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COUNTRY CASE-STUDY

GHANA

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I. THE INDUSTRIAL SECTOR BEFORE THE ADJUSTMENT PROGRAMME

By 1970, under a policy of import substitution, Ghana had developed one of the most diverse and dynamic manufacturing sectors in sub-Saharan Africa. Between 1962 and 1970 gross output from large enterprises (30 or more employees) almost tripled in constant prices, manufacturing value added (MVA) grew by 13% per annum on average, and industrial employment practically doubled. Labour productivity, expressed as value added in dollars, peaked at US$3,000 per employee, with the manufacturing share of GDP climbing from 3.2% in 1962 to 12.7%. A closer scrutiny indicates, however, that by and large: (a) The growth was not balanced, and in fact was contributed mainly by the traditional sub-sectors of wood products, food, beverages and tobacco. (b) The value added contribution at international prices was low and profitability was maintained largely by the protection of high tariffs and quantitative restrictions. (c) The large industries were import-intensive and the country's foreign-exchange earning capacity was limited mainly to the traditional sub-sectors of cocoa, minerals and timber (largely unprocessed). (d) Recognition of the potential of small-scale industrial activities was grudging. Entrepreneurs in this group were largely neglected in terms of any organised assistance. (e) There were few domestic linkages between agriculture and industry apart from some areas of food processing and in the upstream branches of textiles. (f) Labour use was inefficient and productivity in the state-owned enterprises (SOEs) (which in 1967 accounted for approximately 42% of total manufactured output) was low compared with private manufacturing output and against international measures. (g) Little attention was paid to the maintenance of equipment. In particular, the replacement of capital assets (which were highly energy-intensive) was the exception rather than the rule.

II. THE ADJUSTMENT POLICIES IN CONTEXT

A. The Macroeconomic Context

Between 1971 and 1982 several attempts were made by various governments to tackle some of the intrinsic and endemic socio-economic problems, but there was no major concerted programme of action. The deterioration in the economy starting from the early 1970s was the consequence of policies which effectively destroyed many of the incentives for domestic production and export development and operated to the detriment of the balance of payments. Manufacturing capacity utilisation, for example, registered its lowest rate, around 20%, in 1981 and industrial production dropped to 63% of its 1975 level. As the tax base dwindled, budget deficits grew, the money supply expanded rapidly and the rate of inflation soared, the economy slumped deeper. The country's economic and social infrastructure was in a state of near-collapse by the end of 1982. The situation was exacerbated by the prolonged and severe drought which created the worst food shortages since Independence.

This unenviable inheritance provoked the PNDC government to introduce in April 1983 a series of economic reforms and in September a comprehensive economic recovery programme (ERP I) which was to be supported by three successive IMF Stand-by agreements, a series of programme credits from the World Bank and several other bilateral and multilateral programmes of aid and concessional loans.

B. Structural Adjustment Measures

The measures introduced during ERP I (1983-6) to correct macroeconomic distortions and structural weaknesses in the various economic sectors continued with further refinements into the Structural Adjustment Programme (SAP), the first phase of which covered 1987-8. Major measures included:

(i) Exchange rate adjustments. A central element in the incentives framework was concerned with pricing and the effective allocation of foreign exchange. The long-overvalued exchange rate was seen as one of the principal reasons for Ghana's loss of international competitiveness. In response, adjustment of the value of the cedi was speeded up by the introduction of the official weekly foreign-exchange auction in September 1986. This strategy has been the key effort to achieve a market-determined exchange rate, and has functioned well. The available statistics show that the largest share of the auction has been taken up by the industrial sector (see Table 2).

(ii) Taxation adjustments. The tax base had been seriously eroded by the persistent overvaluation of the currency and the large divergence between the official (the base at which taxes are assessed) and the effective market price of the cedi This affected all international transactions and most domestic and unofficial border trade in raw and intermediate outputs. A successful programme of tax reform, and particularly tax administration, was introduced in 1984 and government revenue was significantly increased (see Table 3).

(iii) Monetary and credit adjustments. The increasing fiscal deficit was in large part due to the unsupported expansion of domestic credit, a substantial portion of which was used to finance the government bureaucracy and to support inefficient SOEs. The decision to reduce public sector expenditure (through redeployment of the civil service and a freeze on further appointments, better budget management and public expenditure programming, and divestiture of inefficient SOEs, among other measures) was responsible for increased liquidity in the banking system. According to Bank of Ghana statistics, this was transferred mostly to the productive sectors (see Table 4). Notwithstanding the above measures, this high level of liquidity needed to be counterbalanced by a realistic interest rate policy combined with special credit ceilings and windows to ensure ordered and balanced sectoral growth within the liberalised trade environment.

(iv) Import programming and adjustments. With the gradual elimination of quantitative import controls and the need to stimulate domestic production, a careful assessment was made of the country's import requirements and the immediate and medium-term domestic supply response, and an import programme was drawn up which formed a major factor in the rationale for the weekly foreign exchange auction. Priority was assigned to imports needed for export production and for revenue-generating industries and the food sector. By strengthening the institutional capacity for planning, programming and monitoring the import programme, short-term disruptions and foreign-exchange misallocations were reduced. The timing as well as the shortfall of certain projected capital inflows (especially medium-term facilities) seriously affected the import programme and resulted in further tightening of credit. Efforts are being made by the Central Bank to reactivate suppliers' credit schemes to alleviate some of the constraints imposed on the industrial sector by what was perceived as a 'liquidity squeeze'.

The programme of adjustment and reform was intended to reverse the trend of declining national and per capita income through better overall economic management and thus to lead the economy to a stage where it could sustain economic growth. Three phases were envisaged in the process of adjustment: (a) a stabilisation phase, (b) a rehabilitation phase, and (c) a liberalisation and growth phase. The first two phases were to run simultaneously as part of a comprehensive recovery programme and provide the basis for economic restructuring and growth under trade liberalisation. Under the stabilisation policies, the government sought to restore continuity in the domestic supply of goods and services through the increased allocation of foreign exchange into the economic system and freer access to raw materials and industrial inputs, thereby improving the environment for industrial capacity and employment. The emphasis of the rehabilitation policies was on improving capacity utilisation, strengthening product quality and standards, improving factory productivity and general enterprise efficiency and profitability through improved maintenance, upgrading of process and equipment and retraining of management and labour. The first two phases were based on existing plant, while the liberalisation and growth phase was to be achieved through new investments, physical and financial restructuring and the application of new systems and technologies. With the liberalisation-and-growth phase was introduced a further social component (unusually so in the early context of structural adjustment programmes). This was known as PAMSCAD, the programme of action to mitigate the social costs of adjustment, and it remains on-going (see section II.A.(iv)).

C. Key Reforms

Relevant policy changes affecting the industrial sector occurred in two important areas: the exchange-rate regime and trade liberalisation. The main elements of the economic reforms were:

(i) exchange-rate policy to narrow the gap between the official and the parallel exchange rates in order to achieve a market-determined rate applied to all economic transactions. The flexible exchange-rate regime produced a devaluation of 90% over the three-year period 1983-6. The first formal devaluation was carried out in October 1983 when the cedi was valued at 30 to the dollar. Subsequently it depreciated to 60 to the dollar by 1985. During the 1983-5 period the real exchange rate depreciated by over 80% and by January 1986 had dropped to an equivalent of 90 cedis to the dollar, where it remained until the start of the foreign-exchange auction in September 1986 (see section D (ii)).

