of the scarce resources at the disposal of its divisions. In the meantime, all non-manufacturing state enterprises in the sectors of mining, trade, works and agriculture etc were put in the hands of various functional ministries.¹⁰

The later recognition of the role of small-scale enterprises in the country's economy development resulted in the enactment of the Ghanaian Enterprises Development Decree of 1975 (NRCD 330). This led to the creation of the Ghanaian Enterprises Development Commission (GEDC), which was given both advisory and executive powers to provide technical and financial assistance, as well as training and extension services, to small-scale enterprises. The GEDC was charged with the task of providing and ensuring efficient management practices; including basic record-keeping and costing, efficient production or work processes, raw material/input procurement and management, and appropriate machinery and equipment procurement and maintenance. While set up on paper, the GEDC never

⁹K. E. Adjei, "State Corporations in Ghana," *Loc. Cit.*, pp. 8-14.

¹⁰ *ibid.*, p. 15.

actually performed the functions of providing training and extension services to small-scale industries even after 10 years of existence. As Ninsin states, there was no evidence of the GEDC discharging its mandate of providing entrepreneurial training, or other of the management training institutes in the country taking up this task.¹¹ Meanwhile, as noted in Chapter four, the SBLs introduced by the Busia government, and retained and administered by the GEDC during the Acheampong regime, benefitted traders as opposed to small-scale enterprises in the informal sector for whom the loan scheme was designed.

In view of the Rawlings government's new intention of making the small-scale industrial sector an engine of industrial growth, the NBSSI was established in 1985 to be the major government agency responsible for initiating and co-ordinating the policies and programmes for the growth of the small-scale industry. The creation of the NBSSI was an important step towards showing greater commitment on the part of the government to improving the activities of small-scale industries, which had grown considerably in the face of high unemployment levels in Ghana.¹² It was the position of the government that if positive interventions are adopted in the small-scale sector, the unemployment level in the country could be reduced considerably. The NBSSI was thus created to be the implementing agency for two main government programmes that were designed to propel the industrial sector by providing both financial and non-financial assistance to small-scale industries. Specifically the aims and objectives of the NBSSI were:

¹¹ K. A. Ninsin, "Planning for Growth of Small-Scale Industries in the Informal sector," *Loc. Cit.*, pp. 267-271.

¹² There is considerable debate about the rate of unemployment in Ghana because accurate and exact statistics are hard to come by. The 1997 UNDP Human Development Report on Ghana, for instance, put unemployment of the economically active at around 20% (UNDP, 1997, p. 43).

- (i) contributing to the creation of an enabling environment for small scale enterprise development;
- (ii) contributing to the development of an enterprise culture and thereby improving the indigenous entrepreneurial base in Ghana;
- (iii) facilitating access to credit for small scale entrepreneurs; and
- (iv) providing non-financial support to new business creation and small enterprise development in Ghana through comprehensive institutional linkages.

To realize these objectives, the NBSSI focuses on:

- (i) making policy recommendations and developing strategies towards the promotion of small business in Ghana;
- (ii) advising the sector Minister on all issues relating to the development of small businesses in Ghana;
- (iii) establishing a data bank and disseminating information on the small business sector;
- (iv) promoting the formation of sectoral business associations and developing existing ones;
- (v) mobilizing funding for the development of the small business sector;
- (vi) developing the entrepreneurial, technical and managerial capabilities of small business people; and
- (vii) implementing programmes and action plans in collaboration with governmental and non-governmental organizations whose activities have impact on the promotion and development of small businesses.¹³

¹³ NBSSI, *NBSSI News*, p. 13.

FINANCIAL ASSISTANCE SCHEMES OF NBSSI

The acquisition of capital is essential to any business because it stimulates growth, and enables individuals to employ their entrepreneurial skills and labour in productive activities. Despite this, small-scale enterprises while often regarded as being very important in developing the industrial base of a country, have generally been unable to expand their operations due to lack of finance. Finance has been and continues to be the bane of small-scale industries. Credit and financial institutions have been unwilling to provide them with capital because they consider it too risky to do so. Recently, there has been an increasing call on financial institutions to create an environment that would enable entrepreneurs to have access to adequate capital to help them contribute to the economic and industrial growth of Ghana.¹⁴ The lack of access of the informal and small-scale entrepreneurs to finance makes it difficult for them to engage in activities that can contribute to employment generation and poverty alleviation. The difficulty of securing financial assistance from formal financial institutions in countries like Ghana has resulted in a situation where micro-finance programmes and financial assistance through non-banking institutions have become a dominant feature of many developing economies.

As part of its objective of promoting the small-scale industry in Ghana, as well as alleviating the financial problems of small-scale entrepreneurs, the government through the NBSSI took up the challenge of providing financial assistance to small-scale entrepreneurs. Through its Investment and Credit Department, the NBSSI operates two credit schemes. The first, the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD)

¹⁴ See for example, "Default in Loan Repayment," *Graphic* (Accra), 14th June, 1999, p.7.

Credit Line for Micro and Small-Scale Industries, which started operating in 1989, was one of the 23 anti-poverty measures that were introduced by the government after the SAP.¹⁵ Although the government pledged 340 million cedis (C) (US \$1,259,259.25) under this scheme, it made available only C150 million (US \$555,555.55).¹⁶ The aim of this programme was to provide funds to entrepreneurs to set-up their own businesses, alleviate poverty and also assist the socially and economically disadvantaged to deal with some of the negative consequences of SAP. The other financial scheme was an C80 million (US\$ 183,028.66)¹⁷ Revolving Fund which started lending funds to client firms of the NBSSI in April 1993, after a loan request had been made by the NBSSI to the Ministry of Finance and Economic Planning (MFEP). Both loan schemes were to serve as financial sources that would enable small-scale entrepreneurs to acquire raw materials and essential equipment. Thus, the existence of these loan schemes allows for the continuous flow of loanable funds to small-scale enterprises and facilitates access to credit, while at the same time allowing the Investment and Credit Department to develop and implement management and financial information systems for effective credit delivery and recovery.¹⁸

¹⁵ Interview with Assistant Director, Investment and Credit Department, NBSSI, Accra, 11th March, 1999.

¹⁶The dollar equivalent is based on the 1989 official exchange rate of US \$1 to 270 cedis (Kapur et al. 1991, p.52).

¹⁷ The dollar equivalent is based on the 1993 official exchange rate of US \$1 to 437.09 cedis (ISSER, *The State of the Ghanaian Economy in 1994*, Legon: ISSER, p. 6).

¹⁸ NBSSI, *NBSSI News*, pp. 13-14.

Operating the Loan Schemes

As a matter of policy, NBSSI's financial assistance schemes are reserved for small-scale entrepreneurs in the productive and manufacturing sectors of the economy. According to an NBSSI official, those in the commercial sector do not receive any form of assistance because the rationale behind the assistance is to encourage people to leave the "buying and selling" sector which is "over-crowded" and move to more productive and value-added activities.¹⁹ Thus, to qualify for financial assistance, an entrepreneur must be able to bear at least 20% of the total cost of the business, show that they have some fixed assets, and be involved in manufacturing activity. However, from Table 5.1, it appears that apart from a greater proportion of the loans being given to business owners involved in the manufacturing and service sectors of the economy, beneficiaries were also scattered throughout the country. Thus, the granting of the loans to business owners seemed to have some political calculus behind it, because the government wants to be seen as providing assistance to business owners in all the regions, as opposed to focusing on a particular region.

¹⁹ Interview with Assistant Director, Investment and Credit Department, NBSSI, Accra, 11th March, 1999.

Table 5.1: Sectoral Distribution of Loans.

NATIONAL BOARD FOR SMALL-SCALE INDUSTRIES						
PAMSCAD CREDIT LINE FOR SMALL-SCALE INDUSTRIES						
SUMMARY OF SECTORAL DISTRIBUTION OF LOANS GRANTED						
SINCE INCEPTION TO DECEMBER 31, 1998						
REGION	Manufacturing	Agriculture	Service	Mining	Export	Total
GT. ACCRA	122	1	25	0	0	148
ASHANTI	143	19	57	0	0	219
EASTERN	42	17	64	0	0	123
WESTERN	77	5	10	0	0	92
CENTRAL	75	41	84	4	1	205
B. AHAFO	53	7	32	0	0	92
VOLTA	100	25	61	0	0	186
NORTHERN	50	0	46	0	0	96
UPPER EAST	85	0	58	0	0	143
UPPER WEST	111	1	69	0	0	181
TOTAL	858	116	506	4	1	1485

Source: Investment and Credit Department, NBSSI, Accra.

Potential entrepreneurs can apply for financial assistance through the Regional Managers of the NBSSI located in all the regional capitals of Ghana. Since the granting of loans under the Revolving Fund is centralized, the Loans Approval Committee sits once a month to review and approve the loan applications of up to C 2.5 million (US \$714.28)²⁰ per applicant. The decentralized PAMSCAD Loan Scheme can be accessed by small-scale entrepreneurs by applying to the NBSSI Managers in the regions. Loans of up to C 500, 000

²⁰ Unless stated, the US \$ equivalent will be based on the exchange rate of \$1 to 3500 cedis as of the end of 1999 (ISSER [2000], *The State of the Ghanaian Economy in 1999*, ISSER: Legon, pp. 5-6.

(US \$ 142.85) can be approved by the Regional PAMSCAD Loans Committee which meets once a month; while the National PAMSCAD Loan Committee meets quarterly, and approves loans of up to C 3 million (US \$857.14). Loan beneficiaries and recipients enjoy particular concessions which include an interest rate (20% per annum) which is lower than that charged by formal financial institutions, and a 2-4 month grace period, after which monthly or quarterly repayments are made to the NBSSI.²¹

NON-FINANCIAL PROGRAMMES AND SCHEMES OF NBSSI

While micro-credit programmes and schemes enable small-scale entrepreneurs to undertake various economic activities, there was also the need for them to be complemented by entrepreneurship development aid if these programmes were to realize their aim of poverty reduction and employment generation. When one talks to small-scale entrepreneurs about their problems, reference is always made to the external environment (government policy, finances) without making mention of the internal managerial systems. However, poor management, including bad product choices and unviable projects can also contribute to the failure of a business.²² Since the importance of the effective and efficient use of resources depends heavily on the entrepreneurial skills of small-scale enterprises, the NBSSI decided to provide such entrepreneurial training. As the Programme Co-ordinator of the National Development Planning Commission (NDPC) stated:

²¹Interview with Assistant Director, Investment and Credit Department, NBSSI, Accra, 11th March, 1999.

²² Interview with Former Head of EDD, NBSSI, Accra and now Programme Co-ordinator, National Development Planning Commission (NDPC), Accra, 23rd March, 1999.

there was the realization that only a few people were engaged in business and entrepreneurship as a way of life and even most of them lacked managerial training. Ghanaians were used to a system where the government provided everything, and also used to working as white-collar officers or employees. People were not aware of the business and entrepreneurial opportunities available to them, and only copied the businesses that others were already engaged in. There was little knowledge of procedures to own a business, lack of knowledge about self-abilities and rules and regulations.²³

However, with Ghanaians recently setting up small-scale industries on an unprecedented scale, concerns about inefficiencies in business operations, both technical and managerial, as well as apprehension about their chances of success, became critical. Following a collaborative industrial exchange between Ghana and India, the Indian government offered to introduce an Entrepreneurship Development Programme (EDP) based on the success of a similar programme in India. Against this background, the government of Ghana, with assistance from the International Development Agency (IDA), a World Bank affiliate, entered into an agreement with the Entrepreneurship Development Institute of India in April 1987 to introduce an EDP in Ghana.²⁴ With the launching of the EDP in 1988, the NBSSI through its Entrepreneurship Development Department (EDD) began providing indigenous entrepreneurs with comprehensive training and counselling programmes with a view to motivating and equipping them with the competence to establish their own industries and to manage them successfully.²⁵ Entrepreneurs are encouraged also to produce goods which would have a market, and not necessarily focus on what others are already producing. By targeting groups

²³ *ibid.*

²⁴ *ibid.*

²⁵ N. K. Sowa et al. (1992), *Small Enterprises and Adjustment: The Impact of Ghana's ERP*, London: Overseas Development Institute, p.17; Ninsin, "Planning for the growth of Small-scale industries in the Informal Sector," *Loc. Cit.*, p.274; NBSSI, *NBSSI News*, p.6.

like retired and retrenched public servants, and unemployed graduates, as well as the uneducated and unemployed, the NBSSI believes that it could help small-scale industries to move from the small and informal sectors to the medium-scale level.

While a number of training programmes were held in Accra, Takoradi and Kumasi, with the introduction of the EDP, it was soon realized that there were no personnel to follow-up on trainees to ensure that they were implementing what they had learnt. Since time, personnel and resource constraints did not allow NBSSI personnel to always leave Accra for the follow-ups and monitoring, the concept of the Entrepreneurship Development Advisory Centre was developed. Subsequently, in 1989, a training programme was given to 10 Ghanaians in India, who in turn became the resource personnel for counseling entrepreneurs. Given the excellent response and patronage of the Development Advisory Centres, the NBSSI decided to establish what became known as the Business Advisory Centres (BACs) in all the regional capitals of the country.²⁶

The resource personnel at the BACs receive training at the Ghana Institute of Management and Public Administration (GIMPA),²⁷ Ghana's Management Development and Productivity Institute (MDPI),²⁸ and in India²⁹ in project planning and evaluation, business

²⁶ Interview with Programme Co-ordinator, NDPC, Accra, 23rd March, 1999.

²⁷ A corporate body with academic, financial and administrative autonomy, GIMPA was established in 1961 to develop in management a greater awareness of the changing values and needs of the country and the best means of effectively responding to those values and needs, and assisting the economic development of the country (Tettey, 1996, p. 170).

²⁸ Established in 1967 and incorporated in 1976 as a parastatal, its objective is to build up managerial capacity in both private and public sector organizations through management training, consulting and research with the view of ensuring growth and development of the national economy (Tettey, 1996, p.172).

²⁹ Officials at the NBSSI contend that India has much in common with a country like Ghana which is determined to produce an entrepreneurial class. They believe that Ghana could learn a lot from India, which

consulting and enterprise management. As the extension offices of the NBSSI, the BACs help the small-scale business owners to choose the best equipment for their operations that lead to cost effectiveness in their businesses. In addition, apart from helping businesses to carry out feasibility studies, they also, where possible and applicable, arrange for tax exemptions on certain machinery and equipment. BACs also organize meetings between relevant tax organizations and other regulatory bodies and agencies to discuss regulations that affect the businesses of small-scale entrepreneurs. For example, the Registrar General's Department, which is mandated to register all businesses in Ghana, has only one central office in Accra. The NBSSI has thus entered into an agreement with the Registrar General's Department to register businesses of entrepreneurs in the regions. Small-scale entrepreneurs can now register their businesses at the Regions through the BACs without having to travel to Accra to do so.³⁰

Similarly, prior to the introduction of the Value-Added Tax (VAT) by the government in 1999, the NBSSI advised entrepreneurs on the implications the policy had for their businesses. Other extension services offered by the BACs in the area of management development include training in record-keeping, quality control, customer relations, marketing, business planning, achievement motivation, costing and pricing, banking procedures and communication skills, as well as information on various sources of funding

has a long history of producing an entrepreneurial class to spearhead its development drive.

³⁰ NBSSI, *NBSSI News*, p.7.

available to small-scale enterprises. The BACs explain government policies to entrepreneurs, and help them with procedures to fulfil their business and regulatory requirements.³¹

The BACs also hold Enterprise Culture Development programmes which are designed to encourage people to become self-employed, and to inform entrepreneurs about the prospects of starting their own businesses. As Gray points out, enterprise culture development which is undertaken through training programmes is aimed at promoting and fostering pro-business attitudes, and a stronger spirit of enterprise through the creation of new and innovative enterprises.³² Through these programmes, the advantages and disadvantages of engaging in business are outlined to potential entrepreneurs. Thus, the NBSSI seeks to create an "enterprise culture" by re-orienting people to believe that it is not necessarily the responsibility of government to create employment.³³ In a sense, this programme is a way of legitimating the SAP, which had as one of its objectives the retrenchment of public employees, and encouraging them to go into private businesses. Therefore, as Brown argues, in the broad scheme of national economic development, enterprise culture development, the ethos of self-help, and the facilitation of micro-enterprise not only fit well with the international financial institutions' focus upon market-friendly intervention, but are also increasingly seen as the effective and efficient way of responding to the vacuum created by the gradual stripping back of the state's ability to provide social services to its citizens.³⁴

³¹ *ibid.*

³² C. Gray (1998), *Enterprise and Culture*, London & New York: Routledge, pp. 6-7.

³³ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

³⁴ Ed Brown (2000), "Social Movements, State and Civil Society," Giles Mohan et al. (eds), *Structural Adjustment: Theory, Practice and Impacts*, London & New York: Routledge, p. 172.

Furthermore, cultural re-orientation forms part of the training programmes and business advice offered by the NBSSI through the EDD and BACs. According to an NBSSI official,

this aspect of the training and counseling has come about because since most small-scale businesses have sole ownership, the owners have the tendency to do whatever they want with the finances of businesses without considering its negative effects. Also, since time immemorial, there has been the widespread perception that it is only "drop-outs" and those who are not academically good who go into entrepreneurship. Such successful business owners thus want to show off their wealth as a way of disproving the wrong impression and perception about them.³⁵

To change the view that only "drop-outs" enter into entrepreneurship, the NBSSI is encouraging graduates and other educated individuals to enter into private businesses. The NBSSI is of the view that having educated people in small-scale businesses will augur well for the sector since it would not only change the perception of people, but also new technologies can be more effectively used by educated entrepreneurs.³⁶

In addition, the NBSSI is aware of the practice of entrepreneurs not separating family finances from that of their businesses. According to the Head of the EDD, some entrepreneurs are more interested in using their returns and profits to buy extravagant goods like houses and expensive cars rather than re-investing in their business.³⁷ She cited the example of an entrepreneur who put up a big house in his "home-town"³⁸ because of social pressures,

³⁵ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

³⁶ *ibid.*

³⁷ *ibid.*

³⁸This refers to the place/area where individuals trace their roots or family origin to. For purposes of seeking "greener pastures," it is common to see people move from their home-town to the larger urban towns. They visit their home-towns mostly on social occasions like funerals and festivals, and move back to resettle during

although he hardly ever lived in the house. The official pointed out that since these material possessions are considered symbols of class and status, some entrepreneurs who want to be seen in the higher echelons of society consider it very expedient to own such property as a way of showing off their wealth. The result is that the initial capital is dissipated, and hampers the growth of the enterprise.³⁹

Still on the matter of cultural beliefs, practices and the need for re-orientation, the Programme Director of the NDPC narrated the following account of a dispute between two entrepreneurs:

There was the issue of two women who were selling the same products at the same location and lane. One of them had been at the location for a very long time. Within three months of moving to the location, the new trader was "making" more business than the older one. In effect, the old trader was losing business to the new trader. The older trader called me and complained that she believed that the new trader had used "*juju*" [sorcery] and was taking away all her customers. I went to their business location. Upon analysing the situation, I realized that all their items, prices, reception of customers were the same, so there was no reason why one should not be able to market her products. I also realized that a trench/ditch had been dug in front of them [traders] by the Electricity Company of Ghana (ECG), which had laid and repaired some underground cables. However, upon completion of the work, the ECG workers did not cover the trenches. While the older trader did not bother to cover the trench, the new trader made use of some slabs to do so. So obviously, customers preferred to buy from her instead of the jumping the trenches to buy from the older trader. All that she thought of was that the woman had used *juju* and was taking all her customers and money. So I sat down with the older trader, and advised her to make similar slabs to cover the trench in front of her location. She later called to inform me that business had started picking up. So I made her to realize that people felt safer on the slabs rather than jumping the trenches and ditches.⁴⁰

old age and retirement.

³⁹Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

⁴⁰This reinforces Kuada's (1994, p.78) point that in Ghana and other African societies, the dominant belief system is that the material and spiritual are inextricably linked. While the idea of traders and business owners

Furthermore, entrepreneurs'

behaviour, likes and dislikes influence decision-making. Management of business is seen more or less like an extension of management of their personal lives. So if an entrepreneur does not like something, and that thing comes up in business, the personal perceptions influences their decisions. For example, if you go to Makola⁴¹ some traders and business owners believe that if your first customer on any day is a woman, you would make losses. Since it is sometimes difficult to change this attitude, some traders make sure that their first customer for the day would be a man. So no matter the number of women who show up, they would not sell to them.⁴²

For another NBSSI official, the inability to separate the family from the business is the most important cultural factor affecting entrepreneurs. While not being against employment of family members, the NBSSI advises entrepreneurs to employ only those who are qualified.⁴³ Although business owners can initially rely on family members, there comes a point where the non-separation of family and business becomes an obstacle. Once non-family members are brought into the business as paid workers, it becomes important to formalize organizational procedures and the mode of management. It is this threshold, however, that small-scale enterprises have difficulty in passing.⁴⁴ Family members have to be employed based on their expertise and competencies, and also be seen as employees like the others, rather than receive preferential treatment from owners because of their personal ties.

accusing each other of ill-will is an interesting point which could be explored further, it was the only example encountered in the study.

⁴¹This is the largest trading and market centre in Ghana's capital, Accra.

⁴² Interview with Programme Director, NDPC, Accra, 23rd March, 1999.

⁴³ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

⁴⁴ R. Riedel & H. Schmitz (1989), *Grassroots Industrialization in a Ghanaian Town*, Munchen & Koln, p.143.

Since the implications are that cultural beliefs and practices do play a role in business activities, the NBSSI trains and encourages entrepreneurs that they should not mingle business with personal beliefs and family ties. Ultimately therefore, the aim of the training programmes is to encourage entrepreneurs to have their priorities right by making business expansion their primary focus. As Boeh-Ocansey states, through seminars, lectures, exercises, role-playing, business games and group discussions, the BACs try to provide useful entrepreneurial skills and training including time management, information sharing and forecasting to small-scale entrepreneurs.⁴⁵

Coupled with the above, female empowerment is a core element of the training offered by the BACs. According to the Head of the EDD, since women in Ghana have generally been dependent on men, there was always the tendency for them to seek the advice and consent of their husbands before embarking on business endeavours. This assumes that they are not confident and are unwilling to take risks without the approval of their husbands. Thus, the NBSSI realized that women faced special concerns beyond those generic to the small-scale sector. Therefore, through its Women Enterprises Development Department (WEDD), the NBSSI built a comprehensive information flow and exchange mechanism that relates to gender, and also established a forum for networking among its clients through workshops, exchanges and visits. In addition, it makes other departments like the EDD and Credit and Investment aware of the limited time that women generally have at their disposal because of particular cultural dictates. In effect, WEDD sensitizes other departments about the particular

⁴⁵ O. Boeh-Ocansey (1997), *Ghana's Micro-Enterprise and Informal sector... Bedrock for national Development?* Accra: Anansesem Publication, p. 135

position of women in Ghana, and encourages them to organize training programmes at times that would be favourable for women. Through this sensitization, the training programmes encourage women to believe in their capabilities and potential in the business environment. They are counseled and motivated to believe that they can take both business risks and run their firms successfully.⁴⁶

The NBSSI also encourages and supports the formation of strong business associations among the small-scale entrepreneurs. The promotion and development of powerful business associations would enable the small-scale entrepreneurs to lobby the government to formulate and implement policies that are favourable to the small-scale industrial sector. In addition, the promotion and formation of business associations among small-scale enterprises is geared towards facilitating increased productivity through better organization, improving relations with support institutions, and improving the flow of information.⁴⁷ However, for the associations to be effective in their lobbying activities, the NBSSI looks at their operational strategies, structures and constitutions, and encourages them to be as transparent as possible in their activities. The point being that without transparency, the associations could be "hijacked" by a few individuals and operated according to their whims.⁴⁸

⁴⁶ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

⁴⁷ NBSSI, *NBSSI News*, p.7.

⁴⁸ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

Promotional and Marketing Activities

Since business survival depends on the availability of markets for products and services, one cannot overlook the role of the NBSSI in helping their client firms to promote and market their products. The NBSSI does this through its participation in local exhibitions and international trade fairs. Through the efforts of the NBSSI, some client firms have participated in numerous trade fairs. These include various Regional Mini Fairs; Ghana's Industrial and Technology (INDUTECH) fairs in 1986, 1988, 1992; Buy Ghana Export Ghana 1994; ECOWAS Trade Fair 1999; and the Ghana International Handicraft and Fashion Fair 1999 (GIFAC 1999). During these fairs, the NBSSI bears part of the cost of erection of stands and the transportation of exhibits of selected client firms. Clients of the NBSSI pay a token participation fee to get stands at the trade fair site compared to the amount paid by non-NBSSI clients. In effect, subsidies are provided to clients during such annual trade fairs and through them, small-scale entrepreneurs are brought into contact with both producers and buyers of various products of small-scale enterprises.⁴⁹ Apart from the market networking and linkages that can develop during these fairs, consumers also become aware of the manufacturing capabilities and potential of small-scale entrepreneurs.

Impact of Programmes and Schemes

The NBSSI uses indicators such as the extent to which clients keep basic business records, loan repayment rates, the number of individuals who attend its training programmes, productivity, profitability, growth, re-investment, increased employment and the very existence of the enterprise after extension services have been offered as criteria for judging

⁴⁹ Interview with Assistant Project Officer (1), NBSSI, Accra, 2nd August, 1999.

the success of its programmes. To buttress their claim of success, an assistant project officer stated that their limited follow-ups and monitoring reveal that most entrepreneurs generally seem to follow the instructions and advice provided during the training programmes.⁵⁰ After training programmes, each participant is asked to put down an Action Plan and time frame for achieving it. During follow-ups, the NBSSI finds out the extent to which trainees have achieved their Action Plans. The success or failure of the programme is thus evaluated by looking at Action Plans and the extent to which they have been achieved. Even if trainees do not realize their Action Plan, this official contended that the training programmes broaden the purview of participants and also improve their business capabilities. Finally, the frequency with which trainees go to the office for counselling and the kinds of problems they bring all indicate the extent to which the organization has been successful with its training. According to the official, if a client brings different problems at different times, it is a sign of progress. On the other hand, if clients do not implement anything at all, and continue to go to the BACs with the same problem, then it is an indication that something is wrong or lacking. Under these circumstances, the NBSSI tries to assist those who for various reasons are unable to achieve their Action Plan.⁵¹ Officials at NBSSI were however, unable to provide either statistics on the number of clients who actually follow their Action Plans, or information and data on impact assessments, due to problems which are discussed in the next section.

⁵⁰ Interview with Assistant Project Officer (2), NBSSI, Accra, 18th May, 1999.

⁵¹ Interview with Programme Co-ordinator, NDPC, Accra, 23rd March, 1999.

Problems Confronting NBSSI

One of the perennial problems the NBSSI has had to contend with has to do with the inadequate funds available for loans. As one of the assistant project officers put it, "there are too many people chasing a few amount of money" (*sic*).⁵² For instance, while the total loans requested under the financial schemes averaged around C 1.6 billion yearly between 1990 and 1994, the average amount of loans disbursed per annum was C 84 million over the same period.⁵³ In the absence of re-capitalization arrangements for the funds that the NBSSI operates, it has become difficult for the organization to provide financial support for trained entrepreneurs to either start-up their businesses or expand them. Despite the government's rhetoric of wanting to assist the small-scale enterprise, its deeds have not yet matched its words, and it has acted in a niggardly manner in releasing funds to the NBSSI to undertake its programmes.

As pointed out earlier, while the government pledged to release C 340 million (US \$1,259,259.25), only C 150 million (US \$555,555.55) was given to the NBSSI to operate its PAMSCAD Loan Scheme. By not increasing the money available or providing new funding to the NBSSI for its loan scheme, the government seems to be showing its lack of commitment to developing the small-scale industrial sector. Given this state of affairs, client firms that are fortunate to have some funds made available to them by the NBSSI do not seem to have enough to meet their financial needs. With an interest rate of 20%, the value of the credit fund depletes with time due to the high inflation that the country has experienced in

⁵² Interview with Assistant Project Officer (2), NBSSI, Accra, 18th May, 1999.

⁵³ NBSSI (1995), *Nogahil report: Seminar on Credit Policy for NBSSI*, p. 6.

recent years. Since the NBSSI is a developmental organization and not a financial institution which operates for profit, it does not charge commercial rates for the loans it grants. One official was of the view that there was the need for some upward adjustment on the interest rates of its loan schemes, and better training for staff members managing the credit schemes. However, since this depends on funds from government which have not been forthcoming, staff skill upgrading itself has not been given the needed priority.⁵⁴

There was also the issue of loan recovery from loan beneficiaries. While some enterprises have chalked up some successes in their businesses because of the provision of the financial package and have thus repaid their loans, others have not been that forthright. Although some beneficiaries may not be able to meet their responsibility of repayment because they simply experienced business failure despite their best efforts, others may not be able to pay because they either applied the assistance in ways other than they were intended, or because disbursing agencies demanded kickbacks or granted the loan facility to people who did not meet loan requirements.⁵⁵ The low recovery rate in the case of the Revolving Fund, in comparison with the PAMSCAD Credit Line, had to do with the centralized nature of the disbursement process (See Tables 5.2 and 5.3). According to an NBSSI official,

Since the Revolving Fund is centralized, it becomes difficult to recover them at the Regional levels. If you look at the PAMSCAD Scheme, you realize that repayment is better because it is decentralized. Since the Regional Managers know the clients, loan recipients and their workshops and business premises,

⁵⁴ Interview with Assistant Director, Investment and Credit, NBSSI, Accra, 11th March, 1999.

⁵⁵ "Default in Loan Repayment," *Graphic* (Accra), 14th June, 1999, p.7.

this makes monitoring easier. For me, it would be better if the loan giving process is decentralized for the reasons I have cited.⁵⁶

The loan schemes whose success and expansion is dependent on ready and prompt repayment has seen some beneficiaries defaulting on repayment (See Tables 5.2 & 5.3). The experiences of the NBSSI and other government agencies regarding loan recovery packages have been mixed because of the perception that government money is "free." It was even reported in one government owned newspaper that some beneficiaries were of the view that the loans were their rewards for voting for the ruling government in the 1996 presidential and parliamentary elections.⁵⁷ As an official at the NBSSI said, until the erroneous view that government money is "free money" is corrected, they will continue having problems recovering the loans they grant to small-scale entrepreneurs.⁵⁸ While it would not be fair for various loan programmes to be withdrawn because of default by some beneficiaries, this issue brings to light the need to review the process of loan disbursement, since it appears that "loan disbursement is clogged by administrative bottlenecks, nepotism and partisan considerations. The basis of the support must be on the needs and potentials of the individuals, otherwise there is no way programmes administered by government agencies will succeed."⁵⁹

⁵⁶ Interview with Assistant Director, Investment and Credit Department, NBSSI, Accra, 11th March, 1999.

⁵⁷ "Default in Loan Repayment," *Graphic* (Accra), 14th June, 1999, p. 7.

⁵⁸ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

⁵⁹ "Default in Loan Repayment," *Graphic*, 14th June, 1999, p. 7.

Table 5.2: Recovery Rate for PAMSCAD Credit Line.

NATIONAL BOARD FOR SMALL-SCALE INDUSTRIES		
PAMSCAD CREDIT LINE FOR SMALL-SCALE INDUSTRIES		
SUMMARY OF CUMULATIVE LOAN PAYMENT PERFORMANCE ON ALL		
BORROWERS SINCE INCEPTION TO DECEMBER 31, 1998		
REGION	NO. OF PROJECTS	RECOVERY RATE
GREATER ACCRA	148	78%
ASHANTI	219	88%
EASTERN	123	79%
WESTERN	92	84%
CENTRAL	205	95%
BRONG AHAFO	92	87%
VOLTA	186	87%
NORTHERN	96	69%
UPPER EAST	143	81%
UPPER WEST	181	91%
TOTAL	1485	84%

Source: Investment and Credit Department, NBSSI, Accra.

Table 5.3: Recovery Rate for Revolving Fund

NATIONAL BOARD FOR SMALL-SCALE INDUSTRIES		
REVOLVING FUND LOAN SCHEME		
SUMMARY OF CUMULATIVE LOAN PAYMENT PERFORMANCE ON ALL		
BORROWERS SINCE INCEPTION TO DECEMBER 31, 1998		
REGION	NO. OF PROJECTS	RECOVERY RATE
GREATER ACCRA	105	47%
ASHANTI	22	83%
EASTERN	7	33%
WESTERN	7	89%
CENTRAL	10	41%
BRONG AHAFO	7	71%
VOLTA	10	76%
NORTHERN	5	46%
UPPER EAST	26	82%
UPPER WEST	8	83%
TOTAL	207	65%

Source: Investment and Credit Department, NBSSI, Accra.

The exertion of political influence in the disbursement of loans to applicants is another problem the NBSSI has had to contend with. Loans are supposed to be granted to clients based on "first-come, first serve basis," and on the business plans submitted by potential recipients. These business plans are assessed on their technical, and commercial and financial merit. While the technical aspect of the appraisal looks for such things as the facilities (power, water, road network and labour) available for the business project, the commercial and financial aspect examines the potential profitability of the project, as well as the availability

of market for the products. While these factors are supposed to be used in deciding who gets a loan, it is not uncommon to see loans being given to certain individuals because they present letters from government officials and other "big-men/big-women" instructing the NBSSI to do so. In cases like these, project officers are pressured into writing business plans for these "well connected" individuals to enable them to qualify for the loans. The example was given by a project officer of what was considered a case of political interference. When the loans committee was holding a meeting to review loan applications, two individuals, who were not politically "well connected" had their loans disapproved to make way for the friends and supporters of government officials who had submitted letters to the committee.⁶⁰

Where loans are given to individuals with such "authority notes and letters," it becomes very difficult to objectively establish the viability of the project in question because not much information is provided about the enterprise. In addition, it becomes virtually impossible to locate such entrepreneurs after they receive their loans. In the words of a project officer, "we don't even know where and how to locate such businesses. Such businesses exist only on paper. Whether the business is really there is something else."⁶¹ The project officer concedes that as an organization which depends mostly on the government for its budgetary allocations, the NBSSI could not eliminate political interference in its activities. However, the exertion of such political influence at variance with laid-down rules and procedures obviously calls into question the whole rationale of providing assistance to needy

⁶⁰ Interview with Project Officer, NBSSI, Accra, 16th August, 1999.

⁶¹ *ibid.*

and deserving entrepreneurs.⁶² It is because of issues like these that entrepreneurs and donor agencies have called for transparency as the basis upon which assistance for projects should be given.⁶³

At the institutional level, there is the problem of insufficient logistical support to make staff mobile enough to identify good projects, undertake regular follow-ups, and also monitor the activities of client firms. Apart from the fact that the NBSSI lacks a reliable fleet of vehicles to ensure effective mobility of officers, certain top-level personnel use vehicles meant for official purposes for private activities such as using them to send their children to school. Junior level personnel are afraid to complain for fear of reprisals. To compound the situation, in the 1999 fiscal year, the NBSSI did not receive any monies from the central government for its operational budget that normally enables their training and project officers to provide entrepreneurial training and engage in monitoring, evaluating, and interacting with their clients. The budget allocated to the NBSSI by the government was only enough to take care of the personal emoluments and salaries of the personnel because the government claimed it had no money.⁶⁴ This means that the NBSSI's operating capacity is seriously weakened by the absence of resources.

Given its precarious financial situation, the small number of workshops and training programmes offered by the organization in the 1999 fiscal year had basically taken place with sponsorship and assistance from non-governmental organizations like the German

⁶² *ibid.*

⁶³ Interview with 1st Secretary (Development), Department for International Development, British High Commission, Accra, 30th April, 1999.

⁶⁴ Interview with Assistant Project Officer (1), NBSSI, Accra, 2nd August, 1999.

Development Service (GDS),⁶⁵ which provides volunteers with specialities in various endeavours-wood work, metal-working, masonry and joinery. In addition, the GDS assists the BACs in managing and co-ordinating training programmes for entrepreneurship, and in organizing workshops, seminars and conferences; as well as introducing new technologies into small-scale businesses.⁶⁶ The implications are that in the absence of such support, the training programmes of the NBSSI will ground to a halt.

The severe financial situation in which the NBSSI finds itself is reflected its continuous and obsessive hunt for new sources of funds. In the absence of sufficient funds, various needs assessments which the NBSSI is suppose to conduct are not undertaken. The organization is unable to get feedback from clients on how its services can be improved. Training is thus not actually based on needs of clients, and it is more theoretical than practical. Although there is the need for the NBSSI to organize fora regularly to get feedback from clients in the various regions, this does not happen. One official stated that

We assume that problems confronting clients in Accra are same for those in other parts of the country, so training programmes are organized based on Accra experiences. It is also important that the NBSSI ensures effective and efficient monitoring and evaluation of the programmes and services that it provides if it is to have the desired effect on clients.⁶⁷

Finally, the NBSSI has had problems employing and retaining qualified personnel. People are not attracted to the organization because of the poor remuneration levels characteristic of most public agencies in Ghana. A project officer revealed that the overall

⁶⁵ Interviews with Project Officer, NBSSI, Accra, 16th August 1999, and Assistant Project Officer, NBSSI, Accra, 2nd August, 1999.

⁶⁶ NBSSI, *NBSSI News*, p. 11.

⁶⁷ Interview with Project Officer, Accra, 16th August, 1999.

professional situation has not been able to keep up pace with the manpower needs of the organization. In view of the fact that better conditions of service are offered by competing employers like EMPRETEC and other NGOs, it has proved extremely difficult to attract and retain the necessary skills and experience in the service of the NBSSI.⁶⁸

NBSSI AND CLIENT FIRMS

This section is devoted to the activities of the client firms of the NBSSI. In the preceding sections, officials of the organization talked about the positive effects of their programmes on client firms in the face of numerous constraints and problems. In order not to take the assertions of NBSSI officials at face value, interviews were also conducted with client firms of the organization to find out whether they would confirm or refute the claims of the NBSSI. Thirty-six (36) client firms, 19 from Accra and 17 from Kumasi were subsequently interviewed for the study (See section on methodology in Chapter one for the approach employed for selecting clients). I begin by discussing the characteristics of these client firms. Issues such as the year and reasons for establishment of businesses, and age of business owners are examined. The business activity of the entrepreneurs, their sources of capital and finance, educational backgrounds and other worker skills, marketing strategies, and cultural and political issues are discussed. Finally, the impact of the activities of the NBSSI on client firms is also analyzed.

⁶⁸ibid.

Characteristics of Client Firms:

Table 5.4: Year of Establishment

Period	Accra	Kumasi
	N (%)	N (%)
1971- 1980	2 (11)	1 (6)
1981- 1990	8 (42)	10 (59)
1991 to date	9 (47)	6 (35)
Total	19 (100) ⁶⁹	17 (100)

Source: Research data/results (1999).

Small-scale entrepreneurial activities in Ghana expanded on a large scale to meet the unemployment situation in the country after the SAP.⁷⁰ The study therefore sought to find out the history of enterprises. Table 5.4 shows that in both Accra and Kumasi, most of the enterprises were established after 1980. Specifically, while eight (42%) and 10 (59%) businesses were established in the 1981-1990 period, nine (47%) and six (35%) were established after 1990 in Accra and Kumasi respectively. This finding is consistent with the view that SAP layoffs and retrenchment forced people to create their own jobs as a way of ensuring their economic survival and providing needed goods and services.

⁶⁹ Throughout the study, the total of figures may either not add up or exceed 100% due to rounding.

