
Ghana: increased prosperity in a favourable business environment

*Richard Gerster**

Founded in 2001 BusyInternet today has 85 employees and is one of the largest private information technology centres in Africa. During a visit dozens of places in the leading internet café in Accra are busy and there is a small queue in front of the printing service desk. Younger and older people are bustling about. Combining an Internet Café with various business services – from copying to temporarily renting out office or meeting rooms and consulting young entrepreneurs – is obviously a success. Ms Akofio Sowah, BusyInternet's CEO, appreciates the recent positive changes which took place in Ghana. Particularly the dialogue with the government has improved. However, she makes no secret of the problems which still exist: "Basic things such as electricity supply, water for the toilets or security issues are some of our daily challenges."

Business climate: never been better

According to an evaluation of budget support carried out by a British-Ghanaian research group, private sector representatives agree that since Ghana's independence 50 years ago the business climate has never been better. Ghanaian entrepreneurs and investors (see interview with Elsie Enninful Adu) as well as international companies concur in this respect. Michel Marinez, Country Controller of Nestlé Ghana says: "With 140 million people, Nigeria's population is seven times that of Ghana. But Nestlé's branch in Nigeria only has twice the turnover of Nestlé in Ghana." The inflow of foreign direct investment into Ghana has increased from 145 million US dollars (in 2005) to 501 million dollars in 2007.

Ghana's business climate has improved when comparing it internationally. On the

World Bank's ranking "Doing Business" which assesses 178 countries, Ghana is placed 87th for 2009. In 2005, Ghana occupied rank 102, in 2008 even rank 82. When looking at Africa South of the Sahara, Ghana is now ranked sixth. As Tony Oteng-Gyasi, President of the Association of Ghana Industries (AGI) illustrates, the faster registration of companies as well as accelerated mediation offered by the new commercial courts are particularly noteworthy improvements. A lawsuit used to last six months, today, the conflict is dealt with within a month and three of four cases are settled out of court by mediation.



Tony Oteng-Gyasi, president, Association of Ghana Industries (AGI).

The industry association AGI conducts an annual survey among local economic leaders. The 451 persons who were questioned in 2007 identified the following issues to be the biggest challenges: energy supply (see separate article), cheap competition from abroad and costs of credits. The economy does not ask for protective duties, but demands that cheap imports from China have to meet basic quality standards. Compared to previous years, however, the 2007 survey reflects a slightly decreased optimism among the economic leaders.



BusyInternet – the largest private ICT-centre in Africa.

Vehicle budget support

Strengthening Ghana's private sector competitiveness is one of the pillars of the Growth and Poverty Reduction Strategy 2006 – 2009 (GPRS II). On this basis, Ghana's government adopted a strategy for the development of the private sector for this time span. The private sector is seen as a vehicle for further growth. Ghana's position on international markets is to be expanded and strengthened; national markets are to become more efficient, capacities of Ghanaian companies extended and the government's policy expertise for private sector promotion improved. The way to these aims is lined with mile stones which include for example the possibility to start a new business in a quick and un-bureaucratic manner. Between 2006 and 2007 the time needed decreased from 81 to 42 days – a considerable improvement, but still too long by comparison.

Budget support fosters the implementation of Ghana's GPRS and by doing so also strengthens the pillar of improved framework conditions for the private sector. This is also why the budget support's performance agreement explicitly includes progress assessments with respect to the implementation of the previously mentioned private sector strategy. In addition to that many other criteria such as a sustainable energy policy, sound management of public finances or the expansion of the educational system are vital and directly relevant for the private sector. Since 2005 donors are cooperating closely in a private sector working group. Switzerland is actively en-

gaged in both, budget support as well as the working group, but has so far not provided its targeted support for the private sector in the joint basket, but rather allocated it directly.

Tony Oteng-Gyasi is convinced of the significance of budget support: "It is in the interest of the private sector that the government of Ghana manages our taxes in an efficient manner." And he adds: "You cannot have a strong private sector if you do not have a strong public sector."

"Jobless growth"

Every year since 2003, Ghana's economic growth has surpassed the hurdle of five percent. Reforms as well as gold extraction and cocoa cultivation have contributed to this growth which was also stimulated by increasing commodity prices. The cocoa boom is often beneficiary for family businesses and investments made in the local economy. This is why extreme poverty in Ghana is clearly decreasing. Starting on a high level it could be halved in the past two decades. But the differences between urban and rural areas as well as between the rich South and the poorer North are enormous. The present boom has bypassed many qualified people. Only a minority has found a job with the government or in the economy, for example with BusyInternet.

More than 90 percent of the working population are estimated to be engaged in the informal sector. They are self sufficient, live from a trade or run a small business to



Foreign investment gains ground in Ghana: for example Bomarts' plantation in Ghana which grows Fair Trade pineapple and mango. It also delivers fruit to Switzerland.

keep their heads above water. Reforms in the framework conditions have little effect on the informal sector and small entrepreneurs do often not even know about them. As a study by the University of Manchester shows, access to finance is an unsolved problem and micro enterprises hardly develop growth perspectives. Also the criteria (indicators and triggers) in the performance assessment framework (PAF) for budget support are primarily oriented towards the formal economy.

“Ghana lacks a productive basis. We have jobless growth which is concentrated in the South of the country”, summarises Nana Frimpomaa Arhin. She is the chair of the donors’ private sector working group and works for the British development agency (DFID). Macroeconomic stability, improved government services, access to finance thanks to competition between the banks have so far not lead to an increase in jobs. Isaac Hagen from the Ministry of Trade and

Industry assumes that “reforms of the framework conditions like open markets or reducing bureaucratic hurdles are necessary but not sufficient to achieve sustainable growth. It also takes active and considerable educational and technological inputs to increase productivity.”

When the government today praises private sector promotion, this is a newer orientation. Until ten years ago state enterprises dominated and private business representatives met widespread distrust. Now the insight that profitable enterprises pay taxes has won recognition. If income from oil really will flow in the future, as it is hoped for, the government will be less dependent on taxes from the economy and international aid money. “Under no circumstances would we like to have a situation like they have in Nigeria, where the benefits from the oil provides employment and income to barely two percent of the population”, says Nana Frimpomaa Arhin.



Local entrepreneurs believe in the future and make investments (picture: quarry where gravel for road construction is obtained).

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