



# The industrial policy process in Ghana



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Abubakari Zakari  
Consultant

Amadou Boly  
Statistics Unit  
UNIDO



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## List of acronyms and abbreviations

AFD	-	Agence Française de Développement
AGI	-	Association of Ghana Industries
AGOA	-	African Growth and Opportunity Act
APDF	-	Africa Project Development Facility
BDS	-	Business Development Services
CSIR	-	Centre for Scientific and Industrial Research
DANIDA	-	Danish International Development Agency
DFID	-	Department for International Development
DPR	-	Development Policy, Statistics and Research Branch
EC	-	European Commission
ECOWAS	-	Economic Community for West African States
EPA	-	Economic Partnership Agreement
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Products
GIP	-	Ghana Industrial Policy
GoG	-	Government of Ghana
GPRS I	-	Ghana Poverty Reduction Strategy I
GPRSII	-	Growth and Poverty Reduction Strategy II
GRATIS	-	Ghana Regional Appropriate Technology Industrial Service
GSS	-	Ghana Statistical Service
ICT	-	Information Communication Technology
IDF	-	Industrial Development Fund
ISSP	-	Industrial Sector Support Programme
KNUST	-	Kwame Nkrumah University of Science and Technology
M & E	-	Monitoring and Evaluation
MDAs	-	Ministries, Departments and Agencies
MOFEP	-	Ministry of Finance and Economic Planning
MOTI	-	Ministry of Trade and industry
MSME	-	Micro-Small and Medium Enterprises
MTDF	-	Medium Term Development Framework
PPME	-	Policy Planning, Monitoring and Evaluation
PSDS	-	Private Sector Development Strategy

RIS	-	Research and Information Service
SMEs	-	Small and Medium Enterprises
TSSP	-	Trade Sector Support Programme
UNDP	-	United Nations Development Programme
UNIDO	-	United Nations Industrial Development Organization
US	-	United States
USAID	-	United States Agency for International Development

## **1. Introduction**

Industrialization has become a development priority for a number of developing African countries. These countries are elaborating ambitious and long-term industrial development plans that provide a clear vision and rationale for industrial development and promote skills and resources to meet the industrial development challenge. The process of industrial policymaking is as important as its output which is typically an industrial policy document. However, while industrial policy documents are readily available once they have been completed, information on the underlying processes and the necessary institutional capacities is scarce, especially in an African context.

The present report seeks to fill this gap by documenting the Republic of Ghana's industrial policy process. More generally, the report is part of an effort to build and disseminate knowledge on industrial policymaking in Africa through case studies. The Industrial Policy and Industrial Sector Support Programme was officially launched in Ghana in June 2011. By documenting Ghana's recent experience, this report seeks to provide a relevant reference point on the industrial policy design process using Ghana, a country with extensive experience in industrial policy, as an example.<sup>1</sup> Thereby, the report also attempts to highlight the lessons learnt in order to promote knowledge and improve future policy processes.

The present report is structured in seven sections as follows. Section 2 presents Ghana's industrial policy context which covers the background, economic structure and policy interventions in the country; Section 3 describes the industrial policymaking process; Section 4 discusses the outputs of the policymaking process – the Industrial Policy and Industrial Sector Support Programme documents; Section 5 examines the coordination mechanism of the policymaking process; Section 6 concludes and discusses lessons learnt during the industrial policy process.

## **2. Ghana's industrial policy context**

### **2.1 Background**

Ghana's industrial policy is positioned within the context of the nation's long-term strategic vision which aims at achieving middle income status by 2015. The main objective is to transform the country into an industry-driven economy which is capable of providing jobs and

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<sup>1</sup> Industrial policy was first introduced in Ghana in the 1960s. See, e.g. Killick, T. (1978) *Development Economics in Action: A Study of Economic Policies in Ghana*, London: Heinemann.

attaining widespread, equitable and sustainable growth and development. The government launched the Ghana Poverty Reduction Strategy I (GPRS I) consisting of a set of comprehensive policies, strategies, programmes and projects to foster growth and poverty reduction. The underlying purpose was to introduce a growth agenda that can contribute to sustained economic growth, which is considered critical for attaining the objectives of the GPRS. In recognition of this necessity, and in accordance with its vision, mission and core objectives, the Ministry of Trade and Industry launched its new Industrial Reform and Accelerated Growth Programme in 2003. The vision was aimed at supporting Ghana in becoming a leading agro-industrial country in sub-Saharan Africa by 2015.

