

*5. Business Support Systems
for Target Industries*

5. Business Support Systems for Target Industries

Before implementation of trial programs (TPs), the team executed the basic study on the target industries. The results of the basic study were summarized in Chapter 4. In addition, the team conducted the participatory problem analysis and formulated the problem tree which summarized stakeholders' opinions. Each TP was planned and implemented in order to solve major issues which were abstracted from the analysis. However, in the course of TPs, these major issues turned out not to be necessarily based on reality. In this chapter, modified strategies based on facts and opinions gathered during the TPs are presented and explained. In this chapter, 1) explanation of strategic approach, 2) priority of programs and 3) implementation organizations, for the Business Support System to develop each target industry are presented.

5.1 The Business Support System for the Garment Industry in the Greater Accra Region

5.1.1 Strategic approach

The garment industry is a typical labor intensive industry as well as export/import oriented industry. Penetration of the export market and competition with import products were revealed as the important issues in the problem analysis. Among others, especially local companies have lower productivity in comparison to the international standard and it is the main cause of lack of competitiveness. In fact, the price of the imported product is less than the manufacturing cost of the domestic equivalence. Unless this situation changes, it is quite difficult for a garment company to expand the market share in Ghana or to penetrate new international markets.

Most micro and small companies can be likened to a tailor who makes a piece of cloth from the beginning to the end. This type of manufacturing process turns out to be unproductive in the long run. On the other hand, thanks to AGOA, middle sized companies which adopt division of labor were able to expand exports even though they still need productivity upgrade.

During the TPs, production management skills were transferred to owners or managers of local companies. Follow-up study on these companies proved that even micro and small companies were able to introduce 5S to make extra space in their work place so they could change the layout of the machines. As a result of changing the layout, productivity increased. There was a case when an operator's suggestion for change in the way work was structured

resulted in doubling productivity. These are just small “kaizen” activities, however, it indicates a possibility of increasing productivity further in the future.

The vision for this Business Support System is set to “increase the size of the garment industry” and its objective indicates to “expand the market for the garment SMEs.” As shown in the industry’s current state, the garment industry is the largest in the manufacturing sector in the numbers of establishments and employees, while its output is relatively small. Although statistical data are not available, industry sources and MOTI/PSD/PSI believe that the number of companies engaged in garment production is on the decline. Under these circumstances, the expansion of the garment industry by exploring both domestic and foreign markets is highly desirable to stimulate growth in the country’s economy. The four strategies to achieve the objective correspond to the major issues identified in the problem analysis (Figure 4.2-1). Each of the four strategies consists of programs that serve as a vehicle to overcome the identified issues.

Strategy 1: Reinforcement of competitiveness through productivity and quality improvement

Program 1-1: Promotion of division of labor in the industry

The garment industry in Japan at the early stage was concentrated on tailor-made production, as seen in Ghana today. Since the 1950s, it rapidly shifted to the modern production structure based on division of labor with increased exports. It is the time for the garment industry in Ghana to start adopting division of labor as part of efforts to improve productivity of SMEs and reduce their costs so as to allow them to compete with imported products. As SMEs adjust themselves to division of labor, they will be able to provide contract manufacturing service for medium sized manufacturers that are engaged in volume production by forming their own production chain.

Program 1-2: Equipment modernization

Division of labor benefits micro enterprises and small enterprises by improving their productivity. At the same time, it will enable them to improve product quality and to meet the customer’s demand in a flexible manner (e.g., subcontracting for volume products, and the making of fixed lot products (such as uniforms) by jointly purchasing or sharing modern production machinery, such as special sewing machines and attachments. Special sewing machines – including buttonholing machines and bar-tacking machines – are expensive and are not generally affordable for small enterprises especially where such machines are not

always used. Attachments add various functions to ordinary sewing machines and are available in a variety of types. They can be made locally if proper technical assistance is provided and adequate tools are made and used.

Program 1-3: Human resource development to support productivity and quality improvement

To ensure sustainable improvements of quality and productivity, it is imperative to provide training for production management, industrial pattern making, and maintenance techniques. Especially, for companies that intend to export their products, production management technology constitutes a major bottleneck. In other words, learning the proper use of production management technology leads to discovery of wastes and implementation of corrective measures (e.g., equipment maintenance and workers' training to reduce lost time due to equipment failure), allowing export companies to improve international competitiveness within a relatively short period of time.

Industrial pattern making technology can be transferred to field workers as garment manufacturers have basic knowledge. It will help companies to achieve high quality and efficient production by making clothing that fits the body shape of local people. A major issue facing export companies and SMEs is the weakness in maintenance capability that prevents production machinery from being used fully. It clearly justifies training for maintenance technology.

Strategy 2: Development of products appealing to the target market

Program 2-1: Upgrading of design development capability

Today, wide varieties of garment products are made and sold globally and their customers (markets) are finely segmented. Thus, garment manufacturers must develop and supply a product that appeals to their target (niche) market. This program proposes measures to improve design that is an important factor other than price and quality, which are addressed in Strategy 1. It should be noted, however, that design is not a critical factor for manufacturers who perform consignment work for export markets. Thus, this program aims to help companies, which mainly serves overseas niche markets and domestic markets, to improve design development capability that can meet the market needs. The trade association should select a specific market (generally a country or region where a trade show is held) and encourage the government (MOTI/PSD/PSI or GEPC) to provide trainings for required design capability. It seems to be feasible within the framework of TSSP's "Export Trade Support."

Program 2-2: Establishment of standard apparel sizes for the Ghanaians

This program proposes standardization of apparel sizes for Ghanaians. Present sizes used in the country are based on the European standards and do not fit standard body shapes of local people. By establishing standard sizes that are easy to wear by local people, manufacturers can design and make ready-made clothes that better fit local consumers. Also, increased popularity of locally made clothes leads to the reduction of the production cost. The establishment of standard sizes for local people will be promoted by GSB, but the trade association should take the initiative.

Strategy 3: Establishment of the market information channel

Program 3-1: Holding regular market trend seminars

A company is expected to collect information on a target market that it intends to enter. This type of information is difficult to share because it somewhat governs the company's competitiveness. However, the ability of a single company to collect information is limited, particularly in the case of information on a new market. For this reason, the trade association should take a lead in collecting market information. This program aims to improve information gathering capability of sales staff and marketers at the market trend seminar to be jointly held by the trade association and GEPC.

Program 3-2: Creation of the apparel library

This program proposes the establishment of an apparel library by the trade association with a view to providing hints and inspirations for corporate designers. In some countries, this type of facility is operated by design centres. In Ghana, a library may be established within the polytechnic that offers fashion design education and reference materials are gathered under the industry's support.

Strategy 4: Strengthening of sales production capability

Program 4-1: Buy Ghanaian product campaign

Many garment manufacturers in Ghana are little more than tailors and are not good at organized sales promotion activity. Meanwhile, a campaign is underway to encourage Ghanaians to wear a traditional costume on Friday, called "National Friday Wear Programme, which takes root in Greater Accra. Also, the government intends to spread this movement to

other cities. The industry should capitalize on the move to increase sales of Ghanaian clothes. This program facilitates the trade association to deploy sales promotion of made-in-Ghana garment products by holding sales exhibitions in cities other than Accra and by making and distributing catalogs in cooperation of a district/municipal assembly (DA).

Program 4-2: Support for creation of corporate web sites

To make products known to the public in and outside the country, the internet is less costly and effective. This program proposes support activity for individual companies or groups of companies to create their web site introducing their products. At present, MOTI/PSD/PSI plans to establish a “Show Case Gallery” that publishes high quality products on the internet. Linking each corporate site with the gallery will help attract visitors to the site.

Figure 5.1-1 shows a general framework of the Business Support System, and Table 5.1-1 presents a program outline.

5.1 The Business Support System for the Garment Industry in the Greater Accra Region

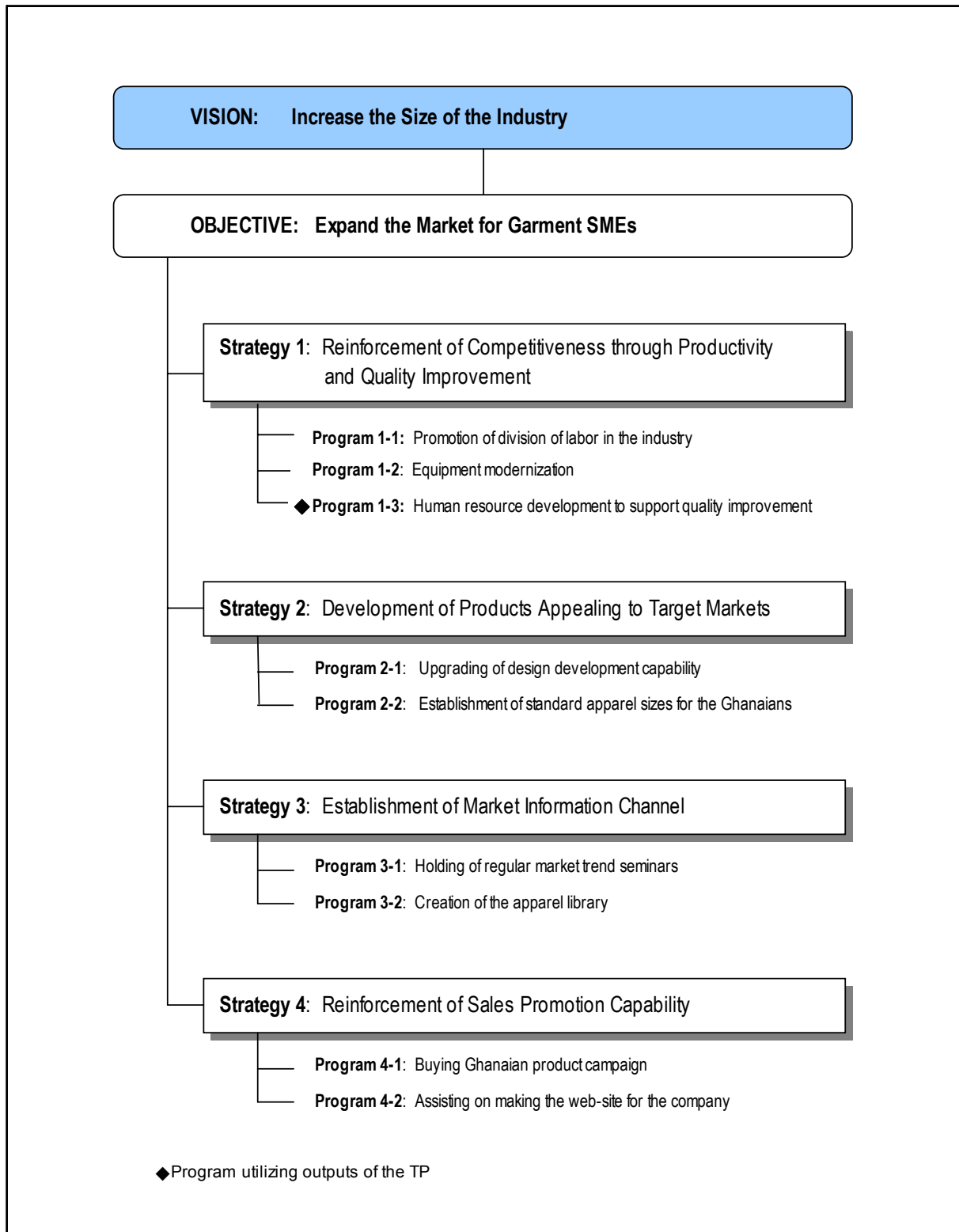


Figure 5.1-1 Framework of the Business Support System for the Garment Industry in the Greater Accra Region

Table 5.1-1 Program Outlines of the Business Support System for the Garment Industry in the Greater Accra Region

Program 1-1: Promotion of division of labor in the industry

Strategy 1: Reinforcement of Competitiveness through Productivity and Quality Improvement
Purpose: To disseminate the production sharing (division of labor) system.
Outputs and activities <ol style="list-style-type: none"> 1. Information relating to division of labor (e.g., success stories) is spread through the trade organization. 2. Dissemination of production management technology and knowledge for division of labor is carried out. 3. Sub-contract business between exporters and small firms are promoted.
Implementation organization: PSI training centre, Polytechnic, Industry group/asso. MOTI/PSD/PSI

Program 1-2: Equipment modernization

Strategy 1: Reinforcement of Competitiveness through Productivity and Quality Improvement
Purpose: To promote assurance of sewing quality and equipment modernization.
Outputs and activities <ol style="list-style-type: none"> 1. Common facilities of modern equipments (led by the trade association) are shared. 2. Quality inspection (acceptance/rejection) criteria are widely recognized. 3. Attachments are promoted and widely used.
Implementation organization: PSI training centre, Polytechnic, Industry group/asso. MOTI/PSD/PSI

Program 1-3: Human resource development to support productivity and quality improvement

Strategy 1: Reinforcement of Competitiveness through Productivity and Quality Improvement
Purpose: To develop human resources that support quality improvement
Outputs and activities <ol style="list-style-type: none"> 1. Industrial pattern techniques are introduced and disseminated. 2. Production management technology seminars are held. 3. Quality control seminars are held. 4. Sewing machine maintenance workshops are held.
Implementation organization: TGTC, Polytechnic, Industry group/asso. MOTI/PSD/PSI

Program 2-1: Upgrading of design development capability

Strategy 2: Development of Products Appealing to Target Markets
Purpose: To improve the design creativity for niche market
Outputs and activities <ol style="list-style-type: none"> 1. The common target market is identified by the industry group. 2. The design information of the market is collected through Embassies and the internet. 3. The design development program for designers in the industry is set up. 4. The selling mission to the target market is sent.
Implementation organization: Industrial group/asso., GEPC, Polytechnic and foreign design consultant

Program 2-2: Establishment of standard apparel sizes for the Ghanaians

Strategy 2: Development of Products Appealing to Target Markets
Purpose: To gain more domestic market of Ghanaian wear.
Outputs and activities 1. Awareness of the importance of Ghanaian standard size is raised. 2. Ghanaian size survey is executed. 3. Standard Ghanaian size is set and published. 4. Standard Ghanaian size is promoted and used for Friday wear.
Implementation organization: GSB, Polytechnic and MOTI/PSD/PSI

Program 3-1: Holding of regular market trend seminars

Strategy 3: Establishment of Market Information Channel
Purpose: To expand analytical capability of designers on fashion trend
Outputs and activities 1. Content and system of the seminar is decided. 2. The sponsor for the seminar is found. 3. The experts on the field are found and invited for the seminar.
Implementation organization: Polytechnic, Industry group/asso., GEPC

Program 3-2: Creation of the apparel library

Strategy 3: Establishment of Market Information Channel
Purpose: To provide reference materials and other presentations to designers
Outputs and activities 1. The place for the library is secured. 2. The system to collect reference materials is set up. 3. Collected materials are installed in the library and maintained.
Implementation organization: Industry group/asso, Polytechnic, GEPC

Program 4-1: Buying Ghanaian product campaign

Strategy 4: Reinforcement of Sales Promotion Capability
Purpose: To expand Ghanaian wear
Outputs and activities 1. A campaign for Ghanaian wear is started. 2. A comprehensive catalog for Ghanaian wear is published. 3. An exhibition for sale is held in regions.
Implementation organization: Industry group/asso, MOTI/PSD/PSI

Program 4-2: Support for creation of corporate websites

Strategy 4: Reinforcement of Sales Promotion Capability
Purpose: To strengthen the sale capability
Outputs and activities 1. Web-sites are created with assistance. 2. The number of visitors and sales from web-sites are monitored.
Implementation organization: Industry group/asso, MOTI/PSD/PSI

5.1.2 Priority Setting for Strategy and Implementation Schedule

Without AGOA, strengthening the productivity of the local companies to lower their costs is the only way to increase exports and the domestic market share of the garment industry. If the industry reaches the international standard in terms of quality and cost, other programs can increase the impact of design development and sales promotion.

Improvement of design capability and establishment of Ghanaian standard sizes should be done prior to sales promotion for the domestic market. The new design and standard sizes can be disseminated along with sales promotion. Since the establishment of galleries and country wide expansion of National Friday Wear are planned as a part of TSSP “Promotion of Made in Ghana Goods”, sales promotion should be implemented hand in hand with TSSP.

(1) Programs that require urgent startup for implementation

- Human resource development to support quality improvement (production management, industrial pattern, maintenance)
- Equipment modernization

(2) Programs that require a specific preparation period and a staged improvement approach

- Promotion of division of labor
- Upgrading of design development capability
- Holding of regular market trend seminars (or any information gathering effort)
- Establishment of standard apparel sizes for the Ghanaians

(3) Programs to be planned and started according to actual industrial development or on the basis of the results of other programs (2 – 5 years)

- Creation of the apparel library
- Sales promotion measures for Ghanaian products (two programs)

5.1.3 Implementation Organizations

These programs should basically be carried out under the initiative of the trade organization. As for human resource development, vocational training institutes such as Accra Polytechnic and Textile Garment Training Centre (TGTC) should serve as the implementation bodies, while the initiative may be taken by the trade organization. DA may cooperate in the provision of activity sites (for instance, for ad-hoc events). Furthermore, since the strategies go over

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district boundaries and the garment industry is a priority sector under the PSI system, the MOTI/PSD/PSI's support (institutional and financial aspects) will play a central part. Since GEPC opened Ghana Export Information Centre where people could collect trade information and hold seminars, it is possible to utilize this centre for training human resources and gathering export market information.

5.2 The Business Support System for the Palm Oil Processing Industry in the Ashanti Region

5.2.1 Strategic approach

Palm oil processing is one of the priority industries promoted by the Ghanaian government and the domestic as well as the external market is large, with the market still growing. Ashanti is the largest producer of palm fruits in the country and contains a large number of small palm oil processors. As a crop which has been cultivated for a long period in the country, the industry continues to rely on traditional production methods with little regard for productivity and quality.

Against this background, the team conducted a problem analysis and identified the inability to secure the market as the major challenge facing the industry. Regardless of market expansion, both domestic and overseas, small palm oil mills (classified as microenterprises and small enterprises) are unable to sell their oil as much as they produce. Our analysis found that major causes for the inability to explore the market were inadequate quality, pricing, market access and/or logistics. In view of the results of the analysis, the team planned and implemented a palm oil yield rate improvement (Kaizen) program as a TP, to reduce production costs. By introducing proposed improvement measurers, the TP succeeded in raising the yield rate from less than 10% to over 17% and thus boosting production volume without upgrading or replacing the present production equipments. In addition to the increase in production, the process improvement resulted in higher product quality, which led to better reputation in local markets and helped mills to boost sales.

This plan aims to use the lessons learnt in the TP as the first step for promoting the palm oil industry. Its strategy is to drive bottom-up improvement of the palm oil industry by disseminating the improvements and methods identified in the TP to the entire industry, thereby promoting the sales of products of higher quality at a higher price. The team sets “Secure Sustainable Market of Palm Oil” as the objective of the Business Support System, and the palm oil industry becomes “Leading local Industry in Ghana” as the vision. Four strategies to accomplish the objective correspond to the major challenges identified in the problem analysis (see Figure 4.3-17). Programs strategies are explained below.

Strategy 1: Improvement of the quality of crude oil

Program 1-1: Improvement of palm oil quality

The TP revealed the method to improve product quality, together with the method to improve the yield rate and published “Technical Manual for Improved Palm Oil Processing”. In order to secure production of high quality palm oil, it is important for other palm oil processors to learn points to be improved. It is expected to improve yield rate in many existing micro and small mills by reproducing above mentioned technical manuals and distributing them for implementation.

Program 1-2: Education on treatment of palm fruits

First of all, it is imperative to establish a method to manage and minimize time required for harvesting and processing of raw materials for the purpose of controlling the level of free fatty acid (FFA). At the same time, it is important to select palm fruits of tenera variety, which is known for high oil content, and proper and efficient selection needs to be realized through training of mills.

Program 1-3: Promotion of GSB quality certification

After these results have produced a good prospect for securing and maintaining the required quality standard, mills are encouraged to obtain GSB certification for their products. Certification is expected to produce double benefits of ensuring continuity of quality control, while promoting sales by ensuring differentiation from competing products.

Strategy 2: Reduction of production cost

Program 2-1: Improvement of palm oil yield rate

As pointed out earlier, the TP has verified that the palm oil production cost can be viably reduced through yield improvement. In the next stage, broad dissemination of the results obtained from the TP should be promoted.

Program 2-2: Increase of palm fruits (Tenera) production

For reduction of production cost, reliable sourcing of raw materials constitutes a critical factor. In particular, relatively low yields per unit area of cultivation at small plantations primarily cause high palm fruit prices. This can be addressed by teaching proper methods to

use water, fertilizer and agricultural chemical, in addition to ongoing conversion to the tenera variety at PSI.

Program 2-3: Upgrading processing facilities

For further cost reduction, the upgrading of existing processing facilities¹ is required. A realistic approach for the industry is to improve yield and quality by conducting kaizen activities, thereby saving some funds. Furthermore, they do not have sufficient knowledge of quality control and production equipment and would need professional² advice. In this connection, BAC and other support would be required to allow small palm oil processors with little or no experience in loan application to obtain necessary funds.

Strategy 3: Sales promotion based on organization of small processors

Program 3-1: Promoting sales to refineries

At present, it is difficult for small mills to expand crude oil sales if they limit themselves to neighboring markets. Instead, marketing efforts should focus on sales to refineries that have their own channels. This way, mills can expect sales growth and steady customers at the same time. Similarly, refineries can increase the utilization rate of refining equipment that is not used fully and thus boost sales. Recently, they are interested in purchasing crude oil directly from mills, but they cannot secure enough supply due to poor quality and insufficient production volume of small mills. As relatively large portions of refineries' capacity are unused, crude oil demand is expected to increase further so far as the palm oil industry can establish a reliable supply system.

Program 3-2: Establishment of local brands

Nevertheless, there is further market potential for crude oil made by small mills. One way to differentiate their products is the establishment of a local brand. In particular, palm oil mills that have obtained GSB certification, as proposed for quality improvement purpose, may work together to create a group brand and conduct sales promotion activities by using it. For this purpose, quality assurance is a critical success factor, together with effective tie-ups with marketers.

¹ Micro and small scaled facilities can be purchased with 5000 to 10,000 US dollars.

² Specialists on quality management can be found in private consultants as well as GSB and MDPI. There are Technical persons who can give advice on facilities in private consulting companies and engineering companies.

Program 3-3: Commercial production of kernel oil

Finally, processing and selling of palm kernels should be promoted. At present, a few micro and small mills sell palm kernels. It is proposed to develop them into organizational efforts. Once a sufficient supply capacity is secured, the producer group will be able to make and sell high value added palm kernel oil. Starting up the business by the producer group will require technical support as well as financial support for equipment purchase.

Strategy 4: Establishment of logistics for product distribution

Program 4-1: Joint purchase of trucks

Many micro and small mills engaged in palm oil processing are located far away from arterial roads and have poor market access. At present, they may be able to use the buyer's transportation, but they are generally required to have their own means of transport. First of all, joint purchase and use of a truck by a group of mills is considered to be a feasible solution. While logistics support may be obtained from marketers by means of cooperation or tie-up, trucks are required to collect palm oil from individual mills.

Program 4-2: Construction of a storage tank

A refinery usually uses a tank truck to collect crude oil. Due to the size of the truck, it is difficult to reach and buy crude oil from micro and small mills located in areas with less access road. Mills should consider sharing a tank to store palm oil, which would facilitate sales and delivery to buyers. This tank can be shared by several companies or mills which can set up the tank operation company to provide services to users on service fee basis.

The frame work of the Business Support System is shown in Figure 5.2-1 and see Table 5.2-1 for the outlines of programs.

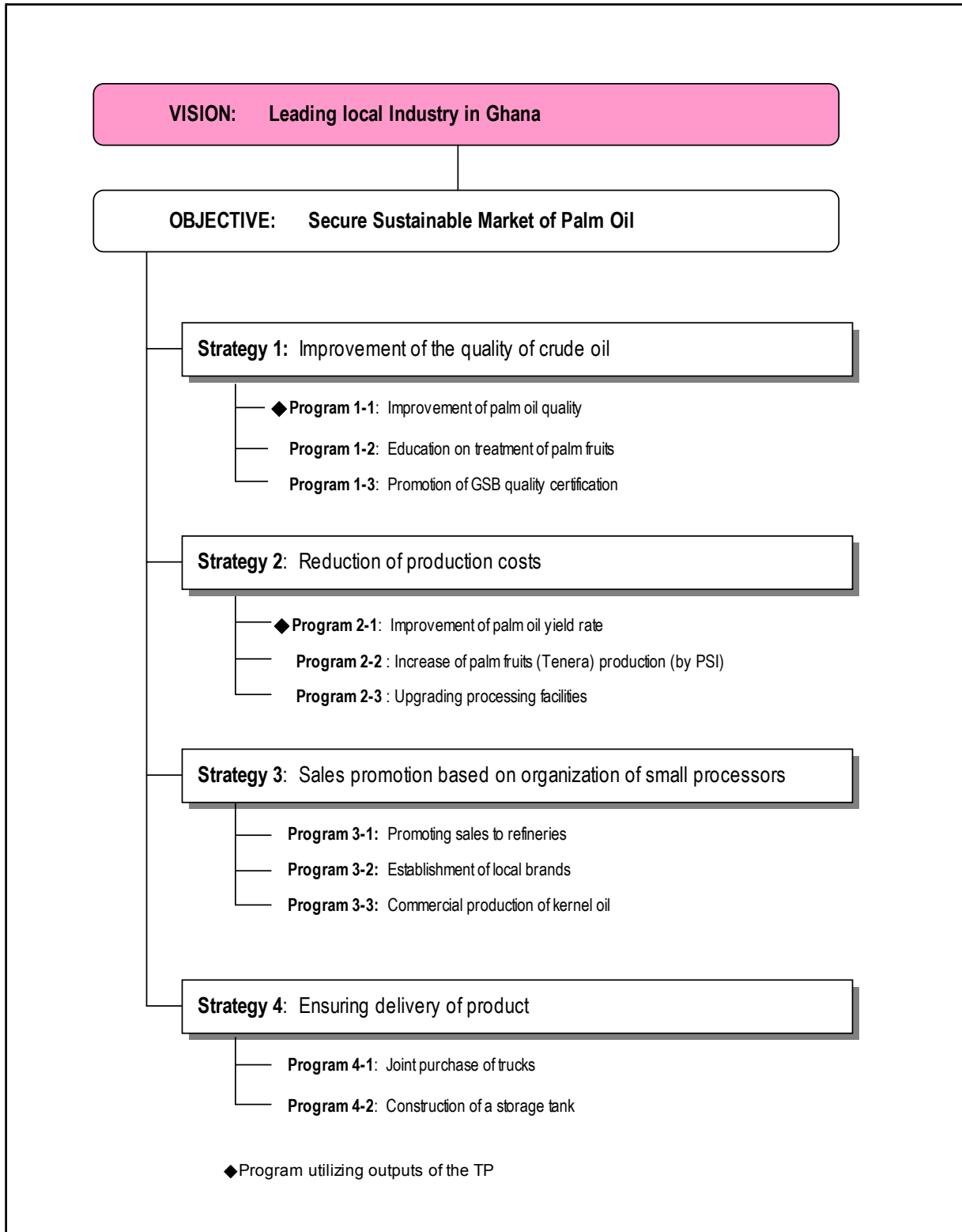


Figure 5.2-1 Framework of the Business Support System for the Palm Oil Processing Industry in the Ashanti Region

Table 5.2-1 Program Outlines of the Business Support System for the Palm Oil Processing Industry in the Ashanti Region

Program 1-1: Improvement of palm oil quality

Strategy 1: Improvement of the quality of crude oil
Purpose: To increase quality of crude oil by adopting JICA technical manuals
Outputs and activities <ol style="list-style-type: none"> 1. JICA technical manuals are provided to beneficiaries. 2. The technical workshop for improvement is held. 3. Consulting services are provided for those who need advice from experts. 4. A study session is held among mills who improve their activities.
Implementation organization: Industrial group/asso. BAC, consultants

Program 1-2: Education on treatment of palm fruits

Strategy 1: Improvement of the quality of crude oil
Purpose: To secure good quality palm fruits
Outputs and activities <ol style="list-style-type: none"> 1. The standard palm fruits quality management method is established. 2. Processors understand the importance of palm fruits quality management. 3. Oil palm farmers and processors execute palm fruits quality management method. 4. Quality of palm fruits is checked periodically.
Implementation organization: KNUST, industrial groups, farmer groups

Program 1-3: Promotion of GSB quality certification

Strategy 1: Improvement of the quality of crude oil
Purpose: To maintain and prove the quality of crude oil
Outputs and activities <ol style="list-style-type: none"> 1. A group of processors who are interested in getting GSB quality certificate is formed. 2. The procedure of getting GSB certificate is explained to the interest group. 3. All necessary activities are done to be ready to get the certificate.
Implementation organization: GSB, interest group, consultant

Program 2-1: Improvement of palm oil yield rate (same as Program 1-1)

Program 2-2: Increase of palm fruits (Tenera) production

Strategy 2: Reduction of production costs
Purpose: To increase outputs of high yield palm fruits
Outputs and activities to support PSI activity of Tenera plantation promotion <ol style="list-style-type: none"> 1. Awareness of Tenera variety to processors is raised. 2. Tenera plantation is recognized by processors to purchase high yield palm fruits.
Implementation organization: PSI, MOFA

Program 2-3: Upgrading processing facilities and advisory service

Strategy 2: Reduction of production costs
Purpose: To improve the facilities to have better productivity.
Outputs and activities 1. The advice for facility is given by the consultant 2. The bottleneck facility is found. 3. Loan application to invest in the bottleneck facility .is ready with assistance of BAC.
Implementation organization: Processor, consultant, BAC

Program 3-1: Promoting sales to refineries

Strategy 3: Sales promotion based on organization of small processors
Purpose: To secure stable and volume buyer
Outputs and activities 1. A group for selling crude oil to a refinery is formed. 2. The quality and quantity management system is established. 3. The quality and quantity of crude oil is secured to sell to the refinery. 4. Agreement between the group of crude oil mills and the refinery is made.
Implementation organization: A group of crude oil producer, refinery, consultant

Program 3-2: Establishment of local brands

Strategy 3: Sales promotion based on organization of small processors
Purpose: To differentiate the product from other palm oil
Outputs and activities 1. A group of GSB certified mills are formed. 2. Regional brand for palm oil is made and common label and package are prepared. 3. Sales promotion is planned and executed with the regional brand.
Implementation organization: Group/asso. MOTI/PSD/PSI

Program 3-3: Commercial production of kernel oil

Strategy 3: Sales promotion based on organization of small processors
Purpose: To increase sales of palm kernel oil
Outputs and activities 1. Enough quantity of palm kernel is secured. 2. Market of kernel oil is found and F/S of building kernel oil plant is done. 3. The fund is raised to invest in building kernel oil plant.
Implementation organization: Group, bank, consultant.

Program 4-1: Joint purchase of trucks

Strategy 4: Ensuring delivery of product
Purpose: To get the means of transport
Outputs and activities 1. Agreement among processors is made to buy the truck for transportation of palm oil/palm fruits. 2. Usage and fee of truck transportation are decided. 3. Fund for the truck is raised.
Implementation organization: Processors, Bank

Program 4-2: Construction of a storage tank

Strategy 4: Ensuring delivery of product
Purpose: To have better access to buyers
Outputs and activities 1. Agreement among processors is made to use the collection tank. 2. Rules of using the collection tank are established. 3. Fund for the tank is raised.
Implementation organization: Processors and/or BDS provider, Bank

5.2.2 Priority Setting for Strategy and Implementation Schedule

The highest priority should be given to the dissemination of results of the TP to improve production and quality without which the next stage will be difficult to implement. Also, some programs assume organization and networking of micro and small companies as a prerequisite. Organizing small mills is primarily designed to secure a certain level of production that facilitates sales, but it will also be used as the basis of establishing and operating joint facilities, such as a palm kernel processing facility and a storage tank, if necessary conditions are met.

- (1) Programs to be prepared urgently for implementation
 - Improvement activities to disseminate the results of the TP (Kaizen methods)
 - Education on raw material treatment of palm fruit

- (2) Programs that require a preparation period and a phased improvement approach
 - Promoting sales to refineries
 - Promotion of GSB quality certification
 - Establishment of local brands
 - Joint purchase of trucks

- Upgrading processing facilities
- (3) Programs to be planned and launched in consideration of the industry's development process or the results of other programs (2 – 5 years)
- Commercial production of palm kernel oil
 - Construction of a storage tank

5.2.3 Implementation Organizations

As for dissemination of the kaizen methods, the consultant involved in the TP and KNUST are considered to be suitable. Also, cooperation of DA and BAC may be obtained in distribution of the “kaizen manual” prepared during the study. DA and BAC will also be able to conduct seminars on the kaizen methods. As for the improvement of the raw material quality, technical assistance and advice for palm fruit farmers will be required under the cooperation of PSI and MOFA that are currently providing extension service. In the field of financing, BAC support will be needed in the preparation of a business plan.

As for quality certification, branding, and sales promotion, support of GSB, MOTI/PSD/PSI, and NBSSI will be required. It is desirable to mobilize these organizations as a single program, rather than their doing separate programs, and to provide direct support by experts. Experts who cannot be found in the country may have to be sent by donor organizations.

As for the continued improvement of the production system, further research will be required and can be led by KNUST that served as the implementation organization of the TP.

5.3 The Business Support System for the Citrus Processing Industry in the Central Region

5.3.1 Strategic Approach

Like other regions, a problem analysis was performed for the Central Region and based on the results a general framework for the Business Support System was developed. Unlike the other three industries, there were few fruit processors so the team came up with a strategy to promote the construction of processing plants. The objective and strategies established for the Business Support System on the basis of the results of problem analysis are summarized as follows.

- Objective: To increase the number of fruit processing plants.
- Strategy 1: To acquire fruit processing technology.
- Strategy 2: To disseminate knowledge and information relating to the fruit processing industry.
- Strategy 3: To improve entrepreneur's access to initial capital.
- Strategy 4: To reduce investment risks relating to the industry.

The feasibility study, which was conducted as the TP, revealed that there were about 30 fruit juice plants in and around Accra, mainly processing pineapples, suggesting the availability of fruit process technology at some level. Similarly, availability of information seems to be fairly sufficient, although it is generally concentrated in Accra. Strategy 3 addresses a major problem relating to business startup, which is actually seen widely among SMEs in the country as a whole, and not limited to the fruit processing industry alone. Finally, Strategy 4 is based on a good prospect for the construction and operation of a viable small-scale plant with relatively small risks, which has been confirmed through the TP.

While the primary objective of the TP was to develop a commercialization plan, it must lead to an actual investment project if it is proven to be meaningful. Also, the construction of one or two processing plants does not mean the promotion to a full-fledged industry. Thus, this Business Support System has the primary objective of “establishing the fruit and pineapple processing industry” as well as “Citrus and Fruits: the thrust for industrialization” as vision. Those programs consisting of each strategy are described below.

Strategy 1: Continuous attraction of fruit processing plants

Program 1-1: Continuous attraction of fruit processing plants

Under the TP, business viability of a fruit (in this case, orange) juice production plant has been verified. Nevertheless, development of the commercialization plan alone is not sufficient for the accomplishment of the objective of the plan, as it only leads to the construction of one or two plants in the region. Obviously, it is too small for the region that is a major producer of orange and pineapple in the country. Considering that Greater Accra has around 30 fruit processing plants, around ten plants of the proposed capacity can be constructed and operated in the Central region.

Program 1-2: Creating new investment incentive package

At the district level, it is necessary to improve the condition for attracting investment. Any DA which wants to attract investments should be able to provide incentives such as the provision of lands and buildings, assistance in procuring raw materials and tax holiday as one package. It is better to appoint responsible personnel to handle relevant information and provide one-stop service relating to investment procedures for better services to investors.

Strategy 2: Sales promotion measures

Program 2-1: Promotion of juice sales in urban areas

The commercialization plan assumed that fruit juice would be sold in nearby markets. However, as the population of the Central region is relatively small, and as premium-priced 100% orange/pineapple juice is expected to be consumed by people living in major cities (including Accra and Kumasi), it needs to be transported to these cities in order to ensure steady market growth. Exports to neighboring countries will obviously become the next target. At this point, sales promotion and logistics (for distribution and delivery to buyers) hold the key to success. While sales promotion activities should be planned and carried out by individual companies, government can help them by linking the manufacturers with major distributors and providing information to promote economical transportation through mixed loading with other products.

Program 2-2: Establishing OEM system

Meanwhile, orange juice producers should promote sales to existing juice plants in Accra, which are mostly specialized in production of pineapple juice and are thus expected to add

5.3 The Business Support System for the Citrus Processing Industry in the Central Region

orange juice to their product line. Again, government can help the producers by finding potential customers in Accra and linking both of them for new business relationship.

Strategy 3: Product diversification

Program 3-1: Utilizing by-product of juice processing

Clearly, fresh orange juice alone does not form a viable base for the fruit processing industry. Product diversification is crucial from the standpoint of promoting sales expansion effectively. In consideration of the present industry's size as well as the feasible size of investment, however, pectin or orange oil does not seem to be a viable option. On the other hand, orange skins and like (materials for the above byproducts) are already exported by some producers and can be used as byproduct from the juice production process at an early stage of plant operation.

Program 3-2: Sales of marmalade and mixed juice

Although marmalades and jams can easily be made, local products are not sold in the domestic market. Thus, the first step should be taken to establish a national brand in the juice market and to develop an adequate container. Another approach is to develop juice mixing orange and other fruits. If concentrated juice is imported, in addition to local pineapple juice, a various types of mixed juice can be made to help augment product mix.

