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# MAPS: Ghana

## Private Sector Dialogue: Phase IV

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Draft Report  
Not for Citation

*Bureau for Private Enterprise  
U.S. Agency for International Development*

*Prepared for: Bureau for Africa / MDI and USAID / Ghana*

*Prepared by: J.E. Austin Associates*

*Sponsored by: Private Enterprise Development Support Project II  
Project Number 940-2028.03  
Prime Contractor: Ernst & Young*

*October 1989*

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## I. PURPOSE AND OBJECTIVES OF DIALOGUE SESSIONS

The purpose of the MAPS Dialogue section is to provide findings from conversations with public and private sector officials. Specific objectives include the following:

- Supply USAID with qualitative insights from Government and private sector leaders on findings and assumptions that may or may not have been adequately covered in the Private Sector Description or Diagnostic Survey
- Discuss the feasibility of potential USAID interventions
- Gauge local initiatives in which the private sector would be interested and willing to lead

A list of formal dialogue session participants and notes from those meetings are attached as Exhibits I and II.

## II. FINDINGS FROM DIALOGUE PROCESS

The following is a summary of findings and recommendations which resulted from dialogue sessions with 23 private and public sector lenders with Mission participation as part of the MAPS process.

### A. General Findings

#### 1. Things are Better under the ERP

Conditions have improved under the ERP. The production and distribution of goods and services is higher than pre-ERP years, and more people are benefitting as a result. Much of this economic activity has come from the informal sector.

#### 2. Liquidity is the Key Problem

Despite macroeconomic improvements since 1983, liquidity is the key problem affecting private sector development. Inflation remains high. Purchasing power is down. Credit ceilings reduce financing available to the private sector, particularly term credit required for productive investment. Interest rates and fees are high. 100% cash requirements for Letter of Credit financing weakens cash flow. Tax rates are high, calculated liabilities overestimated, refunds slow and collection procedures aggressive. Foreign exchange is expensive due to devaluation even if access has increased through the auction and Forex bureaus. Participants often encouraged USAID to provide credit via loan guarantee schemes.

### 3. Infrastructure is Still a Burden

Infrastructure is viewed as a problem because of inconvenience and additional costs. Nevertheless, most private sector people believe improvements in transport, communications and power are slowly being achieved, and that infrastructure problems are not an insurmountable constraint to manufacturing, commerce and service sector activities. It is widely recognized that poor infrastructure slows development in the rural areas, complicating agricultural input distribution and output marketing, and keeping the level of health, education and social services low.

### 4. The Private Sector Needs Training

Training is required to improve management and labor productivity. Most of the time this relates to specific skills (e.g., improved accounting capabilities, sharpened technical skills), and sometimes to a broader understanding of the link between productivity, profits and compensation. Here, some of the participants' opinions of low labor productivity differ from the diagnostic survey findings regarding productivity and absenteeism. Several officials encouraged USAID to engage in training activities.

### 5. A Weak Enabling Environment Keeps Enterprises Small and Informal

High tax rates, lack of credit, past Government interventions, ongoing doubts about Government commitment to the private sector and a strong sense of individualized management proprietorship deter growth and encourage enterprises to maintain a low profile. Worries about cash flow, doubts about economic stability and concerns of lost management control limit equity commitments, further complicating access to needed production technology and plant improvements.

### 6. Market Information and Marketing Are Weak

Marketing information is not as available as private sector officials would like. Most producers feel improved marketing channels would increase the likelihood of making Ghana a lower cost and more internationally competitive producer. Domestically, weak logistical support and poor infrastructure are cited as the central reasons for bad information flows. The concentration of production facilities in Greater Accra also directly relates to proximity to ports, transport facilities, power, communications and markets.

## B. Microenterprise Development

### 1. Credit is the Major Constraint

Microenterprises operate on personal and family savings because banks cannot or will not lend to small-scale businesses. Banks complain of credit ceilings, non-performing loans and difficulties in monitoring/administering small credits. Commerce may be the one exception as traders often have good cash flow.