⁷⁰ See W. J. Tetey (1996), *Computerization and State the Capacity Building in Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D. Thesis, Queen's University, Kingston, Ontario, Canada, p. 51.

Table 5.5: Employment Levels among Client Firms

Number of Employees	Accra	Kumasi
	N (%)	N (%)
1- 10	10 (53)	14 (82)
11- 20	8 (42)	1 (6)
21-30	1 (5)	1 (6)
Above 30	0 (0)	1 (6)
Total	19 (100)	17 (100)

Source: Research data/results (1999).

Table 5.6: Type of Business Activity.

Business Activity	Accra			Kumasi		
	Male	Female	N (%)	Male	Female	N (%)
Engineering & Metals	5	0	5 (26)	2	0	2 (12)
Food-processing	1	7	8 (42)	1	3	4 (24)
Wood-processing	2	0	2 (11)	3	1	4 (24)
Textiles and Clothing	1	2	3 (16)	1	2	3 (18)
Hairdressing	0	0	0 (0)	0	2	2 (12)
Detergent Manufacturing	0	0	0 (0)	0	1	1 (6)
Paper, Publishing & Printing	1	0	1 (5)	0	0	0 (0)
Leather Processing	0	0	0 (0)	1	0	1 (6)
Total	10	9	19 (100)	8	9	17 (100)

Source: Research data/results (1999).

Tables 5.5 and 5.6 show the employment levels, and types of manufacturing activities that NBSSI interviewees were involved in. The reasons given by interviewees when asked to explain their decision for getting involved in various small-scale business activities, included the desire to make a living, earn extra money to supplement family income, or become self-

employed. The lack of job opportunities in the formal sector, the availability of business and market opportunities, profit-making, and the possession of the requisite expertise and know-how were also motivations for starting small-scale business ventures.

Table 5.7: Age Distribution of Business Owners

Age Groups	Accra	Kumasi
	N (%)	N (%)
21- 30 years	0 (0)	0 (0)
31- 40 years	5 (26)	10 (59)
41- 50 years	10 (53)	6 (35)
51- 60 years	2 (11)	1 (6)
Above 60 years	2 (11)	0 (0)
Total	19 (100)	17 (100)

Source: Research data/results (1999).

Table 5.7 deals with the age distribution of business owners interviewed. What is significant though is the fact that none of the interviewees was between the age of 21-30 years. Since most Ghanaians complete their education by 25, one would have expected to find a number of such individuals in the sample. While the small sample size could be a factor for the absence of individuals of this age group, it is also possible that most of them might not be attracted to the sector. Another possible reason for their non-involvement or absence is that, since the establishment of a business demands capital, most people of that age group might not have the necessary funds. Their position might also not be helped by the general reluctance of financial institutions to provide loans to small-scale enterprises to start a business. Therefore, for both Accra and Kumasi, majority of the business owners interviewed were in the 31-40 and 41-50 age groups.

Capital and Finance

We noted that access to financial assistance and support from the banks is often a serious problem for small entrepreneurs. The banks rarely assist them because their operations are often considered too risky. Interviewees were asked about their major sources of finance and capital before and after the establishment of their businesses.

Table 5.8: Starting Capital

Sources of Capital	Accra	Kumasi
	N (%)	N (%)
Bank Loan	0 (0)	0 (0)
Family & relatives	6 (32)	8 (47)
Personal resources	10 (53)	9 (53)
Friends	1 (5)	0 (0)
Other	2 (11)	0 (0)
Total	19 (100)	17 (100)

Source: Research data/results (1999).

Interview results show that almost all the interviewees got started with their businesses either through personal sources or through family support. Business owners also relied on gratuities, end-of-service benefits, severance packages and savings from previous employment as sources of capital. Table 5.8 indicates that in Accra, 10 (53%) clients relied on personal resources, six (32%) started with support from family and relatives, while two (11%) had to rely on advances of partial payment from customers who placed orders for the manufacture of particular products and goods. Conspicuously absent as a source of start-up capital was bank loans. In effect, client firms resorted to informal means and social networks to start their businesses. The same picture emerges in Kumasi. Personal resources (53%), and

support from family and relatives (47%) were the only sources of capital for starting businesses. This finding is in keeping with earlier studies on this subject.⁷¹

Given that none of the client firms relied on the banks as a source of securing capital to start their businesses, the issue of whether they had applied and secured any bank loans after establishment of the business was explored. Surprisingly, twelve (63%) of the interviewees in Accra had applied for and secured some form of financial support from the banks to either purchase equipment or raw materials. The successful loan applicants however, added that apart from the amount they received being smaller than what they requested, the banks demanded collateral security in the form of houses, land and loan guarantors before granting the loan. Four clients (21%) had never applied, while a further three (16%) did apply but were unsuccessful. In Kumasi, three clients (18%) applied and secured bank loans, while another client was planning on doing so. Only one (6%) of the entrepreneurs who applied did not secure the loan due to what she called "too much bureaucracy" on the part of bank officials.⁷² However, a greater number of clients, twelve (71%), had never contacted or approached the banks for loans.

Business owners had their reasons for not seeking bank assistance, and they were very similar among interviewees in both Accra and Kumasi. One interviewee explained that

when you ask the banks for loans, they ask you to come and save with them first. But my point is, if I had the money, why would I come to them for assistance. And even if you get the money from them, the interest rate is very

⁷¹ See H. Anheier & H. Seibel (1987), *Small-scale Industries and Economic Development in Ghana*, Saarbrücken: Verlag Breitenbach Publishers; E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development*, London: Routledge.

⁷² Interview with female client involved in textiles and clothing, Kumasi, 23rd July, 1999.

high, and they charge you from that very day. They do not give you any grace period.⁷³

while a second noted

my initial inquiries at the bank revealed that they would demand all kinds of collateral which I could not provide. When you are a beginner in the establishment of a business, because you do not have the collateral, you are unlikely to get the loan.⁷⁴

Entrepreneurs had not applied for bank loans because they were discouraged from doing so by friends and relatives; because they simply did not have the property to meet the bank collateral security; by the high interest rates associated with the bank loans; by the cumbersome bureaucratic procedures involved; and because they believed the banks were prejudiced against them.

While avoiding the banks in their search for financial support and assistance, entrepreneurs looked up to non-banking financial institutions like the NBSSI for loans and financial assistance to expand their businesses. However, entrepreneurs contended that the maximum amount of C 3 million (US\$ 857.14) given them by an organization like the NBSSI is ridiculously low, does not help them to meet the demands made by their customers, and results in their operating below their capacity. As one entrepreneur said "the price of the machine I need for my work is five times higher than the amount that the NBSSI is able to offer clients like myself."⁷⁵ Besides the small amounts granted under the various loan schemes, entrepreneurs complained that the process through which they had to go before receiving the

⁷³ Interview with male client involved in paper, publishing and printing, Accra, 27th July 1999.

⁷⁴ Interview with male client involved in metals and engineering, Accra, 30th July, 1999.

⁷⁵ Interview with male client involved in metals and engineering, Accra, 5th August 1999.

loans was too long and cumbersome. Credit applications sometimes take as long as a year to be processed, and even when loans are approved, it takes sometimes over three months before the cheque is finally issued to beneficiaries.⁷⁶

When inquiries were made as to why this was the case, it was suggested by one client that some members of the loan approving committee hold the view that recipients give "kick-backs" to lower level NBSSI personnel as opposed to them.⁷⁷ Thus, they did not see the need to issue the cheques for the approved loans on time. For the NBSSI clients, the organization's efforts in the provision of financial assistance have been woefully inadequate. Clients not only called for an increase of the financial assistance provided them, but also suggested that the period between loan application, submission and approval should be reduced. They were of the view that without such measures, it would be very difficult for entrepreneurs to utilize the financial assistance they receive, and also put into practice the skills and managerial techniques that they acquire under the EDP.

Business Assistance Fund

There was also the Business Assistance Fund (BAF). The objectives of BAF, which operates as a revolving fund, is to help entrepreneurs, ranging from small-scale industries to limited liability companies in the productive sector and services, including manufacturing, mining, quarrying and tourism, with loans of up to 250 million cedis (US \$71,428.57).⁷⁸ It also aims at promoting managerial efficiency, and making industries economically viable over

⁷⁶ Interview with male client involved in textiles and clothing (kente-weaving), Accra, 11th August, 1999.

⁷⁷ *ibid.*

⁷⁸ Interview with Project Officer, BAF Secretariat, Accra, 29th April, 1999; BAF Secretariat (no date), Brief on the Business Assistance Fund, p. 3.

the long term. Under the BAF scheme, potential beneficiaries fill an application form which inquires about their capital resources and types of business activity in which they are involved. This information is summarised by an officer of the BAF Secretariat and subsequently passed on to the BAF Loan Committee at the Ministry of Trade and Industry (MOTI) which makes final approval of who gets the loan.⁷⁹

Five of the nineteen firms (26%) in Accra and another twelve (71%) of the business owners in Kumasi, however, had not heard about this loan facility. Those who had (74% in Accra and 29% in Kumasi) were very skeptical about their chances of getting any financial assistance from the BAF because they believed that the government was only using it to distribute patronage to individual clients. According to one client,

even if the government is helping, there is too much of "whom you know." There are party favourites who get everything. The system is not open and transparent. You get frustrated when you are chasing things like the award of contracts and financial assistance that should be open to all.⁸⁰

For another,

BAF is for politicians. They ask you to fill forms and draw-up business plans. You do so, but they keep deceiving you until you are fed up.⁸¹

According to a third client,

⁷⁹ The Loan Committee which is chaired by the Minister of Trade and Industry, includes the Minister of Finance, Governor of the Bank of Ghana, Executive Secretary of the Ghana Export Promotion Center (GEPC), Executive Director of NBSSI, Director of the Private Enterprise Foundation (PEF), and the Presidents of each the following bodies: Association of Ghanaian Industries (AGI), Ghana National Chamber of Commerce and Industry (GNCCI), Ghana Employers' Association (GEA), Federation of association of Ghanaian Exporters (FAGE), and Council of Indigenous Business Associations (CIBA).

⁸⁰ Interview with male client involved in printing and publishing, Accra, 27th July 1999.

⁸¹ Interview with male client involved in wood-processing, Accra, 6th August 1999.

the form and file would get missing if you do not give officials kick-backs. I paid so much to a consultant to help me write a business plan for BAF. I presented the plan to the Secretariat. It has been two years but I have still not heard anything from them. I guess my kick-back was not huge enough.⁸²

For these clients, since the system of loan administration has not acted in the way that it is expected to, the BAF had become a medium through which a few individuals were using the state to accumulate wealth. However, the positive experiences of two entrepreneurs called into question the negative perception of the majority of the business owners. According to one of the few entrepreneurs to have secured a BAF loan,

I have a positive view towards the BAF. I applied for C 10 million (US\$ 2857.14) and got C 6 million (US \$ 1714.28). I paid religiously and a friend who had gotten more money was surprised at my repayment habit. She like others had the view that government money should not be taken good care of. Initially, I also had the view that without "connections" and support from influential people, I would not get the assistance but I was proved wrong. I went to the Secretariat not knowing anybody. I submitted my feasibility and business plan. They followed-up to my premises and eventually gave me the loan facility. So I find it surprising that people say it is political. I am the least political person you can find. My only concern with BAF is that instead of giving monies to industries in distressed state, they should assist those who are already doing well. If an enterprise is distressed because of improper management, no amount of financial support would resuscitate it. Incidentally, it is such enterprises which receive huge amounts and do not repay. They affect the chances of people like us who need more assistance and are willing to repay.⁸³

According to the other entrepreneur, a processor of spices, seasonings and preservatives, she received part of the loan she applied under BAF. However, her disappointment with the loan was that the amount she asked for was "slashed as is the case every-time. A government official told me that I do not need C80 million (\$US 22,857.14) to process foods. You do not

⁸² Interview with male client involved in kente-weaving/garments, Accra, 11th August, 1999.

⁸³ Interview with female client involved in clothing and fashion designing, Accra, 19th August, 1999.

have to say that to discourage entrepreneurs who are trying their best to contribute to the economy of the country."⁸⁴

Education and Worker Skills

Table 5.9: Educational Levels of Business Owners.

Type of Education	Accra	Kumasi
	N (%)	N (%)
No formal education	3 (16)	1 (6)
Primary	1 (5)	5 (29)
Vocational & Technical	3 (16)	3 (18)
O & A Level (Secondary)	5 (26)	4 (24)
University/Tertiary	7 (37)	4 (24)
Total	19 (100)	17 (100)

Source: Research data/results (1999)

Based on the data collected, it can be observed from Table 5.9 that in Accra, 26% had secondary level education (O & A Levels), 16% had vocational and technical education, while 37% had university/tertiary level education. That for Kumasi showed the following: 24% completed secondary schools, 18% had vocational and technical schooling, while another 24% had university/tertiary level education. Finally, three (16%) of the NBSSI clients in Accra had no formal education, compared to one (6%) in Kumasi. Considering the fact that a greater number of Kumasi clients, five (29%), only had primary level education as compared to one (5%) in Accra, it is clear that more clients in Accra had more advanced education than the Kumasi based clients.

⁸⁴ Interview with female client involved in preservatives and spice processing, Accra, 16th August, 1999.

In Ghana, self-employment has generally been low among individuals with university schooling.⁸⁵ Since most educated people until the 1980s preferred to work in "white-collar" jobs, it was surprising that the number of educated individuals involved in small-scale enterprises was relatively high. However, the high levels of education among the entrepreneurs, some of whom possessed either bachelors or Masters degrees, could be attributed to the fact that some of these individuals had retired or been retrenched from the public services.

To improve upon their managerial competency, an overwhelming number of client firms in Accra (74%) and Kumasi (100%) had attended the training workshops organized by the NBSSI through the EDD and BACs. What can be considered striking was the extent to which client firms made use of the business counselling and advice offered them by the NBSSI. The interviewees suggested that they acted on the advice and extension services provided by the NBSSI during the EDP, and thus spoke highly of the positive impact of the training programmes on their business. The EDP, according to entrepreneurs, encouraged them to be business-like in their approach, and to know that business should be profit-oriented. It also made them aware of marketing opportunities, the need for proper pricing techniques, foreign negotiations, better customer relationships, quality control, increased efficiency, and the need to eliminate waste in the production process.

In addition, owners of the client firms spoke of how they had become conscious of the importance of record-keeping in their businesses, and considered it as the most significant

⁸⁵ J. Cobbe (1991), "The Political Economy of Education Reform in Ghana," D. Rothchild (ed), *Ghana: The Political Economy of Recovery*, Boulder & London: Lynne Rienner Publishers, p.103.

impact on their business activities. Thus, financial control and management of the business seem to have improved significantly among client firms. With the development of record-keeping (financial and administrative) habits, entrepreneurs were now in the position to check their input-output relations, as well as know whether they were making profits and losses in their businesses. It also provided them with information and easy reference to the business' progress, which in turn enabled them to remunerate the workers better and more fairly. Finally, it had become easier for entrepreneurs to engage in stock-taking, and also draw-up feasibility reports which could be used for loan applications from the banks and other financial institutions. On the whole, therefore, one can state that client firms were generally satisfied with the entrepreneurial training they received from the NBSSI. One client summed it up best:

Since the success of any business or enterprise rests largely on the competence of the entrepreneurs in such areas as efficiency and effectiveness, the training programmes offered by the NBSSI are very good. I have benefitted from training programmes in areas such as preparation of business plan and record-keeping. This helps my business to know how well it is doing.⁸⁶

Marketing

The marketing techniques employed by client firms in both Accra and Kumasi looked very similar. Most client firms (53% in Kumasi and 63% in Accra) stated that their manufactured goods were sold directly to customers based on advanced orders rather than producing for stock. Such producer-customer relations were often established over long periods of time. According to these entrepreneurs, poor market responses and the tying-up of capital when producing for stock were the reasons they manufactured and sold their

⁸⁶ Interview with female client involved in textiles, clothing and designing, Accra, 5th August, 1999.

products mainly on advanced orders. Manufacturers thus relied on their network of customers and on trade fairs held in the country to market their products. According to one entrepreneur

I guess I would say that the fairs expose us. The greatest of such exposure came when I was selected to be part of an exhibition during the First Ladies Conference in Ghana. This Conference was a follow-up to Beijing, and it was aimed at showcasing the strides women had made after Beijing. The fair component of the Conference resulted in people buying my goods, and that really helped my business.⁸⁷

Apart from marketing their manufactured products based on advanced orders, only a small number of manufacturers (6% in Kumasi and 26% in Accra) sold their products outside of the country. These enterprises, mostly in the handicrafts, and garment and textile industries, exported some of their products directly to Western Europe and North America.

One such exporting manufacturer pointed out that

We are trying to come up with uniform African clothing which is being mass produced by some Asian countries because of the problems we have with standards. When people get orders to produce, they produce different things although they are supposed to produce the same items. We have an association which is trying to bring in people to help us overcome this problem. We cannot meet mass production demands. There is the need for small-scale enterprises to be honest, keep to job delivery time and strive to excel in the local and international market.⁸⁸

Most of the interviewees (94% in Kumasi and 74% in Accra) stated that they did not engage in direct exports of their products, although some customers did sell the products outside the country after purchasing them. In light of this state of affairs, very little advertising was undertaken for the products. Entrepreneurs (88% in Kumasi and 89% in Accra) suggested that it was costly to do so, and that they could also be overwhelmed by public demand after

⁸⁷ Interview with female client involved in textiles, clothing and fashion designing, Accra, 19th August, 1999.

⁸⁸ Interview with female client involved in textiles, clothing and fashion designing, Accra, 5th August, 1999.

advertisements. There was concern that the inability to meet demands and deadlines could harm the reputation of the business. In addition, since production was based mostly on advanced orders, they felt there was no need to advertise or engage the services of sales personnel.

Marketing of manufactured products was, however, an area where dissatisfaction with the performance of the NBSSI was expressed by interviewees. Despite the efforts of the NBSSI in helping clients to exhibit and market their products, it was accused of favouritism when it came to the selection of firms for trade fairs. According to one dissatisfied client, the NBSSI always selects the "same old and favourite" clients to exhibit at these fairs without giving new clients the chance to do so. For this client, during the 5th African-African American Summit held in Accra between 15th-22nd May 1999, small-scale manufacturers had to pay too much to exhibit their products during a fair held as part of the summit. However, according to him, nothing happened with regard to sales and marketing. While not blaming the NBSSI, he suggested that although contracts had been signed for the export of traditionally woven kente-clothes and handicrafts, the "big-men/big-women" gave their favourites the chance to supply the orders made under the contract. He even charged that since some government officials were themselves involved in the kente and handicraft business, they took the orders for themselves. For this interviewee, the opportunistic behaviour of government officials was obvious.⁸⁹

⁸⁹ Interview with male client involved in textiles and clothing (kente-weaving), Accra, 11th August, 1999.

Political and Cultural Questions:

Association Membership and Lobbying:

One of the aims of the NBSSI has been to encourage its clients to form associations to lobby the government to formulate and implement policies that would be favourable to their businesses. Interviewees were asked about their membership of various associations, as well as the benefits they derived from such membership. Although most interviewees (18 in Accra and 14 in Kumasi) were members of various professional and trade associations,⁹⁰ they revealed that these were not necessarily ones that helped them in the development of their businesses. Business owners were also asked if they had been in contact with political leaders like Members of Parliament (MPs) and other influential people in society to ensure that the government supports the small-sector manufacturing sector.

Table 5.10: Contacting MPs and Government Officials.

Table 5.10 [a]

		Accra		Kumasi	
		Yes	No	Yes	No
Gender	Male	3	7	1	7
	Female	2	7	0	9

⁹⁰ Clients were members of associations like the Ghana Hairdressers and Beauticians Association, Ghana Tailors and Dressmakers Association, Ghana Co-operative Bakers Association, Ghana Furniture Makers Association, and Ghana Handicrafts Association.

Table 5.10 [b].

Education	Gender	Accra		Kumasi	
		Yes	No	Yes	No
No Formal	Male	1	1	0	1
	Female	0	1	0	0
Primary	Male	0	1	1	2
	Female	0	0	0	2
Secondary	Male	0	3	0	2
	Female	1	1	0	2
Technical & Vocational	Male	0	1	0	2
	Female	0	2	0	1
University/Tertiary	Male	2	1	0	0
	Female	1	3	0	4

Table 5.10 [c]

Business Activity	Gender	Accra		Kumasi	
		Yes	No	Yes	No
Metals & Engineering	Male	1	4	0	2
	Female	0	0	0	0
Food processing	Male	0	1	0	1
	Female	1	6	0	2
Wood processing	Male	1	1	1	3
	Female	0	0	0	1
Textiles & Clothing	Male	1	0	0	1
	Female	1	1	0	2
Hairdressing	Male	0	0	0	0
	Female	0	0	0	2
Detergent Manufacturing	Male	0	0	0	0
	Female	0	0	0	1
Leather processing	Male	0	0	0	1
	Female	0	0	0	0
Publishing & Printing	Male	0	1	0	0
	Female	0	0	0	0

Source: Research data/results (1999).

Overwhelmingly, clients (sixteen out of seventeen- 94% in Kumasi, and fourteen out of nineteen-74% in Accra) had not done so because they suggested that high-ranking individuals were more interested in helping themselves as opposed to society at large (Table 5.10). Interviewees thought it would be frustrating and a waste of time and resources to try

to lobby such individuals, since nothing productive or meaningful will come out from politicians. We see from Table 5.10 that the gender, education and manufacturing activity of clients did not seem to make a difference on this issue, since not only did they have a low opinion of MPs and other government officials, but also they felt alienated from the political process and state apparatus.

Control and Authoritarianism:

The importance of good management to the success of a business cannot be overemphasized. A crucial principle of good management is the need to not only have a division of labour and specialization, but also an organizational arrangement that ensures that workers are involved in issues affecting the business. Kuada has argued that organizational leaders, such as business owners, must constantly assess the level of motivation and ability of their workers and subordinates to determine how to get the best out of them. For him, an effective leader is one who treats his subordinates as individuals and ensures that his leadership styles fit into the requirements of each individual subordinate and worker. By implication, rather than closely supervising the activities of employees, an effective leader would be one that adapts to different situations and gives employees some leeway regarding their activities and issues clear-cut instructions and decisions only on crucial issues, and when an employee is new.⁹¹

Ghanaian society, however, is said to be characterized by authoritarian relations.⁹² To

⁹¹ J. Kuada (1994), *Managerial Behaviour in Ghana and Kenya: A Cultural Perspective*, Aalborg: Aalborg University Press, p. 126.

⁹² See M. Assimeng (1981), *Social Structure of Ghana*, Accra: Ghana Publishing Corporation; J. Kuada, *Managerial Behaviour in Ghana and Kenya*; S.N. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers.

examine whether entrepreneurs exhibited the authoritarian tendencies characteristic of Ghanaian society, firm owners were asked about their views on employee participation in decision-making and the extent to which workers could take mundane decisions concerning the business without approval from the owner. Regarding the first question, there was overwhelming support for the view of worker involvement in decision-making: 17 of the 19 interviewees (89%) in Accra and all (100%) in Kumasi stated that workers and subordinates were involved or consulted in decision-making. The business owners favoured worker participation because they believed that such a participatory approach most often leads to better productivity, and also affords workers the opportunity to give suggestions which could be helpful to the progress of the business. While one of the clients argued that he involved his workers because "I believe in self-motivation and self-initiative,"⁹³ another added that "it takes some of the stress of decision-making off the boss."⁹⁴

Such responses of business owners seem to suggest that workers had an input in decision-making. However, a deeper examination reveals that support for giving workers the chance to take decisions on their own without approval from the owner was less unanimous. Only a minority of interviewees, seven of 19 (37%) in Accra, and six of 17 (35%) in Kumasi, were inclined to give workers the chance to take decisions without supervision and approval (Table 5.11). For these business owners, doing so gave workers the sense of belonging, and served as an incentive to perform their duties to their optimal capacity. Through that, the owners believed that their businesses can better realize their objectives of survival, growth,

⁹³ Interview with male client involved in printing and publishing, Accra, 27th July, 1999.

⁹⁴ Interview with male client involved in wood-processing, Accra, 6th August, 1999.

expansion and increased profits. However, the majority of interviewees (twelve-63% and eleven-65% in Accra and Kumasi respectively) did not express support for workers taking decisions or personal responsibility without their approval (Table 5.10). For them, by virtue of being the owners, not only did they have to know what was going on in the business, but also they had to issue instructions to workers.

Table 5.11: Allowing Workers to Take Decisions.

Table 5.11 [a]

Gender		Accra		Kumasi	
		Yes	No	Yes	No
	Male	5	5	4	4
Female	2	7	2	7	

Table 5.11 [b].

Education	Gender	Accra		Kumasi	
		Yes	No	Yes	No
No Formal	Male	2	0	0	1
	Female	0	1	0	0
Primary	Male	1	0	2	1
	Female	0	0	0	2
Secondary	Male	1	2	2	0
	Female	1	1	0	2
Technical & Vocational	Male	0	1	0	2
	Female	0	2	0	1
University/ Tertiary	Male	1	2	0	0
	Female	1	3	2	2

Table 5.11 [c]

Business Activity	Gender	Accra		Kumasi	
		Yes	No	Yes	No
Metals & Engineering	Male	1	4	1	1
	Female	0	0	0	0
Food processing	Male	0	1	0	1
	Female	2	5	1	2
Wood processing	Male	2	0	1	2
	Female	0	0	0	1
Textiles & Clothing	Male	1	0	1	0
	Female	0	2	1	1
Hairdressing	Male	0	0	0	0
	Female	0	0	0	2
Detergent Manufacturing	Male	0	0	0	0
	Female	0	0	0	1
Leather processing	Male	0	0	1	0
	Female	0	0	0	0
Publishing & Printing	Male	1	0	0	0
	Female	0	0	0	0

Source: Research data/results (1999).

Examination of the responses of business owners against selected variables like gender, education and manufacturing activity showed that for both Accra and Kumasi, female clients were less likely to allow workers to take decisions without their approval (Table 5.11 a). This is significant and interesting since the total number of interviewees was almost evenly divided between genders. Furthermore, while the expectation was that with increasing education, owners of firms would be less authoritarian, that was apparently not the case. A greater number of more educated proprietors, eleven and seven in Accra and Kumasi respectively, were reluctant to allow workers to take decisions on their own (Table 5.11 b). While this evidence does not imply that all educated small-scale entrepreneurs had this orientation, on the basis of the information gathered for this study, NBSSI clients with secondary or higher education were less likely to allow workers to take their own decisions.

Finally, male metal workers and female food-processors were those least likely to allow workers to take decisions without owner approval (Table 5.11c). The overall conclusion that can be drawn as a result of the evidence in Table 5.11 is that the orientation of most owners remains authoritarian. They believed there was no reason why they should be by-passed on decision-making. As Kuada found in a similar study, for such owners, who think that every decision should emanate from them, the "big-man/big-woman" in charge should always be in control in their management practices, as well as in other relationships.⁹⁵

Extended-Family System, Ethnicity and Employment of Workers:

In any national business endeavour, it is often expected that the best qualified individuals possessing the requisite skills and expertise should be employed to enable the business to realize its objectives. In discussing the cultural characteristics of Ghana, we made mention of the great importance individuals attach to the extended-family system. Such is the commitment and obligation that Ghanaians have towards the extended-family system that successful business owners are normally expected to employ family members and also provide financial support for them, although the expenses incurred in support of many dependents constitute a heavy drain on profits that could be saved and re-invested to expand the business.⁹⁶ In order to find out how the extended-family system affects business operations of Ghanaian entrepreneurs, the owners of small-scale enterprises were asked about the involvement of extended-family members in their businesses, as well as about how their

⁹⁵ See J. Kuada, *Managerial Behaviour in Ghana and Kenya*, p. 133.

⁹⁶ P. Garlick (1971), *African Traders and Economic Development in Ghana*; K. Gyekye (1997), *Tradition and Modernity: Philosophical Reflections on the African Experience*, Oxford: Oxford University Press, p. 254.

financial responsibilities and obligations towards the extended-family system affected their business operations.

Table 5.12: Employment of Family Members.

Table 5.12 [a]

Gender		Accra		Kumasi	
		Yes	No	Yes	No
	Male	5	5	6	2
Female	2	7	2	7	

Table 5.12 [b].

Education	Gender	Accra		Kumasi	
		Yes	No	Yes	No
No Formal	Male	2	0	0	1
	Female	1	0	0	0
Primary	Male	0	1	2	1
	Female	0	0	0	2
Secondary	Male	2	1	2	0
	Female	1	1	0	2
Technical & Vocational	Male	0	1	2	0
	Female	0	2	0	1
University/ Tertiary	Male	1	2	0	0
	Female	0	4	2	2

Table 5.12 [c]

Business Activity	Gender	Accra		Kumasi	
		Yes	No	Yes	No
Metals & Engineering	Male	3	2	2	0
	Female	0	0	0	0
Food processing	Male	1	0	0	1
	Female	2	5	1	2
Wood processing	Male	0	2	2	1
	Female	0	0	1	0
Textiles & Clothing	Male	1	0	1	0
	Female	0	2	0	2
Hairdressing	Male	0	0	0	0
	Female	0	0	0	2
Detergent Manufacturing	Male	0	0	0	0
	Female	0	0	0	1
Leather processing	Male	0	0	1	0
	Female	0	0	0	0
Publishing & Printing	Male	0	1	0	0
	Female	0	0	0	0

Source: Research data/results (1999).

The findings of this aspect of the research was that a significant proportion of business owners, seven (37%) and eight (47%) in Accra and Kumasi respectively, considered the involvement of family members as being good for their firms (Table 5.12). Such interviewees were of the opinion that rather than having inimical effects, there were inherent advantages of family members being in the business, and thus strongly favoured employing them. For them, the rationale behind the employment of family members was that by working in the business, family members could learn the "in and out" of the business and ultimately take over in the absence of the owner. Hence, participation by extended-family members was seen as being crucial for the long-term survival of their businesses. In addition, such business owners saw employment of family members as a way of dealing with the unemployment of family members, and a responsibility, since the extended-family had in one way or the other supported them in the course of their lives. For one particular interviewee, his family had a long history and tradition of being in business together, so he did not see anything wrong with training interested family members in what he considered a family profession/trade and employing them thereafter.⁹⁷

Nonetheless, a majority of interviewees-12 out of 19 (63%) in Accra, and nine of 17 (53%) in Kumasi- did not have family members in their businesses, and preferred it to be so. The tendency among these business owners was not to involve family members, with some going to the extent of making it a formal policy because their presence could affect discipline in the work place. The general impression from the evidence is that female interviewees, to a greater degree than their male counterparts, regarded employment of family members as

⁹⁷ Interview with client involved in textiles and clothing (kente-weaving), Accra, 11th August, 1999.

being less important (Table 5.12a). More specifically, while female clients with at least secondary, and especially tertiary qualifications and in food-processing sector were the least likely to employ family members, male clients in metals and engineering were the ones more inclined to do so (Tables 5.12b & 5.12c). This is a surprising finding since one would not expect business owners to employ family members, unless they are very qualified, in a technically more sophisticated activity like metals and engineering. The responses of some of these business owners regarding this issue were as follows:

They are not supposed to be here since I do not want any business headaches from them.⁹⁸

I personally do not like that and my family members are independently pursuing their own interest.⁹⁹

They would not like to work like other employees and apprentices, so I am happy they are not around in the business.¹⁰⁰

Another related issue several researchers have discussed is the financial support given by business owners to extended-family members. For instance, Garlick has argued that family demands and responsibilities tend to reduce a business owner's power to undertake effective business enterprise.¹⁰¹ From the interviews conducted with NBSSI clients, one finds, in agreement with Garlick's position, that there are constant demands, and strong support for assisting extended-family members, which can be attributed to the cultural environment. For the majority of interviewees, 14 of the 19 (74%) in Accra and 16 of 17 (94%) in Kumasi, had

⁹⁸ Interview with male wood-processor, Accra, 2nd August, 1999.

⁹⁹ Interview with female client involved in food-processing, Accra, July, 1999.

¹⁰⁰ Interview with male client involved in wood-processing, Accra, 30th July, 1999.

¹⁰¹ P. Garlick, *African Traders and Economic Development in Ghana*, p.100.

supported or were willing to support family members for reasons like "the family was instrumental in my being brought up and making me what I am today"¹⁰² and because "in Ghana, it is modernization and westernization which is destroying our culture. Our family is our family. You have to help family members. You cannot go unconcerned."¹⁰³

While some interviewees (seven of 17 of clients in Kumasi and six of 19 in Accra) believed that financial support to extended-family members was a drain on their resources and a hindrance to businesses, since the funds used for such social maintenance could be ploughed back into the business for expansion, the majority of the firm owners (68% in Accra and 59% in Kumasi) rejected this suggestion. According to the latter group of clients, since they had developed the attitude of separating business and family finances, as well as offering themselves salaries, the support on most occasions were from their non-business finances. With economic security and survival as the foremost concerns on the minds of firm owners, they were not going to take actions that would undermine their business objectives. It is therefore apparent that there has been some change in orientation and attitude among business owners regarding the provision of financial support to family members from what was observed by Garlick. The fact that the views of Accra and Kumasi business owners were similar on this subject calls into question earlier suggestions that family demands have a predominantly negative impact on businesses.

Ethnicity:

Ethnicity was the final cultural issue addressed. Nukunya has argued that national

¹⁰² Interview with male client involved in metals and engineering, Accra, 3rd August, 1999.

¹⁰³ *ibid.*

interests do not obliterate local aspirations,¹⁰⁴ and Buame has also suggested that strong attachments to ethnic groupings by individuals has the tendency to fragment business activities.¹⁰⁵ Given the perception of the widespread nature of ethnic bias in Ghana, the study sought to explore the extent to which ethnic considerations influenced the decision-making of owners of small-scale enterprises, and their implications for the industrialization process. In dealing with this issue, one realizes that there are multiple ways of finding out how ethnicity influences the employment process of entrepreneurs. One way of getting the relevant information was to explicitly ask entrepreneurs about the ethnic groups they preferred and liked to work and do business with. However, it was not expected that entrepreneurs would openly state their ethnic preferences.

To overcome this problem, business owners were asked about the ethnic group to which they belong (See Table 5.13), as well as the criteria used in employing workers. They were asked to be as detailed as possible in their responses to the second question. When an interviewee had finished identifying all the factors he/she considered, they were asked directly whether they did or did not consider ethnic factors before employing their workers. Being a sensitive topic which might result in interviewees giving less forthright answers, the language usually spoken among workers and by the owner to workers was also noted. While such observations and questions about the issues relating to ethnicity were not going to provide any definitive result, it at least gave an inkling of the ethnic backgrounds of the people who

¹⁰⁴ G. Nukunya (1992), *Tradition and Change in Ghana: An Introduction to Sociology*, Accra: Ghana Universities Press, p.221.

¹⁰⁵ S. K. Buame (1996), *Entrepreneurship: A Contextual Perspective. Discourses and Praxis of Entrepreneurial Activities Within the Institutional Context of Ghana*, Lund: Lund University Press.

were mostly employed by business owners.

Table 5.13: Ethnic Composition of Interviewees

Ethnic Group	Kumasi	Accra
	N (%)	N (%)
Akan	14 (82)	7 (37)
Ga	0 (0)	3 (16)
Ewe	3 (18)	9 (47)
Total	17 (100)	19 (100)

Source: Research data/results (1999).

Based on these research techniques, the overall impression was that some business owners (two each in Accra and Kumasi) obviously considered ethnic factors in employing their workers. Since these clients believed that various ethnic groups have their own attitudes, they preferred not to work with people from particular ethnic groups. For instance, one such client suggested that since the Kwahu's, who are part of the Akan ethnic group, are noted for their dominance of the retail and trading sector, he was unlikely to have them in his workforce, since they might be apathetic to the manufacturing activity he was involved in.¹⁰⁶ However, the remaining interviewees were of the opinion that ethnicity was inconsequential to their decision of whether or not to hire an individual. According to one businessman, "it will not help in our growth if we consider ethnicity. I believe employing members of my ethnic group might sometimes cause a deterioration in the business, since such people might take things for granted, because familiarity breeds contempt."¹⁰⁷ Another noted that he was more likely to employ individuals with whom he had shared the same educational experience even

¹⁰⁶ Interview with male client involved in wood-working, Accra, 13th August, 1999.

¹⁰⁷ Interview with male client involved in metals and engineering, Tema, 5th August, 1999.

though they might not be from the same ethnic group.¹⁰⁸

There are distinctive ethnic and cultural identities among Ghanaians, and this sometimes becomes sharply drawn when individuals move to a cosmopolitan town. Furthermore, not only is there some degree of ethnic stereotyping in Ghana, but also some political leaders have in the past exploited such ethnic identities and sentiments to further their own selfish political ends. While found in certain quarters, however, ethnic bias is not necessarily entrenched within Ghanaian societies as a whole,¹⁰⁹ especially in cosmopolitan areas like Accra. This is because urbanization, which brings people of diverse backgrounds into constant interaction with each other, while sometimes accentuating ethnic bias, apparently has in the case of Accra not done so. The diversity of ethnic groups in the cosmopolitan setting makes it difficult to make ethnic considerations an important and prominent feature in decision-making. This view gets support when one considers the voting pattern of Ghanaians in the 1996 presidential and parliamentary elections. As Nugent argues, there was manifestly a difference between urban and rural voting behaviour,¹¹⁰ giving support to the suggestion that the negative effects of ethnicity are sometimes reduced among urban dwellers. For, despite their ethnic differences, the urban residents voted for particular candidates across ethnic lines, making their urban experiences more important in their voting behaviour than their ethnicity. This view is shared by Sandbrook, who states that in Ghana, ethnicity manifests only a moderate saliency, and that political and constitutional arrangements

¹⁰⁸ Interview with male client involved in publishing and printing, Accra, 20th July, 1999.

¹⁰⁹ J. Kuada, *Managerial Behaviour in Ghana and Kenya*, p.173.

¹¹⁰ P. Nugent (1999), Living in the past: Urban, rural ethnic themes in the 1992 and 1996 Ghana elections," *Journal of Modern African Studies*, 37, 2, p. 306.

have succeeded in muting ethnic cleavages.¹¹¹

Even in Kumasi, which is more homogeneous in terms of the ethnic make-up than Accra, clients suggested that since there were people from various parts of the country with whom they had conducted business for many years, they did not see the need to discriminate on the basis of ethnic backgrounds in the employment process. The boundaries of trust seems at least to transcend ethnicity. We cannot, therefore, assume that business owners necessarily use ethnicity as the basis of social and business relations. Rather, expertise, technical know-how and training, as well as the willingness to work appear to be the factors considered before employing individuals.

Concluding Remarks

Since small-scale industrial activities became part of the economic landscape of Ghana, the NBSSI was established to provide both financial and non-financial support and assistance to that sector. The conclusion that can be drawn as a result of interviewing NBSSI officials is that, while the organization has the potential to realize its mandate, its efforts have been hindered by institutional, financial, logistical and political factors. Regarding the organization's client firms, the interviews again showed that while some of them are making efforts to become capitalist and "modern" in their orientation and outlook by delegating responsibilities, as well as employing individuals on the basis of their competencies, the rate at which it is occurring can be described as relatively slow.