(ii) tax and tariff reforms to simplify and to make more uniform and equitable the tax and tariff structure. The sales tax was reformed in 1988 and nominal tariff rates reduced by a uniform 5% for all goods bearing duty at 15% or above. Earlier, the government's trade reforms consisted mainly of simplifying the tariff system, imposing a uniform duty of 30% on most imports plus a 20% sales tax and abolishing quantitative restrictions and import bans on all but a few products.

(iii) reform in prices and incomes policy to establish realistic relative price levels, salaries and incomes in the context of exchange movements and inflation. Key reforms were

- increased incentives for agricultural and export production: for example, cocoa producer prices more than quintupled from ¢12,000/ton in May 1983 to over ¢165,000/ton in May 1988; cotton and tobacco producer prices had doubled by early 1987 and the export foreign-exchange retention scheme has been expanded;

- price de-controls to enable importers and domestic producers to adjust prices and distribution margins periodically to reflect higher costs with the successive devaluations;

- prompt adjustments in utilities and public service rates to reflect changes in the exchange rate and other costs, thereby reducing the need for budget subsidies;

- periodic reviews of public sector staffing and salaries to reduce staffing levels and increase wage differentials; for example minimum wages were adjusted in May 1981 April 1984, December 1984, January 1986 and April 1989;

- implementation of a flexible interest rate policy in an effort to achieve positive real interest rates;

(iv) reform of the fiscal and budgetary system to improve domestic resource mobilisation and to reduce dependence on inflationary bank financing; public expenditure cuts to reflect size and content of government development priorities;

(v) rehabilitation of key sectors via service infrastructure renewal programmes to improve management systems and to restore their potential for cost-effective growth.

D. Other Major Reforms

In addition to the general macroeconomic reforms of the SAP, a number of other important measures were directed specifically at the industrial sector.

(i) Divestiture of State Owned Enterprises (SOEs). The industrial sector contains some 180 SOEs which are either wholly government-owned or in which the government holds a majority interest. Following a UNDP-financed survey in 1985, the government set up a task force to develop a comprehensive SOE reform programme, which includes policy and institutional reforms to ensure that SOEs operate more efficiently and with greater autonomy and accountability. The initial focus was one establishing the appropriate policy environment by strengthening the government's supervisory agency, the State Enterprise Commission. Under its divestiture programme a Divestiture Implementation Committee (DIC) was established to determine the most judicious route for state disengagement, and 30 enterprises were initially identified for divestment and/or privatisation. Fourteen other priority SOEs are being carefully monitored for restructuring and operational improvements to make them commercially viable. The whole reform project is underpinned by a special Public Enterprise Project credit from the International Development Association.

(ii) Foreign-exchange auction. Since 19 September 1986, under the supervision of the Bank of Ghana, the country has operated a two-tier foreign-exchange system. The first tier (Window I) covered official and specific transactions catering for approximately one third of the country's foreign exchange needs. The second tier (Window II) catering initially for specific end-users and activities, of which industry is the most important, covers a rate of exchange between the cedi and the dollar which is determined by a weekly auction. The system has functioned well and access to the auction has now been increased to allow a wider range of imports including a number of consumer goods. With the parallel improvements achieved in the revenue collection system since December 1986 importers were relieved of certain notional requirements for gaining access to the auction, such as social security payments and tax clearance certificates. Consequently, the two markets (Window I and II) were unified with effect from February 1987.

(iii) Foreign exchange bureaux. In an attempt to attract marginal and additional foreign exchange resources into official channels and to facilitate the process of trading with smaller amounts of foreign exchange on a daily basis, the government announced in February 1988 the establishment of Foreign Exchange Bureaux to be operated under licence from the Bank of Ghana. The ultimate objective is convergence of this new market with the auction market. Both markets have been operating concurrently and quite successfully with the auction price of 263 cedis to the dollar and the forex rate 370 cedis as at the end of June 1989. Ghana's nomiral exchange rate was quoted at 299.7 cedis to the US dollar on 30 October 1989.

(iv) Import licensing and exchange-rate policies. As part of the ERP measures to stabilise prices and supplies of goods and services in the domestic market, an automatic special import licence system 'S', special import licences (SIL) and special unnumbered licences (SUL), was introduced as a legal instrument to regulate the demand for foreign exchange from the informal trade and service sectors. This was to facilitate the import of basic consumer goods which were in short supply, and excluded non-essential commodities like beers, cigarettes, etc. However, in continuation of the liberalisation process, the official foreign-exchange auction scheme initiated in 1986 was expanded to include some consumption goods previously permitted only under the 'S' system. In October 1987 the 'S' system was effectively replaced by an automatic auction import licensing system (the 'A' system and the export-retention scheme was expanded to cover, among other things, production-related imports, debt servicing and legal export-oriented transactions. From mid-January 1989 the government took the important step of abolishing all import licensing.

(v) Taxation and import policy. Implementation of the SAP envisaged many modifications of the existing fiscal structure in order to remove the constraints they pose for industry and to meet the government's expanded revenue requirements. An extensive revision was carried out in February 1987 covering, among other things, the exchange rate, taxation and the system of trade protection. The structure and schedules of taxation on imports were changed so that, irrespective of the source of foreign exchange, import duty would be levied on the cif values at the prevailing auction rate. To a large extent the current tax rates favour non-luxury consumption and production-type goods such as basic raw materials, motor vehicles, spare parts, etc. The SUL tax was abolished, and tax exemptions and/or reductions were granted to specific enterprises such as foreign-exchange shops and producers of milled rice and prepared fish products, while specific tax was increased on alcoholic beverages and cigarettes. A summary of the schedule of taxation (customs duty, import sales tax, special import sales tax, purchase tax, income tax, special import penal tax, excise tax, export tax, production tax) in existence up to the 1989 budget is given in Table 5.

III: THE BEHAVIOUR OF ACTORS IN THE INDUSTRIAL SYSTEM

In all, 30 industrial enterprises, government departments or industrial agents were selected and interviewed with respect to their roles and involvement in the SAP. There was a general consensus that the major issues and constraints facing industry prior to the SAP were the following: (a) obsolete plant and equipment, (b) lack of raw materials, spares and ancillary supplies, (c) inadequate financial resources, especially foreign exchange, (d) 'run-down' industrial infrastructure (public services, public utilities including water and electricity supplies, road, rail, sea and air transportation, wire and wireless communication, etc), (e) low plant capacity utilisation and low labour productivity, (f) low wages and salaries, low purchasing power for locally produced outputs and a generally depressed market, (g) cumbersome import licensing system, (h) government over-involvement in the productive sector and decision-making, (i) shortage of technical skills and industrial management.

The net effect on the industrial sector had been generally low standards and quality inconsistencies of locally produced goods and services, plus relatively high prices and loss of export competitiveness for domestically produced goods, due to low capacity utilisation and high unit costs.

A. Perspectives of the Firms

Fourteen industrial production enterprises were selected against two broad criteria: (a) origin of inputs, whether domestic or imported, and (b) markets supplied, ie. domestic or export. All industrial enterprises in Categories A and C that were surveyed (ie. those using domestic-based inputs/raw materials) reported significant improvements in their operations during the period, irrespective of their forms of ownership or management. Categories B and D (those working with imported inputs), on the other hand, reported either improvement and decline to varying degrees, often depending on the ratio of imports in their production. For Category D, enterprises working with imported inputs and having some export orientation, the situation was, on average, fairly good and stable under both the ERP and the SAP.

Interestingly, it appears that most firms in all four categories paid little attention to the SAP in its initial stages when its role was unclear, but indicated substantial change in their attitudes and responses (mostly positive) during the implementation of the reforms as the objectives and rules were clarified. The extent of the adjustments was realised only after visits by government agents, or consultants working for government or on behalf of international agencies. Respondents regretted the infrequency of visits by a government agent other than those pursuing or collecting taxes.

