ANALYSIS OF GHANA’S SMEs INDUSTRIAL POLICY APPROACH: CALL FOR A NEW BEGINNING

Francis Kofi Korankye-Sakyi\textsuperscript{1} & Elijah Tukwariba Yin\textsuperscript{2}

ABSTRACT

Since the launch of Ghana’s Industrial Policy (GIP) in 2011, it has not received the needed backing for implementation. This has created a challenge for industrial efficiency for the economy of Ghana. Based on the implementation gaps identified in the policy, it is argued that Ghana can absolve itself from neoliberal economic dictates if it focuses on a new industrial policy approach that galvanises the Small and Medium-sized Enterprises (SMEs) sector. The objective of this paper is to review the GIP and to identify the gaps in its implementation and implications for SMEs’ growth in Ghana. Using the doctrinal research method, secondary data sources were analysed. The study revealed that the GIP comes in as a key development paradigm with private sector collaborations, yet its potentials have not been harnessed as expected. The paper concludes that, for a paradigm shift, it is rewarding to give greater attention to the manufacturing department of the SMEs with the view of developing a useful industrial policy regime.

Keywords: Development, Industrial policy, Public policy, Manufacturing, SMEs

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INTRODUCTION

International and domestic interests in the dispensation of the wealth of Ghana have been a long-standing phenomenon dating back to pre-colonial imperialism. The vast wealth of Ghana is seen in its human, minerals, agricultural, cultural, religious and artistic endowments; most of which are untapped. However, the very few tapped resources do not equitably benefit the citizenry. Among the reasons that account for this, includes the lack of effective policy guidelines to allocate these resources equitably. Ghana has the wherewithal to absolve itself from neoliberal politics and aid conditionalities if the rightful policies are adopted to seek the solutions suitable for its socio-economic challenges. Industrial Policy (IP) comes as the key development mechanism to this end when the needed political will coupled with effective private sector linkages are harnessed. The conduit for this drive is Small and Medium Enterprises (SMEs). The paper analysis the current IP of Ghana and argues for a new focus on the manufacturing department of industry-led by SMEs towards a new paradigm.

In the Finance and Development report of the International Monetary Fund (2020), it is projected that once the COVID-19 crisis is over, the world’s economic order would be immeasurably shifted from not just volumes of trade in goods and services but also an appetite for the consumption of products of innovation, science and technology; a production-based economy underpinned by high investment in the industry with manufacturing as the steer to this movement. The new economic direction will not be just dictated by the pace of stock markets and volumes of financial trading, as usual, rather, projections and happenings point to a capital hoarding frenzy and freeze on stock trading.

Moreover, there is a real danger of market and economic recession if the prevalence trajectory of the disease persists beyond 2020. The hope for developing economies is to move from conventional economic thinking and management to robust theoretical and practical economic decisions and policy orientations. Lip service by governments has characterised the development of SMEs in policy undertakings thereby making fragile economies susceptible to the ramifications of global misfortunes such as the current raging coronavirus pandemic. The objective of the paper is to do a pure literature review of existing legal and policy frameworks, especially of the GIP, to identify the gaps in the implementation of the policies and implications for SMEs' growth in Ghana and proffer policy recommendations. It is against this backdrop that this paper took the approach to analyse existing economic data, legal literature and policy approaches to the economic management of Ghana since independence to the current industrial strategy launched in 2011.

This paper is presented in sections. The first section serves as the introduction with the background and rationale to study, conceptualises industrial policy (industrial strategy) and

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discusses the theory of institutionalism. It also presents the methodological approach adopted for the study. Section two delves into the trajectory of industrial policy in Ghana and the ideological motivations behind the shift. In section three, the paper looks at the narrative on SMEs in Ghana and identifies why it must propel Ghana’s industrial policy. Section four discusses the status, challenges and pillars of the industrial sector with an emphasis on manufacturing in Ghana and its contribution to the economy over the years. Section five focuses on discussing the Industrial Policy of 2011 and the success or otherwise of its implementation. The paper concludes in section six by drawing on lessons from the discussions, and also makes policy recommendations for a new beginning to having and implementing an industrial policy framework in Ghana.

METHOD

As a review paper, this article adopts the doctrinal desktop research approach. With this approach, we drew much on secondary sources such as books, policy frameworks, journal articles, newspapers and other relevant reports. This approach was useful because the paper is source-based and focuses on policies, statutes, and other legal documents. According to Hutchinson, the desktop method is relevant when a researcher wants ‘to work within the parameters of the [law] in order to make recommendations for reform.’

CONCEPTUAL AND THEORETICAL BASIS OF INDUSTRIAL POLICY

In political and development history, economists like Paul Rosenstein-Rodan, Albert Hirschman, Alexander Gerschenkron, and Raúl Prebisch had reiterated the central role of state interventions and economic mouldering of activities necessary for national development. Like most socio-political concepts, industrial policy defies any single and consensual definition. According to Warwick, industrial policy (industrial strategy) is a kind of government intervention or state strategy that seeks to change the economic settings and activities for the betterment of sectors that anchor growth and wellbeing much more than it would have been achieved if such interventions were not in place. This definition captures broadly the scope of many theoretical and practical elements entailed in industrial policy definitions. These elements include; the role of the state, the productive private sector as partners; with the aim of altering the environment for economic growth. In a narrow sense, the concept is described as a combination of strategic or selective interventions aimed at propelling specific activities or sectors, functional interventions intended at improving the workings of markets, and horizontal interventions directed at promoting specific activities across sectors.