The mandate of the Ministry of Trade and Industry includes giving policy advice to the government on private sector development, and advocating for the private sector within government. The Ministry is also the principal agency responsible for monitoring the implementation of private sector programmes and activities, and the line ministry responsible for the formulation and implementation of trade and industrial policies. As part of its mandate, the Ministry of Trade and Industry has set a target to transform Ghana into a middle-income country by 2015, with a per capita income of US\$1,000 per annum. Achieving this target requires an increase in the average annual growth rate of gross domestic product (GDP) from 5 percent to about 8 percent. The government thus seeks to transform the structure of the productive sectors of the economy to achieve economic growth and development. The government also needs to reduce the country's dependence on the export of a limited number of primary commodities and a more diversified range of products with higher levels of value addition. This was to be achieved through the empowerment of the private sector to develop competitive local industries. To become competitive in the global and domestic market, Ghanaian manufacturers must be able to offer high quality products, processes and services, and be empowered to effectively engage in competitive trade and take advantage of opportunities to expand and retain market share. Ghana's trade policy has addressed some of the constraints of the manufacturing sector, but the measures do not suffice to attain rapid and sustained growth in the manufacturing sector.

The Ghana Industrial Policy (GIP) was developed to provide clear and transparent guidelines for the implementation of the government's industrial development agenda with a focus on the growth, diversification, upgrading and competitiveness of Ghana's manufacturing sector. The GIP is fully aligned with Ghana's trade policy; they reinforce each other to establish a consistent and stable environment for accelerated industrial development. It was assumed that the GIP

would suffice in complementing the Ghana Trade Policy (GTP) to achieve rapid and sustained growth of the manufacturing sector. The GTP was first implemented through the Trade Sector Support Programme (TSSP) over a five-year period, from January 2006 to December 2010. It contributed to accelerated sustainable economic growth as well as increased incomes and employment in Ghana. This was achieved by increasing Ghana's competitiveness in international and domestic markets and improving the legal and regulatory environment for business and consumers. Whilst TSSP was being implemented, the GIP was being developed as a project under the TSSP until the GIP was promulgated in 2010.

Whilst the GTP and GIP are consistent with the underlying principle of private sector development, namely that government provides an enabling environment for the private sector to effectively perform its role as the engine of growth in a dynamic and competitive economy, industrial policy specifically seeks to address an array of challenges the manufacturing sector faces which affect production capacity, productivity and product quality.

## **2.2 Economic structure**

The structure of the economy is reflected in Ghana's exports, which show a heavy reliance on its traditional primary exports of cocoa, raw timber and gold. Ghana's economy has traditionally been dependent on the export of cocoa and minerals, especially gold. Export of cocoa beans accounted for about 54.5 percent of total exports over the 1957 to 1997 period. This proportion declined in recent years, with cocoa only accounting for about 38.6 percent of total exports during the 1984 to 2000 period. Cocoa production and marketing declined by 1 percent compared to an increase of 6.2 percent in 2000, denoting the weakest sub-sector growth of agriculture in 2001. The decline in the contribution of cocoa is attributable to the increased significance of gold and other minerals exports. The export sector is still largely dependent on cocoa, gold and timber. However, there is evidence of diversification; this is reflected in the rapid growth of non-traditional exports from US\$ 100 million in 1995 to US\$ 588 million in 2003, equivalent to 23 percent of total exports and a 7 percent increase in total exports. The increase in non-traditional exports is led by exports of canned tuna, pineapple, and veneer, which together account for 37 percent of non-traditional exports.

Agriculture accounts for about 46.7 percent of GDP and employs the vast majority of Ghana's workforce. Agriculture predominantly comprises subsistence farming with low productivity. Food crop farmers earn an average of only US\$ 88 a year. Substantial success has been attained in the production and marketing of cocoa, with Ghana retaining a premium on the world market.

Some level of diversification of production has been achieved, particularly in horticultural products for export. The export of pineapples, fresh vegetables and cashew nuts have shown average growth rates of 19 percent, 11 percent and 2 percent, respectively, from 1999 to 2003. The contributions of agriculture to GDP were 30.4 percent in 2006 and 29.1 percent, 31.0 percent, 31.7 percent and 30.2 percent in 2007, 2008, 2009 and 2010, respectively. Agriculture registered a growth rate of -1.7 percent in 2007, 7.4 percent in 2008, 7.6 percent in 2009 and 4.8 percent in 2010. Table 1 presents percentage growth rate of agriculture from 2003 to 2006.