With only one exception, it was the general view that the SAP had a number of favourable points. Given a more reasonable timeframe for implementation and a greater availability of financial resources, the reform measures could stimulate a higher level of response and produce a more balanced transformation in industrial plant and capacity utilisation. Some of the major points in favour of the SAP were identified as follows:

(i) better facilities for allocating and giving access to foreign exchange as provided by the weekly auction system, further strengthened through the establishment of foreign-exchange bureaux at convenient locations throughout the country. The resultant distribution of foreign exchange through the auction system (see Table 2) shows that industry received the highest proportion, approximating 65%.

(ii) the facility provided, in most cases, to adjust prices to reflect changes in factor costs. Instances were indicated, however, in certain textile products, among others, where this adjustment was neither automatic nor favourable to producers. The rigid attitude adopted by the Prices and Incomes Board (PIB) was a matter for concern. Actual cases were cited in which production margins were artificially suppressed while at the same time traders enjoyed windfall premiums from the manipulated supplies in the marketplace.

(iii) creation and maintenance of a clean and positive investment environment with clearly enunciated rules, objectives and procedures. The 1985 Investment Code was cited as one such example.

(iv) restructuring and rehabilitation of core industries and infrastructures to improve efficiency, honesty, service reliability and corporate accountability, especially in the state-owned and public sector institutions.

(v) the priority given to improving the macroeconomic and industrial database for national and sectoral planning, policy-making and decision-taking.

(vi) the positive labour/management environment created and maintained, in spite of many other sensitive encumbrances.

(vii) the substantial increase in government revenue and the resultant improvements in the country's industrial and socio-economic infrastructure as well as the control and marked reduction of inflation.

Notwithstanding the above positive responses, several new problems had emerged, either as a direct result of the reforms or during the implementation process. Major concerns expressed included:

(i) the unprecedented inflation in production costs due to the massive depreciation of the cedi.

(ii) the uncertainties in costing production inputs and outputs in face of the two-tier and fluctuating price of foreign exchange obtained through the auction and in the parallel foreign exchange markets. The situation was greatly improved with the establishment of the forex bureaux in 1988.

(iii) the foreign-exchange costs of medium to long-term facilities vital for credit and the equity financing of the rehabilitation and modernisation of existing industrial capacity and its expansion.

(iv) the erosion in purchasing power of the average citizen and the consequent suppressed demand for the industrial outputs of local industries. This situation, combined with the need for labour retrenchment and redeployment, has created tremendous social pressures and is among the most pressing concerns of government. As an operational response, the government established in 1983 a programme to mitigate the social costs of adjustment (PAMSCAD) which, among other things, seeks to provide new employment opportunities, through retraining, entrepreneurship development, advisory and small business consultancy services as well as expansion of the role of the national Board for Small Scale Industries (NBSSI) and the Department for Rural Housing and Cottage Industries (DRHCI).

(v) the prevailing tightness in availability of credit, with the resultant impact on interest rates (borrowing at 26-28%) and the reduced working capital facility. Viewed against the weak equity capital base of most industrial enterprises and the depreciated stock of plant and equipment, the cashflow position of almost all the firms interviewed was incapable of generating enough funds to cater for anything more than minimum running costs.

(vi) distortions in the domestic market as a result of the unorganised and largely unmonitored transactions carried on by both legal and illegal importers which negatively affect the demand for locally produced goods. Instances of abuse were cited under the SUL and SIL systems affecting second-hand imports of textile products and generic brands of chemical and pharmaceutical products. Besides the market distortions, the laxity of standards observed by these importers posed a problem for the nation's health and safety.

(vii) the depreciated remuneration for workers which continues to have negative effects on worker morale and productivity, and consequently on industry's capacity to attract and retain qualified and competent staff.

Over half the respondents felt that there was need for some major review and/or overhaul of the SAP with particular focus on general working capital and medium- to long-term financing (to facilitate both rehabilitation and industrial expansion). This should also include the socio-economic impact of the programmes on labour force retrenchment, redeployment and remuneration. While the government's current efforts and adaptive measures are generally acknowledged,, it was strongly felt that the continuance of some of these negative influences (in part or full) had contributed to the non-performance of some firms, and the under-achievement of others in the light of their own targets and potential. In this regard, urgent action was being requested to revitalise the system of suppliers' credit and to renegotiate such suppliers' guarantees as OPIC, FCIA and ECGD, among others.

Regarding the attitudes of administrators and agents, it was the general view that while considerable change had taken place in these institutions, it was largely internalised (ie. it related more to systemic and efficiency improvement rather than to expansion of facilities to foster trade and industrial investment). A majority of industrial respondents considered that resources were more easily accessible to financial institutions and industrial agents (especially the government) for their own restructuring and that insufficient resources were available to aid industrial restructuring. It was conceded that it was necessary for the financial institutions and intermediary agents to undergo this cleaning up, but that the next phase of the SAP should focus more attention and resources on facilitating the adjustment of industrial capacity in order to sustain growth and foster economic development.

Almost 80% of the enterprises reviewed indicated that they had initiated programmes to adapt their operations to the requirements and objectives of the SAP but that they had failed so far in their attempts to find adequate solutions to their financial and technical constraints. Their survival had been heavily predicated on marginal improvements in plant capacity and worker productivity, with some cost reductions (achieved through retraining, retrenchment and some rationalisation in present product lines). But it should be recognised that such strategies can only be expected to provide short-term and transitional relief in the face of on-going liberalisation and reforms.

Though not completely clear from this survey, it has been shown in recent studies carried out by the Ministry of Industry, Science and Technology (1988 Impact Assessment Study) that a number of marginal enterprises have been factoring some traded finished inputs into their production lines in order to capture premiums normally only afforded to importers. By so doing they hope to generate short-term cashflow to stabilise employment, while other longer-term actions are pursued. Understandable as it may be, continuation of this practice could seriously erode the compliance of genuine producers, and have a negative influence on the development of a production culture which is being encouraged.

From the present survey and analysis, two distinct groups of firms have been identified: (a) those which adopted a unique company strategy to deal with the existing and expected opportunities and challenges of the changing industrial-cum-trade environment; and (b) those which simply adjusted to the conditions as they emerged on a case by case basis. The former group (a) tends to comprise the larger firms irrespective of their forms of ownership, that is, whether state-owned or private. The smaller private sector firms seem as a rule to belong to group (b). To a large degree, they lack sufficient equity capital and this incapacitates their negotiations for working capital and longer-term credit facilities. State-owned enterprises, on the other hand, fall into two categories: some, like the small private firms, suffer from an inherent disadvantage (a low equity base and highly inelastic production capabilities) while the others, thanks to their strategic and linkage importance to the industrial process, are favoured even where inefficiencies are obvious.

B. Perspectives on the Administration of the SAP

Regarding the administration of the SAP, at least one institution was selected for interview from each of the following areas: planning, finance, trade and industry. It was the view of the respondents, from their various perspectives, that the SAP had not fully addressed all the issues identified at the start of the programme. Many factors were seen as responsible for this, chief among them being lack of working capital and medium- to long-term loans. This view was also shared by the industries surveyed. There were widely varied views, however, on the level at which the SAP was intended to focus; whether on the enterprise, the sub-sector, or industry as a whole. This was a critical factor since the level of information necessary for planning and the extent of resources needed would differ. Similarly, the rules and procedures would also be different since a micro-strategy would automatically require a deeper investigation of the enterprise's capacity and potential. Understandably, such detailed information was simply not available at the outset of the SAP. With the improving situation regarding enterprise and industry data, it may be possible in a new programme to accommodate certain necessary modifications or incorporate new strategies in its implementation.

