
Ghana: “Trust has returned”

*Ms Elsie Enninful Adu, General Manager of Fidelity Capital Partners, Ghana, is talking to Richard Gerster**

R.G.: Recently I had the chance to visit the company “BusyInternet” in Ghana’s capital Accra. Not only the huge and populated Internet café was impressive, but also the busy atmosphere which almost boarded on an atmosphere of departure. Is Ghana the place where it is happening?

E.E.A.: BusyInternet is the largest Internet provider of the country. It employs some 85 people. Apart from the café and photocopying it offers other business incubation services to young, small enterprises. These services are in high demand. But of course it would be imprudent to conclude that all of Ghana is as dynamic – even though progress in the past years has been considerable.

What has changed?

Five years ago the people brought their money out of the country for security reasons. Today they think about opening a business in Ghana and how to invest their



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savings in their own country. The trust has returned and that is certainly the most fundamental change. The basis for that is provided by the political and economic stability, together with very practical measures to eliminate bureaucracy for starting new businesses. Today, harsh competition among the banks furthermore make access to credits easier than it used to be. But let’s not forget one thing: Ghana is still far away from playing in the industrialised countries’ league.

Do you see room for further improvement in the future?

Ghana’s economy is very much directed towards services. Our industrial basis collapsed in the past decades. In spite of globalisation, we can not import every thing from China, but need to have a minimum of our own industry. And for this we need a solid public infrastructure. If someone wants to open a company, they should not first have to build an access road and ensure a constant supply of electricity. The government’s industrial free zones want to offer exactly that, but they are much too expensive – doing it single-handedly is cheaper. Fidelity itself is currently involved in a project constructing a drinking water processing plant where the access road has to be constructed at the entrepreneurs’ own expense. There is definitely some room for improvement.

What business fields is Fidelity Capital Partners working on?

We finance start ups and expansions of small and medium enterprises in all sectors. When we launched our first fund in 2001, primarily with money from Swiss development cooperation and the Dutch development finance company that was relatively new territory in Ghana. Fund I had a volume of 8,5 million US dollars four funders and 11 invested companies – by the way, BusyInternet is one of them. When

Fund I is repaid to the funders in 2011 – hopefully making some profit – we will have created more than 600 sustainable jobs (and over 200 part time jobs). Fund II which commenced in 2007 has a volume of more than 23 million dollars and a larger circle of investors, among them again Switzerland (SIFEM) and the Netherlands (FMO), but also some from Ghana. The better business climate is also reflected in the comparison of the two funds.

Is the role of Fidelity Capital Partners limited to pure financing schemes? Or do you also intervene in the development of the enterprises? Do you also try to sensitise the enterprises, for example with respect to their social responsibility?

We exclude arms dealing, alcohol, banned pesticides or deforestation for moral reasons from the beginning. We are active in all the companies, in which we invest. Our aim is clear: a sustainable profitable enterprise which continues to grow when we withdraw and sell our shares after a maximum of ten years. Besides the financial contribution solid management structures and corporate governance are our key concerns. A competent management which acts with integrity and clearly respects environmental and labour laws are important to us. If the financial situation allows it, social responsibility can also be applied in a more broader sense. For example a privately financed school in Kumasi, in which we invest, provides scholarships to children of a neighbouring village in order to enable them to attend school even if their parents do not have the necessary means.

A sustainable improvement of the business environment for the private sector is an im-

portant concern for both the government and the international development partners. Are you aware of the fact that a number of countries – among them Switzerland – as well as multilateral institutions co-finance the state budget of the Ghanaian government and by doing so support these reforms?

Economic growth to reduce poverty is a corner stone of the government's policies. Of course I am aware of budget support. It has a clear value added by strengthening the government in implementing its own agenda. It also enables the government to receive feedback on proposed areas of development, from countries which have the experience, ensuring that the pursued agenda clearly benefits the economy and people of Ghana. Furthermore, I think it is important because it enables the pooling of efforts to ensure that development goals are achieved, with the requisite amount of funding. Budget support is therefore a promising development tool.

Even though in Ghana only about every tenth state frank is provided by budget support from abroad, one can not help the impression that the donors interfere considerably in the country's internal affairs.

Interference? It is important and right that our government has to be accountable for how it reaches its goals and implements its promises. The consultations take place in the very interest of our country. Government has to clearly demonstrate that intentions and implementation are not two different things. This will be the way to reduce the need for consultations, if there is the concern about interference.

* The author, Dr. Richard Gerster, is an economist and works as independent consultant and publicist (www.gersterconsulting.ch). This interview is part of a series commissioned by the State Secretariat for Economic Affairs (SECO) to take a closer look at budget support from various points of view. They reflect the author's personal opinion.