### 2. Microenterprises Need Training in Modern Business Techniques

Training is considered important to improve on basic business skills. Nevertheless, some participants feel that small enterprises function well on their own, and that the most important element is a more stable macroeconomic environment. As many microenterprises are in rural areas and small towns, logistical difficulties, illiteracy rates and household responsibilities would make training a more complicated endeavor.

### 3. Most Participants Thought USAID Should Assist Microenterprises

Given the predominance of microenterprises in the economy, many participants viewed this as a natural fit for USAID given its experience with credit and training programs. No particular private sector initiative targeting microenterprises was identified, although the Opportunities Industrialization Center provides apprenticeship programs and attempts to place its students in jobs, and the Association of Ghana Industries has a Small-Scale Industries committee.

## C. Women in Development

### 1. Credit is the Main Constraint

Credit ceilings and banking sector problems with small credit administration constrain the supply of funds available to women through the banking system. In addition, despite female entrepreneurs' claims of higher repayment rates than those of males, women are discriminated against because they do not hold collateral (e.g., immovable properties) by which to secure loans. As a result, women keep less of their money with the formal banking system, further reducing their chances to access credit.

### 2. Women Need Training and Technical Assistance

As most women's enterprises are very small-scale, there is a need for training. While there has not been overt discrimination against women in schools, household requirements and social patterns often mean women receive less schooling and training

than men. The logistics of delivering training were considered to be difficult since many of the women who need training are in rural areas with households to manage. As with small entrepreneurs in general, some of the participants felt that improved macroeconomic conditions would facilitate women's abilities to improve their income streams (e.g., commerce) without major commitments to training.

### 3. Assistance to Women Should Be Small-Scale and Grass Roots

USAID was encouraged to support credit and training programs that could be implemented on a localized basis, possibly via PVOs and NGOs. Women's World Banking, which has received USAID support, is one such initiative that attempts to mobilize savings and provide credit. Credit unions have also served as an institutional bond for some community women's groups to promote savings mobilization for economic advancement.

## D. Finance

### 1. Credit Ceilings are Imposed by the Bank of Ghana

Banks cannot deviate from stated Government policy, yet believe they are being blamed for restrictive monetary policy. Until the inflation rate drops, banks are restructured and repayment rates increase, the banks do not see credit easing soon.

### 2. Bank Loan Portfolios are Still Weak

High non-repayment rates across sectors, including parastatals, resulted from the notion that credit was "free Government money". Bankers feel the Government is trying to change that by limiting credit allocations until repayment rates from risen, including from parastatals.

### 3. Banks Believe Debtors Could Repay More

Banks feel many debtors are capable of repaying loans, particularly as these have not been indexed during a period of currency devaluation. Banks do not have the facilities or manpower to administer small credits, complicating follow-up procedures for repayment.

### 4. Collateral is Often of Limited Value

Even when banks have secured loans, they are not necessarily collateralized. While collateral may have positive book value, in many cases the market value of collateral is zero or less than the credit outstanding for cultural reasons (e.g., house for resale that no one will buy).

#### 5. Businessmen Have Grown Accustomed to Debt and Biased Against Equity

Bankers claim that businesses rarely inject equity into their enterprises, and often use bank debt to capitalize operations while siphoning off profits for personal use.

#### 6. Structural Changes are Needed Badly

Bankers and credit unions both claimed that structural changes were required in the banking system to make formal finance more efficient. Market-determined, positive real interest rates on both savings and credit were considered important for deposit mobilization and operating profit. Credit allocations should not be mandated by Government authorities. It was acknowledged that the Government was moving in this direction, although financial sector restructuring was moving at a very sluggish pace despite its critical importance and urgency.

#### 7. USAID Should Assist With Training

Bankers and credit unions believe training is crucial for the development of an efficient financial sector. The head of the Ghana Institute of Bankers claimed there were only about 200 professionally certified bankers in the entire country, and that intensified training was required to upgrade the quality of bank personnel. The credit unions, likewise, have had little training, and the head of the Ghana Cooperative Credit Union Association believes training and logistical support for the apex and regional officers would make a strong impact on savings and credit, particularly with rural finance and microenterprises. It was felt that these were areas where USAID could play a positive role and make a complementary impact on the broader World Bank restructuring efforts. In addition, some banks appear interested in establishing joint training programs with donors to promote rural and small-scale enterprise development.