One unanimous observation from administrators, agents and enterprises alike was that the SAP seemed to have the full political support and commitment of the government. This was perceived to be necessary for its continued success. It was also agreed that actions were at times austere and politically unpopular. The policies and reforms were formulated despite a dire lack of adequate information on enterprises and even at the macroeconomic level, so urgent was the requirement for national stability and economic survival. Within this environment, planning, policy-making and resource programming were at best based on provisional estimates.

Despite this major constraint, it was the combined view of the administrators of the SAP and the industrial agents that industry had performed well and that the SAP had a good performance record. The view from industry, surprisingly, was not significantly different. Most industrialists felt that they could have done much better in the physical and structural transformation of their enterprises had the constraints mentioned above been removed. But apart from a few cases (less than 10%) they agreed that the SAP had enabled them to be more efficient and cost-and quality-conscious, and less reliant on government for subsidy, support or market protection.

C. Perspectives of the Industrial Agents

For our survey, at least one institution was selected from each of the following areas: the financial system, the fiscal system, the external trade system and the system for the local purchase of inputs. A fairly large proportion of the industrial agents are government-controlled or have some active government interest and involvement. To the extent that their functions relate to the mobilisation of production and investment, or to the facilitation of trade, they have been better equipped, both technically and financially, under the SAP. They have also benefitted substantially through specific (World Bank - funded) training programmes for the financial sector, for instance, or general programmes of training and systems expansion. Some have been fully restructured and restaffed. On the other hand, it was evident from the responses, that the private firms had not undertaken much structural development in their organisation for industrial capacity, and their survival to date has been limited to marginal improvements in services, marketing and labour productivity. Both groups (agents and administrators) seemed to have been well briefed, at the initiation of the SAP as well as during its implementation. They were generally well informed about the rules and procedures and were fully abreast of all the changes introduced.

This situation contrasted sharply with that reported by the industrial firms surveyed. There was unanimous agreement that the SAP had tremendously improved the environment for investment and some agreement that investments in the trading sector may have been better poised for the policy transition. However, like the firms, the agents felt that some new problems had emerged as a result of the SAP which lessened the ability of industry to cope with the expectations of government and external donors. Several factors were highlighted including the need for long-term capital for equity replacement and renewal or for attracting new investments. Unlike the firms, the agents did not see working capital as a major constraint, but they considered that the gap created by the inadequacy of medium-term institutional credit facilities and the loss of suppliers credit was responsible for the perceived liquidity and resultant cash flow position of most industrial enterprises.

IV. THE RECORD OF INDUSTRIAL ADJUSTMENT

Information derived from the Economic Surveys of Ghana, covering the period between 1970 and 1988 suggests that there have been six distinct phases in the industrial development process in Ghana. The pre-1970 period of rapid growth (in excess of 12% p.a.); the 1970-75 era of moderate growth (8.4% aggregate); the 1975-80 era of steady decline (21% aggregate); the 1980-83 era of rapid decline (43% aggregate); the 1983-8 era of rapid recovery (averaging 11%) and the 1988-90 era of restructured growth (projected to average 8% p.a.).

Within this framework, some fundamental changes have occurred and are continuing in both the structure and ownership of industrial production. For example, the small-scale sector has growth from a mere 15% of total manufactured output in 1975 to almost 30% of non-traditional output, and according to the Ghana Statistical Surveys of 1970 and 1987, the number of visible small-scale enterprises has increased from 3,000 to over 6,000, with a large number still statistically invisible. As regards ownership, the state continues to dominate, owning or having substantial interests in almost all the major industrial enterprises in the country. Though significant change is expected in the near future (under the Government's divestiture policy), very little has occurred apart from some marginal share movements.

At the present time industries based on domestic resources constitute over 40% of the manufacturing sector.[1] As demonstrated in a recent survey carried out by the Industrial Planning Division, Ministry of Industry, Science and Technology, the sector's problems vary significantly. There are, however, many areas of common concern, ranging from poor working capital facilities to low labour and management productivity and poor capacity utilisation. Only a few industries were seen to have any strong backward linkages with their domestic raw material base.

Economic recovery seems to lie not only in the recovery of the manufacturing sector but equally in the expansion of domestic agriculture. Domestic resource-based industries indentified for expansion under the government's Structural Adjustment Policy include: food and agro-products, wood-based products, non-metal and earthenware products, and to some extent basic metals and textiles (with the recent attempt to indigenize cotton)[2] As the structure of the industrial sector continues to change as evidenced by the rapid growth in services and cottage-type enterprises, (see Table 9), potential of the small-scale sector needs to be recognised and policies devised to give it a substantive place in development strategy. According to the 1987 industrial census the total number of medium and large-scale enterprises was approximately 3440, while the formal small-scale sector was in excess of 6,000 units as indicated above. The majority in both groups were engaged in food and wood processing. Tables 7-9 give the breakdown and their respective outputs as well as the regional distribution. The figures show that industrial activities are concentrated in Greater Accra (including Tema) with 32% and in the Ashanti region with roughly 31%. In future a greater dispersion will be encouraged especially for small-scale operations and in the rural centres.

In terms of the composition of output, a lot has happened in the 1980s. As indicated by Table 8 manufacturing output at the end of 1987 had recovered almost to the 1981 level, and the 1988 GSS preliminary figures indicate that it has now been surpassed. Must of this improvement has been due to the remarkable recovery and growth in the wood product and food sub-sectors, especially in beverage production. Processed food, however, has not shown any impressive change, and tobacco is recovering only slowly but quite steadily. The metal sub-sector, on the other hand, has had quite a chequered growth path, rising to its peak in 1982 during the height of the economic crisis.

Tremendous structural change has taken place in textiles. The cotton textile industry was one of the earliest and perhaps best established industries in the manufacturing sector; in terms of gross output and value added, the cotton textiles and garment industries occupied a leading position in the industrial structure. For instance, their share of manufacturing values added (MVA) increased from about 2% in 1962 to almost 18% by 1970, showing a growth rate of over 45% p.a. while manufacturing as a whole grew at an average of 13% p.a. From a ranking of 9 out of some 15 sub-sectors, they climbed to the top by 1970, surpassing the food and wood products sub-sectors. The situation changed diametrically by 1982 when the textile product's share of MVA fell to 4.3% and a comparative rank of 6 out of 12 sub-sectors. The position has been improving steadily since 1983 due to rehabilitated capacity particularly in spinning and weaving. Much of this revitalisation is due to the increased activity of the Ghana Cotton Company in local cotton production and ginning. The prospects are potentially good but great effort is required to improve productivity (worker and machinery) through product line selection and rationalisation, improved product standards and pricing for both domestic and export marketing, enhanced worker/management relations and better worker incentives. The continuing operation of the SIL and SUL import facilities, though legally abolished, needs to be monitored to stop illegal transactions which will distort the domestic market for textiles and garments.

V. CONCLUSIONS AND RECOMMENDATIONS

The manufacturing sector over the period 1983-8 has made a remarkable recovery in both capacity utilisation and competiveness of output. However, much more needs to be done to adjust its cost and price structure to meet the competition of the liberal market system, particularly for those firms that are not solidly linked to any domestic-based raw materials. Observations drawn from the 1988 impact assessment by the Ministry of Industry, Science and Technology (MIST) indicate that many manufacturing enterprises currently dependent on imported inputs are switching to alternative sources of supplies of raw and intermediate materials and others are actively exploring domestic supply linkages.