Generally, industrial policies are directed at improving productivity and agricultural technology as well as the attraction of investments but it is trite knowledge that manufacturing has become the

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11 Warwick (n 8).

primary focus of such strategies. Even though industrial policy has existed as a development philosophy for over a century, economists had questioned its relevance in liberal markets until in the 1970s when it regained a place in development discussions. The understanding from the last 30 years is that markets themselves do not guarantee economic desirables and rectify the imperfections that impede economic transformation in developing countries. There is, therefore, a strong case for a policy ideology that responds to a wider public interaction for effective interventions for industry. The theoretical support for industrial policy has increased with such new insights against the conventional top-down approach to policy formulation.

According to Page and Tarp, industrial policy practice is moving towards mainstreaming the development policy discourse with heightening realisation that the inadequacies in market orientation by which theoretical discourse for industrial policies are designed are prevalent in developing countries that require thoughtful state policies to improve economic outputs. State intervention or IP has faced contentions with divergent positions in economic discussions. Studies stress the role of consultation and coordination between the state and private sectors in fashioning out necessary actions for solutions to economic problems.

Complexities with problems are just natural and must be expected in a complex society trapped in facets of challenges and competitions. A collective study of such societal problems also becomes the ideal and pragmatic means of arresting the problems of such a market. The strengths of the individual agencies of state and their capacities to confront multi-faceted malaises come with questionable realistic impacts. The focus on practical industrial policy guidelines becomes a panacea to these challenges. Such an approach overcomes the challenges in developing countries identified by Page and Tarp.

Khan further posits that the neoliberal dominance that underpins the thought of globalisation reignites the political debate on organised economies based on deregulation and dismantling the torturous bureaucratic façade to meet the fast-paced market expectations. To justify policy asymmetry, globalisation has eliminated the boundaries between productive sector activities that share commonalities. The economic focus of globalisation is to disorient such deliberate encumbrances to market forces in international business. The benefits to any economy with the removal of such blockades are incontestable.

As a modern economy, that is, in no doubt leaned toward market-driven policies, Ghana cannot be isolated from a direction that fuels and propels such an ideological shift. Industrial policy

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15 Page, J., & Tarp, F. The Practice of Industrial Policy: Government Business Coordination in Africa and East Asia (Oxford University Press, United Kingdom 2017).
17 Page & Tarp (n 13)
19 Page & Tarp (n 13)
21 Ibid.
reinforces a governance system that organises agencies with a similar focus to work from a collective pool of resources and direction with a single motivation to reach a predetermined economic objective.\textsuperscript{22}

The test is that industrial policy orientation is a natural means of sectoral planning to achieve the collective well-being of society. If the agencies of state fail to weave a proper synergy on this score to erect the standard pillars that support a coordinated endeavour, there is a guarantee for a non-resilient economic structure to prevail. Industrial policy is hinged on the localisation and clustering of economic agents by bringing together their interests and resources around a common good to find solutions for fostering those interests.\textsuperscript{23} Thus, all variables like the state, the public, the suppliers, the customers, agents, institutions focus on an interaction aimed at a common market objective. It is for this, that Shapiro argued that the common market objective must be to enrich SMEs which are the livewire of the economy.\textsuperscript{24}

Apart from the conventional economic forces of market and prices, the place of the state is secured in this relation to coordinate these agents to provide and satisfy the needs and aspirations of the people in any economy. The role of the state to regulate these forces against policy collusion and remove the barriers to permissible economic activities come as a major justification for the industrial policy theory. Markets and prices are virtually dummy phenomena without the state’s role in manipulating their focus and interplay even in a so-called neoliberal economy.\textsuperscript{25}

Elsner has stated that evolutionary game theory has demonstrated that progressive coordinated solutions can be made feasible through collective learning in institutions of coordination and cooperation in a self-governing system among private agents.\textsuperscript{26} This theory holds sway for other evolutionary theories that advocate for the interrelatedness of institutional processes for sustainable and stabilised emerging systems. Even though Elsner’s philosophy is purely biased toward strict state interventions in market forces, it will not defeat the prostate “interference” in providing the enabling environment for private agents’ interactions. Voss claims that institutions are the outcomes of interactions within large populations of actors over considerable periods.\textsuperscript{27} These agents are boundedly rational and act under conditions of limited information. This understanding is knitted to the fabric of societal culture since time immemorial. What becomes the derived solution is how each society assembles the desired constituent players to conform to the rules of the game. It must be noted that varied sets of economic or societal ideologies will result in different organisational outcomes. This informs the proposition of this paper to focus on instrumentalism as an ideal philosophy that should inform the industrial policy thinking of Ghana.

\textsuperscript{22} Ibid.
\textsuperscript{25} Ibid.
INDUSTRIAL STRATEGY IN THE CONTEXT OF PUBLIC POLICY

Public policy must first be understood to emanate from a series of actions from the collective discourse. This proposition is the core of every public policy which informs the thinking underlining industrial policy in the first place. Policies are generated from state actions based on deliberate political and administrative efforts from either centralised or decentralised perspectives. Policy formulation takes a cue from instrumental problem-solving process where the process is taken through the local, national and international stages of consultations and inputting as an unavoidable requirement. To arrive at an appropriate policy framework, acceptable to be considered as an industrial policy, it must be embedded with these elements as the impetus for acceptability and ownership by the people. Public policy development has no place for officialdom domination and pandering to political whims but rather encourages the collective interactions of expectations to arrive at a suitable framework for a particular sector(s) of national life.\(^{28}\)

In line with instrumentalism (the theory that knowledge is a product of correlated events and processes leading to change), public policy development does not accept a system of extemporaneity in that regard. Public policy is simply a product of a voluntarily executed collective inputs resulting in a structured blueprint. According to Bush, the principle of collective deliberation from the bottom up is a means to curtailing a situation where an unprincipled privileged class takes advantage of the society’s store of the wealth of knowledge.\(^{29}\) Depending on the economic structure of a nation, the most critical ingredients for this discourse include but are not limited to space, time, viable ecosystem and specific knowledge resources available in the community. Industrial strategy as a variant of public policy is therefore acceptable if its design and modelling yield to the standards and variables inherent in a public policy formulation. In assessing any good industrial strategy and approach, it is expected that the procuring ideals inherent in good policy prescriptions are considered.