**Table 1 Percentage growth rate of agriculture (2003-2006)**

<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Agriculture	6.1	7.0	4.1	5.7
Crops and livestock	5.3	4.3	3.3	6.0
Cocoa	16.4	29.9	13.2	8.7
Forestry & logging	6.1	4.2	5.6	2.6
Fishing	3.0	6.2	-1.2	3.6

*Source:* Ghana Statistical Service /MOFEP

Ghana's industrial sector accounts for 22 percent of GDP and consists of mining and quarrying, manufacturing including aluminium smelting and food processing, electricity and water and construction. Ghana's manufacturing sector was weak and as a result, accounted for only 9 percent of GDP in 2004, equivalent to less than US\$ 1 billion. Manufacturing growth averaged 4.3 percent between 2000 and 2004, lagging behind growth in agriculture and services, which averaged 4.8 percent and 4.9 percent, respectively, during the same period. The manufacturing sector's share of GDP was 8.9 percent in 2005 and 8.8 percent in 2006. Table 2 shows the growth of industry from 2003 to 2006, with a focus on the manufacturing sub-sector. The entire formal private sector, of which manufacturing enterprises are a minority, employs only 7.5 percent of Ghana's workforce, an estimated 675,000 workers. Expanding value-added production for both the domestic and international markets requires a rapid increase in the productivity and size of the manufacturing sector. The government's target is for manufacturing to reach 20 percent of GDP by 2015. This will require an average real annual growth rate of about 16 percent per annum, almost four times the current growth rate. The reason behind this is that Ghana's manufacturing sector has not responded well to the various economic and trade

policy reforms introduced over the past decades. Manufacturing firms have faced considerable challenges in the form of increased competition in the domestic and export markets and high production and distribution costs arising from high interest rates, aged and obsolete equipment, inefficient infrastructural services and low productivity. This led to a constant and lower contribution of 0.4 percent to the growth rate between 2004 and 2006.

**Table 2 Growth in industry (2003-2006)**

<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Industry</b>	<b>5.1</b>	<b>4.8</b>	<b>7.7</b>	<b>7.3</b>
Mining and quarrying	4.7	3.0	6.3	3.0
Manufacturing	4.6	4.6	5.0	4.2
Electricity and water	4.2	3.7	12.4	23.0
Construction	6.1	6.6	10.0	8.2

*Source:* Ghana Statistical Service/MOFEP

The service sector consists of finance and insurance; transport, storage and communication; wholesale, trade & retail; government services, community, social and personal services; and producers of private non-profit services. The services sector accounted for 29.9 percent of Ghana's GDP in 2004, falling from 33.0 percent in 2001. The share of services in GDP accounted for 30.0 percent in 2005 and 30.1 percent in 2006. The services sector was the fastest growing sector in the late 1980s and 1990s with the highest contribution to GDP. Between 1995 and 1999, the sector grew at an average of 5.7 percent. Growth in the sector had slowed to 4.9 percent by 2000 and was static at 4.7 percent from 2002 to 2004. In 2004, transport, storage and communication was the sub-sector with the highest growth rate (5.6 percent) followed by hotels, restaurants, wholesale and retail trade (4.9 percent) and finance, insurance, real estate, and business services (4.8 percent). About 31 percent of Ghana's economically active population is engaged in services, of which 15.3 percent is in wholesale and retail trade. The contribution of services to the growth rate was 1.5 percent in 2004, 2.1 percent in 2005 and 2.0 percent in 2006.

### **2.3 Policy interventions**

The rapid expansion of the productive sectors requires policy interventions geared towards correcting market failures and integrating Ghana into the global trading system. Public and private sector institutions must be oriented towards the marketplace in order for the country as a

whole to develop enterprises capable of competing on the local, regional and international markets. In the international arena, competitive advantage is increasingly less a function of cost or price and more a function of quality, style, design and timely sales and after sales service. It is therefore imperative that both the private sector and supporting public sector institutions understand and can respond to the marketplace.