While the context in which they operate impinges upon their business orientation,

¹¹¹ R. Sandbrook (2000), *Closing the Circle: Democratization and Development in Africa*, London & New York: Zed Books, pp. 52, 64.

entrepreneurial training remains one of the most potent strategies that can go a long way in changing the attitude of business owners and developing a modern class of capitalist entrepreneurs. It is in this area that the role of the NBSSI and government becomes even more important. While client firms generally expressed satisfaction with the training programmes provided by the NBSSI, the government has failed to provide adequate resources to enable the organization to continue with both its financial schemes, and non-financial programmes and services. Another aspect of particular concern was the fact that so many clients had no trust in the political system. There is clearly a need to develop trust in institutions and political practices, and one of the most appropriate ways of doing so would be to have a greater level of transparency in governmental processes and procedures, and a legal framework and administrative apparatus that treats individuals equally and fairly.

CHAPTER SIX

STATE AND TECHNOLOGY: THE GHANA REGIONAL APPROPRIATE TECHNOLOGY INDUSTRIAL SERVICE (GRATIS)

Introduction

John Powell has stated that the essential stage in economic development must be technological innovation and engineering progress in the productive sector, since it leads to a strengthening of the economic base and makes possible the social benefits that people crave.¹ Similarly, Smillie argues that the availability of technical expertise to design, fabricate and adapt machine tools are important variables in the attempt by countries to industrialize. For him, without a local industry capable of testing and adapting technology to local needs, a country will remain totally beholden to outside interests and influences.² The ingredients of design, fabrication and adaptation become even more important in a developing country like Ghana which has recently made small-scale manufacturing the bedrock of its industrial development. It should be pointed out that while small-scale enterprises could contribute meaningfully to the development of Ghana, the technology that is used by most of them is, to say the least, rudimentary. Since most small-scale entrepreneurs lacked the institutional support needed for technological advancement, they applied limited technical knowledge to their operations. As a result, the quality of the products of small scale entrepreneurs was

¹J. Powell (1995), *The Survival of the Fitter: Lives of Some African Engineers*, London: Intermediate Technology Publications, pp. vii & x.

²I. Smillie (1991), *Mastering the Machine: Poverty, Aid and Technology*, London: Broadview Press, pp. 177-178.

poor, and they were hindered in competing effectively on the product market.³ It is in this regard that the creation of GRATIS in September 1987 to help upgrade small-scale manufacturers by means of appropriate technology was seen as an indication of the country's commitment to develop the industrial sector by using a grassroots approach. This chapter discusses the impact of the programmes and services provided by GRATIS to its customers⁴ and the estimated 1500 firms registered nation-wide as clients.⁵ Analysis of the social characteristics of some client firms of GRATIS, and their cultural orientation to business is also undertaken.

The Origins of GRATIS

As noted earlier, in the 1970s, Ghana experienced grave economic difficulties. In the face of shortages of foreign exchange to import spare parts and other badly needed machinery, the equipment of existing manufacturing firms fell into disrepair, resulting in a sharp drop in their capacity-utilization. With the performance and output of large manufacturing firms and workshops being poor, small-scale manufacturing firms sprang up throughout the major cities to meet the increasing need for spare parts in various industries and for used vehicles.⁶ The hub of such informal manufacturing was the Suame Magazine,

³ K. A. Ninsin (1992), "Planning for the Growth of Small-Scale Industries in the Informal Sector: The Realities and Challenges of the Ghanaian Situation," E. Aryeetey (ed), *Planning African Growth and Development: Some Critical Issues*, Accra: ISSER/UNDP, p.276.

⁴ Customers are individuals and organizations who purchase products and services on a commercial basis from GRATIS, thereby enabling the organization to cover part of its operating costs. Unlike clients, customers do not receive subsidies on the services provided by GRATIS (GRATIS, 1998b, p.48).

⁵ Clients are individuals who have registered their businesses with the ITTU client association with an aim of receiving financial assistance and other services.

⁶ Powell, *Survival of the Fitter*, p.3.

located about 10 kilometres north of the city of Kumasi.⁷ As early as 1971, it was estimated that there were about 5500 masters and apprentices employed in the Suame Magazine. In these places, a number of unpaid workers and apprentices learnt various manufacturing activities by watching their masters. Over a period of time, it was realized that the technical knowledge being passed on to these artisans deteriorated.⁸ The establishment of the University of Science and Technology's (UST)⁹ Technology Consultancy Centre (TCC) in January 1971 to serve as a link between the University and the public to facilitate national development changed the fortunes of small-scale enterprises for the better.¹⁰

In the performance of its duties, the TCC obtained details of technologies that were developed in the university faculties and in the process provided technical support to local workshops and entrepreneurs based on the experience of pilot projects that it ran. Besides technological support and transfer to entrepreneurs, the TCC produced steel nuts and bolts for local use and also upgraded the skills of local artisans. However, as Smillie observed, it became obvious to the TCC that "technology development and transfer were not going to take place on a university campus."¹¹ Although TCC staff made frequent visits to Suame Magazine and recruited apprentices from the informal sector workshops, the Suame artisans

⁷ *ibid.*, p. xi.

⁸ *ibid.*, p.7.

⁹The name of the university has since 1997 been changed to the Kwame Nkrumah University of Science and Technology (KNUST) to honour the memory of Ghana's first President.

¹⁰ I. Smillie, *Mastering the Machine*, p. 172; Powell, *Survival of the Fitter*, p .39.

¹¹ I. Smillie, *Mastering the Machine, Op. Cit.*, p.176.

seldom visited the campus.¹² Therefore, an "Intermediate Technology Transfer Unit" (ITTU) was established in the centre of Suame Magazine in August 1980 to engage in more effective technology transfer.

Given the wide range of manufacturing activities going on at Suame Magazine, it became a starting point for assisting and improving the skills of artisans in Ghana. With the aim of bringing technological transfer and upgrading to all the fitters and artisans, as well as providing community service, the ITTU inserted itself into the local system of Suame Magazine. At the Suame ITTU, artisans could make "regular contacts with TCC engineers for consultations on simple problems, for design assistance or business assistance. There, potential clients of a new technology such as nut and bolt manufacturers, or potential buyers of a machine tool, could be trained in a production setting, sometimes for a year or more before going out on their own."¹³ With the success of the technology transfer programme at Suame, the government realized that in the midst of the scarcity of spare parts, artisans could innovate and improvise to produce badly needed parts for the machines and equipment of manufacturers that had broken down. The idea was that given the necessary support, people who were good in their manufacturing and light engineering fields could contribute to meet the technological needs of the country.

By mid-1980s, the ITTU started to become a national phenomenon. Agencies like the United States Agency for International Development (USAID), Canadian International Development Agency (CIDA), and the European Union (EU) as well as the Ghanaian

¹² Powell, *Survival of the Fitter*, p. 24.

¹³ Smillie, *Mastering the Machine, Op. Cit.*, p. 176.

government provided financial and technical assistance for ITTUs to be established in other parts of Ghana. Since the lack of technical personnel and engineers was considered a constraint on the industrial development of the country, an umbrella institution called the Ghana Regional Appropriate Technology Industrial Service (GRATIS) was established in 1987 and charged with the promotion of industrialization and technology transfer in Ghana.¹⁴ GRATIS' mandate was to see to the establishment of ITTUs in all the regions of Ghana, and to co-ordinate the ITTUs which were to provide technology transfer services to small-scale industries.¹⁵ The origins of the GRATIS Project therefore lies with the University of Science and Technology's (UST) decision to find ways to bring improved technology through the TCC to the thousands of local entrepreneurs and artisans who were engaged in various forms of manufacturing activities at the Suame Magazine. Through its national network of ITTUs, GRATIS is able to provide technical training programmes, and technology transfer, as well as client and customer services.¹⁶

GRATIS/ITTUs Programmes and Services

The content of an effective vocational and technical educational system cannot be ignored in any industrialization process. Although the government of Ghana has over the years invested heavily in the provision of education for its citizens, less emphasis was placed on the vocational and technical training that is a *sine qua non* for achieving industrial and technological advancement. However, the government of Ghana as part of its SAP reformed

¹⁴ *ibid.*, p. 177.

¹⁵ The various ITTUs are located in Bolgatanga, Cape-Coast, Ho, Koforidua, Sekondi-Takoradi, Sunyani, Suame/Kumasi, Tamale, Tema, and Wa.

¹⁶ GRATIS, *Five Year Business Plan*, p.3.

and restructured the country's educational system with the intention of placing more emphasis on technical and vocational training through the introduction of the Junior Secondary School (JSS) and Senior Secondary School (SSS) systems.

The introduction of the JSS was designed to expose students to basic pre-technical, pre-vocational and scientific skills and knowledge to enable [them] to discover aptitudes and potentialities that induce in [them] a desire for self-improvement, while the SSS was to reinforce the skills and knowledge acquired during the years of basic education and JSS levels.¹⁷ While the rationale for the educational reforms was laudable, it remains unclear whether its objectives have been realized after over ten years of experience. Given the rush with which the new educational system was implemented, it has had to deal with a number of problems. Apart from the inadequate numbers of trained teachers to handle all the subjects, particularly technical and vocational subjects, the tools and equipment for practical and workshop training were woefully inadequate. There were also problems of the poor remuneration of staff and the poor state of physical facilities and infrastructure that were essential for the educational reforms to succeed.¹⁸

As a result of the problems associated with the new educational system, the burden of providing technical and vocational training to Ghanaians fell mostly on the shoulders of the few polytechnics and vocational institutions existing in the country, the Kwame Nkrumah University of Science and Technology (KNUST), the informal apprenticeship programmes

¹⁷ O. Boeh-Ocansey (1997), *Ghana's Micro-Enterprises and informal sector... Bedrock for national Development?* Accra, Anansesem Publications, pp. 28-30.

¹⁸ *ibid.*, p.15.

offered by skilled artisans in places like Suame, as well as on GRATIS and its network of ITTUs. It is in this vein that GRATIS/ITTUs' technical training programmes and human resources development needs to be mentioned. GRATIS/ITTUs technical training programmes and services are in the form of a four year technical apprenticeship available to Junior Secondary School (JSS) and Senior Secondary School (SSS) graduates, and through linkages that the ITTUs have with various technical and vocational institutions, which permit their students to undertake "practical" attachments in various technical endeavours at the ITTUs.

Under the technical apprentice programme, the various ITTUs admit five new apprentices each annually, from over five hundred applicants who have undertaken written, oral, and practical examinations. Since most vocational and technical institutions in Ghana lack machine tools and equipment, the practical attachments give students of these institutions hands-on experience in operating machines, costing of jobs and shop management. Through these programmes, artisans acquire skills in such areas as metal machining, welding and fabrication, woodworking and pattern making, and foundry work. In addition, there is the visiting apprentice programme where the ITTUs offer short-term apprentice training to clients, customers and their employees. This training, which lasts between three to twelve months, enables clients and customers to improve their skills, learn new manufacturing methods, and also send their operators to obtain the relevant skills when they obtain new machine tools. Development services in the form of outreach programmes to promote careers

in industry and technical trades for secondary school students are also undertaken by GRATIS.¹⁹

To improve the abilities of trainees to run their businesses and workshops effectively and efficiently, the technical training services have a management training component. The entrepreneurial and management development training involves such issues as basic record-keeping and accounting procedures, effective marketing strategies, management of finances, and costing and pricing of manufactured goods. Although a client can

have the best workshop and best product, if you do not know how to get your products across, you would sit in your workshop. We incorporate business management and marketing into technical programmes, workshop management, and also safety concerns at the workshop. The training programme in the package outlined enable clients to work to specifications. For example, you can ask a carpenter to produce a table for you, and he would not be able to tell you how much materials he would need. But training improves this aspect of their work-engineering specifications, designs and drawing. In addition, there is now consistency in their work, reduction of waste, proper budgeting, and costing which comes from their knowing the amount of labour and time they spend in production and manufacturing.²⁰

Through training programmes and services, clients and customers have re-organized their activities, and also incorporated new technologies into their operations. There has also been increased productivity, registration of businesses with the Registrar General's Department, opening of bank accounts, and better customer relations. The success of clients is seen in the fact that sometimes ITTUs sub-contract work to them.²¹

¹⁹ GRATIS, *Five Year Business Plan*, pp. 20-36.

²⁰ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

²¹ *ibid.*

On technology transfer, the services that GRATIS provides through its Engineering Design Centre (EDC) include adaptation, design, engineering drawing, development and testing. The EDC promotes and supports the local design and adaptation of technologies, the manufacture of tools, plant and equipment, and also assists clients to improve the quality of their products and services through educational upgrading. In undertaking these services, the EDC examines various technologies from abroad that seem relevant and useful to the Ghanaian context, imports and then modifies them to suite the Ghanaian environment. Apart from design and adaptation, individuals and organizations often request the ITTU/GRATIS to design parts for various machines and equipment which are no longer on the market. Some equipment may be out of stock from their original manufacturers because newer models might have replaced them. In circumstances like these, firms which cannot afford the new models and lack parts for the older ones contact the ITTU/GRATIS to replicate those parts for their use in case of equipment break-down. Currently, the EDC is focusing on designing a standard corn-mill. The EDC came to the realization that various clients and graduates of its technical apprentice programme produced their own versions of corn-mills. Such were the differences between these mills that in the event of a breakdown, some users found it difficult to get the parts. The EDC is trying to solve this problem by developing a standard mill that can be used by all, with spare parts readily available.²²

Besides the above functions and services, the EDC conducts market and feasibility studies for new products and maintains a data bank on products and designs for dissemination. One of the major headaches for technologists and scientists in developing

²² Interview with Engineering Designer, GRATIS, Tema, 27th April, 1999.

countries like Ghana has to do with the standardization of technological equipment, materials and products. The absence of specifications makes it impossible for up-and-coming practitioners in the field to progress in the development of their skills.²³ Therefore, the existence of the EDC has placed GRATIS on the path of solving problems associated with engineering design and product manufacturing. Since manufactured goods have to meet certain product and material specifications if they are to compete effectively in both the local and international markets, it is a significant advance that designs, drawings and their interpretation have become part of the services that the GRATIS offers to its clients. The technical advisory services, engineering and product design, and other consultancy services that GRATIS through its EDC provides to its clients and the general public at large is aimed at enabling them to upgrade and expand on their operations and activities. This role of the EDC is complemented by the activities of the Ghana Standards Board (GSB), the sole agency entrusted by the government to ensure product standardization in Ghana.

Apart from technology transfer, GRATIS offers advisory and lending services to its clients. The advisory services counsel prospective clients on how to become part of the various clients associations, and subsequently access the financial and non-financial services offered by the GRATIS/ITTUs. When entrepreneurs make contact with GRATIS, visits are arranged to the premises of the prospective client.²⁴ This serves several purposes. First, it makes the GRATIS/ITTUs aware of the extent to which the prospective client is actually involved in manufacturing and the range of activities in which they are involved. It also leads

²³ E. Marfo (1997), "Standards will fuel Industrial Achievement," *GRATIS News*, Edition 26, p. 1.

²⁴ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

to the development of a relationship between GRATIS/ITTUs and the firms. During such site visits by the ITTU personnel, the prospective clients are encouraged to legally register their businesses if they have not already done so. Advice is sometimes immediately offered on how to better construct the workshops to protect machinery against fires and other mishaps, improve the workshop lighting and ventilation, and improve the production techniques.²⁵ By ultimately becoming clients of the ITTUs, firms are able to use its facilities (tools and equipment) to complete jobs for which they lack the necessary machinery, sub-contract to and from the ITTUs, and also rent small detached workshops on ITTU compounds.²⁶

More importantly, GRATIS provides lending facilities-Hire Purchase Scheme (HPS), Working Capital (WC) and Turn-Key Packages (TKP)-to its clients to enable them to undertake technological upgrading. The Hire Purchase Loan Scheme, which became operational in 1991 with funding from CIDA, has as its primary objective the provision of financial support to small-scale industries to enable them to purchase machine tools and equipment. There is no set limit for the amount a client can receive from GRATIS on the HPS, which depends on the purpose of the loan and the viability of the project in question. While no collateral would be required from clients before loans are given, all the machines and equipment supplied to a client by GRATIS/ITTU under the HPS is used as collateral until a client repays a loan in full. In addition, clients must have a net worth equaling at least 25% of the amount requested. Through the HPS, artisans and manufacturers are now able to

²⁵ GRATIS, *Five Year Business Plan*, p.40.

²⁶ *ibid.*, p. 43.

acquire the equipment and machinery to produce high quality goods that for a long time were lacking in the operations of manufacturers in the light engineering sector.

The HPS was augmented when the European Union (EU) supported the Working Capital Scheme in 1993 with an amount of 714 million cedis (US \$1,633,530.85)²⁷ to enable clients of GRATIS to purchase raw materials and other non-capital inputs to engage in production activity.²⁸ The WC enables clients to meet delivery periods, and also enjoy discounts from bulk purchases.²⁹ Land, equipment and other assets are used as collateral under the WC. Finally, there is the Turn Key Package (TKP) which was introduced by GRATIS in 1995 with funding from CIDA to enable clients to purchase a new technology as a package, including the costs of fixed assets, working capital and services such as training, engineering design, market studies and process engineering.³⁰

While GRATIS makes available loans to its clients, applicants need to satisfy certain rigid requirements before they can qualify. GRATIS/ITTU policy is based on the view that in order to make the desired impact, it had to be very selective and back only those firms believed to have the potential to make a contribution to the industrial and technological development of the country. Thus, not everyone is able to receive financial assistance from the organization. To qualify for any of the GRATIS credit schemes, the applicant has to be first screened and certified by the respective ITTU Regional Manager. In addition, the client

²⁷ The dollar equivalent is based on the 1993 exchange rate of US \$1 to 437.09 cedis (ISSER, *The State of the Ghanaian Economy in 1994*, Legon: ISSER, 1995, p. 6).

²⁸ GRATIS (no date) GRATIS Lending Programmes, p. 3.

²⁹ Interview with Project Officer (Lending Section), GRATIS, Tema, 18th June, 1999.

³⁰ E. Adjei (1997), "Lending Strengthened," *GRATIS News*, edition 26, p.12.

must also meet the following requirements: must be a member of the ITTU client association;³¹ must be associated with the ITTU for at least one year in the case of the HPS and six months for WC; must have registered his/her business with the Registrar General's Department and must maintain a current bank account. These measures are aimed at ensuring that clients who receive financial support have the ability to re-pay, and also follow modern business practice.³²

Apart from meeting the above requirements, a loan applicant must also meet environmental and safety standards; and the business must also be the main source of income for the owner. When all these eligibility requirements and conditions are met by a loan applicant, the application will be forwarded by the ITTU Regional Manager to the GRATIS Lending Section accompanied by letters of reference or guarantees made by Client Association members, who are themselves in good standing, together with a loan application appraisal fee of C 50 000 (US \$14.28) for HPS and C 10 000 (US \$2.85) for WC.³³ For a loan whose repayment is spread over a longer period of time of five years, applicants to the HPS normally undergo more scrutiny before the loan is approved. When an applicant has met all the requirements, the application is reviewed by the Loans Committee which comprises the GRATIS' Chief Executive, Finance Officer/Accountant, Loans Officer and the Regional Director of the Accra ITTU, who represents the various ITTUs.³⁴ While an entrepreneur can

³¹ The client association is made up of business owners who have registered with GRATIS as clients, and formed the group to meet monthly and discuss issues of concern and interest to their manufacturing activities.

³² GRATIS (no date) GRATIS Lending Programmes, p.4.

³³ *ibid.*, p.5.

³⁴ Interview with Project Officer (Lending Section), GRATIS, Tema, 18th June, 1999.

apply for and obtain a loan on more than one occasion, it also depends on the repayment rates of clients and an individual client's performance. As a result of the screening process outlined, GRATIS/ITTU clients and especially loan beneficiaries can be described as being a pre-selected elite who have the potential to add value to the manufacturing and industrial development activities of the country.³⁵

GRATIS also provides production and manufacturing, repairs, and consultancy services to customers (private individuals and organizations) on a cost recovery basis. Individuals and organizations in both the public and private sectors often do place advance orders for various equipment to be manufactured for them by the GRATIS/ITTUs. Among such items are office furniture and cabinets, and agricultural processing equipment. The ITTUs also engage in the repair and production of various spare parts for customers. In its consultancy programmes and services, the GRATIS/ITTUs undertake market and feasibility studies, socio-economic surveys, and project formulation, monitoring and evaluation for various public and private sector organizations, as well as NGOs. By engaging in these endeavours, the ITTUs are able to cover part of their costs, and generate income which can be used in assisting various projects of the organization.³⁶

Gender and Technology:

There is evidence that women in Ghana and other West African societies have had a long history of being traders and more economically active than women in most other parts of Africa. Such is the level of institutionalization of the role of women as traders, that

³⁵ J. Powell, *Survival of the Fitter*, *Op. Cit.*, p. x.

³⁶ GRATIS, *Five Year Business Plan*, pp. 44-46.

husbands expect their wives to be economically independent, and also, if possible, contribute to the subsistence of their children.³⁷ While the role of Ghanaian women in agriculture, trading and other commercial activities has long been recognized and been the focus of considerable research,³⁸ their involvement in the small-scale industrial and technological sector was minimal. Although there were no laws barring Ghanaian women from participating in certain technical activities, there was the cultural belief that women were subordinate to men and thus could not engage in certain technical activities. There was a narrow scope of what women should do because of the gender-specific roles assigned to them by society. Smillie rightly notes that Ghanaian communities societies maintained powerful barriers to women's entry into enterprise, industry and technological development.³⁹ Culturally defined ideas of the type of economic activities appropriate for each gender resulted in a general dominance of male entrepreneurs in certain sectors, namely, those activities requiring physical strength and technical skills such as metals and engineering, motor and electronic repairs.

Given this state of affairs, until the 1970s and 1980s, policies geared towards the technological development in Ghana tended to neglect women. With the United Nations declaration of 1975-1985 as the Decade for Women, official recognition was given to the fact that women could participate fully in the development of their communities, and led to the concerns of women being subsequently incorporated into the industrial development

³⁷ M. Peil (1975), "Female Roles in West African Towns," J. Goody (ed), *Changing Social Structure of A New State in an Old Tradition*, London: International Affairs Institute, pp. 73-80.

³⁸ C. C. Robertson (1984), *Sharing the Same Bowl: A Socio-economic History of Women and Class in Accra, Ghana*, Bloomington, Indiana: Indiana University Press; G. Clark (1994), *Onions are My Husband: Survival and Accumulation by West African Market Women*, Chicago: University of Chicago Press.

³⁹ I. Smillie, *Mastering the Machine*, p. 194.

programmes.⁴⁰ Advocates argued that with the active involvement of women, society as a whole would be making optimal use of its human resources, and the conditions of all would also be improved. The call for assistance and involvement in technological endeavours for women did not go unheeded.

A programme designed to advance the use of technology and promote entrepreneurship among women was subsequently initiated by GRATIS through the Rural and Women's Industries Division (RAWID), now Gender and Development (GAD) Unit.⁴¹ Clients and individuals who received training in machinery and light engineering are now producing new equipment for use by new clients, especially women.⁴² In view of the availability of the equipment and machinery, training is provided to women in areas such as food processing (palm-oil extraction, jam making, bee-keeping and gari-processing⁴³), soap making, weaving, and batik and tie and dye cloth production. This is supplemented by extension services which involve the provision to rural women of training in machine operation and maintenance to help them improve productivity.⁴⁴ This helps women clients to own the appropriate machinery

⁴⁰ F. Ameyibor (1999), "The Women Entrepreneur Fuse," *Daily Graphic* (Accra), 18th October, 1999, p.23.

⁴¹ RAWID was based in Accra, and, according to the Publicity and Marketing Officer of GRATIS, did not encourage effectiveness in the organization's activities since RAWID staff members did not interact with female clients in the regional capitals as often as they would have liked. However, with GAD Officers employed in all the regions since 1998, they provide extension services to clients on a regular basis, and only present reports on their programmes to the Co-ordinators at the Head Office in Accra.

⁴² Interview with CIDA Management Advisor, GRATIS, Tema, 27th April, 1999.

⁴³ Gari is a food product, made from cassava by grating, partial fermentation, drying and roasting (Powell, 1995, p.32).

⁴⁴ GRATIS, *Five Year Business Plan*, pp.36-37.

to get involved in various income-generating activities.⁴⁵ Through these activities, women are able to engage in income-generating activities by making use of appropriate technology. For instance, an official at GRATIS noted that women in Ghana, who for a long time were barred from weaving because of the cultural belief that their use of the existing narrow-loom would make women infertile, have started doing so as a result of the introduction of the new and appropriate broad-loom technology. Women who would otherwise have been idle in the rural areas are now busy working because of the new technology.⁴⁶ Cultural and institutional barriers that limited the access that women had to the factors of production-credit, technology input and extension services⁴⁷ are being eliminated through the introduction of improved, more appropriate technology.

Although GRATIS/ITTUs are making conscious efforts to encourage women to participate in all aspects of technical entrepreneurship, as would become evident when we discuss the manufacturing activities of client firms, women continue to engage largely in food-processing, and textiles and clothing, but not metal fabrication and engineering, or wood-working. While the role of women is changing because of programmes like the ones operated by GRATIS, gender division of labour is still prevalent in Ghana, since general social attitudes and internalized cultural values direct both men and women to undertake particular economic activities. A project officer suggested that very few women had set up their own

⁴⁵ Interview with CIDA Management Officer, GRATIS, Tema, 27th April, 1999.

⁴⁶ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

⁴⁷ Glover-Quartey, T. (1997), *Non-Governmental Organizations and the Empowerment of Rural Women in Ghana: A Case Study of Ghana Federation of Business and Professional Women*, Unpublished Long Essay, Department of Political Science, University of Ghana, p. 2.

shops or gotten employment in the field of metal fabrication and engineering,⁴⁸ since about 92% who pass through the technical apprentice scheme are males.⁴⁹ A notable exception, however, is the case of a woman at Kasoa, a suburb of Accra, who was assisted by GRATIS with a welding set and other machine tools on hire purchase basis to set-up a welding and fabrication shop in 1996. As one of the few women involved in a male-dominated profession, she manufactures post-harvest machines such as palm fruit digesters and cassava graters.⁵⁰

Politics and Problems:

In performance of its duties and responsibilities, GRATIS/ITTUs have been beset with a number of problems that have raised concerns about their effectiveness and ability to realize their objectives. One of the main problems is the lack of co-operation among the various organizations which are supposed to promote small-scale industrial and technology development. The GRATIS and NBSSI, which were established and placed under the same ministry to be the implementing agencies for the then Ministry of Industries, Science and Technology (MIST) on policies pertaining to the development of manufacturing, promotion of entrepreneurship and technological transfer, currently find themselves under different ministries, although GRATIS was indirectly supposed to be the technical wing of NBSSI. Under a restructuring of government ministries in 1996, the NBSSI was placed under a newly created Ministry of Trade and Industry (MOTI), while GRATIS found itself under the newly created Ministry of Environment, Science and Technology (MEST). To add to a bad

⁴⁸ Interview with Project Officer, GRATIS, Tema, 18th June, 1999.

⁴⁹ GRATIS, *Five Year Business Plan*, p. 34.

⁵⁰ R. Akrong (1997), "Akosua Sets-up Shop with GRATIS assistance," *GRATIS News*, Edition 26, Tema, Able Press, p. 14; Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

situation, the original ITTU at Suame is not part of the network being co-ordinated by GRATIS. This is because KNUST, under whose direction the TCC and the Suame ITTU was established, does not want them to leave its control. While officials from the GRATIS and Suame ITTU suggest that they are in close touch and hold regular meetings,⁵¹ there is still the need for better co-operation among them.

Although the Suame ITTU clients enjoy access to the lending facilities which GRATIS provides to clients of the ITTUs in the other regions, by not being directly under and part of GRATIS, the Suame ITTU does not receive the kind of support that is channeled by government and other donors. For example, while personnel of the other ITTUs have the opportunity to attend refresher courses and conferences abroad to update their knowledge, the same is not available to personnel of the Suame ITTU. The Research Officer of the Suame ITTU complained that equipment and machinery needed for training purposes are lacking because of the problem of funding. He added that since most of the services they provide are free, they need this equipment to enable them to meet the growing needs of clients and apprentices who undertake practical attachments.⁵² A GRATIS official however, was of the view that

it is just a matter of time that the TCC would allow its Suame clients to join the national network of ITTUs. They would as of now not let it go because they also use it for their research and development and consultancy purposes. I believe that it would have to take a lot of negotiations though for them to become part of us. However, the fact that TCC allows us to have direct

⁵¹ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999; Interview with Research Officer, ITTU, Suame/Kumasi, 7th May, 1999.

⁵² Interview with Research Officer, ITTU, Suame/Kumasi, 7th May, 1999.

contact with their clients makes me to believe that they would eventually join us.⁵³

Staff turn-over is another problem that GRATIS faces. As of 1998, GRATIS/ITTUs had a total of 287 employees, made up of 94 skilled technicians, 28 engineers, 21 trainers, 20 accounting personnel, 17 senior managers, while the remaining were support staff.⁵⁴ However, like the situation confronting the NBSSI, GRATIS personnel do leave to join NGOs and other organizations with better pay levels and condition of service packages. Between 1992 and 1998, more than twenty professionals including engineers and accountants left GRATIS to take jobs with much more attractive salaries. Such professionals left because they earned about a third of what their counterparts received at an organization like EMPRETEC.⁵⁵ According to one official of GRATIS:

the original plan that brought GRATIS into existence was that government will recruit and pay staff well. That has not been the case. You know that the civil servants' pay in Ghana is not the best. So with a number of years experience, our personnel become marketable and attractive to other organizations who offer better pay packages. Also, the personnel are of the view that they train small-scale entrepreneurs to acquire the necessary skills, and clients and trainees go and achieve successes in their activities, while they are on the same salary at GRATIS. Their argument is: Why not stop and be on my own or join another organization which would offer better pay?⁵⁶

Since GRATIS does not charge commercial rates to its clients for the services offered, it is faced with financial problems. In addition, as a government organization, it is limited to civil service salary scales, and cannot therefore provide its personnel and staff the pay levels

⁵³ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

⁵⁴ GRATIS, *Five Year Business Plan*, pp. 23 & 32.

⁵⁵ *ibid*, pp. 30-31.

⁵⁶ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

commensurate with the job they perform. While GRATIS/ITTUs are doing a good job in the services they provide, the turnover and lack of personnel is hindering its ability to carry out its mandate of passing on technological information to small-scale entrepreneurs.⁵⁷

Funding to enable the organization to operate efficiently and effectively is a problem for GRATIS. GRATIS was initially financed with a US\$ 4.5 million assistance package from the European Union's (EU) Development fund, and a US\$ 2.2 million grant from CIDA. Between 1994 to 1997, GRATIS received grants totaling 5.1 billion cedis from CIDA, EU and the government of Ghana.⁵⁸ While CIDA wanted GRATIS to become self-financing and operate on a cost recovery basis, the EU argued that it would have put the organization in direct and unfair competition with its own clients. In the first eight months of 1995, GRATIS/ITTUs earned US\$156,000 from selling new technologies, financing capital purchases, and renting space to new entrepreneurs, enough to cover about 64% of their operating costs.⁵⁹ While cost recovery from customer services currently make-up about 40% of its operating budget, GRATIS' focus on training and development programmes and services limits its ability to attain financial self-sufficiency. Therefore, a government subvention and earnings from customer services are used to cover part of the development services.⁶⁰ According to a GRATIS official,

⁵⁷ *ibid.*

⁵⁸ GRATIS, *Five Year Business Plan*, Appendix 1.1.

⁵⁹ J. Stackhouse (1996), "New Economic Model emerging in Ghana," *The Globe and Mail*, 12th February, p. A 12.

⁶⁰ Interview with ITTU Regional Director, Koforidua, 3rd May, 1999.

with the introduction of the WC and HPS, many people are becoming aware [of GRATIS] and joining the clients associations with a view of being assisted eventually. But donor support is dwindling. The problem now is how to cater for the rising needs and demands of clients. If we are unable to create that strong Revolving Fund, we would disappoint a lot of people and the goodwill created between the organization and the clients would be lost.⁶¹

The problems of funding could however, be overcome when GRATIS attains non-profit foundation status. Currently, GRATIS lacks an independent legal status because it is unincorporated. Hence, it acts under government directives and must seek approval through the MEST of its activities.⁶² However, GRATIS is in the process of moving from the status of a government agency to a non-profit foundation status, where it also could provide consultancy services to other countries like Gambia and Burkina Faso, which are interested in replicating the GRATIS model. Becoming a non-profit foundation will not only enable GRATIS to move away from the domain of the government and sell its goods and services at commercial rates, but also permit it to continue to receive grants from donor agencies. In addition, it will enable GRATIS to be in a position to pay higher salaries to its employees, especially engineers who are constantly being lost to NGOs and other private organizations who offer higher remuneration. Since the very existence of the organization will depend on the services it provides, workers will not lag behind in production because their salaries and other conditions of service will be dependent on the success of the organization.⁶³

⁶¹ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999..

⁶² GRATIS, *Five Year Business Plan*.

⁶³ Interview with ITTU Regional Director, Koforidua, 3rd May, 1999.

Achieving foundation status is not without problems, particularly in the anticipated law suits that would be brought against the organization. GRATIS was established by a decree of a military regime not by legislation, and most of the land and property that are now owned by GRATIS and the ITTUs were confiscated from private owners by the then PNDC government or rented from other public agencies. Under these circumstances, individuals who had property taken by the government are likely to seek legal recourse in the courts to reclaim their lands or get some monetary compensation. With assets and property valued at about 8.2 billion cedis (\$US 3.6 million) as of the end of 1997,⁶⁴ the private GRATIS does not want to be bogged down with financial burdens.⁶⁵ The recent attempt to evict the ITTU in Takoradi from its premises, because another public organization, which had rented facilities to it, wanted them for other purposes, shows the extent of the problem which GRATIS is likely to encounter.

Besides the above, there is the issue of loan repayment and management of funds available under the various schemes. While the repayment rate as of 1996 was about 76%,⁶⁶ it dropped to about 60% in 1998⁶⁷ because of an energy crisis that hit the country in February 1998.⁶⁸ With the rationing of power during this period, production levels of clients fell, and

⁶⁴GRATIS, *Five Year Business Plan*, Appendix 1.2.

⁶⁵ Interview with CIDA Management Advisor, GRATIS, Tema, 27th April, 1999.

⁶⁶ Interview with Project Officer (Lending section), GRATIS, Tema, 18th June, 1999.

⁶⁷ Interview with CIDA Management Advisor, GRATIS, Tema, 27th April, 1999.

⁶⁸ The primary cause for the power deficit was the curtailment of power generated at the Akosombo Dam due to drought and the unusually low reservoir level (ISSER, *The State of the Ghanaian Economy in 1998*, Legon: ISSER, 1999, p.135).

with them their repayment rate. Despite this, a project officer at GRATIS suggested that on the whole, client firms have been very co-operative. Since client firms have to get a guarantor from among members of the client association before loans are given, such guarantors often pressure them to repay, so that it would not affect their own standing and reputation, as well as chances of getting loans themselves. However, there have been some problems with loan repayment. According to the project officer, for some clients, their priorities focus not so much on the loan repayment, as with their immediate family needs, that is, providing food, shelter, clothing for their family members.⁶⁹ The suggestion, therefore, is that it is only when these basic necessities are met that beneficiaries deem it necessary to repay their loans. Attempts to ensure that client firms repay their loans are made even more difficult because of the lack of training for personnel, and of vehicles and other logistics that will enable them to monitor clients who receive loans.

Furthermore,

In some areas, especially in the Upper East and Upper West Regions of Ghana, some clients work with such small capital that evaluating them for the purposes of giving assistance is very tricky. You are not sure whether they can repay loans etc. For other clients, they think that money from us is free. Even though they have the ability to repay, they would not like to do so because they think that the GRATIS project will eventually fizzle out.⁷⁰

However, GRATIS plans to strengthen its staff capacity through various training programmes. Efforts are being made to ensure that GRATIS personnel, especially those in the Lending section, attend periodic workshops and seminars that would enable them to keep

⁶⁹ Interview with Project Officer (Lending Section), GRATIS, Tema, 18th June, 1999.

⁷⁰ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March 1999.

up with changes in the management of micro-financing programmes, and also effectively assess the applications of client firms. Educating clients to be conscious of the need to repay loans is also essential.⁷¹

For reasons which he could not explain, a project officer pointed out that loan repayment was higher among female recipients than their male counterparts. This was especially true among women in food processing who were described as being very serious in the repayment of their loans. The project officer suggested that Ghanaian women are generally not comfortable with being in debt, compared to their male counterparts, hence their high loan repayment rate.⁷² Powell makes a similar point by saying that "women are usually more thrifty, have a greater capacity to save and more likely to repay a loan."⁷³ Women defaulters were primarily in textiles and clothing/batik making in the Accra-Tema Metropolis, which a project officer described as being saturated with manufacturers. According to him, GRATIS is trying to deal with this problem by encouraging most of their women trainees in the textile and batik making industry to re-locate to other parts of the country which are less crowded. When asked why they keep supporting their trainees when they default on their loans, the official noted that the purpose of providing them with employment and skills could not be fully realized if they are not granted the loans to put into practice what they acquired

⁷¹ GRATIS Lending Programmes (no date) p.11; GRATIS, *Five Year Business Plan*, Appendix 2.1.3.

⁷² Interview with Project Officer (Lending Section), GRATIS, Tema, 18th June, 1999.

⁷³ Powell, *Survival of the Fitter*, p. 77.

after six months of training. GRATIS did not want a situation where it only provided training and left apprentices "hanging" after they completed their programmes.⁷⁴ GRATIS

realized from previous experience that without financial support, some trainees, especially those in textiles and tie-and-dye ended up taking other courses, like secretarial training because they did not have money to put into practice the knowledge they acquired at GRATIS. So we felt that it would be appropriate to give them some financial assistance to enable them to start their own business after their training programmes. Giving people employment opportunities and setting up private businesses are the thrust of training programmes that we offer to trainees and apprentices.⁷⁵

Interview with another GRATIS official also revealed that women entrepreneurs do not normally have access to the Hire Purchase Scheme being operated by the organization. This was because the HPS basically aims at assisting entrepreneurs to acquire heavy machinery and equipment to undertake various manufacturing activities, especially in the area of light engineering. However, most women clients of GRATIS do not undertake those manufacturing activities which would enable them to qualify for the HPS.⁷⁶ While women are taking positive steps and making use of the opportunities available to them, financial assistance from GRATIS has mostly come in the form of working capital that is used in the purchase of raw materials. The activities of women are focused more on income generation to keep their households going, rather than on the establishment of a developing firm.

Another weakness in GRATIS/ITTUs operations has to do with the number of apprentices it trains annually. Since the technical apprentice training programme is at the core

⁷⁴ Interview with Project Officer (Lending Section), GRATIS, Tema, 18th June, 1999.

⁷⁵ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

⁷⁶ Interview with Project Officer (Lending section), GRATIS, Tema, 18th June, 1999.

of the services provided by the ITTUs, it is unfortunate that only five applicants are taken on by each ITTU annually from the over five hundred applications. Furthermore, as it stands now, ITTUs operate only in the regional capitals. It would however, not be an over-statement to say that those who need the services of the ITTUs the most are those in the rural hinterlands which the ITTUs are unable to reach due to the poor infrastructure of roads, water and electricity.

Research and development, and safe-guarding the findings has also not kept pace with changes in the technological field because there is not a fund for this purpose, which stems from the nature of GRATIS' subvention. An official stated that, GRATIS currently presents its budgetary proposals to the Finance Ministry, and the government chooses to either support their programmes totally or not. While the sector ministry (MEST) takes up the cause of GRATIS/ITTUs and often makes a case for it to be supported financially, it is up to the central government to provide the needed assistance. While "on paper" the government shows interest in its activities and even uses the organization as a showcase of how living standards can improve with technological advancement and self-employment, the resources the government commits to GRATIS are too small.⁷⁷ GRATIS therefore relies mostly on grants from CIDA and EU, as well as earnings from customer services to undertake its programmes.