THE TRAJECTORY OF INDUSTRIAL POLICIES IN GHANA

The pre-independent economic system of Ghana mainly depended on an import-led strategy for manufactured products from the colonial master, Britain.\(^{30}\) Little effort was made to have a domestic policy to add value to the rich and vast raw and natural resources extracted from the country. The economy was predominantly an export-driven one that left the country so much undeveloped at the time of political independence characterised by little industrial infrastructure, activities and clear policy direction.\(^{31}\)

Ghana’s industrial strategies have mainly been ineffective for a long period especially after 1969 due to lack of political will and visionary economic leadership. Independent Ghana from the First Republic under Dr Kwame Nkrumah considered industrialisation as a tool for gaining economic liberty and a central decision point to accelerate and modernise the economic development of the country. Heavy investment was therefore channelled into the manufacturing sub-sector of

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29 Ibid.
industry. This was galvanised on the back of historic legal architecture that supported the private sector mostly made up of indigenous businesses. The period saw the enactment of the Pioneer Industries and Companies Act, 1959 (Act 63), The Local Industries (Customs Duties Relief) Act of 1959, the Capital Investment Act, 1963 (Act 172), and The Companies Act, 1963 (Act 179). Apart from the boost to local enterprises emanating from these legal frameworks, foreign-owned businesses that conformed to the requirements of the laws were also incentivised to sustain their investments.

During this era of protectionism, the Import Substitution Industrialisation (ISI) policy was the leading strategy rolled out to achieve the objectives of the Seven (7)-Year Development Plan (1963/64-1969/70) to modernise the economy through industrialisation. The ISI focused on reducing spending on the importation of foreign goods to break away from a poverty-stricken economy and external political influence. At the core of the ISI was the revolutionary establishment of large-scale manufacturing industries and industrial hubs for value-added production in addition to giving agricultural and mining support. Market forces as would prevail in a liberal-capitalist economy were relegated to the background. Steel argued that the rationale for the strong attention on the industry sector by the regime was to produce the needed inputs required to expand the productive sector in line with the development agenda of the government to mainly focus on macroeconomic objectives. There was a high level of state protection for domestic production which also served as a means of creating economic space to mitigate the balance of payment challenges.

The net effect of these policy directions earned Ghana a growth from 9% in manufacturing as a share of Gross Domestic Product (GDP) in 1962 to 32% and 42% in 1966 and 1967 respectively from the state enterprises alone. Both wholly-owned state enterprises and public-private joint ventures grew cumulatively by 250% between 1962 and 1966 as compared to solely private-owned enterprises contributions within the same period. Unfortunately, but expectedly, there was a decline in the gross manufacturing output from foreign-owned private enterprises. According to the World Bank, this was a period that created an uncharitable business environment for the private sector’s survival in Ghana. In 1985, the World Bank observed in its annual report that the ISI strategy had inherent shortfalls that (i) discouraged growth in agriculture and exports in finished products; because in the long run, the inflows of foreign exchange could not support the import-substituting industries; and (ii) the strict protection given to ISI beneficiaries did not make them competitive at using domestic resources.

The fundamental pillars of the country shifted dramatically after the overthrow of Kwame Nkrumah’s government in 1966. By 1970 the ISI strategy had encountered major challenges due to the deviation from the state-managed planning architecture to a new liberal market-centred economic approach under Dr Kofi Abrefa Busia’s government of the Second Republic starting from 1969. This was a decision informed by the narration of the National Liberation Council (NLC) military regime, under General Joseph Arthur Ankrah, which had touted an economic stability.

34 Ackah, Adjasi, & Turkson (n 28).
35 Steel (n 31).
achievement based on which a future policy on market-based economic planning was ideal before handing over power in 1969. The subsequent industrial liberalisation trajectory was, however, not so well managed to the extent that by 1971 Ghana had devaluated its currency by 78% due to the effects of the global economic recession in 1970, the high levels in the influx of imported commodities resulting in the high trade deficit and a high-interest rate regime.\textsuperscript{37} There was not much proactivity under the Second Republic on industrial policy coupled with a legal regime that became inimical to Ghana’s international trade relations with close neighbours with the enactment of the Alien Enterprises Licensing Regulations, 1970 (LI 670) pursuant to section 26 (1) of the Ghanaian Business (Promotion) Act, 1970 (Act 334).

To curtail the dependence on high imports, the military regime under General Kutu Acheampong which overthrew the Second Republic in 1972 introduced a policy of self-reliance and a state-led involvement in trade, investment and agricultural businesses with a high-handed approach to price control, import liberalisation and private sector-led market. The National Redemption Council (NRC) undertook a revaluation of the cedi by reversing the exercise in February 1972, six weeks after the December 1971 devaluation.\textsuperscript{38} The most significant legal project for the industry was the repeal of Act 172 with the Capital Investment Decree, 1973 (NLCD 141) and subsequently with the promulgation of the Investment Policy Decree 1975 (NRCD 329) to repeal the NLCD 141.

Between 1979 and 1981 under the Third Republic government of Dr Hilla Limann, Ghana recorded one period of its worst economic performance with a sharp decline in GDP. By 1982 the real GDP was averaging -7% due to the structural misalignment of the economic pillars as economic activities moved to focus on service and trade in importations instead of industrial and manufacturing promotion.\textsuperscript{39} The NRCD 329 was repealed by the Investment Act, 1981(Act 437). Export earnings from minerals and raw agricultural products became the mainstay of the economy with about 60% contribution to the GDP.