**Table 3 Growth in services (2003-2006)**

<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Services</b>	<b>4.7</b>	<b>4.9</b>	<b>6.9</b>	<b>6.5</b>
Transport, storage and communication	5.8	5.2	7.9	7.2
Wholesale, trade & retail	5.0	6.0	10.0	7.5
Finance and insurance	5.2	4.8	7.6	7.6
Government services	4.0	4.4	5.0	5.7
Community, social and personal services	4.1	4.2	4.3	4.2
Producers of private non-profit services	3.2	3.5	3.6	4.5

*Source: Ghana Statistical Service/MOFEP*

As part of social intervention policies to correct market failures and to increase economic growth, the GIP was developed to promote competitiveness and enhance production with increased employment opportunities and prosperity for Ghanaians, fair price for consumers and better quality products for both domestic and international markets. The strategic thrust of the GIP was derived from the government's key development planning frameworks, which are the Growth and Poverty Reduction Strategy (GPRSII); the GTP; the Medium Term Development Framework (MTDF); and Private Sector Development Strategy.

To achieve these goals, the full spectrum of industrial policy instruments across 21 policy thematic areas were to be implemented. These thematic areas have been categorized into four main components, namely: i) production and distribution; ii) technology and innovation; iii) incentives and regulatory regime, and iv) cross-cutting issues. The industrial policy presented in this document essentially provides broad guidelines for concrete action in the field of industry. The actual implementation will be effected through an Industrial Sector Support Programme (ISSP), with a detailed action plan and budget specifying the activities to be carried out

annually. The ISSP will primarily be driven by the Ministry of Trade and Industry, but will be coordinated by a cross-Ministerial Industrial Policy Coordinating Committee in recognition of its cross-cutting nature.

### **3. Description of the policymaking process**

In view of Ghana's relatively small market, coupled with the challenges the manufacturing sector faces, economic growth must necessarily derive from increased international trade which primarily depends on value addition to the nation's resources meant to enhance the competitiveness of local production. This, in turn, can only be achieved through industrialization. To this end, the Government of Ghana, through the Ministry of Trade and Industry, developed two parallel strategies to contribute to the realization of the government's development objectives. These strategies entail an export-led industrialization strategy and domestic market-led industrialization strategy based on import competition. The strategies are detailed in the GTP. As part of the implementation of the medium-term Private Sector Development Strategy in 2005, the development of an industrial policy was proposed to complement the GTP. As a result, the government initiated the industrial policy process by including it as a project in the production capacity component under the TSSP which was launched in February 2005.

Thus, a project on the development of industrial policy and of the strategic sectors was introduced in the production capacity thematic area of the GTP. Under this project (development of industrial policy and strategic sectors), the policy objective was to develop an industrial policy for Ghana with clear guidelines for the implementation of Ghana's industrialization programme and to ensure a consistent and stable policy environment. The activities and tasks were specified in the TSSP document of the Ministry of Trade and Industry to be carried out by the Policy Planning, Monitoring and Evaluation Division. The project was to include criteria for selecting strategic sectors for targeted support, based on in-depth knowledge of the market and Ghana's supply potentials as an output on its own. However, lack of capacity and inadequate staff at the Policy Planning, Monitoring and Evaluation (PPME) Division resulted in neglect of that output. The following are the outputs/expected outcomes and activities to be achieved by the development of the industrial policy and strategic sectors project as in the TSSP document:

1. ***Developing and publicizing industrial policy***
  - Reviewing draft industrial policy
  - Fine-tuning industrial policy
  - Seeking Cabinet approval for industrial policy
  - Publication & launch of industrial policy
  
2. ***Identifying strategic sectors and developing sector strategies***
  - Desk research and analysis of market demand for potential sectors/products
  - Analysis of sectors according to criteria outlined in industrial policy
  - Shortlisting sectors according to criteria outlined in industrial policy
  
3. ***Establishing sectoral working groups and effectively monitoring implementation of sector strategies***
  - Appointing sectoral working groups to monitor the development of sector strategies (public & private participation)
  - Analysing cocoa sector for lessons to be learned for sector strategies
  - Selecting and appointing short-term consultants with expertise in each sector to support the development of sector strategies
  - Surveying companies in each short-listed sector to establish export readiness and sector capability
  - Conducting market studies on the demand side and determining the ‘gap’ Ghana needs to close to take advantage of market opportunities
  - Developing sector strategies that will enable Ghana to close the ‘gap’
  - Exploring the possibility of enacting a law to ensure consistency and predictability of policy towards strategic sectors
  - Coordinating, monitoring and evaluating sector strategies
  - Monitoring the implementation of sector strategies through regular meetings, etc.
  