Strategy 4: Improvement of materials and steady sourcing

Program 4-1: Activities to promote steady quality of orange supplied by farmers

In the past, farms have been producing oranges and pineapples for eating, rather than for processing purposes. In fact, fruits used for juice or other processing need to have a relatively uniform level of quality, which can be maintained by some efforts of individual farms. Generally, buyers require farms to grow orange or pineapple according to specified conditions (type of fertilizer or agricultural chemical, application method, etc.). Furthermore, Mediterranean fruit fly presents a serious problem and needs to be dealt with urgently. For these reasons, a processing company should guide farmers in cooperation with MOFA.

Program 4-2: Establishment of a fruit juice refrigeration/concentration system

To avoid the seasonal rise of the cost for purchase of orange that occurs in the preharvest months, concentrated orange may be produced at local plants during the harvest season in

5.3 The Business Support System for the Citrus Processing Industry in the Central Region

order to use it for production during the preharvest season. This is considered to be an effective way to ensure steady sourcing throughout the year, to lower purchasing cost of orange and to reduce the waste of farmers' excess production.

Program 4-3: Breed improvement for raw materials

In the long run, breed improvement seems to be inevitable, especially the introduction of a variety with a thinner skin and no (few) seed that is useful for the improvement of a production yield. It may be carried out at the stage where the business comes on stream.

The framework of the Business Support System is shown in Figure 5.3-1. See Table 5.3-1 for the outlines of program

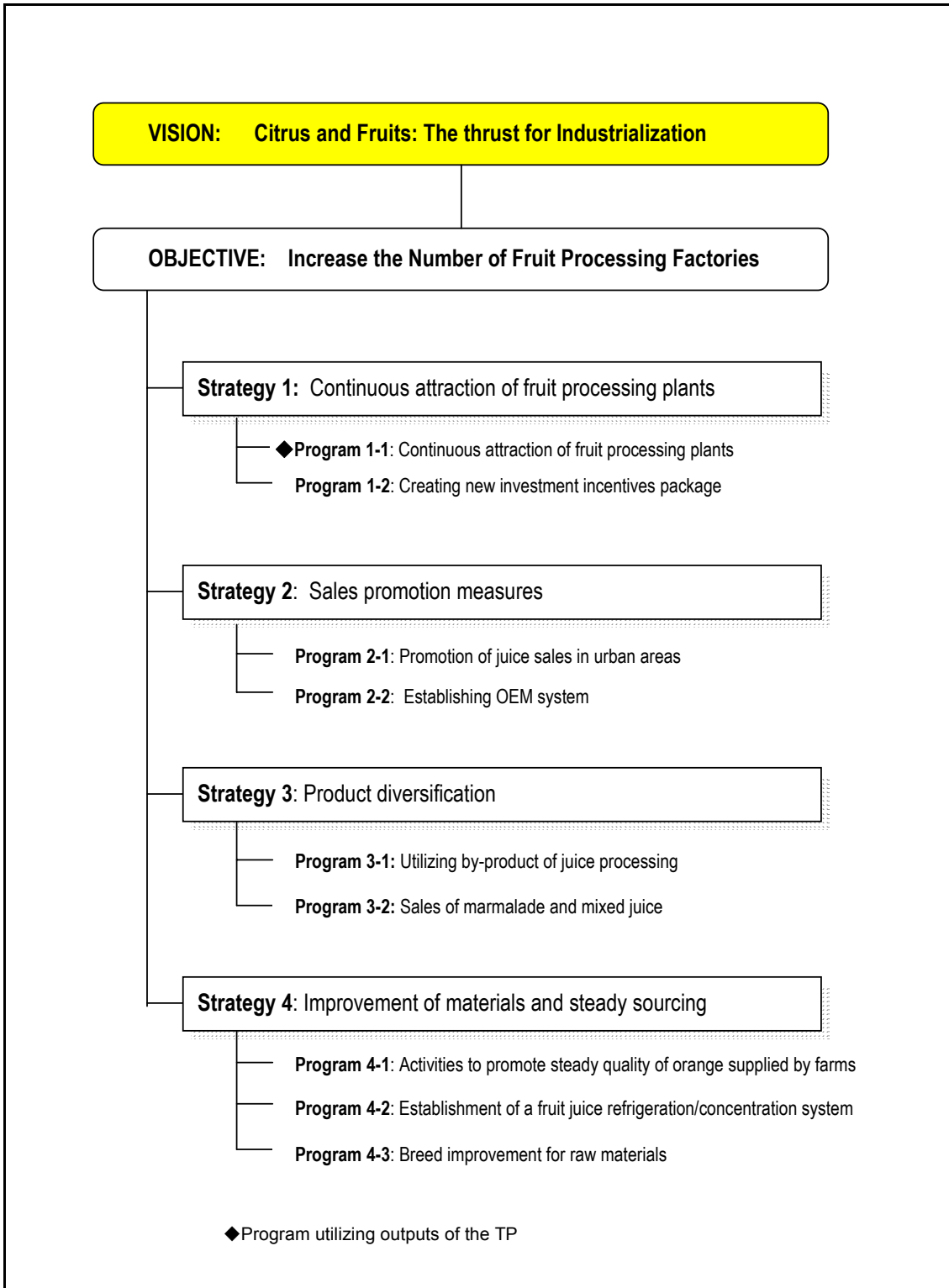


Figure.5.3-1 Framework of the Business Support System for the Citrus Processing Industry in the Central Region

Table 5.3-1 Program Outlines of the Business Support System for the Citrus Processing Industry in the Central Region

Program 1-1: Continuous attraction of fruit processing plants

Strategy 1: Continuous attraction of fruit processing plants
Purpose: To attract investment in citrus processing
Outputs and activities 1. Investment attraction plan and target are set. 2. Contact person is nominated and brochures of investment information are provided to potential investors. 3. Necessary services such as trainings for employees are provided for investors.
Implementation organization: DA, GIPC, BAC

Program 1-2: Creating new investment incentives package

Strategy 1: Continuous attraction of fruit processing plants
Purpose: To attract investment in the district
Outputs and activities 1. The gap btw the present condition and investor's requirement is understood. 2. The package of incentives is prepared. 3. The procedure of investment is streamlined to provide better service to investors.
Implementation organization: DA, GIPC

Program 2-1: Promotion of juice sales in urban areas

Strategy 2: Sales promotion measures
Purpose: To expand sales channel in large cities
Outputs and activities 1. The distribution channel is found. 2. The sales promotion activities are carried out.
Implementation organization: Processor, MOTI/PSD/PSI

Program 2-2: Establishing OEM system

Strategy 2 : Sales promotion measures
Purpose: To increase sales volume
Outputs and activities 1. Possibility of OEM is studied. 2. Matching btw a processor and a buyer is carried out. 3. The agreement upon condition of OEM is made.
Implementation organization: Processor, consultant, BAC

Program 3-1 & 3-2: Utilizing by-product of juice processing and the sales of marmalade and mixed juice

Strategy 3: Product diversification
Purpose: To increase sales amount
Outputs and activities 1 A buyer of orange peel is found. Providing peel to buyers is started. 2. Market research on jam is carried out. 3. Possibility of selling mix juice is considered.
Implementation organization: Processors, consultant,

Program 4-1: Activities to promote steady quality of orange supplied by farms

Strategy 4: Improvement of materials and steady sourcing
Purpose: To secure quality raw materials
Outputs and activities 1. Suitable quality of fruits for processing juice is determined. 2. Measures to keep suitable quality of raw material are established. 3. Measures are disseminated among farmers.
Implementation organization: Processors, farmers organization, MOFA

Program 4-2: Establishment of a fruit juice refrigeration/concentration system

Strategy 4: Improvement of materials and steady sourcing
Purpose: To have stable supply of products
Outputs and activities 1. Available facility to make frozen concentrate juice is found 2. Condition to consignment production of frozen concentrate juice in the peak season is settled. 3. Juice from concentrate is produced at off season.
Implementation organization: Processor

Program 4-3: Breed improvement for raw materials

Strategy 4: Improvement of materials and steady sourcing
Purpose: To have better quality raw material
Outputs and activities 1. Suitable variety of the raw material is selected. 2. Cultivating suitable variety is promoted. 3. Suitable variety is introduced to producers.
Implementation organization: Processor, DA, MOFA

5.3.2 Priority Setting for Strategy and Implementation Schedule

Above all, it is important to attract investment and build plants. Once a plant is built, adequate follow-up and support activities such as management assistance and sales promotion should be carried out to back up its operational success. The plant's business success is expected to induce more investors. Meanwhile, market expansion through sales promotion is required to nurture the fruit and pineapple processing industry.

(1) Programs that should be urgently launched for implementation

- Continuous attraction of fruit processing plants
- Creating new investment incentives package

(2) Programs that require a preparation period and a stepwise improvement approach

- Promotion of juice sales in urban areas
- Activities to promote steady quality of oranges supplied by farms
- Utilizing by-products of juice processing
- Sales of marmalade and mixed juice (after the establishment of a brand)

(3) Programs that will be planned and initiated according to the industry's development stage or on the basis of the result of other programs (2-5 years)

- Establishment of a fruit juice refrigeration/concentration system
- Breed improvement for raw materials

5.3.3 Implementation Organizations

Investment promotion activity will be led by a project team represented by relevant ministries at the regional level and each DA. Then, an actual investment activity should be led by each company, but government support may be required at the initial stage. In particular, support by MOTI/PSD/PSI and NBSSI is possible in securing sales channels, e.g., serving intermediary for establishing linkage with other companies. Also, GEPC can provide support in the export field and MOFA in relation to the improvement of products at farms.

5.4 The Business Support System for the Shea Butter Industry in the Northern Region

5.4.1 Strategic Approach

This strategy intends to target pickers of shea nuts from shea fruits and producers of shea butter, who process the butter from shea nuts. Most producers are women and few of them earn enough income from shea butter production. The scope of their activities are varied, ranging from individuals and groups engaged in picking and primary processing of shea fruits to shea nuts, to those specialized in the processing of shea nuts bought at the market. Also, some producers take care of the entire process from the picking of shea fruits to production of shea butter.

On the other hand, buyers are roughly divided into two types, i.e., those who purchase shea nuts in large quantities to export them to processors in Europe, and those buying and exporting shea butter to foreign cosmetics companies. While the former type holds dominant share in the volume of trade, this strategy promotes the production and sales shea butter from the viewpoint of increasing value added.

At present, three factors are impeding the full-fledged development of the shea butter processing industry. First of all, as shea butter has long been produced primarily for home consumption or for sale in the surrounding local market, it does not meet the requirements demanded by the export market in terms of quality, quantity, and delivery schedule. Secondly, the industry is dominated by individual producers, mainly village women, and it is very difficult to organize them as a business enterprise because most of them lack business skills (such as literacy and negotiation skills). Thirdly, local exporters are not many and operate individually. They cannot be relied on as the provider of proper training for village women or finding foreign buyers with good marketing channels.

In order to increase the sales volume, it is necessary for producers to meet the demand in foreign markets in terms of quality and quantity. In particular, it sets key strategies so that Ghana can be a leading country in supply of shea butter in Africa: namely to improve the overall quality of shea butter; to increase supply of high-quality shea nuts; to improve access to domestic and export markets; and to increase the value added in the entire industry.

“Increase the Sales Amount of Producer Groups” is set as the objective of the Business Support System and “Increase Family Income” as vision since the level of income in Northern

regions is low and the living environment is severe. Four strategies to accomplish the objective are corresponding to the major problems in the problem analysis (see Figure 4.5-4). Programs comprised of strategies are explained as follows;

Strategy 1: Improvement of shea butter quality and increase of production

Program 1-1: Training for improving shea butter supply capability

The TP conducted standardization of shea butter processing operations. As a result, uniform work practices and procedures have been established in the form of a written work standard. To promote standardization, work manuals and a video program showing standard work have been produced. Yet, these results do not meet requirements demanded by buyers. As the producer groups (village women) selected for the TP are limited geographically and quantitatively, the program outcome needs to be communicated and disseminated to other groups, with the view to establishing a mass production system for high quality shea butter. In particular, as primary treatment of shea fruits governs butter quality, it is important to teach knowledge and skills relating to the picking and processing of shea fruits to groups engaged in such operation, preferably prior to the picking season. For this purpose, Agriculture Extension Agent (AEA)¹ assigned to each DA should be used. Furthermore, efforts should be made to develop a product quality assurance system suitable for women groups including the training of necessary human resources.

Program 1-2: Establishment of national codes of practice

Also, standardization is only applied to the TP and needs to be disseminated throughout the country by establishing national codes of practice. In fact, there is no example of such codes of practice relating to shea butter in Sub Saharan countries, and establishing the one for Ghana can serve as an effective means to advertise the country's status as a major producer.

Program 1-3: Establishment of inspection system at UDS

To secure product quality, proper inspection is indispensable. At the same time, an efficient quality control system should be established and maintained by minimizing cost and time required for product inspection. For this purpose, UDS should be used as an official inspection organization by reinforcing its capacity to provide inspection service within the

¹ The main role of AEA is training, guiding and technology transfer to farmers.

country². This way, the transportation cost for product samples and the time required for inspection can be minimized.

Strategy 2: Expansion and stabilization of shea nut supply

Program 2-1: Public education for preservation of shea trees

In 2007, shea nut supply seemed to fall below the normal level. This caused nut price to rise, leading to a decrease in butter production. Meanwhile, there are reportedly many shea trees in remote areas, from which fruits are not picked. If production of shea nut and butter is to increase as government initiative, together with stable supply, various measures need to be taken. First of all, efforts should be made to preserve shea trees, which are extensively cut for various reasons. For this purpose, public education is required through a variety of media, including school education, community meeting, and radio broadcasting to inform people of the need to preserve shea trees as an important resource to produce shea butter. These activities need to be conducted by DA or MOFA. At the same time, education and training is required to teach people a proper method for maintaining shea trees, for it helps increase the number of shea fruits that grow on a shea tree.

Program 2-2: Establishment of collective warehouse to store shea nuts

Annual price fluctuation can be reduced by establishing a collective warehouse to allow storage in the peak season and supply in the off-peak season, although there are various problems to overcome, including the cost for building or renting the warehouse, its operation, and the cost for purchasing shea nuts. The warehouse can be established and maintained in cooperation with buyers, DA (financial assistance), and NGOs (warehouse management), but not by the local community alone.

Program 2-3: Matching service for shea nut pickers and butter producers

Marketing efforts should be made to promote direct sales and purchase of shea nuts on a community basis by encouraging interaction and matching between communities that produce shea nuts and those producing shea butter. This allows various communities to share information from buyers and put high quality nuts on the market. The matching service needs to be led by DA, AEA and BAC. As an alternative approach, it is possible to set up the broad area association to implement matching within set conditions.

² If the inspection organization is not accepted by a foreign buyer, an internationally accredited organization will be used. However, this case also involves demand for research or for verification purpose.

Strategy 3: Improvement of market access and sales

Program 3-1: Creation of Website for potential buyers

To raise the country's status as a major producer of shea butter, product and other related information should be disseminated domestically and internationally. First of all, GEPC can publish product and market information, including exporters and quality on its Website³. This publication activity should aim at improving access to foreign buyers. Furthermore, foreign market information should be collected and disseminated, including producer information, to potential exporters in an attempt to increase the number of exporters. Potential exporters include those who are already exporting edible oil and cosmetics.

Program 3-2: Promotion of shea butter sales to tourists

Sales promotion to tourists should be done in order to increase end users of shea butter. Small-scale events and campaigns, such as distribution of product samples to tourists at airports, can be held by GEPC to promote shea butter sales. Also, provision of shea butter or soap as souvenir at hotels is considered to be an effective sales promotion activity. In addition, questionnaire survey on awareness of shea butter or providing handouts to explain shea butter utility should be carried out as a part of sales promotion activity.

Strategy 4: Improvement of value added

Program 4-1: Establishment of traceability

To increase value added for shea products, development of a new product other than soap by using shea butter is a viable option. But commercialization may be difficult due to different consumer tastes according to markets. Rather, there seems to be a good opportunity for differentiation of shea butter itself. For instance, the establishment of a production system that ensures traceability from the source of origin (shea tree) to packing can provide quality assurance for foreign buyers.

Program 4-2: Support for certification of organic product

As a part of differentiation, it is worse to consider selling organic shea butter. An official certification assisting system may be established to certify shea butter as organic product

³ The product galleries proposed by MOTI/PSD/PSI can be utilized as alternative.

5.4 The Development plan for the Shea Butter Industry in the Northern Region

under government support (MOFA or GEPC). In particular, the government can guide producers to get certificate and to introduce certify bodies or best practice of local cases. In either case, however, a key success factor is whether buyers can transfer these costs into a final product price. It is important to negotiate the price of organic product prior to the implementation.

The framework of the Business Support System was shown in Figure 5.4-1 and outlines of programs are in Table 5.4-1.

5.4 The Development plan for the Shea Butter Industry in the Northern Region

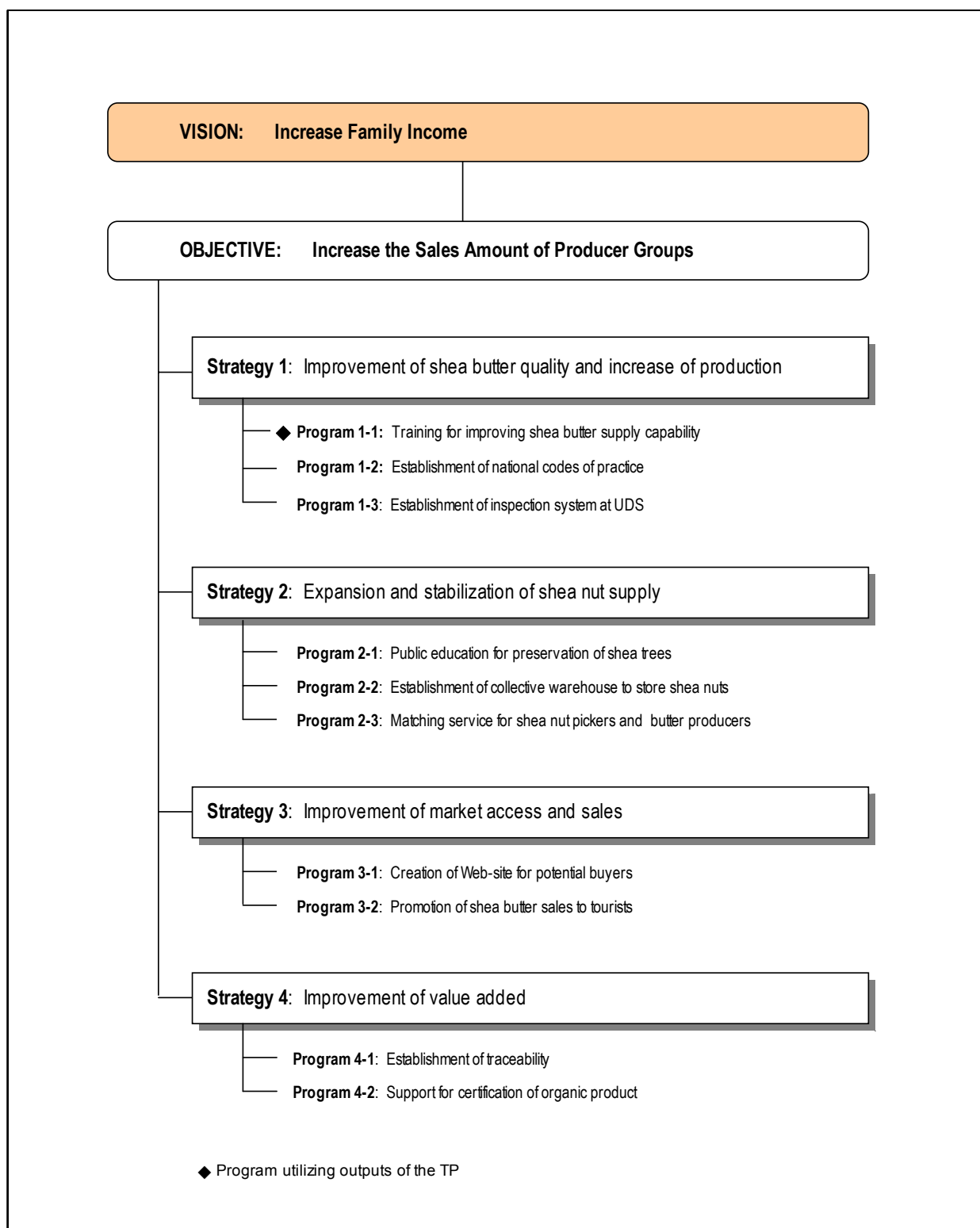


Figure 5.4-1 Framework of the Business Support System for the Shea Butter Industry in the Northern Region

Table 5.4-1 Program Outlines of the Business Support System for the Shea Butter Industry in the Northern Region

Program 1-1: Training for improving shea butter supply capability

Strategy 1: Improvement of shea butter quality and increase of production
Purpose: To secure sufficient amount of quality shea butter
Outputs and activities 1. Resource persons to teach production group are trained. 2. (Draft) code of practice is disseminated into shea butter production groups. 3. Quality of shea butter produced is managed and monitored by third person.
Implementation organization: UDS, NGO(AF2K), MOFA

Program 1-2: Establishment of national codes of practice

Strategy 1: Improvement of shea butter quality and increase of production
Purpose: To disseminate code of practice
Outputs and activities 1. Code of practice is reviewed. 2. Code of practice is formalized and published.
Implementation organization: GSB

Program 1-3: Establishment of inspection system at UDS

Strategy 1: Improvement of shea butter quality and increase of production
Purpose: To have better access to the testing facility
Outputs and activities 3. Persons for testing are trained and necessary testing devices are equipped in UDS. 4. Testing services are carried out.
Implementation organization: UDS, Donor agency

Program 2-1: Public education for preservation of shea trees

Strategy 2: Expansion and stabilization of shea nut supply
Purpose: To secure production of shea nuts
Outputs and activities 1. All shea producing DAs are convinced to protect shea trees. 2. Awareness campaign to protect shea trees in villages is carried out. 3. The result of campaign is verified.
Implementation organization: MOTI/PSD/PSI, MOFA, DA

Program 2-2: Establishment of collective warehouse to store shea nuts

Strategy 2: Expansion and stabilization of shea nut supply
Purpose: To have stable supply of shea nuts
Outputs and activities 1. The necessity of warehouse is recognized by shea butter processors and nuts pickers. 2. Specification of warehouse based on demand of shea nuts is determined. 3. Fund for building warehouse is raised.
Implementation organization: Shea butter processor and pickers, NGO, donor agency

Program 2-3: Matching service for shea nut pickers and butter producers

Strategy 2: Expansion and stabilization of shea nut supply
Purpose: To secure quality raw materials
Outputs and activities 1. Availability of shea nuts is studied. 2. Condition of direct sales from pickers to processor groups is determined. 3. Direct business of shea nuts is promoted.
Implementation organization: UDS, DA, MOFA

Program 3-1: Creation of Web-site for potential buyers

Strategy 3: Improvement of market access and sales
Purpose: To increase the access from buyers
Outputs and activities 1. Information of shea butter is collected. 2. Information of shea butter buyers is surveyed. 3. Web-site is designed to promote export of shea butter.
Implementation organization: NGO, GEPC, Shea butter exporter

Program 3-2: Promotion of shea butter sales to tourists

Strategy 3: Improvement of market access and sales
Purpose: To promote shea butter to end users.
Outputs and activities 1. Sales promotion activities for tourists are set. 2. Shea butter products are introduced to hotels airports and shops. 3. Sales of shea butter for tourists are monitored.
Implementation organization: GEPC, Exporters, Shea butter producers

5.4 The Development plan for the Shea Butter Industry in the Northern Region

Program 4-1: Establishment of traceability

Strategy 4: Improvement of value added
Purpose: To gain confidence from buyers
Outputs and activities 1. The system to trace from shea tree to shea butter is set. 2. The traceability system of shea butter production is publicized to attract foreign buyers.
Implementation organization: GEPC, MOFA , Shea butter producers

Program 4-2: Support for certification of organic product

Strategy 4: Improvement of value added
Purpose: To have value added products
Outputs and activities 1. Information such as procedure of certification, certification body for organic products and successful cases are collected 2. Guidance of getting organic product certification is provided.
Implementation organization: GEPC, MOFA

5.4.2 Priority Setting for Strategy and Implementation Schedule

In spite of stable demand for shea butter, the industry has lost sales opportunity because it is unable to satisfy the market requirements in terms of quality and quantity. The action plan is therefore designed to provide training for improving shea butter supply capability in both quality and quantity. Another urgent task is to secure the supply of raw materials. After the quality and quantity of shea butter reach a sufficient level, activity priority may shift to sales promotion.

(1) Programs to be prepared urgently for implementation

- Training for improving shea butter supply capability in quality and quantity
- Establishment of a national code of practice relating to shea butter production
- Public education on the need for preservation of shea trees
- Matching service for shea nut producers and shea butter producers

(2) Programs that require a preparation period and a phased improvement approach

- Creation of a Web site for potential buyers
- Establishment of an official inspection system at UDS

- (3) Programs to be planned and launched in consideration of the industry's development process or the results of other programs (2 – 5 years)
- Promotion of shea butter sales to tourists
 - Establishment and management of a collective warehouse to store shea nuts
 - Technical support for the establishment of product traceability and certification as organic product

5.4.3 Implementation Organizations

Of all the above programs proposed above, some will be partially implemented as UNDP project. In this connection, the Ghanaian government is expected to provide comprehensive support on a continuous basis as the UNDP project is limited to selected areas and recipients. By providing active support for the UNDP project, the government can expect the transfer of knowledge and expertise to local producers. While DA should play a primary role in formal recognition and fostering of the shea butter industry as a key local industrial sector, the central government – particularly MOTI/PSD/PSI and MOFA – should also take effective leadership in program implementation by recognizing and treating shea butter as a strategic product. In this connection, it is important to utilize available resources in an effective manner, such as the manuals and the video program produced under the TP⁴. Also, GEPC and GSB can conduct promotion and technical support for the efforts to raise the world recognition of Ghana as producer of high quality shea butter. Similarly, UDS is expected to play a key role in training and inspection for the shea butter industry by using its knowledge of quality and production process, which was acquired from the implementation of the TP, together with experience in conducting related training. Finally, national efforts to promote research and experts relating to shea trees and products can lead to the long-term improvement of competitiveness.

⁴ They will be used by UNDP projects.

*6. Master Plan and Action Plan for the
Nationwide Business Support System*

6. Master Plan and Action Plan for the Nationwide Business Support System

As discussed in Chapter 3, the Ghanaian government is currently implementing a variety of industrial support programs, including Trade Sector Support Program (TSSP) that covers industrial export promotion and industrial development, and the Presidential Special Initiative (PSI) that aims at promoting specific industries. In addition, the government plans to formulate a new industrial policy and to select strategic sectors. Local industry development is closely associated with these policies and is thus positioned as an industrial development policy that can produce high synergetic effects. Taking into account these factors, this chapter proposes a master plan for the Nationwide Business Support System.

6.1 Master Plan for the Nationwide Business Support System

6.1.1 Implementation Methods for the Business Support System

Generally, there are two implementation methods for local industry development. One method is to promote the commercial use of primary products available in a local market or to promote a local industry that has emerged and exists in an area. Another method is to attract investment from the outside through advertising local advantages such as available resources. Investment includes foreign direct investment. Local industry development programs adopt either of these approaches or a combination of the two.

Local industry development policies can also be divided into two approaches. Again, policy makers adopt them separately or in combination. One is based on market mechanisms, i.e., to let an industry grow spontaneously in a specific local environment. The other is close to the one adopted under a planned economy, where the government tries to support a local industry that produces a designated product in a designated area through the supply of systematic and strategic input of public resources (budget, human resource and equipment). In many cases, the two approaches are adopted in a mixed manner and the extent of government intervention varies from country to country.

It is therefore important to decide which method and approach should be adopted to promote local industries in Ghana. This chapter proposes a master plan for the Business Support System based on the basic surveys described in Chapters 2 and 3, lessons learned from the trial programs implemented for the target industries, as summarized in Chapter 4 and the

Business Support Systems for target industries in Chapter 5. Prior to formulating the master plan, the report highlights problems faced by local industries. The master plan has therefore been formulated with a problem solving approach in mind.

Selection of four industry types above seems to have been effective in reading and interpreting the overall picture of the Ghanaian industry: the garment industry represents a modern manufacturing subsector that serves the world market; the citrus fruit processing industry represents an underdeveloped subsector (virtually the agricultural sector) that is expected to grow in the future; the shea butter industry is led by female production groups in local communities and is positioned between the above two industries; and the palm oil industry that is a mixture of production associations that are similar to those in the shea butter industry and capital-intensive manufacturers operating large processing plants. They are all different in their characteristics.

6.1.2 Issues Relating to Local Industries in Ghana

In this section, we summarize lessons learned from the basic survey conducted under the present study and the four trial programs, as well as issues relating to local industry development in the country, as identified from interview surveys of related organizations. The following six items represent general requirements for development of not only local industries but the country's industry as a whole and serve as a framework for identifying problems.

(1) Management capability

In most countries including Japan, SMEs account for 99%¹ of all companies in the number of establishments. At the same time, however, the percentage of microenterprises is closely associated with the level of industrial development, i.e., the higher percentage of such enterprises, the lower the level of industrial development. In Ghana, while microenterprises and small enterprises account for 98% of the total establishments, many of them are a little more than individual business operators. Interview surveys of the companies in the trial programs and BAC's major client companies (such as garment, furniture, food processing, metalworking) indicate that many microenterprises do not set a specific goal or strategy, do not separate personal and business accounts, or fully comprehend their operating status because they do not maintain proper bookkeeping records.

¹ Japan 99.2%(2004), U.S. 99.7%(1994), U.K. 99.1%(2001), Germany 99.6%(1996), France 99.8%(2003)

In general, a company that has more than 10 employees normally appoints managers responsible for finance, production and other key functions, rather than the owner's taking charge of everything. It is often the case that the owner's family members or relatives become managers. It is particularly true in the garment industry. The palm oil industry, on the other hand, varies in management style among companies, ranging from a joint production facility for palm fruit farmers to a large manufacturer which has a large production plant, a warehouse and trucks.

Every producer group seen in the shea butter industry chooses a leader and secretary, and the leader makes financial decisions after consulting with other group members. Most of them are not registered and they are like quasi business enterprises. Similarly, citrus fruit processing in the Central region is mainly carried out by groups of farmers, with a few companies functioning as manufacturers. For the shea butter and citrus fruit processing industries, efforts should be made to enhance management capacity of the associations and groups.

(2) Production technology

Local industries, especially microenterprises and small enterprises need to upgrade their production technologies in terms of both hardware and software. Several examples are shown from the experiences in the trial programs. Note that production by associations is so labor intensive that it can be expressed as production by "much manpower and several tools." Thus their operations, except for some palm oil processing groups, are not considered to be a processing industry.

Many companies are concerned about the obsolescence of their production equipment. In addition, its operating rate is low. In many cases, an equipment is poorly maintained or left deteriorate. At garment factories, palm oil processing plants, and fruit juice plants, unused machines were observed. Furthermore, production capacity of many facilities or lines does not match their capacity to purchase raw materials. Imbalance of production capacity within a production line is also occasionally observed (in the palm oil industry and others). Finally, some face difficulty in obtaining information on production equipment. For instance, when collecting information on fruit juice production equipments, it took significant efforts and time for them to find manufacturers and dealers.

Another major problem is the poor level of production management techniques. In the garment industry, low productivity makes total production cost high in spite of low labor costs.

In the palm oil industry, for example, poor yields from raw materials push up production cost relative to sales price. As for product quality, an old equipment is a major draw back in the garment industry. Quality problems of the palm oil and shea butter industries, on the other hand, come from the handling and storage of raw materials, which seem to be a common feature in all agro business fields.

(3) Market development

Processors of agricultural products, which occupy major portions of local industries, do not envision sales to a wider market including exports. Palm oil and shea butter are mainly sold to customers in the local communities. Selling the same product at the same price and with the same package, producers make little effort for product differentiation. While palm oil and shea butter have an export potential, they do not have information on quality, sales volume, or delivery schedule required by the foreign customers. In the garment industry that is characterized by make-to-order production, makers do not manage or analyze customer information. As sales are on the basis of personal relationship between sellers (mostly business owners) and customers, there is an apparent lack of capability to deploy organized sales.

No TP aimed primarily for market development. However, the team confirmed that the upgrading of production technology directly links to market development. For the garment industry, there seem to be a lot of opportunities for market development by means of product differentiation in design, price or quality. For the palm oil and shea butter industries, it was verified during the TPs that quality (including flavor and color in addition to chemical property) was a differentiating factor. For instance, palm oil of improved and uniform quality attracted attention of buyers, leading to actual purchase.

(4) Financial support

Financial assistance for local industries is provided by the Ghanaian government and donor organizations, although not sufficiently, in the form of loans, venture capital and equipment leasing. A major problem lies in the lack of knowledge on the side of the borrower. Many potential borrowers seem to give up applying for a loan because they do not know how to prepare and submit necessary documents. It is important to provide financial access for potential borrowers who can repay the loan and really require working capital or investment fund.

In reality, however, the present system does not work well in some cases. For instance, a company obtained a loan from a bank by hiring a consultant to make a business plan and financial statements, but it later defaulted because the business plan was not realistic or viable. A major problem pointed out by the lender is that many borrowers lack the sense of contractual obligation to repay. Also, a default often occurs due to a repayment plan based on inaccurate estimations. The increase in bad debt raises loan costs and the interest rate.

On the other hand, Rural and Community Bank (RCB) in each region is stepping up efforts to increase loans for local companies. Although RCBs have used less than half of their deposits for loans, their intention to increase the amount of loans will help invigorate local economy and industries. In addition, the MSME project is expected to establish a new SME loan scheme.

(5) Human resource development

While there are resource persons who can teach basic management skills (e.g., bookkeeping and sales promotion), it is difficult to find experts on equipment optimization, technical problem solving, and production management techniques. Even if available, these types of service are not accessible to microenterprises and small enterprises because of the geographical remoteness or expensive fees. In particular, there is a shortage of resource persons in Northern Region, excepting BAC's staff and MOFA's agricultural extension agents.

In Ghana, there are public organizations that conduct technical education and training to update skilled workers. During the TPs, the shortage of skilled workers was not an issue. However, the team observed that there were only a small number of engineers capable of production management and mechanics with proper knowledge (in the case of garment and palm oil industries). In the palm oil and shea butter industries, people employ traditional techniques inherited over generations, which may not be suitable for modern production. However, the lack of resource persons to teach appropriate production techniques prevents SMEs from making progress.

The four TPs were implemented in cooperation with consultants, coordinators and universities having expert knowledge in relevant fields. Qualification requirements set by the team were satisfied. These experiences are expected to provide useful examples of human resource development for other industries.

(6) Strengthening of the business environment

The physical infrastructures as well as the business support services in the rural regions are not well developed. For instance, shea butter is mainly produced in Northern Region, but there is no inspection facility in close proximity and it has to be inspected by sending samples to Accra. Poor logistics service is another major disadvantage for local companies as it takes more time and costs more to ship products to urban areas.

Industries covered by the TPs have weakness in business networking. Suppliers of raw materials (palm fruits, citrus fruits, and shea nuts) are not organized or are not very active even if organized in some instances. In the garment industry, several associations have been formed and joint activities conducted (workshops and trade shows) at their own offices. However, these activities have not reached the level where synergetic effects could be produced. The team presumes that situations are more or less the same for other industries.

For shea butter, there are producer groups organized on community basis. Larger networks are limited to those organized by NGOs or buyers. NGOs provide training for organization of associations, although it is limited in geographical coverage or scale.

6.1.3 Development Goals, Strategies and Programs for the Business Support System

Generally, a development master plan consists of development visions, goals, strategies, and projects / programs, in order of abstraction. Among them, only projects / programs can be put into practice. In other words, the first three elements – development visions, goals, and strategies – represent what the master plan aims, but not necessarily an implementation plan. In this study, elements down to programs are called the master plan, while a program implementation plan is referred to as an action plan.

Based on the discussions made in the previous sections, the team has established the following development framework.

Vision: Local people become well-off

Development goal: Local industries acquire the ability to develop on their own.

Strategy 1: Development of individual projects by leveraging local characteristics

- Strategy 2: Effective utilization of resources and capabilities of training institutes, universities, research institutes, and existing schemes
- Strategy 3: The government business support for local industry development
- Strategy 4: Capacity building of support organizations that are directly engaged in development of local industries
- Strategy 5: Development of the investment attraction system in local areas

Note that the vision is stated as “local people become well-off” in consideration of the policy goal of poverty reduction. In other words, the master plan aims not only to increase income but also to ensure that local people work with pride and become well-off

Strategy 1 is to implement District Industry Promotion Initiative (DIPI)² to meet local needs. This aims to solve some problems relating to the development of local industries. Also, implementing the DIPI is expected to pave the way for solving other problems. For instance, a TP has attracted the attention of buyers, resulting in an increasing number of inquiries (palm oil). This has also served as a starting point for the organization of producers’ association (shea butter).

To implement the DIPI at local levels, DA and organizations under MOTI/PSD/PSI alone are not sufficient. This became clear when the implementation system for the TPs was built up. In other words, mobilizing support from other various organizations as the need arises would help enhance the effectiveness of programs. Also, continuing ongoing projects can assure the effectiveness more surely than starting one from scratch. For this reason, Strategy 2 is proposed.