On average, the manufacturing sector's share of GDP (based on GSS 1987 preliminary estimate) was 10% in FY 1986/87 compared with 8.8% in FY 1985/6[3]. Table 10 shows the movement in the share of GDP and in manufacturing value added between 1980 and 1987. This MVA share in GDP is still not commensurate with the installed capacity, however. Four traditional subsectors continue to dominate industrial production, namely: food and agri-products with 36.1%, chemicals (including petroleum refining, plastics) with 37.2%[4]; wood-based products with 10.9%[5] and textiles with 5.6%. The relative decline over time in textiles, basic metals and machinery sub-sectors is very noticeable, and is no doubt directly attributable to high import content and dependence. With the exception of food processing industries, the bulk of manufacturing is concentrated in small-scale industries producing light consumer-type goods. It is expected that in the near future the domestic resource-based industries will make substantial progress through a higher level of technology and a greater degree of vertical integration with the macro-economy.

Since the introduction of the SAP, industrial capacity utilisation has on the whole shown a steady improvement, though somewhat slower in the non-traditional sub-sectors (see Table 11). For example, aggregate capacity utilisation in domestic resource-based industries moved from 38% in 1986 to 45% in 1987 and in import-reliant industries from 25% in 1986 to 35% in 1987. Faster and higher rates of recovery were observed in the food and agri-products sub-sectors as well as in wood products, while a declining trend was visible in the textile and chemicals sub-sectors.

The combined effect of the new policy measures, with increased technical assistance support in training and research has meant a substantial improvement in the prices and standards of domestic production as well as a significant re-alignment of enterprises to their domestic raw material base. Growth in manufacturing employment, however, is not expected to be significant because of the necessity for adjustments in productivity to compensate for (uncontrolled) higher factor costs.

With the experience gained in the management of the SAP and the continuing improvements in industrial infrastructures, institutional capacity, industrial responsiveness and efficiency, and with the improved stability and transparency of government policy and an enhanced business climate, the industrial sector adjustment programme in Ghana should, by 1991, make non-traditional manufacturing a major instrument for developing and changing the country's export capacity and generate a new growth trajectory for industrial production and self-reliance. To facilitate this, the programmes of the many research institutions in the country need to be made more transparent, and their linkages and applications redirected towards industry and agriculture. Improvement is needed in their recurring work programmes, co-ordination and fundings so as to ensure timely and practical output and utility from their research efforts and involvement. Similarly, measures for the implementation of higher quality standards deserve a higher placement in industry's priorities, especially for those industries contemplating export marketing.

It should also be recognised that for this impressive recovery and growth rate to continue in the industrial sector, a comparatively greater level of growth (in the region of 10-15%) will be required from the agricultural sector in particular, and more and stronger inter-sectoral linkages will need to be developed between the main activities of agriculture, mining, forestry, fishery and industry.

The positive trend towards the realignment of industry to its domestic materials base needs to be emphasised and strengthened to assure the maximum contribution in manufacturing output and value added. Otherwise, the natural propensity of the sector to revert to imports could eventually override and frustrate the present policies and the laudable accomplishments achieved by the current structural adjustment efforts.

It is important at this stage of the sector's adjustment process, that a new set of incentives be introduced to stimulate the upgrading and capital renewal programmes of industrial plants, and to shift the recovery from the current marginal increments in existing capacity into a real growth scenario solidly based on cost-effective rehabilitation, meaningful product-line rationalisation, technology and process upgrading and selective plant modernisation. These incentives should encourage inter alia the retraining of the private sector manufacturing labour force as well as the management and marketing staff. In the new socio-economic and competitive environment facing Ghana, techniques of modern marketing, containment of production costs, stimulation of production and productivity, and foreign-exchange management deserve greater emphasis by all industrial agents. Rebates for approved training expenditures and concessional funding for approved plant rehabilitation and modernisation deserve the highest consideration from government and the supporting international financial community.

Finally, a better system for monitoring policy impacts and industrial responses needs to be instructed a the interface of industry and the administration of the SAP. The current level of feedback needs to be improved to avoid or contain the escalation of the negative consequences associated with structural adjustment measures. The system for feedback between industry, industrial agents and the administrators of the SAP needs to be formalised institutionally with regular review sessions programmed over time to bridge the prevailing information gap.

Augmentation of the country's financial capacity with medium- to long-term resources is a necessary precondition for any sustainable structural change in the manufacturing sector. Given the low equity base of most industrial enterprises and the notable absence of a functional capital market, substantive improvement in the country's industrial capacity can only be expected from direct foreign investment or long-term development-type loans to inject new equity. The international lending and investing fraternity needs to be fully sensitised in the appropriate fora and negotiations. The improved investment environment in Ghana should help in these efforts, but it is equally important that government should be consistent in its policy and actions if the currently favourable business climate is to yield optimal medium- to long-term results.

Of paramount importance is the need for greater incentives to improve the role of domestic investment from the private sector, which has up to now been mainly confined to mining. To an increasing degree, future economic expansion will depend on a dynamic response from the private sector, and additional measures may be needed to improve the investment climate. In this connection the reform of taxation, the review of the Investment Code and the expansion of the Investment Centre's promotional role are key elements. So also is reform of the banking system. To a large extent the government can best promote the private sector by continuing to implement prudent fiscal and monetary policy and by targeting more judiciously its intervention in the economy. The weakness of the financial system remains a major impediment to structural adjustment.

TABLE 1: EXPENDITURE OF GNP AT PRODUCERS VALUES (Cedis m. at 1975 Prices

ITEM	1975	1980	1981	1982	1983	1984	1985	1986	1987
Priv. Final Consumption	3873	4253	3892	3382	3443	3917	4181	4321	4417
Gov. Final Consumption	689	982	1136	1010	990	862	835	850	1100
Gross Fixed Cap. Formation	614	5166	456	352	344	392	489	473	574
Change in Stocks	59	-26	-9	-8	-1	1	1	2	2
Exports of Goods & Services	1023	655	597	688	373	409	435	616	797
Less Imports of Goods & Services	974	842	77	449	402	423	522	570	915
Purchasers' Values	5283	5533	5344	4974	4747	5158	5420	5660	5976
Less Factor Income Paid Abroad	42	54	4	40	90	54	76	101	106
Gross National Product:	5241	5483	5302	4935	4717	5104	5345	5601	5870
Less Depreciation	323	312	316	328	329	262	299	294	354
National Income:	4918	5171	4986	4607	4388	4842	5046	5307	5516
Net Current Transfers	51	55	45	40	54	109	97	10	154
National Disposable Income	4970	5225	5030	4647	4442	4951	5143	5467	5670
Per Capital National Income (Cedis)	493	466	438	394	366	394	400	408	412

Source: Statistical Service, Accra; Quarterly Digest of Statistics, December 1987 and June 1988