⁷⁷ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

GRATIS AND CLIENT FIRMS

Interviews were conducted with 38 client firms of GRATIS (Refer to Chapter one for details on procedure for selecting clients). 27 firms were engaged in various manufacturing activities in Accra, while the remaining 11 were based in Kumasi. Information collected from client firms included the period of their establishment, the age of business owners, and the type of activity that they were involved in. Their sources of capital, educational levels and worker skills, marketing activities, as well as cultural orientation towards business were also looked at.

Characteristics of Client Firms

My concern with the characteristics of client firms centred on their year of establishment, age distribution of business owners, ownership structure, number of employees, business activity, and sources of raw materials, tools, equipment and machinery.

Table 6.1: Year of Establishment

Period	Accra		Kumasi	
	N	%	N	%
1961-1970	1	4	1	9
1971- 1980	4	15	4	36
1981- 1990	5	19	5	45
1991 to date	17	63	1	9
Total	27	100	11	100

Source: Research data/results (1999).

Table 6.2: Age Distribution of Business Owners

Age Groups	Accra	Kumasi
	N (%)	N (%)
Under 20 years	0 (0)	0 (0)
21- 30 years	1 (4)	0 (0)
31- 40 years	10 (37)	2 (18)
41- 50 years	7 (26)	5 (45)
51- 60 years	7 (26)	3 (27)
Above 60 years	2 (7)	1 (9)
Total	27 (100)	11 (100)

Source: Research data/results (1999).

Tables 6.1 and 6.2 provide answers to questions relating to the period of business establishment and the age group of business owners. Regarding the period of establishment, Table 6.1 shows that in Accra, twenty-two (81%) were established after 1980 and six (55%) in Kumasi over the same period. The remaining firms in Accra (19%) and Kumasi (45%) came into existence in the 1961-1980 period. This result lends support to Anheier and Seibel's view that small-scale manufacturing form a young sector in Ghana's economy.⁷⁸ Reinforcing evidence presented in the previous chapter, interviewees pointed out that their reasons for establishing the small-scale businesses were to make money to supplement family levels of income, or because there were no jobs other than engaging in private businesses, or that they were engaging in activities that they had trained in as apprentices.

⁷⁸ H. Anheier & H. Seibel (1987), *Small-scale Industries and Economic Development in Ghana: Business Behaviour and the Strategies in Informal Economies*, Saarbrucken, Fort Lauderdale: Verlag Breitenbach Publishers, p. 61.

Table 6.3: Type of Business Activity

Business Activity	Accra			Kumasi		
	Male	Female	N (%)	Male	Female	N (%)
Metals & Engineering	9	0	9 (33)	11	0	11 (100) ⁷⁹
Food-processing	1	4	5 (19)			
Wood-processing	4	0	4 (15)			
Textiles and Clothing	1	6	7 (26)			
Aluminium processing	0	1	1 (4)			
Goldsmith	1	0	1 (4)			
Total	16	11	27 (100)	11	0	11 (100)

Source: Research data/results (1999).

⁷⁹The Suame ITTU focuses only on the provision of assistance to client firms in the metals and engineering sector, hence the absence of interviewees in other manufacturing sectors of the economy.

Table 6.4: Employment levels among client firms.

Accra			
	Range of Employment		
Business Activity	1-10 Employees	11-20 Employees	21-30 Employees
Metals & Engineering	5	4	0
Food-processing	2	2	1
Wood-processing	4	0	0
Textiles & clothing	7	0	0
Aluminium	1	0	0
Goldsmith	1	0	0
Number (%)	20 (74)	6 (22)	1 (4)
Kumasi			
Metals & Engineering	9	1	1
Number (%)	9 (82)	1 (9)	1 (9)

Source: Research data/results (1999).

All the client firms in both Accra and Kumasi were owned by single individuals. However, one client in Kumasi stated that he had given a small percentage of shares to family members.⁸⁰ Table 6.3 shows the business activities of client firms. Table 6.4 also shows the employment levels for the Kumasi and Accra clients respectively, and they were as follows: nine clients (82%) and 20 (74%) had ten employees or less; one (9%) and six (22%) had between 11 and 20 employees, and one client each in Accra and Kumasi had more than twenty employees.

⁸⁰ Interview with client involved in metals and engineering, Kumasi, 6th May, 1999.

In researching the issue of the sources of their raw materials, interviewees revealed that they procured them from the local market since they could not afford to import them. Although for client firms in wood-processing, the availability of raw materials was hitherto not a problem because of Ghana's abundant forest reserves, the passage of the Timber Resource Management Act (Act 547 of 1999) resulted in a scarcity of raw materials needed for their production. Under this policy, the government through the Ministry of Lands and Forestry has sought to confiscate all chain-sawn lumber on the Ghanaian market. The government's position is that the measure was necessary because large tracts of land are being lost to deforestation. The government attributes the reduction in the country's forest size to the activities of these chain-sawn operators.⁸¹

Wood processors interviewed for this study however, held the view that the law was passed to placate MNCs and exporters who considered chain-sawn operators as keen competitors in the logging of the country's timber reserves. According to wood-processors, although protection of the forest reserves is a good idea, the government adopted the wrong approach. For them, the problem of deforestation is not traced to local chain-sawn operators but rather to large MNCs and other big businesses operated by Syrians and Lebanese.⁸² One client put it this way:

⁸¹ A. Van-Ess (1999), "Ministry to Confiscate Chain-sawn Lumber," *Daily Graphic*, September 8th, Accra: Graphic Corporation, pp. 1-3.

⁸² The resentment, criticisms and hostilities towards the Levantine business owners by local entrepreneurs is not new, as it has been detailed by Garlick (1971) and Buame (1996). According to Garlick, in the 1960s and 1970s, the resentment stemmed from their monopolization of wholesale trading in Ghana, as well as their ownership of the more lucrative commercial areas (pp.79-83). In contemporary times, Buame points out that the Levantine business community is often accused of exploiting their local employees by paying them low wages.

These people [MNCs and Levantine] have large machinery and equipment and their logging practices destroy even small trees. They do not care about the environment. Government is kowtowing to pressures from these foreign investors at the expense of the local industry. Most of these MNCs are only interested in exporting their logs and timber to earn foreign exchange. We have had to rely on local chain-sawn operators for the supply of raw materials. Government applies different standards when it comes to foreign investors. If there is so-called liberalization, why restrict the activities of local chain-sawn operators. The effect of this policy is that the supply of wood to the local market would be stifled, which can inadvertently push the price of wood beyond the means of the average person.⁸³

Although a number of chain-sawn operators were granted permission by the government to supply lumber to local wood processors, manufacturers in the wood-processing industry contended that those licensed would not be able to meet the demand for the local market. This led them to petition the government to review the policy on the ban on chain-sawn operators until proper measures were put in place to ensure the regular supply of lumber and timber for local use. Under the current circumstances, manufacturers argued that they had no other option than pass on the extra cost to consumers, which in itself could affect the demand for their products.

Similarly, for client firms in metals and engineering, getting the needed raw materials, tools, machinery and equipment is an increasing problem. Interviewees reported that given the scarcity of raw materials and intermediate inputs like steel, they made use of scrap metal and iron rods for production. Importing the steel was simply impossible because of the cost involved, and the difficulty of raising the needed foreign currency. The shortage of raw materials also meant that client firms engaged in the repairing and servicing of broken-down machinery and equipment, as opposed to manufacturing new ones. Firms with foundries had

⁸³ Interview with male client involved in wood-processing, Accra, 2nd September, 1999.

to recycle scrap metals before engaging in any manufacturing activity. In the absence of the continuous flow of raw materials, the enterprises were unable to operate at their optimal capacity, and this affected their ability to expand. These concerns and complaints were similar to those of client firms in the textiles, clothing and garments sectors. For the latter, although the raw materials were available on the local markets, the unstable exchange rate and inflation meant that importers sold them at exorbitant prices.

With respect to the sources of equipment and machinery, Powell points out that used machine tools and equipment imported from Britain were given to between twelve and fifteen client firms at the inception of the initial HPS introduced by the TCC between 1977 and 1986.⁸⁴ Three of the Kumasi interviewees were beneficiaries of this original scheme. Of the remaining eight, four bought their machine tools from the local market, three imported them, while one manufactured them himself. In Accra, six (22%) of the clients had gotten machine tools as a result of GRATIS' HPS. Of this number, four were in metals and engineering, while two were wood-processors. Of the remaining clients, two (7%) imported their machines, while nineteen clients (70%) purchased theirs locally from the open market. Maintenance and repairing of equipment and machinery were also undertaken by client firms themselves. This was to be expected at this stage of the industrial and technological development of the country, since they could not raise the funds to buy or import the machinery on the international market. Given the constrained financial state in which most client firms found themselves, it was not surprising that they did not make use of sophisticated machinery and equipment in their production process. As client firms argued, many of their

⁸⁴ Powell, *Survival of the Fitter*, p. 50.

machines are obsolete, and that inhibits their ability to undertake many jobs. They have resorted to improvising in manufacturing various products. The problem with such improvisation is that when a machine breaks down, the purchaser will have to go back to the same manufacturer for repairs, since it is unlikely a replacement can be found elsewhere.

Capital and Finance

Like the NBSSI clients, GRATIS clients were asked about their main sources of capital in order to find out whether they had been successful in relying on the financial institutions to start their businesses, or if they had also relied on informal sources, as has been the case with most small-scale enterprises in the developing world.

Table 6.5: Capital Sources for GRATIS Clients

Sources of Capital	Accra	Kumasi
	N (%)	N (%)
Bank Loan	0 (0)	0 (0)
Family & relatives	5 (19)	3 (27)
Personal resources	21 (78)	7 (64)
Friends	1 (4)	0 (0)
Other	0 (0)	1 (9)
Total	27 (100)	11 (100)

Source: Research data/results (1999).

As indicated in Table 6.5, in Accra, 21 out of 27 (78%) client firms relied on personal resources as the main source of start-up capital. The support entrepreneurs got from other sources came to five (19%) for family and relatives, and one (4%) from friend(s). In looking at the results from Kumasi, a similar pattern can be found, and they are as follows: three (27%) from family and relatives, seven (64%) from personal resources, while one

entrepreneur (9%) relied on advance payments from a customer to start his business. None of the business owners reported that they got started as a result of bank loan. If we take out partial or advance payments from customers as well as assistance from friends, some 91% of client firms in Kumasi and 96% in Accra made use of informal sources and networks (family and relatives, and personal resources) to start their businesses.

After establishing their businesses from various informal sources, only a minority of client firms applied to the banks for financial support to expand their operations. For reasons similar to those provided by NBSSI clients, GRATIS clients had shunned the banks. Sixteen (59%) of the client firms in Accra, and nine (82%) in Kumasi had never applied for a bank loan. Of the remaining clients (11) in Accra, 10 (37%) had applied and secured bank loans, while one client (4%) who applied had been refused. For Kumasi, only two (18%) out of the 11 client firms had been successful in securing loans from the banks. The experience and perception of GRATIS client firms concerning their relations with the banks was similar to those of small-scale entrepreneurs in Ghana as a whole. Informal sources of capital and finance remain crucial for the start-up and development of businesses in Ghana.⁸⁵

Client firms of GRATIS had not fared any better in their quest to receive financial assistance under the BAF. In Kumasi, only two clients were aware of the existence of the BAF. The other nine did not know about it. One of the clients who knew of the BAF thought that because the procedure was centralized and based in Accra, his chances of securing

⁸⁵ See Anheier, H. & Seibel, H. (1987), *Small-scale Industries and Economic Development in Ghana*; Boapeah, S. & Poppe, M. (1992), *Strengthening Spatial Circuits of Rural Small-Scale Industries for District Development: A Case of Dangme West District, Ghana*, Dortmund: Spring Publications; E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development: Urban Female Entrepreneurship in Ghana*, London & New York: Routledge.

assistance was low.⁸⁶ According to him, he did not have time at his disposal to travel to Accra to process the documents, and more importantly, there was no guarantee of him securing the assistance.⁸⁷ While most of the client firms, 15 of 27 (56%) in Accra were aware of the BAF as a facility which they could access, they were not keen on doing so because they also felt that their chances of getting assistance was virtually negligible. One of the business owners who had applied to the BAF Secretariat for assistance stated that,

the procedure is too cumbersome. Given the exchange rate and inflation which changes with each passing day, the loan, even if granted or approved will not be able to achieve its purpose. Apart from the long period it takes before a loan is given, a lot of cost goes into the application. You need to prepare a business plan, and some consultants charge a lot to write up such plans for you, and there is no guarantee that your application would be approved. Also, although they [BAF Secretariat] claim there is a six month grace period, the interest charged on the loan begins the very day the loan is granted if you are fortunate to receive one. You are therefore better off not applying to the fund.⁸⁸

Another interviewee added:

money is given to favourites of government officials who are not even in business. I applied for BAF but they [Secretariat] did not have the courtesy to inform me that I was not going to get the loan. The government politicizes everything. It is more interested in staying in power and therefore selective in who gets the loan. I think they do not want to help those who are perceived to be opposed to them, and might end up helping the opposition party.⁸⁹

⁸⁶ Given the high cost involved in accessing BAF by small-scale entrepreneurs located outside of Greater Accra Region, the fund was decentralized to the regions in October 1996 with a view to making it more accessible (ISSER, *The State of the Ghanaian Economy in 1999, Op. Cit.*, p. 128). Each regional BAF Committee was capitalized to the tune of 50million cedis. The view expressed by this client therefore shows his lack of knowledge about the operations of BAF.

⁸⁷ Interview with male client involved in metals and engineering, Kumasi, 19th July, 1999.

⁸⁸ Interview with male client involved in wood-processing, Tema, 2nd September, 1999.

⁸⁹ Interview with male client involved in wood-processing, Tema, 10th September, 1999.

Funds for expansion of businesses by client firms had come mostly as a result of the HPS and WC funds operated by the GRATIS. Nineteen out of the 27 (70%) of client firms interviewed in Accra had been beneficiaries of either the WC or HPS, while seven of 11 (64%) client firms in Kumasi had also received some financial assistance from the GRATIS. Through these schemes, GRATIS clients were able to secure machine tools and equipment to produce spare parts and customized machines for their customers, and raw materials for production. However, like most loan facilities, there were administrative bottlenecks in the release of funds. One client complained that "although I got a WC from the GRATIS/ITTU, it took forever before I finally got hold of the money. It took almost three months, so technically I did not get any grace period for repayment, since you are supposed to start repayment after three months. That is really bad. It was not my fault that the money [was] delayed, but I had to suffer because of a bureaucratic procedure."⁹⁰

Education and Worker Skills

Table 6.6: Educational Levels of Business Owners.

Type of Education	Accra	Kumasi
	N (%)	N (%)
No formal education	3 (11)	1 (9)
Primary	1 (4)	2 (18)
Vocational & Technical	12 (44)	6 (55)
O & A Level (Secondary)	3 (11)	1 (9)
University/Tertiary	8 (30)	1 (9)
Total	27 (100)	11 (100)

Source: Research data/results (1999).

⁹⁰ Interview with male client involved in metals, engineering and foundry works, Kumasi, 23rd July, 1999.

As Table 6.6 shows, the educational background of client firms in Accra looks quite impressive, and is in keeping with data which show that individuals in the coastal parts of Ghana have generally greater access to and more educational qualifications than those in the central and northern parts of the country.⁹¹ Of the 27 client firms in Accra, eight (30%) were headed by university graduates, 12 (44%) were led by vocational or technical school graduates, three (11%) had completed their secondary education (Ordinary and Advanced Levels), while only one had primary education, and the remaining three had no formal education. The corresponding figure for the 11 client firms in Kumasi was one each with secondary and university level education, another one with no formal education, two with primary education, and the remaining six (55%) with technical or vocational training. The manufacturing skills of the entrepreneurs with primary or no formal education were acquired through the apprenticeship system. Even for those who had technical or vocational school training, they stated that since such training was mostly devoid of practical experience, they had to undertake further training by attaching themselves to the "masters" for a while. Most firms are, therefore, owned and managed by entrepreneurs who had at least part of their training through the local apprenticeship system, while their employees and workers are individuals of similar backgrounds. One client, a former Director of one of the ITTUs and currently involved in foundry activities, stated that it is rare to see a well-trained individual, especially university-type graduates with technical and engineering backgrounds, working with small-scale enterprises. For him,

⁹¹ See J. Cobbe (1991), "The Political economy of Education Reforms in Ghana," D. Rothchild (ed), *Ghana: The Political Economy of Recovery*, Boulder & London: Lynne Rienner Publishers, pp.112-113.

you would never hear a graduate saying I am going to work for a small-scale enterprise. It does not fit their status as university graduates. They are all attracted to work in big and well paying corporations like the Ashanti Goldfields Company (AGC) or Volta Aluminium Company Limited (VALCO). Graduates do not want to be associated with small-scale enterprises.⁹²

The result is that most small-scale enterprises lack the highly trained personnel who can propel their operations to a higher technical level of industrial production.

According to Lall et al., while the "apprenticeship system is well suited to the transmission of fairly simple manufacturing skills to workers with minimal formal education... it is less suited to training for the skills needed for modern manufacturing, where completely different types of skills from those possessed by traditional craftsmen may be required, and where a considerable higher level of education is necessary to operations."⁹³ However, one cannot also fault university graduates for their desire to join large enterprises as opposed to smaller ones since small-scale enterprises lack the funds and other resources that will attract high calibre personnel like graduates into their businesses. Hence,

the government through the national service scheme should have a policy of attaching graduates to small-scale enterprises. The government should be able to do so by subsidizing the pay of these graduates sent to the small-scale enterprises. The owners of the firms can then pay the rest of the salary of the graduates. For it is at this level that the skills of the technically-trained graduates could be more useful and efficiently/effectively utilized. By supervising the production process, better results are likely to be achieved.⁹⁴

⁹² Interview with client involved in engineering, foundry and casting, Tema, 9th July, 1999.

⁹³ Lall et al., *Technology and Enterprise Development*, p. 167.

⁹⁴ Interview with male client involved in light engineering, foundry and casting, Tema, 9th July, 1999.

This view was echoed by many of the client firms in the metals and light engineering sector, who wanted graduates with technical backgrounds to be attached to them to help them reach certain acceptable standards in their manufacturing process. Without arguing that people without the requisite educational qualifications in technology cannot be innovative, it is clear that higher education makes it easier for entrepreneurs to analyze technical issues which are normally overcome by "trial and error" by those who are not well educated in technology.⁹⁵

On the issue of management training and practice, the interviews showed that GRATIS client firms kept records of their businesses for reasons similar to those given by NBSSI clients. Besides enabling business owners to know the direction of their enterprises, entrepreneurs were of the view that it afforded them the chance to know the business strategies that need to be adopted to maximize profits, and also to evaluate the viability of a project they might have undertaken. Such was the commitment of some entrepreneurs to the practice of record-keeping that they had part-time accountants and auditors who checked their financial records and provided the business with an outlook on its progress. However, what was striking among client firms was the fact that most of them got their managerial training not from the GRATIS, but rather from organizations like MDPI and even sometimes from the NBSSI. GRATIS' emphasis is on technological transfer and other forms of technical assistance and training, as opposed to management education.

Client firms stated that managerial and entrepreneurial training had equipped them with insights, skills and information for dealing with various problems that crop up in their

⁹⁵ Ninsin, K. A. (1991), *The Informal Sector in Ghana's Political Economy*, Accra: Freedom Publications, p. 89.

business operations. Also, the administrative capabilities and business perspectives of client firms had been enhanced and broadened as a result of the managerial training. Apart from expanding their knowledge base in the production process, it also facilitated personal contacts and networking with other client firms who are already well-established in the manufacturing process.

Marketing:

The marketing of goods plays an important role in the growth and development of small-scale enterprises. Effective and efficient marketing of products has implications for increased profit earnings and expansion in output.⁹⁶ The aspects of marketing examined included the main customers and approaches to marketing, as well as whether firms exported their products. In examining the main customers of client firms, the aim was to find out the extent to which linkages existed among businesses in Ghana. This is because linkages, which involve making use as inputs in one industry the goods produced by another is crucial for industrial development.⁹⁷

Interviews with client firms revealed that while linkages in the form of information sharing among client firms is virtually non-existent, it is the norm between client firms and GRATIS/ITTUs. Through its monitoring procedures which form part of its mandate, client firms acknowledged that personnel of the GRATIS/ITTUs do call at their business premises to offer technical advice, and also sub-contract work to them. The linkages and sub-

⁹⁶ S. Boapeah & M. Poppe, *Strengthening Spatial Circuits of Rural Small-Scale Industries for District Development*, p.67.

⁹⁷ *ibid.*, p.65.

contracting that goes on in the activities of small-scale entrepreneurs is a positive development. Although the kind of sub-contracting, linkages and interactions that take place in Ghana might not be on the scale similar to those that pertain to the West or even Asian NICs, they are beginning to occur.

Client firms in metals and engineering in both Accra and Kumasi reported that they had manufactured spare parts and products such as corn-mills and its grinding plates, chain sprocket wheels, spare parts, tool boxes, wood-turning lathes, gear boxes, palm kernel crackers, cassava pressers and graters, shea butter, palm oil and gari processing machines, and piston rings for purchase by companies like the Ashanti Goldfields Company Limited, Aluworks Limited, and Ghana Textile Company. It was also common practice for other customers to be referred to manufacturers by a mutual friend. Thus, while wood-processors produced furniture, office equipment, and saw benches for marketing; food processors were involved in bakery, *shitto* making (pepper sauce), fish preservation and catering services either on advanced orders or for inventory stock. Seven (64%) of the client firms in Kumasi and 16 (59%) in Accra manufactured solely on advance orders. Since producing for stock ties up their capital, they considered it unadvisable to do so. In the words of one client "We cannot lock up funds when nobody buys the product. Things are not favourable for manufacturing. Imports are thwarting our efforts."⁹⁸ Production for stock existed among only four and eleven clients in Kumasi and Accra respectively. One such client who produced spare parts for stock

⁹⁸ Interview with client involved in metals and engineering, who happened to be the former chief technician at ITTU, Suame, July, 1999.

stated that he did so because "a good product sells itself."⁹⁹ In Accra, those who produced for stock were mainly in textiles and garments, and food-processing.

Although some of their products found their way to neighbouring countries, ten (91%) of the client firms in Kumasi and 23 (85%) in Accra did not directly export their products because they were of the view that they were not yet ready to explore the international market. The only client in Kumasi who exported to Malawi, Burkina Faso and Benin stated that it constituted about 10% of his production.¹⁰⁰ The remaining clients were concerned about not being able to meet demand from overseas, and that could be bad for their business. They believed that when they were firmly established on the local market, they would be in the position to meet the quality standards and demands of overseas markets. Their argument was that if they could not compete on the local market where they were supposed to have an advantage, then there was no reason to explore the international market. Client firms were of the view that they could be helped by the government if some limits were put on the number of goods which could be imported in the country where there was a local industry undertaking similar production, since liberalization was undermining the operations of local manufacturers. To local client firms, the government appears to be indirectly supporting foreign industries and investors by widely opening the economic door of Ghana.

GRATIS clients also advertised little because of their inadequate capital and the costs involved. The lack of capital had a bad effect on the ability of entrepreneurs not only to maintain a smooth flow of production, but also to undertake sufficient advertising for their

⁹⁹ Interview with male client involved in metals and engineering, Kumasi, July, 1999.

¹⁰⁰ Interview with male client involved in metals and engineering, Kumasi, 6th May, 1999.

products. Thus, apart from having a particular customer base for which they produced for, client firms suggested that the lack of capital, raw materials, tools and equipment to engage in regular manufacturing could result in their being overwhelmed with demands if they advertised. Three client firms in Kumasi (27%) and four in Accra (15%) noted that on the few occasions where they had advertised their businesses at trade fairs like INDUTECH, in the newspapers, and through bill boards they had been overwhelmed with orders. Since such client firms were under so much pressure to meet these demands, and since most of them could not do so, they felt that it was in the best interest of the business to shelve the idea of advertising.

Impact of Programmes:

The Marketing and Publicity Officer stated on the subject of the impact of GRATIS/ITTUs programmes and services on clients, that the organization is supposed to conduct client surveys to collect time line data, and also engage in performance monitoring to determine the success or failure of its programmes and services. According to her, during such surveys, GRATIS/ITTUs is expected to examine issues relating to general workshop environment, record-keeping practices, loan repayment rates, employment generation and sales volume, and use them as indicators to draw conclusions.¹⁰¹ However, GRATIS/ITTUs have very little data on impact of their services and programmes on client firms, since the

¹⁰¹ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

surveys conducted by the organization often dealt only with project expenditure, incomes and number of beneficiaries.¹⁰²

An exception was the survey of 266 clients of GRATIS/ITTUs conducted on behalf of the EU by the Institute of Statistical, Social and Economic Research (ISSER), University of Ghana in June/July 1998 as part of a feasibility study on the potential of further EU support to GRATIS.¹⁰³ The main findings of this survey were as follows: 32% of clients reported an increase in volume of sales, 7% mentioned increased employment, 11.7% cited access to credit, while another 12.9% noted the adoption of new technologies.¹⁰⁴ There is also the work of Smillie which examined the activities of the TCC/ITTU, and their impact on small-scale manufacturing in Ghana. In assessing the TCC, which can logically be extended to the GRATIS/ITTUs, Smillie stated that it

probably ranks among the most successful appropriate technology institutions in the world. Hundreds of small-scale urban and rural enterprises today earn income from technologies introduced to Ghana by TCC; and the foreign exchange savings to the country are enormous. An array of TCC products and techniques are at work on farms, in industry and villages throughout Ghana, and some of what the Centre has learned has been passed on to half a dozen other countries. Most important of all, a capacity and a potential for further development, quite independent of TCC, has been put in place.¹⁰⁵

When asked therefore what the impact of their programmes had been on client operations, the Marketing and Publicity Officer stated that:

¹⁰² GRATIS (1999), *Search for Impact: A Comparison of the 1995 Baseline Survey to the 1998 ISSER Client Survey of GRATIS*, pp. 4-5.

¹⁰³ GRATIS, *Search for Impact*, p. 5.

¹⁰⁴ ISSER (1998), *Technology Transfer in the Informal Industrial Sector: A Study of GRATIS/ITTU Clients and Customers*, pp. 49-53; GRATIS, *Search for Impact*, p 19.

¹⁰⁵ I. Smillie, *No Condition Permanent*, p. 195.

I guess our clients are better suited to answer this question. However, I can say through our programmes and services, clients have better customer relations, re-organized their activities, incorporated new technologies into their operations. Clients are doing well that sometimes work is sub-contracted from the ITTUs to them. Others [clients] in the production of agricultural equipment are thinking of exporting their products to the Sub-region.¹⁰⁶

GRATIS clients interviewed for this study also expressed the following viewpoints:

For Kumasi, three clients each stated that they enjoyed technical advice and access to finance for purchasing raw materials and machine tools. One client each also cited increased employment, change in business orientation, and increased profit margins as the greatest impact of their association with GRATIS/ITTUs had on their businesses. In Accra, fourteen clients (52%) mentioned increased access to finance, six (22%) cited improvements in business management and orientation, four (15%) talked about technical support and advice, while another client (4%) mentioned an increased employment level. Two clients each in Kumasi and Accra, however, stated that their association with GRATIS had not benefitted them in any way. The findings in this study were similar to those of ISSER, with the only notable difference being the increased number of clients in this study who cited access to finance and credit as the greatest impact of GRATIS/ITTUs on their operations.

¹⁰⁶ Interview with Marketing and Publicity Officer, GRATIS, Tema, 30th March, 1999.

Political and Cultural Issues:

Membership of Associations and Lobbying:

GRATIS clients also were asked whether they were registered members of any association and the impact of such membership on their businesses. Since membership is a prerequisite for becoming a client and getting assistance, all the GRATIS entrepreneurs interviewed for this research were members of their ITTU clients association. Clients noted that membership in the ITTU association had been instrumental in their being assisted with loans from either HPS or WC. However, regarding their membership with other associations, the clients (45% in Kumasi and 41% in Accra) who like their NBSSI counterparts had joined various organizations (professional, artisan, business)¹⁰⁷ did not believe they enjoyed any particular benefits, despite the promises given them by the leaders. According to these clients, it was costing them time and money to be members, since they had to attend meetings as well as pay various dues. However, they felt that since some benefits in form of networking, as well as tangible economic benefits might ultimately be realized, they were better off being members than not.

¹⁰⁷ Clients had joined associations such as the Ghana Furniture Makers Association, Association of Ghanaian Industries (AGI), Ghana National Tailors and Dressmakers Association, and Ghana National Association of Garages (GNAG).

Table 6.7: Contacting MPs and Government Officials.

Table 6.7 [a]

Gender		Accra		Kumasi	
		Yes	No	Yes	No
	Male	2	14	2	9
Female	1	10	0	0	

Table 6.7 [b]

Education	Gender	Accra		Kumasi	
		Yes	No	Yes	No
No Formal	Male	0	2	0	1
	Female	0	1	0	0
Primary	Male	0	0	0	2
	Female	0	1	0	0
Secondary	Male	0	1	0	1
	Female	0	2	0	0
Technical & Vocational	Male	2	5	1	5
	Female	0	5	0	0
University/ Tertiary	Male	0	6	1	0
	Female	1	1	0	0

Table 6.7 [c]

Business Activity	Gender	Accra		Kumasi	
		Yes	No	Yes	No
Metals & Engineering	Male	1	8	2	9
	Female	0	0	0	0
Food processing	Male	0	1	0	0
	Female	0	4	0	0
Wood processing	Male	1	3	0	0
	Female	0	0	0	0
Textiles & Clothing	Male	0	1	0	0
	Female	1	5	0	0
Aluminium Processing	Male	0	0	0	0
	Female	0	1	0	0
Goldsmith	Male	0	1	0	0
	Female	0	0	0	0

Client firms expressed their skepticism about the likely effect that lobbying MPs to ensure that policies favourable to the small-scale sector are formulated and implemented by the government. Nine client firms in Kumasi (82%) and 24 (89%) in Accra did not bother to contact them, since MPs were seen as exerting little influence in the decision-making process (Table 6.6). According to client firms, the time to be spent trying to contact an MP or other government officials could be better channelled into the manufacturing of goods. The anecdotal experience of a client in Kumasi lent support to the idea of MPs being powerless and unable to influence policy-making. According to him, after his workshop was razed down by fire, the MP who visited the site suggested that problems and situations like his called for government assistance, but said, however, that he doubted that would be the case. For the entrepreneur, the statement by the MP made him disappointed and also aware of the fact that the government cared little about small-scale entrepreneurs.¹⁰⁸ Finally, another client in Kumasi/Suame pointed out that after providing land over 18 years ago for manufacturers to be settled in a particular location, no government official had come over to check on their progress or find out about their problems. While the Minister of Industries, Science and Technology came on a working tour at the Suame Magazine in July 1997 and promised to ensure improvement in the conditions under which client firms operated, as of the end of 1999 nothing had been done because the government had little interest in and commitment to the activities of the small-scale sector.¹⁰⁹ Such views of client firms obviously call into question

¹⁰⁸ Interview with male client involved in metals and engineering, Kumasi, 6th May, 1999.

¹⁰⁹ Interview with client involved in metals and engineering, Suame/Kumasi, July, 1999.

the government's supposed commitment to making small manufacturing the "bedrock" of national industrial development.

The position of clients was that the government was yet to realize and fully appreciate the contribution of small-scale enterprises in an economy. They believe government officials are of the view that assisting and developing small-scale enterprises would bring only individual success to the owner rather than benefits to society at large. Therefore, the attitude among government officials was to allow individuals to run their own businesses and deal with their problems without support from the government. One client contended that major power brokers would not want capitalists to emerge and thrive, since they would constitute a threat to the power and status of the wealthy class. Hence, the government wants to maintain the hegemony or dominant position and power of a few people in society.¹¹⁰ When government shows some initiative in providing assistance to entrepreneurs to alleviate their problems, the share of the funds that is used to "talk about the problem" is normally larger than the amount that goes into problem-solving itself. In effect, the so-called consultants who are mandated to deal with issues relating to the small-scale sector become the main beneficiaries, rather than small-scale entrepreneurs themselves, since they keep travelling and running workshops, seminars and conferences all in the name of finding solutions to the problems of the small-scale sector.¹¹¹ In the words of one client, "the government makes a

¹¹⁰ Interview with male client involved in foundry activities, Tema, 9th July, 1999.

¹¹¹ Interview with male client involved in metals and engineering, Kumasi, 6th May, 1999.

mockery of the development of the country. They make promises and never fulfil them. Good living makes them to forget about us."¹¹²

Control and Authoritarianism:

The extent to which GRATIS clients involve their workers or apprentices in decisions affecting their operations was examined to find out about the extent of authoritarian management practices in businesses. They were asked whether they sought the views of workers in business decisions, and the extent to which workers could take decisions without approval from the owner. On the first question, the responses from GRATIS clients, like those of NBSSI clients, was overwhelmingly in favour of worker participation. Some of those, 91% in Kumasi and 89% in Accra, stated that their reasons for seeking the views and involving workers in decision-making were that they wanted workers to know and understand their roles, as well as the direction, progress and performance of the business. In the process, owners of client firms were of the opinion that by being part of the decision-making process, workers would be convinced of the merits of a particular decision. This approach in itself, according to clients, resulted in better job performance, increases in production, and improvement in standards of business operations.

However, when questioned whether workers could take decisions without the approval of business owners, there was a sharp schism between these responses and answers to what they had earlier said concerning worker participation in decision-making. While seven of the 27 (26%) in Accra and four of the 11 client firms (36%) in Kumasi said employees could do so, a greater number (twenty- 74% in Accra, and seven- 64% in Kumasi) said they

¹¹² Interview with client male client involved in metals and engineering, Suame/Kumasi, July, 1999.

could not (Table 6.8). Analysis of the reasons for not wanting workers to take decisions without approval revealed that business owners felt that since their businesses are small and developing ones, there must be strong and effective leadership, and this must come from above and from themselves. Furthermore, leaving decisions to workers without much supervision, according to the owners of these firms could create confusion and problems in the workplace, since workers may lack the information that will enable them to take crucial decisions. In effect, since workers were perceived by their owners of firms as lacking in ideas and likely to take decisions that may be detrimental to the interests of the business, no decision concerning their work and the business could be undertaken without approval from the owners.

Table 6.8: Allowing Workers to Take Decisions.

Table 6.8 [a]

Gender		Accra		Kumasi	
		Yes	No	Yes	No
	Male	3	13	4	7
Female	4	7	0	0	

Table 6.8 [b]

Education	Gender	Accra		Kumasi	
		Yes	No	Yes	No
No Formal	Male	0	2	0	1
	Female	0	1	0	0
Primary	Male	0	0	0	2
	Female	0	1	0	0
Secondary	Male	0	1	0	1
	Female	0	2	0	0
Technical & Vocational	Male	1	6	3	3
	Female	1	4	0	0
University/ Tertiary	Male	3	3	1	0
	Female	2	0	0	0

Table 6.8 [c]

Business Activity	Gender	Accra		Kumasi	
		Yes	No	Yes	No
Metals & Engineering	Male	1	8	4	7
	Female	0	0	0	0
Food processing	Male	0	1	0	0
	Female	2	2	0	0
Wood processing	Male	2	2	0	0
	Female	0	0	0	0
Textiles & Clothing	Male	0	1	0	0
	Female	1	5	0	0
Aluminium Processing	Male	0	0	0	0
	Female	1	0	0	0
Goldsmith	Male	0	1	0	0
	Female	0	0	0	0

Source: Research data/results (1999).

Nonetheless, as evident in Table 6.8, there were also the views of a few business owners (seven-26% in Accra, and four-36% in Kumasi) which stood in sharp contrast to the prevalent position that workers should be closely supervised, given instructions, and could not take decisions without approval. These business owners had made it a policy to delegate authority and responsibility of decision-making to a supervisor who was in charge of production and general management. Since business operations had to go on in their absence, such business owners had hired individuals who were seen by them as being fully capable of running the business. Thus, they were at least willing to extend trust not to family members, but to someone hired on the basis of competence to supervise workers.

Comparing NBSSI and GRATIS clients, GRATIS' male clients were even less likely to allow workers to take decisions on their own. In Accra, seven out of eleven (64%) women, as compared to 13 out of 16 (81%) men, were authoritarian about decisions (Table 6.8a). Furthermore, the relatively high proportion of interviewees in textiles and clothing, and metals and engineering accounts for the perceived relationship between their manufacturing activity and authoritarianism (Table 6.8c). Finally, although a greater number of clients with secondary, as well as technical and vocational education did not allow their workers to take decisions without their consent, five of the seven Accra clients who believed that workers could take decisions without supervision were graduates of universities (Table 6.8b). This finding suggests that higher educational levels could be a factor in moderating authoritarian management practices.

However, it should be added that even those owners who believed that workers could take decisions without their approval, added that there were limits on the kind of issues

workers can deal with without approval from them. Decisions relating to finances always had to come from the owner. In effect, although the input of workers was sought, the final decision usually rested with the owner. As Kuada argues, the nature of a particular decision made close supervision and the provision of clear-cut instructions imperative if performance is to be ensured, and such management become particularly important where workers or subordinates are new to the task.¹¹³ Thus, when one analyses the responses to the two questions and relates them to the cultural orientation of hierarchy and respect for authority in Ghana, the conclusion can be drawn that owners of client firms tended to have a hand in almost all the activities that went on in their businesses and their management style was primarily authoritarian.

Extended-Family System, Ethnicity and Employment of Workers:

Evidence from the interviews indicate that although extended-family relations and ties are strong among Ghanaians, and business owners are normally expected to employ family members, this was not the case among GRATIS client firms interviewed for this study. Six out of 11 business owners (55%) in Kumasi and 16 out of 27 (59%) in Accra stated that they did not like having extended-family members in the business (Table 6.9). These interviewees explained that, besides it being inauspicious and inadvisable to mesh family issues with business matters, some extended-family members were not honest and trustworthy with the funds that come into the business. In addition, extended-family members are seen by owners as being undisciplined and insubordinate, and having a lukewarm commitment to work, which

¹¹³ Kuada, J. E. (1994), *Managerial Behaviour in Ghana and Kenya: A Cultural Perspective*, Aalborg: Aalborg University Press, p.126.

is totally different from non-family workers, thereby affecting the production levels desired in the business. The view of one of the business owners was that "having family members is a disadvantage, dangerous and risky. I tried it once and it was a disaster. She did not take instructions and relate well with other workers."¹¹⁴ In the instances where extended-family members were employed in businesses (eleven- 41% in Accra, and five- 45% in Kumasi), these owners stated that it was because family members showed an interest, were hard-working and qualified for the job, and not necessarily due to their ties with them. They also found it expedient to employ their family members to ensure continuity of their business in their absence. Despite these reasons, one cannot however, ignore the fact that some clients might also have employed family members simply as a way of providing them with jobs or due to the societal pressures and demands to do so.

¹¹⁴ Interview with male client involved in wood-processing, Tema, 2nd September, 1999.

Table 6.9: Employment of Family Members.

