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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES:
THE EXPERIENCE OF GHANA, 1950-1973 ^{1/}

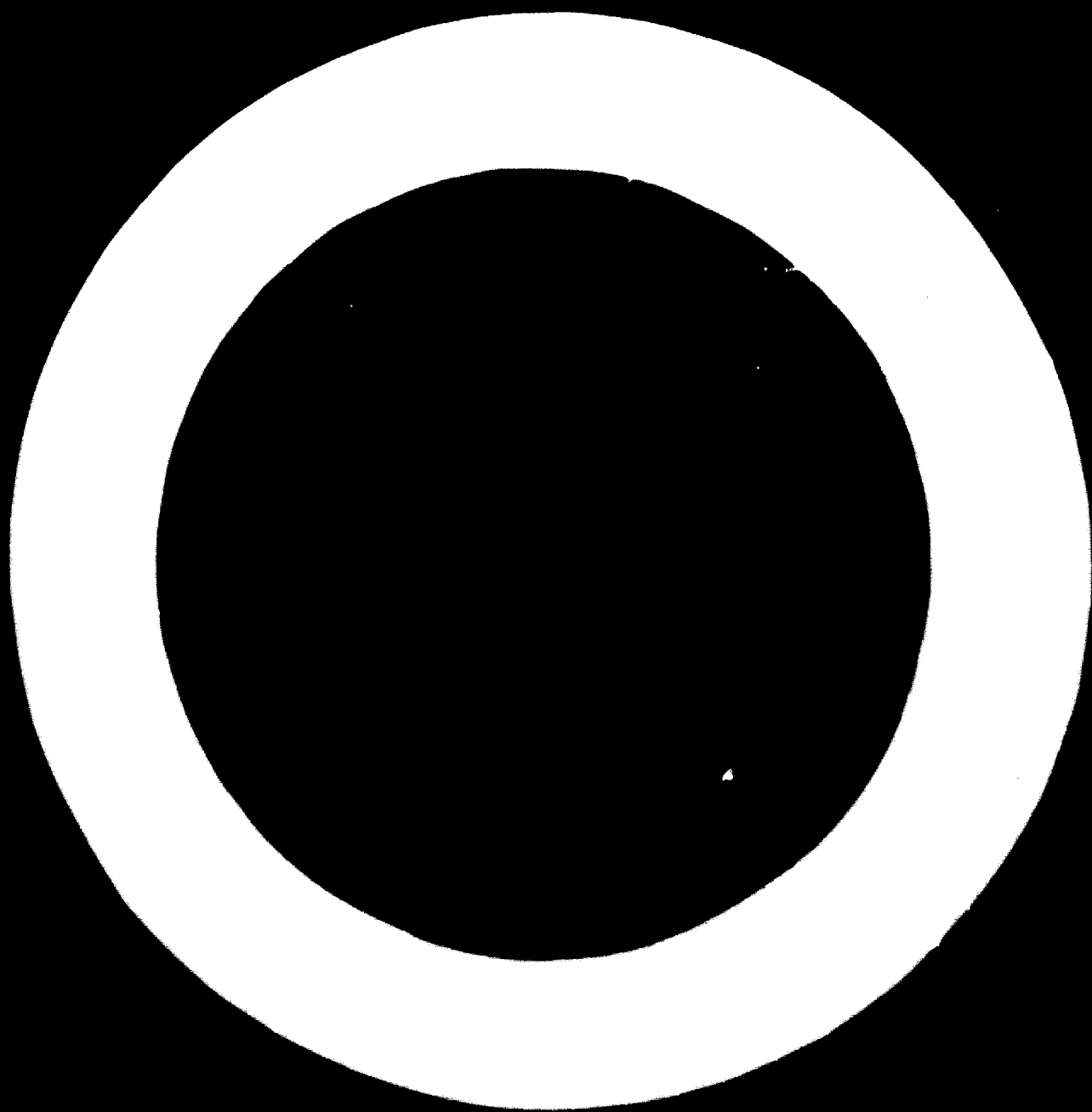
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1. PRE-COMPETITION FOR INDUSTRIALISATION

A. The Market: The domestic market for manufactured goods in the 1950s was reasonably large to support the establishment of a number of import-substituting industries. Some of the major industries established in the 1950's and early 1960's are listed in Table I. Ghana's import statistics were used as the basis for deciding on the types of import-substituting industries that were established.

2. The size of the local market was a major determining factor in the establishment of new import-substituting industries. Those import-substituting industries which could not be supported by the local market were not implemented at all. Examples of these are cement and steel rod manufacture whose establishment was delayed until the middle of the 1960's. The cement and steel rods establishments now have combined capacities of 600,000 tons (cement) and 30,000 tons (steel rods) per annum.

3. The other category of new industries established in the early stages of industrialisation were those industries based on forest and mineral resources. Examples of industries in this category are sawmilling and plywood manufacture (forest-based industries); and mineral-based industries - gold, diamond, manganese and bauxite mining. These had ready export markets, and the small size of the local market was therefore no consideration.

4. Since the two categories of new industries were tailored to existing markets (local and export), newly-established industries did not, as a rule, encounter difficulties because of the small size of the market.

B. Transport and communications

5. In 1951 there were 1,398 miles of class I motor roads (i.e. bitumen-surfaced roads) and 2,093 miles of second-class roads (i.e. gravel-surfaced roads). In 1961 there were some 20,000 miles of roads of which 2,053 were bitumen-surfaced and 3,277 miles gravel-surfaced trunk roads. The other 14,000 odd miles were third class roads without regular maintenance.

6. There were in 1951 444 post offices and 7,383 telephones as against 779 post offices and 25,488 telephones in 1961.

7. In 1961 there were 589 miles of railway network linking Ashanti and other central parts of Ghana with the coastal harbour towns of Accra and Sekondi-Takoradi, and carrying about 5.4 million passengers and 2.5 million tons of goods annually.

8. Air transport expanded both internally and externally with the establishment of Ghana Airways in 1958.

9. The Black Star Line, the national shipping line, was established soon after independence in 1957; and by the end of 1962 it had a fleet of twelve vessels of a total of 107,000 tons dead-weight.

Until 1958 the credit side of Ghana's balance of payments on current account for freight and insurance was nil. With the establishment of the Black Star Line the situation changed - earnings on freight and insurance showed £566,000 in 1959 on the credit side of the country's balance of payments on current account. The receipts for 1961 showed an increase of 32% over 1959 (£568,000 to £750,000).

10. The existence of these transport and communication services facilitated industrial development in the 1950's and 1960's. In a few cases transport difficulties have delayed the development of local raw materials. An example is the Nauli limostone deposit which it is intended to develop to feed the two cement clinker grinding mills at Takoradi and Tema.

C. Power and Water:

11. In the 1950's and 1960's supplies of water and electric power were available mainly in the cities of Accra, Kumasi and Sekondi-Takoradi and some Urban Centres. The absence of an even distribution of pipe-borne water and electricity in the country contributed to the concentration of industries in the cities. The few industries, such as mining and timber processing, which by their nature had to be established in the rural areas, had to provide their own sources of pipe-borne water and electricity. In some cases, they also had to provide their own feeder and access roads.

Lack of pipe-borne water and electricity and good feeder roads, in the rural areas has been a major factor hindering the industrial development of parts of the country outside the main centres of population.