To meet diverse needs of local industries, a government’s support system with a clear focus on local industries needs to be established. In this context, support for local industry development should not be limited to individual companies, but the government should approach from the perspectives of promoting industries, industrial agglomerations, and clusters. Furthermore, the support system should be strengthened to increase effectiveness. Strategies 3 and 4 are proposed from this viewpoint.

² Here, projects intended for local industries are provisionally referred to as “district industry promotion initiative (DIPI).”

The last important factor is investment. Inflow of human resources, technology, and funds from outside vitalizes local industries and helps them to grow. Investment can address many issues that are discussed in 5.1.2. Strategy 5 is proposed for this reason.

The following sections explain the purposes of each strategy together with names of the programs for accomplishing them.

6.1.3.1 Strategy 1: Development of individual projects by leveraging local characteristics

Development of local industries never becomes reality when the government or a donor organization develops and proposes only a vision or a policy objective. The development process starts only when a support organization implements a specific support service or a concrete project/program. In this connection, formulating a project/program is of primary importance.

Under the TPs, problems in the four industries in the four regions were identified and programs were conducted to address some of them. Objectives of these programs (management skill improvement, yield improvement, investment promotion, and standardization) can be commonly shared with other industries and can be used as references when a future DIPI is developed. Detailed discussion focusing on specific objectives is made below.

(1) Attraction of factories to process underutilized/unused resources

The project plan for starting up a citrus fruit processing business in the Central region was designed to use oranges that had been discarded in large quantities at the peak of harvesting. The plan is not about processing only. It also offers additional advantages such as extending product life and making them easy to transport so that their marketability can be improved. In addition to oranges, there are various agricultural products in Ghana, which are produced in certain quantities but are largely unused, such as papayas, mangos, tomatoes, and peanuts. By proposing a processing plant of minimum economic size, rather than a large plant, the project becomes affordable to local investors. In this connection, business support including studies on raw materials, market research, advice on machinery selection, factory design, and the development of a business plan will be required.

(2) Quality improvement to meet customers' needs through the modification of the present production method

When local industries try to sell their products outside the local market, the quality standard demanded outside may become a strong barrier to entry. As for shea butter produced in Northern Region, it became apparent that producers could meet the quality standard demanded by customers through modifying the ongoing production method. As for palm oil in Ashanti, the TP originally aimed to increase production through yield improvement. In the process of doing so, we were able to implement effective measures to improve its quality, as well. Sample companies reported that the quality improvement boosted sales volume in the local market. For the quality improvement of this type, it is necessary to carry out business support services including the coordination with participating companies, product inspection, observation of the production process, inspection and observation results. Processors of agricultural products that are dominated by micro and small companies need such quality improvement.

(3) Cost reduction through productivity improvement

The TP for the garment industry in Greater Accra aimed to increase production per worker, whereas the palm oil project in Ashanti was designed to produce more oil from the same amount of raw material. In this vein, the former provided productivity improvement education for managers and owners who supervised operators. The latter emphasized on the improvement in the storing and handling of raw materials as well as processing, and our support focused on the development of kaizen manuals and field guidance on the shop floor. Generally, the production management focusing on labor as in the former case can be applied to woodworking and furniture production that are widely done in Ghana. On the other hand, the approach in the latter case is effective in the processing of agricultural products, especially in the production of oil.

There are other methods to increase the value added, which are not adopted by the TPs.

- Production increase through expansion of sales area (development of a new market)
- Production of higher value added products by means of product development

It is difficult for the central government to design these types of programs which meet the specific needs of local industries. At the same time, DA alone cannot provide adequate support in terms of finance and expertise. Therefore, the team decided to propose the

following two programs to allow DA to formulate promotional programs for individual industries under the support of MOTI/PSD/PSI.

Program 1.1 Formulation and implementation of development plans at the district level

Program 1.2 Formation of support measures for local industries in districts

The details of the programs are described later as action plans.

6.1.3.2 Strategy 2: Effective utilization of resources and capabilities of training institutes, universities, research institutes, and existing schemes

Success of a single company can make only a limited contribution to local industries as a whole. Development of local industries needs the joint efforts of local companies, the central and local governments, universities, research institutes, training institutes, and private consultants. A local development program must therefore be driven by local resources.

The present TPs were implemented under the leadership of consultants and three universities (KNUST, UCC, and UDS) and the team served as a facilitator responsible for the overall management and monitoring. Under this arrangement, the TPs were able to use human resources and networks of the participating universities and consultants.

After the completion of the TPs, the local consultants and universities continue to cooperate in the dissemination of achievements and results. In some cases they even take a leadership roles in expanding support activities for the development of the selected industries. Palm oil is a good example of this. They tried to bridge local industries and local refineries or foreign buyers who make business inquiries. It is desirable to continue such activities without interruption.

Under this strategy, the following two programs are proposed. One is to promote sustainable development of the garment, palm oil processing, and shea butter industries under the partnership between the private sector, universities and training institutes. Another program aims to disseminate 5S. Its effectiveness was verified under the TPs, and local organizations are ready to support it.

Program 2.1 Self-supported enhancement/expansion of Trial Programs

Program 2.2 Dissemination of 5S to improve industry-wide productivity

The details of the programs are described later as action plans.

6.1.3.3 Strategy 3: The government business support for local industry development

While development of local industries should be led by voluntary efforts of the private sector, the government support is necessary in many developing countries where the private sector lacks strong momentum. Public support needs to cover a whole range of activities, from promotion of entrepreneurship, incubation of new industries, to technical assistance in a factory operation, market development, and financial support. In Ghana, NBSSI under MOTI/PSD/PSI is responsible for management consultation, incubation, and financial access support, GRATIS technical support, GSB standardization, and GEPC export promotion. In reality, however, these organizations are not capable of providing sufficient support due to budget constraints, shortage of human resources, and the lack of skills and knowledge. It is therefore important to devise ways to strengthen the existing resources and capacities so that they can effectively support the development of local industries.

The following table lists basic business supports that can contribute to the development of local industries. At the district level, BAC and DA provide some of these services. Note that all services are not provided by public organizations and some are delivered by resource persons in the private sector (BDS providers) via BAC. On the other hand, most services on the right-hand column are delivered or planned under TSSP and MSME projects. A major issue here is how to ensure effective use of these business supports.

Note that these services are related to 6.1.2, and they can solve many problems if implemented properly in the industries selected for promotion. To maximize the effectiveness of available services, however, they need to be adapted to specificities of targeted industries by establishing a proper implementation system and method.

Table 6.1-1 Major Business Supports

	District level Support	MOTI/PSD/PSI level support
1) Strengthening of management capability	<ul style="list-style-type: none"> - Advisory service - Basic management training - Support activities by resource persons 	<ul style="list-style-type: none"> - Collection of good practice - Development of training tools
2) Upgrading of production technology	<ul style="list-style-type: none"> - Technical assistance and training - Equipment upgrading and repair support 	<ul style="list-style-type: none"> - Database Development for technology and Equipment information - Standardization of products and jobs - Retooling for the production system
3) Market development	<ul style="list-style-type: none"> - Marketing training - Vitalization of local markets - Priority purchase by public organizations - Introduction of local products 	<ul style="list-style-type: none"> - Introduction of other districts or distributors - Product gallery - Made in Ghana campaign - Package development and design - Promotion of subcontracting
4) Finance	<ul style="list-style-type: none"> - Microcredit - Provision of financial information - Support for business plan development 	<ul style="list-style-type: none"> - Enhancement of financial service - Training for financial institutions
5) Human resource development	<ul style="list-style-type: none"> - Training for resource persons 	<ul style="list-style-type: none"> - Education and training for SME support staff of local government - Education and training for staff members of technical support organizations
6) Development of the favorable business environment	<ul style="list-style-type: none"> - Investment incentive - Construction of access roads - Support for organization of trade association - Support for joint purchase 	<ul style="list-style-type: none"> - Construction of industrial estates - Investment incentive - Testing and inspection service

Note: Most support services are already implemented, or at least planned.

Source: the team

A program is proposed to help local companies to expand sales by cultivating a target market. This corresponds to 3) “Market development.” Also, a program is proposed to redefine BAC’s role in the local industry development process. It addresses the needs for 1) “Strengthening of management capability,” 4) Financial support, and 6) “Development of the favorable business environment.” Finally, a program proposes a realistic approach to financial issues local industries raise as the most important and urgent.

Program 3.1 Support for sales promotion to sell local products in a wider market

Program 3.2 Strengthening of BAC to support local industries

Program 3.3 Provision of service to facilitate commercial loans

The details of the programs are described later as action plans.

6.1.3.4 Strategy 4: Capacity building of support organizations that are directly engaged in development of local industries

Support for local industries involves a variety of organizations. In practice, however, many support organizations are concentrated in Accra, and BAC is considered to be the major support organization that can be directly engaged in the development of local industries. The addition to this, GRATIS has nine regional centers and 18 rural technology facilities to provide technical support for SMEs.

To ensure that BAC fulfills its role, particularly in the implementation of Programs 3.2 and 3.3, it is imperative to strengthen BAC's capability. As reorganizing NBSSI/BAC is being planned (as of November 2007), a proposal is made to strengthen its capability in relation to the development of local industries.

It is equally important for GRATIS to provide effective technical services for local industries in order to supplement BAC's service that has serious deficiencies in technical fields. To enhance technical support, a program to add an advisory function to GRATIS's technical service has been proposed. This particular program is intended to address problems relating to old equipments and maintenance.

Program 4.1 Strengthening of BAC staff's capacity

Program 4.2 Strengthening of GRATIS advisory service

The details of the programs are described later as action plans.

6.1.3.5 Strategy 5: Development of the investment attraction system in local areas

In Ghana, many seeds for local industries exist in the processing of agricultural products. To develop such processing industry, investment in facilities and equipment is required. Naturally, private investment should play a central role, while the role of public funds is inevitably marginal. There are three key conditions for successful attraction of private investment, namely a reliable planning capability (based on feasibility study), public support in terms of tax incentives and financial assistance, and basic infrastructure such as water supply, electricity, and transportation. In addition, investment promoters such as DA and GIPC should conduct activities to attract investors.

MOTI/PSD/PSI and GIPC recognize problems relating to incentives and infrastructure well enough. They plan to build industrial estates in various regions in order to address infrastructure problems, but they have limited experience in planning and marketing of industrial estates and thus wish to learn from experiences and obtain supports from Japan and other Asian countries. Particularly requested is technical assistance of how to promote industrial estates in rural regions and how to plan common facilities. As DA does not have much capability in the area of investment promotion, it requires support from GIPC. In response, GIPC intends to hire additional staff and assign them to the regions concerned. The partnership between GIPC and DA is expected to enable more realistic investment promotion activities.

Under this strategy, two programs are proposed. One is to build up a district level investment promotion system so as to divert investment currently concentrated in Accra or Tema to other regions. Another program is to promote a module system as a processing facility of minimum economic size.

Program 5.1 Improvement of the investment climates at the district level

Program 5.2 Promotion of investment by promoting a module plant

The details of the programs are described later as action plans. The overall framework of the master plan is shown in Figure 6.1-1. When each of the programs achieves its objective to accomplish the respective strategies and all the strategies are accomplished, the development goal should be achieved.

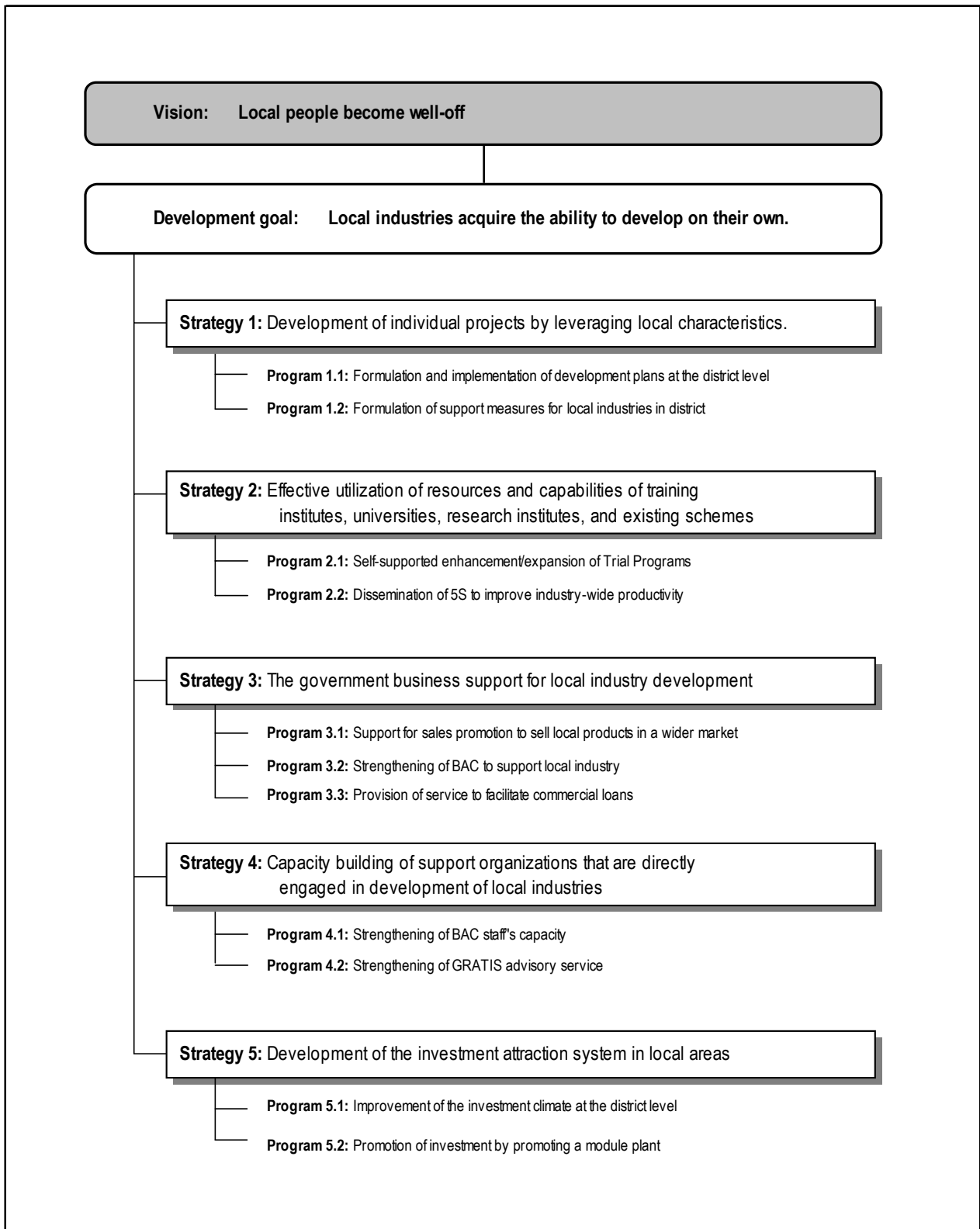


Figure 6.1-1 Overall Framework of the Master Plan for the Nationwide Business Support System

6.2 Action Plan for the Business Support System

6.2.1 Detailed Descriptions of the Programs

This section describes an implementation plan for each program proposed under the master plan for the nationwide Business Support System. For the eleven programs in total, priorities for implementation and the implementation timetable are presented below.

Strategy 1: Development of individual projects by leveraging local characteristics

Program 1.1 Formulation and implementation of development plans at the district level

(1) General description

A local industry development plan that tries to address all issues generates limited measures of efficacy. To create effective measures, a selective approach should be taken to concentrate resources on a certain area or industry. Based on the resource map, a planning board led by representatives of a municipal / district assembly (hereinafter DA) and other related organizations should select one or more industries or products to be promoted at each district to formulate a development plan.

Local resources include agricultural products, fishery products, wood resources, tourism resources, and the technological base in industrial clusters. Examples are the garment industry in Accra and the machinery/metal and woodworking industries in Kumasi. The initiative (commitment) of local companies is a key resource for local industry development.

Instead of nurturing an industry from scratch, they should take advantage of available resources that are unused or underused and/or those can be used in an advanced manner (e.g. existing technological base). Through workshops held jointly by DA and BAC where representatives of local industries participated, each district will make a map that plots the locations of resources that form the basis of local industry development. Then, they will select industries to be promoted from the resource map.

Selection criteria are as follows.

- Availability of raw materials and intermediate materials
- High value added
- Large employment opportunities

- Large potential market
- Existence of joint projects within a specific industry, which have formed social capital based on collaboration and trust
- Room for innovation, kaizen, and improvement
- Prospect for a commitment by beneficiaries in the planning and implementation stages

After selecting industries, each district will organize a working team consisting of representatives from BAC, DA and respective industries¹ to identify three to five problems that have impeded growth of each industry² or conditions required to leverage potential. The work team will ask BDS providers and universities for cooperation. It will then develop its own support measures by using and combining support services available from DA, BAC's existing support schemes, and other ongoing programs (such as MSME and REPII).

(2) Program outline

1) Overall goal

- A local industry development plan (DIPI) is implemented in every district.

2) Program goal

- To build up a local-based planning and program implementation system.

3) Expected results of activities up to the achievement of the program goal

- I. Model districts are selected and preparation is made for plan formulation.
- II. DIPI is formulated and activities are implemented accordingly.
- III. A planning methodology for DIPI is established and disseminated nationwide.

4) Activities up to actual results

- I-1 MOTI/PSD/PSI and NBSSI decide on the methods for industry selection and DIPI formulation.
- I-2 MOTI/PSD/PSI and NBSSI present the program to each district.

¹ If selected industries vary greatly among areas, the working team may be divided up to deal with the situation.

² Problems should be limited to a few that serve as key factor.

I-3 MOTI/PSD/PSI invites application for model districts, and MOTI/PSD/PSI, NBSSI, RCC, AGI and related ministries organize a selection board to select one model district per region.

II-1 For the industries in the selected model districts, NBSSI and DA conduct a background study jointly to collect data such as the number of establishments, geographic distribution, and market.

II-2 DA holds a forum for stakeholders to present the study results and share recognition on the current situation.

II-3 A planning board is organized by selected stakeholders, and NBSSI (BAC) provides support for DIPI formulation.

II-4 DA and the board announce the DIPI and confirm the level of commitment by the stakeholders.

II-5 Each stakeholder and party starts activities and the DIPI implementation board monitors and reports their progress according to predetermined criteria on a periodical basis. Upon completion of the activities, the board evaluates final results according to predetermined criteria.

III-1 MOTI/PSD/PSI and NBSSI receive the report and analyze to see if there is any problem relating to planning and implementation procedures.

III-2 Based on the results of the analysis, MOTI/PSD/PSI develops a guideline for DIPI planning.

III-3 NBSSI develops a training manual required before implementing the DIPI.

III-4 MOTI/PSD/PSI and NBSSI disseminate planning and implementation procedures to each DA by using the guideline and the manual. A field tour for DA personnel to a model district is organized.

(Note) Furthermore, the team proposes to secure some portions of the program budget up to the plan formulation phase from the District Industrialization Program budget, especially budget items relating to DA's human resource development. Also, in the process up to plan formulation and implementation for the model district, experts having sufficient knowledge and experience should be retained. If they are not easily available in the country, outside support should be requested.

Program 1.2 Formation of support measures for local industries in district

(1) General description

The primary objective of this program is to develop means to support target industries that contribute to local industry development. Reasons for developing means by the central government are as follows.

- Target industries in many districts are assumed to be in the processing of agricultural products. Then, it is more efficient to centralize efforts while avoiding unnecessary duplication.
- It is difficult to develop the means to promote quality and productivity improvements at the DA level.
- Programs implemented at the DA level are divided into two types, one that can be implemented if manuals are provided, and the other that requires direct involvement of a support organization or an expert. In the latter case, expert training at TOT is required and collective training at the central government is more efficient.

From the experiences in the TPs implemented by the team, the following approaches and programs are assumed to be common support programs.

- Quality improvement method
- Yield increase method
- Employee productivity improvement program
- Modification of packaging
- Standardization and product certification

Target industries will be selected by using a questionnaire asking “an industry (processing industry) in a district that should be given of priority for development,” or picked from those identified as strategic sectors in the course of the new industrial policy formulation and also complying with the recommendation of the district concerned (See Table 6.2-1).

A questionnaire was sent to districts to ask priority industries and 93 districts responded. Edible oil production accounted for the highest share of 37%, followed by other food staff and the processing of fruits. These data support that local industries are mainly concentrated in the processing of agricultural products.

Table 6.2-1 Priority Industries for Districts

Unit: No. of response

() No. of district	Fruit processing	Edible oil processing	Other food processing	Textile and Garments	Wood processing	Furniture	Metal working	Others	Total
Central (9)	6	4	2	2	3	1	0	2	20
Eastern (13)	6	5	3	1	4	1	1	6	27
G. Accra (4)	0	0	2	0	0	0	0	2	4
Volta (13)	4	0	6	1	1	1	0	3	16
Western (7)	0	4	2	1	0	1	0	2	10
Ashanti (9)	3	6	3	1	2	3	1	1	20
Brong Ahafo(15)	4	4	6	0	5	1	2	5	27
Northern (7)	0	4	1	2	0	0	0	4	11
Upper East (5)	2	2	2	4	1	0	2	0	13
Upper West(5)	1	4	0	1	0	0	0	1	7
Unknown(4)	3	1	3	0	4	0	2	1	14
Total (93)	29	34	30	13	20	8	8	27	169

Note: multiple answer

Source: the team

Criteria for the selection of priority industries are expected to consist of the following elements.

- Marketability: Present markets, prospective markets in and outside the country, competitiveness, and potential to earn foreign currency
- Raw materials: Volumes of production and distribution at present and in future, and quality
- Impacts on local economy: The number of companies, the number of employees (including producers of raw materials in the case of agro business), value of production, and value added
- Commitment of companies in the relevant industries: Level of participation (membership) in the trade association, and activity record

Selection criteria for a support method and program are summarized as follows.

- The method and/or program that can be understood and used by local stakeholders (region and district)
- The method and/or program that can be completed timely and without undue burdens in terms of development time and budget
- The method and/or program that can be conducive to the solution of a core problem and have significant impacts
- The method and/or program that can be replicated in any area
- The method and/or program that can use existing equipment and manpower

If all of the above data are not available, a background survey will be required for the selected industry concerned in order to determine which types of methods and programs are appropriate.

(2) Program description

1) Overall goal

- Factors impeding growth of local industries are eliminated and local industries grow substantially.

2) Program goal

- To develop schemes and methods to solve problems local industries face.

3) Expected results of activities up to the achievement of the program goal

- I. Problems of a specific industry, which needs to be solved by the program, are identified.
- II. Solutions for the problems are developed.
- III. The results of the solution development process are compiled into written manuals / videos.

4) Activities up to actual results

- I-1 A responsible person is appointed within MOTI/PSD/PSI to select a priority industry according to preset criteria.
- I-2 A district(s) that wants to foster the priority industry is selected.
- I-3 Representatives of related industries are gathered for discussion to identify the needs and problems of the priority industry.

- II-1 Investigation is carried out to see if ongoing researches relating to the objective of the program are conducted at MOFA, universities, other R&D organizations, and/or foreign organizations. If any, the research results should be used as the basis of the research in the program or should be localized.
- II-2 TOR is formulated and a research project is contracted out to a university, a research institute and/or a consultant.

- III-1 Research outcome is applied in the model district.

III-2 After program effectiveness is verified in the above field application, the development process and procedures are compiled into manuals.

A key success factor is to leave the activities I-3 through II-1 to experts with experience in the selected industry. Use of experts is highly desirable for monitoring activities III-1 and III-2. Note that a single expert can work for multiple programs in the same field.

(Note) Similar R&D results that have already been tested in or outside the country should be used as many as possible, rather than starting from scratch, e.g., information and technology relating to agricultural products developed by a university, a research institute and/or MOFA's Research-Extension-Linkage-Committee. Or efforts to localize a method or technology developed in a foreign country would be a realistic approach. The development methods implemented in the TPs can equally provide useful hints.

The program budget should be funded within the framework of TSSP's Sectoral Development³, but the present plan does not allocate the R&D budget. However, the new industrial policy lists "innovation, research and development" as a thematic area, so that it may serve as the basis of budgeting.

Strategy 2: Effective utilization of resources and capabilities of training institutes, universities, research institutes, and existing schemes

Program 2.1 Self-supported enhancement/expansion of trial programs

As already discussed, the present study conducted trial programs for four industries, which have successfully produced results within a limited period of time. The team proposes to capitalize on these results and promote the enhancement/expansion of these programs. In fact, the team presented the Business Support Systems, each of which consists of several program proposals, for promoting the garment, palm oil, and shea butter industries. The trial programs carried out a part of the programs, which motivated many local industries and produced much-needed human resources. Expanding the programs with the external assistance from a public organization can achieve a higher level of effectiveness than implementing a new program. Further enhancement/expansion will also entail the start-up of

³ In TSSP "Production Capacity Component," a scheme to improve productivity relating to the processing of agricultural products and ICT will be planned.

other proposed programs. Note that the processing of citrus fruits is addressed in Strategy 5 “Development of the investment attraction system in local areas,” even though it has not attracted investment yet. Each of the enhanced/expanded programs is described below.

(1) Garment Industry: Promotion of division of labor and dissemination of production management technology

1) Overall goal

- To secure a certain share of domestic and foreign markets.

2) Program goal⁴

- To achieve a quality and production costs good and low enough to compete with foreign products.

3) Expected outputs of activities up to the achievement of the program goal

- I. To further the improvement in sewing quality and equipment modernization.
- II. To disseminate the production sharing (division of labor) system throughout the apparel industry.
- III. To develop human resources that support quality improvement.

4) Activities up to actual results

- I-1 Sharing of modern equipment (led by the trade association) for the jobs whose quality is governed by what equipment to use, such as buttonhole sewing
- I-2 MOTI/PSD/PSI’s support to promote the introduction of modern equipment for improvement of international competitiveness
- I-3 Education on quality inspection (acceptance/rejection) criteria for workers at each company
- I-4 Support for the introduction of attachments with collaboration of the trade association and training institutes
- II-1 Provision of information (e.g., success stories) by MOTI/PSD/PSI through the trade organization, with an aim to disseminate successful cases relating to division of labor.

⁴ Most of programs (or projects) need to have quantitative goal such as percentage of increase of production within certain period. However, this quantitative goal should be decided and agreed by all participants of the program.

- II-2 Dissemination of production management technology and knowledge through seminars held by training institutes
 - II-3 Introduction by PSI Training Centre and Polytechnic of knowledge and cases relating to the industrial patterns which support division of labor
 - II-4 Introduction of the training method to teach an efficient work method to workers at PSI Training Centre (e.g., basics of motion analysis), such as the reinforcement of the teaching method for accurate and quick sewing (e.g., long sewing without stopping the machine)

 - III-1 Introduction and dissemination of industrial pattern techniques to staff members of selected companies by means of a seminar held at a training institute
 - III-2 Introduction of industrial pattern technology at TGTC/Polytechnic by retaining experts (including foreign ones) in relevant fields such as the use of CAD, together with the training of Ghanaian trainers.
 - III-3 Production management technology seminars to train supervisors at Polytechnic
 - III-4 Quality control seminars held by training institutes
 - III-5 Sewing machine maintenance workshops (training of factory mechanics) by the trade association and MOTI/PSD/PSI and workshops on research and production of attachments at Polytechnic
 - III-6 5S implementation and promotion seminars by MDPI and training institutes
- (2) Palm oil processing industry: Sales promotion of micro and small mills
- 1) Overall goal
 - To increase palm oil production and sales

 - 2) Program goal
 - To secure steady sales of crude palm oil from small procedures to refineries.

 - 3) Expected outputs of activities up to the achievement of the program goal
 - I. To disseminate the improvement measures taken in the TP to small procedures for production increase and quality improvement.
 - II. To introduce a production management method that meets the current needs to establish a sales system targeting refineries.
 - III. To increase production capacity for the further sales expansion to refineries.

4) Activities up to the accomplishment of outputs

- I-1 The kaizen booklet prepared by BAC in the TP is distributed to disseminate information and generate interest in the kaizen method. A workshop is held to encourage small producers to implement the method.
- I-2 For producers who need professional advice, on-site consulting service will be provided by resource persons who are sent by BAC.
- I-3 BAC organizes a study group of producers who have implemented the kaizen method to encourage mutual learning and further kaizen activities, while building team spirit.

- II-1 A district where many producers want to sell crude palm oil to refineries is selected as a model district to establish a network to facilitate sales. Under the intermediary of DA or BAC, the producers' group negotiates with refineries to establish standard sales conditions (quality, minimum lot, price, and etc.).
- II-2 A third party agent making coordination between the producers' group and refineries is appointed. It decides on the sales method as well as the quality verification method under the agreement of the two parties. In addition, an arrangement is made between producers to pool a certain percentage of the sales to refineries, which should be used to pay for the agent and other joint projects.
- II-3 Under the above arrangement, the appointed agent checks palm oil's quality and its production process. It requests on-site guidance and external support for producers who fail to satisfy the above conditions.

- III-1 If the producers' network (group) operates smoothly in the model district, DAs in other districts will follow suit.
- III-2 Producers, as required, upgrade or replace⁵ production equipment that forms a bottleneck to production increase with the assistance of KNUST or GRATIS, which is introduced via BAC.
- III-3 Efforts are made to increase palm fruit production by encouraging producers (farmers) to improve the cultivation method to increase production per unit area.

⁵ Assuming a factory produces 5 tons a month and the price of oil is 500 US dollars then the sales is 2,500 US dollars while the set of facilities costs 5,000 to 10,000 dollars. Investment cost can be covered because the factory can improve the production by 80% and increase sales by 2,000 US dollars.

(3) Shea butter industry: Mass production of export grade shea butter

1) Overall goal

- To increase shea butter sales in the region.

2) Program goal

- To establish the annual production capability to supply amount of shea butter (with basically Grade 1 quality) that meets buyers' requirements.

3) Expected outputs of activities up to the achievement of the program goal

- I. To create a NGO to be in charge of the establishment and operation of a training center under the agreement between buyers and butter producers.
- II. To provide training for producers at the training center and help them to improve butter quality.
- III. To expand the service area of the training center to disseminate the code of practice to the entire Northern regions.

4) Activities up to the accomplishment of outputs

- I-1 MOTI/PSD/PSI and DA organize buyers and producers to develop a basic scheme for establishing a NGO and decide a target production volume, schedules, roles of stakeholders and so on.
- I-2 MOTI/PSD/PSI or DA further advertises and recruits a sufficient number of buyers and producers to support the NGO's activities.
- I-3 Then, the NGO is established and a detailed scheme is formulated.

- II-1 The NGO establishes a training center.
- II-2 The NGO establishes the knowledge base about quality control including a training method, or finds resource persons. Initially, a new training facility will not be built. An existing public facility or producer's facility will be used instead.
- II-3 The NGO procures equipment and tools required for quality control (measuring instruments, dryers, roasters, etc.), and makes them available to producers at low cost.

- III-1 The NGO further recruits buyers and producers to participate in the training program.

III-2 It establishes substations in other areas, which are operated by the NGO or by an external contractor.

III-3 The training center collects and communicates information required for buyers and producers.

Program 2.2 Dissemination of 5S to improve industry-wide productivity

(1) General Description

The purpose of this program is to increase productivity and competitiveness of local industries by introducing 5S to local industries as many as possible. 5S is particularly effective to typical local industries like the garment and wooden furniture industries.

In Ghana, apparel and wooden furniture manufacturers account for approximately 30% of the total workforce. Located in each region, they are important for the country. They are labor intensive by nature and are expected to play an important role in job creation. Relative to those in other countries, however, they are inefficiently operated in every aspect (human resources, materials and equipment, and finance). Quality of the products is relatively low.

Owners of these manufacturers generally show a strong willingness to expand sales and exports, but they have difficulties in accessing markets. This is not because market information is limited, but rather they do not have enough competitiveness in terms of quality, price, delivery schedule, production capacity, and customer satisfaction. However, micro and small companies that dominate the industries cannot afford to introduce an advanced production management system such as ISO9000. For them, simple and less costly measures to improve the current production system are preferable and suitable.

5S is a key element in the “basics⁶ of manufacturing.” Proper and rigorous enforcement of 5S activities creates surplus work space and time on the shop floor, which helps improve productivity and reduce lead time in most cases. It also makes workers quality-consciousness, which leads to the improvement of quality and overall competitiveness. Effectiveness has been confirmed in the kaizen project conducted at the garment factory under the TP, including the rise in the level of enthusiasm about kaizen activities among workers. Thus, disseminating 5S is considered to be a proven way for local

⁶ It can be defined as every efforts of manufactures to maintain customer’s satisfaction in terms of cost, quality, delivery and service.

industries (apparel, furniture, etc.) to master the “basics of manufacturing” and thus it should be given high priority.

5S is an initiative that does not require much resource input and can be easily implemented by local industries that are dominated by micro and small companies. In fact, majority of companies that participated in the TPs have decided to introduce 5S and many have actually done so. Experiences by these companies indicate that factories with an inefficient layout (widely seen in the country) can enjoy significant benefits from 5S, including the improvement of productivity in a short period of time. As MDPI that served as the implementation body for the TPs is enthusiastic about wider dissemination of 5S, its continuity can be warranted.

The first step is to obtain the government’s recognition on the effectiveness of 5S. For this purpose, MOTI/PSD/PSI or Ministry of Manpower, Youth and Employment (MOMYE) will implement 5S to learn what it can do to improve productivity. At the same time, it is better to publicize the cases in the apparel industry, which is pioneering the 5S initiative under the TP, to raise the level of recognition in the industrial sector. Further promotional campaigns will be conducted by means of instructor training programs and seminars for owners and managers. Finally, 5S conferences will be held to allow wider audience to learn from successful cases.

(2) Program outline

1) Overall goal

- To disseminate the “basics of manufacturing” to the manufacturing sector.

2) Program goal

- To introduce 5S to 1,000 manufacturers throughout the country.

3) Expected outputs of activities up to the achievement of the program goal

- I. To disseminate 5S to selected industries in a model region.
- II. To establish an organization that promotes nationwide implementation of 5S and train persons to be engaged in promotion activities.
- III. To deploy 5S throughout the country and make it adopted as a permanent practice.

4) Activities up to the accomplishment of outputs

- I-1. MDPI establishes a secretariat responsible for 5S promotion in the model region.

- I-2. MDPI makes demonstration to MOTI/PSD/PSI or MOMYE to obtain an official recognition of its effectiveness, and secure the budget to cover the costs for promotional activities.
- I-3. Greater Accra is selected as the model region, and the apparel industry as the target industry.
- I-4. MDPI prepares an instruction manual for 5S promotion.
- I-5. MDPI selects 20 companies in the apparel industry, for which 5S is promoted.
- I-6. MDPI conducts 5S training (free of charge) for the selected companies.
- I-7. MDPI visits the above companies to check the progress of 5S implementation, and evaluates the dissemination methods and results.
- I-8. The secretariat/MDPI modifies the 5S promotion manual and the seminar implementation method to reflect the result of the above evaluation.
- I-9. A video program featuring a few companies that have achieved successful results is produced (to be used in seminars).

- II-1. A secretariat for managing nationwide 5S promotion activities in the second year is organized as the extension of the original one established in I-1.
- II-2. MDPI establishes a training course for instructors promoting 5S and trains at least ten persons (one person per each region from NBSSI/BAC or the private sector). These instructors are officially certified by the secretariat.
- II-3. The secretariat establishes a branch office in each region, which holds seminars introducing 5S. Note that the seminars should be held as a part of management training programs, which are already implemented, in order to help managerial persons realize the importance of 5S.
- II-4. 5S instructors hold 5S promotion workshops for companies that intend to implement 5S in each region, with the intention of training 5S leaders in each company.
- II-5. MDPI promotes implementation of 5S to medium-sized and large enterprises (on a fee basis), as well as exporters (at export promotion seminars held by GEPC).

- III-1. The instructors check the status of 5S implementation at the above companies to evaluate the progress and provide guidance and advice for improvement.
- III-2. The secretariat holds an annual 5S conference by inviting companies that have received a certain level of evaluation on 5S implementation. From the evaluated companies, those with the best performance are selected (in the initial stage, selection will be made on the basis of documentary review) to give awards (Best Regional and Best Ghana).

III-3. As 5S activities become pervasive, the secretariat holds regional conferences and workshops. Success stories are compiled to be published.

(Note) MDPI shows eagerness for dissemination of 5S and has already started consultation in large companies. On the other hand, there is a plan to implement Quality Management System based on ISO in SMEs. However, it is difficult for micro and small firms, which account for 98% of total establishments, to execute ISO based quality management. In addition, no quality system is considered effective unless companies have 5S as the basis. 5S should be considered as the introduction of productivity upgrading, and it is important to spread throughout the industries.

<<About 5S>>

5S stands for the following five activities (practices) that start with “S” in Japanese.

- “Seiri” (organization): To clearly separate articles required on the shop floor from those not required and to eliminate or dispose the latter.
- “Seiton” (neatness): To arrange articles required on the shop floor in an easily accessible manner, with clear marking visible to anybody.
- “Seisou (cleaning)”: To keep the shop floor clean all the time.
- “Seiketsu (standardization)”: To establish 3S (seiri, seiton, seisou) as standard practice on the shop floor.
- “Shitsuke (discipline)”: To develop and maintain the mindset and behavior to do things according to specified rules and instructions.

Field-proven effects of 5S are summarized as follows: 1) work efficiency improves by minimizing the time required to find an article required for a specific job; 2) any article in short supply is easily recognized as only needed ones are kept on the shop floor, thereby to help identify a problem; 3) errors and defects significantly reduce as workers can do the right thing (use the right tool and do the right operations) at the right time; 4) adequate cleaning and maintenance of machinery reduces failures, and increases the utilization rate 5) improved efficiency leads to production and delivery on time; and 6) passageways are clearly separated from the workshop and adequate work space is secured to improve safety on the shop floor.