Table 6.9 [a]

Gender		Accra		Kumasi	
		Yes	No	Yes	No
	Male	8	8	5	6
Female	3	8	0	0	

Table 6.9 [b]

Education	Gender	Accra		Kumasi	
		Yes	No	Yes	No
No Formal	Male	0	1	0	1
	Female	0	1	0	0
Primary	Male	1	0	1	1
	Female	0	1	0	0
Secondary	Male	0	1	1	0
	Female	0	2	0	0
Technical & Vocational	Male	3	4	3	3
	Female	2	3	0	0
University/ Tertiary	Male	4	2	0	1
	Female	1	1	0	0

Table 6.9 [c]

Business Activity	Gender	Accra		Kumasi	
		Yes	No	Yes	No
Metals & Engineering	Male	6	3	5	6
	Female	0	0	0	0
Food processing	Male	1	0	0	0
	Female	1	3	0	0
Wood processing	Male	1	3	0	0
	Female	0	0	0	0
Textiles & Clothing	Male	0	1	0	0
	Female	1	5	0	0
Aluminium Processing	Male	0	0	0	0
	Female	1	0	0	0
Goldsmith	Male	0	1	0	0
	Female	0	0	0	0

Source: Research data/results (1999).

In examining Tables 6.9a-6.9c, we again see that female clients were less likely to employ family members. I would suggest that the social expectations of employing family members, and the pressures of family obligations seem to fall more heavily on men than women. Furthermore, while there was a slightly higher propensity among male clients in metals and engineering to employ family members, female clients in textiles and clothing, as well as food-processing were less likely to do so. Again, this finding is counter to the general view that the technical sophistication of a business like metals and engineering would reduce the employment of family members, unless they possess the requisite skills. However, educational qualifications did not seem to influence views on the subject of employment of family members.

Although employment of family members was not widespread, business owners were willing to help them financially. Only one client (9%) in Kumasi and seven others in Accra (26%) suggested that they did not feel obliged to assist family members. As expected, a significant majority of business owners (ten-91% in Kumasi, and twenty-74% in Accra) stated that given the social pressures of Ghanaian society, they could not disassociate themselves from the extended-family and therefore felt they had a responsibility to assist them. Such financial assistance, and other family and social responsibilities tended to have some negative impact on business operations. For seven of 27 (26%) in Accra and four of 11 (36%) in Kumasi, not only did such support and responsibilities affect their business capital, but also it caused delays, and took time away from business operations to sometimes attend to family needs. Nonetheless, the suggestion by some writers that by financially supporting family

members, entrepreneurs are engaging in unproductive social investments¹¹⁵ paints an erroneous picture of the operations of small-scale manufacturers in Ghana, especially those business owners interviewed for the study. Like the responses of NBSSI clients, these business owners' positions were that although there are constant demands from extended-family members for financial support and assistance, they set certain standards, and have principles which guide them in their business, and were generally reluctant to compromise them for the sake of extended-family issues. Since raising funds from other sources, especially the banks, was difficult, they had to be careful with the management of financial resources so as to prevent the collapse of their business and source of sustenance. In effect, most owners (64% in Kumasi and 74% in Accra) did not see such financial assistance to family members as adversely affecting their business operations because they had budgeted for such expenditure.

Ethnicity:

Finally, Table 6.10 illustrates that the ethnic make-up of interviewees in Kumasi and Accra was what could be expected and shows no surprises, except that like the ethnic composition of NBSSI interviewees, there were no Ga-Adangbes among GRATIS' Kumasi interviewees. Their absence could be explained by the fact that by being the indigenous inhabitants of Accra (the national capital) which also has a large small-scale manufacturing sector, there is little felt need to move to Kumasi to undertake entrepreneurial activities.

¹¹⁵ See P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press; S. Berry (1985), *Fathers Work for Their Sons: Accumulation, Mobility, and Class Formation in an Extended Yoruba Community*, Berkeley: University of California Press.

Table 6.10: Ethnic Composition

Ethnic Group	Kumasi	Accra
	N (%)	N (%)
Akan	8 (73)	13 (48)
Ga-Adangbe	0 (0)	7 (26)
Ewe	2 (18)	7 (26)
Mole-Dagbani	1 (9)	0 (0)
Total	11 (100)	27 (100)

Source: Research data/results (1999).

Adopting an approach similar to the one employed in discussions with NBSSI clients, GRATIS interviewees were asked whether they considered the ethnic backgrounds of people before employing them. Reflecting an entrenched stereotype of Ashantis being arrogant,¹¹⁶ one client, an Ewe based in Kumasi, the capital of Ashanti, suggested that he preferred not to work with Ashantis but rather with individuals from the Northern, Western and Volta regions of Ghana because they were interested in his profession of metal fabrication and engineering.¹¹⁷ While it is not my intention to trivialize the importance of ethnicity as a means for advancing narrow interests, nine (82%) in Kumasi and all clients in Accra argued that ethnicity did not matter to them. In defending this position, an interviewee made a telling point. According to him, in Ghana, and for that matter a place like Kumasi, people of various ethnic groups are noted for their preference for and dominance of particular trades or manufacturing activities. For instance, he suggested that Ewes prefer to be involved in wood-

¹¹⁶ Osei, P. (2000), "Political Liberalization and value added tax in Ghana," *Journal of Modern African Studies*, 38, 2, p. 306.

¹¹⁷ Interview with client involved in metals and engineering, Kumasi, 6th May, 1999.

working, while Fantis, who are part of the broader Akan ethnic group, have a supposed preference to engage in food-processing. Obviously, this view is part of the ethnic stereotyping that was mentioned in the previous chapter, since Ewes and Fantis, like other ethnic groups in Ghana do engage in other forms of manufacturing activity. However, for this client, if people from ethnic groups different from his own are not in his labour force, it is not because he does not want them. Rather, he attributed it to the fact that they might not be interested in his profession.¹¹⁸ While I was not in the position to trace the ethnic networks of interviewees, which might thus make one have reservations about their views on this issue, the argument can still be made that the idea of ethnic bias appears to be a bit exaggerated.

Concluding Remarks

Technological transfer and development form a core part of the efforts of any country to realize socio-economic growth. It is in this regard that GRATIS' programmes in facilitating such development through a "hands-on" approach, and an orientation towards getting goods manufactured appears very effective. Yet, there are certain aspects of the organization's activities that face serious challenges, namely, inadequate funding, limited number of apprentice trainees, high rate of technical staff turnover, and the lack of co-operation among the agencies doing similar jobs. While the study has shown the areas of weakness of GRATIS' operations, the positive impact of its technology transfer, client and customer services, and technical training programmes are indicative of how, when resources are made available to the sector, it can propel the country's development process.

¹¹⁸ Interview with client involved in metals and engineering, Kumasi, 24th July, 1999.

Furthermore, as a result of the interviews and other research methods employed for the study, it would be fair to argue that the views and orientation of a number of GRATIS/ITTU clients did not conform to the reasonable expectations that we had about small-scale enterprises in Ghana, in terms of employing people based on their ethnicity and family ties, as well as authoritarian management style. However, we see that like their NBSSI counterparts, GRATIS clients have yet to fully develop the kind of values, orientations and social trust that are necessary for the functioning of a capitalist mode of production. Finally, the lack of trust in the political system is striking. As noted in the previous chapter, the deep distrust of government and the political system that was evident poses a continuing problem to the industrialization of Ghana.

CHAPTER SEVEN

NON-GOVERNMENTAL ORGANIZATIONS(NGOs) AND INDUSTRIAL DEVELOPMENT: EMPRETEC GHANA FOUNDATION

The acronym EMPRETEC, is derived from *Empresario Technologica*, a Spanish phrase for development-based enterprises because as a project, EMPRETEC was pioneered in Argentina in 1988 by the then United Nations Centre on Transnational Corporation (UNCTC). Since its inception in 1988, EMPRETEC has become an international network aimed at developing the private sector by providing entrepreneurial training to local entrepreneurs. Currently, EMPRETEC operates in several countries including Argentina, Bolivia, Brazil, Colombia, Chile, Ethiopia, Nigeria, Peru, Uruguay, Venezuela, and Zimbabwe.¹ As Boeh-Ocansey notes, EMPRETEC Ghana was established in October 1990 by the UNCTC as a technical co-operation with the Ghanaian government to enhance the participation of the private sector in national economic development.² When it started, the initial focus of EMPRETEC Ghana was on entrepreneurship and business development for small-scale industries which were growth oriented and engaged in value-added activities, that is, companies that had the willingness to grow, contribute to tax revenue and create employment.³ Since September 1994 when it evolved from its project status to a full-fledged

¹ See "A Capacity-Building Programme to Foster the Growth and Competitiveness of Small and Medium-Scale Enterprises in Developing Countries," at www.unctad.org/en/subsites/empretec/empretec, pp. 1-7.

² O. Boeh-Ocansey (1997), *Ghana's Micro-enterprise and Informal Sector... bedrock for National Development?* Accra, Anansesem Publications Limited, pp. 142-143.

³ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

foundation, EMPRETEC Ghana's activities, with the support of 66 staff,⁴ including a multi-disciplinary management team of professionals who possess the knowledge, experience and interest in the development of the small and medium scale enterprises,⁵ have expanded to include a wide range of consultancy and support services which aim at improving the operational efficiency of its clients.⁶ This chapter therefore examines the activities of EMPRETEC Ghana and its role in the industrial development efforts of the country; and also looks at the characteristics of its client firms, their orientation to business, and the impact of EMPRETEC's programmes on their operations.

EMPRETEC Clients

An entrepreneur has to be meet certain criteria before becoming a client of EMPRETEC. The organization undertakes an assessment of the prospective client that includes a business "health check" assessing the firm's needs, as well as its strengths and weaknesses. Those who are considered by EMPRETEC to have the potential and ability for business success are then encouraged to become clients, and sign up for the consultancy and business counselling services that EMPRETEC provides.⁷ However, EMPRETEC puts certain hurdles into the process by asking would be clients to register with a fee of 450,000 cedis (US\$138.46). This is aimed at cutting out micro or informal sector types of enterprises,

⁴ A. Gibson (1999), "EMPRETEC Ghana Foundation: Developing a Broad Product Portfolio Organization," Paper presented at International Conference on Building a Modern and effective Development Services Industry for Small Enterprises, Rio De Janeiro, Brazil, 2nd - 5th March, 1999.

⁵ O. Boeh-Ocansey, *Ghana's Micro-enterprise and Informal Sector*. Op. Cit., p. 143.

⁶ EMPRETEC (no date), *EMPRETEC Ghana Foundation*, p. 1.

⁷ Interview with Assistant Manager, EMPRETEC, Accra, 15th September, 1999.

and ensuring that only those enterprises which have the potential to expand become clients. With such a strategy, EMPRETEC currently has between 600-800 paid up clients throughout the country.⁸

EMPRETEC's Programmes and Services

Finance is a problem that is always mentioned by small and medium scale entrepreneurs, because their access to funds from banks and other financial institutions is scanty. To operate at international levels of productivity, however, entrepreneurs need funding to import up-to-date technology, get the right expertise locally, and be managed properly. Also, getting a sizeable working capital enables clients to buy machines and raw materials in quantities which would tend to make the price more economical for them.⁹

To deal with these financial headaches, EMPRETEC, in February 1996 got a US\$700,000 credit window from the United Nations Development Programme (UNDP) to operate a revolving fund for companies in the construction (block and slab makers), non-traditional exports and tourism sectors of the economy. This credit facility enables clients to access loans that will help them to purchase machinery, equipment and raw materials, expand their businesses, and, hopefully, create employment.¹⁰ The loan applicants are appraised on their business plans, performance at interviews, registration documents of the business, its bank account, and their past business experience and record. While loan applicants do not

⁸ Interview with Chief Executive Officer, EMPRETEC, Accra, 29th April, 1999.

⁹ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

¹⁰ Entrepreneurs are granted loans of up to 20million cedis (US\$5714.28), although EMPRETEC plans to scale-up the ceiling to between 50million cedis (US\$14,285.71) and 100 million cedis (US\$28,571.42)- Interview with Chief Executive, EMPRETEC, Accra, 29th April, 1999.

provide collateral security, typically, two guarantors who are not related to the applicant must write letters on their behalf, so that in case of default, they would be held responsible. Since not all entrepreneurs who apply can be provided with financial assistance, EMPRETEC focuses on what the Chief Executive calls "potential winners" in the business community, that is, those who can add value to their products.¹¹ EMPRETEC has set-up credit sourcing centres in five regional capitals, Accra, Kumasi, Koforidua, Takoradi and Tamale to enable clients to access the loan facility.¹² However, since the loan administration is centralized at the organization's head office in Accra, applications are submitted to the Approval Committee through the Regional offices with recommendations from the Client Managers of the various credit sourcing centres.¹³ As of the end of 1998, 613 entrepreneurs had benefited from the loan scheme operated by EMPRETEC, with about 35% of them being women.¹⁴

Successful loan applicants attend a Loan Management Seminar and Workshop to discuss issues relating to record-keeping, loan repayment obligations, and the good will and reputation that is developed by clients by repaying their loans and meeting other obligations.¹⁵ Furthermore, repayment under the loan scheme is spread over six to eighteen months, with a 35% interest rate. While the Chief Executive contends that the essence of this high interest

¹¹ Interview with Chief Executive Officer, EMPRETEC, Accra, 29th April, 1999.

¹² Boeh-Ocansey, *Ghana's Micro-enterprise and Informal sector*, *Op. Cit.*, p. 148.

¹³ The Loan Approval Committee is made up of representatives from the Private Enterprise Foundation (PEF), Ministry of Finance, City Savings and Loans Bank, EMPRETEC, and a business owner.

¹⁴ Interview with Chief Executive Officer, EMPRETEC, Accra, 29th April, 1999.

¹⁵ Interview with Ag. Client Manager, EMPRETEC, Koforidua, 5th May, 1999.

rate was not to give "free and cheap money" to clients,¹⁶ the unstable inflationary rates in the country are also a factor for this interest rate. With this approach, EMPRETEC has since the introduction of the loan programme in 1996 been able to turn around US\$700,000 and also disbursed about 3.6 billion cedis, with a recovery rate averaging 92%, a rate rarely achieved by any other business development institution.¹⁷

EMPRETEC also operates and encourages clients to come together to form what it calls a Mutualist Empretec Guarantee Association (MEGA). Sponsored by the Department for International Development (DFID), the aid agency of the British government,¹⁸ MEGA facilitates access to funding for a large number of businesses that pool their finances to leverage funds with financial institutions. By joining a MEGA group and contributing an agreed and specified sum of money regularly into a group account, enterprises can be assisted under the scheme to raise substantial amounts without going through the stringent requirement of providing collateral.¹⁹ Registered businesses get together and form a branch of between six and fifteen members. These members save into a mutual savings fund, called a Loan Guarantee Fund by making monthly contributions to a loan account operated by participating financial institutions, which is then used to provide a capital base for collateral purposes. DFID aid funds are then used to match the contributions made by members into the Loan Guarantee Fund. When a MEGA member applies for a loan, the participating financial

¹⁶ Interview with Chief Executive Officer, EMPRETEC, Accra, 29th April, 1999.

¹⁷ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

¹⁸ The DFID has since June 1997 provided EMPRETEC with 1 million pounds (US \$ 1.5 million) to enable it to operate various projects, programmes and schemes.

¹⁹ EMPRETEC (no date, a), *Financial Services for SMEs*.

institutions then multiply the loan guarantee fund by a factor of four to establish the extent of a loanable fund available to a member.²⁰ The "beauty of this scheme," according to the Deputy Director, is that companies that would otherwise not have benefited from bank loans are now able to do so.²¹

EMPRETEC holds a bankers' training programme on relationship management which aims at changing the orientation of banks to small-scale entrepreneurs. This was modelled after a similar programme run by the NatWest Bank of the United Kingdom (UK) which was described by the Deputy Director of EMPRETEC as the "small business lender" in Britain. This programme seeks to demonstrate to the banks that there is money to be made from the small-scale industries, and thus impress upon them the need to focus on and provide financial support to small-scale industries.²² Finally, Boeh-Ocansey points out that through the Clients' Accounting and Book-keeping Service (CABS) of EMPRETEC, entrepreneurs who on their own cannot afford the full cost of professional accounting services can be networked with other entrepreneurs to obtain the services of a firm of chartered accountants at a competitive unit cost. This programme covers book-keeping and accounting advice as well as hands-on training of accounting staff.²³

²⁰EMPRETEC (2000), *MEGA Operating Manual*.

²¹ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

²² *ibid.*

²³ Boeh-Ocansey, *Ghana's Micro-enterprise and Informal Sector, Op. Cit.*, p. 149.

Non-Financial Programmes

In addition to the financial assistance schemes, EMPRETEC offers management training programmes because the biggest problem of small-scale enterprises is poor management and the owners' desire to exercise total control. According to EMPRETEC's Deputy Director, one striking thing about entrepreneurs is that even when they do not need money, they assume that more funds are necessary for their business success. They forget that in the absence of better management practices in the form of proper time management, record-keeping, and delegation of responsibility, their businesses could collapse. With most firms solely owned and decisions taken only by the owner, most failures are the result of mismanagement and not high interest rates, inflation or even the absence of adequate funds. Most small-scale owners are so emotionally attached to their businesses that they would be reluctant to enter into a partnership even when EMPRETEC manages to arrange equity funding from venture capital for it.²⁴ In the words of the Deputy Director, "just because the owners think they might have to relinquish part of their power and authority, they are unwilling to do so. Culturally, people think that 'this is my baby' and would not let go."²⁵

EMPRETEC, therefore, organizes Entrepreneurial Development workshops and other training programmes in the course of every year to improve upon the management skills of entrepreneurs. Thirty such workshops and training programmes covering a diverse range of business and management development topics were held by EMPRETEC in 1999. Apart from furnishing participants with information relating to external markets, EMPRETEC tries

²⁴ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

²⁵ *ibid.*

through training programmes to get entrepreneurs to know that they need to improve upon their operations, and get a clear focus on the businesses they want to undertake, as well as encourages them to enter into partnership with other owners undertaking similar economic activities. They are trained, according to the Deputy Director, to be made aware that the attributes of a good entrepreneur are one who takes calculated risks, seeks opportunities, engages in systematic planning and networks with others to have the necessary resources.²⁶

EMPRETEC also undertakes functional management seminars and workshops which enhance the specific competencies of managers to enable them to function effectively and efficiently. Areas such as sales and marketing, financial management, preparation of business plans, quality control, business planning, access to finance, personnel management, health and safety are all examined during the training programmes and workshops.²⁷ With about 30–40 individuals attending the various training workshops and sessions, and paying between 750 000 (US \$230.76) and 850 000 cedis (US \$246.15) each, an estimated 4000 individuals had attended the workshops as of 1999.²⁸ EMPRETEC also organizes management training programmes which are custom-made on request from various other organizations. Agencies both in and out of the country approach EMPRETEC for particular training to be provided for their staff members. For instance, EMPRETEC Ghana has assisted a country like Botswana to implement EMPRETEC-like institutions and projects.²⁹

²⁶ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

²⁷ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999; Interview with Regional Manager, EMPRETEC, Kumasi, 7th May, 1999.

²⁸ Interview with Chief Executive Officer, EMPRETEC, Accra, 29th April, 1999.

²⁹ Interview with Assistant Manager, EMPRETEC, Accra, 15th September, 1999.

The EMPRETEC Business Forum, whose membership is limited to those who have gone through the training programmes, specifically its 10 Day Entrepreneurial Development Workshop, was formed in February 1991 in recognition of the need to sustain the momentum of interest of trainees and trainers. The aim of this association is serve as a platform for its members to interact and exchange business information, find solutions to problems common to their individual businesses and to relay information relevant to the sustainability of EMPRETEC programmes and attainment of its objectives.³⁰

Since trade and investment flows have become so globalized that businesses can no longer keep solely to their domestic markets, EMPRETEC has since 1993 operated a foreign linkage programme with Danish firms through the Danish Agency for International Development (DANIDA), based in Accra. While the co-operation does not entail the provision of financial aid or support to private Ghanaian entrepreneurs, through these linkages, Danish companies provide technical support and assistance with an aim of upgrading the skills of local entrepreneurs. While all sectors of the economy are involved in the co-operation and linkage programmes, special emphasis is placed on wood-processing, agriculture and fisheries because, according to the Co-ordinator in charge at the Danish Embassy, Accra, the resources in these sectors have been under-utilized. Furthermore, a local business owner needs to have a bank account and show prospects of growing before entering into a licenced agreement with a Danish firm through the Confederation of Danish Industries. An essential part of co-operation and partnership takes the form of training programmes in

³⁰ EMPRETEC (no date, d), *EMPRETEC Ghana Foundation Corporate Profile*, p. 1.

Denmark for Ghanaian partners.³¹ Through the linkage programme, sub-contracting is encouraged between the collaborating firms. While enabling large firms to stick to their core business objective, it allows them to contract out the non-core activities to smaller firms.³²

EMPRETEC also provides consultancy services to clients, and follow-ups that constitute extension services. Consultancy services include "business diagnostic and health checks" which determine the aspects of performance which offer scope for improvement, key areas of risk where special attention may be necessary, key areas of opportunity that may have been overlooked, and areas of the business where effective and efficient management information and control may be lacking.³³ It does so by maintaining a roster of consultants who are assigned to undertake specific assignments for client businesses, ranging from the preparation of business plans and feasibility reports to the installation of new technology. EMPRETEC pays about half of the cost of using a consultant service through its management of the Technology and Enterprise Development Fund sponsored by the DFID.

There is also the Ghanaian Enterprises Development Project (GEDPRO), supported by the DFID, which aims at strengthening and promoting growth in employment and income in small and medium-size enterprises in Ghana, primarily those with assets of 25,000 to 250,000 pounds.³⁴ This is in addition to the technical advisory services that EMPRETEC

³¹ Interview with Co-ordinator, DANIDA Private Sector Development Programme, Danish Embassy, Accra, 14th May, 1999.

³² EMPRETEC (no date, b), *Consultancy and Extension*.

³³ *ibid*.

³⁴ DFID (2000), Draft Project Completion Report for the Ghanaian Enterprises Development Project (Phase 2), p. 1.

provides through an arrangement with the British Executive Service Overseas (BESO).³⁵ Under this arrangement, the services of technical experts from Britain are engaged and attached to the business of clients for short periods to provide "hands on" advice and training. EMPRETEC launched the Ghana Executive Service Organization (GESO) in May 1998 to also provide local counterpart personnel to complement and sustain the technical services provided by BESO. GESO has taken over the CABS programme, and it is estimated that it would undertake about thirty assignments in the year 2000.³⁶

Finally, EMPRETEC offers Information Technology (IT) assistance in the form of internet awareness and management information systems seminars to its clients. Since record-keeping had been a problem for firms, the IT assistance targets firms which do not have or cannot afford full-time accountants, and businesses which do not have computer-based financial systems. EMPRETEC thus provides what it calls a "one-stop-shop" solution to the problem of book-keeping and preparation of timely and accurate financial reports of businesses through the provision of its computer-based financial systems to clients.³⁷ This programme is very important to EMPRETEC itself because without accurate record-keeping, there is no way of looking back to see how clients have performed. While the IT services was

³⁵ BESO is an independent non-charitable organization founded in 1972 to provide advisory and consultancy services to countries throughout the world.

³⁶ DFID (2000), Draft Project Completion Report for the Ghanaian Enterprise Development Project, (Phase 2), p. 3.

³⁷ EMPRETEC (no date, c) *Information Technology (IT) Solutions*.

initially meant for the internal use of EMPRETEC, it was extended to cover clients since some of them needed and requested such services.³⁸

Through its programmes and services, EMPRETEC is able to cover part of its total cost, while depending on donors for its remaining funding. EMPRETEC programmes and services have remained sustainable in the sense that the organization increased the level of cost recovery, measured as the percentage of core overhead costs covered by fees paid by clients rather than by donors, from 31% in 1996 to 79% in 1999.³⁹ According to Gibson, training programmes, either through the 10 Day workshop, and especially the customized and contract workshops, account for over half of EMPRETEC's internally-generated income.⁴⁰ Although EMPRETEC has been able to reduce its dependence on external donors for funds to operate its programmes and services, Gibson notes that the organization's considerable institutional investment, namely, equipment acquisition and human development⁴¹ tends to increase its overhead cost, since such investment have no immediate and direct revenue generating role.⁴² However, EMPRETEC wants to become fully self-sufficient, so that it would no longer need to depend on donor support. The organization seeks to realize this objective by cutting down on its overhead costs, and embarking on a programme of educating

³⁸ Interview with Assistant Manager, EMPRETEC, Accra, 15th September, 1999.

³⁹ DFID (2000), Draft Project Completion Report for the Ghanaian Enterprise Development Project (Phase 2), p. 1.

⁴⁰ A. Gibson, "EMPRETEC Ghana Foundation: Developing a Broad Product Portfolio Organization," *Loc. Cit.*, pp. 8, 11.

⁴¹ For instance, in the period 1994-1997, while \$200,000 was spent on staff training alone, another \$160,000 was spent on the acquisition of capital equipment (*ibid.* p. 6).

⁴² *ibid.*, p. 7.

its clients, so as to raise their income sufficiently to be able to pay the full costs of EMPRETEC services.⁴³

EMPRETEC AND CLIENT FIRMS

This section discusses the socio-economic and cultural characteristics of the 29 client firms of EMPRETEC based in Accra-Tema who were interviewed for the study. It examines issues relating to the ownership structure of businesses, period of establishment, business activity, educational qualifications of owners and their cultural orientation to business.

Characteristics of Business Owners:

Table 7.1: Year of Business Establishment.

Period	Number (%)
1971-1980	2 (7)
1981-1990	12 (41)
1991 to date	15 (52)
Total	29 (100)

Source: Research data/results (1999).

⁴³ See Monica Aring (no date), "Compass to Workforce Development: Guidebook Case Studies," at www.edc.org/CWD/g_empr.htm (pp. 8-9).

Table 7.2: Age Distribution of Business Owners.

Age Group	N (%)
21-30 years	1 (3)
31-40 years	9 (31)
41-50 years	13 (45)
51-60 years	5 (17)
Above 60 years	1 (3)
Total	29 (100)

Source: Research data/results (1999).

Table 7.3: Employment among Client Firms

Number of Employees	N (%)
1-10 employees	4 (14)
11-20 employees	10 (34)
21-30 employees	8 (28)
More than 30 employees	7 (24)
Total	29 (100)

Source: Research data/results (1999).

Table 7. 4: Business Activity

Activity	Gender		Total (%)
	Male	Female	
Manufacturer of cooking utensils	0	1	1 (3)
Manufacturer of traffic lights	1	0	1 (3)
Textiles and clothing	2	4	6 (21)
Film Production	0	1	1 (3)
Metals and engineering	3	0	3 (10)
Computing	1	0	1 (3)
Ceramics	1	0	1 (3)
Manufacturer of polythene bags	1	0	1 (3)
Manufacturer of electrical appliances	1	0	1 (3)
Pharmaceuticals	1	0	1 (3)
Printing, Publishing & Laminating	3	0	3 (10)
Manufacturer of electrical cables	1	0	1 (3)
Wood-processing	4	0	4 (14)
Music Recording	1	0	1 (3)
Building and construction	2	0	2 (7)
Food processing	0	1	1 (3)
Total	22	7	29 (100)

Source: Research results/data (1999).

Like the findings in the previous two chapters, we see that the vast majority of EMPRETEC firms were established after 1980 (Table 7.1). What is significant though about the EMPRETEC clients is that, within the Ghanaian context, they were bigger in size as compared to the NBSSI and GRATIS client firms. As evident in Table 7.3, almost 25% of EMPRETEC client firms interviewed had more than thirty employees. If we consider the fact

that small-scale enterprises in this study were defined as those employing thirty or less individuals, then we can see that some of the EMPRETEC clients were medium-scale in size. Regarding ownership, all but four (14%) firms had sole proprietors.

Finance:

For start-up capital, 23 interviewees (79%) stated that they relied on personal resources, while two (7%) counted on family support. Four clients (14%), however, cited bank loans as the source of business capital. This finding is similar to that of NBSSI and GRATIS clients. On the issue of whether they had applied for bank loans after commencement of their businesses, twenty-one (72%) had applied for loans, as compared to eight (28%) who had not. One of the eight who had not suggested that, "we would basically be working for the banks if we applied for loans. Since payment by our customers is very slow and poor, should we go for bank loans, the interest rate charged by them will eat into our capital base."⁴⁴ Of the number who had applied, fifteen secured some form of bank assistance, but not without problems and frustrations. Among these were the high interest rates, the demand for collateral security and guarantors, as well as the lukewarm attitude of the banks to the small-scale entrepreneur. The frustrations of small-scale entrepreneurs in dealing with the banks and the unrealistic expectations and demands made by financial institutions before loans are granted is summed up in the case of one client who reported that his

bankers requested for a landed property before a loan would be granted. I built the house after the bank requested for that collateral. However, when I went to the bank a year later with the documents on the house as collateral, they refused to grant the loan on the ground that I had ploughed back or taken money out of the business to build the house. I found the rejection of the loan

⁴⁴ Interview with male client involved in the manufacturing of traffic lights, Accra, 13th July, 1999.

ridiculous and contradictory since that is the collateral they requested. Added to this, certain practices like paying for everything with cash reduces the capital base of entrepreneurs. Until recently, people did not have the luxury of paying for equipment over a long period of time. Since a car for instance, is necessary for my business, it means that technically you are taking money out of the business to meet that demand instead of using the money for investment purposes. But at the same time, because the banks are unwilling to give us loans for these purposes, we are forced to take money out of our businesses to get some of these necessary items for our enterprises.⁴⁵

Another interviewee, a wood processor, narrated how his application for a bank loan was treated with what he called "contempt." On submitting the application, he was continuously "tossed around" by bank officials who he believed had "surreptitiously hidden his application." However, by some chance encounter, the manager of the bank where he had put in the application visited his workshop and placed orders for some furniture. So impressed was the bank manager of the quality of his products that he suggested to the entrepreneur that he apply for a loan to expand his operations. When the entrepreneur told him of his experience at the bank, he asked him to meet him at his office. A day after this meeting, the loan was approved. For this interviewee, "people in the banks act irresponsibly and without any well laid down rules and regulations. There are all kinds of bureaucratic impediments in the process of securing loans. Until you grease the palm of officials, you are unlikely to get the assistance. Your application forms may be thrown away. You need some big-man or someone in position of power and authority to 'push' your application for you. You can put in an application and it would take forever, sometimes more than a year before it is processed. It may sound harsh but this is the true fact. With inflation, even when you secure the loans,

⁴⁵ Interview with male client involved in the manufacturing of electrical cables, Tema, 12th July, 1999.

its value would have diminished. That affects repayment."⁴⁶

While the experiences of the two clients was in many ways the epitome of the relationship between banks and small-scale entrepreneurs, another entrepreneur expressed his thoughts in the following way:

The current constitution of Ghana enjoins and expects the banks to encourage and promote economic development through the operation of an effective and efficient banking system. This implicitly acknowledges the pivotal role banking can play in the development of the country, and it becomes more apparent considering the business and industrial potential of Ghana. Yet banks are reluctant to offer loans to the general public, especially the poor and lowly placed small-scale business and industrial operators because of the known default syndrome. This is an unfortunate dilemma because the threat of loan default is real and makes banks which feel let down by the defaulters reluctant and unenthusiastic about lending or supporting small-scale businesses, while businesses which are responsible for the loan defaults keep shouting and accusing banks of neglect.⁴⁷

Furthermore, while EMPRETEC clients were very knowledgeable about the existence of BAF, they, like the NBSSI and GRATIS clients, showed very little interest in applying for assistance. Only two clients of EMPRETEC stated that they had applied for BAF loans. The rest had not bothered to do so because they believed it was politicized, and given to friends and supporters of government officials. For one client,

I got a BAF not because I was hitherto working in the Ministry of Industry but because of merit. The only advantage was that I knew how to fill the forms better and put in what was expected. The fact that I do not default is testament to the fact that I got it on merit. The first two groups of BAF recipients and beneficiaries of which I was part of was based on merit. After

⁴⁶ Interview with male client involved in wood-processing, Accra, 15th June, 1999.

⁴⁷ Interview with male client involved in building and construction, Accra, 24th June, 1999.

that, it became patronage distribution. That is reflected in the low repayment rate.⁴⁸

For another,

If you happen to be someone who would not want to bend backward so much and belong to a party, you would end up not benefiting at all. You know that the money was given to some people who were not going to repay. Money is given to people who are starting businesses. As the name suggests, it is supposed to be for business assistance, that is, those already in business, but when funds are given for businesses to begin, then you realize that there is certainly something wrong.⁴⁹

A third client stated that,

I am fed up with the government. BAF was given to government friends. Government is not interested in helping people. They are only concerned about themselves, not the good of society at large. I have no faith or confidence in the government. It gives preferential treatment to foreigners and other investors as opposed to supporting indigenous businesses.⁵⁰

Education and Entrepreneurial Skills:

EMPRETEC clients as compared to NBSSI and GRATIS clients represented a more highly qualified and educated group of business owners. Twenty-one (72%) of the EMPRETEC clients interviewed were university graduates, three (10%) had secondary education, while the remaining five (17%) completed vocational and technical schools. Besides their educational qualifications, only two (7%) of the interviewees had not attended an Entrepreneurial Development Workshop or any of the training programmes organized by EMPRETEC. Those who had (93%) participated in the training programmes stated that it had

⁴⁸ Interview with male client involved in metals and engineering, Accra, 29th June, 1999.

⁴⁹ Interview with male client involved in manufacture of polythene bags, Accra, 14th July, 1999.

⁵⁰ Interview with male client involved in electrical products, Accra, 16th June, 1999.

helped them to be more focussed in their approach to business. They also learned new techniques about strategic development, marketing, financial management, group-oriented business, improved efficiency, and it also impressed upon them the need to keep records of their businesses. With better record keeping, entrepreneurs argued that they are able to more easily identify problems, schedule production, plan and forecast, review business progress, assess targets, take appropriate business decisions, assess cash flows, take decisions, and engage in effective budgeting.

Marketing:

When small-scale manufacturers engage in production of goods, it is rational to assume that one of their basic aims is to market these products. Effective marketing often entails the pricing and distribution of the products, as well as the promotion and advertisements that come with it. The evidence on this aspect of the research was that fifteen of the 29 clients (52%) did engage in advertising of their products. These clients were of the view that apart from helping them to reach a wider/broader market by attracting new and prospective customers, advertising creates awareness among the general public about their products, opens up business opportunities, and increases the demand for their products, and thus their production base. One client stated that about 35% of the production undertaken by his business could be attributed to the advertising undertaken by his firm.⁵¹ On the other hand, fourteen clients (48%) did not advertise their products. One of them, a drug manufacturer, said it was against the professional code of ethics of the pharmaceutical association in

⁵¹ Interview with male client involved in building and construction, Accra, 11th May, 1999.

Ghana.⁵² Thus, he relied mostly on personal contacts, networking and referrals from colleagues and friends to market his products. The remaining thirteen clients (45%) responded in much the same way by saying that the decision not to advertise was due to the costs involved, the smallness of the market, the fear of not being able to meet customer demands, the lack of equipment and resources to increase production, and by the fact that they felt they already had a well-established client base.

Similarly, only eleven clients (38%) exported their products. While these clients stated that exports constituted between 10%-30% of their total production and sales, one of them, involved in ceramics, exported about 95% of his products to Western Europe and North America.⁵³ What was interesting about the clients who had an orientation geared towards the global economy was that four of them were in textiles and clothing. One factor that may help explain the exports undertaken by them is the "traditional" nature of their manufactured products (batik, and tie-dye clothing) that makes them attractive to both individuals of African descent in the Diaspora, as well as non-blacks. However, eighteen clients (62%) did not export because, apart from not being in the position to meet the production levels often associated with exports, they did not have the machinery to achieve the quality required at the international level. For one client, "we tried to export, but hitherto African countries did not trade amongst themselves. The climate is changing, and there is more South-South co-operation and trade now."⁵⁴ According to another, "we do not export because the competition

⁵² Interview with male client involved in pharmaceuticals, Accra, 18th June, 1999.

⁵³ Interview with male client involved in ceramics, Accra, 30th June, 1999.

⁵⁴ Interview with client involved in the manufacturing of traffic lights, Accra, 13th July, 1999.

is keen and our competitors get an export subsidy from their governments. Our cost of production is also higher. This is the local market, so you can imagine what will happen to us if we attempt to export. We cannot compete."⁵⁵ Thus, clients targeted only the local market and produced to meet those demands. Finally, 14 out of the 29 clients (48%) manufactured only on advanced orders from customers. While three of them undertook such a marketing strategy because of the lack of adequate working capital, the others did so because their customers often requested particular specifications for their products. Hence, it was not in their businesses' interest to produce for inventory. The remaining 15 clients (52%) produced mainly for stock, while at the same time engaging in contract and customized manufacturing. For them, since the market was readily available, there was no reason why they should not always have stock of their manufactured products.

Impact of EMPRETEC Programmes:

Judging the success or failure of a programme and choosing which evaluation techniques, methods and variables to use, hinge on one's philosophy, perceptions of objectives, and policy targets.⁵⁶ For Gibson, since the programmes and services of an organization like EMPRETEC are aimed at bringing about improvement in clients' capacity, and ultimately their business performance, one way of assessing the overall performance of EMPRETEC is to measure quantitatively the performance of clients. However, he concedes that doing so is difficult, because apart from the problem of having "hard" data on client

⁵⁵ Interview with client involved in publishing and printing, Accra, 8th July, 1999.

⁵⁶ T. Mkandawire & C. Soludo (1999), *Our Continent, Our Future: African Perspectives on Structural Adjustment*, Ottawa: International Development Research Centre (IDRC), p. 51.

impact, EMPRETEC clients are expected to perform well above average compared with the national trend, since they are a deliberately targeted and exclusive group.⁵⁷ The issue therefore arises as to whether clients performed well because of the programmes and services of EMPRETEC, or if their improvement was due to their own background, notably their education and their pre-existing skill and experience. With these caveats in mind, I relied on the views expressed by officials of EMPRETEC, as well as client firms to draw out my conclusions on this issue.

In answer to a question on the criteria used in assessing the success or failure of their programmes, and the impact of their programmes on client firms, an EMPRETEC official stated that the organization undertakes impact benchmarks by looking at the status of a business in terms of production and sales volume, management capability, number of workers, product and service quality. It also looks at the extent to which additional revenue is generated and if subsequently other investments are undertaken. Using these indicators to judge the success of its programmes on clients, EMPRETEC is able to demonstrate to its sponsors like the DFID, that it is able to positively affect the performance and activities of its clients.⁵⁸ For instance, DFID's draft project completion report showed that of a sample of 57 clients surveyed during the period 1996-1998, their performance was as follows: There was an average increase of 25% per annum for sales, while profits before interest and tax increased by 27%. Similarly, employment of skilled persons increased by 33%, while that of

⁵⁷ A. Gibson, "EMPRETEC Ghana Foundation: Developing a Broad Product Portfolio Organization," *Loc. Cit.*, pp. 14-16.