4. ***Establishing industrial databases for all companies, including SMEs, operating in strategic sectors and tracking their performance***
  - Reviewing industrial data generated by GSS and identifying all companies operating in priority areas
  - Generating an industry database with contact details, etc., of all companies in priority sectors and establishing connection points in all regions
  - Providing training and equipment to the MOTI RIS team to update the industry database

- Conducting regular surveys to update the database
- Tracking the performance of companies in target sectors and publishing results
- Disseminating information on the industrial database

**5. *Developing MOTI technical capacity in targeted sectors***

- Selecting and appointing long-term consultants (2 years) with technical expertise in each sector to support the implementation of sector strategies
- Defining clear job descriptions for members of each sector team
- Designing a strategy/incentives package to ensure retention of skilled officers
- Training MOTI staff in technical skills relevant to sectors
- Identifying, procuring and maintaining equipment for sector teams.

However, the coordination of the development of industrial policy projects as well as the monitoring of the Ministry's other TSSP activities were the only activities consistently carried out by PPME. Other outputs, in particular the selection of strategic sectors, were shared with consultants to work on, but the details of these projects have not yet been published. The implementation of the Ghana Trade Policy through the TSSP forms part of the process of formulating the Ghana Industrial Policy. The Ministry of Trade and Industry concluded a comprehensive and inclusive series of processes with different phases to elaborate an industrial policy. The processes included an analysis of options and extensive consultations with stakeholders in Ghana to ensure that the industrial policy is broad-based and embraced by all stakeholders. The industrial policy process was carried out in six main sequential phases. These phases are described below in detail.

**Phase One: Identification of key thematic areas** – The first phase involved two trade and industry stakeholder forums conducted in October 2006 and September 2007 by the Minister of Trade and Industry to launch the government's objectives concerning Ghana's trade and industrialization policy. These two trade and industry forums marked the beginning of the involvement of stakeholders in October 2006 and September 2007 as a policy area on its own based on extensive negotiations with all relevant stakeholders. During this phase of the policy process, the Ministry of Trade and Industry organized a workshop at which over 500 policy options were developed by participants. In the subsequent workshop/forum, the 500 policy options were addressed and presented to the stakeholders to determine which ones are relevant for various sectors. Based on these discussions, the key thematic areas of Ghana's industrial policy were defined and outlined by stakeholders.

**Phase Two: Review of documentation on industrial development and competitiveness in Ghana** – The first phase was followed with a review of studies and reports on industrial development, trade and competitiveness in Ghana as well as background research by the Policy Planning, Monitoring and Evaluation (PPME) Division of the Ministry of Trade and Industry, all of which together provided background material for the third phase of the industrial policy process. This second phase provided the government with the structure and general framework for developing the content of the industrial policy. The compilation of reports, studies and research were part of the tasks and activities performed by the PPME Division through its work plans. The PPME division, as noted earlier, was the main division responsible for the coordination of industrial policy and served as the secretariat of the industrial policy process. During this second phase of the industrial policy process, the terms of reference for the various experts/consultants based on needs assessment and the recruitment of both local and international consultants assigned to work on various thematic areas.

**Phase Three: Analysis of a wide range of policy options in all thematic areas** - In the third phase, a full range of policy options were examined and developed for each thematic area of the policy framework defined in the first phase and adapted to other background studies and research in the second phase. Experts and consultants developed these options into various thematic areas based on Ghana's development experience and goals, cost effectiveness, best practice, focus group meetings and stakeholder consultations. The feasibility of the options was assessed based on the comments and suggestions in the inception reports of experts, consultants and focus groups.

**Phase Four: Broad consultations within MDAs, private sector, research and educational institutions and civil society** – over 500 policy options were developed into thematic areas and presented to stakeholders for consideration at other round tables in September 2008 and November 2009. The consultations involved all stakeholders including government ministries, public sector implementing agencies, private sector organizations, educational institutions, research institutions and civil society. Technical staff and/or directors of key ministries appointed by their respective ministers and executive secretaries of government agencies as well as experts/leaders of other organizations and institutions participated in the round table meetings. Allowances in the form of honorariums were paid to participants by the Ministry of Trade and Industry. In general, the consultations offered stakeholders the opportunity to make recommendations, reject some of the policy options and add new ones under each thematic area.