Strategy 3: The government business support system for local industry development

Program 3.1 Support for sales promotion to sell local products in a wider market

(1) General Description

The purpose of this program is to sell local industry products in other districts. This enables producers to learn the actual market needs. Enterprises which make efforts to adapt to them are more likely to prosper in business, and it is worth supporting publicly. Conversely, it is meaningless to support those who do not, because they are less likely to expand sales.

Traditionally, export promotion activities have been led by GEPC. However, many products by local companies are not suitable for export. Concerning domestic marketing, they have left it to distributors. This is partly because a domestic market is not large.

Recently, however, the size of domestic market is growing as lifestyles diversify and the consumption in urban areas increases. Also, consumer needs increase in rural areas as a result of increased communication and movement of people. These changes and dynamics seem to create or expand the marketability of various products. In fact, there are cases of inter-regional trade, such as barter trade between shea butter produced in Northern region and vegetables in other region, and purchase of palm oil in Ashanti by DAs in northern regions, although they have been realized by chance or on the basis of individual efforts, rather than systematic efforts.

Generally, private enterprises are expected to develop the market for their products by themselves. Also, government organizations do not have marketing capability or experience. However, they can provide support in sales promotion. MOTI/PSD/PSI has plans to promote products made in Ghana as a part of TSSP. It contains trainings for SMEs, improvement in packaging and product development. They are planning to create a web-based products gallery and pilot galleries in large cities and hotels.

It is difficult to find the type of assistance needed without finding what obstacles are. Local industries learn them after selling their products in the market. In this context, DA or MOTI/PSD/PSI should give local industries a chance to sell their products in large markets. Then, they work out countermeasures according to the results. Basically local industries

should take measures to overcome their problems on their own and thus the government may assist them to do so.

(2) Program outline

1) Overall goal

To increase value added/gross sales of a selected industry.

2) Program goal

To increase sales of products outside the district.

3) Expected results of activities up to the achievement of the program goal

- I. Products for promotion are selected.
- II. Promotional activities are launched.
- III. Inter-district sales are successfully promoted and expanded.

4) Activities up to actual results

- I-1 DA makes a list of products in the district concerned and obtains data on prices and production quantities.
- I-2 DA lists products that are popular in the district and are imported from other districts. In the initial stage, attention should be paid to products purchased by public organizations and schools (e.g., food and furniture). Price and quantity data are required.
- I-3 MOTI/PSD/PSI collects and compiles “sell and buy” information in each district at regional levels (annually at first and quarterly if possible).
- II-1 The “sell and buy” information is communicated to other regions via MOTI/PSD/PSI.
- II-2 Based on the information, MOTI/PSD/PSI takes a lead in matching districts that are in supply and demand relationship.
- II-3 Trade terms are set between districts or producers and buyers, including quantity, price, delivery schedule, and means of transportation, with supply and payment being guaranteed by respective DAs.

- III-1 If a specific transaction is made only once, MOTI/PSD/PSI and DA should check the buyer to find a reason for not continuing it and communicate it to the producer, followed by corrective measures if required. The feedback should be obtained from each buyer for each delivery.
- III-2 MOTI/PSD/PSI and DA bring representatives of producers to markets and/or buyers in Accra and Kumasi in order to learn market needs and demands (study tours).
- III-3 MOTI/PSD/PSI and DA sound out the possibility of dealership at direct sales stores, hotels, and souvenir shops.
- III-4 MOTI/PSD/PSI and DA develop a common package and brand (optional).

Program 3.2 Strengthening BAC to support local industries

(1) General Description

The aim of this program is that BAC, which already plays an important role in assisting micro and small companies, establishes a business support system for local industry development.

NBSSI/BAC is the sole organization in the country supporting micro and small companies with a nationwide network, which attracts attention and expectation from development partners. As pointed out earlier, however, BAC has hired employees rapidly and some of them apparently lack necessary knowledge and experience. Also, some employees who had received training left BAC, dissatisfied with salaries and working conditions.

On the other hand, NBSSI seems to move in the direction of being a BDS facilitator who plans a support scheme according to the needs of enterprises rather than a direct service provider. In this conjunction, it is building a database on BDS providers and resource persons in each region with the assistance of German Development Service (DED). Also, it provides opportunity for BACs in the same region to share knowledge, but it does not necessarily mean that a training program for BAC staff members is sufficiently organized. As the turnover rate is high, the organization needs to hire new employees constantly. It seems to require an efficient training program and an effective knowledge sharing system. Three direction of local industry development by BAC are indicated as follows.

1) Needs assessment and BDS facilitator

According to the interview with NBSSI staff, what BAC staff needs most is the needs assessment skill, because it is the prerequisite to design appropriate service of a BDS facilitator or field adviser. In addition, understanding the industry trend and the competitive environment to which they belong is essential to giving effective advice. At present, many of BAC staff members lack this important skill.

2) Making business plan and One-stop Center

At the same time, NBSSI/BAC is required to provide service that helps SMEs to use various loan schemes, such as PAMSCAD (application handled by NBSSI) and a newly started scheme, MASLOC (Micro Finance and Small Loans Centre), as well as commercial loans. Skills required for this type of service are basic knowledge of finance (accounting, taxation, financial planning, social insurance, etc.) and business planning. Also, BAC assumes the role of supporting entrepreneurs, which requires the above knowledge, especially that of business planning. Together with the development of a knowledge base grounded on resource persons having expert knowledge, BAC needs to set its medium- and long-term goal to becoming a One-stop Center to provide information on business startup and loans and to handle loan applications.

3) Coordination function for local industry development

To promote the development of local industries, efforts should go beyond the improvement of individual companies. It is imperative to identify problems relating to the local industry sector as a whole and make concerted efforts to create a favorable environment for the industry and its growth. For this purpose, BAC is expected to serve as a bridge between the private and government sectors and to assume an overall coordinating function to mobilize and drive collaborative efforts. In concrete terms, it is necessary for it to be a coordinator with DA, RCB and the central government (MOTI/PSD/PSI).

Many BAC staff are young and inexperienced while an ideal BAC member has skills based on experience. To fill these gaps as soon as possible, it is necessary to have them receive on the job training with experienced staff and hold a study meeting with other BAC staff. BAC staffs have to have tools which can be used to analyze micro and small companies so that they can be trusted by their clients.

As of November 2007, reorganization of NBSSI was progressing as a part of TSSP. Together with the program for upgrading BAC staff's capability, this program shows the direction of BAC for local industry development and is meant to contribute to this reorganization. Next section describes loan assistance, which is perhaps difficult to do by BAC only.

(2) Program outline

1) Overall goal

To increase the number of inauguration and decrease that of discontinuance of local companies to expand the local industry base (sales and the number of enterprises).

2) Program goal

To improve BAC services (counseling, business planning and training) for local companies.

3) Expected results of activities up to the achievement of the program goal

- I. BAC's needs assessment skill improves.
- II. BAC can provide effective advice on finance and startup for local companies.
- III. BAC can take the leadership for the development of local industries.

4) Activities up to actual results

- I-1 NBSSI develops a needs assessment guide and teaching materials for BAC.
- I-2 A practical training period is provided for BAC staff who have completed the needs assessment training. During the period, they gain field experience under supervision of experienced BAC staff.
- I-3 The NBSSI head office evaluates the results of actual needs assessment. It then develops and implements a training plan, reflecting them.

- II-1 NBSSI collects business plans made in the past, analyzes problems, and prepares business planning manuals, which should reflect problems identified from the perspective of commercial banks.
- II-2 NBSSI prepares manuals covering basic financial knowledge, and holds seminars for BAC staff in each region.

- II-3 BAC staff confers on how to reduce companies that have failed to repay loans and what BAC can do for them.
- II-4 Entrepreneurship seminars are held under the leadership of regional NBSSI, with BAC staff and external consultants serving as instructors (e.g., seminars for university students and informal sector).

- III-1 NBSSI selects industry sectors it intends to promote, and prepares promotion manuals containing: 1) characteristics of the industry sector concerned; 2) a key industry trend; 3) supply and demand situations; 4) future issues and outlook; 5) basic business knowledge; and 6) key points in assessment.
- III-2 NBSSI teaches BAC on 5S and small group activities so that BAC can improve its activities by itself. BAC counsels companies on target industries.
- III-3 BAC performs needs assessment for cooperatives and associations⁷.
- III-4 Based on the results of needs assessment, BAC, in cooperation with DA and external organizations, assists in the formulation of local industry development plans that contain technical support and training plans.

Program 3.3 Provision of service to facilitate commercial loans

(1) General Description

The purpose of the program is to give services which assist SMEs to access existing loan schemes.

For any industry sector in Ghana, the shortage of funds hampers growth. In particular, it presents a serious and persistent problem for micro and small companies. Meanwhile, financial institutions intend to increase SME loans and the government creates a variety of loan schemes. It can be proven by the data of financial assistance in the BDS demand survey that more and more SMEs borrow money (Annex 3). However, these SMEs are still exceptions. The following are constraint factors.

Borrowers (SMEs)

- Having a dim expectation, they give up borrowing money without making any inquiry.
- Loan terms (collateral requirement, interest rate, etc.) are harsh.

⁷ This assessment covers not only problems facing individual companies but their relationships with producers, suppliers, and buyers. It also analyzes the business environment and practice, as well as organizations supporting the group of companies.

- It difficult to prepare documents required for a loan application, often due to the lack of financial knowledge.

Lenders

- Examination of loan applications from SMEs is difficult because they often fail to present a reliable business plan.
- Financial institutions are generally reluctant to loan SMEs because many SMEs lack a sense of responsibility or contractual obligation for repayment.
- Many SMEs do not have any transaction record at financial institutions, including deposit.

There are other structural impediments to loan accessibility, such as the small number of loan schemes to meet long-term financial needs for capital investment, and uneven distribution of branches. Under this setting, the RCB serves as a regional financial institution with access to local information. It reviews loan applications on the basis of the information collected, assesses credit risks, and provides a loan at the interest rate and for the term that reflect the assessed risks. From the regional development perspectives, the RCB is expected to invigorate local areas through its loan service and other activities rather than just to support individual companies financially. For example, it may be possible for the RCB and the government to come together and act as one so that they can focus on nurturing an industry which has strong ramifications to local economy.

The RCB is currently focusing on microfinance through the formation of producer groups while carrying on the country's traditional daily savings (SUSU). Microfinance, while imposing joint liability on group members, serves as a spawning ground for productive and creative relationships both between the bank and borrowers and among the borrowers, e.g., immediate access to professional advice, close communication to come up with an idea, and effective use of money under local support. More importantly, it plays a critical role to provide a mechanism to supply money on the basis of a fiduciary relation in stead of security or collateral. In this context, the RCB is expected to take a lead in devising a new program from the viewpoint of local industry development.

Finally, it is necessary to strengthen the collaboration between the RCB and DA/BAC. The former serves as a core element of local finance and an indispensable actor in the local development process, and the latter is expected to be a leader of local development initiatives. To be concrete, DA/BAC is expected to position the RCB as a vital player in the business

support system and to help it perform its maximum function. The first step is to involve the RCB in the district's local industry development planning meetings. This enables the RCB to obtain information useful for its loan service.

The present study examines how SMEs can gain loan access more easily under the present framework, rather than considering a new loan scheme or structure. For this purpose, the following approaches should be considered.

- Efforts to help SMEs know the availability of loan schemes and understand basic loan requirements
- Technical assistance and advice to improve financial access for SMEs
- Follow-up on repayment, including schedule management

(2) Program outline

1) Overall goal

To invigorate local industries to expand their business operation.

2) Program goal

To increase the number of SME loans.

3) Expected results of activities up to the achievement of the program goal

- I. Available loan schemes (including their terms) are widely recognized by the public.
- II. More loan applications by SMEs are approved.
- III. Borrowers repay loans smoothly.

4) Activities up to actual results⁸

- I-1 NBSSI collects information on loan schemes available in each region, including documents required for a loan application. RCBs provide such information.
- I-2 NBSSI, in alliance with RCBs, decides on activities to promote SME loans.
- I-3 DA holds loan seminars jointly with RCBs.
- I-4 To make it easy for potential borrowers to obtain a loan, the following support activities are conducted: 1) promotion of business registration (DA); 2) PR

⁸ Many of these activities are already carried out by NBSSI/BAC.

activities to promote the use of financial institutions (RCBs, etc.); and 3) technical assistance in preparation of minimum-required financial statements (BAC).

- II-1 BAC provides consulting service for SMEs that want to borrow funds and introduce those satisfying the basic requirements to financial institutions.
- II-2 BAC provides support for the development of a business plan by assisting in the preparation of loan documents.
- II-3 If possible, DA lends bridge funds up to the execution of loans in collaboration with financial institutions.

- III-1 BAC records and documents benefits produced from successful borrowing.
- III-2 DA checks the outstanding balance of loans in each region by obtaining data from financial institutions.

(Note) At present, BAC supports loan applications for NBSSI's scheme. It is thus capable of provide similar services for RCBs. In this case, it is expected to charge a fee for such service. As it is difficult to collect the fee from micro and small companies, a viable way would be to collect it from RCBs. An arrangement should be made between NBSSI and RCB on this matter.

Strategy 4: Capacity building of support organizations that are directly engaged in development of local industries

Program 4.1 Strengthening of BAC staff's capacity

(1) General description

This program aims to promote the capacity building of BAC's staff who are stationed in districts throughout the country and to ensure that they are effectively utilized for the purpose of carrying on the local industry development at the district level.

At present, BAC's staff is expected to serve as a facilitator, who visits local companies, identifies their needs, plans a seminar to fit the needs, and introduces a resource person selected from a pool of experts who can provide effective support and advice. In fact, the study included training to upgrade the facilitator's capability. As a result, it became apparent that further training would be required because the training provided by the team was not sufficient in breadth and depth and it failed to cover the entire staff who should receive such

training. At the same time, judging from their highly motivated attitude toward learning as well as significant potential capability, the team believes that they will be able to master basic management techniques and consulting skills and use them effectively for the benefit of local industry development. By learning these techniques and skills, they will be able to understand problems local companies have faced and to serve better as a facilitator.

This program proposal envisions two training programs. One program consists of compulsory subjects that all BAC staff members are required to take, while another program focuses on specialty subjects that are intended for selected staff. The latter is designed to provide consulting service for BAC's client companies and training for other BAC staff and BDS providers.

<Selection of subjects>

- Among basic management techniques and consulting skills that are essential for BAC staff, specific subjects were determined in consideration of the objective of local industry development and the results of questionnaire surveys of BAC staff.
- Compulsory subjects consist of basic management techniques required by BAC staff so that they can play a role of BDS facilitator in the field of local industry development.
- Specialty subjects focus on advanced techniques, and learning them (and obtaining satisfactory results at the final test) qualifies BAC staff to become a NBSSI instructor for other staff members and BDS providers. BAC staff who can take the specialty subject is required to meet the following three conditions.
 - Those who have completed the compulsory subjects
 - Those who submit a letter of recommendation from NBSSI's responsible person
 - Those who show good performance at their work

Training subjects with their outlines and required hours are summarized below.

Table 6.2-2 Training Subjects for BAC Staff

No.	Subject	Category	General description	Required hours
1.	Needs assessment	Compulsory	To learn techniques to understand nature of the needs (problems) facing a client company, by using a checklist and through role playing.	6 hours
2.	Business plan	Compulsory	To learn the ability and skills to teach business and the preparation of a business plan required for loan application, through lecture, exercise, and game.	18 hours
3.	Bookkeeping	Compulsory	To learn accounting skills including slip bookkeeping, journal entry, compilation of P/L and B/S, tax return application, by means of lecture and case study.	18 hours
4.	Introduction of 5S	Compulsory	To learn techniques to implement 5S at factory by means of lecture and field training.	12 hours
5.	Facilitator skill	Compulsory	To learn the methods for group thinking, identification of problems and issues, and meeting management, by means of lecture and exercise.	6 hours
6.	Coaching technique	Specialty	To learn the technique (by means of role playing) to help a client company, through discussion, to find a cause for a problem facing it and conceive a solution by its own efforts.	6 hours
7.	Corporate foundation procedures	Specialty	To learn procedures for the foundation of a company (commercial registration, license, registration with the tax office, etc.) and preparation of necessary documents, by means of lecture and exercise.	6 hours
8.	Management strategy	Specialty	To learn the technique to establish management strategies for manufacturing and retail industries by means of lecture and exercise.	12 hours
9.	Market study	Specialty	To learn the market study method in the fields of manufacturing and retailing, primarily by means of case study.	12 hours
10.	Marketing	Specialty	To learn practical knowledge on products, pricing, sales promotion, distribution channel, and packaging, by means of lecture and exercise.	18 hours
11.	Finance	Specialty	To learn fund operation, cash flow management, financing, and financial analysis, by means of lecture and exercise.	12 hours
12.	Labor management	Specialty	To learn the labor law, human resource development, and labor management, mainly through lecture.	12 hours
13.	7 QC tools	Specialty	To learn QC tool techniques useful for problem solving (Pareto diagram, histogram, cause and effect diagram, scatter diagram, control chart, check sheet, and graph) through exercise.	12 hours

Note: Required hours are estimates only.

	Compulsor	60 hours
Total	Specialty	90 hours
	Total	150 hours

As collective training within a limited period of time is rather difficult for financial and other reasons, the team proposes to conduct the training programs over three years. Note that the above table is based on the assumption that it is possible to teach each compulsory subject for two regions as one unit. Efforts are made to minimize the training cost while maximizing its effectiveness. In addition to the cost, another problem of collective training is that it prevents BAC from providing service for client companies during the training period if all of the BAC staff in a region receive the training. It is also difficult to regularly provide training for new employees. As an alternative method, therefore, the team proposes to provide lectures by means of distance education while holding a short-term schooling session for

practical training and exercise. The remote education system will primarily cover compulsory subjects.

NBSSI's expert training should be conducted by using outside facilities/organizations (such as MDPI and the university) in consideration of the cost and efficiency. First of all, NBSSI's staff members received training at MDPI in the past. If the two organizations agree on the terms and conditions, and the budget is secured, the training program at MDPI can start quickly. Also, various training programs offered by donor organizations should be used in alliance with the NBSSI's expert training plan. Finally, BAC staff members who have received expert training should be obliged to provide consulting service and serve as an instructor. It may be necessary to set the minimum required service hours or number of cases per year.

While this program should preferably be implemented under the leadership of NBSSI's head office, it is not in a position to do so due to the shortage of qualified personnel. Instead, it is advisable to invite outside experts to prepare course materials and the curriculum as well as instructor training. In the future, the establishment of a mini-library for BAC staff in the NBSSI's building should be considered. The library will be in charge of collecting books and references, videotapes and other multimedia materials.

(2) Program outline

1) Overall goal

- Local companies can receive high quality business supports.

2) Program goal

- BAC staff's ability as facilitator improves.

3) Expected results of activities up to the achievement of the program goal

- I. NBSSI establishes a training implementation system.
- II. All of BAC staff members have professional knowledge as a facilitator.
- III. Within NBSSI, staff members with professional skills are trained.

4) Activities up to actual results

- I-1 For compulsory subjects, instructors are selected from NBSSI, MDPI, universities, and other resource persons on the basis of their experience and capacity.

- I-2 Experts hired from outside sources and resource persons selected in I-1 prepare the training skeleton and materials.
- I-3 For each subject, an expert(s) and a resource person(s) conduct a trail seminar for five to seven BAC staff members, and a questionnaire survey is conducted to collect their reactions and opinions.
- I-4 Based on the assessment of the trial seminar, the training skeleton and materials are revised.

- II-1 Compulsory subjects should preferably be taught by NBSSI staff. If not available, a resource person selected in I-1 serves as an instructor.
- II-2 All of BAC staff members receive training.
- II-3 An assessment is made if NBSSI staff members in each region apply the techniques and skills that BAC has learned to actual practice.

Training Plan

	1st year				2nd year				3rd year			
	1/4	2/4	3/4	4/4	1/4	2/4	3/4	4/4	1/4	2/4	3/4	4/4
Compulsory subjects	■	■	■	■	■				■			

- III-1 NBSSI/BAC staff members who take specialty subjects are selected according to specific criteria, including a recommendation by the supervisor and the observance of preset terms and conditions.
- III-2 Persons selected in III-1 receive training in the specified method and at the designated location.
- III-3 The supervisor checks to see if the trained personnel conduct required activities as a consultant or instructor.

Program 4.2 Strengthening of GRATIS advisory service

(1) General description

The primary objective of this program is to strengthen GRATIS’ advisory service function to meet technical needs of local industries.

As discussed in Chapter 3, GRATIS serves to help the development of local industries by providing training and production equipment. At present, however, its activity is largely

limited to follow-up service for the companies that have purchased GRATIS's production equipment, and it seldom provides service for other companies.

Meanwhile, many machines possessed by local companies are left idle as a result of poor maintenance. While some machines break down due to the problems relating to the machines themselves (structural defect, durability, etc.), many of them fail to operate or malfunction due to the lack of maintenance knowledge on the user side. The latter type of failure lowers productivity, creates additional cost impacts, and prevents delivery according to schedule, thereby losing the customer's confidence.

MOTI/PSD/PSI promotes equipment retooling for SMEs on a pilot basis, but detailed procedures for the full-scale implementation have still to be determined. If GRATIS can participate in the retooling process by collecting necessary information, it will have a significant support effect on local industries.

Also, GRATIS can benefit from visiting local companies that are potential clients. GRATIS sells production equipment but it does not sell well. By visiting local companies, GRATIS will be able to observe the equipment supplied by other manufacturers and to learn the customer's requirements in detail, which would be conducive to the modification of existing products or the development of new products. Adaptation of products would help GRATIS to have a competitive edge over imported machinery.

Companies visited by GRATIS are assumed to be ones in an industry which the district intends to develop or ones that belong to a strategic sector designated by the government. GRATIS's visit is expected to create synergetic effects if done in cooperation with DA/BAC. For instance, if GRATIS takes care of maintenance service and BAC assists local companies in implementing 5S, substantial benefits will be made. In this connection, GRATIS's staff visiting client companies need to have sufficient knowledge on equipment maintenance to give consultation upon request. Information collected during the visit will be gathered at the GRATIS's head office in Tema, based on which candidate companies for the retooling project will be selected jointly with MOTI/PSD/PSI.

GRATIS's staff members who will visit local companies are expected to be sales training managers and RTF managers at each center. However, they do not seem to have sufficient knowledge required for the field service, so that they should receive training in equipment maintenance and production management. As training courses covering these fields are

already provided at MDPI and other organizations, new courses to meet the needs of local companies should be established on the basis of the existing courses.

(2) Program outline

1) Overall goal

Local companies that are program beneficiaries learn maintenance technology and retool production equipment, and as a result, their product quality and productivity improve.

2) Program goal

Local companies that are program beneficiaries have knowledge on equipment maintenance and retool production equipment.

3) Expected results of activities up to the achievement of the program goal

- I. The on-site consulting system is established.
- II. On-site consulting service starts.
- III. Retooling is carried out and equipment produced by GRATIS is upgraded.

4) Activities up to actual results

- I-1 GRATIS and MOTI/PSD/PSI reach a basic agreement on retooling (including conditions for retooling service and the division of responsibilities).
- I-2 GRATIS selects persons who provide on-site consulting advice from each RTTC and provides maintenance education to them.
- I-3 GRATIS participates in the local industry development process in each model district and finds its areas of contribution.

- II-1 GRATIS obtains consent on the on-site service from a trade association or an organization, if any, representing a specific industry that benefits from the retooling project.
- II-2 In consultation with DA and BAC, GRATIS decides on the visiting procedures and schedule.
- II-3 The on-site consulting service starts and GRATIS collects information relating to technical needs of local companies, while disseminating basic knowledge on equipment maintenance.

- III-1 Technical needs information is gathered at the GRATIS's head office in Tema, and information that meets retooling conditions is sent to MOTI/PSD/PSI. Also, GRATIS uses it for the upgrading of production equipment and product development.
- III-2 When the need for retooling is confirmed, MOTI/PSD/PSI formulates TOR for implementation.
- III-3 Retooling is carried out according to TOR. When conditions are met, GRATIS participates in the retooling project.

Strategy 5: Development of the investment attraction system in local areas

Program 5.1 Improvement of the investment climates at the district level

(1) General description

The primary objective of this program is to shift DA's investment promotion from the present passive attitude to a strategic and active one. In addition, the cooperation of GIPC, MOTI/PSD/PSI, and RCC needs to be promoted to supplement DA's investment promotion efforts.

DA's investment promotion rather emphasizes the streamlining of investment procedures. In case of local governments in Japan, investment promotion is often carried out by building an industrial estate to attract tenant companies. However, DA's budget is limited to the provision of idle land or buildings, and it cannot afford to develop an industrial estate. Meanwhile, as most investment projects are concentrated in Greater Accra, intensive promotion efforts are required to attract investment to other regions.

Under the TP in Central Region, a feasibility study was conducted to build a citrus fruit processing plant. DA showed a strong interest in this project and expressed the intent to promote it under its leadership. In other words, DA is ready to conduct promotion activities for a specific investment project, but developing a project on its own is a formidable challenge. If investment potential is clearly identified in the development planning process, DA will be able to initiate its action easily.

While the availability of raw materials and the presence of a potential market are important factors, they are not sufficient conditions for investment. The fact that many companies

invest in Accra (83% of total investments) where costs are relatively high indicates the differences in investment climate between the capital and other regions.

At the same time, a large number of companies want to relocate from Accra due to rising costs, environmental problems, and the need for business expansion. Besides, recent improvement of road conditions improves access from rural regions to the capital. Under this setting, the first step for investment promotion is that each DA understands its own advantages and the investors' requirements (infrastructure, raw materials, market, and labor cost). In particular, it is important to give priority to the infrastructure development that can be driven by DA's own effort.

For this reason, this program aims to improve the preconditions for promotional activities to invite investors. It is most beneficial to DAs in suburbs of large cities that meet investment requirements, including Accra, Kumasi, and Takoradi. When an industrial estate planned by GIPC is constructed, it will become the focus of promotion activities. As GIPC plans to increase its staff and assigns them to rural regions, GIPC and DA will conduct joint activities. For an investment project that seems to be too large for a single DA to handle, cooperating with other DAs under the coordination of RCC or MOTI/PSD/PSI may be a viable option.

(2) Program outline

1) Overall goal

- Production of processed products in districts increases.

2) Program goal

- Investment in local industries is carried out.

3) Expected results of activities up to the achievement of the program goal

- I. A promotional organization is established and promotional activities are conducted.
- II. Incentives to attract investment are established at the district level.
- III. As a result of investment promotion activities, official support is provided for the operation of an established plant to exploit other potential investors.

4) Activities up to actual results

- I-1 A project team consisting of the representatives from related ministries and agencies (GIPC⁹, RCC, MOTI/PSD/PSI, NBSSI, MOFA, and AGI) is organized. The program goal is set in terms of the period and the number of investment projects.
- I-2 The project team starts promotional activities.
The project team's activities include PR activities using mass media, investment seminars in Accra and Kumasi, and guided tours to candidate sites in Central Region. The activity budget is funded by MOTI/PSD/PSI or GIPC. Coordination or joint activities with DA are carried out. Also, when there is a shortage of personnel engaged in the project team's activities, hiring a consultant on a contingency fee basis should be considered.
- I-3 The project team examines a mechanism to deal with the inquiries from potential investors and the possibility of foreign investment.
- I-4 The project team monitors these activities and their results.

- II-1 DA/MA selects a responsible department and personnel in order to integrate information gathering channels and establish one-stop service for investment procedures. For instance, the same personnel are responsible for commercial registration relating to the foundation of a new company.
- II-2 Incentives that can be affordably provided by each DA/MA are established, e.g., subsidies to cover public utility charges for a limited period of time and the leasing of factory buildings.
- II-3 A brochure showing the incentives and necessary information is prepared and distributed.

- III-1 Training required for the operation of a newly invested plant is provided according to actual needs, such as employee training for hygienic management. NBSSI (BAC) makes an actual training plan on the basis of needs assessment. The company pays for training but some degree of financial assistance is considered.
- III-2 DA/MA assists coordination between farmers and associations.
- III-3 The project team continues monitoring and examines the possibility of support in sales and other aspects.

⁹ At present, GIPC does not have a local office in any region, but it plans to assign investment promotion staff to rural regions and to establish industrial estates.

III-4 Once the project comes on stream, the project team builds on the case and further conducts promotional activities.

(Note) Cooperation with GIPC is required in relation to the development of a plan for the gathering of investor information and promotional activities. Promotional activities include the preparation of a brochure, the sending of direct mails, and visits to potential investors. They may be contracted to an outside consultant.

Program 5.2 Promotion of investment by promoting a module plant

(1) General Description

The purpose of the module plant is to promote investment by showing a factory of economically viable size which a Ghanaian investor can handle. This program is also contributing to the program “Improvement of the investment climate at the district level”.

For promotion of local industries in Ghana, those processing locally produced materials have significant growth potential. For instance, 87% of agricultural products are left unprocessed and consumed at home or wasted¹⁰. Only 13% are processed because most processing plants are very small. They cannot meet the market needs fully because of the poor product quality, either. Agricultural products processed locally include cassava, yam, corn, palm oil, shea butter, oranges and pineapples (juice). Similarly, forestry and mineral products are locally processed to make construction materials and furniture.

Unlike the textile and garment industry, these industries maintain most of their value chain within the country, from production of raw materials to processing, and even retailing in many cases. As a result, they provide significant employment opportunities and enjoy high value added through the value chain from upstream to downstream. Clearly, promotion of industries that use local materials contributes greatly to the achievement of the government’s policy objective, “poverty reduction,” while it also works well for import substitution.

Meanwhile, these industries have the following problems. First of all, they are characterized by a dual structure consisting of a handful of large companies and numerous small plants that are largely operated by families. The latter largely lacks growth potential due to resource constraints, including technology, marketing capability, fund, and

¹⁰ JETRO 2003.3 “Potential Agro Export Business in Major African Countries: Ghana”

management capability. Also, they do not have access to technical information or machinery lists, which are indispensable in choosing processing equipment suitable for small producers and arranging it appropriately.

At present, DIP and other government organizations implement projects to promote local industries, but they are relatively large in scale and costly. As a result, they are difficult to attract the private sector's participation and take considerable length of time to materialize. In fact, this type of project can be implemented more efficiently under the private initiative with a higher chance of success.

Under these circumstances, short- and medium-term (1 – 5 years) promotion of investment in the processing industries is called for, and the construction of a module plant, as proposed here, is expected to serve the purpose as it is affordable and viable for many existing processors and starters.

The module plant should meet the following specifications.

- It should have the minimum size suitable for commercially viable operation in order to serve as a future model for small processors in the industry.
- The total amount of investment should be in the range from \$20,000 to \$100,000, which can be raised in the local community. It is sufficient to purchase and install production equipment and a process line that are easily expandable and can be maintained by the owner.
- The plant should be easily manageable and serve as the place to learn basic operation and management techniques prior to the advancement to a more complex system.
- The plant's construction should start with an elaborate feasibility study that can serve as an effective guide for other producers to make a business plan used for a loan application.

Operating the module plant successfully serves as a model case to encourage other processors in the industry to follow. As the government only needs to invest relatively small funds to start up the module plant, which would provide an example and a visible opportunity for small processors, this would become an effective and efficient approach to the promotion of local industries.

The module plant will be designed and planned by identifying and addressing a specific set of key factors for its successful operation and management (7M – market, material, machine, manpower, method, money, and management), which are outline as follows.

Market

Market size, competitive analysis, market needs, distribution channels, means of transportation, product concept, pricing, collection method, sales promotion, etc.

Material

Material requirement, sourcing of raw materials and packaging materials, purchase prices, payment terms, high and lean seasons, method for collection of raw materials, etc.

Machine

Machine list, capacity, price estimation, source, availability and delivery schedule, candidate sites, plant sketches and construction cost estimates, model layout, etc. Note that, for the food processing industry, machine capacity in the downstream process should be larger than required to facilitate future expansion.

Manpower

Manpower requirements according to skill level, standard labor costs (wages) according to type of work, training institutes, fees and costs relating to participation in seminars and workshops, etc.

Method

Flow chart, processing and production work standards, material specs, product standards, quality control/process control methods, etc.

Money

Required funds, percentage share of equity participation, list of potential financial sources, including government organizations and programs, banks, and donor organizations, loan terms and conditions, etc.

Management

Business model, profit and loss statement, balance sheet, cash flow table, investment analysis, loan repayment schedule, investment conditions offered by DA, etc.

(2) Program outline

1) Overall goal

- To increase the number of manufactures in the food processing industries throughout the country.

2) Program goal

- To establish module plants throughout the country.

3) Expected outputs of activities up to the achievement of the program goal

- I. To select industries for which module plants will be constructed.
- II. To determine specifications of the module plants (machine, manpower, method and money elements).
- III. To conduct activities to attract investment in the module plants.

4) Activities up to the accomplishment of outputs

- I-1 Each regional MOTI/PSD/PSI and NBSSI selects 3 – 5 industries that have growth potential according to the opinions and views of DA and regional MOFA.
- I-2 MOTI/PSD/PSI and NBSSI (head office) narrow the list to 10 – 15 industries that have substantial growth potential.
- I-3 MOTI/PSD/PSI (head office) performs factor analysis of successes and failures for the above industries and selects five industries that show the highest prospect for success.

- II-1 Module plants for the selected five industries are designed (machine and method elements) through a design competition participated by private companies. Design proposals are reviewed and selected by technical support organizations (Institute of Industrial Research, GRATIS, technical colleges), according to the preset evaluation criteria including cost limits, and ease of operation and maintenance. Machinery may be either locally made or imported.
- II-2 The technical support organizations design each module plant (manpower and money elements).

- III-1 MOTI/PSD/PSI (head office) lets each regional MOTI/PSD/PSI, RCC and related organizations select, from the above short list, a module plant (industry) to be recommended for the region. Then, an investment board is established to promote each module plant, consisting of members representing RCC, GIPC, MOTI/PSD/PSI and NBSSI (regional), NOFA, related DA, associations of material producers, banks, and other related organizations.
- III-2 The investment board conducts a feasibility study on each module plant to check the market, materials and management factors by using universities, outside consultants, donor organizations, and other resources. A draft feasibility study report is prepared and reviewed by academics and professionals and is finally approved by the investment board.
- III-3 The investment board initiates activities to promote the construction of the module plants on the basis of the feasibility study, including seminars, the Web site, and field tours. Then, GIPC provides comprehensive support for the companies that intend to build their own plants by following the example of the module plants, including negotiation with related ministries and agencies.

<Assumptions>

Basic assumptions for the implementation of the master plan are summarized as follows.

- a. Active participation by local companies and business operators, and requests by company groups for market entry and sales expansion
- b. Intention of related government offices and support organizations to work jointly for local industry development
- c. Local industry development policy that is consistent with the government's industrial policy to be formulated in the future
- d. Arrangement by MOTI/PSD/PSI to ensure that the government budget is allocated to support the development of local industries, or the availability of technical/financial support from donor organizations

6.2.3 Program Priority

The highest priority should be given to the planning. Having a local industry development plan enables various activities to achieve the objective, followed by the monitoring of the results and modification. When an objective of the plan is specified, it is possible to decide on which issue to be addressed first. At the same time, the training of personnel required for local industry development should be given priority to. In the first stage, a program can be implemented quickly if cooperation of an outside expert (with experience) is secured. If not,

the preparation for human resource development should start in an early stage. In particular, it is imperative to provide education and training for DA's staff in charge of SME/local industries and to promote capacity building of BAC staff.

On the other hand, the implementation method for the TPs, together with the training method, has been developed, and the implementation bodies clearly recognize their roles, and are ready for disseminating them. As companies that are eligible for the TPs, other companies in neighborhoods, and DA show an interest, it is important to start the dissemination activity as early as possible.

Sales promotion and investment promotion should be carried out as a part of activities contained in a regional (local) development plan. In some cases, they may be implemented without any linkage or connection to the development plan. Sales promotion requires some preparations such as branding and standardization in many cases. These preparatory activities rely much on TSSP's program and should thus be tied to TSSP's actions as much as possible. As GIPC plans to assign its staff to rural regions and constructs an industrial estate, the development of the investment promotion system should wait their materialization to avoid wastage. The strengthening of GRATIS's advisory function should be aligned with the SME retooling project that is carried out as a part of TSSP's SME support project.

Preparation should preferably be made for the formulation of local industry development measures and programs as early as possible. However, the formal selection of industry sectors and programs should wait until industries to be developed for each district or MOTI/PSD/PSI's strategic sectors are selected.

It is recommended to urgently review the dissemination of BAC staff's capacity utilization program, investment program to promote the module system, and 5S, as the possible contents of TSSP's investment promotion/productivity improvement project.

Programs of which personnel training and preparation should be urgently started for implementation

- Program 1.1 Formulation and implementation of development plans at the district level
- Program 1.2 Formulation of support measures for local industries in district
- Program 2.1 Self-supported enhancement/expansion of Trial Program
- Program 3.2 Strengthening of BAC's capability and system to foster local industries
- Program 3.3 Provision of business support to facilitate commercial loans

Program 4.1 Strengthening of BAC staff's capacity

Programs that should be started in consideration of TSSP's progress

Program 3.1 Support for sales promotion to sell local products in a wider market

Program 4.2 Strengthening of GRATIS advisory service

Program 5.1 Improvement of the investment climate at the district level

Programs which expect TSSP's initiatives

Program 2.2 Dissemination of 5S to improve industry-wide productivity

Program 4.1 Strengthening of BAC staff's capacity

Program 5.2 Promotion of investment by promoting a module system

Next page describes each program schedule.