### E. Health

#### 1. Liberalization and Privatization Should Be Promoted

Participants pointed to the role the private sector could play in improving the production and distribution of pharmaceuticals and health services. The current health care system is burdened by regulatory conflict and control (Pharmacy Board, Standards Board, Ministry of Health), licensing procedures for medical practitioners, import duties on needed equipment for private medical practice, centralized procurement and accounting of drugs and supplies at MOH health facilities that reduces stocks, poor distribution of health care facilities and significant loss of skilled Ghanaian medical personnel due to continuing barriers to entry for private medical practice.

## 2. USAID Should Continue and Expand Its Health/Pop Efforts

USAID is already working with Ghana's private sector in health care and population control. It was recommended that USAID broaden its focus to include private sector production of pharmaceuticals and ORT packages, and to improve nutrition levels and education.

## F. Agriculture

### 1. The Agricultural Sector is as Burdened as Any Sector

Participants described a multitude of structural and economic problems that adversely affect agricultural production in Ghana: bad infrastructure; problems of input distribution (e.g., quality, quantity, timing); weak extension; weak linkage between research and end-use application; limited and low quality storage facilities; unsophisticated approaches to output marketing; market distortions resulting from bad infrastructure, limited credit and perennial subsistence; risk-averse farmer attitudes regarding new technical packages; low loan repayment rates; and limited evidence of pooling capital for groups to engage in agro-processing ventures.

### 2. However, Government Efforts are Moving in the Right Direction

While many of these problems evolved due to poor past Government policies (e.g., Government control of input distribution, subsidized credit), the Government's market liberalization program should lead to significant improvements in agriculture over time.

### 3. And So is USAID

USAID APPP-type programs in support of structural changes in agriculture are needed. With improvements in the overall macroeconomic environment and assistance targeted toward structural weaknesses (e.g., input distribution, storage, marketing), the participants believed non-credit constraints to agricultural development could be reduced.

### 4. But Credit is Again the Major Constraint

As banks are not in a position to administer credits to small-scale farmers, farmers remain cash-starved. At the same time, they need cash to break their dependence on market traders and money lenders to expand production and ultimately develop value-added agro-based enterprises. The role of cooperatives and loose associations could play the intermediary role, but their success in Ghana has been limited due to excess Government intervention, poor input distribution, mismanagement and abuse.

## G. Business Associations

### 1. Government Has Not Involved Business in Policy Reform

Business associations criticized the Government for its lack of dialogue with the associations and inability of the latter to influence Government policy.

### 2. Association Members Often Feel Hardest Hit

Members of the Association of Ghana Industries and Chamber of Commerce often claimed to be hardest hit by credit ceilings, Letter of Credit financing requirements, tax collection procedures, bureaucratic, customs and licensing problems, inflows of goods from offshore, currency depreciation and stubborn inflation. These sentiments were expressed most vociferously by local producers whose goods are competing with lower cost items from abroad (e.g., textiles, shoes, pharmaceuticals) which have been more widely distributed in recent years.

### 3. USAID Can Help With Training and Technical Assistance

Business associations recommended that USAID provide training and logistical support to give the associations a better chance to serve their members in a more competitive environment. Business associations claim members need help with costing, procurement, quality control, inventory control, accounting and financial analysis, marketing and export promotion. The associations believe that basic equipment (e.g., photocopiers, computers) are required for publications, research and policy analysis.

### 4. And, Of Course, Credit

Manufacturers also requested credit assistance from USAID as they feel discriminated against in the banking system given the preference for shorter-term credits to more liquid (e.g., commercial) operations.