⁵⁸ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

unskilled persons grew by approximately 30%. Furthermore, the number of firms introducing management accounts, as measured by the number of firms registering for the CABS, increased from four firms to 51 firms in 1998. Finally, six MEGAs had been established by EMPRETEC clients, while EMPRETEC also worked with DANIDA to initiate links between 16 Ghanaian and Danish Companies at the cost to DANIDA of US\$1.2 million, although no information was available on performance.⁵⁹

Thus, EMPRETEC is of the view that the impact of their programmes has been outstanding. Apart from increased business performance at the quantitative level, clients have a greater understanding of good business practices, and also manage their businesses better. With business ethics, clients appreciate the importance of record-keeping, undertake promotional activities for the products, and have better customer relations.⁶⁰ The Deputy Director added that, "when you randomly talk to business owners in town, you can easily tell the ones who have attended our training programmes and are our clients. Their perception and business orientation is totally different."⁶¹ In addition, the BESO scheme had brought about 80 British executives to Ghana to offer technical advise and support to entrepreneurs, which had increased the profit margins of clients.⁶² Finally, since the essence of EMPRETEC's existence is to ensure that clients are satisfied with the services and

⁵⁹ DFID (2000), Draft Project Completion Report for the Ghanaian Enterprises Development Project (Phase 2), pp. 1-3.

⁶⁰ Interview with Ag. Client Manager, EMPRETEC, Koforidua, 5th May, 1999.

⁶¹ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

⁶² Interview with Chief Executive Officer, EMPRETEC, Accra, 29th April, 1999.

counselling that it renders to them, and thus return for more, it also strives through its monitoring, follow-ups and evaluation processes to build long-term relationships with them.⁶³

Client firms concurred with the assessment of the impact of various programmes on their operations. On the managerial side, twenty clients spoke of their shortfalls- ineffective budgeting and management, as well as inability to manage financial resources- prior to their association with EMPRETEC. However, their attendance of various workshops helped them not only to acquire knowledge on how to deal with their problems, but also introduced them to other dimensions of how to better manage their time and make optimal use of available resources. For these twenty clients, the greatest impact of their association with EMPRETEC was therefore with the improvements in their business management and orientation. In the words of one client, "the negotiation techniques and skills gathered at training sessions and programmes were made use by me to negotiate a joint venture."⁶⁴ Three other clients talked about the consultancy services that were provided to them as a result of being clients of EMPRETEC. According to one of these three clients, his business benefited from consultancy through BESO. In his words, "initially, there was a lot of waste. EMPRETEC provided us with a British consultant who provided advice to our workers. His presence was very beneficial and helpful to our enterprise. It taught us a lot on how to run a business efficiently and eliminate waste in the production process."⁶⁵ Finally, two clients had been able to enter into partnerships with Danish firms as a result of the linkage programme existing between

⁶³ Interview with Deputy Director, EMPRETEC, Accra, 16th March, 1999.

⁶⁴ Interview with male client involved in the manufacturing of electrical cables, Tema, 12th July, 1999.

⁶⁵ Interview with client involved in printing and publishing, Accra, 8th July, 1999.

EMPRETEC and DANIDA. All in all, while not providing the "hard" and quantitative data and information that the DFID and officials of EMPRETEC had access to, the views expressed by clients was compatible with those of EMPRETEC officials, and thus makes one confident that EMPRETEC Ghana has been effective in assisting client firms.

These positive impacts on the businesses of EMPRETEC clients do not, mean, however, that the relationship between EMPRETEC and its clients was all rosy. Four clients complained that given the amount of money they pay to attend training programmes as well as become clients of the organization, they expected more financial support than EMPRETEC is able to give them. One of them suggested that managerial training without financial support to put into practice what was learnt was of no use to entrepreneurs.⁶⁶

Political and Cultural Issues

There is the general view among policy makers that when business associations are formed, they would be in better positions to "speak" and lobby on behalf of their members, than when they attempt to do so individually. This becomes even easier when the society in question is more open and democratic, as Ghana has been since multi-party elections were held in late 1992. Clients were therefore interviewed about their membership of various associations. With the exception of only two clients who stated that they did not have time, or were less interested in joining any association, the remaining client firms were registered members of various business, trade and professional associations.⁶⁷ When interviewed on the

⁶⁶ Interview with male client involved in the manufacture of electrical appliances, Accra, 16th June, 1999.

⁶⁷ Among the associations that client firms joined were the Empretec Business Forum, Association of Ghanaian Industries (AGI), Ghana Association of Women Entrepreneurs (GAWE), and the Ghana National Chamber of Commerce.

issue of whether they had contacted and lobbied MPs and government officials, the responses of EMPRETEC clients were similar to those expressed by GRATIS and NBSSI interviewees. The general views of EMPRETEC clients were that although Ghana has been a more democratic society since 1992, not only was participation in policy formulation by various interest groups not actively encouraged by the government, but also such lobbying was only possible in the advanced Western democracies. The result is an apathy regarding public participation in policy formulation, which is a remnant of the "culture of silence" that existed during the PNDC era.⁶⁸ Not surprisingly therefore, twenty-three of the interviewees (79%) had not contacted their MPs or other government officials to lobby for the implementation of favourable policies (Table 7.5).

⁶⁸ The "culture of silence" was a term used by J. J. Rawlings in 1987 to describe the passivity of Ghanaians to his policies and programmes. He did not seem to understand why it existed in the populace (Osei, P. 2000, "Political Liberalization and value added tax in Ghana," *Journal of Modern African Studies*, 38, 2, p. 265 & p. 277, foot note 5.

Table 7.5: Contacting MPs and Government Officials.

	Yes		No	
Gender				
Male	6		16	
Female	0		7	
	Male	Female	Male	Female
	Yes	Yes	No	No
Education				
Secondary	0	0	1	2
Technical & Vocational	0	0	3	2
University/Tertiary	6	0	12	3
Business Activity				
Manufacturing of cooking utensils	0	0	0	1
Manufacturing of traffic lights	0	0	1	0
Textiles & clothing	1	0	1	4
Film production	0	0	0	1
Metals and engineering	1	0	2	0
Computing	0	0	1	0
Ceramics	0	0	1	0
Manufacturer of polythene bags	0	0	1	0
Electrical appliances	0	0	1	0
Pharmaceuticals	1	0	0	0
Printing, Publishing & Laminating	0	0	3	0
Manufacturer of electrical cables	1	0	0	0
Wood-processing	0	0	4	0
Music recording	1	0	0	0
Building and Construction	1	0	1	0
Food-processing	0	0	0	1

Source: Research data/results (1999).

According to one client, since MPs of the ruling party are selected with the help of party leaders and government officials, they are expected to toe the party line on policy issues. Hence, MPs often find it very difficult, if not impossible, to be critical of government policy even when such policies negatively affect their constituencies, for fear that they could be replaced in subsequent elections. Regarding the opposition MPs, since they are in the minority in the legislature, they could not be that helpful even if they wanted to, since bills put forward

by them were likely to be defeated by the government majority.⁶⁹ In essence, MPs were seen by this client as being weak, powerless, and unable to influence government decisions on their behalf. For him, the democracy in existence in the country is nothing more than a manipulated and immature one which makes it difficult for MPs and business associations to have any meaningful impact in terms of ensuring that favourable policies are implemented for the small-scale manufacturing sector. For another client, "politics in Ghana is a different ball game. You are vulnerable as a businessman. To be too forthright, people might think you are making a personal attack and your business will suffer. Government does not take lightly to criticisms. You will be bogged down with unnecessary law suits, and that will take time and money away from business. Your efforts will be geared to somewhere else."⁷⁰ Such is the lack of trust in the system that this client stated, "I am prepared to pay bribes to a government official if I know that is what would take to win a contract. If everyone is doing it, I do not see the reason why I should not indulge in it. If the laws are equally applied in all circumstances, I would not have to engage in some of these, but the laws and rules are not."⁷¹

The implications of these responses is that MPs were not held in high esteem by clients, since apart from being perceived as lackeys who only sought their own self-interested agenda, they were unable to influence policy in any meaningful way. We therefore see that, as was the case with NBSSI and GRATIS clients, EMPRETEC clients believed that there was

⁶⁹ Interview with male client involved in paper, printing and publishing, Accra, 8th July, 1999.

⁷⁰ Interview with male client involved in publishing and laminating, Accra, 17th June, 1999.

⁷¹ *ibid.*

little transparency and accountability on the political front, making them less trustful of the government and politicians as a whole.

Clients also expressed concerns about government policies and the poor state of infrastructure, and the effect on their operations. First, there was the issue of taxes. The government widened the tax base of the country with the introduction of a 10% Value-Added Tax (VAT) at the beginning of 1999.⁷² The introduction of this tax was not without critics in the manufacturing sector. For one entrepreneur, a drug manufacturer, taxes on imported raw materials were killing his business. According to him, entrepreneurs "have to pay 10% VAT on the imported raw materials used in producing and manufacturing our drugs, although the finished products are exempt from taxes. So obviously, the cost of production of our products become higher than the imported ones. It looks like the government is only interested in collecting revenue without considering the long-term effects on the industry and economy as a whole. If we decide not to import raw materials, the revenue would not go to the government. It would also affect the availability of drugs in the system, and ultimately the productivity of workers. It is a cycle, but the government does not seem to appreciate this fact."⁷³

Furthermore, clients accused the government of lacking a clear industrial policy, not only because it was interested in developing and increasing the earnings from the export of non-traditional crops as opposed to manufacturing, but also because of its focus on the

⁷²Foodstuffs produced and sold in their raw state, transport fares, newspapers and books, petrol, diesel and kerosene, essential drugs, educational services, domestic electricity and water (excluding bottled water) are all exempted from the VAT (ISSER, 1999, *The State of the Ghanaian Economy in 1998*, Legon: ISSER, p.5).

⁷³ Interview with male client involved in pharmaceuticals, Accra, 18th June, 1999.

service sector, especially tourism, which seemed to be contributing foreign exchange to the economy.⁷⁴ In tandem with this, clients were of the view that trade liberalization was undermining the prospects of progress and development of indigenous industries. Free importation of goods which were also locally produced, was, according to the entrepreneurs, driving them out of businesses. The concern of one client in the textile and clothing sector was with the volume of imported used clothing on the local market. He suggested that since these used clothes were cheaper than newly sewn ones, people preferred to buy them.⁷⁵ Another said, "it is very rational for customers to go in for the less expensive commodity, irrespective of where it is produced. The situation becomes worse when one also takes into consideration that some Ghanaians have the perception that 'Made in Ghana' goods are of low quality and inferior to imported ones."⁷⁶ Coupled with that, the undeveloped infrastructure of the country had added to the woes of entrepreneurs. There were instances of entrepreneurs having to connect their own power and electricity, as well as water to their business premises.⁷⁷ In the words of one such entrepreneur, "it cost money and a lot of time to bring power and water here (business premises). These resources could have been

⁷⁴ Total earnings from exports of non-traditional commodities yielded US\$404.4 in 1999 as compared to the 1998 figure of US\$401.7million; while that from tourism increased from US \$301.44 million in 1998 to US \$304.12 million in 1999 (ISSER, *The State of the Ghanaian Economy in 1999, Op. Cit.*, pp. 64 & 68 respectively).

⁷⁵ Interview with male client involved in textiles and clothing, Accra, 29th June, 1999.

⁷⁶ Interview with female client involved in film production, Accra, 24th June, 1999.

⁷⁷ Because the sale of land and its development are not carried out by those who sell them, it is not only common for purchasers of land to put up structures before requesting utilities from the appropriate agencies, but also to bear the cost of the connection from the closest main utility line to their premises.

channelled to other more productive things. It is the responsibility of the government to provide the basic infrastructure and not the entrepreneurs themselves."⁷⁸

Control and Authoritarian Decision-Making:

To the question of whether workers were involved in decisions affecting the business, only one out of the 29 clients replied that workers were not consulted. However, when asked if employees and subordinates could take decisions concerning the business without the knowledge and approval of the owner, twelve clients (41%) suggested that workers needed to be given clear direction, follow orders and undertake their duties and responsibilities in a hierarchical environment (Table 7.6). They argued that although workers were on the "shop-floor" of the production process, and had a pivotal role in helping businesses to realize the goals and demands of customers, they had to work within the general direction and instructions issued to them by the owners. For such interviewees, since whatever decisions taken by workers could affect the business, it was important that they were aware of everything taking place in their firms.

⁷⁸ Interview with male client involved in the manufacturing of electrical cables, Tema, 12th July 1999.

Table 7.6: Allowing Workers to Take Decisions.

	Yes		No	
Gender				
Male	14		8	
Female	3		4	
	Male	Female	Male	Female
	Yes	Yes	No	No
Education				
Secondary	1	0	0	2
Technical & Vocational	1	1	2	1
University/Tertiary	12	2	6	1
Business Activity				
Manufacturing of cooking utensils	0	1	0	0
Manufacturing of traffic lights	0	0	1	0
Textiles & clothing	1	1	1	3
Film production	0	1	0	0
Metals & Engineering	2	0	1	0
Computing	1	0	0	0
Ceramics	0	0	1	0
Manufacturer of polythene bags	1	0	0	0
Electrical appliances	0	0	1	0
Pharmaceuticals	1	0	0	0
Printing, Publishing & Laminating	2	0	1	0
Manufacturer of electrical cables	1	0	0	0
Wood-processing	4	0	0	0
Music recording	0	0	1	0
Building and Construction	1	0	1	0
Food-processing	0	0	0	1

Source: Research data/results (1999).

Nonetheless, a significant majority, 17 out of 29 (59%) business owners stated that workers could take decisions without necessarily seeking their approval (Table 7.6). The orientation of these clients was professional in nature in the sense that they did not consider themselves as the "boss" of everything but rather as professional managers and administrators. The high number of owners who were supportive of workers taking decisions without their knowledge can be described as quite significant on this issue. According to one client with a workforce of thirty people,

How can we expand without the involvement of workers. There are distinct departments and they all have their heads. My job is to co-ordinate and supervise the managers. Managers take their own decisions. Such legal-rational form of capitalist development should be adopted if we are to become competitive in the global world. The world has become integrated and we need to change our attitude towards business. Employees can thus take decisions. Everyone has competencies and specialities. They just want a second opinion when they consult me on issues. There is complete delegation of responsibilities.⁷⁹

The client continued to the effect that non-participation of subordinates in most businesses were the result of the respect accorded "seniority and age" in the Ghanaian society.

He stated that

people do not seem to realize that there is a correlation between productivity and pay levels. A driver thinks that because he has been with the enterprise longer than others, he should be entitled to more pay. This should not necessarily be the case. Sometimes, we are forced to give in to some of these ridiculous demands because society shapes us. We do not want to be labelled as 'mean' by society, especially when you are a young person like myself who seems to be doing pretty well in business. The culture of capitalism and democracy is one that needs a legal-rational culture, rules and principles. People do not take personal initiative and responsibilities for what they do, and it flows from the educational system. The old colonial system and values for respect of authority still prevails. Although Western culture may not be good, they have achieved the capitalist norm of productivity.⁸⁰

Another client who shared the above position suggested that:

people do not want to tell authorities when things are wrong. People are too respectful and fear victimization. They think that inasmuch as they are getting their piece of the cake, they would not be bothered, and that everything has to come from the top. It relates to the authoritarian nature of our society. Top-level individuals do not normally encourage creativity and innovation since they do not believe that their subordinates are capable of coming up with ideas that will contribute to the progress of society. People are not trained to

⁷⁹ Interview with male client involved in publishing and laminating, Accra, 17th June, 1999.

⁸⁰ *ibid.*

take bold initiatives, and that is detrimental to everything including the operations of a business.⁸¹

When asked if workers were allowed to take decisions without approval, a third client stated that:

I do not even go to the factory that much. Everything is dealt with by the supervisors, and I believe that they would do the right thing. Business goes on in my absence. To a limited extent, workers can take decisions on issues that do not have immediate financial implications for the company. For others, it is important for them to inform me and have approval. The important thing is that I depend on the information they give to me to make decisions. Over a period of time, the person will take decisions like I have taken. I tend to educate staff on why I take particular decisions.⁸²

Taking into consideration the gender break-down, fourteen of the clients who allowed workers to take their own decisions were males as compared to three females (Table 7.6). Like evidence presented in discussion of NBSSI clients, this finding suggests that EMPRETEC's male clients were less authoritarian than their female counterparts. While only three of seven female clients (43%) allowed decision-making by workers, fourteen of twenty-two (64%) male clients did so. Similarly, since 21 out of the 29 (72%) EMPRETEC clients were graduates of universities and other tertiary institutions, it is not surprising that fourteen of the clients who were supportive of allowing workers taking decisions without their being consulted were individuals of high educational background. While not making a claim of having established a statistically significant relationship between education and authoritarianism, this evidence from the interviews with EMPRETEC clients is consistent with the findings from NBSSI and GRATIS clients which suggested that there was some

⁸¹ Interview with male client involved in pharmaceuticals, Accra, 18th June, 1999.

⁸² Interview with male client involved in the manufacturing of polythene bags, Accra, 14th July, 1999.

association between university education and a less authoritarian approach to management. Also interesting was the fact that all the four wood-processors were in the category of clients who allowed workers to take their own decisions, while three female clients in textiles and clothing were those less likely to approve of workers taking decisions without their approval.

In light of the authoritarian nature of the Ghanaian society, it is, nonetheless, notable that a significant majority of EMPRETEC clients seemed supportive of the idea of their employees, especially lower-level ones, taking decisions without their consent. Instead of the autocratic management style that is often associated with Ghanaian business owners, EMPRETEC clients delegated responsibility and decision-making.

Family, Ethnicity and Employment Decisions:

While the popular view of Ghanaians' strong attachment to family members involves business owners employing relatives even when not qualified for jobs, this was not necessarily reflected in the responses of EMPRETEC clients. As shown in Table 7.7, twelve clients (41%) had family members in their businesses and talked about it being a positive development in their operations. According to one of them, "it is a family business, and those qualified and skilled to hold particular positions are employed. As of now, I have a brother in the workforce, and he has a degree in pharmacy, and a sister with a Diploma in Accounting. They are all qualified but I treat them like the other workers. The same principles apply to everyone in the business irrespective of being a family member or not. Since the business is family-owned, no one wants to 'backbite' since if the business collapses, it affects all of us."⁸³ The majority of the clients, seventeen or 59%, however, were not inclined to employ family

⁸³ Interview with male client involved in pharmaceuticals and drug manufacturing, Accra, 18th June, 1999.

members. The problem with employing them in a business, one client explained, is that "they are not qualified to work here, not necessarily because of their academic qualification. They are unlikely to subject themselves to certain discipline and might work in ways that might not be conducive for the progress of the business."⁸⁴ Another noted that,

although family members may be hardworking, should they misbehave, some of the workers, including the superiors may not want to point them out. Hence, it is better for them to stay at home while we work and provide for them. It is better for productivity to increase in their absence than for us to experience a decline when they work with us.⁸⁵

The responses of these two clients on this subject was fairly typical of the views of the clients who shared this position. On the whole, the reasons given by clients who were not supportive of employing extended-family members were that they were likely to take advantage of their ties with the owner and financially exploit the business; be unwilling to be disciplined like other workers, and thus have a negative influence on the work ethic of non-family members.

⁸⁴ Interview with male client involved in the manufacturing of electrical cables, Tema, 12th July, 1999.

⁸⁵ Interview with male client involved in paper, printing and publishing, Accra, 8th July, 1999.

Table 7.7: Employment of Family Members.

	Yes		No	
Gender				
Male	9		13	
Female	3		4	
	Male	Female	Male	Female
	Yes	Yes	No	No
Education				
Secondary	1	1	0	1
Technical & Vocational	0	0	3	2
University/Tertiary	8	2	10	1
Business Activity				
Manufacturing of cooking utensils	0	0	0	1
Manufacturing of traffic lights	0	0	1	0
Textiles & clothing	1	3	1	1
Film production	0	0	0	1
Metals & Engineering	1	0	2	0
Computing	0	0	1	0
Ceramics	1	0	0	0
Manufacturer of polythene bags	0	0	1	0
Electrical appliances	1	0	0	0
Pharmaceuticals	1	0	0	0
Printing, Publishing & Laminating	1	0	2	0
Manufacturer of electrical cables	0	0	1	0
Wood-processing	3	0	1	0
Music recording	0	0	1	0
Building and Construction	0	0	2	0
Food-processing	0	0	0	1

Source: Research data/results (1999).

Taking the characteristics of EMPRETEC clients who employed family members as outlined in Table 7.7, we see that there was not much difference between genders regarding this issue. For while four out of the seven (57%) females did not employ family members, a slightly higher number of males, thirteen out of twenty-two (59%), had a similar orientation. However, given that EMPRETEC clients covered a wide spectrum of manufacturing activities, as well as the small number of interviewees in the various economic fields, not

much can be made about the relationship between a particular manufacturing field and employment of family members.

While employment of family members was not high among EMPRETEC clients, they were willing to financially support them, thereby underlying the importance Ghanaians attach to the family system. Like the evidence collected from NBSSI and GRATIS clients, there was support from twenty-three clients (79%) on the subject of financially assisting extended-family members. One client's view was that "I believe in belonging to a bigger group. If bad days set in, you would fall on them."⁸⁶ Another suggested that the responsibilities to the extended family were important because

much as I was brought up in a nuclear family, at various times, I have enjoyed the hospitality of extended-family members. I think I owe it to them and society to pay back some of that hospitality. The extended-family made me feel welcome and at home anytime I met them, so I do not see why I should not help.⁸⁷

However, he added that my "career would have grown faster if I did not have to meet those responsibilities. I do not complain because I enjoy and gain satisfaction from doing so. At various times, money goes into extended-family as opposed to the expansion of the business. You cannot accumulate capital as fast as you would like to."⁸⁸ This finding is a reflection of how individuals are influenced by the norms, mores and conventions of the wider social context, irrespective of their gender and educational qualifications. It is reasonable to assume that social expectations and the unfavourable economic situation in the country and the lack

⁸⁶ Interview with male client involved in wood-processing, Accra, 15th June, 1999.

⁸⁷ Interview with male client involved in the manufacturing of electrical cables, Tema, 12th July, 1999.

⁸⁸ *ibid.*

of employment opportunities contribute to the constant demands family members made on successful business owners.

Ethnicity:

The ethnic composition of interviewees were as follows: Nineteen (66%) were Akans, six (21%) were Ewes, three (10%) were Ga-Adangbes, and one (3%) was a Konkomba. Discussing the issue of employing workers on the basis of ethnicity, clients were very circumspect, if not critical of this issue. None of them suggested that ethnicity influenced their decision to either employ an individual or not. For one client, "we all have personal biases but we try to hide them in the process. We consider and employ people who share in the vision and objectives of the business. The competencies, capabilities and skills of individuals, great human skills, leadership, one's knowledge in the field, and understanding of the fact that we are here to achieve particular business objectives are the factors that determine the decision to recruit particular individuals."⁸⁹

However, religious beliefs did seem to be a factor in employment decisions with some clients showing a bias against certain religions. One client for instance, stated that although his religious background did not influence his employment decision, he generally avoided employing individuals of the Seventh Day Adventist (SDA) Church, because their beliefs did not allow them to work on Saturdays. In his words, "our work demands deadlines, so I cannot afford to lose business because of the inability of workers to operate on particular days of the week."⁹⁰ Another client made a similar argument. According to her, she wished that

⁸⁹ Interview with male client involved in publishing and laminating, Accra, 17th June, 1999.

⁹⁰ Interview with male client involved in metals and engineering, Accra, 29th June, 1999.

individuals from a particular religious group (Islam) did not pray as often as they did in a day since it brought production to a halt. However, since such individuals were very professional and good in embroidery design which she described as being crucial for her business, she had learnt to cope with their religious beliefs for the sake of her business. Religion, in the form of "continuous prayers" for this entrepreneur was also a tool for dealing with her business problems.⁹¹

Finally, entrepreneurs also expressed concern about other social and cultural practices in Ghana which they believed militated against business and industrial growth. One such cultural practice was the importance attached to social functions like funerals and the time spent on them. In the words of one client, "the way we worship the dead body is a drain on time and resources. If one's relative dies, production comes to an end. Our physical presence at funerals takes precedence over work, which is really bad. If the relative of a top level person dies, all the workers want to attend even if there are deadlines to be met for a job. If you do not give them permission, they complain. They might end doing a shoddy work and the purpose of not giving them the chance to attend the funeral would have been defeated. Even the government encourages this practice by constantly receiving delegations to be informed of the death of a prominent person. The government could set an example by stopping this practice, otherwise it would be difficult to stop it. In addition, if you do not become lavish during a funeral, society accuses you of not giving the dead a proper burial."⁹²

⁹¹ Interview with female client involved in textile and clothing, Accra, 14th July, 1999.

⁹² Interview with male client involved in printing and publishing, Accra, 8th July, 1999.

Concluding Remarks

Although many agencies in Ghana devoted themselves to assisting the small-scale sector, until recently, there was not much focus on developing the managerial and entrepreneurial capabilities of business owners. This is because of the view held by the agencies and small-scale entrepreneurs alike that their problems could be solved with financial assistance. However, this changed with the establishment of EMPRETEC Ghana in 1990. As an organization, EMPRETEC focuses mostly on helping entrepreneurs, who become clients through a highly selective and rigid procedure, to develop a professional management style, and also a capitalist and modern orientation. In view of EMPRETEC's high degree of selectivity, and the elitist nature of its clients, not only are they individuals of high social standing and status, but also EMPRETEC's activities have brought to the forefront the importance of developing the professional skills of business owners, and the impact they can have on creating an entrepreneurial and capitalist group of business owners in Ghana. In other words, where a more rigid criterion is established for becoming clients, as EMPRETEC does, and they are supported by a well-qualified, motivated and remunerated local staff, committed to characteristics of professional advisory practices including client confidentiality and management of staff performance,⁹³ then an industrial and managerial class can be developed in Ghana.

The capitalist and "modern" orientation of EMPRETEC clients as evident in their interview responses is a reflection of the need to channel resources to management training

⁹³ DFID (2000), Draft Project Completion Report for the Ghanaian Enterprise Development Project (Phase 2), p. 8.

for small-scale entrepreneurs. Furthermore, the identification of the importance of education and its impact on the development of a capitalist entrepreneurial class is worthy of note. Although the study has not established a definitive correlation between particular variables and the development of a capitalist orientation, modernity, and social trust in Ghana, the evidence suggest that these are greatly influenced by the levels of education.

CHAPTER EIGHT

CONCLUSIONS: Comparisons, Themes, Options and Policy Implications

The main objective of this study was to examine the role of various agencies assisting small-scale manufacturers, the impact of their programmes on client firms, and the extent to which an enterprise culture of instrumental rationality, and social trust had emerged among manufacturers in Ghana. This final chapter is devoted to a discussion of the similarities and differences, common themes and issues between the three organizations studied and their client firms. The views of officials of other agencies involved in small-scale industrial promotion also will receive attention in this chapter. Finally, it summarizes the main findings of the study, and draws out policy implications from the evidence presented.

Comparing the Organizations:

One main difference between the three organizations studied is that their general approach and objectives varied significantly, including the type of firm that was a potential client. The NBSSI, which was created by the government to provide both financial and non-financial support to the small-scale sector, deals largely with micro and informal sector types of enterprises, and its actions were greatly influenced by and tied to government politics. In contrast, EMPRETEC focuses on helping clients to develop a professional management style, and a capitalist and modern business orientation, while GRATIS' main concern is with technology transfer through a hands-on approach, and getting goods manufactured. In addition, EMPRETEC as well as GRATIS/ITTUs were much more selective in choosing the

business owners who became clients and benefitted from their programmes and services. These two organizations, especially EMPRETEC, were clearly looking for people who already possessed a certain level of skill and orientation that is more modern and capitalist, and thus could contribute to industrial development in Ghana.

Furthermore, there was the issue of the staff resources that the organizations had to carry out their responsibilities. Officials at GRATIS and NBSSI complained that their organizations were plagued by personnel problems due to the poor remuneration levels. They therefore lacked, or found it hard to retain, personnel with the expertise that is critically needed in the provision of entrepreneurial services to clients. As agencies that depended greatly on government pay scales to remunerate their personnel, the two agencies found it difficult to pay their staff at levels commensurate with their job performance and training. They also had to rely on the goodwill and generosity of donor agencies to fund their programmes. In addition, being state agencies, the NBSSI and GRATIS lacked autonomy and, therefore, the leeway needed to effectively undertake their activities.

EMPRETEC fared better financially. Besides getting grants and financial support from the DFID, EMPRETEC charged commercial rates for the services it provided to its clients and other interested parties. This put EMPRETEC in a better financial situation, which enabled it to pay private sector salaries and thereby attract and retain qualified personnel. Furthermore, EMPRETEC's status as an NGO reduces any direct influence that the government may have on its operations. GRATIS' move to a non-profit foundation status is intended to move it away from the domain of the government, charge commercial rates for its services, and help the organization pay higher salaries and, hopefully, retain its technically

trained and qualified personnel.

The situation did not look promising for NBSSI, however, which had nowhere to look besides the government for funds to run its programmes. According to the Programme Co-ordinator of the NDPC, it was not surprising that there have been calls for the NBSSI to charge commercial rates for its services, and thereby improve its financial situation. However, this was countered with the argument that since most client firms of the NBSSI lack the financial resources to pay commercial rates for services they receive, any attempt to do so will be self-defeating. Critics point out that as of now, most client firms were unable to pay the little that they are supposed to contribute during the training programmes, so any attempt to charge on a full fee for service basis will undermine the access of clients to entrepreneurial training.¹

Relatedly, while EMPRETEC has invested heavily in training its workers, who are already highly educated, the same cannot be said about NBSSI and GRATIS. As noted in the preceding chapter, EMPRETEC spent US\$ 200,000 between 1994-1997 providing various training programmes for its workers. This is far more promising than the occasional training programmes that are attended by a small number of NBSSI and GRATIS personnel in India, and at MDPI and GIMPA. Although as part of its 1998 business plan, GRATIS proposed, with financial support from donor agencies like the EU and CIDA, as well as the government, to provide training to its work force, it is not clear whether these have been carried out. Obviously, the better financial position of EMPRETEC, compared to NBSSI and GRATIS, explains its ability to invest and provide such training to its workers. As pointed out in chapter

¹ Interview with Programme Co-ordinator, NDPC, Accra, 23rd March, 1999.

five, the funds allocated to the NBSSI, for instance, by the government in the 1999 fiscal year was only able to take care of the salaries of workers, because the government insisted it had no money to provide to the NBSSI for its operational budget that enables the organization to provide training to its workers and client firms.

Finally, all the three organizations used the same criteria for judging the success or failure of their programmes. These included loan repayment rates, record-keeping practices, sales volumes and profitability, and employment creation among their client firms. However, examination of the activities of the organizations show that independent impact assessments of their programmes on client firms were rarely carried out. For GRATIS, there was the thumbnail impact assessment of its programmes and services on clients conducted by ISSER in 1998 on behalf of the EU (Ghana), while the DFID has a project completion report assessing the impact of EMPRETEC services and programmes on its client firms.² There was no data on NBSSI clients on this issue, because the organization had not carried out such a detailed evaluation, and thus there were no effective mechanisms to measure impact. Because of the limited information available, comparing the impact of the programmes and services of the three organizations on their client firms becomes problematic. Despite this, available data show that while loan repayment rate of EMPRETEC clients, for instance, stood at about 92%, that for GRATIS clients was 76% in 1996, although it dropped to 60% in 1998 due to the energy crisis. On the other hand, repayment rate among NBSSI clients averaged 84% for the PAMSCAD Credit Line, but 65% for the Revolving Fund.

² See DFID (2000), Draft Project Completion Report for the Ghanaian Enterprise Development Project (Phase 2).

Having examined the similarities and differences between the organizations studied, we would now move on to undertake a similar discussion of their client firms. The discussion deals with issues relating to finance, education, marketing, and political and cultural orientation to business. Based on this discussion, we would be in the position to state which of the organizations and their client firms have had more success, and thus likely to spearhead Ghana's industrial development agenda.

Finance:

Research in Ghana has indicated consistently that small-scale entrepreneurs usually face serious financial difficulties. Entrepreneurs and firms with projects which look not only viable, but also profitable and have the potential of moving indigenous industrialization a step forward, have sometimes had to be abandoned because of inadequate finance. Entrepreneurs have had to rely on informal, particularly family, sources to raise capital to start their businesses and even expand them.³ This state of affairs was borne out by the results of the study. As discussions in the three preceding chapters showed, finance was a problem that bedevilled the operations of the client firms of the three organizations, especially when it came to raising funds from the formal financial institutions. Small-scale manufacturers are seen by financial institutions, especially the banks, as having little management experience or competence, and this tended to reduce their credit-worthiness.⁴

³ P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press; J. Riedel & H. Schmitz (1989), *Grassroot Industrialization in a Ghanaian Town*, Munchen & Koln: Weltforum Verlag, pp. 155-156; S. Boapeah & M. Poppe (1992), *Strengthening Spatial Circuits of Rural Small-Scale Industries for District Development: A Case of Dangwe West District, Ghana*, Dortmund: Spring Publications; E. Chamlee-Wright (1997), *The Cultural Foundations of Economic Development*, London & New York: Routledge.

⁴ NBSSI (1994), *NBSSI News*, vol. 1, No. 1, p.21.

Access to bank finance for small-scale industries has not improved because of the government's monetary policy. The attempt by the government to achieve single-digit inflation by sustaining the declining trend in inflation that began in 1996, involved maintaining the moderate growth in money supply and increasing savings that required higher interest rates.⁵ These policies reduced the funds available for small-scale enterprises, making it very difficult for manufacturers to raise capital for expansion and engage in long-term investment. Getting loans from the banks, as one EMPRETEC client explained, was not in the economic interest of entrepreneurs, because apart from the funds available being mainly short-term in nature, they carried with them high interest rates.⁶ While entrepreneurs as well as agencies like the Association of Small-Scale Industries (ASSI)⁷ and Private Enterprise Foundation (PEF)⁸ called on the government to reduce interest rates to reflect the level of inflation which stood at 13.8% as of December 1999, this was not the case, and interest rates remained around 35%.⁹

⁵ ISSER (2000), *The State of the Ghanaian Economy in 1999*, Legon: ISSER, pp. 41-42.

⁶ Interview with male EMPRETEC client involved in the manufacturing of traffic lights, Accra, 13th July 1999.

⁷ ASSI was established in 1986 on the initiative of the NBSSI and individual small-scale entrepreneurs to become the umbrella association for the several small-scale associations that existed throughout the country. ASSI's main objectives are to influence the government to approve policies that will enhance the provision of economic facilities for the small-scale industries; to organize seminars, workshops and managerial training programmes for members; and to encourage linkages among large, medium and small scale enterprises in Ghana.

⁸ Founded in 1994 on the initiative of existing business associations, PEF's objectives are to represent the interests of the private sector business community, maintain close relationships with all private sector business organizations, and attempt to influence policies and regulations in the country with the view of creating an environment that will enable the private sector to thrive in Ghana. PEF plays advocacy and promotional roles to realize these objectives (Private Enterprise Foundation, no date, pp. 1-3).

⁹ ISSER, *The State of the Ghanaian Economy in 1999*, *Op. Cit.*, pp. 44-46.

Furthermore, the unstable inflationary levels makes borrowing for medium and long-term investment uneconomic. Businesses and entrepreneurs who were fortunate to receive loans actually got working capital financing, that is, short term loans which could not meet their long-term capital requirements and investment, since banks continued to shy away from giving medium and long-term credit. Accordingly, many businesses used short-term borrowing with high interest rates to finance long-term projects. In addition, banks preferred giving loans to traders because such commercial clients normally requested short-term loans which were repaid faster compared to those in the manufacturing sector.¹⁰ The only assistance small-scale manufacturers normally received from the financial institutions were bank overdrafts which did not carry the usual stringent conditions attached to bank loans. Small-scale business owners thus accused the banks of locking the door on credit with high interest rates, or with the excuse that they were not credit-worthy or lacked the necessary collateral. While appreciating the concerns banks have with loan defaults that are most often associated with small-scale entrepreneurs, the real clash of interests, as well as the existence of suspicion and fear which result from the mutual negative perception that banks and small-scale entrepreneurs have in their dealings with each other explains the lack of co-operation between them. This view is based on examination of not only the experience of entrepreneurs who were unsuccessful in their attempts to secure bank loans, but also on that of the large number of entrepreneurs who had not bothered to apply for bank loans.

Besides the banks, the venture capital market which could improve the access of small-scale entrepreneurs to finance has yet to be fully developed in the country. As Evans

¹⁰ Interview with Consultant, Association of Ghana Industries (AGI), Accra, 8th September, 1999.

argues, the few venture capital firms in existence have stringent criteria that makes it virtually impossible for small-scale entrepreneurs to access these funds: "Apart from a good management team, most venture capital fund operators consider factors such as growth potential, competitive position of the enterprise and market served, technology, research and development, capital resources, and profit margins, as well as returns on investments" before assisting businesses. Unfortunately, apart from being unable to meet these requirements, most small-scale enterprises in Ghana are characterized by sole ownership, and lack well laid-down management structures. These features do not make them attractive to fund managers, and small-scale enterprises can therefore not take advantage of venture capital.¹¹

Another financial issue discussed relates to the disbursement of loans under the BAF. Although the BAF Loan committee is made up of individuals who can be described as being very knowledgeable in business, most of them are government appointees, and the personnel of various private agencies as well as client firms of the organizations interviewed thought that the decisions of the committee cannot be isolated from some form of political influence. Since such appointees owe the government their loyalty, they try to play to its preferences either consciously or unconsciously, and it is at this highest level of decision that political considerations may come into play in the giving of loans to applicants. While standards of honesty, impartiality, efficiency, effectiveness, and viability of projects should be the criteria for giving loans under BAF, entrepreneurs were of the view that this has not been the case. For them, equal and objective consideration has not been applied to those business owners who were not party supporters of the NDC government in power.

¹¹ See "Financing the Private Sector," by L. Evans, *Daily Graphic* (Ghana), 18th October, 1999, p.23.

A project officer at NBSSI was of the view that there is not enough publicity to inform potential recipients about the existence of loan facilities such as BAF. He suggested that the government does not want a lot of people to be made aware of the facility and try to access it. For him, this enables the government to distribute individual patronage and favours to party supporters and friends.¹² Similarly, in the words of the Marketing Specialist of the Ghana National Chamber of Commerce and Industry (GNCCI)¹³:

the policy environment is not transparent enough. People must have access to information at the tip of their fingers, but this is not the case because of the lack of transparency by both the government and entrepreneurs.¹⁴

This is supported by the evidence from the large number of client firms who had no idea of the existence of the BAF facility or had never applied to its Secretariat for financial assistance. The majority of firm owners of the three organizations believed that not only was favouritism influencing the granting of loans, but also state resources were being used to achieve selfish political ends through the distribution of benefits and individual patronage to government supporters.

However, patronage has a debilitating effect on society, since a culture that nurtures it finds it difficult to attain the high levels of efficiency and productivity necessary for the

¹² Interview with Project Officer, NBSSI, Accra, 16th August, 1999.

¹³ The GNCCI was established in 1961 as an association of business operators, firms and industries set up to promote the commercial and industrial interests of the country. Besides acting as an advocate for private business groups in the country, the GNCCI provides services in the areas of research, communication, foreign trade, and manpower development and training.

¹⁴ Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

realization of developmental goals.¹⁵ If accessibility to resources like loans depend on one's relationship with authority figures, one feels less need to work in such a way as to merit such rewards. It also promotes incompetence and provokes resentment among those excluded from clientelist machinations. Individuals who are side-stepped become disenchanting and frustrated.¹⁶ Finally, it undermines and erodes the trust that individuals have in public officials and institutions. If entrepreneurs' political affiliations and allegiance determine their access to various forms of assistance from the government and its agencies, then Ghana's industrial development efforts are being sacrificed on the altar of partisan politics. The lack of transparency in the disbursement of funds as well as the poor publicity about the existence of BAF means that there is obvious need for reform in such government-sponsored programmes. By abandoning the practice of giving loans to individuals on the basis of political affiliations and "connections," Ghana's quest for industrialization would be enhanced. The fact that entrepreneurs have the perception of the government being biased in their selection of clients who benefit from various loan schemes and programmes is also an issue that needs careful examination, since it deters firms from seeking assistance from government agencies.