D. Industrial sites:

12. There was no systematic development of industrial sites in the 1950's. Sites were acquired from land owners directly by investors. In the latter part of the 1950's the Industrial Development Corporation developed an industrial estate at Labadi in Accra. This estate consisted of about 50 units of factory buildings provided with water, electricity and access roads.

13. Since the 1960's the Lands Department of the Central Government has been directly responsible for the acquisition of lands in the cities of Accra, Kumasi and Sekondi-Takoradi for development as industrial sites provided with water, electricity, roads, and telephone. Plots are allocated to industrialists in these industrial areas according to their requirements.

14. The Ministry of Industries with the co-operation of the Regional Administrations, the Lands Department, and the Town Planning Authorities, is engaged on the provision of industrial zones in the other regional and urban centres.

E. Local Raw Materials:

15. In some cases new industries established in the 1950's found suitable local raw materials. Notable among these were the Mining, Wood Processing, and Food Processing industries. However, many of the new import-substituting industries established in the 1950's and 1960's depended to a large extent on imported raw materials.

16. In the 1950's there were no import restrictions.

Import controls were introduced from the early 1960's. But industrialists were still permitted to import raw materials that were not available locally. The main objective of the controls was to ensure that scarce foreign exchange resources were utilized judiciously.

F. Human skills:

17. In the early 1950's shortage of human skills acted as a constraint on industrialisation in varying degrees in the following areas:-

- (a) Skilled Workers
- (b) Supervision (foreman)
- (c) Accountants
- (d) Engineers
- (e) Middle Management
- (f) Senior Management.

The shortage has since been over-come, except that the position is not yet satisfactory in regard to Accountants and Middle Management.

G. Available Financing:

18. In the 1950's long-term financing on appropriate terms was not available for the establishment of new industrial enterprises. In the 1950's and 1960's many of the enterprises were established on the basis of suppliers credit and medium-term credits.

19. New institutions which were established in the later 1950 and in the 1960's to meet expanding demand for investment funds were the Ghana Industrial Development Corporation, established in 1954, Ghana Commercial Bank, and the National Investment Bank.

20. Like raw materials, importation of machinery is subject to import control. An investment that has been approved by the Government (i.e. by the Ministry of Industries) is granted import licence to import the necessary machinery and equipment.

H. Entrepreneurial Initiative:

21. The main sources of initiative in starting new manufacturing enterprises in the private sector were:-

- (a) Ghanaian merchants and cocoa farmers;

- (b) Resident Lebanese and Indian merchants;
- (c) Large foreign-owned commercial firms that had been operating in the country prior to independence.

22. In the 1960's Government became the greatest source of investment in the industrial field.

II. INDUSTRIALISATION ACHIEVEMENTS IN THE PERIOD 1950 - 1972/73

A. A brief review:

23. Some 25 major new industrial projects established in the 1950's and 1960's which contributed to a broadening of the structure of the industrial sector are listed in Table I.

24. Resource-based industries (i.e. industries based on agriculture, forestry and minerals) have contributed significantly to the industrialisation process over the last twenty years. Because of their great export potentials, the mining and wood-processing industries made it possible in the 1950's and 1960's for large-scale industries to be established whose outputs, though far in excess of the local market size, found ready markets and thus helped to accelerate the rate of economic development in general, and industrial development in particular.

25. In 1970 the resource-based industries' contribution to total industrial production was 60%. The contribution was over 70% if "Textiles" is included. Their share of the 1970 total industrial employment was 61% (excluding Textiles).

26. In the 1950's and 1960's the mining and timber industries, by being established in the rural areas, contributed to the opening up of these areas. The areas lacked electricity, pipe-borne water, and good feeder roads, and it became necessary for the mining and timber industries to provide the infrastructural facilities as part of the project costs.

27. The extent to which the pattern of new industries has switched from consumer goods to intermediate and capital goods is illustrated in Table 6.

28. Table 7 illustrates the role played by industries supplying the construction and housing industry over the last twenty years.

29. As already indicated in Chapter I, with the exception of the mining and wood-processing industries, the industries established over the last twenty years concentrated on supplying the domestic market. Since many imported goods have been subject to physical controls ("Banned" and "Restricted" Imports) over the last eighteen years, an estimate of local demand on the basis of local production plus imports may not be a true reflection of the real size of the market. One way of stating the proportion of local demand for manufactured goods supplied by local industries is to indicate the extent of import substitution achieved by the industry.

On the basis of 1970/72 data, the extent of import substitution achieved for selected goods is as follows:-

<u>Item</u>	<u>Extent of import substitution (1973)</u>
(a) Tobacco	100%
(b) Beverages	100%
(c) Biscuits	90%
(d) Wheat flour (Based on imported wheat)	100%
(e) Sugar	15% (possibly 50% by 1974)
(f) Household wares (enamel, aluminium & plastic)	100%
(g) Furniture	100%
(h) Soap & detergents	70%
(i) Pharmaceuticals	15%
(j) Paints (Building)	100%
(k) " (other)	30%
(l) Safety matches	100%
(m) Candles	80%
(n) Cement (based on imported clinker (There are wide fluctuations in levels of output depending on clinker imports)	50% - 100%
(o) Glass bottles for beverages	100%
(p) Electric wires and cables (new enterprise)	About 80%
(q) Vehicle tyres & tubes	" 60%
(r) Steel rods (small sizes)	90%
(s) Textiles (cotton spinning)	15%
(t) " (woven & knitted fabrics - as inter- mediate product)	50%
(u) " (fancy prints)	90%
(v) " (wax prints)	50%
(w) " Garments	95%
(x) P.V.C. and Asbestos cement pipes	100%
(y) Roofing sheets (Asbestos, Aluminium, Galvanised Iron)	100%
(z) Machinery (including electrical machinery)	5% - 10%

30. Industries that have been successful in exporting manufactured goods are those producing plywood, footwear, mattresses, travel goods, canned fruits and vegetables, garments, textile fabrics - dyed, colour-woven, and printed; electronic equipment (transistor radios etc). Some exports to neighbouring countries is not yet recorded. These are usually those taken out by returning visitors.

31. The proportion of national manufacturing output that is exported is estimated in the table below:-

	<u>1950</u> £ million	<u>1960</u> £ million	<u>1970</u> £ mill.	<u>1972</u> £ mill.
(a) Total output of manufacturing (constant prices)	108.0	200.0	340.0 (400.0)	370.0 (436.0)

	<u>1950</u> £million	<u>1960</u> £million	<u>1970</u> £ million	<u>1972</u> £ million
(b) Total exported	£ 7.0	£ 15.0	£ 70-80	£75.0
(c) Percentage of manufacture exported	6.5%	7.5%	17%	17%

32.

Very little seems to have been done by way of establishing industries with capacities designed to supply a sub-regional market. Perhaps the only exception is the Volta River Hydro-electric project which now supplies power to the Republics of Togo and Dahomey. There was a proposal in the 1960's for integrating the Tema Steelworks with the Liberian iron and steel project. The matter was, however, not followed up. The possibility of implementing a joint Ghana-Togo cement clinker project is currently under consideration by the respective Governments.