Exhibit 1

FORMAL DIALOGUE SESSION PARTICIPANTS

MAPS has involved ongoing dialogue with Government officials, private sector representatives and the donor community. Dialogue with the private sector included a structured formal program involving the following:

1. Dr. Akuako-Frimpong, Acting Director, MDPI
2. Dr. O. Johnson, IMF Resident Representative
3. Dr. K. Erbyn, Chairman, Ghana Investment Center
4. Ms. Edusei-Herbstein, Managing Director, Akuaba, Ltd.
5. Ms. F. Ademolah, Managing Director, The Loom
6. Ms. L. Quachey, Managing Director, Lucia Manufacturing
7. Ms. S. Ayittey, Project Coordinator, 31st December Women's Movement
8. Ms. M. Thompson, Managing Director, M&J Business Services
9. Mr. B. Issifu, General Manager, Ghana Cooperative Credit Union Association
10. Ms. C. Wiredu, Managing Director, Wiredu Dressmaking
11. Ms. H. Engmann, Women's World Banking
12. Mr. K. Keelson, Executive Director, Opportunities Industrialization Center
13. Ms. E. Sai, Proprietress of a small catering and juice bottling enterprise
14. Ms. G. Nikoi, Chairman, Bank for Housing and Construction
15. Mr. J. Nuamah, Managing Director, National Savings and Credit Bank
16. Mr. J. Atta-Nyamekye, Managing Director, Densu Industries
17. Dr. H. Phillips, President, Ghana Medical Association

Exhibit 2 (continued)

18. Ms. H. Owusu, President, Ghana Midwives Association
19. Dr. E. Martinez, Director, Global 2000 in Ghana
20. Dr. Appiah, Managing Director, Cooperative Bank
21. Mr. G. Korankye, Agronomist, Reiss & Co.
22. Mr. Y. Kuranchie, Managing Director, Agricultural Development Bank
23. Dr. H. Wemah, Managing Director, Agrovets

MAPS GHANA PHASE FOUR  
PRIVATE SECTOR DIALOGUE  
APPENDIX

MEMORANDA FROM SELECTED FORMAL  
DIALOGUE SESSIONS

MEMORANDUM

To: G. Towery, Ed Birgells, A. Sisson  
From: Mike Borish, Consultant *MSB*  
Date: April 19, 1989  
Topic: MAPS Luncheons

As requested by G. Towery, I have put together the following brief profile of guests invited to our luncheons. An asterisk (\*) indicates I personally know the person. Two asterisks (\*\*) indicate that A. Sisson recommended the person be included on the list.

April 20

Dr. Akuako-Frimpong is Acting Director of MDPI, a parastatal research, consulting and training enterprise.

Mr. Omotunde Johnson is the IMF Residence Representative in Ghana.

Dr. K. Erbynn is Chairman of the Ghana Investment Center. Dr. Erbynn has a PhD from Iowa State that was made possible by USAID.

April 25

Mrs. Edusei-Herbstein is Managing Director of Akuaba Ltd, a small wood processing company that makes childrens' furniture and toys. Her wares were recently on exhibit at GIFEX in February.

Mrs. Esther Ocloo is Managing Director of Nkulenu Industries, a manufacturing firm. She is also the head of the Ghana Professional Women's Association.

Mrs. Frances Ademolah (\*) owns the Loom, a small boutique that markets upscale Ghanaian paintings and crafts. She is also active in womens' health causes.

April 27

Mrs. Lucia Quachey is Managing Director of Lucia Manufacturing. She is also a member of the Association of Ghana Industries and chairs their committee on Garments and Knitting.

Mrs. Sherri Ayittey works closely with small womens' enterprises via the 31st December Women's Movement.

Mrs. Marian Thompson (\*) is Managing Director of M&J Business Services.

May 2

Mr. Bukari Issifu (\*) is General Manager of the Ghana Cooperative Credit Union Association.

Dr. E.K. Abaka (\*) is Executive Director of the National Board for Small-Scale Industries out of the Ministry of Industries, Science and Technology.

Miss Comfort Wiredu runs a dressmaking operation and chairs the Small-Scale Industries committee of the Association of Ghana Industries.