Between 1970 and 1983, due to external economic factors and the lack of an effective national industrial policy framework, the industrial department and the macroeconomic indices were dislocated with a fragile financial sector. Under the Provisional National Defence Council (PNDC) headed by Flt. Lt. Jerry John Rawlings, the financial and economic quagmire resulted in Ghana’s major banking reforms leading to the enactment of the Banking Act, 1989 (PNDCL 225).\textsuperscript{40} This was, in essence, to open up the economic frontiers to foreign direct investors into the critical sectors of the economy including industry. Another legal development that inured industries positively was the passage of the Investment Act of 1985 (PNDCL 116) which identified businesses specifically for Ghanaians to undertake and incentivised all investments that focused on key sectors of the economy.

During the period of the PNDC, the country accepted the economic interventions under the International Monetary Fund (IMF) and the World Bank by succumbing to the Economic Recovery Programme (ERP) for reliefs. At this juncture, Ghana’s export earnings from its raw materials had

\textsuperscript{38}Ackah, Adjasi, & Turkson (n 28).
dwindled resulting in a huge decline in foreign exchange receipts. Official international assistance, as well as the country's creditworthiness, had plummeted. It must be stated that other internal factors such as the unprecedented low agricultural yields due to drought, corruption, bad economic policies by various governments before the PNDC era deepened the woes of the industrial sector and the economy in general. Private sector businesses led by SMEs were those greatly affected. After joining the ERP, as part of the Structural Adjustment Programme (SAP), from 1983, the general structure of the economy was positively impacted relative to the development of the manufacturing sub-sector of the industry. The policy objective of the ERP was basically to reverse the macroeconomic deficits by addressing all the bottlenecks in the sectors of the economy with special attention to the industrial sector. Other major policy reforms included the privatisation of state-owned enterprises, the liberalisation of the financial sector, the removal of strict import licensing regimes and the deregulation of custom barriers and quantitative restrictions.41

Evidently, the structural reforms posted significant figures of growth rates in the industry at about 11.2% after ten years as against the steep negative growth in 1982 at -35%. This was a period that saw mixed economic interplay setting the success pace of the current industrial policy direction. The overall industrial growth was attributed to the performance of the manufacturing sub-sector (contributing about 25% in 1985) and the utility sub-sector as a consequence of the heavy investment received. This study argues that a new industrial strategy must of necessity focus on building the synergies of all economic structures with SMEs at the centre of such planning. This paper does not hold any biases towards any segment of the SME sector, either as micro, small, medium, or large scale; foreign or indigenous but makes a strong case for a financial and infrastructural package that will favour more of those enterprises that engage in value-added manufacturing ventures. The ISI policy must be revisited with a review for adaptation into our current policy design to throw the light ahead post COVID-19 on the path to self-sufficiency, competitive local production on the wheels of emerging technology relevant to our ecosystem. Ghana’s industrial policy must be redefined on a current understanding of industrial policy theories.

From 1984 to 2000, on an economic strategy rolling on the back of IMF prescription starting with the SAP, Ghana moved towards a liberalised (outward) industrial policy environment. The present phase of Ghana’s industrial policy trajectory can be traced to the year 2000 to date where a more robust private sector-led industrial strategy has been galvanised. The real focus in this period is to surround growth expectations with manufacturing and value-added development strategy. The Ghanaian productive sector is privately anchored on the vast operations of SMEs but significantly dominated by foreign-owned enterprises especially in the food processing department.42 The revisit to the discussion on the way forward for Ghana’s industrial policy at this time becomes an imperative economic discourse especially when much has not been seen to flow from the recent industrial policy framework.43 The prevailing discussion has emphasised how SMEs can be revamped and rightly positioned to expand their roles in providing employment, supporting GDP and eradicating extreme poverty through a technologically based economy. The idea is to build a

42 Ackah, Adjasi, & Turkson (n 28).
competitive export-oriented sector for both domestic and foreign direct investments. The reason for championing manufacturing in this article is that it is the largest component of industrial output.

THE SMALL AND MEDIUM ENTERPRISES IN GHANA

In different jurisdictions, SMEs are described by way of operations according to the players of the industry, as postulated by Davis et al. They contend that there is no single definition recognised globally for SMEs but identified factors such as annual gross or net revenue, the value of assets or liabilities, the number of sales, legal structure and number of employees as constituting the definitional components of SMEs. In the same vein, Ardic et al. argued that operators in the business agree largely on the number of employees, loan size, and volumes of sales as essential indicators considered in explaining SMEs. They conclude that the number of employees, as well as volumes of sales, account for the accurate parameters to define SMEs. Agyapong agrees that SMEs do not lend themselves to a single definition but it is a concept that is generally localised depending on operations and conditions in a particular country. In Ghana, the body established to regulate SMEs, the National Board for Small Scale Industries (NBSSI) (currently Ghana Enterprises Agency (GEA)), provides the factors for defining SMEs as the value of fixed assets, the number of employees and an annual turnover exceeding US$200 thousand but below US$5 billion. It must be noted that even though SME development is largely associated with private sector development, most state-owned enterprises also fall under the categorisation of SMEs. It is known that ‘[A] thriving micro and small-scale enterprise sector is considered worldwide as a key to the path of successful and healthy economic development.’