However, all these efforts and suggestions will come to nothing if the process is not complemented by public education about the legal liability of loan repayment.¹⁷ As Gyekye,

¹⁵ K. Gyekye (1997), *Tradition and Modernity: Philosophical Reflections on African Experience*, Oxford: Oxford University Press, p. 254.

¹⁶ W. J. Tettey (1996), *Computerization and the State Capacity Building in Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D Thesis, Queen's University, Canada, p. 27.

¹⁷ Given the problem of loan repayment under BAF, the MOTI threatened not only to publish the names, addresses and other particulars of defaulting individuals and companies in the media to facilitate a quick recovery of loans owed to BAF, but also plans to seek redress in the courts should loan beneficiaries continue

as well as Kuada have observed, Ghanaian culture fosters attitudes that militate against personal efforts, induce apathy and carelessness in the service to the public, and a careless attitude towards public funds and property. The Akan expressions "*aban womfa nsoa, wo twe no daadzie*" (we do not carry the government on our heads, we drag it on the floor), and "*abandea*" (it is for the government), which have the negative connotations and implications of "free good," result in people not only regarding government funds as being free, but also government matters as being inconsequential, and not worthy of care, attention or respect.¹⁸ Until the average Ghanaian develops the habit of repaying loans and also no longer believes that "government money is free money," the country's efforts at industrial development will continue to be hampered.

While it has been suggested that the practice of non-repayment of loans is culturally shaped, it is my view that individuals default on loans also because the proper mechanisms for recovery have not yet been put in place. If such procedures are in existence and complemented by aggressive and efficient machinery of monitoring and recovery from appropriate institutions, such revolving funds as the one operated by NBSSI can go a long way to enhance the availability of capital to the private sector, especially the small-scale enterprises who have generally had problems getting access to funds from banks. By so doing, the small-scale sector can also contribute to the process of national development. In addition, through proper collection mechanisms, the government agencies would not have to always

to default. (See "Ministry warns BAF defaulters" (*Daily Graphic*), 13th November, 2000, p. 29).

¹⁸ J. Kuada, *Managerial Behaviour in Ghana and Kenya*, *Op. Cit.*, p. 109; K. Gyekye (1997), *Tradition and Modernity: Philosophical Reflections on the African Experience*, Oxford: Oxford University Press, p.256.

look to the government treasury for further financial support.

In the meantime, because of the problems encountered by small-scale entrepreneurs in having access to funds, they relied instead on financing programmes operated by non-banking financial institutions like NBSSI, GRATIS and EMPRETEC for some form of financial assistance in order to expand their operations. And even these have not been enough, as interviews with the entrepreneurs showed. Nonetheless, a notable point of difference between the client firms of the three organizations is with the amounts of financial assistance that they receive. GRATIS' operation of the HPS, TKP and WC, which have no set limit for the amount a client can receive, had gone a long way to alleviate the financial constraints of their client firms. EMPRETEC client firms, meanwhile, had not benefitted much from financial support from the organization, except those in tourism, construction and non-traditional exports who could get loans of up to 20 million cedis (\$5714.28), because its main focus was in the area of providing entrepreneurial training. Similarly, as noted in chapter five, NBSSI clients received loans of up to only 3 million cedis (\$857.14), which were obviously unable to deal with their financial problems.

However, there seems to be some glimmer of hope for increased funding for NBSSI clients. The German Technical Cooperation (GTZ) has promised to make available 2 million DM, which the Government of Ghana is expected to match. It is anticipated that when this new fund becomes operational, clients will be awarded loans of about C50 million (US\$14,285.71) each to undertake various ventures in the manufacturing and service sectors of the economy. Apart from the project and loan scheme creating a permanent access to appropriate financial and advisory services for small and micro enterprises, it will at the same

time provide corresponding training which will be geared towards the setting up and management of enterprises. However, given the general feeling that government agencies like the NBSSI have not lived up to expectations when it comes to the administering of funds, certain mechanisms are being put in place to rid the loan scheme of unnecessary political interference. Among them is the fact that the supervisory board which will be in charge of the lending policies, eligibility criteria, and monitoring will have the Director of GTZ, as well as the Principal Advisor from the German Embassy in Accra being involved in decisions on disbursements.

These mechanisms have become necessary because it has been recognized by international agencies like GTZ and other donors that despite the considerable transfer of funds from abroad to support small-scale entrepreneurs and other forms of private sector initiatives, such monies often do not reach the broad sections of the population because of political interference. A project officer at NBSSI stated that while such mechanisms will not guarantee the absence of political interference in the administering of funds, it will be better than the system that operates currently. For this official, there will be sufficient checks from external donors like the GTZ.¹⁹ However, an assistant project officer who disagrees with the approach adopted by the GTZ, stated that even before the programme becomes operational, it has become saddled with problems. According to this official, while the NBSSI will help prospective loan applicants to draw up a business plan, the final decision to award the loan to clients will be determined by banks like the LA Community Bank and Ghana Commercial Bank, with input from the supervisory board which has representatives from the German

¹⁹ Interview with Project Officer, NBSSI, Accra, 16th August, 1999.

Embassy in Accra. The assistant project officer describes this procedure as ridiculous because, while the NBSSI would not have anything to do with decision about who gets the loan, it is expected to be in charge of recovery and monitoring. The issue then for this official is why not let the NBSSI to be in charge of both loan disbursement and recovery?²⁰

While sympathizing with the viewpoint of the assistant project officer, it is the case that when funds are administered solely by public agencies like the NBSSI, political interference and favouritism have tended to undermine the objectivity of the process. It is a healthy sign that the new loan scheme to be introduced by the GTZ/NBSSI has taken cognisance of problems of patronage, and is determined not repeat them. The important role to be played by the Director of GTZ in the process of loan disbursement is a welcome development since it will check some of the abuses and also minimize the political interference that has characterized the disbursement of earlier loan schemes.

Education, Human Resources and Worker Skills:

Besides issues relating to capital and finance, small-scale enterprises are generally seen as lacking proper management skills in the operations of their businesses, and this affects industrial development and emergence of an entrepreneurial class in Ghana.²¹ Evidence from the interviews show that EMPRETEC clients, in comparison to GRATIS and NBSSI clients, were a more highly educated group of business owners, with a great number of them (72%),

²⁰ Interview with Assistant Project Officer (1), NBSSI, Accra, 2nd August, 1999.

²¹ See P. Garlick (1971), *African Traders and Economic Development in Ghana*, Oxford: Oxford University Press; R. Price (1975), *Society and Bureaucracy in Contemporary Ghana*, Berkeley, CA: University of California Press; P. Kennedy (1988), *African Capitalism: The Struggle for Ascendancy*, Cambridge: Cambridge University Press; S. Woode (1997), *Values, Standards and Practices in Ghanaian Organizational Life*, Accra: Asempa Publishers.

possessing university level education. In addition to their high levels of education, most of them (93%) had attended various managerial training programmes organized by EMPRETEC. For GRATIS, while about a third of their Accra clients were university graduates, only one in Kumasi had such higher education, and most were people possessing technical and apprentice training in their various manufacturing fields. Finally, only a small number of the NBSSI clients had university level education (37% in Accra and 24% in Kumasi), although these proportions are much higher than the percentage of university graduates in the total Ghanaian population.²² Nonetheless, the greater proportion of EMPRETEC clients with university education is what, as will be noted below, makes their orientation, opinions and attitudes different from NBSSI and GRATIS clients, and their likelihood of business success also greater.

As Lall et al. who have researched the issue in Ghana put it:

entrepreneurial success ... is clearly associated with high levels of education... Education is associated with qualities that are conducive to technological acumen: like analytical and organizational skills, an appreciation of technological factors. the ability to seek out necessary information and the relevant profession, and a willingness to try new methods and technologies.²³

They argue that educational levels of the business owner and production manager, if the firm has one, are an important element in the technological success of enterprises, since their efforts are critical to the technological upgrading of enterprise. Having an employee with university education in management capacity, irrespective of the discipline studied, facilitated

²² It is estimated that as of 1984, only about 2.9% of the total population aged 25 and over had university education (Encyclopaedia Britannica: 1999 Multi-media Edition). However, given the increased in take by the universities in recent times, this figure could be higher.

²³ S. Lall et al. (1994), *Technology and Enterprise Development: Ghana Under Structural Adjustment*, New York: St. Martins Press, p.147.

business success because of the cognitive, social, technical and other skills imparted by higher education.²⁴ This study supports that conclusion, since the evidence presented in the interviews with business owners suggests that, while most poorly educated entrepreneurs lack the competence to appreciate the needs of modern technology, even at fairly simple levels, and to undertake the effort necessary to meet those needs,²⁵ business owners who possessed university degrees had an orientation that was clearly more capitalist and modern in nature. Since possessing university education seems to be the most significant characteristic of the local capitalist class capable of achieving industrial success, the potential source for Ghana's bourgeoisie could lie with such business owners.

While not having data and information on the educational background of employees, it is reasonable to assume that most business owners, especially NBSSI clients, were less likely to have university trained personnel in their labour force. This is because, apart from most university graduates not wanting to work with micro and informal types of firms, the firms themselves were not in the financial position to properly remunerate them at levels that will equal their skills. More importantly, university graduates were not employed by small-scale firms because most owners, who are not well educated, tend to consider them a threat to their business, since they have the perception that the educated worker could manipulate them and ultimately take over their business.

Marketing:

Although the role of marketing and other promotional activities were on the increase,

²⁴ *ibid.*, pp. 148-151.

²⁵ *ibid.*, p. 168.

with the high demand for individuals with marketing qualifications from well established agencies in Ghana, small-scale entrepreneurs lagged behind in this area. While it is incumbent upon small-scale enterprises to adopt effective marketing strategies if they are to grow and chalk up some business successes, they had generally not been able to do so, because they lacked the resources that would enable them to engage in aggressive promotion, advertising and marketing. Small-scale industries, especially the NBSSI and GRATIS clients, rarely engaged in any advertising. The cost of advertising and the fear of not being able to meet the resulting demand served to deter many client firms, although those who had done so reported it yielded substantial dividends.

Coupled with this, clients of all the organizations studied produced mostly on advanced orders as a result of their lack of adequate working capital, and more importantly, because of the abundance of imported manufactured goods on the local market that accompanied the government's liberalization policy. This also reflected their lack of a sophisticated capitalist orientation towards a systematic future expansion, since they seemed more concerned about their immediate profits. As evident in the previous chapter, clients of EMPRETEC, who were most knowledgeable about the workings of the world economic system, were the ones who expressed the sharpest criticism of the liberalization policy of the government and its negative impact on local manufacturing industries. As the Marketing Specialist at the Ghana National Chamber of Commerce and Industry (GNCCI) argued, although trade liberalization often increases access to inputs and raw materials, gives consumers a wide range of options to choose from, reduces the price of goods, and compels manufacturers to improve on the quality of their products, it also served as a serious

constraint on the development of small-scale manufacturers, since they faced increased competition from established producers on both the local and international scene.²⁶

It was obvious that the Ghana government's trade liberalization policy which had made it easier for imports to be brought into the country had undermined the ability of local manufacturers to capture the Ghanaian market and sell their products. This state of affairs is made worse because, since the initial integration into world trade and colonialism, Ghanaians have systematically cultivated a taste for imported products from outside the country.²⁷ Such is the widespread perception that locally produced goods are always of inferior quality,²⁸ that the country has become a dumping ground for all types of imported consumer goods, without regard to the development of the local manufacturing sector.²⁹

Finally, aside from the competition that local manufacturers had to deal with on the local market because of trade liberalization, they also lacked access to the larger foreign markets, and thus did not export their products. This is because developed and even some developing countries still have protective barriers to support their local industries and other vulnerable sections of their economies, thereby making it difficult for industries in Ghana to export their products to their markets, notwithstanding the existence of international trade

²⁶ Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

²⁷ See "The Missing Links Between Technology and Development in Ghana," by E. K. Baidoo, July 2000, Feature article, www.ghanaweb.com/GhanaHomepage/Ghana/gh_features.html, p. 1.

²⁸ Interview with EMPRETEC client involved in film production, Accra, 24th June, 1999.

²⁹ E. Baidoo, "The Missing Links Between Technology and Development," p. 1.

agreements.³⁰ As Smillie has argued, the problem of marketing for most developing countries like Ghana stems from non-tariff barriers to trade. According to him, products of the developing world have not found their way to the markets of the developed countries like the United Kingdom and the USA because these countries present barriers that most Third World manufacturers cannot simply surmount. He points out that the developed countries have made a "fine art of excluding competitive Third World products from their markets by establishing long lists of quota requirements, tests and standards."³¹ Small-scale enterprises in Ghana also did not have access to larger and more profitable international markets because of their lack of information, poor packaging, low quality and lack of uniform quality products. According to the marketing specialist at the Private Enterprise Foundation, standards which involve the bringing of products to a certain level of safety and acceptability were for a long time ignored by manufacturers in Ghana because of their "mentality" that anything they produced would be purchased by consumers.³²

Cultural and Political Issues and Questions

Culture of Control and Authoritarianism

There were few joint ownerships of the enterprises that were interviewed for this study. All of the NBSSI and GRATIS businesses were controlled by single individuals, while for EMPRETEC business owners, only four (14%) were jointly owned. This reflected a

³⁰ Interview with Principal Industrial Promotion Officer, Ministry of Trade and Industry (MOTI), Accra, 14th September, 1999.

³¹ I. Smillie (1991), *Mastering the Machine: Poverty, Aid and Technology*, London: Broadview Press, p. 224.

³² Interview with Marketing Specialist, Private Enterprise Foundation, Accra, 1st September, 1999.

"culture of control" among small-scale entrepreneurs.³³ As a consultant at the Association of Ghana Industries (AGI)³⁴ suggested, it is common to hear business owners in Ghana say that "the business is mine, rather than the business is ours."³⁵ By implication, entrepreneurs were more interested in confining themselves to small market niches rather than sharing ownership with others and growing in terms of capital, structure and scale.³⁶ However, the absence of joint partnership closes one of the most important potential avenues to firm expansion and reduces the likelihood that indigenous companies can become sufficiently competitive to mount an effective challenge to foreign companies.³⁷

The desire for personal control and the lack of trust were reflected not only in the absence of joint ownership, but also in the authoritarian management styles exhibited by business owners. As mentioned earlier, good management often demands that top-level personnel should not only seek the input of workers and subordinates, but also delegate responsibilities to subordinates if the firm is to grow beyond a small business. Through such an approach, workers feel more appreciated, and this leads to higher productivity. However, the views expressed by business owners, especially, clients of NBSSI and GRATIS, indicates they preferred an authoritarian approach to decision-making. Less than 40% of NBSSI and

³³ Interview with Marketing Specialist, Ghana National Chamber of Commerce, Accra, 24th August, 1999.

³⁴ The Federation of Ghana Industries, called the Association of Ghana Industries (AGI) since 1984, was formed in 1958 with the objectives of providing a central organization for the promotion of the interest of industry in Ghana; supporting or opposing legislature or other policy measures affecting industry; and presenting views and suggestions of industry to the Government (PEF, no date, p. 6)

³⁵ Interview with Consultant, Association of Ghana Industries, Accra, 8th September, 1999.

³⁶ M. Dia, *Africa's Management in the 1990s and Beyond*, Op. Cit., p. 155.

³⁷ P. Kennedy, *African Capitalism*, Op. Cit., p.166.

GRATIS clients allowed workers to take decisions on their own. Owners of these firms expressed the view that when left on their own without supervision, workers could make decisions that might not be in the business' interest. Although business owners claimed they sought the views of workers, final decisions were usually taken without much input from subordinates. It was observed that owners delegated little control to workers and tended to take all the major decisions for the enterprise, which reflected the lack of trust that they had in their workers. This was especially the case for NBSSI's female clients in food processing, and males in metals and engineering, as well as GRATIS male clients in metals and engineering, who were more authoritarian in their management style.

Having argued that entrepreneurs preferred a top-down approach to decision-making, it is, however, fair to state that a few business-owners from GRATIS and NBSSI, and a greater number from EMPRETEC (59%), claimed to delegate decision-making responsibilities to "shop-floor" supervisors, and also allowed workers to take decisions concerning their work without necessarily consulting them. According to them, they only intervened on issues which they considered very serious, especially dealing with the financial decisions which could have a lasting effect on the business. Some entrepreneurs held the view that apart from the delegation of responsibilities being the hallmark of good leadership and better management style, they were also not always around to supervise to the minutest detail the performance of their workers. For such interviewees, since the business had to go on even in their absence, they did not see why workers should not take decisions. Thus, despite the anxiety among entrepreneurs concerning the supposed untrustworthiness of subordinates, Kennedy is right in saying that there is evidence to the effect that some business owners in

Ghana are willing to grant real discretion to senior personnel to appoint, dismiss, promote and discipline other employees, as well as to negotiate with suppliers or customers in the proprietor's absence.³⁸

The attempt by the majority of EMPRETEC clients, in contrast with NBSSI and GRATIS clients, to involve workers in decision-making could be explained by their higher levels of education. As Hofstede suggests,³⁹ and supported by evidence in the preceding three chapters, university education tended to produce business owners who hold less authoritarian management values than those not as highly educated. Another reason for the less authoritarian management style of EMPRETEC clients might be the larger size of their firms in terms of the number of employees, which made it difficult to closely supervise the activities of employees. For, while about 25% of EMPRETEC business owners had more than 30 employees, only two GRATIS clients (one each in Accra and Kumasi) employed between 21-30 people, with the greater number of them having ten or less employees. The distribution for NBSSI clients was similar to their GRATIS counterparts. Hence, EMPRETEC clients, in comparison with NBSSI and GRATIS clients, had greater need to rely on supervisors to direct the operations on the shop-floor.

What one can suggest from these observations is that Ghana is a "high uncertainty avoidance" society because people feel uncomfortable with unfamiliar situations.⁴⁰ There is

³⁸ P. Kennedy, *African Capitalism, Op. Cit.*, p. 167.

³⁹ G. Hofstede (1980), *Culture's Consequences: International Differences in work-related Values*, Beverly-Hill, CA: Sage Publications, p. 105.

⁴⁰ J. Kuada (1994), *Managerial Behaviour in Ghana and Kenya: A Cultural Perspective*, Aalborg: Aalborg University Press, p.130.

a system of formal control and hierarchical structures which are clearly-defined and respected, and leads employees to prefer clear requirements and detailed instructions in the discharge of their duties. In addition, subordinates do not want to take initiative on work and business related issues for fear that they could do something wrong. In effect, authoritarian superior-subordinate relations are firmly rooted and culturally acceptable, and lower-level personnel mostly find themselves at the mercy of the authorities.⁴¹ However, while the existence of great power differentials in the form of paternalism and hierarchy could strengthen discipline in the workplace, it most often results in passive subservience to, and extreme dependence on, authority,⁴² which can affect the ability of small-scale enterprises to expand into complex large ones, and ultimately compete with other enterprises on the international market.

Extended-Families, Ethnic Ties and Employment Practices.

Overall, the interview responses on the recruitment of extended-family members produced mixed results among the client firms of the three organizations. While the majority of owners (59% of EMPRETEC clients; 63% and 53% of Accra and Kumasi NBSSI clients; as well as 59% and 55% of Accra and Kumasi GRATIS clients respectively) did not have family members in their businesses, the remaining clients preferred them. On the whole, the evidence showed that female owners, especially those with university education and in food-processing, were less likely than their male counterparts to employ family members. As suggested earlier, it could be due to the fact that the social expectations of employing family members were higher for men than women. Employment of family members could also be a

⁴¹ G. Hofstede, *Culture's Consequence, Op. Cit.*, pp.176-179.

⁴² M. Dia, *Africa's Management in the 1990s and Beyond, Op. Cit.*, p.223.

way of reducing the demands made on business owners. Be that as it may, the shift from employment of family members to paid employees, although not overwhelming, suggests a gradual move is occurring from non-capitalist to more rationalized capitalist mode of production.

Despite the differences among the client firms of the three organizations in areas such as the size of their businesses, educational qualifications, marketing techniques, management skills, and orientation to business, they also showed certain similarities. First, a common attitude was the great support among business owners for the provision of financial support for the extended-family members. Contrary to prevailing belief, there was little evidence of family demands, responsibilities and assistance being a serious problem for the owners of small-scale enterprises. Where such assistance was offered, business owners insisted it was not done at the expense of the growth and expansion of the business, since such financial support did not come from the finances of their businesses. Much as they wanted to assist extended family members, which they saw as being culturally acceptable, they pointed out that such support was not to come at the expense of the collapse of their businesses. Since such financial support could not be offered in the event of the business collapsing, entrepreneurs seemed very careful with the disbursement of funds.

While juxtaposition of the two views above might seem contradictory, they are not necessarily so. I am not arguing that financial assistance to extended-family members does not sometimes negatively affect businesses. Some business owners (41% and 32% of NBSSI clients in Kumasi and Accra; as well as 26% and 36% of GRATIS clients in Accra and Kumasi respectively) believed that they had to cut away some of the dross, since financial

support to extended-family members was sometimes a drain on resources, and therefore an obstacle to their businesses. I want to make the point however, that the opinions of the vast majority of my interviewees did not reflect the prevailing belief among most Eurocentric writers, who assume that by giving financial support to extended-family members, business owners are necessarily undermining their businesses. One thing that becomes clear from the evidence is that the issue of family involvement in businesses is very complex and its effects ambiguous, and thus it is not easy to arrive at definitive answers.

There was also not much evidence of ethnicity being a major criterion in the decision to hire workers among the clients of the three organizations studied. While economic activities and interactions in urban areas such as Accra can sometimes foment ethnic tensions and conflict, ethnic considerations did not appear to affect business decisions. As pointed out in chapters five and six, there is ethnic stereotyping in Ghana, resulting in some business owners not having people of particular ethnic groups as employees. Thus, although a small number of business owners stated that they preferred to employ individuals of particular ethnic groups because of their dominance in various manufacturing activities, the vast majority insisted that they only considered the expertise of individuals in their decision to hire them or not. Therefore, for a greater number of business owners, trust relations were not necessarily based on ethnic groupings, since they had developed some networks of trust outside of ethnic ties.

Another similarity among the client firms was their distrust for the government and politicians. There was both a power distance and social gulf between entrepreneurs and politicians in Ghana. While people in politics did not seem to think highly of private

entrepreneurs, especially those engaged in micro-type informal activities, who are mostly at the lower end of the social scale, the highly qualified entrepreneurs like EMPRETEC clients also felt politically alienated. Entrepreneurs had a low opinion of many of the MPs, especially those of the ruling government, since they saw them as sycophants who only told senior government officials what they wanted to hear. Therefore, entrepreneurs thought it would be a waste of time and resources to contact them to lobby on their behalf. They felt that apart from government officials being more interested in helping themselves rather than the small-scale industrial sector, officials who might want to help them have little real power to influence policy on behalf of the small-scale sector. In effect, entrepreneurs saw institutions such as the legislature, and other mechanisms of democratic governance as being too weak to control the executive power, partly because they are not well-developed, and partly because they are not independent of government influences.⁴³

Finally, however, there was a clear absence of a dominant capitalist and entrepreneurial culture. One can suggest from the responses and opinions of clients of the three organizations that there are cultural issues and practices that have not yet been fully addressed by them or in the programmes and services offered to them. Thus, although a capitalist society relies on an entrepreneurial class of business owners who share a culture of instrumental rationality,⁴⁴ such a culture cannot be legislated into existence in the manner that a government formulates and implements policies.

⁴³ R. Tangri (1999), *The Politics of Patronage in Africa: Parastatals, Privatization & Private Enterprise*, Trenton, NJ: Africa World Press, p.140.

⁴⁴ B. Berman (1994), "African Capitalism and the Paradigm of Modernity: Culture, Technology, and the State," B. Berman & C. Leys (eds), *African Capitalists in African Development*, London: Lynne Rienner, pp. 235-261.

Does it mean that Ghana is unlikely to develop the culture of instrumental rationality and value of social trust linked to the capitalist mode of production? That is not necessarily the case. After all, the values associated with the capitalist mode of production took a long time before they were finally dominant in many of the societies of the West. Since culture is ever-evolving, some of the core values and practices which do not seem to augur well for the economic and industrial development of the country can be transformed over time since the development of social trust is a gradual process. It will take time before depersonalized, collaborative and abstract system trust which relies on expert systems and professional practitioners, and which is crucial for enforcement of commercial contracts, the operation of joint-ownership corporations, and large complex enterprises are fully developed in the Ghanaian society.⁴⁵

From the foregoing, we are faced with the issue of what approach to industrial development will work in Ghana? How can the process of promoting an entrepreneurial class and a bourgeois culture, that is yet to be fully developed, but crucial to industrial development, be approached in Ghana? How can the value of social trust that is linked to capitalist mode of production be promoted in Ghana? What are the choices and alternatives available to Ghana to realize industrial development? Examination of the activities of the three organizations and their client firms suggests that one alternative is the approach adopted by the GTZ, where personnel of donor agencies will play a direct role in the process of deciding

⁴⁵ The idea of depersonalized trust is developed in Anthony Giddens (1990), *The Consequences of Modernity*, Cambridge: Polity Press; and has been employed by Berman (1997), "Ethnicity, Social Trust and the Democratic Process in Africa, *Loc. Cit.*, pp. 1-9; Berman (1998), "Ethnicity, Patronage and the African State: The Politics of Uncivil Nationalism," *African Affairs*, vol. 97, No. 388, pp. 305-341.

who benefits from various assistance programmes. While programmes designed to bolster the influence of the private sector through external aid in the form of a partnership between the government and donor agencies like GTZ may help constrain patronage distribution in various loan schemes, they have serious political implications. This is because such arrangements represent a potent external intrusion into the political dynamics of a country.⁴⁶ This is in addition to the fact that aid agencies tend to have their own agenda and interests which might not necessarily mesh with that of governments of developing countries.

Another alternative is to allow donor agencies and NGOs through their support of foundations like EMPRETEC to implement a national project of industrial development. Although EMPRETEC business owners seem to exhibit traits of a bourgeois culture and a capitalist orientation, and could thus emerge as the class of entrepreneurs who can be the bedrock of industrial development in Ghana, the problem, as alluded to in the discussion on the partnership between the government and GTZ is that it is an NGO supported largely by external funding.

Therefore, the most viable approach to industrial development would be to have an indigenously grounded group of entrepreneurs like EMPRETEC and GRATIS clients, who are supported not solely by external donors, but also by the government. As Ofori-Yeboah has argued, there is the need to have institutional practices and arrangements that would enhance greater participation in economic development, without which physical capital is incapable of inducing structural change. Since these institutional arrangements cannot be

⁴⁶ R. Sandbrook (2000), *Closing the Circle: Democratization and Development in Africa*, Toronto: Between the Lines, p. 88.

brought by foreigners, they must be created domestically.⁴⁷ As of now, the reliance on foreign experts, ideas and capital and the less than enthusiastic government support have contributed to the weakness of an indigenous class of manufacturers. However, Ghana needs to survive on its own initiatives and not rely solely on foreign investors. For "job creation is better when it is generated by local entrepreneurs rather than by foreign investors."⁴⁸ Where government favours and supports local entrepreneurs through appropriate policy and institutional conditions, they might be able to succeed.⁴⁹ This is borne out by the strides made by EMPRETEC which has instilled a modern capitalist orientation in its clients, as well as by GRATIS/ITTUs, which, despite the problems confronting it and its clients, have contributed to the emergence of an indigenous light engineering and machine tool industry in Ghana.⁵⁰ Thus, although exposure to a capitalist and industrial culture is a relatively new phenomenon to indigenous Africans, entrepreneurs, when assisted and given the opportunities and incentives can demonstrate their drive, initiative and capabilities against the odds.⁵¹

⁴⁷ K. Ofori-Yeboah (1991), "State and Industrial Development in Ghana: A Critical Review of Development Policies Under Nkrumah and Rawlings," MA Thesis Submitted to Queen's University, Kingston, Ontario, Canada, p. x.

⁴⁸ Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

⁴⁹ B. Berman, "African Capitalism and the Paradigm of Modernity: Culture, Technology and the State," *Loc. Cit.*, p. 254.

⁵⁰ *ibid.*, p. 255.

⁵¹ M. Alemayehu, *Industrializing Africa, Op. Cit.*, pp. 156-157.

Policy Implications

In view of the foregoing, I want to discuss how the three organizations studied can improve their performance and become more successful, as well as how the state can deal with the problems confronting the small-scale industrial sector, promote social trust, and the development of an entrepreneurial class that will lead the process of industrial development.

Developing an indigenous and industrial and technological base through the activities of GRATIS/ITTUs, as well as the entrepreneurial training provided by NBSSI and EMPRETEC, is very laudable. However, in reflecting on the activities of these organizations, there are some areas of their operations that can be improved upon and contribute to greater success. For GRATIS/ITTUs, for instance, it is important that they find ways of protecting its intellectual property as well as those of its clients. The experience of some Suame artisans who had their products (sparkling plug extensions) mass produced, packaged and re-sold in the country by others can be overcome with patent protection and assistance from the government. Without such protection, GRATIS/ITTUs and its clients cannot enjoy the "fruits of their labour" regarding their technological innovations.⁵²

Furthermore, it is important that the number of individuals provided with training by GRATIS/ITTUs be increased from the current levels of five for each ITTU annually, if the technological needs of the country are to be met. Also, since a greater number of applicants to the apprentice training programmes are men, greater emphasis, incentives and public education should be given to attract females to engage in these programmes. Finally, GRATIS/ITTUs as well as NBSSI need to improve the managerial competence and skills of

⁵² Interview with male client involved in metals and engineering, Suame/Kumasi, 22nd July, 1999.

their staff through staff development and attendance at various training programmes. For the NBSSI, while the EDP and other services it provides are necessary, it should conduct impact assessment on clients to find out about the extent to which both the organization and its clients achieve their goals.

Regarding EMPRETEC, it should aim at financial self-sufficiency since DFID support will not last forever. In addition, while institutional and human development in the form of staff training are important, EMPRETEC should demonstrate cost effectiveness by avoiding high overheads which can be a threat to the survival of the organization.⁵³ Finally, EMPRETEC has to do more to market the services and programmes that it offers to its clients and other interested parties. As Gibson points out, as of now, EMPRETEC markets its services through, for example, brochures and newspaper advertising, although word-of-mouth happens to be the main medium through which business owners hear about EMPRETEC programmes and services.⁵⁴

However, since the above suggestions need to occur in the larger policy context, the government has to formulate a clear and detailed industrial policy, especially in the area of small-scale industrial development, which it claims it wants to make the bedrock of national industrial development. Ghana can learn from Kenya which has not only accepted the informal sector as a vital part of its economy, but has since 1986 systematically had national policies

⁵³ DFID (2000), Draft Project Completion Report for Ghana Enterprise Development Project (Phase 2), p. 8.

⁵⁴ A. Gibson (1999), EMPRETEC Ghana Foundation: Developing a Broad Portfolio Organization, Paper Presented at International Conference on Building a Modern and Effective Development Services Industry for Small Enterprises, Rio De Janeiro, Brazil, 2nd- 5th March, 1999, p.11. This study supports Gibson's position, since most of the EMPRETEC clients (55%) interviewed for this study stated that they heard about EMPRETEC and its services through friends and relatives.

and plans for small-scale industrial development.⁵⁵ While Ghana has since 1983 adopted a monetarist approach to economic and industrial development, and was once hailed as the "star pupil" and "success story" by international financial institutions (IFIs) like the World Bank and IMF of how neo-liberal policies can help achieve industrial growth, the so-called success was a myth. Despite the belief among some policy-makers and economists, especially those to the right of the political continuum who argue that governments have "no business doing business," creating a conducive environment for business to thrive is the responsibility of the government.

Therefore, although developing countries like Ghana are adversely constrained by the IFIs which insist on the adoption of neo-liberal policies before loans are granted, it is necessary that the Ghanaian government is assigned a central role in the industrial development process. The admission by Joseph Stiglitz, the World Bank's former chief economist, that the implementation in developing countries of market-styled policies were "misguided" and sometimes "misleading" has once again revived interest in the state as having to play a central role in industrial and economic development. According to him, the set of policies which underlay neo-liberalism were neither necessary nor sufficient either for macro-stability or long-term development. He stated that "left to itself, the market will tend to undermine human capital and technology. Without government action, there will be too little investment in the production and adoption of new technology. Private monopolies can lead

⁵⁵ See K. King (1996), *Jua Kali Kenya: Change and Development in an Informal Economy, 1970-95*, London: James Currey & Nairobi: EAEP.

to excess profits and inefficiency. Government must intervene to create competition."⁵⁶

Stiglitz's statement on the negative effects of neo-liberal policies, as well as the acknowledgment by the guarded World Bank that problems in Ghana's manufacturing arose from poor design of trade liberalization,⁵⁷ makes it important for the government to be selective regarding the implementation of the liberalization policy, since it is obvious that not all aspects of the policy serve the economic interest of the country. Ghana can take cues from the Asian NICs which embarked on the path of industrial development and made significant strides through a state-led approach. Since a vigorously developmental indigenous bourgeoisie cannot result from acting on neo-classical fantasies of virtually removing the state from the economy,⁵⁸ the government must play a key role in the process of industrial development, although not through state ownership, but by providing the right environment for the group of dynamic enterprises with the potential to create well-paid jobs with prospects of greatly increased productivity.⁵⁹

The government can play this role by systematically discriminating in favour of particular industries and group of entrepreneurs who have the potential to succeed in the business environment. While there is bound to be suspicion and charges of patronage

⁵⁶ J. Stiglitz (1998), "More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus," WIDER Annual Lecture, Helsinki, Finland, 7th January.

⁵⁷ R. Armstrong (1996), *Ghana Country Assistance Review: A Study in Development Effectiveness*, World Bank Operating Evaluation Study, Washington, DC: World Bank, pp. 49-50, cited in R. Sandbrook (2000), *Closing the Circle: Democratization and Development in Africa*, Toronto: Between the Lines, p. 116.

⁵⁸ B. Berman (1994), "African Capitalism and the Paradigm of Modernity: Culture, Technology and the State," *Loc. Cit.*, p. 256.

⁵⁹ D. Brautigam (1994), "African Industrialization in Comparative Perspective: The Question of Scale," B. Berman & C. Leys (eds), *African Capitalists in African Development*, Boulder, CO: Lynne Rienner Publishers, p. 157.

distribution from business owners who might not be beneficiaries of government support given the entrenched nature of such practices, it is imperative for the government to abandon the practice of using less stringent criteria for assisting entrepreneurs. By spreading the assistance to a large number of enterprises, most of whom differ widely in their size and characteristics, it only supports their survival and not their expansion and development. It implies that in the absence of even such meagre support, most of the small-scale enterprises will collapse. A better approach will be for the government to target entrepreneurs, and be more selective and enforce rigid standards of who can benefit from its programmes, as EMPRETEC and GRATIS/ITTUs are doing. It can select objectively a small group of entrepreneurs, provide them with all the assistance that they would need-technical, financial or managerial- and in return expect them to meet certain basic standards. The government could, for instance, judge these enterprises based on some performance contracts that they could enter into with the recipients. Under these circumstances, the criteria for selection and support should be an objective, disinterested and professional judgement of the firms, and their capacity to expand. In an institutional and cultural environment characterized by distrust for government and patron-client relations, it becomes difficult for the state to assume its rightful leadership role. However, there is the need for the government to adopt such discriminatory business practices, for although spreading support to a larger number of entrepreneurs will make political sense, it is unlikely to achieve industrial growth.

Furthermore, since local manufacturers must compete with already established firms in developed countries with vastly superior technology, some protection or subsidization would be required initially before exposing them to international competition. In essence,

without protection for industrial activities, such activities might never even develop at all, and de-industrialization might occur if existing firms are exposed to full, and sudden, international competition.⁶⁰ Thus, the liberalization policy which, according to the Marketing Specialist of the GNCCI, has been implemented like a "dogma or doctrine" without considering the negative effects, needs to be reviewed. For him, since the government opened the country's "economic door too wide," it should seriously consider an industrial policy giving some selective protection and subsidies to local industries, if it is really eager to promote small-scale industrialization in the country.⁶¹ Since it is common to see the Western world as well as the NICs protecting their manufacturing sector,⁶² there is no reason why African countries should also not protect their industries from competition and dumping,⁶³ since it is only by doing so that small-scale local manufacturers will be in the position to market their products and ultimately improve on their quality and productivity.

As Mkandawire and Soludo point out, the success of the Asian NICs not only corroborates the need for interventionist industrial development policies to resolve pervasive market failures in countries like Ghana, but also demonstrates that effective export promotion could be accompanied by a restrictive import policy. For them, the mounting evidence⁶⁴

⁶⁰ T. Mkandawire & C. Soludo (1999), *Our Continent, Our Future: African Perspectives on Structural Adjustment*, Ottawa: International Development Research Centre (IDRC), pp. 102-103.

⁶¹ Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

⁶² M. Alemayehu, *Industrializing Africa*, *Op. Cit.*, pp. 151-155.

⁶³ Such views were expressed in interviews with a Consultant at the AGI, Accra, 8th September 1999, and the Principal Industrial Promotion Officer, Ministry of Trade and Industry (MOTT), Accra, 14th September, 1999; See also M. Alemayehu, *Industrializing Africa*, *Op. Cit.*, p. 151.

⁶⁴ See for example, A. Amsden (1989), *Asia's Next Giant: South Korea and Late Industrialization*, Oxford: Oxford University Press; R. Wade (1992), "East Asia's Economic Success: Conflicting Perspectives, Partial

shows that the much advertised East Asian miracle succeeded not only because of their government's abilities to address market failure, but also because they created markets where they did not exist and provided the institutional infrastructure needed for market development, including a sound regulatory framework. Thus, the emerging consensus among policy makers in most African societies is that, states need to play the leadership and developmental roles of steering and nurturing economic activities to desired end as was the case in the Asian NICs.⁶⁵

A rider may, however, be necessary at this point. The suggestion for subsidies, import restrictions, and protection does not imply that local industries should not be exposed to some form of competition. As Lall et al. have argued, "given the cost, duration and risk associated with entry into more complex industries, full exposure to import competition may 'freeze' Ghana's comparative advantage in its existing mould, which is largely based on its natural resource endowment. The granting of limited protection... may be a necessary condition for the diversification and growth of industry."⁶⁶ Alemayehu also suggests that some measures that can be used to mitigate the adverse impact of competition are the judicious phasing out of protection against import duties and/or imposing quantitative restrictions on the same or competing products. For him, the period for and the extent of protection for each existing industry should be determined carefully using such criteria as the degree of vulnerability to outside competition and the crucial nature of the industry to the country. The performance

Insights, Shaky Evidence," *World Politics*, 44, pp. 270-320.

⁶⁵ T. Mkandawire & C. Soludo, *Our Continent, Our Future*, *Op. Cit.*, p. 129.