B. Statistical Indicators of Industrial Development Progress:

33. The contribution of the manufacturing sector to national output in 1950, 1960, and 1970 is indicated in Table 8; and also in Table 2.

34. Table 9 provides information on the relative contributions to manufacturing output made by:-

- (a) enterprises employing 100 persons or more;
- (b) enterprises employing 10 - 99 persons; and
- (c) enterprises employing less than 10 persons.

35. Table 4 contains information on the contribution made by industry to total employment in the Ghana economy in 1950, 1960, 1970 & 1972.

36. The proportion of manufacturing output in 1970 produced in enterprises in (a) the public sector, (b) the private sector and (c) the joint state/private sector is indicated in Table 10.

III. THE EVOLUTION OF INDUSTRIALISATION IN GHANA, 1950 - 1972

A. Selection of priority industries:

37. There have been five development plans in Ghana over the past twenty years, namely:

- (a) The First and Consolidation Plans, 1951-1958;
- (b) The Second Development Plan, 1959-1963/64;
- (c) The Seven-Year Development Plan, 1963/64-1969/70;
- (d) Two-Year Development Plan, 1968-1970;
- (e) One-Year Development Plan, July 1970 - June 1971.

The Development Plans mentioned in (a), (d) & (e) above were more or less stop-gap programmes, and did not deal with Manufacturing as exhaustively as (b) & (c), particularly (c), i.e., the Seven-Year Development Plan.

38. Each Development Plan contained a description of priorities for the development of new industries, in general terms. The Second Development Plan and the Seven-Year Plan identified industrial priorities in both descriptive and quantitative terms. The Second Development Plan's quantitative target was in the form of a list of projects for implementation. In all, the Second Development Plan envisaged the establishment of 600 new factories by the end of the plan period. The Plan contained a list of 36 projects which were ready for implementation. A further list of 100 industries was under consideration. The thirty-six in respect of which preliminary investigations had been completed and which were listed in the Plan, were:-

- (i) Cotton Spinning & Weaving; (ii) Textile bleaching - dyeing and printing; (iii) Knitwear; (iv) Tanneries;
- (v) Leather goods; (vi) Boots & Shoes; (vii) Cement;
- (viii) Glass; (ix) Building materials; (x) Paper and-paper products; (xi) Domestic holloware; (xii) Aluminium products; (xiii) Metal processing; (xiv) Radio assembly;
- (xv) Motor car assembly; (xvi) Metal screws; (xvii) Bottle caps; (xviii) Steelworks; (xix) Distilleries; (xx) Bye-products of salt; (xxi) Paints & colours (xxii) Varnishes and lacquers; (xxiii) Pharmaceuticals; (xxiv) Fertilisers;
- (xxv) Insecticides; (xxvi) Cosmetics; (xxvii) Rubber products; (xxviii) Plastic products (xxix) Bamboo products;

(xxx) Coir products; (xxxi) Pencils; (xxxii) Oil mills; (xxxiii) Flour milling; (xxxiv) Canneries; (xxxv) Fish products; (xxxvi) Starch.

39. The Second Development Plan placed emphasis on the following:-

- (a) Establishment of import - substituting industries to meet the growing demand for manufactured goods.
- (b) Increased employment for school leavers;
- (c) Full use of the infrastructural facilities provided by the Government under the First and Consolidation Plans; and
- (d) Diversification of the economy.

40. The Seven-Year Development Plan's quantitative target was much more detailed: each item was stated in terms of volume, value of output, local raw materials, imported raw materials, and potential exports. The quantitative target is reproduced in Table Eleven.

41. The targets of the 7-Year Plan, in terms of general criteria, were as follow:-

- (a) To the largest degree possible, substitutes were to be produced for those manufactured staples of consumer demand on which Ghana spent large sums of foreign exchange each year;
- (b) Agricultural and mineral products exported mostly as unprocessed primary products were to be progressively processed and manufactured before export;
- (c) The building materials industry was to be expanded and modernised to enable it to support the expected increased activity in construction and a start was to be made on development of other basic industries in the field of metals and chemicals.
- (d) A beginning was to be made in the field of machine industries, electrical equipment and electronics;
- (e) Industries were to be developed in such a way that they fitted in with development in other African countries.

42.

The One-Year Development Plan (1970-71) provided the following guidelines:-

- (a) Inducements such as export bonus and duty draw-back were to be given to those industries with export potential and those based on substantial use of local resources and yielding high net earnings in foreign exchange.
- (b) Promotion of industries with potential for producing intermediate goods at competitive prices;
- (c) Allocation of increased import licences to those industries which, by increasing their capacity utilisation levels, could reduce costs substantially both to themselves and to other industries;
- (d) The Government would continue to encourage import-substituting industries, especially those manufacturing essential commodities with low import contents.
- (e) Concrete plans were to be introduced in the course of 1970/71 for promoting small and medium-scale industries generally and, in particular, small-scale Ghanaian industries;
- (f) With a view to achieving increased rationalisation in the use of available resources, and to encourage rural development, a Bill was to be introduced into Parliament giving the Ministry of Industries legal powers to control the establishment of new industries and expansion of existing ones. The aim, among other things, was to encourage increased use of labour and a shift of investments into the rural areas.

43.

Of the 36 projects listed in the Second Development Plan, only two remain unimplemented in 1973. These are Bye-products of salt and Fertilizers. With the exception of Gold Refining, all projects listed in the Seven-Year Development Plan have been implemented. Judged in terms of project lists and levels of investment, the targets set in the Development Plans can be said to have been achieved. The increases in manufacturing output, however, fell below planned levels.

The main reasons for this were the foreign exchange constraint and the manufacturing sector's heavy dependence on imported inputs.

44. The new industries established in the 1950's and 1960's followed the priorities outlined in the Government's plans. The Government itself played a major and direct role in the establishment of new industries in 1950's and first half of the 1960's. Private initiative in the identification and implementation of new industries assumed importance in the second half of the 1960's. Unlike the Second Development Plan and the 7-Year Development Plan, the Development Plans from 1967 to 1971 were stop-gap programmes with industrial objectives stated in broad terms. In 1970 administrative and physical controls on most imports were abolished and imports, including machinery, were placed on Open General Licence. These two factors allowed a great deal of discretion to private investors; and made it possible for private initiative to establish new industries which did not necessarily conform to the Government's economic objectives.

45. Before the 1970's there were no established institutional procedures for evaluating the national costs and benefits and the commercial viability of major new industrial projects. Though the Ministry of Industries had been established as far back as 1962, it was not until the passing of the Manufacturing Industries Act in 1971 that the Ministry was given legal backing as the institution responsible for control of the establishment of new industries. Before then, the Ministry's project evaluation and control functions had been exercised administratively. The Capital Investments Board, established in 1963, does not appear to have established any objective set of criteria for project evaluation until the 1970's.

46. At present (1973) not only are the functions of the Ministry of Industries and the Capital Investments Board well co-ordinated, but a set of objective criteria has been evolved for the evaluation of the Commercial viability and the social costs and benefits of major industrial projects.

B. Implementation of Industrial Projects:

47. Government policies over the period 1950-1973 have given clear indications of the respective roles of state, private and foreign investment in the economy of Ghana. From the 1950's to 1966, the Government recognised the following sectors:-

- (a) The State sector;
- (b) The Joint State/Private Sector;
- (c) The Small-Scale Private Ghanaian Enterprise Sector;
- (d) The Foreign Private Sector; and
- (e) The Co-Operative Sector.