6.2 Action Plan for the Business Support System

Table 6.2-3 (1) Program Schedule

	Year 1				Year 2				Year 3				Year 4				Year 5	Note
	Quarter: 1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
P1.1 Formulation and implementation of development plans at the district level I. To facilitate project in model district II. To formulate local industry plan and launch activities III. To establish methodology for dissemination	→				→				→									
P1.2 Formation of support measures and programs for local industries in district I. To set up TOR of project/program II. To find the solution of the industry III. To disseminate the solution	→				→				→									Target sectors should be identified Verification is necessary.
P2.1(1) Garment industry: Promotion of division of labor and dissemination of production technology I. To promote sewing quality and equip. modernization II. To disseminate division of labor III. To develop human resource Production management Industrial Patterner Machine maintenance	→				→				→				→					Should be initiated by private sector on-and-off progress
P2.1(2) Palm oil processing industry: Promotion of micro and small mills palm oil sales I. To disseminate the improvement results of TP II. To introduce management method III. To increase production capacity for further sales expansion	→				→				→									Depend on market
P2.1(3) Shea butter industry: Mass production of export grade shea butter I. To establish training center and program II. To provide trainings for producers III. To expand services to other areas	△ →				→				→				→					setup new center
P2.2 Dissemination of 5S to improve industry-wide productivity I. To disseminate 5S to selected industries II. To train persons to promote 5S III. To deploy 5S throughout the country	→				→				→				→					support garment industry for quality improvement

△ Forming working group/committee - - - → on-and-off progress

6.2 Action Plan for the Business Support System

Table 6.2-3 (2) Program Schedule

	Year 1				Year 2				Year 3				Year 4				Year 5	Note
	Quarter: 1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
P3.1 Support for sales promotion to sell local products in a wider market I. To select products for promotion II. To launch promotional activities III. To expand inter-district sales																		Product should be identified on-and-off progress
P3.2 Strengthening BAC to support local industry I. To improve BAC's needs assessment skill II. To provide services for finance III. To take the leadership for local industry development																		
P3.3 Provision of service to facilitate loan access I. To inform loan schemes II. To assist SMEs to apply loans III. To monitor repayment of SME borrowers																		on-and-off progress
P4.1 Strengthening of BAC staff's capacity I. To set up the implementation system for the training. II. To provide necessary knowledge to all BAC staff III. To train selected BAC staff to be equipped with special knowledge																		First trial session is included.
P4.2 Strengthening of GRATIS advisory service I. To facilitate the advisory system II. To train GRATIS staff to give advisory services III. To improve the machineries of SMEs																		First trial session is included.
P5.1 Improvement of the investment climates at the district level I. To set up promotional organization II. To create incentives for investors III. Provision of necessary support for a factory																		For one project
P5.2 Promotion of investment by promoting a module plant I. To select industries II. To determine specifications of module plants III. To conduct activities to attract investment																		designed to assist DA's investment attraction

△ Forming working group/committee - - - -> on-and-off progress

6.3 Policy Recommendations for Nationwide Local Industry Development

In 6.1 and 6.2, the team proposed the master plan and action plans for the nationwide revitalization of local industries, with emphasis on the upgrading/enhancement of the business support system. In this section, three policy recommendations are made to ensure an effective deployment of initiatives and activities to revitalize local industries on a nationwide basis.

6.3.1 Nationwide Deployment of Local Industry Revitalization Initiatives

The master plans/action plans propose eleven programs, which are designed to serve the purpose of promoting local industry development. It is ideal to implement them according to the proposed schedules. In reality, however, doing so is expected to face resource constraints. Given the assumption, an alternative approach is proposed to maintain the drive for program implementation, i.e., a project approach, under which a local industry revitalization project is initiated under the local leadership and the central government provides necessary support for each project.

Specifically, NBSSI, BAC or DA will initiate the project formation process by acting as a facilitator to inspire and motivate local industries and their leaders. Then, under the participation of other relevant parties, such as universities, technical support centers, and consultants, a formal project will be designed. In the formation process, a participatory workshop approach, which was taken to design and develop the trial programs under the present study, will be useful to develop the project under the consensus of local stakeholders.

The project design proposal, as developed through the above process, will then be submitted to the central government (MOTI/PSD/PSI) for examination and approval. Once approved, the central government will provide business supports. Alternatively, if a proposed project is found to be eligible for support by a program implemented by a donor organization, it may be referred to the donor organization.

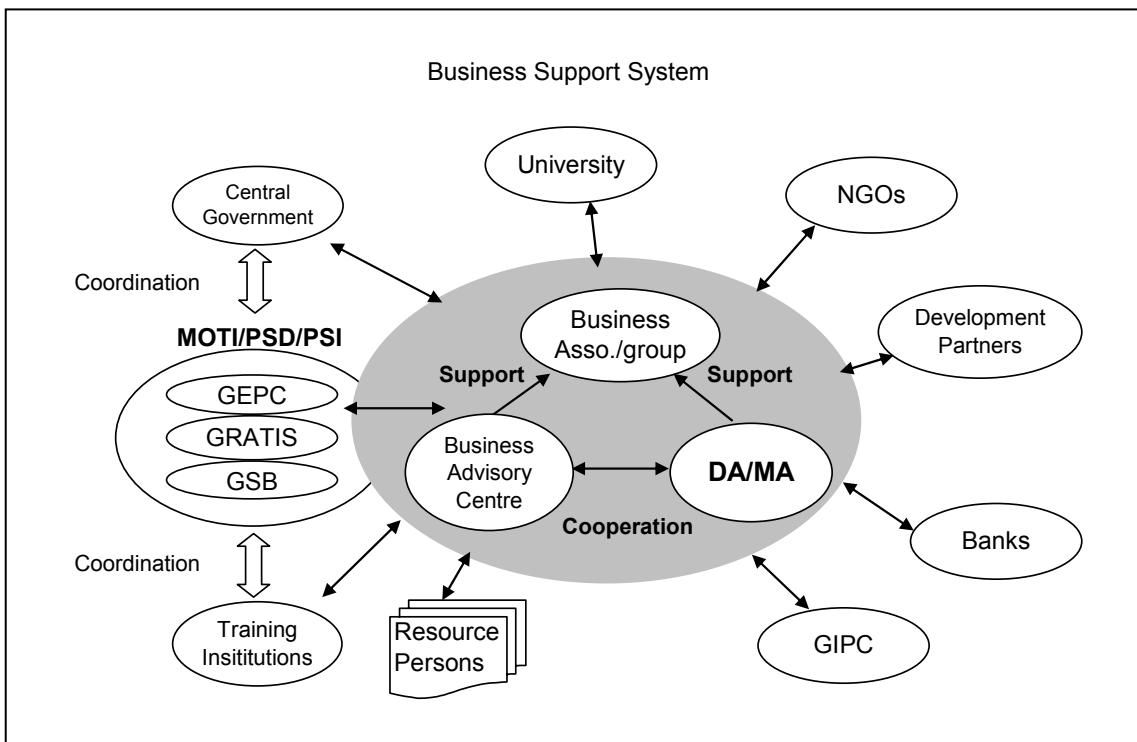
Major features (advantages) of this project approach are summarized as follows.

- 1) The more motivated a region is, the more priority it receives in budgetary allocations, which is efficient.
- 2) Increasing and reducing the number of projects to be approved enable the central government to set the budget flexibly.

- 3) The business support system can be installed and enhanced according to the actual needs of local industries in each region, which are confirmed with the formation and implementation of actual projects.
- 4) The project approach helps promote the revitalization or development of local industries on the basis of feasibility, compared with implementing a nationwide project with no consideration to the readiness and willingness of local stakeholders.

6.3.2 Method for Nationwide Deployment of Local Industry Development and Local Industry Support System

The institutions to implement the strategies are divided into two groups. One group is locally based, which consists of local companies, DA and BAC. Another group is led by MOTI/PSD/PSI and is responsible for the formulation and implementation of common support programs (Figure 6.3-1). Naturally, some organizations are engaged in both groups. Basically, the former has the ownership to implement the DIPI.



Source: prepared by the team

Figure 6.3-1 The Business Support System

The following table shows the roles of key support organizations relating to the development of local industries.

Table 6.3-1 Roles of Key Support Organizations

MOT/PSD/PSI
<ul style="list-style-type: none"> - Guidance (industry selection and planning), evaluation and dissemination of local Development plan - Securing of the necessary budget - dissemination of information on local industry Development to districts - Capacity building of DA staff - Setting up Local Industry Working Group - Implementation of TSSP projects (sub-contract, trade show, gallery, training, etc.) <p>Local Industry Development Working Group</p> <ul style="list-style-type: none"> - Application and coordination of TSSP project implemented over different areas or fields to DIP1
NBSSI(Central/Regional)
<ul style="list-style-type: none"> - Coordination of local industry support at regional level - Development of the training system for BAC's capacity building (including the securing of the budget) - Development and maintenance of the resource person database - Collection of support cases
BAC
<ul style="list-style-type: none"> - Assessment of needs of companies and company groups - Definition of content of support programs on the basis of the above needs assessment - Access to necessary resource persons - Collection and dissemination of information on local industries - Interme
District Assembly /Municipal Assembly
<ul style="list-style-type: none"> - Collection and mapping of locally available resources - Selection of priority industries and formulation of development plans - Attraction of investment in local industries - Sales promotion of local industry products - Finance (microfinance) - Facilitation of support organizations at district level (BAC, AEA and other BDS providers)
GRATIS
<ul style="list-style-type: none"> - Retooling of agricultural product processing equipment - Training and dissemination of maintenance technology - Collection and dissemination of technical information (machinery and technology)
KNUST
<ul style="list-style-type: none"> - Technological research and development - Collection and dissemination of technical information using university networks - Database on cases relating to innovation of existing technologies - Database on technical resource persons (graduates)
MOFA
<ul style="list-style-type: none"> - Support relating to the processing of agricultural products and dissemination of support cases - AEA's field guidance for farmers
MLGRDE
<ul style="list-style-type: none"> - Promotion of importance of industrial development to districts - Communication and information dissemination to districts
GIPC
<ul style="list-style-type: none"> - Support for investment promotion for districts - Dissemination of investment information on districts - Human resource development in districts, in relation to investment promotion

Source: the team

6.3.3 Use of TSSP for Local Industry Development

Under TSSP, a variety of projects relating to local industry support are planned or implemented, including SME support, investment, infrastructure, and local products promotion. These projects are implemented by the departments of MOTI/PSD/PSI concerned. To maximize and use synergetic effects of these projects for the effective development of local industries, it is proposed to establish a new working group focusing on local industry development, in addition to the existing working group. The primary objective of the new working group is to plan ways to use the TSSP projects for district-level local industry support measures, while coordinating projects implemented by various organizations. Furthermore, it is expected to make suggestions on strategies relating to “spatial distribution, decentralization, and cluster development” – a thematic area of the new industrial policy – as well as sector strategy. The working group will be represented by NBSSI and GRATIS, in addition to MLGRDE and MOFA. Also, donor organizations involved in local industry development may be invited to the working group’s meetings.

The following diagram shows the relationships between the programs proposed in the master plan and TSSP’s projects. Note that “A” means that a proposed program can be a part of TSSP’s project or its alternative. “S” means a strong association of a proposed program with TSSP to suggest that TSSP’s project can be used for the development of local industries. Finally, “N” signifies some association, suggesting the complementary relationship.

Table 6.3-2 Relationships between the Programs Proposed in the Master Plan and TSSP's Projects

TSSP Project	P.1.1 District Planning	P.1.2 Support measures and programs	P.2.1.1 Garment	P.2.1.2 Palm Oil	P.2.1.3 Shea butter	P.2.2 Dissemination of SS	P.3.1 Product Promotion	P.3.2 BAC for local industry support	P.3.3 Loan access	P.4.1 BAC Capacity Build	P.4.2 GRATIS Advisory Service	P.5.1 Investment Promotion	P.6.2 Promotion of Module System
Investment Promotion													
Output 4 Main barriers to be removed												S	A
Output 6 Industrial land & Industrial Estates												S	S
SME Support													
Output 1 NBSSI Reorganized and Strengthen	N	N				N		S		A			
Output 2 Business Support Institutions	S		S	S	S			S					
Output 3 Specialized Technology Center													N
Output 4 SMEs Rebol			N	N	N					A			
Output 5 DIP	A	A					S		S	N		S	
Output 7 Outsourcing opportunity for SMEs			S										
Output 8 Development of Business Association	N		S	S	S		N	N					
Output 9 Technology Innovation and Capital Goods		N											N
Education-Industry Linkage													
Output 2 Curricula of Tertiary Institutes			S			N							
Output 3 Specialized Training Course			S	S	S	N	N	S					
Output 5 Effective linkage btw R&D inst. and Industry		S		S	S								
Investment Finance													
Output 2 Increase access to long term finance								S	S	S		N	N
Output 3 Venture Capital									S			N	N
Output 5 Ghana Investment Fund									S			N	N
Export Trade Support Service													
Output 3 Up-to-date Trade Information			S		S		S						
Output 6 Participation in export promotion events			N		S		S						
Output 9 Product Development and R&D info.			N		S								
Output 10 Effective and utilization of Market access			N				S						
Productivity Improvement													
Output 2 QM training Prog. Established.			S	S		A							
Promotion of Made In Ghana Goods													
Output 2 BDS provided to manufactures			S	S	S	S		S		S	S		N
Output 4 Product Galleries Established and showcasing			N		S		S						

Note: A: Alternative or a part of TSSP project

S: Strong connection, need to apply TSSP project

N: Somewhat related

Source: prepared by the team

ANNEX

Annex 1 Local Industry Development in Japan

1 Local industry development policies and initiatives

Local industry development policies in Japan are primarily concerned with public support for new business or product development, human resource development, and cooperative networking. As local industry development (generally referred to as revitalization of local industries and SMEs) forms an integral part of national SME promotion policy, public support intended for individual SMEs covers a variety of services that meet broad needs.

Programs listed below are planned and implemented by the Ministry of Economy, Trade and Industry of Japan, and other ministries execute a variety of policies and programs relating to regional revitalization. For instance, the Ministry of Agriculture, Forestry and Fisheries deploys “Food Industry Cluster Development Project” and the Ministry of Land, Infrastructure and Transport implements “Comprehensive Support Program for Local Self-sufficiency and Revitalization.” Many programs allow a program implementation organization to make an actual project plan and apply for a competent ministry for approval and support via local government.

Examples of Local Industry Development Programs

1. Revitalization of local industries and SMEs by using local resources
 - 1-1 SME Local Resource Utilization Program

Program outline: To support creation of a new business using distinctive, local resources (local technology, agriculture/forestry/fishery products, and tourism) by local SMEs
 - 1-2 Local Industry/SME Support Fund

Program outline: Two types of financial support – “startup support” for discovery and germination of business “seeds,” and “pioneering company support” that focuses on SMEs in the development stage
2. Regional revitalization through strategic industrial siting and inter-industrial research and development
 - 2-1 Support for revitalization of local industries through promotion of investment by individual companies

Program outline: To attract industries to a specific area by establishing a comprehensive support desk for industrial siting; and to support local government’s activity to attract industries by means of subsidy, the holding of seminars and workshops for HR

development, support for training of new employees, support for construction and maintenance of service facilities used by newly settled companies, such as rental factory space, warehouse, and other physical distribution facilities.

2-2 Promotion of technology development using local characteristics

Program outline: Support for joint technology development efforts by SMEs and universities in order to help create and develop new businesses and startups that can become a local economic base.

3. Support for basic manufacturing capability and town redevelopment initiatives

3-1 Strategic Engineering Technology Advancement Support Program

Program outline: To support R&D activities of SMEs that form a key element of the basic manufacturing capability to improve their competitiveness, including foundry, press, and electroplating (in particular, the strengthening of downstream industries for automotive, IT, and household appliance industries).

3-2 HR Development Program for SME Basic Manufacturing Capability

Program outline: To develop an educational program teaching basic manufacturing skills through collaboration between local SMEs and educational institutions in order to address problems relating to the shortage of skilled workers and the decreasing number of vocational school instructors who have experience on the shop floor.

3-3 SME Engineering Technology Succession Support Program

Problem outline: To document techniques, skills and know-how of employees of SMEs in the manufacturing sector, and compile them into a database including background information for publication and sharing.

3-4 Upstream/Downstream Network Formation Support Program

Problem outline: To support initiatives to build up cooperative networks between SMEs with engineering technology and assembly industries such as robotics, automotive, IT, and household appliances, including the establishment of a forum, assignment of coordinators, meetings for inter-industrial exchange, and development of marketing channels

3-5 Town Redevelopment and Shopping District Revitalization Program

Program outline: To support town redevelopment initiatives led by small retailers, including the establishment of a planning council, town diagnosis on feasibility of revitalization and related support, and sending of advisors

Source: Small and Medium Enterprises Agency, "Establishment of Local Resource Utilization and Commercialization Program, compiled by the study team

Previously, the Japanese government provided funds to prefectures for implementation of each program. As it was pointed out that government leadership led to direct support, the system was modified to ensure support that would meet the actual state and needs of each industry. At present, programs implemented at prefectural levels are funded by a general budget of the national government instead of a special program budget or by a prefectural budget, allowing each prefecture to implement a program in ways to reflect the prefecture's characteristics and needs.

2 Local industry support at prefectural level

Oita Prefecture, known for its “one village one product (OVOP)” initiative, was implementing “Oita Industrial Vitality Creation Strategy 2006” that proposes the following three development themes.

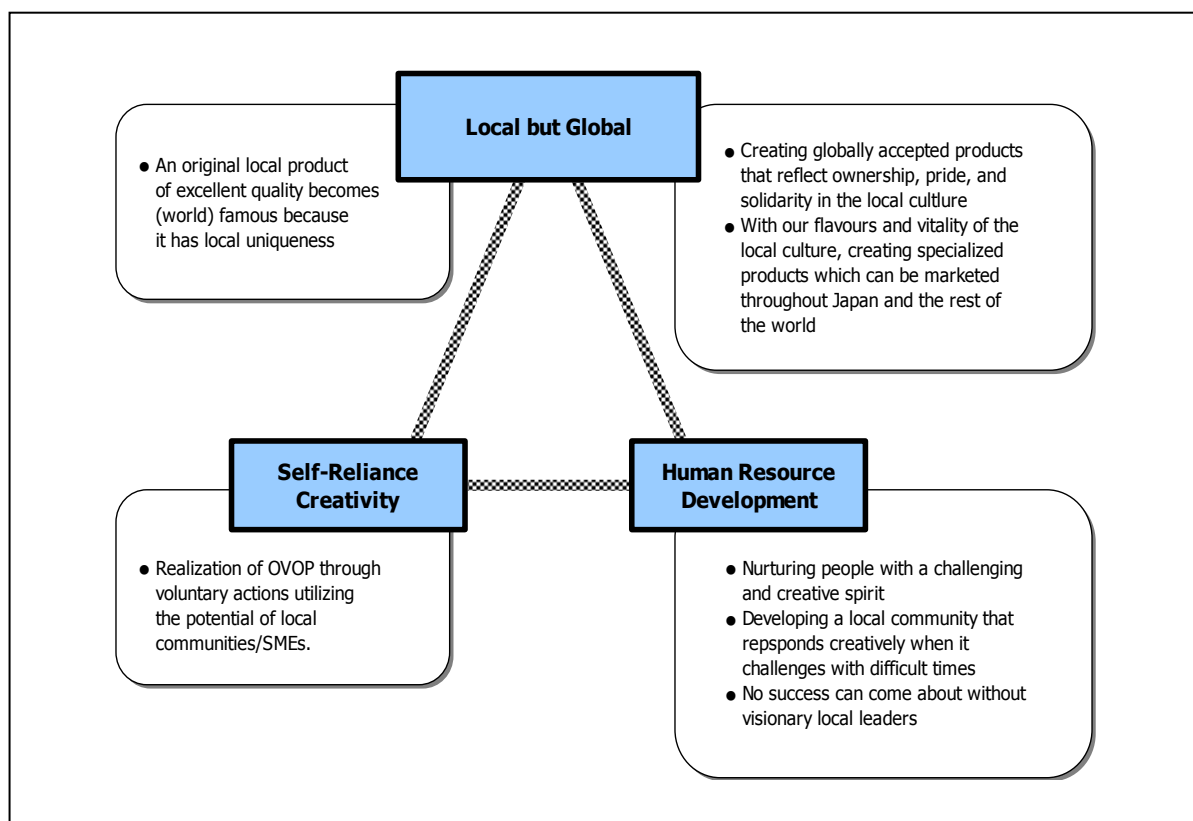
- Development of industries with basic manufacturing skills in order to promote industrial amalgamation in the 21st century
- HR development and employment/labor policies to support industrial activities
- Development of commerce, commodity, and service industries under new deployment strategy

Note that, while the above three development themes do not use or refer to the word “OVOP,” the third theme contains support for local industries by means of promotion of the Oita brand, implementation of initiatives to revitalize local economy, and the deployment of the Oita brand to foreign countries.

2.1 OVOP

The one village one product initiative was to develop, under local leadership, a value added product by using a local resource and by inputting processing technology and/or sales and marketing efforts. Incepted in Oita Prefecture, the initiative was not a government-led program or project.

The OVOP initiative was founded upon the following three principles, “local but global,” “self-reliance/creativity” and “human resource development to nurture people with a challenging and creative spirit.”



Source: “One Village One Product (OVOP) Movement: Its Principles and Implications”, Teruhiko Yoshimura, Nihon Fukushi University

Three Basic Principles of OVOP

Under these principles, the prefectural government took responsibility for the following activities.

- Discovery and nurturing of “local leaders” who can energize local vitality
- Upgrading of technology relating to the processing system and products, including appropriate advice and guidance as well as backup for research organizations
- Support customized for each product
- Promotion by concerted efforts of related departments
- The governor’s active leadership in sales and promotion activity

Unlike other programs, the prefectural government did not create and propose a vision to local government for implementation. Instead, it took a bottom-up approach to unleash each local community’s capacity and resourcefulness. More precisely, the prefectural government officially recognized OVOP as a successful village revitalization initiative to create self-confidence among local communities, while helping local residents to feel stronger

attachment to their own community. For this purpose, efforts were made to create small successes in the early stage, which led to the sense of accomplishment among local residents. It was also expected that a successful case in a community would stimulate other communities to help disseminate innovative efforts. Accordingly, the initiative emphasized human resource development rather than facility construction.

Today, the prefectural government is no longer involved in the OVOP initiative. Nevertheless, there remain human networks that have been developed through the efforts to nurture local leaders as well as the interchange meetings for local leaders, which started in the 1980s. They still work as a forum to learn and disseminate successful cases, problems and solutions.

As proof of success of the OVOP initiative throughout the prefecture, the rise in the average income is often cited. Although it may not be a major factor for income growth, as the government successfully attracted large corporations to the prefecture, its effectiveness was substantiated by other indicators, including growth of local industries, the narrowing of income differential between local governments within the prefecture, the increase in population of some rural areas, and the emergence of specialized producing districts (buckwheat-based shochu (clear liquor)).

Issues relating to the OVOP initiative

Nevertheless, the initiative has not been successful in all geographical areas or respects. In fact, there are various issues encountered in the course of implementation and a relatively small number of successful cases in development of specialized producing areas. Major issues are as follows.

- Many communities have not been able to develop high quality specialty products due to the lack of know-how in product development or manufacturing.
- The overall, successful cases in creation of a new local industry are very limited.
- Development of a few specialty products has small impacts on an entire region.
- Some local leaders have acted at their own discretion, without consultation with local residents.
- Many products developed under the initiative (mainly food products) were often similar to each other and their marketing was found to be difficult.

3 Local Industry Support at City Level

In Ghana, local industry support is and should be led by districts (equivalent to municipalities - villages, towns, and cities - in Japan), rather than regions (equivalent to prefectures in Japan). This section presents local industry policy of a regional city in Japan (population of 120,000) as an example.

The planning process and experience in the city seems to serve as a good reference for proposed efforts in Ghana, even if considering the fact that cities in Japan are larger than districts in Ghana in terms of budgetary size. The city's economic base is the ceramics industry, which forms a central part of the city's industrial development policy. Also, the policy covers tourism and its promotion, although it is out of scope of the study. This section touches upon promotion of tourism because tourism often has an important linkage to local industries and is in complementary relationship, making it worth mentioning here.

The city's industrial development plan was created by an ad-hoc planning board consisting of members representing a variety of fields. In the initial planning stage, the board assessed and evaluated programs that were conducted, together with the current state of local industries, on the basis of statistical data, information collected from questionnaire surveys and the exchange of opinions with individual companies. A draft plan was presented at several meetings in order to reflect the local needs as much as possible. As a result, the following three strategic directions were set forth and agreed.

- (1) Provision of the environment to encourage development of new industries and entrepreneurship

This element focuses on implementation of activities to attract companies, utilization of local human resources, and the buildup of the entrepreneur fostering system. Support for existing companies diverts resources and efforts to those with high levels of commitment and enthusiasm, rather than providing uniform support for everyone. Also it emphasized on the strengthening of human linkage with nearby large cities.

- (2) Promotion of tourism

This element aims to step up efforts to promote tourism that is in the growth stage, including the increased promotion on major tourist attractions, especially the effective use of the ceramics industry.

(3) Structural reform of the ceramics industry

This element proposes focused support for sales promotion targeting end users (consumers), creation of an opportunity for development of new markets and products, the holding of events to promote development of value added products through cooperation between designers and the exchange of persons representing different industries, and human resource development support for companies with high levels of commitment and enthusiasm.

These policy directions are not largely different from those in Ghana, but actual measures and actions that are feasible in the country may be different due to environmental conditions and restraints.

Annex 2 The Result of Questionnaire Survey on BDS Supply

1 BDS Trends in Ghana and the Key Issues

Apart from what was done by “Action for Enterprise” and a few others such as UNIDO in specialized areas, no comprehensive study of Ghana’s BDS market has yet been conducted. Most available studies and reports commissioned by donors were for their own use. Apart from their varied objectives, these studies were limited in geographical coverage, sample size and sectors covered.

A review of the various studies of the BDS market reveals the following general features and trends:

1.1 BDS Supply

Major BDS providers identified include the following:

- Private consultancy firms
- Other private firms, mainly suppliers and buyers, notably medium-sized exporting firms
- Private sector trade and business associations
- Tertiary educational institutions who offer research and advisory services and executive training programs
- NGOs
- Government Agencies such as the National Board for Small-scale Industries (through its Business Advisory Centers), GRATIS Foundation (through its network of Regional Technology Centers and Rural Technology Service Centers) as well as the Ghana Export Promotion Council.

The direct delivery of BDS by the government agencies and NGOs as indicated above continues to be a feature of Ghanaian BDS market although there is a growing emergence of commercial BDS markets facilitated by SPEED Ghana and other donor-supported initiatives.

The Ministry of Trade and Industry, Private Sector Development and President’s Special Initiatives in the year 2002, identified a total of 25 government programs aimed at the delivery of both financial and non-financial services for SMEs with direct donor support. (MOTI, 2002)

The range of BDS products available on the market include:

- Preparation of business plans
- Development of marketing plans
- Market information
- Strategic management
- Financial management
- Auditing and financial reporting services studies
- Organizational planning and human resource management
- Operational restructuring
- Tax and legal advisory services
- Product development and production training services
- Advertising

As indicated above, there are a number of innovative BDS initiatives being piloted in the country. These include:

- Support Programme for Enterprise Empowerment and Development (SPEED) IDEAS fund which seeks to stimulate BDS market development by injecting small operational funds targeting support instruments;
- Support Programme for Enterprise Empowerment and Development (SPEED) Small Business Services (SBS) Network made up of BDS providers trained to deliver management training to MSMEs

The most visible mode of delivery of BDS by the private sector is what may be termed the ‘**stand-alone**’ consultancy, advisory training and information services whereby providers deliver a broad range of services horizontally across different sectors.

There is, however, a growing emergence of vertical value-chain approach to the delivery of BDS which seek to deliver services that satisfy MSME needs along the value-chains of specific sectors; for example, the USAID-funded TIPCEE Project.

Services delivered through sub-contracting, business linkages and other business relationships often termed “**embedded services**” are also increasingly gaining recognition on the Ghanaian market as a potentially sustainable channel for BDS provision. A study conducted under a DFID-funded program on the “Promotion of Embedded Business Services in the Ghanaian Craft Export Sector” in the year 2002 demonstrated a wide variety of sub-contracting relations existing between Ghanaian handicraft export companies and small craft producers. Several services that were being delivered through this channel included

product design services and production training, market access, input supply services and quality management services. These services were usually provided in a rather informal manner and did not often require direct up-front payment by clients. They thus appear to be well suited to the limited cash flow situation of most micro and survival-level enterprises.

Supply-Related Constraints

Supply related constraints associated with the BDS market in Ghana include:

- Inconsistency in service delivery and poor quality of BDS services
- Concentration of suppliers in urban areas leading to lack of services in rural areas
- Suppliers facing competition from subsidized government and donor funded programs
- Lack of specialized knowledge or ability to modify products to consumers' demands
- Lack of coordination and networking among suppliers
- Lack of diversity of BDS products i.e. one-size-fits-all approach to service delivery
- Concentration on larger enterprises to the detriment of those at the lower end of the market

1.2 BDS Demand

A survey of the Ghanaian BDS market by the ILO in 2001 reported that awareness of many BDS services was quite low. Due to lack of adequate attention and support, the growth of MSMEs has suffered a great deal over the past decades, resulting in the shifting of focus from entrepreneurship to a proliferation of petty trading nationwide. (World Bank Press Release: January 2006)

The same could be said about utilization of services which was generally modest, less than 5 per-cent for almost all the services surveyed showed that, Management training accounted for more than 45% of all services demanded by MSMEs in Ghana (*ILO: 2001*) Accounting and bookkeeping services have also been found to be in high demand by MSMEs (*SPEED: 2005*); most probably due to tax and legal obligations.

Demand-related Constraints

Effective demand of BDS has been found to be hampered by reasons such as:

- Inability to pay
- Unwillingness to pay
- Lack of appreciation of the role of BDS in their operations
- Available BDS not designed to suit the needs of MSMEs

- Reluctance created by history of donor subsidies
- Inability of MSMEs to determine their specific BDS needs
- Lack of awareness of available BDS. (*SPEED: 2006*)

Studies show that a number of services that are demanded by MSMEs but are hardly supplied include:

- Appropriate and affordable record-keeping and accounting services
- Services related to access to credit facilities
- Market access
- Access to raw materials
- More supply-chain-related BDS to enable MSMEs to deal with operational challenges
- Packaging services
- Pre-certification preparation activities
- Pre-export testing services, etc. (*SPEED: 2006*)

2. Findings from Questionnaire Responses

2.1 Present Situation of Business Support Organizations

This section of the questionnaire seeks to obtain information on the description of the organizations, including their objectives, Capital fund, Number of staffs, Corporate Status, their Funding/Supporting organizations, and their Facilities. The following are the analysis of responses received for “Types of Organizations, Corporate Status, and Number of Employees”.

Table A2-1 Present situation of business support organizations

Category	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Type of Organization								
Business Management/Development	21	50.0	10	34.5	2	9.5	6	30.0
Human Resource Development	-	-	12	41.4	3	14.3	3	15.0
ICT	13	31.0	-	-	6	28.6	4	20.0
Product Marketing & Development	5	12.0	5	17.2	5	23.8	5	25.0
Technological Development	3	7.0	2	6.9	5	23.8	2	10.0
Total	42	100	29	100	21	100	20	100
Corporation Status								
NGOs	7	16.67	10	34.5	3	14.0	9	45.0
Private Companies	35	83.33	8	27.6	13	62.0	8	40.0
Semi – Private Agency	-	-	2	6.9	-	-	2	10
International Donor	-	-	-	-	-	-	-	-
Government Agency	-	-	9	31.0	5	24.0	1	5.0
Total	42	100	29	100	21	100	20	100

2.2 Current State and Activities of Business Support services

This section seeks information on the types of services delivered by the BSOs to MSMEs towards the following: improvement of management, development of production technology, market development, financial assistance, human resource development and the improvement of business environment.

Improvement of Management Services

As shown in Table A2-2, services underlisted to improve Management Services are expected to include training of managers, management consultation, and enterprise seminar/incubation among others.

Table A2-2 Improvement of management services

Services	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Training of a manager	20	28.6	14	18.9	10	24.4	2	8.7
Management Consultation	17	24.3	23	31.1	9	22.0	8	34.8
Entrepreneur seminar/incubation program	16	22.9	21	28.4	11	26.8	9	39.1
Others	9	12.9	3	4.1	5	12.2	2	8.7
Organizing a Company	8	11.4	13	17.6	6	14.6	2	8.7
Total	70	100.0	74	100.0	41	100.0	23	100.0

Development of Production Technology Services

Table A2-3 below presents the analysis of responses from the BSOs in the four regions that provide BDS towards the Development of Production Technology in the selected economic sub-sectors. The production technology development areas/services have been listed in Table 3.

Table A2-3 Development of production technology

Services	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	%	Count	%	Count	%	Count	%
Technical Assistance and Consultation for Improvement of Productivity	22	33.8	12	19.3	11	21.2	7	21.9
Specific Technology Training	15	23.1	15	25.4	15	28.8	5	15.6
Advice For Modernizing a Facility	10	15.4	10	14.9	6	11.5	6	18.8
Assistance For Improving Research and Development	7	10.8	10	14.9	8	15.4	5	15.6
Cooperative R&D with Universities And/Or Research Institutions	4	6.2	7	18.0	7	13.5	5	15.6
Leasing of Production Equipment and Tool	4	6.2	5	7.5	5	9.6	4	12.5
other	3	4.5	-	-	-	-	-	-
Total	65	100.0	59	100.0	52	100.0	32	100.0

Market Development

Table A2-4, shows the analysis of responses in the area of market development services being rendered by the BSOs in the selected economic sub-sectors of the four regions. It seeks to collect data on the number of BSOs, who deliver BDSs towards market development through the services listed in Table A2-4 below.

Table A2-4 Market development

Services	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Provision of market information	10	21.3	17	20.5	11	25.0	11	31.4
Improvement of marketing capability	7	14.9	16	19.3	4	9.1	4	11.4
Assistance for new product development and new design development	7	14.9	10	12.0	8	18.2	3	8.6
New market exploration	7	14.9	11	13.3	7	15.9	5	14.3
Participating in an exhibition	6	12.8	13	15.7	10	22.7	6	17.1
Cooperative marketing	6	12.8	10	12.0	2	4.5	1	2.9
Intermediate agent service	3	6.4	2	2.4	1	2.3	3	8.6
Other	1	2.1	4	4.8	1	2.3	2	5.7
Total	47	100.0	83	100.0	44	100.0	35	100.0

Financial Assistance

Services rendered among others, by BSOs towards Financial Assistance in the four regions to MSMEs, Farmers' Associations, and Shea Butter processing Groups are highlighted in Table A2-5 below.

TableA2- 5 Financial assistance

Services	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Loan for small and medium enterprises	8	38.1	11	50.0	2	10.0	3	75.0
Credit guarantee system	5	23.8	5	22.7	5	25.0	-	-
Leasing system for machineries and equipment	3	14.3	2	9.1	3	15.0	-	-
Other	2	9.5	1	4.5	7	35.0	1	25.0
Subsidy for loan interest	2	9.5	-	-	-	-	-	-
Capital Participation (including Venture Capital)	1	4.8	3	13.7	3	15.0	-	-
Total	21	100.0	22	100.0	20	100.0	4	100.0

Human Resources Development

Table A2-6 shows the analysis of the services provided by BSOs towards Human Resource development of MSMEs, Farmers' Associations, and Shea Butter processing Groups in the four regions. These services among others are shown in the table following.

Table A2-6 Human resource development

Services	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Training/Education of skilled worker	19	42.2	21	55.3	11	45.8	7	63.6
Training of middle-level managers	15	33.3	11	28.9	6	25.0	1	9.1
Training of engineers	6	13.3	5	13.2	3	12.5	2	18.2
other	5	11.1	1	2.6	4	16.7	1	9.1
Total	45	100.0	38	100.0	24	100.0	11	100.0

Improvement of Business Environment/Strengthening of Business Network

Table A2-7 shows the analysis of the services delivered by BSOs towards the Improvement of Business Environment and Strengthening of Business Network in the four regions to MSMEs, Farmers' Associations and Shea butter processing in the selected economic sub-sectors. The services expected to be delivered by the BSOs among others in each region are shown in the Table.

Table A2-7 Improvement of business environment/strengthening of business network

Services	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Upgrading Distribution System/Rationalization of Distribution	5	21.7	3	10.0	-	-	-	-
Information Technology (E.G. Building Website)	4	17.4	4	13.3	2	25.0	4	44.4
Test Inspection	3	13.0	8	26.7	3	37.5	1	11.1
Other	3	13.0	-	-	-	-	-	-
Factory Location Placement	2	8.7	4	13.3	2	25.0	2	22.2
Revitalization of Chamber of Commerce & Industry/ Association	3	13.0	7	23.3	-	-	2	22.2
Promotion Of Dissemination of ISO Accreditation	3	13.0	4	13.3	1	12.5	-	-
Total	23	100.0	30	100.0	8	100.0	9	100.0

Method of Support

This part of the questionnaire intends to seek information on how the BSOs in the regions implement the services they deliver to their clients in each of the selected economic sub sectors to the MSMEs, Farmer's Associations, and Shea butter processing groups.