⁶⁶ S. Lall et al., (1994), *Technology and Enterprise Development*, New York: St. Martins Press, p.189.

of the protected industries could then be monitored to ensure that the protection is applied according to schedule; and does not exceed the prescribed time limit.⁶⁷ This view is averred by Mkandawire and Soludo who argue that, protection could be designed to be time-bound and performance-based to promote enterprise and ensure that excessive protection does not become a way of life.⁶⁸

Changing the perception among Ghanaians that locally produced goods are of inferior quality is another issue that needs addressing in any industrial policy. While it is the case that some locally manufactured goods are of low quality and are poorly packaged, resulting in consumers rejecting them, it is the case that even when the locally made goods are of better quality, the cultivated taste for foreign goods makes it unlikely for the local goods to be purchased. However, since competent and effective marketing and advertising are important elements of the industrialization process, the AGI launched the "Buy Made In Ghana" goods in June 1998. The involvement of organizations promoting small-scale industrial activities in various trade fairs where local manufacturers are mobilized to exhibit their products are all part of the promotional drive to encourage the patronage of "Made-in-Ghana" goods, bring local manufacturers and firms closer to foreign investors, create good market conditions for their products, and match local manufacturers and government agencies, as well as change the perception among the Ghanaian public that locally produced goods are of inferior quality.

With a promotional strategy and a message informing customers about the reliability and quality of "Made in Ghana" goods, the objectives and efforts of the AGI and other

⁶⁷ M. Alemayehu, *Industrializing Africa, Op. Cit.*, p. 151.

⁶⁸ Mkandawire & Soludo, *Our Continent, Our Future, Op. Cit.*, p.104.

agencies of encouraging Ghanaians to patronize locally manufactured goods can be realized. It should however, be added that while a window of opportunity exists for small-scale manufacturers to market their products both locally and internationally, there is the need for them to seriously look at the pricing, on-time delivery, quality and packaging of their products if they are to remain competitive in the globalized world economy. The plan by the NBSSI to establish quality information centres in collaboration with the Ghana Standards Board (GSB)⁶⁹ to provide technical information on product standards and specifications to small-scale enterprises⁷⁰ is a welcome development. This is because it will not only actually increase the quality of local manufactured goods, but also enable manufacturers to be made aware of what is acceptable in the markets.

Entrepreneurs and officials from AGI and PEF also criticized the government procedures for procuring goods and services. According to them, since the procurement of goods were done under international competitive bidding that involved cumbersome procedures, it discriminated against locally made goods and limited the chance of local industries, especially small-scale ones, from getting these contracts. For example, an entrepreneur in the textile and garment industry could not understand why the government allowed public agencies to import material used to sew uniforms, even though the material was produced locally.⁷¹

⁶⁹ The Ghana Standards Board is responsible for developing and promulgating standards as well as ensuring the quality of imported goods into Ghana.

⁷⁰ See "NBSSI and Ghana Standards Board to set up Information Centres," by T. Agbozume in *Daily Graphic*, 14th May, 1999.

⁷¹ Interview with EMPRETEC client involved in textiles and clothing, Accra, 29th June, 1999.

While not providing any evidence to support his claims, the Marketing Specialist at PEF was of the view that government officials preferred to import goods which could be secured locally because they could obtain "kick-backs" and other forms of private payoffs from individuals and agencies who were awarded contracts and tenders for such purchases. According to him, in a period when the educational system of the country, especially the universities, seemed to be in disarray due to constant closures, government officials sought desperately to acquire foreign exchange to send their children to schools and universities outside the country.⁷² The only way of getting the foreign currency was for the officials to get "kick-backs and pay-offs" when the agencies are awarded contracts to import goods. If the government was really interested in assisting the local manufacturing industry, as the largest buyer of goods it could require its agencies to buy goods produced by local manufacturers.⁷³

It was therefore a healthy sign that following the complaints and agitation from small-scale manufacturers, the government directed in September of 1999 that its agencies should first source their purchases from local industries, even when their quotations are higher by as much as 12.5% than imported goods. In the process, the number of imported goods could be limited and the operations of small-scale manufacturers will be protected and boosted. This decision on sourcing first from local manufacturers at sometimes higher prices, while it may cause the government to spend a little more, would give meaning to the effort to support local industry.⁷⁴ This strategy is consistent with the interventionist approach of the Asian NICs,

⁷²Interview with Marketing Specialist, PEF, Accra, 1st September, 1999.

⁷³ *ibid.*

⁷⁴ ISSER, *The State of the Ghanaian Economy in 1999, Op. Cit.*, p. 58.

who instead of "getting the prices right" deliberately "got the prices wrong" in order to support their industries, and which helped them to enjoy considerable growth in economic and industrial development.⁷⁵

We should note, however, that it is simply not enough for government to put forth such a policy directive. It should ensure that this policy measure is actually implemented by sanctioning the agencies and institutions which fail to comply with the directive. This suggestion has become necessary because an attractive policy is in itself not enough guarantee that it would be implemented. There is usually a gap between policy making and implementation since beneficiaries of the existing practices are likely to put impediments in the way of the implementation process. It is not uncommon to see individuals averse to or opposed to changes in the *status quo* devising strategies to get around government policies or diverting it to suit their own ends or purposes.

Also, since the activities of the organizations promoting small-scale industrialization have to be part of a policy agenda, co-operation and co-ordination among various agencies active in the field should be part of any industrial policy. The Programme Co-ordinator of the NDPC was of the view that although there were some contacts among the organizations doing similar jobs, it was more of a formality, since in reality there was not much co-operation and co-ordination in the activities of the government agencies and NGOs involved in assisting small-scale enterprises. In the absence of a clear industrial policy, there seems to be competition among various bodies to get assistance from donor agencies, and also get control over particular domains in the development arena. This competition among various agencies,

⁷⁵ A. Amsden, *Asia's Next Giant, Op Cit.*, pp. 141-145.

although unstated, tends to limit co-operation among them. There is functional overlap which can obviously be overcome with better co-operation and co-ordination. He added that although attempts have been made to develop an Entrepreneurial Advisory Council (to be made up of institutions which support and counsel entrepreneurs) this has not materialized. All the organizations have their own plans and agendas, like to claim credit for the success of a programme, seek to protect their domains, and do not, therefore, want to co-operate too closely with others undertaking similar activities. For instance, each organization has its own clientele, so they do not see the reason why they should help the clients of other agencies. In effect, there is the lack of effective mechanisms for collaborating with relevant institutions in the sectors dealing with small-scale industrial development, resulting in the duplication of activities and responsibilities.⁷⁶

Rather than operating individually, there should be close collaboration and co-operation not only with government agencies and ministries, but also with the universities and other research and teaching institutions whose activities are relevant and might be helpful to the development of the industrial sector in Ghana. As Smillie suggests, key officials from the agencies and organizations involved in small-scale industrialization in the country need to be brought together in a co-ordinated forum for the development, co-ordination and control of thoughtful and genuine national policy on science, technology and national industrial development.⁷⁷ Better co-operation could come in the form of dissemination and sharing of

⁷⁶ Interview with Programme Co-ordinator, NDPC, Accra, 23rd March, 1999.

⁷⁷ I. Smillie (1991), *Mastering the Machine: Poverty, Aid and Technology*, London: Broadview Press, pp. 227-228.

information, and monthly or quarterly meetings between officials of NBSSI, GRATIS/ITTUs, EMPRETEC, and other agencies and institutions active in the sector, to plan strategies to improve the activities of small-scale enterprises. It is only through such a concerted, integrated and holistic approach that the numerous agencies will become major players in the formulation and implementation of policies affecting the small-scale industrial sector. Having officials in the various organizations promoting small-scale industrialization co-ordinate with each other to draw up the training programmes will go a long way to ensure that such programmes reflect the needs of entrepreneurs in the country.

Coupled with having a clear industrial policy, government officials need to change their attitude to the business community in general, and the small-scale sector in particular. For the entrepreneurs and officials of various agencies interviewed, they were not surprised at the policies enacted by the government. In their view, Ghana's political and economic history cannot be written without having to make reference to the fact that governments have had a long history of stifling successful local entrepreneurs and private initiative. As Amponsah found, "domestic private businesses in Ghana are wary of the volatile institutional environment, which they perceive as uncertain for investment. Not only do they perceive potential threats of expropriation, they also know that they do not have much protection for their business and property, because existing rules in this direction are inadequate. Above all, they believe that state authorities intervene in the business environment through rampant abuse of discretion and bureaucratic bottlenecks."⁷⁸ Thus, even in a period of democratization

⁷⁸ N. Amponsah (2000), "Ghana's Mixed Structural Adjustment Results: Explaining the Poor Private Sector Response," *Africa Today*, vol. 47, No. 2, p. 28.

in Ghana, the "economic climate is clouded by official actions that pose serious threats to private business."⁷⁹ In instances like these, Dia writes that entrepreneurs find themselves at the mercy of the political elite since, apart from property rights not being legally protected, the wealth of individuals can be confiscated or reduced through manipulation of formal rules.⁸⁰ The only option left for entrepreneurs is for them to buy political protection for their wealth as opposed to using that money for investment which could increase productivity and wealth.⁸¹

According to the Marketing Specialist at PEF, there have been instances when high-ranking government officials during election campaigns have urged their supporters not to buy the goods of particular entrepreneurs. This stems from their belief that wealth acquired by such successful business people would be used by them to support opposition parties.⁸² In this regard, manufacturers and private local investors are really skeptical when the government makes pronouncements to the effect that it is interested in helping entrepreneurs in the country. The inadequate institutional support and the general mistrust for the government intentions have all contributed to this skepticism, and also helped to explain the

⁷⁹ C. Leechor (1994), "Ghana: Front-runner in Adjustment," Ishrat Husain and Rashid Faruqee (eds), *Adjusting in Africa: Lessons from Country Studies*, Washington, DC: World Bank, p. 177.

⁸⁰At the time of conducting the study, a sixty-five bedroom hotel put up by a local entrepreneur was demolished by the government on the flimsy excuse that it was located on a water way. It was however, alleged in many private newspapers that the owner of the hotel, who was a government supporter, had defected and joined a break-away opposition group. The demolition of the hotel was thus seen as "punishment" for his "defection."

⁸¹ M. Dia (1996), *Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions*, Washington, D. C, The World Bank, pp. 45-46.

⁸² Interview with Marketing Specialist, Private Enterprise Foundation, Accra, 1st September, 1999.

limited private sector response to economic reforms in Ghana.⁸³ The experience of one EMPRETEC client, who was told by a government official that it was not his responsibility to look for markets for Ghanaian products, aptly sums up the attitude of government to the private sector.⁸⁴

In the area of manpower development and utilization, one finding of this study is the strong relationship between university education and a more modern capitalist orientation. Given the dearth of university graduates and other technically trained individuals in the small-scale sector, efforts should be made to ensure that such people are attracted to it, since there is the need for a new breed of enterprises that are more in tune with industrial development, and which calls for an entrepreneurial class with a more informed and modern outlook than traditional enterprises can provide.⁸⁵ If the country is to rely solely on individuals like artisans and "masters" who acquire their skills on-the-job and limited technological training through the apprenticeship system, then it is unlikely that much headway would be made in technological development. Besides providing incentives to attract qualified individuals to work in the small-scale sector and in organizations like GRATIS and NBSSI, the numerous skilled Ghanaians resident outside the country should be tapped for the purposes of developing Ghana's industries. The marketing specialist of the Private Enterprise Foundation (PEF) suggested that Ghanaians returning from abroad could be instruments of change since they have a perception and orientation that is different and could have a positive impact on

⁸³ E. Aryeetey (1994), "Private Investment Under Uncertainty in Ghana," *World Development*, vol. 22, No. 8, p. 1211.

⁸⁴ Interview with EMPRETEC client involved in the manufacturing of electrical cables, Tema, 12th July, 1999.

⁸⁵ S. Lall et al., *Technology and Enterprise Development, Op. Cit.*, p. 193.

how to run a business successfully. Their work ethic and Western experience could serve a very useful purpose in the development process of the country.⁸⁶ This view is shared by Lall et al. who argue that the "work experience overseas probably gives exposure to a broader range of experience and techniques."⁸⁷

It is also important that local employees are subjected to discipline by not taking unnecessary and unauthorized breaks during hours of business operation, and not dictating the manner and pace of work as is the practice among some Ghanaian workers. Discipline, timing, quality and consistency in work production and behaviour from both workers and management, as well as the willingness of workers to follow directions are all necessary in the industrial development process, and should be part of the training offered by organizations involved in industrial development. While such discipline and capitalist mode of production could be a source of workplace conflict, there is the need for change in the lukewarm work behaviour of employees, as well as their disregard for time. Although not saying that all knowledge and control should be in the hands of management, since such an approach will result in what Braverman calls the "deskilling" and degradation of workers, as well as the separation of the "hand and brain,"⁸⁸ it is nonetheless, necessary for both management and workers to change their apathetic and lackadaisical commitment to work.

MacEwan has rightly argued that successful economic and industrial development has generally been built upon a physical infrastructure that connects the national economy to

⁸⁶ Interview with Marketing Specialist, PEF, Accra, 1st September, 1999.

⁸⁷ S. Lall et al., *Technology and Enterprise Development, Op. Cit.*, p.148.

⁸⁸ See H. Braverman (1974), *Labour and Monopoly Capital: The Degradation of Work in the Twentieth Century*, New York: Monthly Review Press.

international commerce and, at the same time, ties a national economy together.⁸⁹ It is therefore encouraging that there have been improvements in Ghana's infrastructure since the SAP, especially in the construction of roads and telecommunications. However, a lot still needs to be done. The obvious lack of infrastructure which is essential to facilitate the industrialization of the country has tended to slow down the process. The 1998 energy crisis which stemmed from droughts, and resulted in the rationing of power and electricity in the country is a case in point. The constant power disruptions, failures and outages meant that manufacturers operated below their capacity during this period, and thus unable to meet their production targets. Coupled with this, getting a site to operate a business is difficult. In the absence of organized industrial estates, small-scale businesses have been thwarted by land-owners who usually demand exorbitant good-will advance payments, which most small-scale entrepreneurs are unable to provide. For those small-scale entrepreneurs who are able to raise the funds to settle the good-will, putting up the new structures for the business is another financial problem.

Efforts should thus be made by the government to create industrial estates around all the regional ITTUs, as is currently the case at Suame, with affordable industrial sheds and infrastructure which can be rented out to the small-scale industries. Apart from such industrial estates, and site and service schemes becoming the central focus of the process of industrial development, they would also ease the problem of land acquisition for business purposes, make it easier for various agencies to monitor their clients and become aware of their performance, and serve as a means by which linkages can be established among firms and

⁸⁹ A. MacEwan (1999), *Neo-Liberalism or Democracy?*, London: Zed Books, p. 130.

industries. Follow-ups could also be done more regularly since clients would be concentrated in a particular area.⁹⁰ This was an approach adopted by the Kenyan government when it provided a site and service scheme to support the *jua kali* (informal sector artisans), who had difficulties with acquiring land to operate.⁹¹ Giving concessions to the small-scale industries in the form of reduced utility rates can also prove to be very helpful in the industrial development process. It is also incumbent on the government to provide the NBSSI and GRATIS with the necessary logistical support and infrastructure such as vehicles to enable training officers to monitor and follow up on activities of entrepreneurs.

In addition, since the lack of adequate funds hinders the ability of small-scale enterprises to expand and create jobs for the unemployed, it is important that credit be made easily accessible to them with low interest rates, while the period and procedures for getting assistance from agencies also need to be shortened. A bill to suspend and replace BAF with an Export Development and Investment Fund is presently before the Ghanaian parliament. When this bill becomes operational, it is expected to provide long-term investment finance for industry and also support the expansion of non-traditional exports.⁹² One really wonders, however, whether the Export Development and Investment Fund will benefit small-scale industries. Since the aim of this new fund is towards the development and promotion of non-traditional exports, with particular emphasis on increasing earnings from that sector, it is likely that the small-scale manufacturing sector will once again be ignored.

⁹⁰ Interview with Head, EDD, NBSSI, Accra, 5th March, 1999.

⁹¹ K. King, *Jua Kali Kenya*, *Op. Cit.*, pp. 1-3.

⁹² ISSER, *The State of the Ghanaian Economy in 1999*, *Op. Cit.*, p. 128.

More importantly, funding for research and development is an area that needs to be examined critically, since it is only through research and development that the quality and standards of locally made products can be improved and in turn can reduce the reliance on foreign products. While an agency like GRATIS gets funds from CIDA and the EU for purposes of research and development, as well as skill upgrading, which can enhance technology and industrial development, more resources need to be committed by the government for such purposes, since it is unlikely that donor support will continue forever.

Although Ghana has the research infrastructure in an institution like the Council for Scientific and Industrial Research (CSIR), there is little evidence of the government giving the institution adequate resources to perform its duties. The CSIR was originally established in 1968 to generate and apply innovative technologies which efficiently and effectively exploit science and technology for socio-economic development in the critical areas of agriculture, industry, health and environment. It was however, re-established by CSIR (Act 521) of 1996, with a distinctive feature of the new Act being the emphasis accorded private sector concerns and the introduction of market principles into the Council's operations through commercialization of research. However, since the industrial sector currently consist mainly of small and medium scale enterprises, they are unable to pay for the services of the various research institutes under the CSIR.⁹³ Thus, decision makers must assist research institutions like the CSIR with funds and infrastructure for the purposes of research and development, that will in turn offer the results to small-scale entrepreneurs to enable them improve on the

⁹³ Ayiku, M. N. (no date), "Change and Management of Change in the CSIR, Ghana: 1958-1998," Paper Presented at International seminar on Best Practices for Collaboration between RTOs and SMEs.

quality of their products and marketing operations,⁹⁴ rather than insisting that the CSIR operates under a system of contract research. As Berman points out, states have generally provided testing facilities, profitable contracts and support to research institutes and schools for scientific and technical training in the development of technology of industrial capitalism.⁹⁵

For small firm owners, the fact remains that most were inclined not to delegate power in management or share their business ownership with others. As the Marketing Specialist of the GNCCI stated:

Given the fetish desire and conviction of small-scale entrepreneurs not to yield control, equity participation becomes a problem. Individuals want to create their own small business empires which they can control rather than having outsiders being involved. Control and selfishness are the basis of such lack of trust among business owners.⁹⁶

It is however, important for small-scale entrepreneurs to be re-oriented to accept the fact that it can be better to operate as a co-owner of a business. Apart from easing the "control mentality" of entrepreneurs, such a business strategy would increase the prospects of companies having access to long term capital. Through joint partnerships, firms and businesses can tap the savings of every partner in order to obtain capital that may not be available from their own resources and from their bankers. By operating as limited liability companies or joint-partnerships, not only would the owners be spreading the risks involved in the business, but also no longer would they have to look to only themselves for capital and finance, and make every decision concerning the enterprise. One of the partners could, for

⁹⁴ K. Appiah-Adu (1999), "Marketing in a Liberalized Developing Economy: Emerging Trends and Implications for Strategy," *The Journal of Management Studies*, vol. 14, p. 27.

⁹⁵ B. Berman, "African Capitalism and the Paradigm of Modernity," *Loc. Cit.*, p. 245.

⁹⁶ Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

example, be made to take charge of the day-to-day management and activities of the business, and be given a salary, while the others remain "silent partners" and get their share of whatever profits accrue to the business. Small-scale enterprises should thus be encouraged to develop as quickly as possible into limited liability companies or joint partnerships. One way of going about it, suggested the marketing specialist of the GNCCI, is to tout the successes of enterprises like Mechanical Lloyd.⁹⁷ Such success stories could help change the control obsession of entrepreneurs, and also make them aware that it is better to be a part-owner in a larger company rather than being the sole proprietor of a small enterprise.⁹⁸

Fukuyama's discussion on the nexus between trust and industrialization clearly relates to this issue. According to him, societies like Japan and the USA which are imbued with high levels of trust and social capital enjoy higher rates of industrial development. In these societies, entrepreneurs by being able to associate freely with non-family members were better predisposed to sustain larger industrial firms which are critical for economic growth. For him, inheritance and easier non-biological adoption practices, and the absence of stigma to adoption outside the kinship group, allows Japan to create extremely large and durable organizations. Hence, a crucial factor in the economic growth and industrial development of any society lies in the willingness of entrepreneurs to employ and do business with people with whom they do not necessarily have family or kin ties. Societies like China exhibiting low

⁹⁷ Mechanical Lloyd is a local and privately-owned company involved in trading and servicing of automobiles, agricultural equipment and generators. Not only is it the only locally and privately-owned firm listed on the Ghana Stock Exchange, but it has consistently been listed on *Ghana's Club 100* (Ghana's top 100 Companies). The manager is said to have taken over the running of the business from his father. One of his first business moves which paid off was to go public on the stock exchange, and also recruit qualified professionals to assist him with the management of the company.

⁹⁸ Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

levels of trust for individuals not part of the immediate family tend to have lower levels of economic efficiency and industrial growth, because they become victims of the high transaction costs associated with the maintenance of formal rules.⁹⁹ We should, however, not lose sight of the fact that there are also some businesses in the Asian NICs and even the Western world which are owned and controlled by families, have expanded and been efficiently managed by professionals, and performed exceedingly well. The point is that while the culture of a society will to a large extent determine whether family-owned businesses will give way to professional management as the business expands, it is the case that good professional management, whether undertaken by family members or non-family holds the key to the success of any business.¹⁰⁰

Finally, given the issues of mistrust that have been discussed above, it becomes necessary for the country to have an effective and efficient system of loan disbursement, as well as equitably enforced laws and public policies if manufacturers and businesses are to be comfortable in dealing with one another and with the government. In the area of law enforcement, such a move would call for a massive overhaul of the judiciary system, and the need to enforce the laws as they appear on the books. Agencies charged with law enforcement should be allowed to operate independently, impartially and without political interferences. If there is political intimidation, and individuals who have links with "big-men/big-women" or are socially well-connected are dealt with by one set of laws, while the rest of society is

⁹⁹ F. Fukuyama (1995), *Trust: Social Virtues and Creation of Prosperity*, New York: The Free Press, Chapters 6-22.

¹⁰⁰ G. H. Hofstede, *Culture's Consequences, Op. Cit.*, p. 390.

treated differently, then people lose trust in the judiciary.¹⁰¹ As Berman aptly argues, the administration of a uniform and consistent law, the formation and protection of national markets, and the control of labour through the replication of juridical and political forms of capitalist social relations have been essential for capitalist development.¹⁰²

As the Marketing Specialist of the GNCCI points out, court procedures which are very cumbersome and result in delays in cases being easily disposed of needs to be looked at very critically. This is because the cumbersome procedures make entrepreneurs, especially those who might have been kicked out of successful businesses by their partners, very sceptical and less trusting of seeking redress in the courts or engaging in any more joint ownership.¹⁰³ With the courts lacking qualified and well-trained court reporters, stenographers and computers, judges have had to take notes of court proceedings at the same time that the process is going on. The lack of these resources causes delays in both the filing and retrieval of court documents. Computing facilities should thus be provided to the judiciary and other law enforcement agencies to enable them to not only have an easier time storing and retrieving information, but also deal with cases and business disputes quickly.

It is also important to have a combination of what Larry Diamond calls the fear of the law and "the fear of the Lord" if people are to have trust in dealing with each other. While "the fear of the Lord" involves moral teachings from religious institutions, fear of the law must involve the independence of law enforcement agencies and the judiciary, and the

¹⁰¹ Interview with male EMPRETEC client involved in wood-processing, Accra, 15th June, 1999.

¹⁰²Berman, "African Capitalism and the Paradigm of Modernity," *Loc. Cit.*, p.245.

¹⁰³Interview with Marketing Specialist, GNCCI, Accra, 24th August, 1999.

enforcement of laws without fear or favour.¹⁰⁴ In view of the overarching role of the judiciary, institutions like the Commission on Human Rights and Administrative Justice (CHRAJ)¹⁰⁵ have to be given enough resources to carry out their responsibilities effectively and impartially. More importantly, CHRAJ should be given enough powers to ensure that people's rights and freedoms are not encroached upon and that judges and other public officials not only discharge their duties in a disinterested manner, but also do not abuse their powers. By giving it the powers and authority to expose wrong doing and punish public officials and the activities of unscrupulous business owners, it can serve as a deterrent to others who might engage in such actions.

The problem of lack of an effective judiciary to settle business disputes results in small-scale entrepreneurs developing the attitude of distrust. One way of dealing with the problem of the lack of trust is to ensure that institutions develop an impeccable record in fulfilling the norms of truth-telling and fairness.¹⁰⁶ If business owners have an impartial means of redressing their grievances and concerns, and they have trust and faith in the system, then there is no reason why they would not go to such agencies and institutions when they feel they have been unfairly treated in any undertaking. The rule of law, protection and respect for

¹⁰⁴Larry Diamond in an interview on Ghanaian television in September of 1999, when being asked about the causes and consequences of corruption on the administrative and decision-making process.

¹⁰⁵ As the equivalent of the Ombudsman, CHRAJ was established under the 1992 Constitution and Act 456 of 1993 to be responsible for checking and redressing incidents of mal-administration and malfeasance, and for educating the general public on human rights and freedoms (Ayee, "The Continuing Search for Cures in the Fight Against Corruption," K. R. Hope, Sr. & B. Chikulo (2000) (eds), *Corruption and Development: Lessons from Country Case Studies*, London: Macmillan, p.191).

¹⁰⁶ M. Warren (1999), "Introduction," M. Warren (ed), *Democracy and Trust*, Cambridge: Cambridge University Press, p. 7.

property rights through titles and deeds, contracts and public records should thus be part of any institutional reforms. The investigations in January 1996 by CHRAJ of alleged financial impropriety by ministers of state and some chief executives of parastatals, which received wide coverage in the private press and resulted in resignations and replacements of top-level government officials,¹⁰⁷ is worthy of note and a step in the right direction.

Conclusion

The shift from large to small-scale industrialization, and the large number of agencies with an interest in promoting and assisting firms was a welcome development in Ghana's attempt to industrialize. In examining the activities of the agencies promoting small-scale industrial development, and the impact of their programmes on client firms, we realize that both the organizations and their client firms have had to contend with a number of problems. For the organizations, especially the government ones, these problems include the niggardly government support, poor remuneration for personnel, and the lack of logistical resources; while that of client firms involved the lack of access to finance from banks, inadequate institutional support, the lack of transparency in business procedures and processes, general distrust of politicians and government officials, and a non-capitalist business orientation.

While small-scale industries can be vital for the socio-economic and industrial development of society, the government's actions show that it tends to treat the sector not as the engine of growth as it claims it wants it to be. However, as Brautigam suggests,

¹⁰⁷ C. Lentz (1998), "The Chief, The Mine Captain and the Politician: Legitimizing Power in Northern Ghana," *Africa*, 68, 1, p. 51; P. Nugent (1999), "Living in the Past: Urban, rural and ethnic themes in the 1992 and 1996 elections in Ghana," *Journal of Modern African Studies*, 37, 2, p. 294; J. R. Ayee, "Ghana, The Continuing Search for Cures in the Fight Against Corruption," *Loc Cit.*, p.190.

although a substantial amount of industrial activity takes place via small-scale firms, the state plays an instrumental role in providing the foundation upon which small firms can become an engine of broad-based growth.¹⁰⁸ An economically viable local capitalist class can generate wealth independent of those controlled by the state, and provide many of the benefits and resources that have long been monopolized by governments.¹⁰⁹

Thus, the task for helping the industrial sector lies not only with the NGOs and donor agencies supporting them, but also with the government, since evidence from around the world shows that the state has played a catalytic role in the process of economic and industrial development.¹¹⁰ While capitalist development requires an entrepreneurial class of business owners who share a culture of instrumental rationality and broad-based social trust to promote it, the state must also be willing to support them. Under these circumstances, the state has to harness its resources and assist the small-scale industrial sector, since it is of no use to claim to make it an engine of growth, when the government is not committed to support them with the necessary funds, personnel and other resources to enable the sector to perform optimally. As Jackson notes, economic development is stimulated when there is a harmonious relationship between entrepreneurs and their institutional environment much of which is provided by the state, through support in areas such as training, information, finance,

¹⁰⁸ D. Brautigam, "African Industrialization in Comparative Perspective: the Question of Scale," *Loc. Cit.*, p. 140.

¹⁰⁹ R. Tangri, *The Politics of Patronage in Africa*, *Op. Cit.*, p. 146.

¹¹⁰ W. J. Tettey (1996), *Computerization and the State Capacity Building in Ghana: Evaluating the Impact of the New Information Technologies on Public Sector Reforms*, Ph. D Thesis, Queen's University, Kingston, Ontario, Canada, p.331; See also B. Berman, "African Capitalism and the Paradigm of Modernity: Culture, Technology and the State," *Loc. Cit.*, p. 245; A. MacEwan, *Neo-Liberalism or Democracy?* *Op. Cit.*, Chapter Two.

export and investment promotion, and technology.¹¹¹ Until government shows such commitment and provides sufficient assistance and resources to the small-scale sector, its desire to build a strong industrial base and make Ghana a middle income country by the year 2020 will forever remain a vision.

We should note that while the role of the state in the process of national development is paramount, its chances of success are complicated and hindered by the low levels of trust that entrepreneurs have in institutional arrangements, and their perceived lack of transparency in the Ghanaian political system. Such an environment which is characterized by suspicion and mistrust is not conducive to business success. As Warren argues, trust in institutions amounts to knowing that the rules, values and norms of society are shared by all its participants and that they would regard them as binding. Where institutions do not recur consistently to shared norms, the bases of generalized and institutionalized trust erode.¹¹² Inasmuch as the government fails to address these issues, then industrial development will remain unattainable. While the recommendations and suggestions made on how social trust can be promoted, and the small-scale sector can improve on its operations, and also have a more capitalist orientation are by no means complete, it is my belief that when implemented, they could go a long way to enhance Ghana's industrial development process.

¹¹¹ P. Jackson (1999), "New Roles of government in Supporting Manufacturing: The Capabilities of Support Agencies in Ghana and Zimbabwe," *Public Administration and Development*, 19, p. 281.

¹¹² M. Warren , "Introduction," *Loc. Cit.*, pp. 6-7.

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Appendix 1

List of Interviewees

Project Officer, GRATIS, Accra

Publicity and Marketing Officer, GRATIS, Accra

CIDA Management Advisor, GRATIS, Accra

Engineering Designer, EDC, GRATIS, Accra

Regional Manager, ITTU, Koforidua.

Research Officer, ITTU, Suame

Chief Executive Officer, EMPRETEC, Accra

Deputy Director, EMPRETEC, Accra

Client Services Manager, EMPRETEC, Accra

Assistant Manager, EMPRETEC, Accra

Client Manager, EMPRETEC, Koforidua

Regional Manager, EMPRETEC, Kumasi.

Project Officer, NBSSI, Accra

Assistant Project Officer (1), NBSSI, Accra

Assistant Project Officer (2), NBSSI, Accra

Head (EDP), NBSSI, Accra

Assistant Director (Credit and Investment), NBSSI, Accra

Project Officer, Business Assistance Fund (BAF) Secretariat, Accra

1st Secretary (Development), Department for International Development, British High Commission, Accra.

Deputy Director (Research and Planning), GIPC, Accra

Counsellor/Co-ordinator, DANIDA Private Sector Development Programme, Accra

Principal Industrial Promotion Officer, Ministry of Trade and Industry.

Accounting Officer, Association of Small-Scale Industries (ASSI)

Marketing Specialist, Private Enterprise Foundation (PEF)

Marketing Specialist, Ghana National Chamber of Commerce and Industry.

Consultant, Association of Ghana Industries (AGI)

Programme Co-ordinator, National Development Planning Commission (NDPC), Accra.

Appendix 2

OUTLINE FOR INTERVIEWING PERSONNEL OF ORGANIZATIONS

PROMOTING SMALL-SCALE INDUSTRIAL DEVELOPMENT.

1. When was this organization established?
2. What are the main aims and objectives of the organization?
3. What are the main sources of funding of the organization?
4. How can these sources be improved upon?
5. What are the main forms of assistance that are provided by this organization to small-scale industries?
6. What is the policy of the organization regarding the provision of financial and non-financial (entrepreneurial) assistance to small-scale industries?
7. What factors do you take into consideration before assisting any small-scale industry?
8. How many businesses have benefitted from the various assistance provided by your organization?
9. How effective and useful has the organization been in promoting small-scale industrial development?
10. Do you think the assistance (financial, training programmes etc) that this organization provides to small-scale enterprises affect their businesses and general orientation? If Yes, in what way(s), and why? If No, why?
11. What are the most important issues that are dealt with in the training programmes and workshops that are provided to small-scale industries by this organization?

12. What facilities do you have for providing the training programmes to small-scale industries?
13. Does your organization assist small-scale entrepreneurs with the advertisement and sale of their products? If Yes, in what way(s) and why? If No, why?
14. What criteria are used to evaluate the success or otherwise of the assistance provided by the organization?
15. What are the main problems confronting the organization in its efforts to achieve its aims and objectives?
16. What are your suggestions on how to deal with these problems?
17. What are the main problems, if any, the organization faces when dealing with various small-scale industries, and how do you deal with them?
18. What is the view of the organization concerning government policy on the development of the small-scale industrial sector?
19. What is your personal view on the issue of governmental policy toward the small-scale industries?
20. Does the government contact this organization in formulating policies designed to promote small-scale industries? If Yes, why? If No, why?
21. Do you speak to representatives from various Ministries on matters relating to policies affecting the small-scale sector? If Yes, how often? If No, why?
22. What are some of the issues that you talk to these Ministries about?
23. What is the role and position of this organization in the overall government development policy?

24. How could government policy towards the small-scale sector be improved?
25. What are the main structural and institutional problems that small-scale industries face?
26. Of these structural and institutional problems, which is the biggest one, and why do you consider it to be the case?
27. What are the main culturally-related problems that small-scale industries face?
28. Of all the cultural problems mentioned, which is the biggest one, and why is this the case?
29. In what way(s), if any do these structural and cultural issues affect the development of the small-scale industrial sector?
30. How does this organization help small-scale industries to deal with the structural and cultural issues and problems that affect their operations?
31. How in your view can this organization improve on its operations of providing financial and non-financial assistance to small-scale industries?

Appendix 3
OUTLINE FOR INTERVIEWING OWNERS OF SMALL & MEDIUM-SCALE ENTERPRISES

INTRODUCTION

1. Who owns this business? 2. Age 3. Gender
4. When was the business established?.....
5. Why was the business established?.....
.....
6. What kind of work were you involved in before establishing this business?
.....

DETAILS ON FIRM

1. What kind or type of business are you involved in?
 - a light engineering
 - b. food processing
 - c. wood processing.....
 - d. textiles and clothing
 - e. other (specify)
2. How do you acquire the raw materials used in the production/manufacturing process?
 - a. open-market purchase
 - b. renting
 - c. import
 - d. friends
 - e. other (specify)
3. How do (did) you acquire the machines, tools and equipment used in the production/manufacturing process?
 - a. supplier
 - b. renting
 - c. open market purchase
 - d. friends
 - e. other (specify)
4. Who carries maintenance on or services/repairs the tools, machines and equipment when they break down?
 - a. self
 - b. supplier of equipment.....
 - c. independent enterprise (repair shop)
 - d. other (specify)

FINANCES

- 1. What were your main sources of capital and finance when you established this business?
 - a. Bank loan
 - b. family and relatives
 - c. personal resources
 - d. friends
 - e. other (specify)

- 2. Have you applied for any loan(s) from any banking institution(s) since you started this business? Yes... No...

- 3. If Yes, for what purpose?
 - a. purchase raw materials
 - b. pay wages and salaries of employees
 - c. buy equipment
 - d. other (specify)

- 4. Did you secure the loans that you applied for at the bank(s)? Yes... No....

- 5. If Yes, what were the conditions attached to the loans?
.....

- 6. If you have applied but not secured any loans, why is this the case?
.....

- 7. If you have not applied for bank loans, why is this the case?
.....

- 8. Besides the financial institutions, have you received any financial assistance from other private and public sector organizations? Yes... No...

- 9. If Yes, which organization (s)? What was the nature of the assistance?
.....

- 10. What about the Business Assistance Fund?.....

- 11. What were the circumstances under which you received the assistance?
.....

- 12. How much do you spend on services like water, phone, rent, electricity etc per month?
.....

13. Did the energy/power crisis in 1998 affect your business? Yes ... No...

14. If Yes, how?

- a. reduction in production (by what %)
- b. laying off of workers
- c. inability to repay loans
- d. other (specify).....

15. If No, why were you not affected?
.....

16. Do you keep any record(s) on your business? Yes ... No...

17. If Yes, what kind/sort of records and why?
.....

18. If you do not keep records, why?
.....

WORKER SKILLS

1. What is your highest level of education?

- a. No formal education.....
- b. O & A Level or Commercial/Technical School
- c. university/tertiary
- d. other (specify)

2. In what way(s), if any do you think this education or training affect the operations of your business?
.....

3. How many people are currently employed in this enterprise?

4. What factors do you consider before employing your workers/employees?
.....

5. Which group of people would you prefer or prefer not to do business with and what are your reasons?
.....

6. Have you or any of your workers received any managerial or technical training or attended any workshops from any private and public sector organizations since you started this business? Yes... No...

7. If Yes, which organization(s), and what were some of the issues that were dealt with in these workshops and programmes?
.....

8. In what way(s), if any, did these workshops and programmes change/affect your business orientation and the operation of your business?
.....

MARKETING

1. How is marketing of your manufactured products done?
.....

2. Do you make use of salesmen and advertising to market your products? Yes... No...

3. If Yes, why and how effective have they been?
.....

4. If No, why don't you advertise and make use of salesmen?
.....

5. Who are your main customers in Ghana?
.....

6. Do you export any of your products? Yes.... No....

7. If Yes, how much and to where?.....

8. If No, why?
.....

9. Do you manufacture or engage in production solely on advance orders, or do you always have stocks of your products? Why is this the case?
.....

CULTURAL AND POLITICAL QUESTIONS

1. To which ethnic group do you belong?

a. Akan

b. Ewe

c. Ga-Adangbe

d. Mole-Dagbani

e. Other (specify)

2. Are you a registered member of any association? If Yes, Name it (them). What are some of the advantages and benefits of being a member?

.....

3. How did you get to know of GRATIS/NBSSI/EMPRETEC?

a. through friends

b.through relatives

c.through the media

d.through the organization itself

e.other (specify)

4. Has your association with NBSSI/GRATIS/EMPRETEC influenced the progress of your business? Yes... No...

5. If Yes, how?

.....

6. If No, why has it not influenced your business?

.....

7. Are there any members of your family in the labour force of your business? Yes... No...

8. If Yes, how many and why?

.....

9. If No, why are your family members not involved in the business?

.....

10. Do you have any financial responsibilities towards your extended family members? Yes.... No...

11. If Yes, why?

.....

12. If No, why is this the case?

.....

13. In what way(s), if any, do your responsibility and obligations to your extended family members affect your business?

.....

14. Do you involve your subordinates/workers in the decisions affecting the business? Yes... No...

15. If Yes, why?

.....

16. If No, why?

.....

17. Should employees and subordinates take decisions concerning the business and work without your knowledge and approval? Yes... No...

18. If Yes, why?

.....

19. If No, why?

.....

20. Are there any cultural practices that in your view inhibit or promote business in Ghana? If Yes, what are they, and how do they?

.....

21. What are the main problems that confront your business?

.....

22. How do you deal with these problems?

.....

23. What measures or policies should the government and various private and public sector organizations take to assist small-scale industries?

.....

24. Have you been in contact with government MPs, opposition party or any interest group to assist you to influence government policy that affect your business? If Yes, how helpful were they?

.....

25. If No, why?

.....

26. Any other comments?

.....

THANKS FOR YOUR TIME AND CO-OPERATION