TABLE 2. SECTORAL DISTRIBUTION OF AUCTION FUNDS, 1986 - 1988
US $M and % of Total

	1986 9/19 - 12/31/86		1987		1989 - Q1		Total		1988 - Q2 - Q3	
	Amount US $M	Share of Total %	Amount US $M	Share of Total %	Amount US $M	Share of Total %	Amount US $M	Share of Total of	Amount US $M	Share of Total of
Agriculture	1.7	4.5%	14.1	6.9%	8.0	10.4%	23.7	7.5%	6.5	4.9%
Transport	3.8	10.0%	24.6	12.1%	4.6	6.0%	33.0	10.4%	14.0	10.6%
Health	2.9	7.8%	11.0	5.4%	3.0	4.0%	17.0	5.4%	7.9	6.0%
Utilities	0.5	1.3%	0.4	0.2%	0.0	0.0%	0.9	0.3%	0.2	0.2%
Tourism	0.2	0.6%	1.2	0.6%	0.0	0.0%	1.4	0.4%	0.0	0.0%
Commerce	0.5	1.3%	15.8	7.8%	12.3	16.1%	28.6	9.0%	23.2	17.6%
Industry	25.5	68.0%	103.2	50.8%	36.4	47.6%	165.1	52.1%	57.5	43.7%
Textiles	4.4	11.7%	16.3	8.0%	4.1	5.3%	24.7	7.8%	-	-
Brewery	2.5	6.6%	8.9	4.4%	2.9	3.8%	14.3	4.5%	-	-
Tobacco	1.9	5.0%	7.0	3.4%	2.3	3.0%	11.2	3.5%	-	-
Soap	0.5	1.2%	6.0	3.0%	3.1	4.1%	9.6	3.0%	-	-
Plastic/Rubber	2.3	6.1%	8.0	3.9%	2.4	3.1%	12.7	4.0%	-	-
Metal	2.9	7.8%	12.0	5.9%	2.6	3.4%	17.5	5.5%	-	-
Paper	1.6	4.3%	6.2	3.0%	1.4	1.8%	9.2	2.9%	-	-
Others	9.5	25.2%	38.9	19.2%	17.7	23.1%	66.1	20.8%	-	-
Energy	1.5	4.1%	13.1	6.5%	5.8	7.5%	20.4	6.4%	11.2	8.5%
Timber	0.1	0.3%	2.5	1.2%	1.1	1.4%	3.7	1.2%	2.0	1.5%
Construction	0.8	2.0%	3.3	1.6%	1.3	1.8%	5.4	1.7%	2.8	2.1%
Non-Trad Exports	0.0	0.0%	0.9	0.5%	0.0	0.0%	0.9	0.3%	0.0	0.0%
Information	0.0	0.0%	1.9	0.9%	0.3	0.4%	2.2	0.7%	0.0	0.0%
Mining	0.0	0.0%	0.4	0.2%	0.0	0.0%	0.4	0.1%	0.1	0.1%
Fin. Inst.'s	0.0	0.0%	7.8	3.8%	3.5	4.5%	11.3	3.5%	2.1	1.6%
Education	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Food Imports	0.0	0.0%	2.3	1.1%	0.0	0.0%	2.3	0.7%	0.0	0.0%
Misc.	0.0	0.0%	0.6	0.3%	0.2	0.2%	0.8	0.2%	4.1	3.1%
GRAND TOTAL:	37.6	100.0%	203.1	100.0%	76.5	100.0%	317.2	100.0%	131.6	100.0%

Source: Bank of Ghana

TABLE 3. SOURCES OF GOVERNMENT REVENUE AND GRANTS 1975-89 (Cedis m.)

ITEM	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total Revenue	815	1075	1538	2188	3026	3234	4497	5200	10184	21727	38691	69757	105009	138028	187457
Tax Revenue	710	979	1398	1997	2921	2969	4188	4440	8435	17830	31841	61587	95400	123028	169313
-Taxes on Domestic Goods/Services	238	346	403	416	826	1410	1913	2148	1757	5590	8373	19858	26990	37003	54843
-Taxes on International Trade	269	400	691	1198	1390	706	937	789	4948	8227	15764	27096	45015	-	-
*Import Duties	82	123	395	355	447	463	769	570	1852	3189	6376	12521	17556	-	-
**Custom Duties	46	74	386	355	361	443	668	494	1407	2494	4786	9561	12724	-	-
**Other Import Duties Goods	35	49	9	-	86	20	102	77	445	695	1591	2960	4832	-	-
*Export Duties	188	277	286	843	926	2	6	2	2935	4874	9172	14170	27019	-	-
**Cocoa	180	269	278	835	920	-	-	-	2800	4509	8861	13901	26996	-	-
**Other Export Duties Goods	8	8	8	8	6	2	6	217	135	365	312	270	23	-	-
**Other Taxes International Trade	-	8	10	0	16	241	161	-	161	164	215	405	440	-	-
Non-Tax Revenue	105	97	140	191	205	265	309	760	1750	736	6850	8170	9609	15000	18144
Foreign Grants	-	-	1	-	-	45	48	52	57	-	1620	3868	6037	14400	17160
TOTAL REVENUE & GRANTS:	815	1075	1539	2188	3026	3279	4545	5252	10241	22641	40311	73625	111046	152428	204617

Source: 1978/9-87: <u>Quarterly Digest of Statistics</u>, June 1987, p. 38 and June 1988, p. 38
1975/6-1977/8: <u>IMF Report</u>, SM/83/161, July 1983; <u>World Bank Report</u> No. 3072GH, February 1981.

Note: 1979/80-1987 figures are preliminary actuals, distribution between revenue categories may not reflect revisions in budget actual.

TABLE 4. CAPITAL TRANSACTIONS, GHANA, 1975-87
(Cedis m. In Current Prices)

ITEM	1975	1980	1981	1982	1983	1984	1985	1986	1987
1.Gross Savings	731	2153	2915	3231	6664	21568	27568	40368	67131
2.Depreciation	323	1512	2218	2628	4197	11206	16339	29267	47680
3.Net Saving	408	641	697	602	2467	10363	11500	11101	19451
4.Less: Surplus on Current Transactions	59	-258	-406	310	-237	2961	-4988	-9060	-13393
5.Statistical Discrepancy	0	0	0	0	0	0	0	0	0
6.Finance of Gross Capital Formation	672	2410	3321	2920	6901	18607	32827	49428	80524
7.Gross Capital Formation	672	2410	3321	2920	6901	18607	32827	49428	80524
of which:									
Building	296	1627	2277	2121	4750	10494	17205	20730	29878
Other Construction Works	92	216	325	322	349	1027	2993	4576	6595
Land Improvement	8	18	27	30	32	69	298	350	505
Transport Equipment	93	349	365	283	871	3465	4260	9038	17311
Machinery Equipment	125	403	437	297	920	3487	7933	14394	25682
Gross Fixed Capital Formation	614	2613	3430	3053	6922	18542	32689	49088	79970
Changes in Stocks	59	-203	-109	-133	-21	65	139	340	554
Less Depreciation	323	1512	2218	2628	4197	11206	16339	29267	47680
Net Capital Formation	349	898	1103	292	2704	7402	16489	20161	32844

Source: 1982-87: Quarterly Digest of Statistics, June 1988
1980-81: Quarterly Digest of Statistics, June 1986
1975: Economic Survey, 1975-6

Note: Data for 1986 are revised and those for 1987 are provisional. Figures are rounded.

TABLE 5

Duties and Taxes Applicable to Industry up to 1989 Budget

(i) Customs Duty:

30% for lux:ry goods (including all cars* up to 2000 cc)
25% for most consumption goods;
20% for most raw materials and capital goods;
15% for (i) basic raw materials, e.g. clinker, combed cotton, iron billets;
10% for intermediate materials for pharmaceutical preparations, vehicle spares, lubricant;
0% for official government procurement, diplomatic missions, churches, technical assistance schemes, and beneficiaries under the investment incentives code and other specific approved imports for increasing agricultural and mining outputs, basic construction materials, basic educational material and several other specialised equipment linked with the nation's security, research and basic health care.