May 4

Mrs. Engmann directs a school in Accra and is also active in Womens World Banking. She is attending a USAID conference in Nairobi in late April.

Mr. Kojo Keelson is Executive Director of the Opportunities Industrialization Center which trains people in crafts and performs industrial market studies.

Mrs. Elizabeth Sai has a microenterprise (five employees) which bottles ginger drinks in Accra.

May 9

Mrs. Gloria Nikoi is Chairman of the Bank for Housing and Construction and the Akuapem Rural Bank. She is also a former official in the Ministry of Finance, and married to a former Governor of the Bank of Ghana.

Mr. J. Nuamah is Managing Director of National Savings and Credit Bank and head of the Ghana Institute of Bankers.

Mr. J. Atta-Nyamekye (\*\*\*) is Managing Director of Densu Industries, and 2nd Vice President of the Association of Ghana Industries.

May 11

Mr. David Brooks is Managing Director of Barclays Bank in Ghana.

Mr. J. Addo is a consultant with Price Waterhouse, and a former Governor of the Bank of Ghana.

May 16

Dr. H. Phillips (\*) runs the Phillips Clinic, and is also head of the Ghana Medical Association.

Mr. C. Gyamfi (\*) is Managing Director of Bikkai Ltd, a pharmaceutical producer. He is also chair of the Ashanti/Brong Ahafo committee of the Association of Ghana Industries.

Mrs. Henritta Owusu is President of the Ghana Registered Midwives Association.

May 23

Dr. E. Martinez (\*) is Director of Global 2000 in Ghana.

Dr. Appiah is Managing Director of Cooperative Bank.

Mr. George Korankye (\*) is a senior official with Reiss & Co., a Dutch agricultural input distributor.

May 25

Dr. Wemah is Managing Director of Agrovets, an agricultural processing firm.

Dr. A. Owusu is Managing Director of Astek Industries (producers of Refresh), and chairs the Food, Drinks and Tobacco committee of the Association of Ghana Industries.

Mr. Yaw Kuranchie is Managing Director of the Agricultural Development Bank, and formerly directed the Ghana Food Distribution Corporation.

Attending: G Towery, E. Birgells, A. Sisson, S. Vordzorgbe, A. Lessard, M. Borish

Guests: Dr. Johnson (IMF), Dr. Erbynn (Ghana Investment Center), Dr. Akuako-Frimpong (MDPI)

Key Points

1. The purpose of this luncheon was to provide an overview of macroeconomic conditions in Ghana, get a feel for the general investment climate, and determine initiatives that USAID might be able to support in terms of assisting private sector development.
2. The feeling was that the ERP was succeeding, that the macroeconomic climate in Ghana had vastly improved in recent years, and that the GOG had generated substantial donor goodwill due to its pursuit of the ERP. This support from the donor community was manifested in Paris in late February when the international community pledged funds in excess of the GOG's full request.
3. One of the points dealt with the perception that the informal sector was fairing well, with a substantial increase in the volume of goods and services being generated compared to just two years ago. Dr. Johnson recommended that USAID consider helping small entrepreneurs expand, although the key role should be improving the prevailing macroeconomic conditions to foster market-oriented private sector development. Defining the informal or microenterprise sector (the two not necessarily being the same) is a part of the larger MAPS question of who and what are the private sector. A recent World Bank study, based on a 1984 census, quantified the informal sector at 84%.
4. Ways in which USAID can assist the informal or microenterprise sectors were less clear. Whether USAID could and should assist these enterprises is also an open question as most people agreed they seemed to be performing well, at least compared to previous years' performance.
5. The cultural concept of the African enterprise received attention. As some of the discussion focused on expansion of enterprises, the point was made that the African entrepreneur's time horizon and ownership concept is not completely consistent with Western notions of structural adjustment. The African entrepreneur typically considers his/her enterprise a family or individual operation, with a duration not planned for much longer than the owner's individual life. Given that it is a family operation, he/she is unwilling to take in non-family partners to improve management or expand operations out of concern about losing control. In addition, even with growth, it was pointed out that after a certain revenue or profit level has been achieved, the African entrepreneur will utilize earnings for personal investment (i.e., a

house) rather than for building up the capital position of the enterprise. Not all of these attributes were/are considered strictly African, but the example of market women and others suggests these are strong tendencies throughout West and other parts of Africa. Such emphasis on individual and family enterprises also places constraints on capital formation as Africans often resist pooling their funds to form an economic partnership.