Korankye-Sakyi has argued that the contributions of SMEs to national development are enormous and varied. He emphasises that the contribution of SMEs to national development efforts has been remarkable in history but opines that the problems that confront these firms are diverse. The role of SMEs in the economy of Ghana can be realised in their contributions to increasing the production and export of commodities, generating sustainable employment, facilitating reliable income generation of the population and supporting the GDP growth of the economy. SMEs are important economic livewire in many countries and seedbed for industrial growth. In Ghana, it is deemed that more than 85% of businesses are found in the SME sector. Of course, other studies put the figure even beyond 90% depending on the typological indicators or factors used in the description. Despite this, studies indicate that majority of the enterprises face growth, survival

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49 Korankye-Sakyi (n 3).
and competitive challenges. The sector contributes about 70% to GDP and 49% to employment generation in Ghana.\textsuperscript{52}

In 2016 the first series of a survey was conducted in Ghana to assess SMEs’ competitiveness. The exercise which produced a country report for policy interventions assessed and analysed the strengths and weaknesses of businesses in the manufacturing and agricultural sub-sectors in major cities of Ghana relating to the local and national business environment.\textsuperscript{53} The survey conducted in conjunction with the Association of Ghana Industries (AGI) came at a time when the stipulated year to assess the success or otherwise of the Ghana Industrial Policy (GIP) had elapsed. It acknowledged that SMEs are the most affected by global trade bottlenecks and become vulnerable to such pressures. It was, therefore, a deliberate effort to navigate the SMEs successfully through such difficult periods by making available to domestic and international private sector players the needed data and information for proper planning and decision making. Even though the survey covered a limited number of 200 firms, it invariably conveyed a representative conclusion of what constitutes both the prospects and teething problems of the manufacturing and agricultural sectors.

The most prevailing challenges of SMEs comprise a lack of access to sustainable capital and finance, lack of access to guaranteed local and international markets, lack of capacities to connect in the value chain and lack of technical capacity and industrial know-how in the application of technology. The government’s policies for the nurturing and support for SMEs in Ghana have evolved with regulatory and institutional frameworks and support mechanisms that factored in the needs, the economic dynamics and prevailing business culture at any particular time. The government’s current business development objectives for SMEs are; (i) to improve entrepreneurial skills and facilitate access to credit and markets for small scale enterprises, and (ii) to provide SMEs access to substantial and high-quality business development services, and envisage relying on the conventional mandates of NBSSI (GEA) to achieve these objectives.\textsuperscript{54} However, the key challenges to achieving these objectives are that the NBSSI (GEA) which draws a greater portion of its budget from the government is not resourced to tackle the problems of the SME sector, apart from the negative attitude towards entrepreneurship and locally produced commodities.

Table 1: The table below shows the past and projected indicators of the MoTI’s plans for SMEs to access business development services

<table>
<thead>
<tr>
<th>Main Outputs</th>
<th>Output Indicator</th>
<th>2016</th>
<th>2017</th>
<th>Budget Year 2018</th>
<th>Indicative Year 2019</th>
<th>Indicative Year 2020</th>
<th>Indicative Year 2021</th>
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<tbody>
<tr>
<td>SMEs access to Business Development Services improved</td>
<td>Number of enterprises with access to business development services</td>
<td>78,938</td>
<td>85,000 (56,668)</td>
<td>95,000</td>
<td>100,500</td>
<td>110,000</td>
<td>120,000</td>
</tr>
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</table>


\textsuperscript{52} Muriithi, S. M. ‘African Small and Medium Enterprises (SMEs) Contributions, Challenges and Solutions’ (2017) 1 Journal of Research and Reflection in Management Sciences.

\textsuperscript{53} International Trade Centre (n 48).

\textsuperscript{54} MTEF (n 46).
The indicators do not reveal ambitious projections giving an expected annual increase of just about 12% as shown in table 1. In 2017, budget performance to the MoTI was approximately 40% of the appropriated allocation, which gives little confidence in the government’s commitment to these projections. Even though government budget support for SME development shows an annual increment in the MTEF (2018-2021), a huge component will be expended on compensation and assets management of the MoTI. A review of the general programmes on the targets reveals an elaborate course but does not include any immediate plan to review the existing industrial policy or activate its implementation as would be expected. A greater percentage of direct financial support to SMEs in Ghana has come from traditional means through the banks with a share of GDP at 79.89% and is expected to increase to 97% by 2020. At the same time government’s commitment has not yielded the desired effects on the status of the enterprises to a very large extent.

THE INDUSTRIAL ECONOMY AND ITS PROSPECT FOR GHANA

As far back as 1996, Ghana had set the economic target of growing its GDP averagely by 8% consistently to become an upper-middle-income country by 2020. This was to come on the back of strong economic indicators sustained by industrialisation but this could not be achieved as 2020 dawned. The only way to appreciate the economic challenges of the Ghanaian economy and prescribe the right antidotes is to acknowledge that the country’s problems have been policy-based on clustered deficiencies in networking sectors. Sectoral interdependence is a manifestation of the generality of a progressive economy, yet there is no visible direction to pushing a manifesto that builds on the synergies of these sectors. The segmentation of economic and social sectors is exemplified by the number of governmental ministerial portfolios, departments and agencies, and the isolated policy papers of different departments and agencies in public administration. In modern economies, the interdependence of sectors and development planning where one sector relies on the vision and behaviour of the other, and vice versa has been the conviction of institutionalists and socio-economists to a large extent.

Despite the evidence of high volatility in the industrial growth of the country, it still contributes significantly to the GDP of the economy, creating jobs and giving hope to the vulnerable. The volatility of the sector was at play in 2016 when the overall contribution of industry to GDP dropped from 25.1% to 24.3% from the previous year. At the same time, the manufacturing sector also recorded a decline as a share of GDP from 4.8% in 2015 to 4.6% in 2016. However, the construction sub-sector posted notable performance between 2015 and 2016 with massive state-sponsored infrastructural projects with a contribution of 13.7% to GDP from 13.5% in 2015. The declining trajectory continued to 2017 when the manufacturing sub-sector dipped to 3.7% in growth whereas the oil and gas, mining and quarrying sub-sectors posted 80.4% and 46.7% growth respectively bolstering the Ghanaian economy to record one of its highest growths of 8.5% in recent years.