(ii) Import Sales Tax: calculated on cif value plus import duty value. This was reducee in 1989 from 25% to 22.5%. Similarly, sales tax on beers, cigarettes, alcohol and non-alcoholic beverages was increased to 22.5% from 7.5% with a lowering of the excise tax.

20% for most finished goods;
10% for detergents, household sewing machines, intermediate building materials;
0% for Government Official purchases, diplomatic missions, churches, technical assistance schemes, approved educational equipment/materials, motor vehicles, equipment and parts for agricultural, mining, marine and industrial operations.

(iii) Advance Income Tax:

20% of cif value for 'S'imports by non-agricultural importers not in good standing with NRS. In addition, since the middle of 1983 importers under the SUL scheme were required to pay 20 % of cif value as part payment of corporate tax obligation to the Internal Revenue Service (IRS) before issuance of licence to clear goods. The SUL tax was abolished in 1988 following improvement in the IRS collection facilities.

(iv) Purchase Tax

10% for cars greater than 1800 cc

a. Motor vehicle importation law overcapacity penalty:
10% for vehicles 2500-3000 cc diesel;
15% for 2000-2500 cc petrol and for diesel up to 3000cc;
25% for vehicle above 2500cc using petrol

b. Motor vehicle importation law overage penalty;
15% for vehicles 5-7 years;
25% for vehicles 7-10 years;
100% for vehicles over 10 years

(v) <u>Export Taxation</u>: This was retained for cocoa but replaced for timber wood products by stumpage fees and for minerals by royalties on extraction.

(vi) <u>Production Tax:</u>

This was rationalised and merged with excise duty to form a new sales tax structure. The present rates, based on ex-factory values are as follows:

(a) Sales tax:

45% for stockings, cosmetics, and most home appliances except refridgerators, cookers and fans;
35% for most other household utilities and materialsnot covered above;
20% for basic toiletries, detergents, textile fabrics, footwear, industrial/construction metal plates,
10% for batteries, paints, pipe and fittings and other items needed for manufactures not classified elsewhere;

(b) Excise duty on beverages and tobacco:
67% for tobacco;
55% for blended spirits;
52% for beers;
46% for stouts and ale;
42% for aerated waters
c100/proof gallon of distilled spirits

(c) Excise duty and road tax on oil-based products*
c26 + c10/imperial gallon for diesel
c21 + c5/ig premium petrol
c16 + c5/ig for residual fuel
c5 + 5/ig for residual oil
c0 + 1/ig for kerosene and c2 + 1/lb for LPG

(vii) <u>Corporate and personal income tax</u>

This was reduced in 1988 from 55% to 45% for production-type enterprises (farming, manufacturing, export sectors and to 50% for all other corporate bodies except companies operating in banking, insurance and commerce which will continue at 55%;

(a) <u>Dividend and capital gain tax</u>

This goes up to 55% but is reduced by 10% for gains not withdrawn each five years. Dividends are subject to 30% withholding tax* when declared (with the balance taken later from shareholder); for foreign investors the highest personal income tax rate is 55%*. In the 1989 budget this withholding tax was converted into a final tax of 30%. Thus, the practice of grossing up dividend income with other incomes for tax purposes was to be discontinued.

(b) Personal income and property tax

In 1988 tax rates were lowered in an attempt to raise 'take home' pay levels. Further reductions were approved in 1989 on the basis of the following:

- Personal relief for single individual income of C38,000 up from C24,000 per annum.
- Combined relief for married people income of C57,000 up from C36,000 per annum.
- The top marginal tax rate of 55% was also shifted from income of C984,000 to C1,200,000 per annum.
- Old age relief to persons over 60 years on income of C40,000 up from C25,000 per annum.

* See details in budget statement for 1989

TABLE 6. SELECTED ECONOMIC INDICATORS UNDER SAP, 1984-8

						Percentage Change		
	1984	1985	1986	1987	1988	1986/85	1987/86	1988/87
<u>National Accounts</u> (Cedis m.)								
GDP at market prices (in 1975 prices)	5158	5420	5702	5976		5.2%	4.8%	6.0%
Agriculture	2780	2798	2890	2891		3.3%	0.0%	
Industry	599	705	758	844		7.5%	11.1%	
Service	1917	2061	2195	2401		6.5%	9.4%	
GDP at current prices (bn)	270	343	511	746	1,057	49.1%	45.9%	41.8%
Investment/GDP (Current Prices)	6.9	9.6	9.7	10.8	12.5	-	-	-
National Savings/GDP (Current Prices)	4.0	5.4	5.3	5.9	6.5	-	-	-
<u>Money and Banking</u> (Cedis bn) a								
Money and Quasi Money (M2)	34.6	55.6	85.9	132.3	142.5	54.5%	53.9%	7.7%
Net Foreign Assets	-1.5	-6.8	2.5	38.1	60.6	-	-	-
Net Domestic Assets	39.2	66.5	94.6	105.3	93.0	42.3%	11.4%	-11.7%
Bank Credit to Government (net)	24.2	27.2	29.6	22.2	17.8	9.1%	-25.1%	-19.9%
Credit to private sector	12.1	21.2	37.5	46.9	57.7	76.9%	25.1%	23.0%
M2/GDP at Current Prices (%)	12.8	16.2	16.8	17.7				
<u>Prices (Annual Average Charge)</u> (%)								
Consumer Prices	40.2	10.4	24.6	39.8	37.7c/	33.3d	34.2d	29.9d
of which: Food	11.0	-11.1	20.3	38.5	35.9c/	30.4d	35.7d	31.0e
Non-Food	78.4	28.3	27.0	40.5	31.1c/	34.9d	33.4d	29.4e
Wholesale Prices	81.5	56.4	63.5	41.4		70.3d	28.0d	
GDP Deflator	35.3	20.6	41.7	39.2		-		-

a) Provisional
b) Including primary and secondary banks; at end-period; for banks data show position at end-September
c) Average of previous 12 months (October 87 - October 88)
d) December to December
e) October to October

TABLE 7. GDP BY ECONOMIC ACTIVITY IN PRODUCERS' VALUES, 1970-80
(Cedis m. at constant 1975 prices)

ITEM	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Industries</u>											
Agric & Livestk	1471.5	1563.7	1599.1	1690.8	1990.7	1567.0	1345.8	1375.7	1861.4	2014.6	2000.8
-Cocoa Products	898.6	917.3	956.7	852.1	780.6	577.0	746.6	569.4	523.1	558.7	516.0
-Forestry & Logs	262.8	271.4	283.2	291.3	298.6	293.4	303.7	299.5	308.3	279.6	305.9
-Fishing	78.6	87.8	110.2	66.2	75.2	80.8	80.6	98.0	96.1	84.3	88.9
-Mining/Quarrying	130.1	133.1	138.2	127.3	110.9	104.5	100.1	90.2	84.0	73.1	65.8
-Manufacturing	678.7	636.9	578.7	715.2	674.5	735.9	703.6	723.6	701.1	583.3	579.4
-Elect. & Water	15.9	17.2	24.2	41.7	34.5	32.6	36.9	36.7	32.4	38.1	53.0
-Construction	208.3	260.0	200.5	241.5	299.4	235.9	239.3	270.2	222.2	126.4	166.4
-Wholesale/Retail	603.0	682.1	640.6	698.1	748.6	613.3	564.7	574.7	565.5	550.8	447.2
-Restaurant/Hotel	25.8	26.3	26.8	25.9	27.2	29.1	30.3	32.0	22.2	18.9	9.2
-Transport/Storage	156.0	177.4	183.3	174.0	203.4	206.0	167.9	190.8	180.5	150.0	163.2
-Finance/Insurance	302.3	307.8	314.2	311.0	325.4	275.8	293.9	329.7	360.4	352.5	368.0
-Community/Welfare	26.2	31.2	36.2	41.8	42.6	55.3	47.7	51.3	48.2	47.0	61.4
-Less Charges	57.5	66.1	67.5	98.3	88.9	76.5	112.3	137.4	175.7	169.0	171.6
-Domestic Products	4800.6	5046.1	5024.4	5168.5	5522.7	4729.9	4548.7	4531.4	4829.6	4726.3	4653.6
Gov'mt Services	331.5	346.1	333.9	333.0	352.8	433.0	438.5	578.0	710.4	598.2	670.4
Private Non-Profit	21.6	21.2	22.0	22.7	23.1	24.5	24.5	21.7	22.5	22.0	
Dom Prod Ex Duty	5153.7	5413.4	5380.3	5524.2	5838.6	5187.4	5011.7	5131.1	5562.5	5346.5	5324.0
Import Duties	195.1	214.4	107.5	121.9	134.4	95.6	84.8	81.3	91.7	88.8	53.2
GDP @ Purch Values	5348.8	5627.8	5487.8	5646.1	6033.0	5283.0	5096.5	5212.4	5654.2	5435.3	5377.2