Table A2-8 Method of support for MSMEs

Methods	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Practical Training in Facilities of Center	19	19.8	16	18.4	17	24.3	10	16.9
Other	16	16.7	5	5.7	6	8.6	7	11.9
Classroom Type Course	15	15.6	7	8.0	13	18.6	5	8.5
Service and lecture on site	13	13.5	14	16.1	10	14.3	12	20.3
Workshop	17	17.7	25	28.7	13	18.6	14	23.7
Seminar	16	16.7	20	23.0	11	15.7	11	18.6
Total	96	100.0	87	100.0	70	100.0	59	100.0

Support Target

This section of the questionnaire seeks information from the BSOs as to the clients to which they target their services in the four regions among the selected economic sub sectors. It requires the percentage of clients targeted by each BSOs for each sections of Clients, those to whom these services are provided and their most favored client.

Clients to Whom Support Services are Provided

Table A2-9 gives a breakdown of how the BSOs responded in each region under their respective economic sub sectors.

Table A2-9 Clients to whom support services are provided

Clients	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Proprietors, successors, younger proprietors	40	16.74	21	24.4	21	23.6	13	19.4
Unspecified	21	8.79	5	5.8	7	7.9	6	9.0
Skilled workers	36	15.06	14	16.3	12	13.5	10	14.9
Office workers(general affairs, accounting etc)	32	13.39	5	5.8	7	7.9	7	10.4
Consultants, business supporters for MSME	28	11.72	12	14.0	8	9.0	10	14.9
Unemployed people, career changers	27	11.30	13	15.1	16	18.0	10	14.9
Technical experts, engineers	38	15.90	9	10.5	10	11.2	8	11.9
Other	17	7.11	7	8.1	8	9.0	3	4.5
Total	239	100.0	86	100.0	89	100.0	67	100.0

Customer Sector

Majority of BSOs in the Greater Accra and Northern regions indicated the Commercial/Service sectors as their major source of customers, while BSOs in the Central region indicated “Other” source apart from manufacturing and commercial/service sectors as indicated in Table A2-10. The Manufacturing sector provided the major source of customers for BSOs in the Ashanti region. On the whole, each economic sector indicated below provides major customers for significant numbers of BSOs in all the four regions.

Table A2-10 Customer sector

Sector	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Commercial/service	33	45.2	12	30.8	9	31.0	10	45.5
Other	22	30.1	10	25.6	11	37.9	9	40.9
Manufacturing	18	24.7	17	43.6	9	31.0	3	13.6
Total	73	100.0	39	100.0	29	100.0	22	100.0

Remuneration

Table A2-11 indicates that in the Greater Accra and Central regions, majority of BSOs have their services paid for directly by the recipients themselves. In the Ashanti and Northern regions, majority of BSOs have their services partly paid by the recipients themselves and partly subsidized by sponsoring organizations.

Table A2-11 Remuneration

Mode of Payment	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
All cost are paid by recipients	30	68.2	7	24.1	14	48.3	5	25.0
Partly paid by all recipients	12	27.3	16	55.2	10	34.5	9	45.0
100% subsidized	2	4.5	6	20.7	5	17.2	6	30.0
Total	44	100.0	29	100.0	29	100.0	20	100.0

2.3 Operational Problems

This section of the questionnaire requires information on the two most serious problems encountered by BSOs during the Implementation and Marketing of their services. It further enquires from the BSOs, the Priority of services they would like to improve its delivery.

Suppliers Problem

This part of the section presents an analysis of the two most serious problems encountered by BSOs during the implementation of their services. A list of the problems as presented in Table A2-12 shows the percentage of BSOs who identified with each problem.

Table A2-12 Suppliers problem

Problems	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Lack of facilities and equipment for the services	18	30.5	9	22.0	16	32.0	5	23.8
Lack of operational budget	26	44.1	18	43.9	20	40.0	11	52.4
Shortage of human resource for sales and promotion	8	13.6	6	14.6	2	4.0	1	4.8
Lack of service development capability	5	8.5	2	4.9	6	12.0	1	4.8
Not able to provide services in accordance with the needs	1	1.7	3	7.3	5	10.0	3	14.3
Being worried about securing qualified lecturers and personnel	1	1.7	3	7.3	1	2.0	-	-
Total	59	100.0	41	100.0	50	100.0	21	100.0

Recipients Problem

This section presents an analysis of the two most serious problems encountered by BSOs during the marketing of their services. A list of the problems as presented in Table A2-13 shows the percentages of BSOs who identified with each problem.

Table A2-13 Recipients problem

Problems	Responses from the Regions							
	Greater Accra		Ashanti		Central		Northern	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Intensive competition among service providers	22	40.0	7	13.7	10	24.4	5	23.8
Service charge is expensive for MSMEs	23	41.8	9	17.6	9	22.0	11	52.4
Organization and its services are not well known by the recipient	24	23.3	12	23.5	12	29.3	1	4.8
Low accessibility for the clients/ Inappropriate location of org.	5	9.5	6	11.8	7	17.1	2	9.5
Very hard to grasp needs of MSME	5	9.1	10	19.6	3	7.3	2	9.5
Other	-	-	7	13.7	-	-	-	-
Total	79	100.0	51	100.0	41	100.0	21	100.0

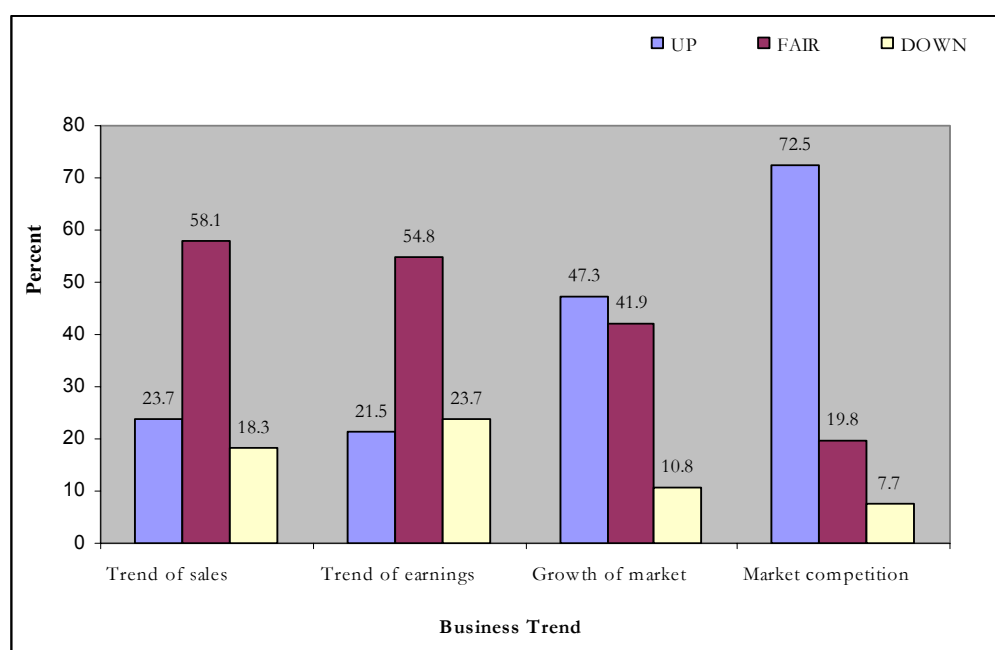
Annex 3 The Result of Questionnaire Survey on BDS Demand of SMEs

Number of response

<i>Region</i>	<i>MSMEs</i>	<i>Shea Butter Processor Groups</i>
Greater Accra	65	-
Ashanti	30	-
Central	21	-
Northern		44*
Total	116	44

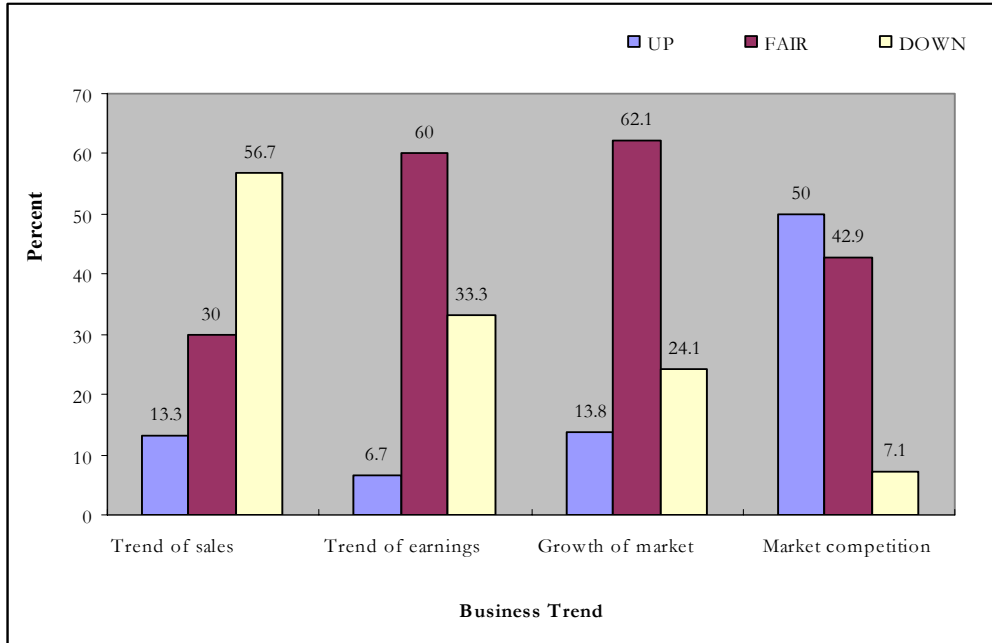
1. Business Trend of SMEs

1.1 Greater Accra

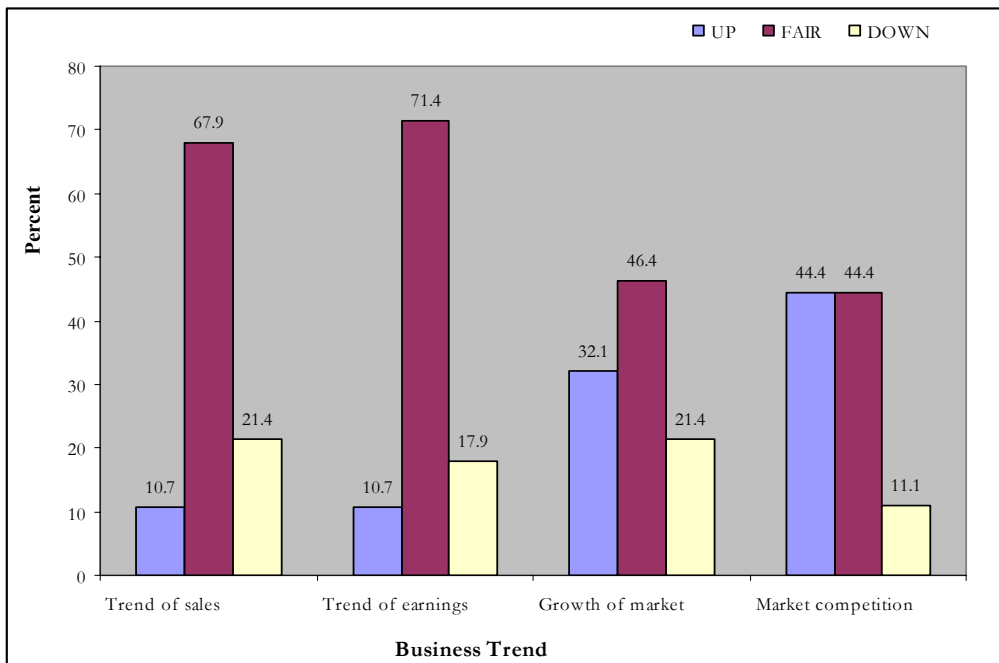


* The Shea Butter Processing Groups double as MSMEs in the Northern Region

1.2 Ashanti



1.3 Central

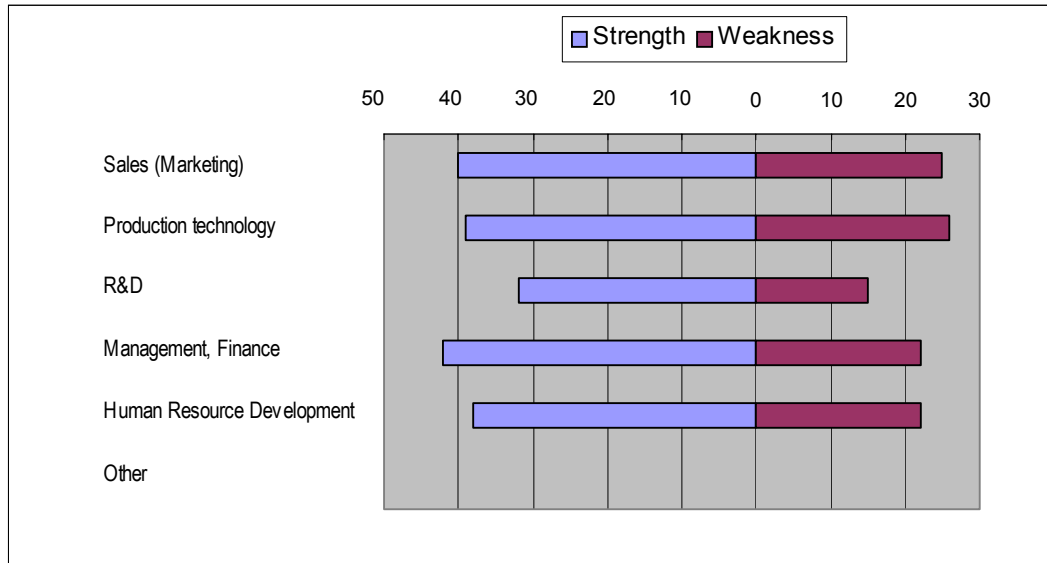


2. SWOT

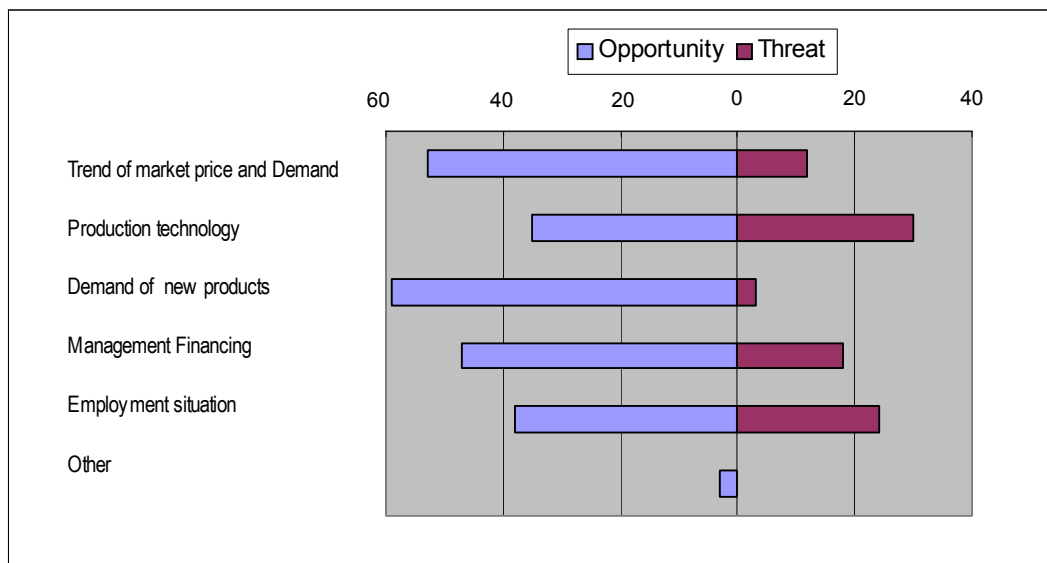
(Number of response in questionnaire survey)

2.1 Greater Accra

2.1.1 Strength and Weakness

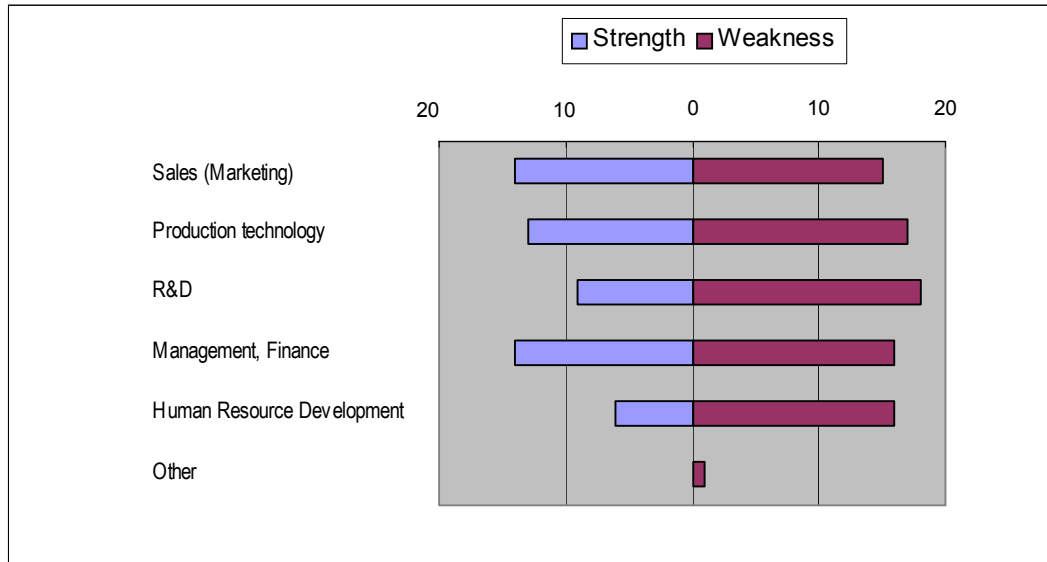


2.1.2 Opportunities and Threats of MSMEs

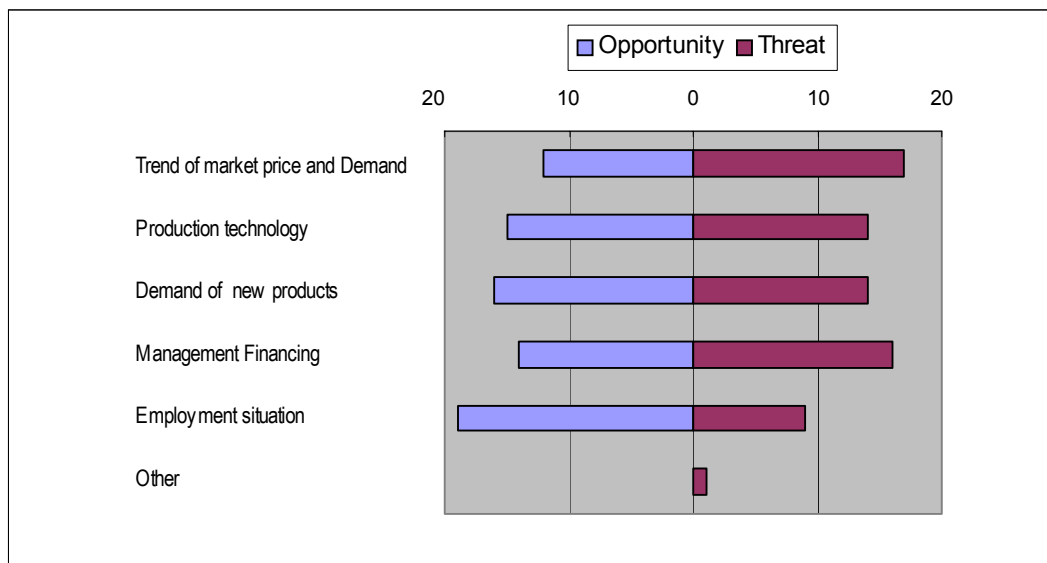


2.2 Ashanti

2.2.1 Strength and Weakness

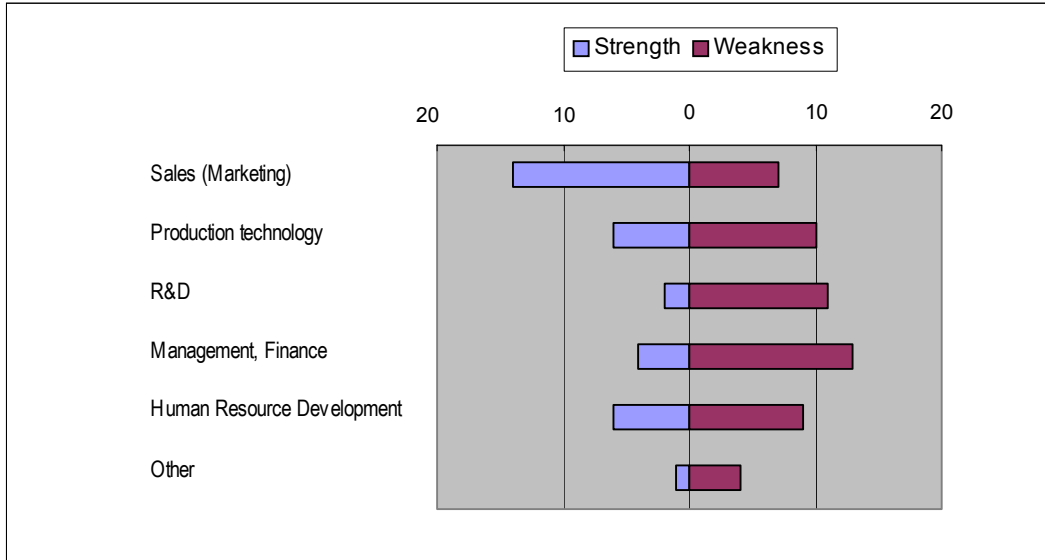


2.2.2 Opportunities and Threats of MSMEs

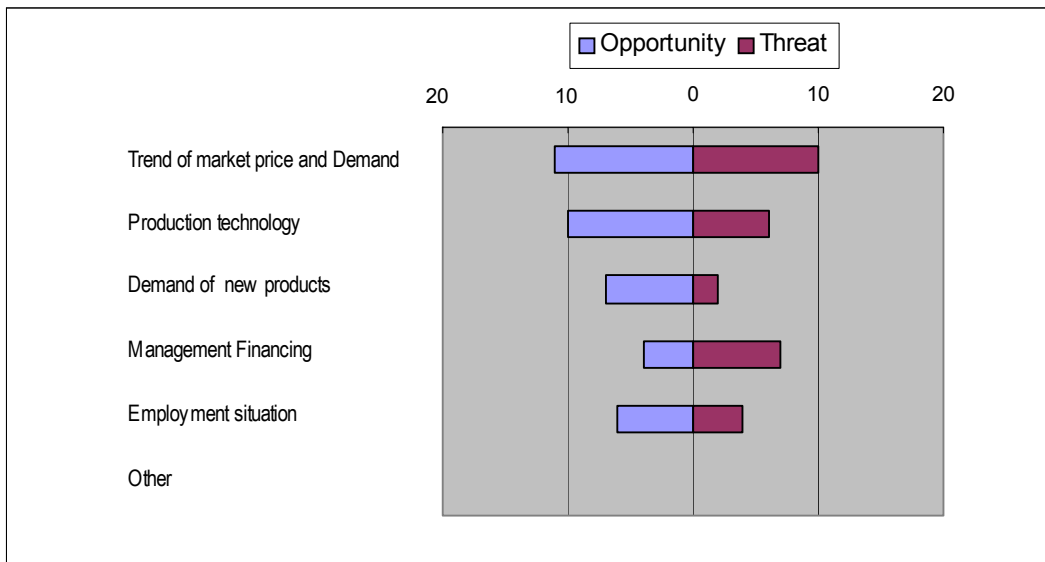


2.3 Central

2.3.1 Strength and Weakness



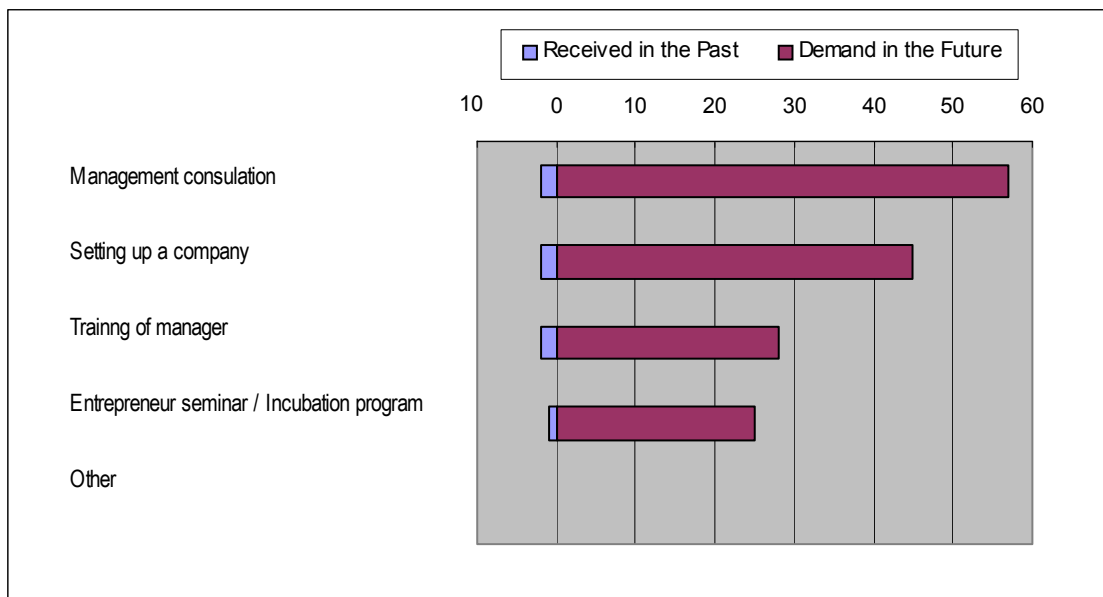
2.3.2 Opportunities and Threats of MSMEs



3. Business Support Service Receive in the Past and Demand in the Future (Number of response in questionnaire survey)

3.1 Greater Accra

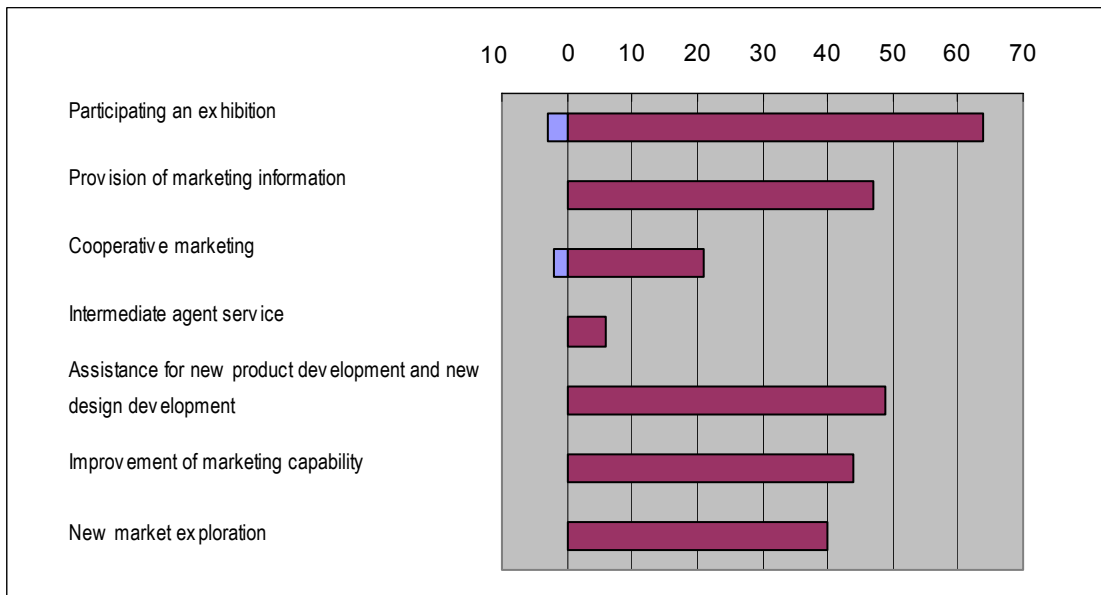
3.1.1 Improvement of Management



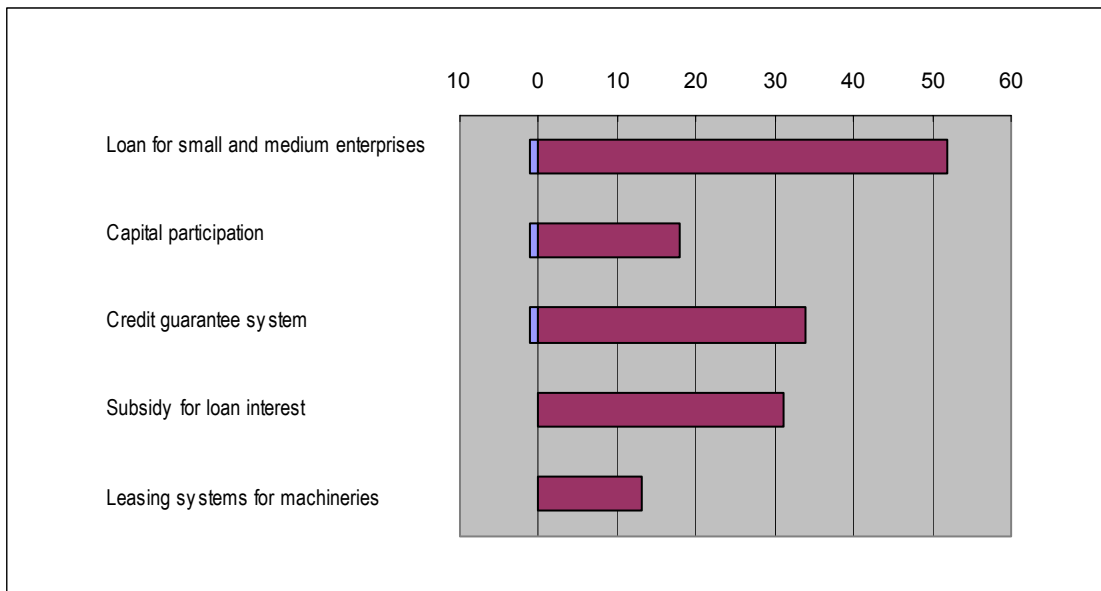
3.1.2 Development of Production Technology