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56 Elsner (n 24).
With the discovery and production of oil in commercial quantities coupled with the country’s position as a net exporter of crude, industrial growth performance as a contribution to GDP has seen an upsurge. A rippling effect of that has manifested in the growth of the mining and quarrying sub-sectors peaking in 2019 with a 10% growth in GDP.58 In 2019, the overall industry sector was second (26%) after the service sector with a contribution of 52% to GDP. All things being equal, it is expected that with the coming on board of the Mahogany and Teaks fields in addition to the Jubilee fields, the oil sector is projected to accrue about US$1.567 billion as revenue to the state in 2020. The bottlenecks of the manufacturing sector persist leading to the inefficiencies of the enterprises with remarkable low levels of productivity.59

Table 2: The table below shows the performances of the construction and manufacturing sub-sectors from 2006 to 2016 under industry as a share of percentages of GDP

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</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>20.8</td>
<td>20.7</td>
<td>20.4</td>
<td>19.0</td>
<td>19.1</td>
<td>25.6</td>
<td>28.0</td>
<td>27.8</td>
<td>26.6</td>
<td>25.1</td>
<td>24.3</td>
</tr>
<tr>
<td>Construction</td>
<td>5.7</td>
<td>7.2</td>
<td>8.7</td>
<td>8.8</td>
<td>8.5</td>
<td>8.9</td>
<td>11.5</td>
<td>12.0</td>
<td>12.7</td>
<td>13.5</td>
<td>13.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.2</td>
<td>9.1</td>
<td>7.9</td>
<td>6.9</td>
<td>6.8</td>
<td>6.9</td>
<td>5.8</td>
<td>5.3</td>
<td>4.9</td>
<td>4.8</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: GSS data (2018)

Table 3: The table below represents the service sector contribution as a share of GDP from 2006-2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>48.8</td>
<td>50.2</td>
<td>48.6</td>
<td>49.2</td>
<td>51.1</td>
<td>49.1</td>
<td>49.1</td>
<td>49.1</td>
<td>49.8</td>
<td>51.9</td>
<td>54.6</td>
</tr>
</tbody>
</table>

Source: GSS data (2018)

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59 Ibid.
Analysis of Ghana’s SMEs Industrial Policy Approach: Call for a New Beginning

It is discomforting to note that since 2006, the construction sub-sector has taken the first spot in the industry with consistent growth by pushing manufacturing to second in a reversed order as shown in figure 1. The relatively stable growth in the service sector indicates mixed concerns for the overall growth of the economy.

Even though service sector growth may translate into job creation and infrastructure development, it must not be at the expense of industry where active production and employment avenues abound. It is noted that this development may be welcoming as it signified an understanding of investment in physical infrastructural development for productive sector engineering under a new development agenda focused on attracting the private sector since that period. At the same time manufacturing industries have reported high production costs from that period due to myriads of challenges. The decline in the overall real GDP from 5.7% in 2018 to 5.6% in 2019 has been largely the result of slow expansion in both the industry and service sectors. Despite the consistent downturn in the performance of the manufacturing sub-sector through the laissez-faire attitude of respective governments, it constitutes about 90% of job creation in the sector. These reasons underscore the ingenuity in the call for Ghana’s industrial policy to be deliberately and strategically crafted around manufacturing. Industry has grown in numbers since 1987 from about 8,640 to about 802,176 by April 2020.
Table 4: The table below shows the spatial distribution of Ghanaian industries and their sizes

<table>
<thead>
<tr>
<th>Location/Region</th>
<th>Group</th>
<th>Size of Industry/Scale</th>
<th>Industrial Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumasi-Ashanti</td>
<td>Furniture</td>
<td>Micro-Small</td>
<td>Furniture Metalwork and machinery</td>
</tr>
<tr>
<td></td>
<td>Suame-Magazine</td>
<td>Micro-Small</td>
<td></td>
</tr>
<tr>
<td>Tema-Greater Accra</td>
<td>Tema industrial area</td>
<td>Small-medium-large</td>
<td>All sectors</td>
</tr>
<tr>
<td></td>
<td>Free zones enclave</td>
<td>Small-medium-large</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Spintex industrial area/Free zones enclave</td>
<td>Small-medium-large</td>
<td></td>
</tr>
<tr>
<td>Accra-Greater Accra</td>
<td>North industrial area</td>
<td>Small-medium</td>
<td>Manufacturing</td>
</tr>
<tr>
<td></td>
<td>South industrial area</td>
<td>Small-medium</td>
<td>Manufacturing and garages</td>
</tr>
<tr>
<td>Sekondi/Takoradi-Western</td>
<td>Light industrial area</td>
<td>Small-medium-large</td>
<td>Manufacturing (mainly food processing and wood exporters)</td>
</tr>
<tr>
<td></td>
<td>Light industrial area</td>
<td>Micro-small</td>
<td>Garages-metalwork and machinery</td>
</tr>
<tr>
<td></td>
<td>Heavy industrial EPZ</td>
<td>Small-medium-large</td>
<td>Mineral processing for export</td>
</tr>
<tr>
<td>Shama-Western</td>
<td>Shama EPZ</td>
<td>Small-medium-large</td>
<td>Petroleum, petrochemical</td>
</tr>
</tbody>
</table>

Source: Ackah, Adjasi and Turkson (2016)

The spatial distribution in table 4 shows an excessive concentration of most industries in urban and peri-urban towns of the countries due to many pull and push factors. The increase in numbers is good to pursue but it must have a national scope to utilise local and human resources in all regions of the country for sustainability, resilience and to anchor the economy. A reckoning for priority attention for the manufacturing sub-sector of industry is, therefore, a germane call.