Source: Bank of Ghana

TABLE 8. Gross output of manufacturing sector, 1981-7
at (Constant 1975 Prices) (10,000 Cedis)

ISIC Subsectors	1981	1982	1983	1984	1985	1986	1987 a/
Food/Beverages	18398	11952	14487	9168	13079	12703	14608
Text/Garments	4462	2184	1473	2210	2669	3183	3247
Wood Products	3836	2635	3338	4414	5516	5820	7158
Paper/Print	932	529	1503	1416	1281	1387	1664
Chemicals/Pharmaceuticals	2308	1137	1237	2687	2115	2527	2654
Oil Refinery	17338	16952	10229	12136	15577	14700	16232
Non-Metal	2157	1405	1520	1281	1922	1432	1575
Base Metal	10192	11100	2497	-	2770	7072	8486
N/Ferrous	2300	1018	422	867	1522	1279	1470
Metal Fabr.	100	22	45	50	172	274	311
Equipment/Appliances	201	201	54	259	386	693	831
Misc. & SSI	934	998	264	200	-	278	328
TOTAL:	63158	50133	37069	34688	47009	51348	58564
Manufacturing Sector Performance a/	63.0%	50.0%	37.0%	34.6%	46.9%	51.2%	58.4%
National Economy Performance 1975 = 100%	100250	100266	105011	88265	95353	94738	99699

/a: Performance compared to 1975 output level: C1002.5 Mil = 100%

Source: Derived from several tables of Industrial Data Quarterly Digest of Statistics, CBS, 1981 Industrial Statistics, 1982-4, Statistical Service, July 1986
Quarterly Digest of Statistics, Statistical Service, December 1987

a/: Provisional estimate by the Statistical Unit of the Ministry of Industries, Science and Technology.

TABLE 9. <u>Regional distribution of manufacturing enterprises, 1987/8</u>

	Establishments No	%age	Persons Engaged	%age	Population in '000	SSI Employment
Regions:						
Ghana	8163	100.0	142179	100.00	13391	6213
Western	690	8.4	16985	11.9	1260	579
Central	286	3.5	4157	2.9	1244	187
Greater Accra	2619	32.1	52764	37.1	1559	1994
Eastern	1052	12.9	14088	9.9	1831	822
Volta	216	2.6	7630	5.4	1320	102
Ashanti	2548	31.2	34318	24.7	2276	2044
Brong Ahafo	298	3.7	5275	3.7	1314	215
Northern	235	2.9	4649	3.3	1269	110
Upper East	171	2.1	1644	1.2	841	133
Upper West	48	0.6	669	0.5	477	27

Based on 1987 GSS Industrial Census (corrected)

TABLE 10. Manufacturing share of GDP 1975-87

Years	MFG %age SHARE of GDP* b/	MVA M Cedi a/	MVA M Cedi b/	TOTAL MANUFACTURING GROSS OUTPUT M Cedis a/	M Cedis b/
1980	10.6	2344	575	6934 (33.8)	1226 (46.9)1981
	8.8	4337	464	8764 (45.5)	1032 (45.0)
1982	7.6	3117	369	7166 (43.5)	674 (54.7)
1983	7.7	7101	328	14973 (47.4)	679 (48.3)
1984	7.6	17306	371	36822 (47.0)	700 (53.0)
1985 c/	8.5	39562	461	37916 (47.1)	919 (50.2)
1986 c/	9.8	61864	511	131908 (46.9)	1003 (50.9)
1987 d/	10.5	86610	586	182856 (47.4)	1108 (52.9)

* WB Report No 5716-GH, on Industrial Policy, Performance and Recovery Vol II, September 1985 and MIST, Industry Policy Statement, May 1988

a/ Current prices,

b/ Constant 1975 prices,

a/& b/ generated from data reported in Central Bureau of Statistics Quarterly, Digest of Statistics, September 1981 p.6; March 1984, p.74
Economic Survey, 1977-80 pgs. 24-24, 91, 123
Economic Survey, 1975-76 pgs 94-95

c/ Provisional estimate, Quarterly Digest of Statistics, December, 1987 pg 82.

d/ Estimate based on preliminary data, Ministry of Industries, Science and Technology and the Ghana Statistical Services

Figures in (...) show %MVA, 1980-87

TABLE 11. Average Rate of Capacity Utilisation* of Manufacturing Establishments by Sub-Sector (1983-8) (%)

Sub-Sectors	1983	1984	1985	1986	1987	1988
Textiles	16.0	17.3	19.7	17	24	33
Garments	25.0	20.2	25.5	27	25	35
Metals	35.0	20.1	16.2	27	42	45
Electricals	44.0	8.3	33.2	30	36	40
Plastics	35.0	30.4	28.0	30	39	39
Vehicle Assembly, incl. (Bicycle/Motor Cycles)	20.0	7.6	19.9	-	10	24
Tobacco & Beverages	65.0	19.5	39.6	40	45	58
Food Processing	25.0	22.9	31.2	36	42	60
Leather	26.0	11.9	21.5	-	15	20
Pharmaceuticals	35.0	..	16.6	-	25	33
Cosmetics	20.0	..	..	25	29	33
Paper & Printing	30.0	17.3	14.5	-	30	42
Non-Metallic Mineral Manufact.	22.0	12.0	35.0	-	37	40
Chemicals	20.0	22.3	20.2	25	30	35
Rubber	22.0	15.0	16.0	23	28	38
Wood Processing	20.0	28.1	32.5	-	43	70
ALL MANUFACURING INDUSTRIES	27.0	18.0	25.0	28	38	43

* weighted average

MIST annual based on industry annual returns and impact studies

1. Ghana Industrial Policy, Performance and Recovery World Bank Report No. 5716-GH, September, 1985 p.2 and the Ministry of Industry, Science and Technology's Statement of Industrial Policy and Programmes for advancing Manufacturing in Ghana 1988 to 1933, MIST, UNIDO Publication DP/ID/SER.A1201, May 1989.

2. The Ghana Cotton Company's successful attempt at growing and ginning cotton for supply to local textile factories is an encouraging achievement which requires further technical support.

3. Based on weighted average.

4. Petroleum refining accounted for 27.7% of the sector's output or 85.9% of the subsector's gross output.

5. Wood products have shown remarkable recovery in the last three years.