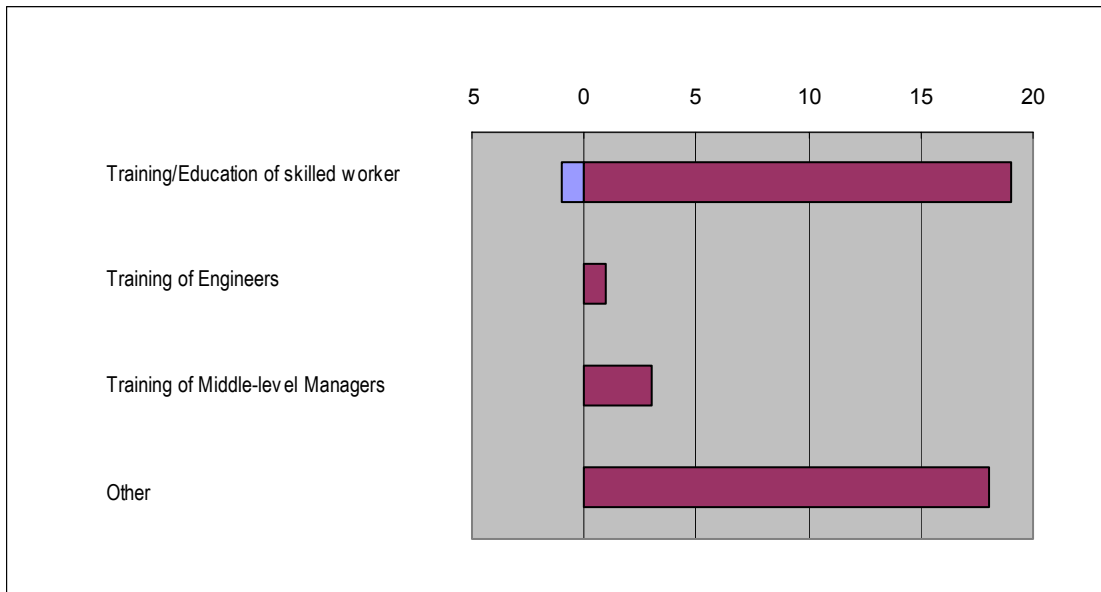
3.1.3 Market Development



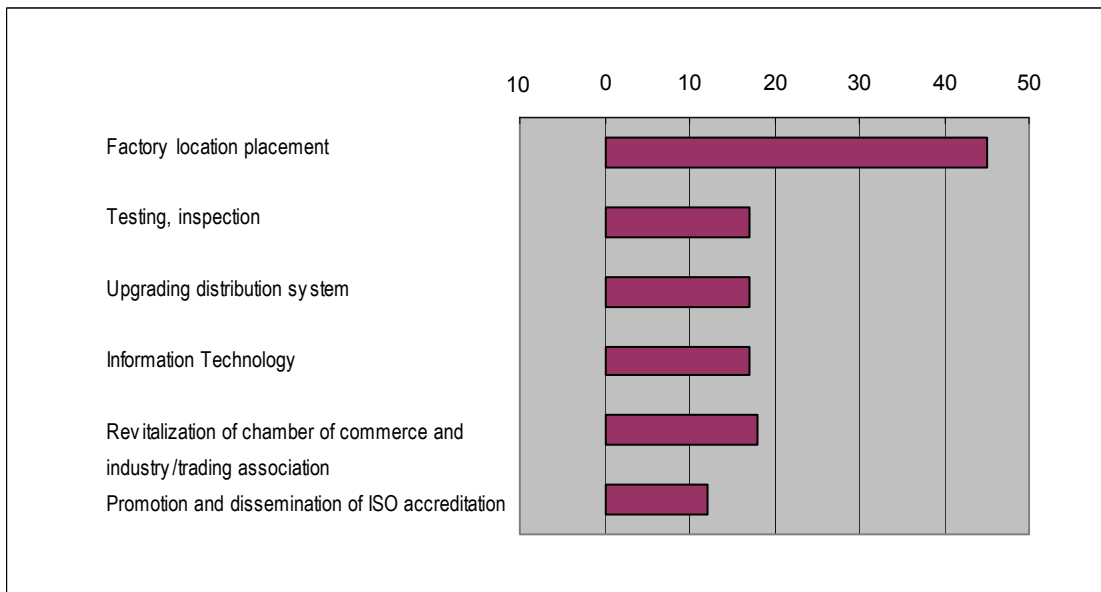
3.1.4 Financial Assistance



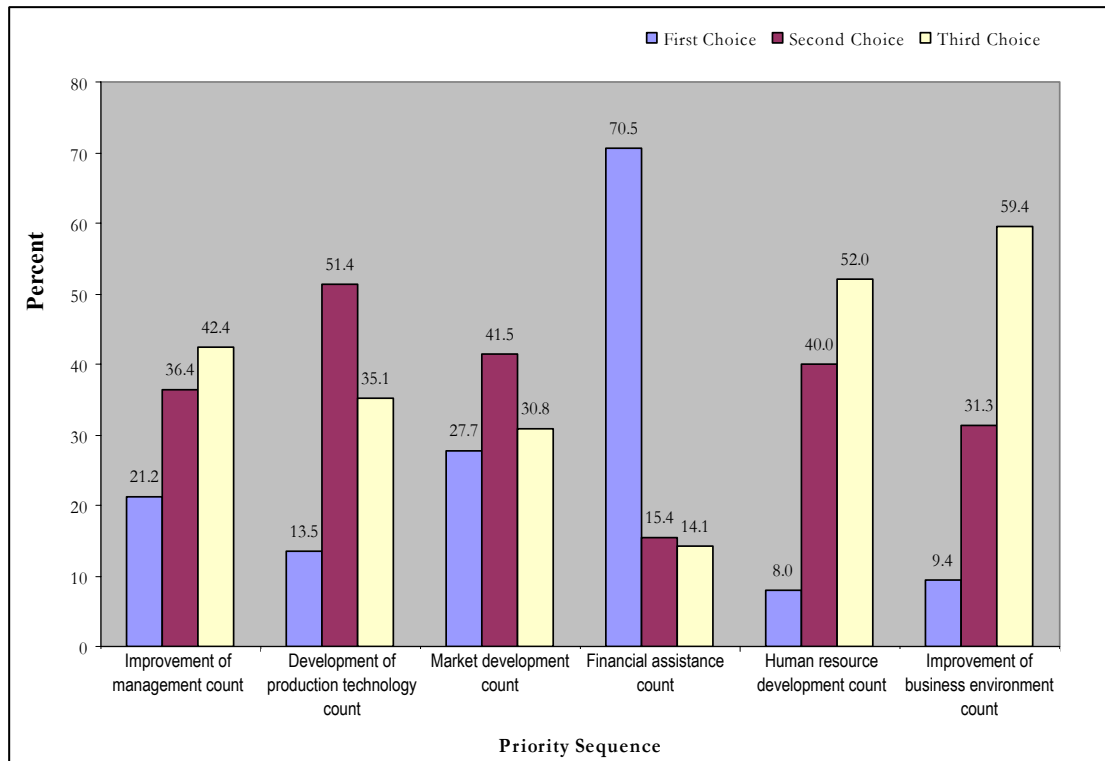
3.1.5 Human Resource Development



3.1.6 Improvement of Business Environment

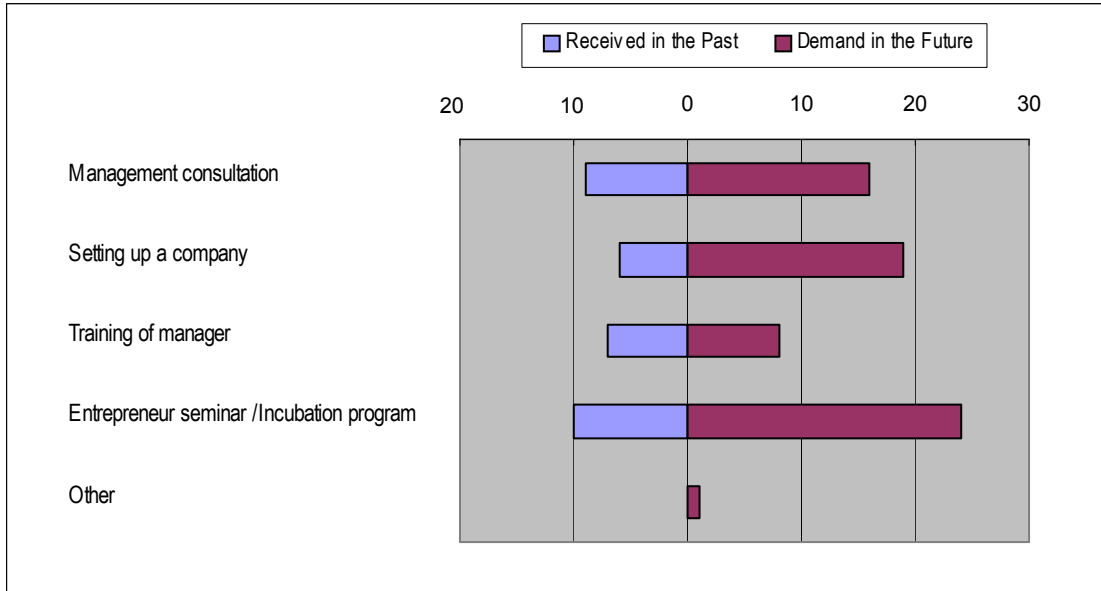


3.1.7 Priority Sequence

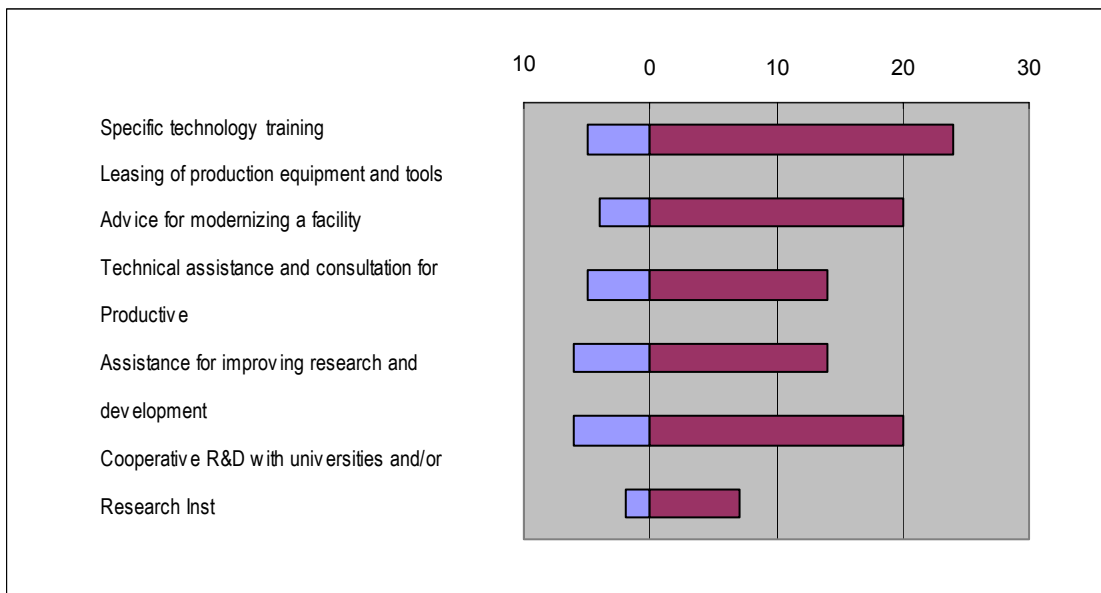


3.2 Ashanti

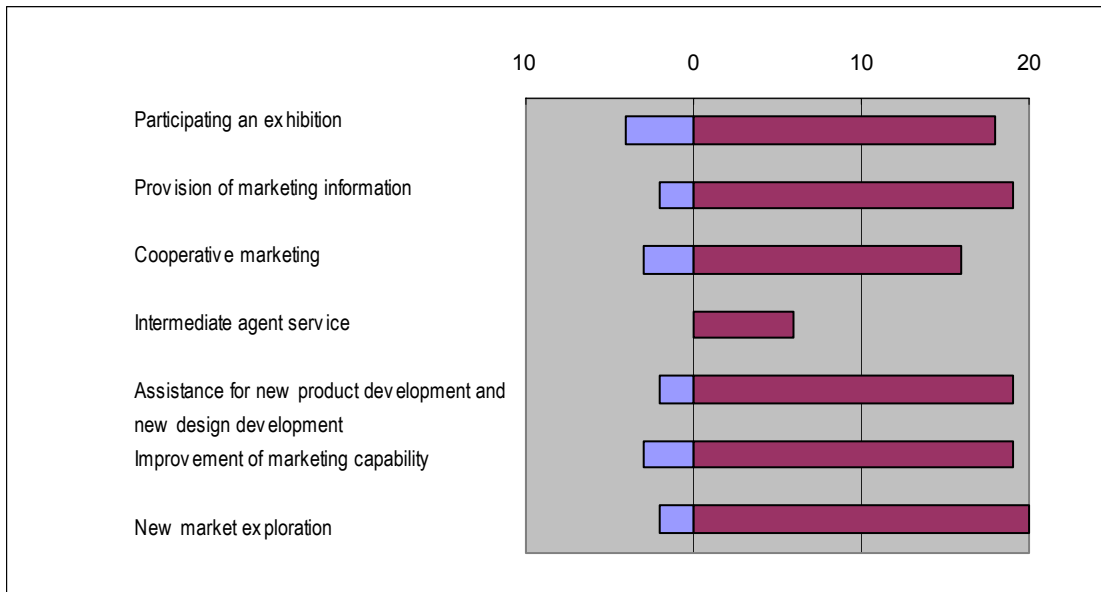
3.2.1 Improvement of Management



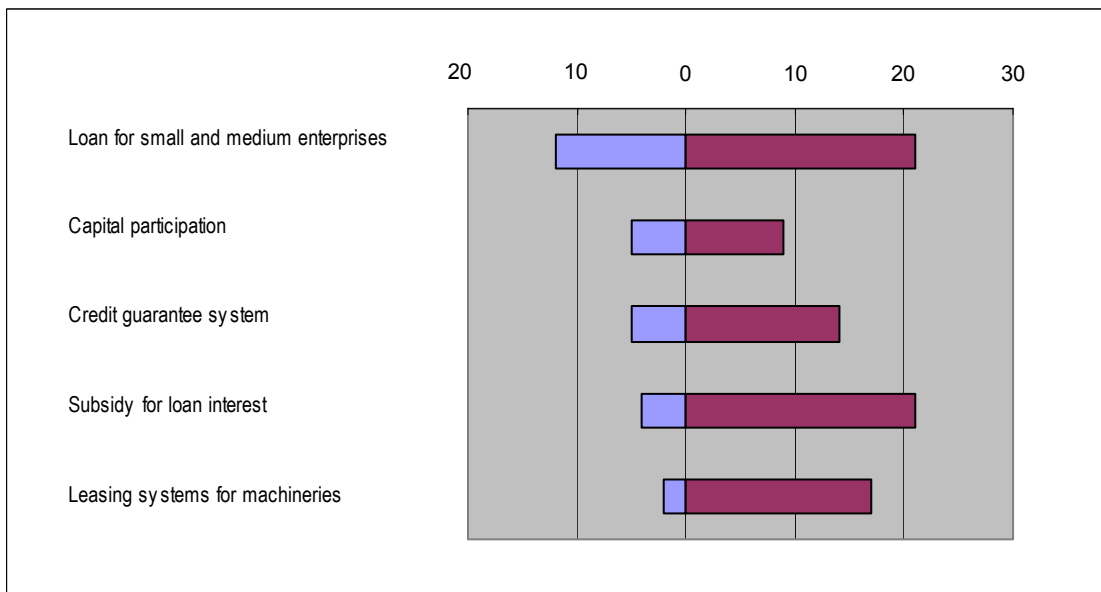
3.2.2 Development of Production Technology



3.2.3 Market Development



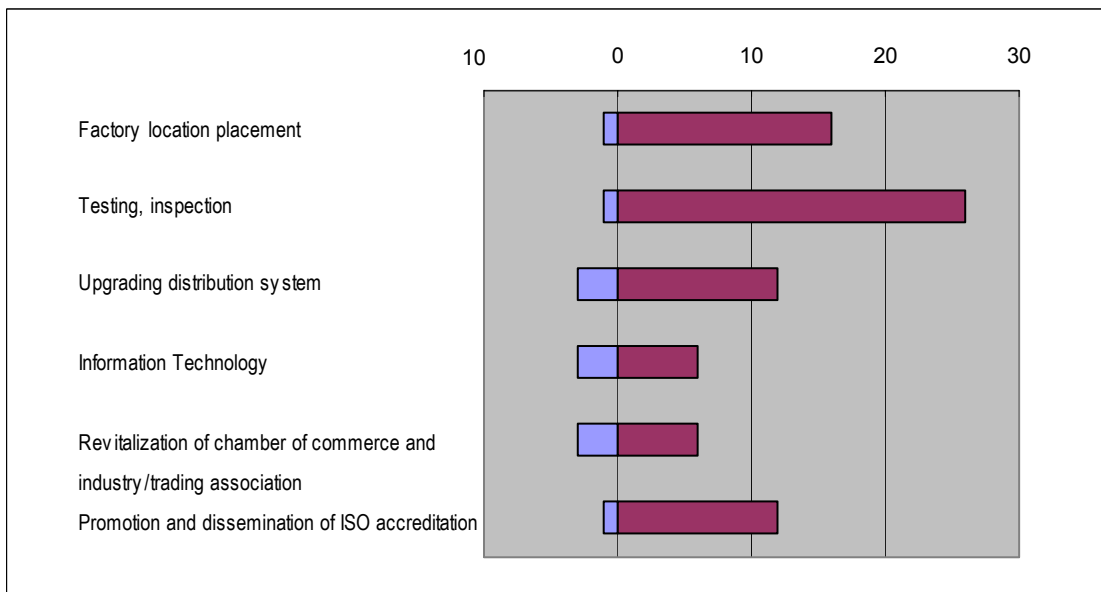
3.2.4 Financial Assistance



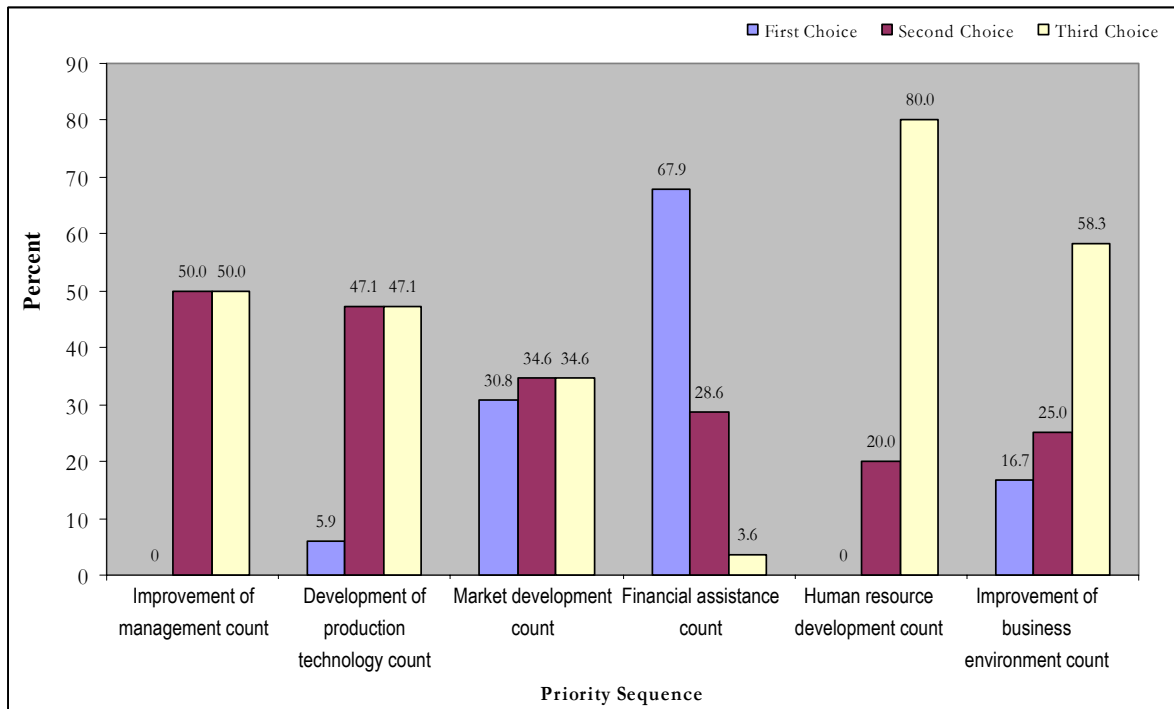
3.2.5 Human Resource Development



3.2.6 Improvement of Business Environment

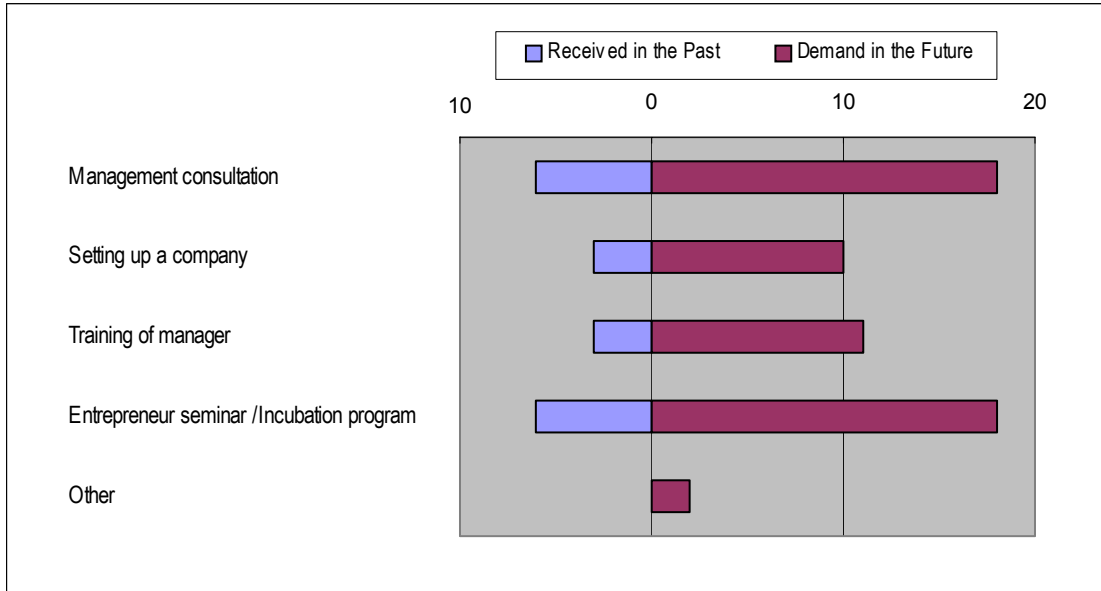


3.2.7 Priority Sequence

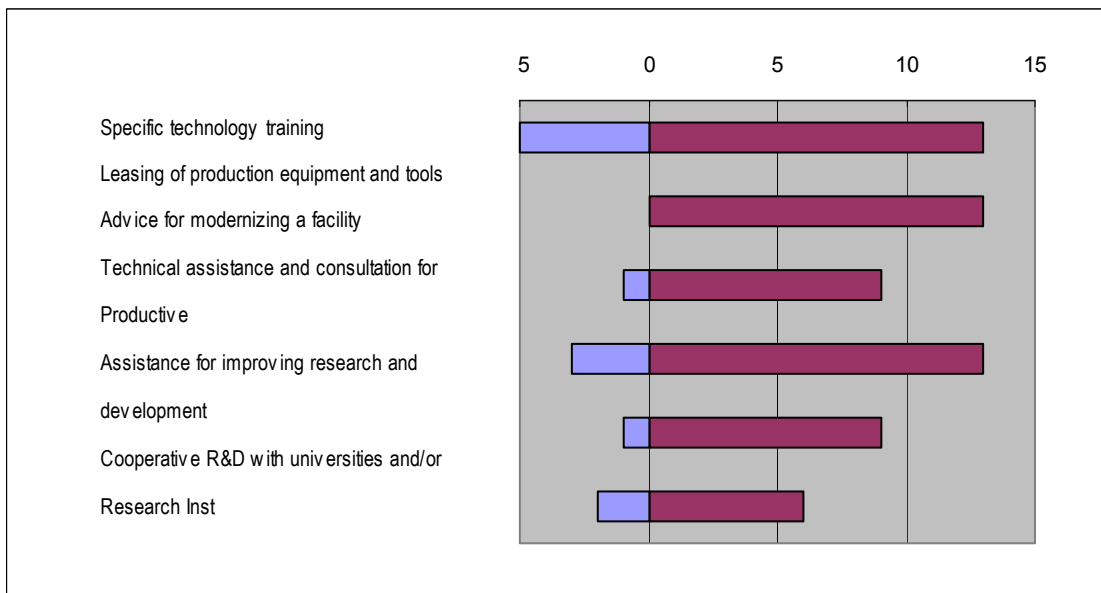


3.3 Central

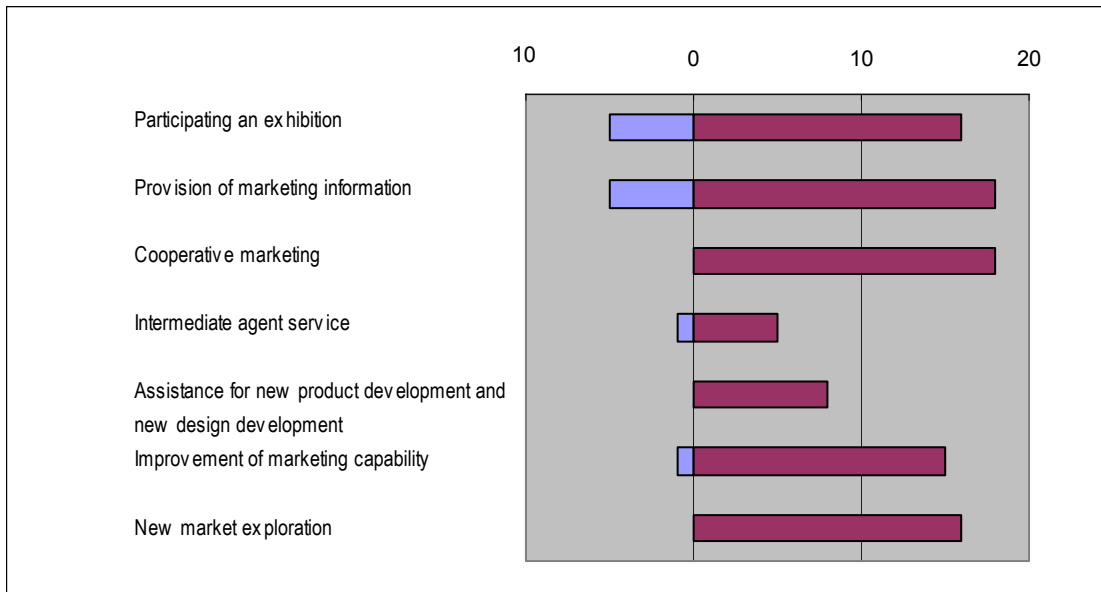
3.3.1 Improvement of Management



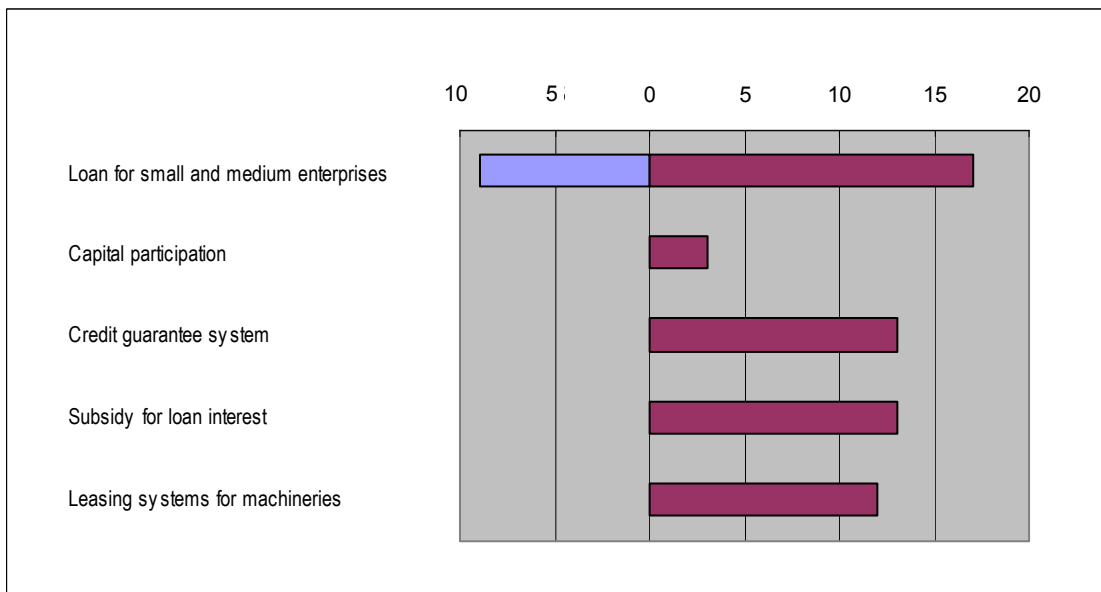
3.3.2 Development of Production Technology



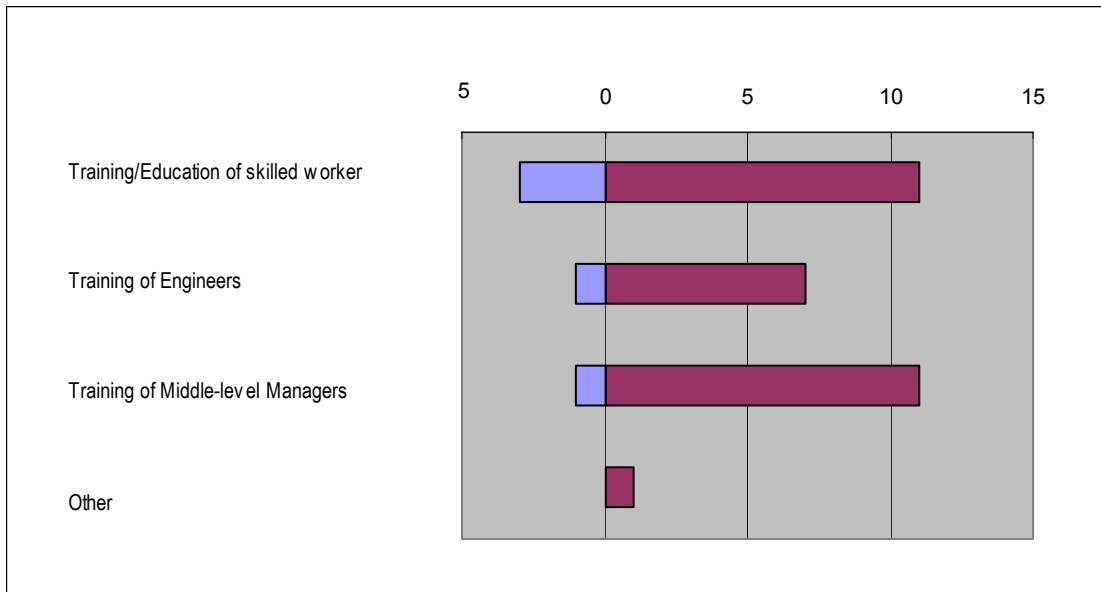
3.3.3 Market Development



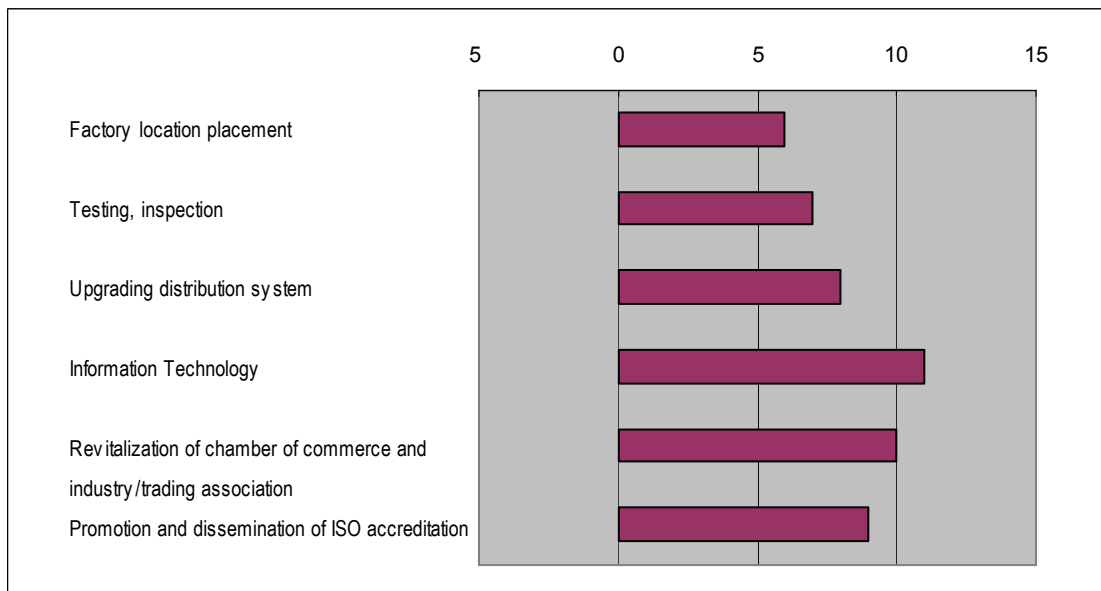
3.3.4 Financial Assistance



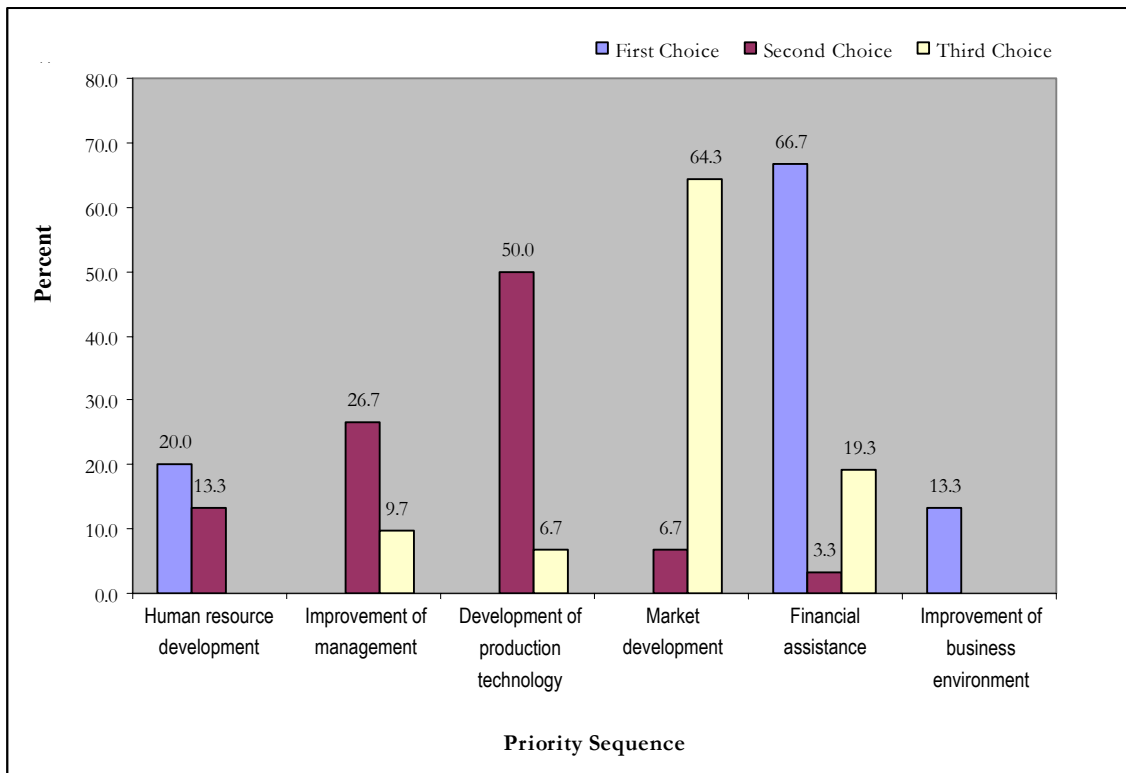
3.3.5 Human Resource Development



3.3.6 Improvement of Business Environment

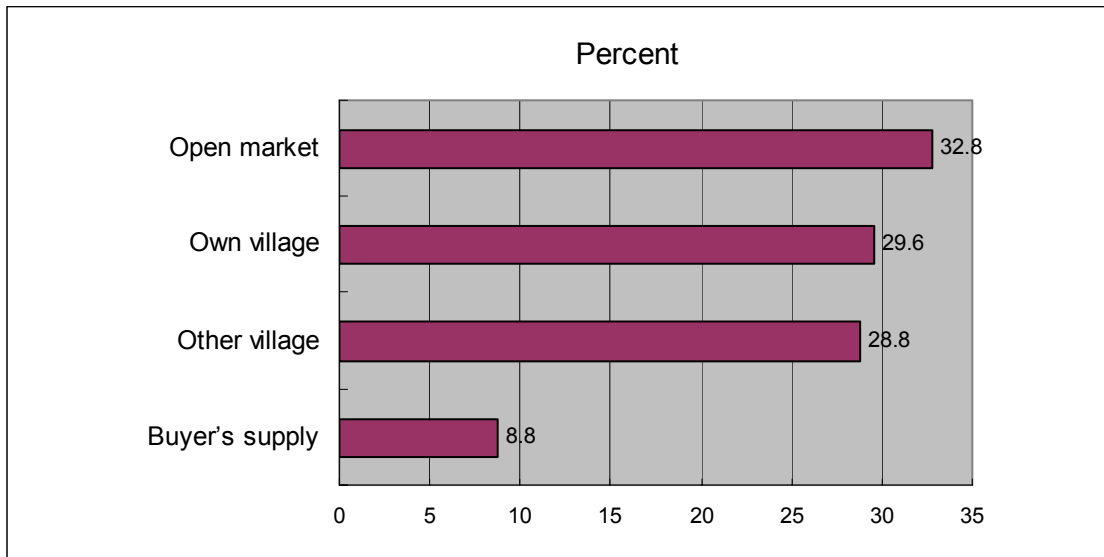


3.3.7 Priority Sequence

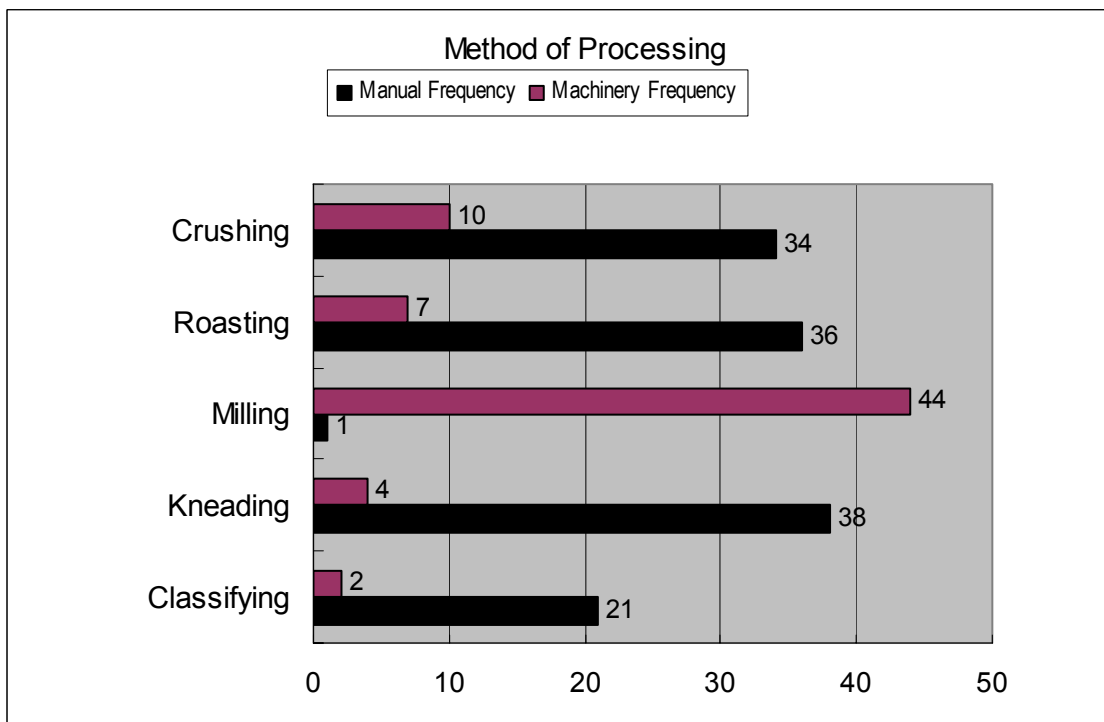


3.4 Northern (Shea Butter Processor Groups)

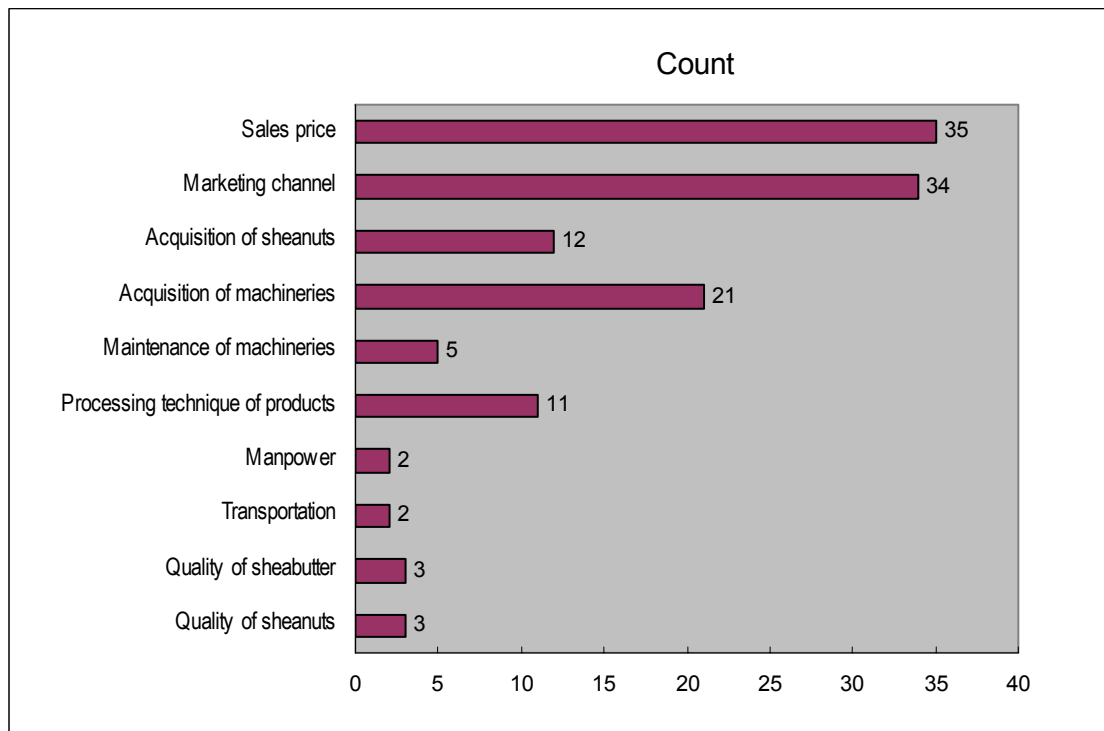
3.4.1 Sources of Raw Materials



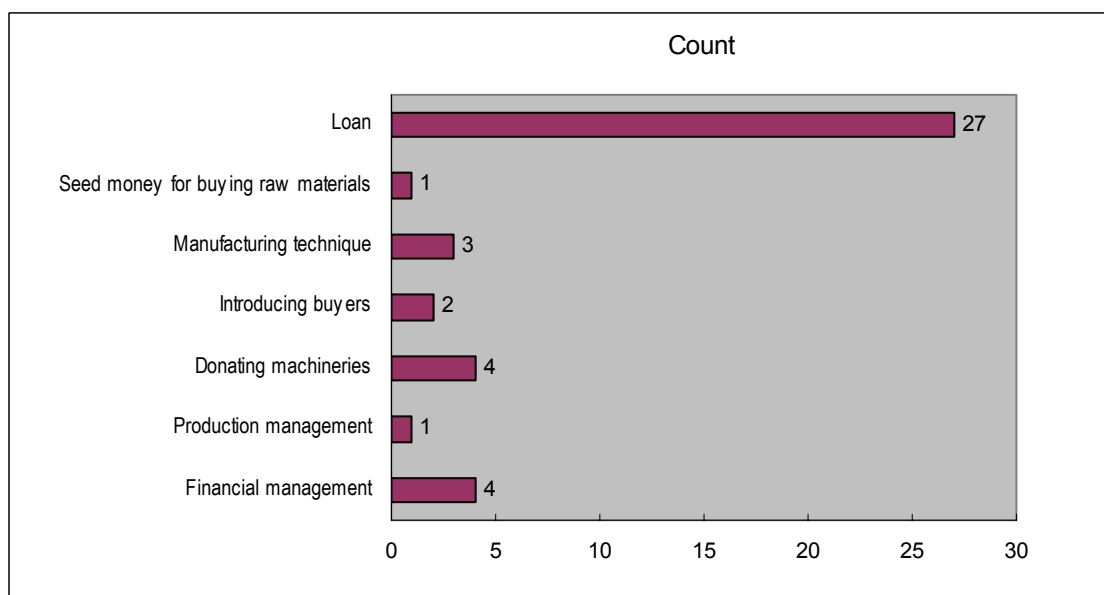
3.4.2 Method of Processing (Manual and Machinery)