Private foreign capital was confined to large-scale industrial investments. Private Ghanaians were confined to the operation of small-scale enterprises employing not more than 30 persons or with a fixed investment of not more than £20,000. Ghanaian Industrial Co-Operatives could operate larger industrial enterprises.

48. The following were reserved exclusively to the State:-

- (a) Railway transport;
- (b) Electricity generation for public sale;
- (c) Radio broadcasting;
- (d) Atomic energy;
- (e) Manufacture of arms & ammunition;
- (f) Waterworks, for the public sale of water;
- (g) Telecommunications;
- (h) Export of cocoa.

The Joint State/Private Sector comprised the manufacture of alcohol, alcoholic beverages, and any other enterprise that might be jointly implemented later.

49. Since 1967 the following sectors have been recognised by the Government:-

- (a) The State Sector;
- (b) The Private Sector (including Co-Operatives);
- (c) The Joint State/Private Sector.

Industrial policy in the period 1967-1971 showed a significant shift of emphasis from State ownership to private ownership.

50. Government policy within the period 1972-1973, whilst continuing to recognise the three sectors listed in paragraph 49 above, has placed emphasis on the need for Ghanaians to be self-reliant as far as possible. Present policy does not consider that Ghana should rely solely on the price mechanism and the inter-play of market forces for the efficient and equitable allocation of her economic resources. While recognising the important role of the private sector in the economic development of the country, Government also recognises its critical role as a policy maker responsible for ensuring that the operation of the private sector provides lasting benefits to the economy.

51. Government policies over the last twenty years were elaborated in the Development Plans and also in the form of Policy statements. Each of the Development Plans listed in paragraph 37 above was prefaced with the Government's general economic and industrial policy.

52. Prior to independence (i.e. in the first half of the 1950's) the main thrust of industrialisation came from the private sector, especially from foreign individuals and firms that had been trading in Ghana. From the second half of the 1950's through the first half of the 1960's initiative for the establishment of new industrial enterprises came from the Government. There has been very little industrial development through the initiative of aid donors. The exception, perhaps, is the Volta River Project in which foreign aid played an important role.

6. Promoting Export of Manufactured Goods:

53. It was in 1969 that a definite programme for the export of manufactured goods was evolved. Though export of manufactured goods showed some improvement over previous years, a great deal of such improvement was concentrated in two or three industries, with most manufacturing factories in Ghana still depending on the local market. The reasons for the relatively poor export performance were:-

* (a) "Outline of Government Economic Policy"-Accra, June 1972;
 (b) "Outline of Ghana's Investment Policy"-Accra, March, 1973.

- (a) high production costs resulting in a weak competitive position for Ghanaian manufactures;
- (b) poor product presentation (e.g. poor packaging);
- (c) cumbersome export and export incentive procedures;
- (d) discriminatory practices by foreign countries e.g. I.L.C. and Associates.

D. Promoting Employment:

54. In spite of the fact that the cost of labour in 1950's and 1960's was relatively lower than the cost of capital (i.e. machinery and equipment plus import duties), a great number of the industries established in the period did not use capital-saving (labour-intensive) processes. This state of affairs could be attributed to:-

- (a) Lack of technology adaptation techniques;
- (b) Absence of legally recognised institutional procedures for project evaluation and control;
- (c) Undue dependence upon suppliers' credits.

55. The position in 1973 shows great improvement over that described in the preceding paragraph. Employment effect and other social benefits constitute important criteria in the evaluation of new industrial proposals.

E. Location of Industries in New Centres & Rural Areas:

56. In the 1960's the Government gave some encouragement to the establishment of rural industries through the Ghana Industrial Development Corporation and INDUSCO (Industrial Co-Operative Society) which was responsible for the setting up of rural industries. Some of the rural industries did well, but others had to be closed down or sold to private Ghanaians, because of their poor performance resulting from inadequate working capital and lack of efficient and responsible management.

57. A scheme aimed at encouraging private investors to site their factories in rural areas was announced in 1967; but no effect was given to it.

58. The 1971/72 Budget proposals made provision for an accelerated development of the rural areas. However, the scheme did not make much headway before the change of Government in January 1972.

59. Provision has been made in the 1973/74 Estimates for the Ministry of Industries' programme of pre-feasibility studies and project identification in the various regions of Ghana. It is hoped that this will provide a basis for locating industries in new centres and rural areas.

F. Development of Manufacturing Technology.

60. Acquisition of foreign technical collaboration in the 1960's took the forms of management agency agreements and joint ventures. The local partners had little control over the types of technology adopted.

61. In the 1970's there has been a growing awareness of the need to promote a national capability for the adaptation of foreign technologies to local needs. To this end the Ministry has established close liaison with the University of Science & Technology, Kumasi, and the Council for Scientific and Industrial Research. In addition, the Ministry is encouraging investment in engineering industries specialising in plant design and manufacture.

G. Training of Local Labour & Management.

62. As far back as 1959 the Government laid down three conditions which were to be observed by all industries, whether state-owned or private. These were that the management should:-

- (a) recognise trade unions;
- (b) train Ghanaians for superior posts;
- (c) employ Ghanaians in superior posts wherever feasible.

63. Under the Capital Investments Act any investor who is granted tax and other concessions is obliged to institute a training scheme for his Ghanaian employees. Similarly, any company that is granted immigrant quota is obliged to institute a training scheme for its Ghanaian personnel. Most employers in Ghana are now required to pay an annual fee of five thousand cedis in respect of each expatriate quota held by their companies. This measure will, among other things, ensure that employers give serious attention to the training and employment of local labour.

64. The Government does not subsidise the training programmes of the private firms. However, there exist Government-sponsored

/of Industries

training institutions which supplement the efforts of private enterprises. Some of these are the University of Science and Technology, Kumasi, the School of Administration, Legon, the Ghana Institute of Management & Public Administration, the Management & Productivity Institute, and several Polytechnics and Technical Institutes.

IV. INDUSTRIAL POLICIES AND MEASURES 1950-1973.

65. In the 1950's and 1960's there were no specific procedures for ensuring that projects established in the public sector were technically and commercially sound. Guidelines, were, however, laid down for the processing of projects. No proposal was to be considered for implementation unless its financial and economic implications had been cleared with the Ministry of Finance and the Office of the Planning Commission. Each project proposal submitted for cabinet approval was to be supported with a clear statement containing the following information:-

- (a) local cost;
- (b) foreign exchange cost;
- (c) a certification that the proposal had been accepted by the budgetary and planning authorities.

The Ministry of Finance and the Office of the Planning Commission were, in turn, to ensure that other Ministries or Departments concerned had been consulted before giving their approval for the project proposal to be submitted to the Cabinet for final decision.

66. The Government followed "a common-sense and practical approach to industrial development" in the 1950's and the first half of the 1960's.*

67. Generally speaking, tariffs have been used for purposes of raising revenue for Central Government expenditure and not for purposes of industrial promotion. The tariff system has also been used as a means of rationing scarce foreign exchange resources.