6. As for the financing of the Ghanaian private sector, it was mentioned that the banking system is wholly untenable as it exists now and cannot be viewed as a useful vehicle for levels of financial intermediation that are required for medium- and long-term investment. The short-term nature of the banking system's loan portfolio is a reflection of the need for turnover (increased fee income generation) and a sense of improved monitoring/management of credits. A consequence of an inefficient banking system is a high level of non-formal financial activity (family, susu, moneylenders). It was also mentioned that non-financial considerations are important in many peoples' savings and credit decisions as non-formal financiers usually offer lower interest earnings (susu) or charge higher interest rates (moneylenders) than the banks. Trust, convenience, lower transactions costs, etc., all account for utilization of non-formal financial sector services.
7. When asked areas in which assistance would be required, Dr. Akuako-Frimpong suggested training support for financial record-keeping/reporting and marketing management. Dr. Johnson added that these are tools that would be useful for economic progress and professionalization of management, although implementation of such a program would take time. These topics also relate directly to cultural conceptions of running a business, and the widely accepted notion that most people do not want to keep records because of taxation and fears of Government efforts to seize assets or force retroactive tax payments.
8. Other issues discussed were the viability of PAMSCAD and political pressures surrounding the program. It was also agreed that the divestiture/privatization campaign was initially ambitious and that this process will take far longer than originally thought.
9. Bullet points for strategy development:
  - Define the microenterprise and informal sector
  - Begin conceptualizing whether USAID should assist informal and microenterprises, and if so, how to do so effectively
  - Likewise assess USAID's strengths and how best to channel such assistance (i.e., formal sector via training, overall infrastructure development, collaboration with other donors through apex organizations, etc)

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Luncheon on April 25

USAID: G. Towery, E. Birgells, J. Laryea, W. Nutakor, A. Lessard, M. Borish

Guests: Mrs. Edusei-Herbstein (Akuaba), Mrs. Ademolah (The Loom)

1. The purpose of this luncheon was to focus on the role of women in the private sector and possible ways in which USAID might find a vehicle for assistance.
2. Both women, while urban-based, represent entirely different operations. Mrs. Ademolah operates a boutique that sells Ghanaian paintings and handicrafts. She has few employees, and targets her products primarily to expatriates. Mrs. Edusei-Herbstein, on the contrary, employs 120 people in her furniture manufacturing business. While she exports, she also produces for the local children's and household market.
3. The luncheon was dominated by the topic of credit, largely reflecting Mrs. Edusei-Herbstein's manufacturing and export concerns in the current restructuring environment. While the women acknowledged that this problem affected most manufacturers and farmers, they did point out that the banks traditionally have discriminated against women and insisted that they have a male relative or spouse sign on their behalf for purposes of collateral. Given that women have high loan repayment rates, this struck the guests as ironic. Most women do not approach banks for loans, preferring to keep their money outside the banking system or with a susu man. Without deposits, banks will not lend.
4. Consumption and investment patterns were discussed. Women entrepreneurs, once they generate disposable income, tend to invest in housing and their children's education. One successful fishmonger was mentioned. She continues to live in the same modest house she's had for decades, but her fish trading activities have financed her three sons' medical degrees.
5. Given discrimination in the banking system, the women felt that Womens' World Banking, the Rural Banks, and specialized development finance units of commercial banks (particularly Ghana Commercial Bank) would be useful in assisting small entrepreneurs in general, and women in particular, with start-up. Hairdressers were cited as examples of women who start up with the use of family funds. It was felt that for those who lack access to family funds, small credit schemes might work. The women seemed to understand the high cost of administering these credits, yet believed enterprise development would benefit from small credit programs channelled through WWB, the Rural Banks, etc. They also pushed for a loan guarantee scheme, and support for trade association efforts (i.e., via the Association of Ghana Industries) to establish a credit rating system to assist the banks.