The Ghanaian economy has been performing on the aggregation of sector-based productivity led by the service sector. Markets and price determination are not simply a function of demand and supply but a well-coordinated projection carried along with information relating to all the complex factors of production and market forces; including national and cross-border competing factors. In all production-based economies, the role of industrial policy, therefore, becomes the overridden orientation for their successes. It is a far-reaching reality that must underline a new economic focus for Ghana. It is a reality that must invigorate the energy to practicalise Adams Smith’s theory of economies of scale, which empowers the conviction that Ghana has what it takes to leverage its natural and virgin resources to boost and feed its SMEs in the productive sectors.

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60 Ghana Statistical Service (n 55).
Leading to this, the nature of the Ghanaian economy requires an enormous crusading for a ubiquitous practical policy architecture that responds to interactive agents involved in all pro-modernised economies in which constant intercourse is festered. It has been established that every market is inherently mechanised on the operation of arms-length dealings, short-run variables, spot relations based on spot prices, or such as may be on the terms. Management of social capital demands a connectedly built market based on inherent mechanisms of interrelatedness. This proposition defines the call of this article that, to achieve the objectives of any future industrial policy, all-round pragmatism is a prerequisite to building a guided SME sector to shoulder the manufacturing industries.

THE 2011 INDUSTRIAL POLICY

In pursuit of its long-term development vision, the thrust of Ghana’s current industrial policy was to create a strategy that is aimed at value-added processing of raw and natural resources into finished and semi-processed products primarily to be shouldered by SMEs in the private sector. The aim was to have a document that could guide decision-making for economic transformation driven by industry formidable to bequeath commensurable decent employment on a ratio of equity and sustainability. Admittedly, the policy set its focus on the growth, diversification, upgrading and competitiveness of Ghana’s manufacturing sector.

Like Ghana’s Trade Policy (TP) the industrial policy was to complement the TP to ensure a consistent but stable milieu for accelerated industrial development. It is a policy that gels with the country’s private sector development brocade that seeks to create a conducive environment for private sector effectiveness and engineering of growth. The critical lacuna identified to address is the production challenges confronting the manufacturing sub-sector of the industry. Throughout the document, key problems of SMEs are captured as follows;

i. most of these businesses are not formalised (SMEs are not registered because the processes for business registration and acquisition of operating permits are cumbersome, time-consuming and costly),

ii. most small businesses do not get access to business support services and incentives,

iii. most of these enterprises are not concentrated in one particular area, making it difficult for them to enjoy the benefits accruing from the localisation of industries, and

iv. there is an overall low level of science, technology, research and development and innovation in industry (This limits the absorption and adaptation of modern technologies into the manufacturing sector, thus affecting its competitiveness).

To address these, the policy puts the problem of this article in context by agreeing that ‘Small-scale enterprises are the backbone of the manufacturing sector in Ghana’ and offer the following prescriptions among others to surmount the challenges:

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61 Elsner (n 24).
62 Ghana Industrial Policy (n 41).
i. To formalise small scale businesses to help them get access to business support services and incentives;
ii. Institute incentives to encourage the formalisation of the informal sector enterprises;
iii. Encourage cluster development of micro and small enterprises;
iv. Government to encourage the private sector to establish marketing companies to service local SME manufacturers;
v. Government to assist SMEs to upgrade technology to enhance their competitiveness;
vi. Government to encourage the private sector to establish marketing companies to service local SME manufacturers;
vii. Government to facilitate the training of SME manufacturers on the development and efficient management of distribution chains; and
viii. Government to support SMEs to implement quality assurance systems.

The main objectives of the Industrial Policy are:

1. To expand productive employment in the manufacturing sector.
2. To expand technological capacity in the manufacturing sector.
3. To promote agro-based industrial development.
4. To promote the spatial distribution of industries to achieve a reduction in poverty and income inequalities.

The 21 thematic areas that encapsulate the industrial policy instruments have been categorised into four key components in the document namely:

1. Production and distribution;
2. Technology and innovation;
3. Incentives and regulatory regime; and

The success indicators of the policy implementation entail the extent to which the private sector will be empowered in terms of its capacity to;

1. grow the Small and Medium Enterprises,
2. expand and create opportunities for employment, and
3. reduce poverty and spatial inequalities in Ghana.

It is instructive to observe and rightly so that the first success matrix for this comprehensive policy paper identifies SMEs’ development as cardinal to its assessment. Indeed, it is the position of this paper that all the other matrixes can be ceded on the broader strength of the SMEs as outlined in this document. It is therefore not strange that strings of measures are stated concerning SMEs and how they could be supported to arrive at the general objectives of the policy.

Technically, this policy document was developed in line with the country’s development planning frameworks and represents the array of specific policy instruments and mechanisms that exist to foster access to a competitive economic environment that facilitates growth in the productive industry, especially manufacturing. Though the policy opines that it “provides essentially, broad
guidelines for concrete action in the field of industry,’ this has not materialised on the ground and confirms the lack of goodwill for the industrial sector from the government of Ghana.