**Phase Five: Second stakeholder consultations to select the appropriate policy options** – selection of strategic options of over 500 policies generated through workshops involving industry experts, local participation, international and local consultants to make recommendations for final policy options. This second consultation was to reconfirm the consensus reached during the fourth phase and to serve as a guideline for the experts/consultants to select strategic options. Consultants identified 21 strategic thematic areas based on expert opinions.

**Phase Six: Internal review of the policy documents** - in the sixth and final phase, the Ministry of Trade and Industry together with consultants reviewed the recommendations in detail, taking the outcomes of the various consultations and the overall national development agenda as well as the recommendations of the second round table into account, and produced a final list of policy recommendations. These were presented as industrial policy prescriptions in the industrial policy document. No other ministry was involved in this final phase. The Ministry of Trade and Industry, together with consultants, drafted the components of the industrial policy document.

All the processes together resulted in a full range of industrial policy instruments across 21 policy thematic areas to be implemented. These thematic areas have been categorized into 4 main components, namely:

1. Production and distribution
2. Technology and innovation
3. Incentives and regulatory regime
4. Cross-cutting issues.

In April 2009, the Ghana Industrial Policy document was presented to the Cabinet headed by the President of the Republic of Ghana through a Cabinet memorandum by the Minister of Trade and Industry for endorsement by the Cabinet members. The policy was approved and entered into force in June 2010. Prior to the submission of the Cabinet memorandum, the Cabinet was informed of the industrial policy process through periodic briefings on the activities of the ministry by the Minister of Trade and Industry.

The stakeholders involved in the industrial policy process include key government ministries, government implementing agencies and private sector and civil society organizations. As already indicated, technical staff of the key ministries and experts from other stakeholder groups

as well as consultants participated in the round tables and forums. Policymakers appointed technical and responsible staff members from their respective ministries. The ministers and/or their deputies as well as selected members of Parliament took part in the launch and in large forums. The stakeholders are listed below:

**1. *Key government ministries***

- Ministry of Trade and Industry
- Ministry of Energy
- Ministry of Communications
- Ministry of Lands and Natural Resources
- Ministry of Employment and Social Welfare
- Ministry of Women and Children's Affairs
- Ministry of Education
- Ministry of Transport
- Ministry of Water Resources, Works and Housing
- Ministry of Finance and Economic Planning
- Ministry of Justice and Attorney General
- Ministry of Health.

**2. *Government implementing agencies***

- GRATIS Foundation
- National Board for Small Scale Industries
- Ghana Standard Authority
- Ghana Export Promotion Council
- Ghana Free Zones Board
- Ghana Trade Fair Company
- Export Development and Investment Fund
- CEDECOM
- Ghana Heavy Equipment Limited
- Rural Enterprise Project
- Ghana National Procurement Agency
- Ghana Investment Promotion Centre
- State Enterprises Commission

- Divestiture Implementation Committee
- Parliament of Ghana
- Metropolitan, Municipal and District Assemblies
- VAT Service
- Internal Revenue Service
- Environmental Protection Agencies
- Ghana Statistical Service
- Registrar General's Department
- Food and Drugs Board
- Social Security and National Trust
- Bank of Ghana.

**3. *Private sector and civil society organizations***

- Association of Ghana Industries
- Ghana Chamber of Commerce and Industry
- Ghana Union of Traders Association
- Association of Small Scale Industries
- Suame Magazine Industrial Development Organisation
- Trade Unions Congress
- Foreign missions
- Development partners (UNIDO, USAID, DFID, DANIDA)
- Centre for Scientific and Industrial Research
- Ghana Institute of Engineers
- University representatives (University of Ghana, KNUST, University of Education, University of Cape Coast and Ashesi University)
- National Vocational and Technical Institute
- Institute for Social, Statistical and Economic Research
- Private Enterprise Foundation.