68. Concessions for the importation of machinery, spares, and raw materials have been available to investors since the 1950's. Provisions for such concessions were made in the Local Industries (Customs Duties Relief) Act, 1959, the Capital Investments Act, 1963, and Capital Investments Decree, 1973. Although these concessions

* Second Development Plan 1959-64, Page (iv).

have had salutary effect on industrial investment generally, there appear to have been some adverse effects by way of discouraging the development of local industries supplying equipment, spares and raw materials.

69. Company tax has been at the rate of 50%. The first tax incentive measure was in 1959. The Pioneer Industries Act 1959 and the Pioneer Industries Act 1961 contained provisions for tax concessions to new industrial enterprises. The Act did not specify the extent of such concession. This was left to the discretion of the Governor-General acting on the advice of the Minister of Finance.
70. Under the Capital Investments Act of 1963 and the Capital Investments Decree 1973 new enterprises can be granted exemption from company tax for five years or for such longer period from the production date not exceeding ten years. In addition, a new company may be granted investment incentives in respect of capital allowances, scientific research, property tax as well as relief from double taxation. By and large, these incentives have been successful in enhancing industrial development.
71. There have never been separate enactments for foreign investments as such. There are, however, provisions safeguarding the interests of foreign investors. Article 34(1) of Ghana's (Independence) Constitution provided guarantees for private investment. Again, after independence, the Government of Ghana signed an agreement with the Government of the United States of America guaranteeing the rights of American investors in Ghana. In the 1960's Ghana became signatory to the World Bank's Covenant on the guarantee of foreign investments. The Capital Investments Decree 1973 contains provisions on the guarantee of foreign investment

V. INSTITUTIONS AND INDUSTRIALISATION, 1950-1973.

71. The Planning Commission, in the 1950's and early 1960's, had overall responsibility for the formulation of the broad strategy of industrialisation. The Commission was under the Chairmanship of the President, with the Minister of Economic Planning as Deputy Chairman. The Office of the Planning Commission, the Secretariat of the Commission, was responsible for formulation of plans, the verification of performance, and for co-ordination. The Ministry of Industries was responsible for collection and assembling of industrial data required by the Office of the Planning Commission (later Ministry of Economic Planning) for formulation of broad strategy of industrialisation.
72. The Ministry of Industries is now responsible for the formulation of the broad strategy of industrialisation.
73. The Ghana Industrial Development Corporation was responsible from 1954 to 1961 for the implementation and overall performance of industrial projects implemented in the public sector. The Ministry of Industries took over this responsibility upon the dissolution of the I.D.C. in 1961. Responsibility for the state-owned enterprises passed to the State Enterprises Secretariat in 1963 and later to the Ghana Industrial Holding Corporation in 1968. Government is currently considering the establishment of a new body, the "Board of Government Business", to be responsible for the various state corporations (excluding the utility services).
74. Up to 1963, responsibility for implementing investment incentives and other measures used to promote private and foreign investment was centralised in the Ministry of Finance. This responsibility was transferred to the Capital Investments Board upon the establishment of the Board in 1963.
75. From 1954 to the time of its dissolution in 1961, the Ghana Industrial Development Corporation had responsibility for providing finance for industry.

The I.D.C. was charged, among other things, with responsibility for the following:-

- (a) To assist small industrial concerns through the provision of machinery and equipment on credit terms;
- (b) To provide equity capital for the expansion of existing enterprises or establishment of new ones on joint venture basis;
- (c) To provide, out of a special fund set aside for that purpose, loans to small industrial concerns not incorporated as limited liability companies, provided that adequate security was given.

76. The National Investment Bank, established in 1963, is now the main source of industrial finance. Besides industrial financing, the Bank assists in the identification and promotion of new industries. The commercial banks have Development Finance Units part of whose functions is industrial financing.

77. Polytechnics, Technical Institutes and a Textile Training Centre provide courses aimed at improving the supply and quality of skilled labour for industry. The following institutions provide courses in management training -

- (a) Management and Productivity Institute;
- (b) Ghana Institute of Management and Public Administration;
- (c) The School of Administration, Legon.

78. Private investment promotion is carried on by the Ministry of Industries and the Capital Investments Board. The National Investment Bank also engages in promotional activities from time to time. However, the Ministry of Industries has sole responsibility for issuing licences for the establishment of new industrial enterprises.

79. Export promotion is the responsibility of the Ministry of Trade & Tourism and the Export Promotion Council. The Ghana Export Company Ltd., sponsored by the Bank of Ghana, engages directly in the export of Ghanaian goods.

80. A beginning is being made for the establishment of a unit for the provision of technical information on selection of manufacturing processes, product design, and machinery and equipment suitable for local conditions. The Council for Scientific and Industrial Research and the University of Science & Technology are involved in the exercise, with the Ministry of Industrial playing the role of co-ordinator.
81. There is also a National Standards Board which is responsible for exercising control on the quality of locally-manufactured products.
82. The institutions mentioned in this chapter exercise functions related to industrial development in varying degrees. These functions are effectively co-ordinated by the Ministry of Industries which has direct responsibility for industrial development under the Manufacturing Industries Act, 1971; the Manufacturing Industries Regulations, 1972; and the Manufacturing Industries (Exemption) Instrument, 1972.

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LIST OF MAJOR INDUSTRIES ESTABLISHED SINCE 1950

Products produced by the enterprise	Date established	Fixed Investment (million \$)	Annual sales (1970) (\$mm.)	Cost of imported supplies (1970) (million \$)	Value Added (1970) million \$	No. of employees (1970)	Tariff protection (1973)
1. Tobacco (2 establishments)	1962 1968	\$5.0	\$26.0	\$2.5	\$23.0(a)	1,000	a) Tobacco \$2.33 per lb. b) Cigarettes \$11.43 per lb. Cigarettes banned Tobacco restricted
2. Beverages (2 Breweries, 75%. 2 Distilleries soft drinks) 25%.	1954 1958 1963	\$12.0	\$32.0	\$10.0	\$21.0	3,150	Imports of alcoholic drinks are banned \$5-\$49 per gallon for beer. \$49 per gallon for spirits; 50% for soft drink concentrate.
3. Biscuits	1957/ 1965	\$2.4	\$3.0	\$1.0	\$1.8	350	Cabin biscuits banned Other biscuits 50%.
4. Cocoa butter, powder, and chocolates	1963	\$28.0	\$30.0	\$0.2	\$25.0	450	Imports restricted. Cocoa powder and milk chocolate - Free Cocoa butter and other cacaoate and ice cream 50%.
5. Wheat flour (2 mills)	1968 1969	\$3.5 } \$3.0 }	\$10.0	\$2.0	\$7.5	500	Importation tented. \$0.04 per lb.

TABLE 1 (Contd.)

Products produced by the enterprise	Date established	Fixed Investment (mill. \$) (1970)	Annual sales (1970)	Cost of imported supplies (1970) (mill. \$)	Value Added (1970) (mill. \$)	No. of employees (1970)	Tariff protection (1973)
6. Cane Sugar	1965/ 1967	\$20.9 (including) (plantation) (equipment)	\$1.0	\$0.09	\$0.02	3,000 (including (plants- (tion wor- (kers	Sugar imports res- tricted. Cane and Beet sugar. Duty free. Other sugar confectionery 50%.
7. Household Emamel- ware	1964	\$0.6	\$2.4	\$0.8	\$1.3	550	Danned. 50% duty.
8. Wood Products (Lumber, Veneer) (Plywood	1952/ 1969 (several) (establi- (shments	\$11.7	\$38.5	\$1.5	\$20.2	12,000	Imports banned. 50% duty.
9. Petroleum (Refinery)(2)	1965	\$23.5	(2) \$7.0	(b)	\$6.5	380	Imports of petro- leum products restricted. Crude oil 50% duty. Motor spirit \$0.28½ per gallon. Aviation fuel \$0.45½ per gallon.
10. Soap & Detergents	1968	\$5.8	\$5.5	\$4.0	\$5.0	900	Restricted. 50% Duty.