Despite the effort, commitment and resources channelled into birthing this document, it has largely been another failed enterprise. This is because the timeline objective to achieve key objectives of the policy in 2020 is gone, yet there is little to exhibit as a concrete indication for the comprehensive implementation of the policy after ten years of launching in June 2011. Little support has so far been given to the Ministry of Trade and Industry (MoTI) to implement major aspects of the policy. The policy has seen minimal evidence of the structures and the political will of the government to bring it to fruition, even though it will be disingenuous to assert that the content of the document may be obsolete. Industry players have sounded the loudest bells and pressed all the buttons for the government’s fullest action to no avail.64

Again, a key institutional vehicle namely, the Ministerial Industrial Policy Coordinating Committee (MIPCC) to coordinate the Industrial Sector Support Programme (ISSP) under MoTI to carry out the actual implementation of the policy has since not been set up. Specific annual budget allocation to effectuate this implementation has not been adhered to as mentioned in the document.65

Without any comprehensive performance reports, the Ministry of August 2017 collaborated with the Ministry of Information to launch another omnibus National Policy on Trade and Industry.66 The elaborate interventions envisaged to be the panacea for the challenges are not mean laudable acknowledgment of the position of SMEs in the economic planning of the country and the seriousness it deserves at all stages of decision making. But as long as the implementation of this policy paper has not been prioritised, it justifies the clarion theme of this article for a revisit to its underlining assumptions and motivations for a proper take-off for the economic vision yet to be set beyond Vision 2020 which has practically expired. This paper contends that any prospective national economic or development planning must be centred on the growth and central role of SMEs in the economy. Without any shred of doubt, it is reconcilable to state that the manifestation of the strength of the manufacturing sub-sector is attached to the aprons of the viable SMEs sector. A strong industrial base built on a healthy SME sector not only secures strong economic growth but also guarantees it.

CONCLUSION

It has been outlined in this paper that the underpinning rationale of the GIP of 2011 was to grow the Ghanaian SMEs, especially those in the manufacturing sector, to enable them to produce high-quality products, processes and services, and to have the capacity to compete favourably in international trade.

Again, the analysis confirms that there is a critical challenge of production that confront the manufacturing sector especially, in Ghana as shown by its declining output up till 2016 by recording a growth of 4.6% as compared to 4.9% and 4.8% in 2014 and 2015 respectively. This was projected to decline further. This gives a baseline perspective of how the overall SMEs sector

65 Ibid.
66 MTEF (n 46).
is under threat because as indicated earlier, manufacturing is the anchor of the SMEs sector and its growth serves as a good indicator for measuring the resilience of that sector.

Data analysis from the paper also points to a disproportional distribution of industries in the country as most of them are concentrated in the urban and peri-urban towns of the country due to many pull and push factors. The increase in numbers of SMEs especially in the productive sectors is good to pursue but it must have a national scope to utilise local and human resources in all regions of the country for sustainability, resilience and anchoring of the economy.

In confirming the objective of this study, it is revealed from the analysis that the GIP was a means to help seize the opportunities to expand and retain the market share of Ghanaian SMEs. In this regard, the policy rationale was situated within the context of the country’s long-term strategic vision aimed at achieving middle-income status by 2015. This was hinged on a key success indicator of the achievement of middle-income status by achieving a per capita income of US$1,000 per annum. But within the broader economic dynamics, Ghana could not achieve this in 2015, thereby impacting woefully the success of the implementation of the GIP.

Finally, the research identified that the government’s effort through the provision of incentives to actualise the objectives and implementation of the GIP has been illusional. From the study, it is clear that even though the policy stated that, it “provides essentially, broad guidelines for concrete action in the field of industry,” this has not materialised on the ground and confirms the lack of goodwill for the industrial sector from the government of Ghana. Despite the effort, commitment and resources channelled into the making of this document, it has largely been another failed enterprise. This is because the timeline objective to achieve key objectives of the policy in 2020 is gone, yet there is little to exhibit as a concrete indication for the comprehensive implementation of the policy after ten years of launching in June 2011. Little support has so far been given to MoTI to implement major aspects of the policy.

WAY FORWARD

To begin, on the basis that the 2011 GIP objectives could not be achieved within the timelines of implementation, it will require a new beginning charted with a focus on the ubiquitous SMEs which has the capacity to anchor the economic pillars of the country, rather than a focus on large scale industries. This will require pragmatism by demanding a baseline assessment of the industrial needs, constraints and opportunities of the Ghanaian SMEs and factoring them into the development of such a policy.

Moreover, this also offers the basis for the conviction to review the parameters and scope of the objectives as well as the implementation plans and mechanisms outlined in the policy. It is posited that Ghana’s new beginning to industrial policy must follow the instrumentalists’ approach thereby making it generally consistent with what is acceptable. This approach demands rallying all stakeholders in government, private sector and industry for inputs into a formidable and implementable framework.

Additionally, as a policy measure, Ghana must equip its SMEs through a tailored IP that leverages its resources at a lower opportunity cost to produce in abundance for both domestic and export markets, especially under the larger market of the new African Continental Free Trade Area (AfCFTA) to bolster its economy. On this basis, it is recommended that the intentions of any IP
must be informed by industry-related priorities such as a receptive business environment, comprising regulatory and institutional frameworks and infrastructure development; entrepreneurship development; secured financing; enterprise development services; innovation and technology; and domestic and international market access through the means of instrumental approach to policy formulation.

Again, the focus on the manufacturing department of industry-led by SMEs towards this new paradigm must be non-negotiable. SMEs in the manufacturing sub-sector must continue to be the focal factor for any consideration or thought intended in new IP development. Anything short of this will present another lead to failure.

Finally, to position the SMEs as the focus for the new beginning of robust economic growth, the following considerations will be necessary:

i. Minimising entry challenges and financial implications for new firms;
ii. Sufficient and sustainable financial supply to SMEs;
iii. Development of entrepreneurship through mentoring, education and training; and
iv. Strengthening of business networking and information flow through appropriate technology.

It is clear from the paper that, the effort to practically link the growth of SMEs to economic development has not been harnessed as expected due to the challenged GIP. This requires that the efforts invested in the process of developing an IP must be as crucial as the results it is intended to achieve through its implementation, monitoring and evaluation stages. We find that not enough effort and political will have been injected into the implementation of the current GIP as much as it was done in putting out the policy framework, hence a new beginning must be charted.
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