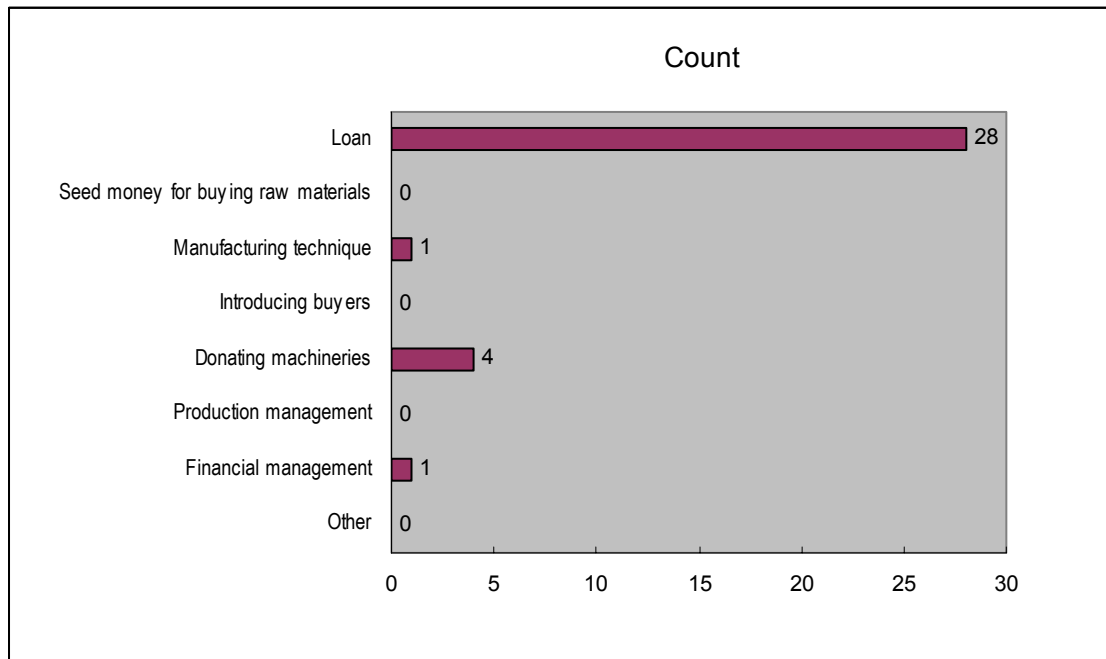
3.4.3 Problems Encountered



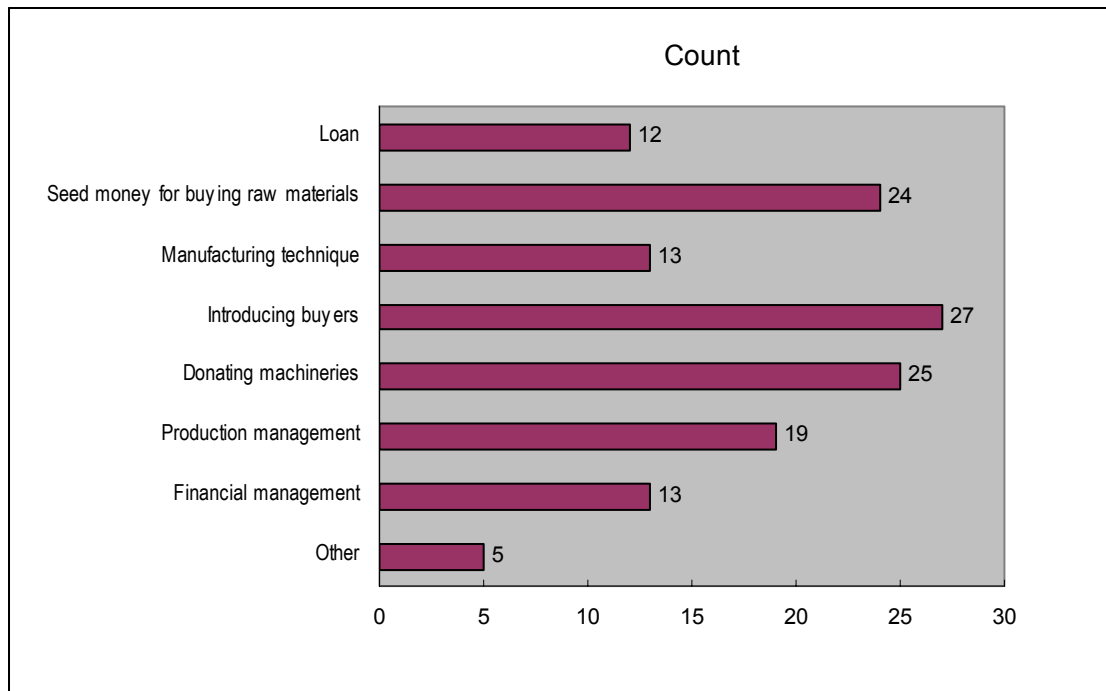
3.4.4 Type of Assistance Received



3.4.5 Most Helpful Support



3.4.6 Necessary Assistance



Annex 4 Basic Data on the Four Regions¹

A4-1 Geographical Profile

Features	Greater Accra	Ashanti	Central	Northern
Regional Capital	Accra	Kumasi	Cape Coast	Tamale
Number of Districts	Six (6)	Twenty-one (21)	Thirteen(13)	Eighteen(18)
Size sq. km	3,245 (1.4% of the size of Ghana)	24,389 (10.2% of the size of Ghana)	9,826 (4.1% of the total of Ghana)	70,383
Climate	Temperatures ranging from 21°C min. in August to 33°C maximum in March	Temperature averagely over 27°C on the northern fringes of the forest zone. It has two significant rainy seasons with May-June and October being their peaks and an average rainfall of 166.7cm	Temperatures range between 21°C min and 29°C and 32°C max for the southern and northern sectors respectively	The climate of the region is relatively dry. The dry season starts in November and ends in March/April with maximum temperatures occurring towards the end of the dry season (March-April) and minimum temperatures in December and January. The harmattan winds occur during December to early February. The temperatures in the region vary between 14°C at night and 40°C

¹ Ghana Statistical Service, 2000 Population and Housing Census, Greater Accra, Ashanti, Central and Northern Regions, Analysis of District Data and Implications for Planning, www.ghanadistrict.com

				during the day.
Relative Humidity	Average of 64% in the morning and 95% in the afternoon	Average about 85% in the forest area and 65% in the savanna belt.		Humidity is very low, mitigates the effect of the daytime heat.
Vegetation	Coastal savannah grassland with small thickets of forests along stream courses and mangrove and swampy vegetation along the coastal lagoons	Vast area of semi deciduous forest south of the mountainous range; and guinea savannah woodland in the north-eastern part of the region.	Tropical rain forest, moist semi-deciduous forest, coastal shrub and grasslands, and strand and mangrove swamps.	The main vegetation is classified as vast areas of grassland, interspersed with the guinea savannah woodland, characterised by drought-resistant trees such as the acacia, baobab, shea nut, dawadawa, mango, neem.
Soil	Savannah ochrosols, forest ochrosols, tropical black earths and tropical grey earths.	Forest and savannah ochrosols at the semi-deciduous and Guinea savanna area and ground water laterite intergrades along the Afram River	Forest ochrosols	<ul style="list-style-type: none"> i. Deep medium and heavy texture alluvial soils in the Volta basin suitable for mechanized cultivation and irrigation. ii. Moderately deep and light textured soil suitable for mechanization and irrigation. iii. Moderately deep, well-drained and light textured suitable for crop cultivation. iv. Moderately deep, well drained concretionary soils suitable for cultivation. v. Shallow, poorly drained, soils with frequent exposure of iron pan not suitable for farming except in patches. vi. Shallow eroded and rocky soils unsuitable for farming.

Geology	A greater part of the region is characterized by early Pre-Cambrian or Dahomeyan formation of massive crystalline gneisses, schists and magmatites, especially in the eastern half. In the western part, the geology is characterized by the Togo series and Cape Coast formation comprising mainly quartzites, sand stones, silicified limestone and granites. The south-central part of the region, that is, the area covered by the city of Accra and its immediate hinterland is characterized by Middle Devonian formation which is faulted in parts and subject to seismic activity. The region is poorly endowed with mineral resources and possesses only granites, clay, sand and salt	Voltaian sedimentary rocks confined to the north-eastern part of the region; with metamorphic and igneous rocks found at the south and south-western portions	The region is mainly characterised by Birimian rocks with intrusion of large masses of granites known as Cape Coast Granitoids Complex. The complex, which is also Middle Precambrian rocks, occurs in more than two-thirds of the Central Region, they are identified by the presence of many enclaves of schist and gneisses, and the chemical composition of a typical granite rock shows the presence of high aluminum oxide and, therefore, a relatively high alkaline content, in the coastal areas.	The Northern Region is situated in very old geological area, which has been subjected to extensive erosional processes over many ages. The most recent rocks, apart from alluvial materials, are Upper Voltaian formation tillites of paleozoic age. The oldest are pre-Cambrian basement complexes.
Natural Resources	The region is not well endowed with mineral resources and possesses only granite, clay and	The Ashanti Region is one of the three regions in Ghana which have mineral deposits of significant economic value. Among them are:	The region is endowed with rich natural resources like: gold,	

	salt.	<p>i. Gold: Mined in the Adansi, Konongo-Odumasi, Mpatuam belt, Tapa, River Anum bed, Bamprasi area.</p> <p>ii. Bauxite: Nyinahin with about 350 million metric tones (varies from 6m to 15m in thickness.</p> <p>iii. Manganese: Mined in Odumase near Konongo with estimate reserve of 1,706,216 metric tones. These deposits have a manganese content of 19.7%. There are small deposits estimated at 30,100 metric tones at Asarebusu</p> <p>iv. Limestone: Afrancho and S.W. of Ejura.</p> <p>v. Silica Sand: Bodwesango with overall deposits estimated at 1 million cubic meters of good quality sand which could be utilized for glass and bottles.</p> <p>vi. Iron: Found on top of the Obuom mountain ranges in the Obuasi District. It is yet to be exploited.</p> <p>vii. Clay Deposits: The region has large deposit of clay suitable mainly for the manufacture of brick and tile. With the exception of the Aferi Deposits estimated to be 2,055,900 metric tons, the rest are yet to be exploited.</p> <p>viii. Quarrying: Ashanti has big quarries operated by GHA, Limex, Consar Co. Ltd, and some private individuals.</p>	beryl, bauxite, petroleum and natural gas, kaolin, diamond, Kokoso, clay including pigment clay, tantalite and columbite, quartz, muscovite; and other minerals like mica, granite, feldspar as well as timber and rich fishing grounds along the coast; forests and rich arable land.	
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A4-2 Data and Information on Economy, Population, Employment²

<i>Features</i>	<i>Greater Accra</i>	<i>Ashanti</i>	<i>Central</i>	<i>Northern</i>
<i>Economy</i>	<p>Out of a population of 1,945,284 persons aged 15 years and older, 1,377,903 or 70.8 % were economically active, while 567,381 or 29.1 % were not. Among the economically active population, 82.6 % had worked, 4.0 % had jobs but did not work and 13.4 % were unemployed during the seven days before census night. It is noted that the proportion unemployed (13.4%) is slightly above the national figure of 10.4 %. In 2000, a slightly higher proportion of males (87.0%) than females (85.7%) were employed, while the reverse is the case in 1984. Students (35.9%) and homemakers (25.8%) form the highest proportions of the non-economically active</p>	<p>The economically active population in the region is engaged mainly in Agriculture (excluding Fishing), with 44.5 per cent of them employed in the branch of activity. This represents a decline from the 1984 level of 61.9 percent. The next highest proportion of the economically active population is employed in Wholesale and Retail Trade (18.4%), followed by Manufacturing (12.2%) and Community, Social and Personal Services etc., (9.9%). These four major economic activities employ a total of 85.0 per cent of the economically active population, which is lower than that of 1984 (94.4%). The proportion of the economically active population engaged in other economic</p>	<p>Unemployment is much lower in the region (8.0%) than the national average (10.4%). Two districts, Mfantiman (14.8%) and Cape Coast (11.3%), have values exceeding the national average. Unemployment affects females (8.2%) more than males (7.8%) in almost all the districts. The phenomenon of child labour is also a problem in a number of districts where about 5 per cent of children under age 15 years are engaged in economic activities.</p>	<p>The region's economy is basically agrarian. Farming of food crops and livestock are mainstay of the vast majority of the population of the region. Only a small section of the population is engaged in petty trading and light manufacturing. The regional per capita income is estimated at \$217,.00 as against the national per capital income of about \$450,.00.</p>

² Ghana Statistical Service, 2000 Population and Housing Census, Greater Accra, Ashanti, Central and Northern Regions, Analysis of District Data and Implications for Planning www.ghanadistrict.com

	population	activities is less than 5.0 per cent in each case. Water and Transport, Storage and Communications, Electricity, Gas and all the other activities increased their proportions of the economically active population employed in 2000 compared with 1984, except Agriculture, Hunting and Forestry.		
Population	The population of Greater Accra increased from 491,817 in 1960 to 2,905,726 in 2000. Its share of the total population of the country has steadily increased from 7.3 % in 1960 to 15.4 % in 2000	The region is the most populous and one of the most rapidly growing regions in the country. The region's population is 3,612,950, representing 19.1 per cent of the country's population. The region's population growth rate was 2.9 per cent per annum in 1970, dropped to 2.5 per cent per annum in 1984 and increased to 3.4 per cent in 2000.	In 1984, the region's population was 1,142,335. This has increased to 1,593,823 in 2000, representing a growth rate of 2.1% per annum.	The Northern Region has about 9.6% of the nation's population. In 1960 the region had a population of 531,573, 727,618 in the 1970 and 1,162,645 in 1984 showing a growth rate of 3.4% per annum
Employment	A little more than half of the economically active persons representing 51.8% in the region are self-employed. In the whole region, a higher proportion of females representing 62.6% are self employed without employees	The highest proportion of the economically active population, represented by 44.5% is mainly engaged in farming. This is followed by 18.4% employed in Wholesale and Retail Trade, 12.2% in Manufacturing, and	92.0 % of the economically active are employed while 8.0% are unemployed	Nearly 68 % of the economically active population is self-employed, while 22.9 % are unpaid family workers with only about 6.1 % being employees. This regional pattern is also reflected in all the districts. The

	<p>than males who represent 41.6%. The high proportion of self employed without employees have increased from 49.0 % in 1984 to 51.8 % in 2000 giving rise to significant economic implications for the region</p>	<p>9.9% in Community, Social and Personal Services etc. These four major economic activities employ a total of 85.0 % of the economically active population. This is lower than 94.4% as obtained in 1984.</p>		<p>bulk of the population representing 83.4% of the region is employed in the private informal sector. An additional 11.5% are employed in the private formal sector. This justifies the policy to encourage and reinforce the private sector to lead and speed up the growth of the economy. The public sector accounts for only 4.3 % of the working population. The private or informal sector is the largest employer in all the districts.</p>
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A4-3 Industrial Structure, Industrial Sub-sectors, Production and Consumption³

<i>Features</i>	<i>Greater Accra</i>	<i>Ashanti</i>	<i>Central</i>	<i>Northern</i>
<i>Industry</i>	The two major industrial activities in the region are trade (wholesale and retail) (30.4%) and manufacturing (16.7%). Agriculture, fishing and forestry, the most predominant industry in the country, comes as the third major industry in the region, contributing 7.9%. Transport storage and communication come forth with 6.7%, followed by Construction 6.6%, Hotels and Restaurants 4.2%, Fishing 3.6%, Mining and Quarrying 1.6%, Financial intermediation 1.5% and Electricity, Gas and Water supply 0.5% in that order.	Mining, Micro and Small Scale Manufacturing, Services, Poultry and Livestock	The predominant industry is agriculture (52.3%), followed by manufacturing (10.5%).	The main industrial activity in the Northern Region is Agriculture (70.9%) which largely comprise of farming, animal husbandry, hunting and forestry. There is very limited manufacturing (7.1%) in the region. Wholesale and retail trading also accounts for 7.5% of all industrial activity. Less than one percent (0.7%) of the population is engaged in mining and quarrying activities. A variety of other enterprises in the industry sector, such as Fishing, Hotels and Restaurants, Communication, Health and Education, together comprise 10.0 % of the total industrial activity of the region.
<i>Industrial Sub-sectors</i>	<i>Garment and Textile</i>	<i>Oil Palm</i>	<i>Citrus, Pineapple</i>	<i>Shea Butter</i>
<i>Production</i>	As at 2002, the four major companies that survived the turbulence in the	In the Ashanti region, oil palm thrives well in the forest belt of Amansie,	The central region is the leading producer of citrus in the country,	

³ Ghana Statistical Service, 2000 Population and Housing Census, Greater Accra, Ashanti, Central and Northern Regions, Analysis of District Data and Implications for Planning www.ghanadistrict.com Peter Quartey, The Textiles and Clothing Industry in Ghana, in Herbert Jauch / Rudolf Traub-Merz (Eds.) , The Future of the Textile and Clothing industry in Sub-Saharan Africa, Bonn: Friedrich-Ebert-Stiftung, 2006.

	<p>sub-sector are the Ghana Textile Manufacturing Company (GTMC), Akosombo Textile Limited (ATL), Ghana Textile Product (GTP), and Printex with GTP maintaining the lead in the industry.</p> <p>Ghana's textile industry is mainly concerned with the production of fabrics for use by the garment industry and also for the export market. The sub-sector is pre dominantly cotton-based although the production of man-made fibres is also undertaken on a small scale. The main cotton-based textile products include: African prints (wax, java, fancy, bed sheets, school uniforms) and household fabrics (curtain materials, kitchen napkins, diapers and towels). These products form the core of the sub-sector.</p> <p>As at March 2005, GTP was producing 9 million yards, ATL 18 million yards, GTMC 2.24 million yards and Printex 9.84 million yards. A total annual output of 39.04 million</p>	<p>Asante Akim, Adansi, Ejisu and Juaben areas. The region in 1989/90 produced about 35,700 metric tons of palm fruits representing 6.6% of the national production for that year and thus, ranked fourth after Western, Eastern and Central Regions.</p>	<p>orange, lime; lemon and tangerine are cultivated on commercial scale in the region. The region produced 60,000 metric tonnes in 1989/90 which represented about 30% of the national production for that year, citrus is cultivated in all parts of the region with concentration in Asebu and its surrounding areas where about 2,500 hectares of plantations have been established. It is estimated that about 4,900 metric tonnes of lime are produced annually.</p> <p>It is also the second largest pineapple producing region in the country coming after eastern region, in the central region, Large-scale cultivation of the crop is concentrated at Kafodzidzi, Ekumfi, Abrobano, Mankessim and Yamoransa districts. In 1989/90, the region produced 5,000 metric tonnes of pineapple representing 29.5% of the national output of 50,900 metric tones. At the national level, the volume of pineapple export has increased steadily over the past 4 years from about 8000 metric</p>	
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	yards was produced by the industry as at March 2005, which translates to an average of 49.4% of initially installed capacity of the four firms. Thus, output had declined from 65 million yards, in 2000 to 39 million yards in 2005. The reason for the decline in output varies.		tonnes in 1989 to 13,157 metric tonnes in 1993.	
Consumption	Recent reports suggest that, the textile companies are cutting production because of unfair competition with smuggled textile products and the influx of cheap Chinese textiles. Leather Goods in Ghana same trend in production and face similar problems as the textile industries.	There is large demand for palm oil in Ghana. Palm oil is used locally for cooking as well as for the manufacture of several vegetable oil based products such as soap, margarine, bakers' fat and paint. In the Ashanti region, Appiah Complex Ltd, manufacture of soap is a large scale industrial consumer of palm oil, while UNILIVER Ghana Limited is the single major industrial user of palm oil in Ghana. The company uses locally produced palm oil for the manufacture of soap, margarine and bakers' fat. In addition, the company processes palm oil into refined and deodorized salad and palm oil for sale on the local market.	The lime produced in the region are sold to Emil (Ghana) Limited which processes the fruit into concentrated lime juice, lime oil and dried lime peel mainly for export.	

Annex 5 Funding Options

1 Introduction

One of the main constraints of the SMEs over the years has been the lack of long term investment funds, due largely to their high risk profiles by virtue of the investing track record. This scares away the banks and the securities market from investing in them. However, for the private sector to actually play this role more effectively requires adequate capitalization.

Access to traditional growth capital, including debt and equity, is not only limited in Ghana but often prohibitively costly due to various factors such as insufficient legal and regulatory policies, and inadequate financial markets. The government of Ghana and its development partners has tried to address this challenge by creating various funding schemes, lending instruments and private sector investment intermediary institutions. This chapter reviews six possible financing schemes available to the citrus and pineapple factories in Central Region – namely: Venture capital initiated under the Ghana Venture Capital Trust Fund, leasing being supported by the IFC of the World Bank, Grant and SME credit lines such as the SPEED Loan Fund and the ADF Loan, Government of Ghana Micro Finance and Small Loans disbursed through NBSSI, Credit guarantee scheme (Eximuranty Company Ltd.).

2 Venture Capital Financing

The Government of Ghana set up the Venture Capital Trust Fund (VCTF) by an Act of Parliament, Act 680, in December 2004 and became operational in December 2005. The aim of the Trust Fund is to provide financial resources for the promotion of venture capital financing for SMEs in the economy and also to stimulate the emergence of a sustainable private owned venture capital industry in Ghana.

In addition to the setting up of VCTF, Government granted generous incentive packages to attract private investors to the venture capital investment sector. The objective of the VCTF is to provide financial resources for the development and promotion of venture capital financing for SMEs in priority sectors of the economy as shall be specified from time to time, particularly;

- the provision of credit and equity to eligible venture capital financing companies to support Small and Medium Enterprises which qualify for equity and quasi equity financing;

- the provision of monies to support other activities and programs for the promotion of venture capital financing as the Board may determine in consultation with the Minister.

2.1 Activity Venture Finance Company (AVFC)

Activity Venture Finance Company is the first Venture Finance Company to satisfy all the conditions specified under section 16 of the Venture Capital Trust Fund Act 2004 (Act 680) to qualify for funding from the Trust Fund. AVFC is a limited liability company incorporated under the companies code 1963 (Act 179) with the sole authorized business of assisting in the development of SMEs by making available for their use, equity and quasi-equity financing and providing them business and management expertise. AVFC is owned by the Agricultural Development Bank, the Ghana Commercial Bank and the Venture Capital Trust Fund and managed by JCS Investment Limited.

The objectives of AVFC include the following:

- Provision of credit and/or equity financing to eligible SMEs
- Monitoring of activities of SMEs financed by Activity Venture Finance Company with the aim of improving their profitability
- Coordination and provision of post investment assistance to investee companies especially relating to capacity building.
- Helping to improve standards of corporate governance, financial reporting, transparency and internal controls of investee companies
- Assisting investee companies to develop and refine their business strategies for expansion and other strategic purpose.

The AVFC announced to the general public the commencement of its funding operations effective November 1, 2006. SMEs seeking to access funding under the Venture Capital Trust Fund Act, 2004 (Act 680), are required to apply for funds directly to Activity Venture Finance Company. AVFC can invest up to \$500,000.00 per any business and this can be structured to suit the investee company. Applicants are to ensure that they submit the following:

- An application letter
- Three hard copies of the business proposal
- One soft copy of the business proposal
- Tax clearance certificate

Generally the fund is available to all sectors of the economy but priority is given to certain sectors from time to time in line with the Government's economic growth policies and objectives. The current priority sectors are the Pharmaceutical, ICT, Agriculture and Tourism. This is a low cost financing deal. However, the actual rate charged is determined on a case by case basis, depending on the risk associated with the project. But for sure the rates would always be far lower than those charged by banking institutions.

Under the Venture Capital Trust Fund Act, 2004 (Act 680) a SME means an industry, project undertaking or economic activity which employs not more than 100 persons and whose total asset base excluding land and building does not exceed the cedi equivalent of \$1 million in value.

2.2 Other Private Equity Funds

- (1) **Fidelity Capital Markets** currently manages two funds namely, Fidelity Equity Fund I Limited (FEFI) and AfricInvest Fund. Whereas FEFI is a local fund (i.e. invests only in Ghana), AfricInvest is regional fund.

The funds generally target SMEs.

- For Fidelity Equity Fund I Limited investments between US\$200,000 and US\$800,000 per transaction may be considered.
- From AfricInvest Fund, it may invest between €700,000 and €2.5million per project.

- (2) **Databank Private Equity Limited (DAPEL)** was formed to harness funds targeted at SMEs with the view to invest in profitable companies in this sector so as to enhance the development of the country through improved entrepreneurial and managerial skill set values as well as job creation.

DAPEL has so far set up three Funds to facilitate its mandate. These are:

- The Entrepreneur Empowerment Fund, which is a 10 year closed end fund of US\$ 5 million targeting entrepreneurs in general; and
- The Women's Flagship Fund, which is also a 10 year closed end fund of US\$ 2 million targeting Ghanaian women-owned or managed enterprises or companies.
- The Databank Universities Entrepreneurial Fund which is targeted at current university students who would like to embark on an entrepreneurial enterprise whilst on campus.

3 African Development Foundation (ADF) – Ghana Programme

The African Development Foundation (ADF) is the United States Government agency dedicated to expanding access to economic opportunity in Africa. ADF provides funding to African-owned businesses and community-based organizations for projects that provide direct benefit to the economically marginalized.

In June 2005, the ADF and the Government of Ghana signed an agreement to provide up to \$50 million in expansion capital to 200 Ghanaian SMEs over five years.

The strategic partnership significantly expanded ADF's resources to deliver direct investment and technical assistance to Ghana's small business sector. The five-year agreement provides up to \$10 million annually to finance up to 40 new business investment projects per year.

ADF and the Government of Ghana have each committed to providing up to \$5 million per year to finance new business expansion projects under ADF's business investment program, which provides individual Ghanaian businesses with financing and technical assistance valued at about \$250,000.

The strategic partnership agreement builds on a five-year investment compact that ADF and Ghana signed in November 2002. At that time, each party agreed to commit \$1 million annually to business investment projects benefiting eight Ghanaian-owned businesses per year. The revised agreement has increased the total investment in ADF's business investment programme by up to 400 percent and provide up to \$50 million in direct investment to 200 Ghanaian-owned small- and medium-sized businesses between 2006 and 2010.

Each business will receive expansion capital and management, marketing and technical assistance provided by ADF. ADF provides financing for business expansion across the continuum of SMEs in Ghana, including: Agricultural Producer Groups and Small Agro-Processors. ADF investment stimulates growth in the agriculture sector by helping small farmers and agri-business processors access regional and international markets, cultivate new products and achieve international quality standards.

Other type of SMEs such as manufacturing, services and technology companies with high potential for growth could also receive ADF operating assistance grants, seed capital, and management, marketing and technical assistance to support them through early-stage business

expansion and growth. The support is designed to help African-owned businesses develop new products, expand production and build capacity to become globally competitive and attractive for investment by private investors.

Recently funded business investment projects in Ghana have included:

- Afrique Link of Wenchi, a processor of canned and pureed tomatoes;
- Barbex Technology of Adomfe, a producer of essential oils;
- Bosbel Vegetable Oils of Tamale, a processor of soybean oil and shea butter;
- Elsa Foods of Tema, a maker of instant fufu flour;
- General Mills Company of Kumasi, a manufacturer of processed maize for Ghana's major breweries;
- Getrade Ghana, an Accra-based producer of traditional products that is developing a traditional soap line;
- SAL Tilapia near Akuse, an aquaculture facility that cultivates and harvests tilapia; and
- Woodhouse Company of Madina, a specialty maker of school furniture.
- Coastal Groves into citrus processing in the Central Region

ADF provides unsolicited grant support to projects that are focused on the development of micro-, small-, and medium-sized enterprises, the enhancement of trade and investment opportunities for SMEs, HIV/AIDS prevention and mitigation, and participatory community development projects. ADF may from time to time issue a Request for Applications (RFAs) for other activities.

Most of the ADF's grants are between US \$50,000 and US \$250,000 and are disbursed to grantees in local currency. ADF rarely provides a grant larger than \$250,000, and such grants require ADF Board approval. ADF can provide assistance directly to a wide range of African-based, African-run, non-governmental organizations (NGOs) and SMEs, including:

- legally registered cooperatives,
- economic interest groups,
- producer associations,
- legally registered limited liability companies, and
- community-based development organizations.

ADF also provides funding to intermediary organizations that with low-income people and groups, such as microfinance institutions and credit cooperatives.

On the other hand, note that ADF does not provide funding for:

- government agencies, political parties, advocacy groups in Africa or elsewhere;
- academic study or travel related to academic activities, seminars or workshops; or
- production or marketing of alcohol or tobacco products.

4 Leasing

The leasing industry in Ghana is made up of five companies of which three are independent and two are subsidiaries of banks. The independent leasing companies are Ghana Leasing Company Limited, General Leasing and Finance Company Limited, and LeasafriC Ghana Limited. Ecobank Leasing Company Limited and Merban Finance and Leasing Company are subsidiaries of Ecobank Ghana Limited and Merchant Bank Ghana Limited respectively.

Ghana Leasing Company was the first of its kind created by the International Finance Corporation (IFC), Commonwealth Development Corporation (CDC) and Deutsche Investments und Entwicklungsgesellschaft mbh (DEG) as well as local financial institutions. The Ghana Finance Lease Law is considered to be one of the most innovative and progressive in Africa.

Since the introduction of leasing in Ghana in 1991, leasing has grown steadily and is now considered as an alternative to bank loan financing for equipment purchases. However, funding continues to constrain the potential growth of the leasing industry. For reference, facilities and function offered by LeasafriC, one of the leasing companies currently supporting SMEs, are reviewed as below.

4.1 LeasafriC Limited

LeasafriC started a diversification program in the year 2001 and the company has added three new products to its traditional line of Corporate Finance Leases since then. The traditional corporate leases are structured as finance leases where the lessee pays an initial commitment fee of between 1% and 2%, a security deposit of between 5% and 10% and periodic lease rentals over the agreed lease period of between 24 months and 48 months.

The lease rentals are normally computed to generate an interest margin of between 2 and 7 percentage points above the Leasafic marginal cost of borrowing. Corporate lease transactions are taken through a vigorous credit analysis and normally require board approval.

Microlease is a finance lease product targeted at the small-scaled sector of the economy. Transaction sizes range from ₵5 million to ₵200 million and are normally of periods between 12 and 24 months. It also offers a commitment fee of 3%, a security deposit of 10% and an interest margin of not less than 10% points. It is, thus, a low volume - high margin product. To minimize the unit cost per transaction, Leasafic targets trade associations for group lending. In addition to lowering the transaction costs, the group lending approach has a cross guarantee feature that enhances the credit profile of the transactions.

5 Support Programme for Enterprise Empowerment and Development (SPEED)

5.1 SPEED Innovation and Development in Enterprise Assistance Schemes (IDEAS) Fund

Two facilities by SPEED Ghana are reviewed: IDEAS Fund and the SPEED Loan Fund.

The IDEAS fund (Innovation and Development in Enterprise Assistance Schemes) is part of the German, Danish and Ghanaian Support Programme for Enterprise Empowerment and Development:

The fund offers financial support to innovative product development initiated and carried out by Ghanaian registered legal entities. The fund is targeting the piloting and development of new innovative business support instruments for enterprise growth mainly in difficult or emerging markets and with special focus on projects addressing non traditional exports, food processing, information & communication technologies, newly started enterprises, etc.

IDEAS fund has been operating since October 2004 to December 2008 at the first phase and shall be in the following regions: Greater Accra, Ashanti, Western, Central, Brong Ahafo and Eastern Regions. The second phase has been extended to other regions.

Objectives

These are:

- Increased innovative activities among service providers and SMEs
- New products developed for the SMEs, improving their business
- Increased use of business development services by SMEs

- Starting the process of innovative change involving SMEs, organizations and other private and commercial service providers.

Funds Available

Individual projects can be supported up to a total of \$50,000 (about ₵460 million). It is, however, expected that the average project size would be around \$27,000 (about ₵250 million).

Applicant contribution

The implementing project promoter will be required to meet a minimum 10% if it is an NGO and 25% if it is a commercial entity as their share of the overall project budget through own generated resources.

Requirements for applying

To be eligible for this fund, the organization must:

- be a Ghanaian business/service provider, engaged in business activities in the formal or informal sectors of the Ghanaian economy
- post a positive annual turnover in two years of the last three years
- be financially solvent (10-15%)
- have their registered office in the Greater Accra, Ashanti, Central, Brong Ahafo, Eastern or the Western region of Ghana
- be directly responsible for implementing the project
- The project must benefits number of micro businesses or associations

To this end, some supporting documents such as financial statements of the last three years among others will be required.

Eligibility of proposed project

The fund is available for innovations in services or products that impacts on the performance of micro and SMEs. This fund will not support an idea that benefits only the innovator (company or service provider) who just perfects an idea and sells to customers who may or may not be SMEs.

5.2 SPEED Loan Fund

SPEED runs a refinancing facility which is currently domiciled at the BOG and receives inflows from the Ghanaian Government, Denmark and Germany, represented by their

Ministries, Embassies and Development Agencies. The BOG manages the disbursement of funds to the financial institutions which partner SPEED and receives their repayments. The Loan Scheme passes through a number of processes and stages.

SPEED offers a variety of products and services which are designed to increase financial intermediation for micro and SMEs. The direct beneficiaries are financial institutions while the indirect or end-beneficiaries are the clients of these institutions. This approach intends to ensure outreach, impact and sustainability on the final target-group.

SPEED offers to its financial partner institutions a combination of liquidity cum training of staff and management cum consultancy. It is this mix that makes the approach so effective and attractive for partner institutions. SPEED develops an individual tool mix for each institution according to their different needs and strives for consensus with the partner institution before action is taken.

6 Microfinance and Small Loan

The Government of Ghana launched a \$50 million Micro Credit Fund from the International Monetary Fund (IMF) as seed money for disbursement to grassroots business operators last year. The aim is to create jobs and reduce poverty. The facility is being disbursed under the Micro Credit Fund by the Micro Finance and Small Loans Centre (MASLOC) through the banks as part of efforts by the Government to make small and medium-scale financing available to the informal sector.

In pursuance of this objective, the head office of MASLOC was commissioned the same day of the launch and 9 Regional offices have been established to ensure that the services of MASLOC are decentralized. Originally, beneficiaries of the Micro Credit Fund are groups who can access between ₵250,000 (US\$27) and ₵150 million (US\$16,300). However, National Board for Small Scaled Industries (NBSSI) made a case to MASLOC to disburse loans to SMEs on their behalf. The NBSSI/MASLOC loan has since started the disbursement of loans between ₵20 million and ₵250 million to SMEs.

7 Exim Guaranty Company (Gh) Limited

Incorporated in April 1994, Exim Guaranty Co. (Gh) Ltd. (hereinafter referred as Exim) is a privately owned Limited Liability Company (LLC). The shareholders of Exim are as follows:

BOG (Financial Investment Trust) with the majority shares, Social Security and National Insurance Trust (SSNIT), National Investment Bank (NIB) and The Trust Bank (TTB).

Exim provides credit guarantee covers to assist financial institutions in extending credit facilities to SMEs. A guarantee is an indemnity against loss and not a security for a loan. It is meant to provide a cushion in the event of business failure and credit defaults. Borrowers remain primarily liable to their Banks even after a claim has been paid by Exim.

In addition Exim provides bid bonds, advance payment guarantees etc. to enable contractors bid for and undertake contracts awarded them.

Objectives

These are:

- To assist the banks and non-banks financial institutions to extend credit facilities to borrowers who may have inadequate or no collateral.
- To provide internal and external guarantees to approved financial institutions in the disbursement of foreign credit lines
- To provide mechanism through which agriculture products (perishable and/or non-perishable), can be financed, coordinated and marketed
- To provide an insurance cover for export proceeds
- To provide refinance facilities for eligible financial institutions to support rural economic activities and producers of non-traditional export commodities
- To manage trust funds

Guarantee fees payable

Exim charges a fee of 2.5% to 3% per annum for local and foreign currencies respectively, payable prior to the insurance of a certificate of guarantee.

Evaluation process

1. Financial institution evaluates firm's need
2. Financial institution completes a prescribed application form with requisite details
3. The completed application form is forwarded to Exim
4. Exim sends appropriate response to financial institution
5. Financial institution advises applicant form of decision

Targeted facilities

Participating banks and non-bank financial institutions may apply on behalf of their clients for any of the guarantee categories listed;

- Credit guarantee cover for the private sector
- Credit guarantee cover for foreign credit lines approved by the BOG
- Credit guarantee cover for pre- and post- shipment export credit

The extent of the guarantee cover is 75% for all types of loans and advances, over a specified period agreed on between Exim and the financial institutions.