TABLE 1 (Contd.)

Products produced by the enterprise	Date established	Fixed Investment (mill. \$)	Annual Sales (1970) (mill. \$)	Cost of imported supplies	Value Added (1970) (mill. \$)	No. of employees (1970)	Tariff protection (1973)
11. Pharmaceuticals (2 main establishments & a few others)	1965	\$5.0	\$4.2	\$1.8	\$2.3	1,000	Duty free.
12. Vehicle Assembly (3 main establishments & a few others)	1960/ 1968	\$4.6	\$11.4	\$5.0	\$6.0	890	Cars restricted. Duty on vehicles ranges from 10% to 200% for cars; and up to 25% for commercial vehicles
13. Paints (1 main establishment & 2 others)	1963 1967	\$0.5	\$2.4	\$1.2	\$0.8	250	Restricted except pigments. 50% duty.
14. Oxygen & Acetylen	1965	\$0.9	\$0.8	\$0.07	\$0.71	110	50% duty.
15. Safety matches	1958	\$0.4 (original) \$2.1 (1971)	\$1.8 (1971)	\$0.5	\$1.2 (1971)	145 (1971)	Banned. Duty is \$2.45 per gross boxes

TABLE 1 (Contd.)

Products produced by the enterprise	Date established	Fixed Investment (mill. \$)	Annual sales (1970)	Cost of imported supplies (Mill. \$)	Value Added (1970) (mill. \$)	No. of employees (1970)	Tariff protection (1973)
16. Candles	1968	\$0.2	\$0.5	\$0.3	\$0.2	70	Imports are banned. 50% duty.
17. Cement (2 factories)	1964 1966	\$4.0	\$18.0	\$9.0	\$8.5	430	Restricted. Clinker & Gypsum duty free Cement \$0.29 cwt.
18. Glass products (Bottles & other containers)	1965	\$3.3	\$1.6	\$0.4	\$0.8	600	Bottles restricted. 50% duty.
19. Matchets (Outlasses)	1970	\$0.6	\$0.5 (estimated)	\$0.2	\$0.2	100	Restricted. Duty free.
20. Aluminium (ingots)	1967	\$130 (0)	\$45.0(d) (estimated)	Not available	Not available	1500	Unwrought aluminium & aluminium scrap: FREE. Aluminium powders, tubes & other structures: 50%.
21. Electric cables & wires	1970	\$0.6	\$0.5 (estimated)	\$0.3	\$0.2	30	Cables & wires up to 1100 Volts Restricted (Duty free)

TABLE 1 (Contd.)

Products produced by the enterprise	Date established	Fixed Investment (mill. \$)	Annual sales (1970)	Cost of imported supplies (mill. \$)	Value Added (1970) (mill. \$)	No. of employees (1970)	Tariff protection (1973)
22. Steel rods (2 establishments)	1964 1969	\$2.7	\$2.0	\$1.0	\$0.8	450	Restricted. 20% duty.
23. Rubber products (outer covers) footwear, etc.	1968/ 1969	\$11.0	\$4.7	\$1.2	\$3.2	700	Partially Restricted Covers & tubes for tractors - free. For motor vehicles 45%. For bicycles 50%.
24. Boats (Fishing & Pleasure)	1954 1964	\$1.0	\$1.5	\$0.4	\$0.7	420	Tugs, dredgers and ships exceeding 100 gross tons - Duty free. Other boats - 50%.
25. Textiles (various factories - spinning, weaving, knitting, printing)	1963 1970	\$40.0	\$50.00	\$24.0	\$19.5	4500	Clothing & some woven fabrics restricted. Raw cotton, Jute & artificial fibres duty free. Others 50%.
26. Paper Products (Paper conversion including printing)	1960 1970	\$2.8	\$8.4	\$2.0	\$5.9	700	Paper bags & other containers banned. Newsprint & stationery - Free. Others: 50% duty.

EXPLANATORY NOTES TO TABLE 1

- (a) High value added is largely the result of high taxes on cigarettes.
- (b) Central Bureau of Statistics' data relate to the value of refining services provided by the Tena Oil Refinery. Actual turnover is estimated at \$43 million.
- (c) Excluding recent additional investment (of about \$25 million ?)
- (d) The raw materials are brought in from outside and re-exported after processing
- (e) Mostly value of production.
- (f) The costs have been estimated. Many imported items were on Open General Licence in 1970.
- (g) "Banned" and "Restricted" Imports: These relate to goods whose importation is prohibited or restricted because local supplies are considered to be inadequate from the viewpoint of both quantity and quality. Goods on the "Restricted" list may be allowed in at the discretion of the Controller of Imports and Exports in special circumstances e.g. to supplement local supplies; importation for personal use.

TABLE 2: COMPOSITION OF GROSS DOMESTIC PRODUCT
(Million Cedis at 1960 constant prices)

S E C T O R	1950 \$ million	1960 \$ million	1970 \$ million	1972 \$ million	Growth Rates	
					1950-1960/1960-1970/1970-1972	
(i) Agriculture (including fishing)	255.0	490.0	554.9	685.0		Growth Rates of G.N.P. for the period 1955-1960 averaged 7% per annum. Subsequent growth rates of G.N.F. were 7.5% for 1960, 3.2% for 1961; 5.3% for 1962; 2.7% for 1963; 4.5% for 1966; 0.2 for 1965 (16.8% at current market prices; 0.6% in 1966; 2.4% for 1968; 3.4% for 1969; 5% for 1970.
(ii) Mining & Quarrying	40.0	50.0	38.0 (40.0)(1)	38.0 (41.0)(1)		
(iii) (a) Electricity, Gas & Steam	7.0	16.0	23.0	25.0		
(b) Petroleum	-	-	7.1(2)	8.0(2)		
(iv) Manufacturing	108.0	200.0	340.0 (400)(1)	370.0 (436.0)(1) (Provisional)		
(v) Others (including construction)	110.0	200.0	285.0	234.0		
Total G.D.P.	520.0 (estimated)	956.0	1,248.0 (1310)(1)	1,360 (1429)(1)		

G.D.P. (U.S. dollars) :- 550 960 1300 1350
 Population :- 4.2 million 6.7 million 9.0 million ?
 G.D.P. per capita (U.S.D) 131 143 145 -

(1) Including turnover of enterprises employing less than 30 persons.
 (2) Central Bureau of Statistics data relate to the value of refining services provided by the Tema Oil Refinery. Actual turnover is estimated at \$40 million for 1970.

TABLE 3.