It must be stressed that workshops and round tables with stakeholders and consultants were organized throughout the entire process to finalize the industrial policy document. During the course of the industrial policy process, round tables and workshops were held which involved the various stakeholders mentioned above. Continuous involvement was ensured by inviting all

stakeholders to all key workshops and forums. Roughly 100 participants usually took part in the workshops and forums, including two to three persons from each ministry, organization or institution. Workshops normally lasted for about three days, while forums and round tables were held for one day. The following key workshops, round tables and stakeholder forums were held:

- Trade and industry forum in February 2005 held at the Novotel Hotel, Accra
- Trade and industry forum in October 2006 at the Novotel Hotel, Accra
- Stakeholder forum, September 2007, held at La Palm Royal Beach Hotel, Accra
- Round table in September 2008
- Workshop and round table from 10-12 November 2009 held at Alisa Hotel, Accra.

#### **4. Outputs of the industrial policy process**

The industrial policy process in Ghana resulted in two main documents. The two main outputs of the industrial policy process are:

- the Ghana Industrial Policy document
- the Industrial Sector Support Programme document.

##### **4.1 Ghana Industrial Policy document**

The Ghana Industrial Policy document was the final document formulated by the Ministry of Trade and Industry and approved by the Cabinet, detailing programmes and projects to be implemented to provide new direction to the public and private sector and to encourage the growth and development of Ghana's industrial sector. The document provides clear and transparent guidelines for the implementation of the government's industrial development agenda, with a particular focus on the growth, diversification, upgrading and competitiveness of Ghana's manufacturing sector. It is fully aligned with Ghana's trade policy and reinforces it by ensuring that a consistent and stable environment is established to accelerate industrial development. The industrial policy presented in this document essentially provides broad guidelines for concrete action in the area of industry.

The actual work on the industrial policy document started in January 2006 and was completed in February 2010 with the Cabinet memorandum subsequently being submitted to the President in April 2010. It was approved by the Cabinet in June 2010 and became a working and living document of the government. The industrial policy document, like all other policies in Ghana, did not pass through the parliamentary process, as only laws and regulatory documents pass

through Parliament. The Ghana industrial policy was approved by the Cabinet with an approval letter. Once the Cabinet approves a policy document in Ghana, it becomes a working document that needs to be implemented by the respective MDAs. However, alongside the development of the industrial policy, work has continued to elaborate a framework law on consumer protection, a national quality policy, competition policy and law and national intellectual property rights policy. These policy instruments will go a long way to support the implementation of the industrial policy. In addition, the Ministry of Trade and Industry is currently actively involved in the review of the Companies' Code and the Ghana Investment Promotion Act, Export Development and Investment Act to ensure that the incentives and regulatory measures foreseen in the industrial policy are taken into consideration.

In terms of the output of each phase of the policy process, the outcomes/outputs (in form of reports, decisions, etc.) of the first (or initial) phase became inputs for the second phase. Some outputs were carried out in parallel while others were completed in sequence. For instance, outputs/outcomes from workshops and round table discussions were carried out in parallel since participants formed working groups in some cases, in which different projects and gaps affecting industrial growth and development were deliberated. The final decisions of the various groups became outputs. The outputs achieved built on the six sequential phases of the policy process mentioned above (section 3). The outputs documented in the Ghana industrial policy are the 21 policy thematic areas classified into four main components: production and distribution; technology and innovation; incentives and regulatory regime; and cross-cutting issues.

It must be stressed that senior officials were highly involved throughout the policy process, engaging with the responsible ministers and keeping them informed of the status, progress and outcomes of meetings. The director in charge of the Policy Planning, Monitoring and Evaluation (PPME) was leading the process and reporting to the Minister of Trade and Industry. Five different consultancy firms were assigned to work on the various components of the industrial policy documents (four components). They include:

- Component 1 John Young & Associates, Ghana
- Component 2 John Young & Associates, Ghana and PACEC International, UK
- Component 3 Brue Print Holdings PYT, South Africa
- Component 4 Amos Consulting Limited, Ghana.

**Component 1** of the industrial policy document entailed the production and distribution and consisted of seven thematic areas. This component was developed in full by John Young &

Associates, a local consultancy firm with a wide range of expertise. Seven different experts from the firm were assigned to produce chapters on one thematic area each. Kwame Addai was in charge of Project 1, ‘Raw Materials and Inputs Supply’; Kwame Oweredu for Project 2, ‘Manpower Development and Training for Industrial Development’; Frank Boateng for Project 3, ‘Financing for Industrial Development’; Andrew Quason for Project 4, ‘Land and Infrastructure for Industrial Development’; L. A. Yankson, Director of CePRO, who was subcontracted by John Young & Associates, developed Project 5, ‘Standards for Industrial Development’; Solomon Boateng for Project 6, ‘Industrial Subcontracting’; and Atta Korfa for Project 7, ‘Marketing and Distribution of Industrial Products’.