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6. Points to consider for strategy development:

- usefulness of channeling assistance through WWB
- whether women should be specifically targeted for USAID assistance or simply major beneficiaries of larger programs (i.e., health care delivery, training, opportunities via credit unions)

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USAID: G. Towery, E. Birgells, J. Laryea, W. Nutakor, A. Lessard, M. Borish

Guests: S. Avithey, (31st December Women's Movement) M. Thompson (M&J Business Services), L. Quachey (Lucia Industries)

1. This was the second of two luncheons focusing on women and the private sector. All three came from different perspectives: Avithey represented a very grass-roots, ideologically-oriented perspective towards rural development and specific problems affecting women; Thompson represents a business services company that is urban-based, somewhat capital-intensive (computers, photocopiers, FAX machine, etc), and presupposes a certain level of training and literacy; and Quachey represented some of the traditional concerns of a small textile manufacturer. Avithey's focus is on grouping rural women into cooperatives for a series of potential education, health and economic benefits. Thompson and Quachey run small enterprises employing roughly 20 people.
2. While credit was predictably a topic, much of the discussion dealt with the role of training. There was a general consensus that management training was required across the board, although these programs would have to be specifically tailored to target audiences. For instance, Women's World Banking-sponsored training at MPPF was poorly attended, partially because many women could not leave children/family, etc, for the several days required for attendance. It is also questionable whether training "for women" can possibly be effective as their needs are as diverse as the population in general. In the end, some basic training (i.e., cash flow management) could begin in the rural areas on a decentralized basis, while more formal and sophisticated types of training for larger urban audiences could be provided for the needs of various producers of goods and services. Even here, the differences in training needs between services and manufacturing are often broad, reinforcing the need for specialized, tailored training.
3. It was agreed that while some training in bookkeeping, finance, etc. was needed, there were two general problems that businesses had to contend with:
  - a. education of the workforce, including all levels of management, in the concept of the business unit, and how their individual performance (i.e., quality, productivity) impacts profits, growth, compensation, etc; and
  - b. the need for higher compensation for workers to incentivize them to work harder.
4. Points for strategy:
  - what kinds of training would be appropriate for women and private sector development?
  - should these programs be formal or should apprenticeship-type programs be encouraged as basic business skills are better taught in practice on an ongoing basis?

Luncheon on May 4, 1989

USAID: E. Birgells, W. Nutakor, J. Laryea, M. Borish

Guests: Mrs. Comfort Engmann (Women's World Banking); Mrs. Elizabeth Sai (Bella's Catering); and Mr. Kojo Keelson (Opportunities Industrialization Center)

1. The focus of this luncheon was education, training and microenterprise development. Mrs. Engmann heads a lyceum as well as WWB. Mr. Keelson is directly involved in skills training (carpentry, plumbing, catering, etc), primarily for school dropouts. Mrs. Sai is Managing Director of a microenterprise (five employees) engaged in catering and ginger drink production.
2. Predictably, the three guests talked about financial constraints posing a problem for microenterprise and private sector development. Their complaints followed the normal pattern: banks do not lend; when they do, interest rates and fees are too high; currency devaluation has ruined purchasing power and made imports prohibitively expensive; etc.
3. Unfortunately, the training side did not receive as much attention as was anticipated. Mrs. Sai said she had benefitted from the NBSSI's Entrepreneurial Development Program, a training program based on an Indian model with Indian instructors that deals with procurement, accounting, marketing, quality control, Government fiscal policy and regulation, etc. A description of the program is in the private sector library.
4. Mr. Keelson discussed OIC, which has about 400 students in Accra (200), Kumasi (100) and Takoradi (100). The school has 11 or 12 courses/programs to train people in skilled trades and crafts. The age range of the students is 17-35. OIC manages to place about 50% of its students. The program involves both classroom training and internships. OIC is currently financed about 90% by the Government, and is expected to play a role in the JSS educational reform. However, with bases in only three cities, it may be difficult for OIC to have an impact in rural areas where many of these skills are required and lacking.
5. Points for strategy development:
  - expanding the capabilities of training institutions to reach larger numbers of people, particularly in rural areas
  - creating linkages via apprenticeships with microenterprises and small firms to increase on-the-job training.