BALANCE OF INTERNATIONAL TRADE

(in million Cedis)

	1950	1955	1959	1960	1965	1969	1970	1972	1973 (Jan.-June) (provisional)
1. (I) EXPORTS	£154.8	£191.0	£226.7	£232.0	£226.9	£397.7	£467.4	£569.9	£386.5
(II) IMPORTS	£96.3	£175.8	£226.0	£259.0	£320.0	£354.4	£419.0	£395.9	£241.8
(III) TRADE BALANCE	+ £58.5	+ £15.2	+ £0.7	-£27.0	-£93.1	+ £43.3	+ £48.4	-£47.0	+ £144.7

2. (I) EXPORTS OF MANUFACTURED GOODS (Estimated) £7,000,000

(II) IMPORTS OF MANUFACTURED GOODS 85,000,000

£80,000,000

360,000,000

EXCHANGE RATE:
CEDI EQUIVALENT
OF ONE U.S. DOLLAR

1 U.S. \$
is about £0.80

1 U.S. \$.
is £1.0

1 U.S. \$
is £1.15

Sources: (a) External Trade Statistics, Central Bureau of Statistics - December, 1960, Dec. 1970, June, 1972;
(b) Economic Survey, 1960 (page 83); Economic Survey, 1969 (Pages 34 - 35).

(c) Central Bureau of Statistics - "Statistical Newsletter" - 1972/1973.

T.B. 4.

NUMBER OF PERSONS ACTIVELY EMPLOYED IN THE ECONOMY

S E C T O R	(1) 1950 NUMBER EMPLOYED	(2) 1960 NUMBER EMPLOYED	(3) 1970 NUMBER EMPLOYED	(4) 1972 NUMBER EMPLOYED (Provisional)
(i) Agriculture and Fishing	30,000	45,000	40,000(6)	48,000(7)
(ii) Mining and Quarrying	20,000	20,000	26,000	25,000
(iii) Electricity, Gas and Steam ..	9,000	14,000	16,000	16,500
(iv) Petroleum	-	-	380	385
(v) Manufacturing	16,000 (140,000)(5)	25,000 (254,000)(5)	55,000 (481,000)(5)	64,000 (562,000)(5)
(vi) Other Sector:-				
(a) Transport	20,000	30,000	39,000	38,500
(b) Construction	34,000	61,000	62,000	40,000(3)
(c) Commerce	23,000	34,000	36,000	36,500
(d) Services	50,000	92,000	128,000	133,000
(vii) Total:-	202,000	333,000 (850,000)(5)	402,000 (1,000,000)(5)	402,000 (1,050,000)(5)

1. Source: Estimates from unpublished manuscript ("Industrial Development of Ghana" - K. Waife-Ahonor)

2. Sources: Central Bureau of Statistics Economic Survey, 1960, 1961, 1962.

3. Sources: Central Bureau of Statistics Economic Survey, 1969; Quarterly Digest of Statistics 370/71; Ministry of Industries Annual Returns.

4. Sources: Central Bureau of Statistics Quarterly Digest of Statistics; Ministry of Industries Annual Returns; - K. Waife-Ahonor ("Industrial Development of Ghana" (Unpublished))

5. Including persons employed in enterprises employing less than 10 persons (NOTE:- Coverage of Central Bureau of Statistics data excludes enterprises with less than 10 employees) in all cases, and in several cases also excludes those employing less than 30 persons).

6. There was a sharp drop in the labour force following the Aliens Compliance Order, 1970.

7. The increase of 1972 over 1970/71 is the result of the current policy of "Operation Feed Yourself"

8. The drop was the result of the fall in the output of the local cement factories in 1972/73.

Table 5. Number of persons employed in the Manufacturing Sector

	1950 (Estim. ed)		1960 (1962 Industrial Census)		1970(2)	
	Enterprises	Total Employed	Enterprises	Total(1) Employed	Enterprises	Total (1) Employed
1. ENTERPRISES EMPLOYING OVER 100 PERSONS:						
(i) No. of enterprises	30	-	110	-	150	-
(ii) Total employed ...	-	10,000	-	32,865	-	44,000(3)
2. ENTERPRISES EMPLOYING 10 - 99 PERSONS:						
(i) No. of enterprises ...	1,000	-	1,847	-	3,200	-
(ii) Total employed ...	-	21,000	-	35,063	-	67,000
3. ENTERPRISES EMPLOYING LESS THAN 10 PERSONS:						
(i) No. of enterprises ...	50,000	-	93,160	-	120,000	-
(ii) Total employed ...	-	100,000	-	186,299	-	451,000
Total No. of enterprises ...	51,030	-	95,117	-	123,300	-
Total No. of persons employed ...	-	140,000	-	254,247	-	562,000

(1) Including self-employed proprietors.

(2) The CBS Directory of Industrial Enterprises 1969 omitted the Table on classification by size. The 1970 data are based on (a) CBS data for enterprises employing 30 persons or more; (b) Ministry of Industries Returns and (c) Unpublished manuscript (K. Kwafe-Annon - "Industrial Dev. in Ghana").

(3) Estimated on basis of "Industrial Statistics 1969" Table XI, and unpublished MSS.

T. BLE 6: THE INCREASING IMPORTANCE OF INTERMEDIATE & CAPITAL GOODS INDUSTRIES

	1959		1962		1969	
	Value of output (million Cedis)	Proportion of total industrial production	Value of output (million Cedis)	Proportion of total industrial production	Value of output (million Cedis)	Proportion of total industrial production
Intermediate goods (Containers & Packaging Materials, Rubber & Chemical products, Building & construction materials.)	₵2.6	6%	₵9.8	10.9%	₵59.0	22.5%
Capital Goods (Basic metal goods & Structures, Machinery, Electrical Machinery & Equipment, Transport Equipment.)	₵1.8	4%	₵8.0	11%	₵23.2	8.8%
Total:-	₵4.4	10.7%	₵17.8	25%	₵82.2	31%

Sources:- Central Bureau of Statistics Economic Survey, 1960, 1964 and 1969.
Industrial Statistics, 1962 - 64, 1969.

Table 7. Contribution of industries supplying construction and building materials.

	1956	1960	1969	1970 (Estimated)
(a) Gross Domestic Capital Formation at current prices	£70.4 mn.	£117.2 mn.	£161.1 mn.	£165.0 mn.
(b) Total value of materials used	£34.8 mn.	£ 58.9 mn.	£ 95.0 mn.	£100.0 mn.
(c) Of which local materials represent	15%	35%	60%	65%

NOTE:

Materials content in building and other construction works in Ghana is between 50% and 60%.

Table 4. CONTRIBUTION OF THE MANUFACTURING SECTOR TO NATIONAL OUTPUT

	1959 (million Cedis)	1962 (million Cedis)	1969 (million Cedis)	1970 (Estimated) (million Cedis)
A. Value Added (Manufacturing)	¢22.0 (1) (¢30.8) (5)	¢41.0 (2) (¢56.0) (5)	¢140.0 (2) (¢190.0) (5)	¢165.0 (¢224.0) (5)
B.	1959 (Estimated)	1960	1970	1972 (Estimated)
Gross Domestic Product (million Cedis)	¢520.0 (4)	¢956.0 (4)	¢1248.0 (4) (1310.0) (5)	¢1360.0 (4) (1429.0) (5)
Share of Manufacturing in GDP (million cedis)	¢108.0 (5)	¢200.0 (¢235.0) (5)	¢340.0 (¢400.0) (5)	¢370.0 (¢436.0) (5)
Share of Manufacturing (percentage)	20.7%	21.0%	29.0%	30.0%

(1) Central Bureau of Statistics, Economic Survey, 1960 (Pages 34-35) - Based on salaries and wages.