USAID: G. Towery, E. Birgells, S. Vordzorgbe, T. San Martin, M. Borish

Guests: Mrs. Gloria Nikoi (Bank for Housing and Construction); Mr. J. Nuamah (National Savings and Credit Bank); J. Atta-Nyamekye (Densu Industries)

1. The purpose of this luncheon was to get an idea of how the formal financial sector views restructuring, and to get their side of the story on the credit squeeze in Ghana. Mrs. Nikoi chairs a development bank and a successful Rural Bank, so her experience is wide ranging and her thoughts touched on development, small-scale enterprise and rural issues. Mr. Nuamah is Managing Director of NSCB and also Executive Director of the Ghana Institute of Bankers, thus his experience was considered to be particularly strong from the savings mobilization and bank training side. Mr. Atta-Nyamekye is a manufacturer and leading figure at the Association of Ghana Industries. Given manufacturers' frustrations with tight money his opinions were expected to generate some conflict and debate.
2. Nikoi's key points were that small-scale informal entrepreneurs drive the economy, and that programs to strengthen institutions to assist them need to be implemented. She cited some of the activities of BHC and the Rural Banks as examples (ie, susu collection, organizing transport for market women trading in foodstuffs). She felt that development banks such as BHC needed to be profitable, but that they were conceptually different from commercial banks. She stated that BHC has about 60% repayment on loans, and that they can be profitable even on that basis. As a development bank, she said BHC was more inclined to reschedule debt service, particularly during the current period of currency depreciation.
3. Mr. Nuamah discussed collateral. The reason why banks generally insist on collateral in excess of the amount of the loan is twofold: for psychological purposes, and as a partial substitute for the lack of equity that characterizes many enterprises' balance sheets. He said that seizing borrowers' collateralized assets was difficult for legal, administrative and cultural reasons, and therefore the book or market value of those assets are not of the same value to the banks as they may not have resale value. An example cited was seizing a delinquent borrower's house for resale. Nobody in the community would purchase the house because it would be tantamount to throwing the person into the street and disgracing him. Nikoi pointed out that in rural areas moneylenders have seized farmers' assets only to run the farms out of production in less than a year.
4. Nuamah claimed that banks need training in cash flow analysis, credit management, etc. to professionalize the banking system. Only about 200 of a total of 15,000 bank employees system-wide are professionally certified as bankers. Nuamah also claimed bankers would be far more cautious in extending credit in the future as many people are capable of

repaying loans but do not. Nuamah said it was not uncommon in the urban areas for businessmen to use loans to enrich themselves while running their businesses into the ground. This is less likely to happen in rural areas where borrowing and not being creditworthy are generally considered to be stigmas.

5. On the manufacturing side, Mr. Atta-Nyamekye was critical of public policy in general. He said the Ministry of Industry, Science and Technology had not solicited the AGI's input into devolving policy, although relations now are better than they were several years ago.
6. The key point Atta-Nyamekye made was that industry in general was shrinking because of capital constraints and increasing competition from imports. The national trend, therefore, is towards small-scale enterprises (i.e., up to 50 employees) as previously larger firms attempt to downsize labor and become more efficient.
7. As for the AGI's voice with Government policy, it is clear that they need resources (logistical and human) to develop a more responsible approach when attempting to influence policy. AGI's apparent attitude to date is that everyone knows the problems facing industry, and Government disinterest is a problem. It is likely that the professional business associations are currently unable to give the Government empirical evidence that there should be policy change, and until they can the Government will regard them as one of many vested interests that are complaining about change but not backing their positions with hard data.