(2) " " " Industrial Statistics 1962-64 (Table 2) - Census of enterprises employing

(3) 30 persons plus. " " 1969 (Table 3) - " " "

(4) Central Bureau of Statistics, 30 persons plus. " " "

(5) See Table 2. " " "

Including contribution of enterprises employing less than 30 persons

(Sources: (a) Unpublished manuscript, K. Waife-Annor - "Industrial Development of Ghana"

(b) Ghana Government One-Year Development Plan, 1970/71 - Page 76).

TABLE 9. VALUE OF GROSS MANUFACTURING OUTPUT IN CURRENT PRICES CLASSIFIED BY SIZE OF ENTERPRISE

SIZE OF ENTERPRISE	1950 (Estimated)		1962		1969/70	
	Output million Cedis	Percentage	Output million Cedis	Percentage	Output million Cedis	Percentage
Manufacturing enterprise employing more than 100 persons (No. employed in 1962 - 32,885)	₵25.0	23%	₵59.00 (2) (Per Capita output) ₵1,800	25%	₵238.6 (2)	59.7%
Manufacturing enterprise ⁽¹⁾ employing 10 - 99 persons (No. employed in 1962 - 35,063.	₵31.0	29%	₵60.6 (Per Capita output) ₵1,700 (3)	25.5%	₵43.4	10.8%
(Manufacturing enterprise ⁽¹⁾ employing less than 10 persons (No. employed in 1962 - 186,299)	₵52.0 ⁽⁴⁾	48%	₵115.4 (3) (Per capita output) ₵620	49.5%	₵118.0	29.5%
Total:-	₵108.0 ⁽⁴⁾	100%	₵235,0 ⁽⁴⁾	100%	₵400.0 ⁽⁴⁾	100%

1) Central Bureau of Statistics data relate to only enterprises employing 30 persons or more. Figures in this Table include contribution of enterprises employing less than 30 persons.

2) Central Bureau of Statistics Industrial Statistics, 1962 -64 (Table 33); and 1969 (Table 29).

3) Central Bureau of Statistics's preliminary calculations estimated per capita output for medium-sized enterprises to be between 150% and 200% that for the smaller enterprises. On that basis, per capita output for enterprises employing less than 10 persons could be estimated at between ₵850 and ₵1,100

4) Based on (a) Unpublished M.S.S (Manufacturing - Industrial Dev. in Ghana); and (b) Ghana Government One-Year Development Plan 1970/71, page 76.

Table 10 Manufacturing output in 1970 by type of ownership

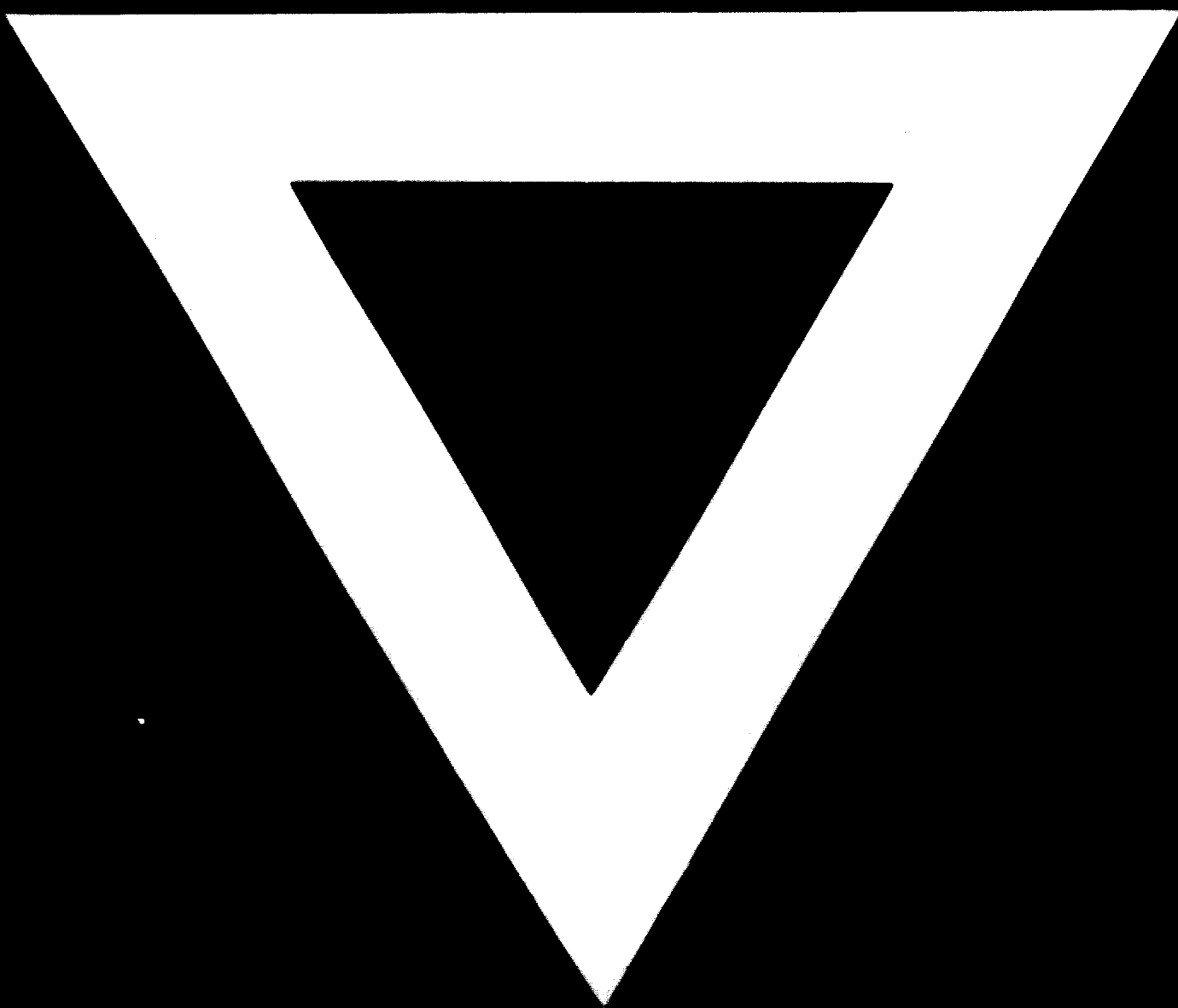
Type of ownership	Output (million Cedis)	Percentage
(a) State-owned	₵48.0	12%
(b) Private (including co-operatives)	₵296.0*	74%
(c) Joint State/Private	₵56.0	14%
Total	₵400.0*	100%

* Based on Central Bureau of Statistics "Industrial Statistics 1969", with data adjusted to include output of enterprises employing less than 30 persons, using information from:-

(a) Unpublished I.S.S, K. Kwafo-Annon - "Industrial Development in Ghana."

(b) Ghana Government One-Year Development Plan, 1970/71, page 76;

(c) Ministry of Industries Annual Returns.



74.09.13