Similarly, **Component 2**, Technology and Innovation, was produced by four different experts. Barry Moore of the University of Cambridge and Ben Essel Hagan of the Centre for Scientific and Industrial Research (CSIR) wrote the chapter ‘Technology, Innovation, Research and Development for Industry’; Kwame A. Boakye, who is an ICT specialist, produced ‘ICT for Industrial Development’; and Richard Rangar, a legal expert, wrote the chapter ‘Intellectual Property Rights for Industrial Development’. Incentives and Regulations, **Component 3**, was produced by three experts from the South African consulting firm, Brue Print Holdings PYT. Component 3 consists of four projects – ‘Labour and Industrial Relations’; ‘Spatial Distribution of Industrial Development’; ‘Strategic Interventions in Industrial Development’; and ‘Business Registration and Licensing’. Four experts from Amos Consulting Limited wrote **Component 4** which comprises the chapters ‘Cross-Cutting Issues - Occupational Health and Safety’; ‘Environmental Sustainability’; ‘Gender in Industry’; and ‘Industrial Data and Information’.

Consultants from other countries produced about 40 percent of the policy documents, while local consultants wrote approximately 60 percent of the documents. However, 80 percent of the financing of the industrial policy documents came from foreign donors representing development partners through the PSDS pool funds. Ghana’s industrial policy meets international standards and best practices of other countries such as South Africa, United Kingdom and other developing economies in Asia. The Ghana Trade Policy in conjunction with the South African Industrialization template was used to formulate the industrial policy.

## **4.2 Industrial Sector Support Programme (ISSP)**

The Industrial Sector Support Programme (ISSP) is the final output containing a detailed implementation plan for the industrial policy, budget and framework for monitoring and evaluation. The policy presented in the Ghana Industrial Policy document essentially provides

broad guidelines for concrete action in the field of industry. The actual implementation of the industrial policy is effected through the Industrial Sector Support Programme (ISSP), with a detailed action plan and budget, specifying activities in the four components and their thematic areas (which together comprise 21 sub-projects) to be carried out annually to achieve the policy prescriptions. The ISSP is primarily driven by the Ministry of Trade and Industry, but is coordinated through a cross-ministerial Industrial Policy Coordinating Committee, reflecting its cross-cutting nature.

The design of the ISSP was led by the Ministry of Trade and Industry with substantial contributions from international as well as local experts with proven expertise in the core thematic areas of the industrial policy. The ISSP builds on international best practices as well as local experience, tailored to the needs of the domestic environment. The design team's work was supported by extensive consultations with all major stakeholders from the private sector, civil society, government implementing agencies and development partners. The final product (output) is truly 'Made in Ghana'. The ISSP provides a comprehensive framework for the operationalization of the Ghana Industrial Policy with detailed programmes and projects which have been fully funded. The programmes and projects also drew on a gap audit analysis of existing interventions and initiatives in the manufacturing and trade sectors. The results of the gap audit analysis can be summarized as follows:

**Institutional Orientation:** Business processes in Ghana are 'back to front'. Most of the business support institutions currently operating in Ghana are heavily back office (operations)-oriented, under-resourced and internalized rather than front office (service)-oriented, demand-led and market oriented.

**Sector Policies:** Ghana is spread very thinly across a very wide front in terms of products and sectors. Sector-specific policies are needed to narrow the focus and deepen the trade and industry policy process. Investments in education, research and infrastructure should focus on these priority sectors. National companies should be encouraged to acquire technology and skills and to gain direct access to export markets.

**Investment Promotion:** GIPC needs to be sufficiently independent from the government in order for its operations to be highly responsive and flexible and to have a fast turnaround in decision-making as well as freedom in hiring and setting salary scales. At the same time, GIPC needs connections with government that are strong enough to influence decisions affecting individual investments as well as investment policy. The private sector should have a strong say

in the operations of the promotional centre to keep them lean and compatible with the mentality of private decision makers. Ghana does not appear to be taking advantage of increased access to markets in the US (AGOA), Europe (EPA) and the region (ECOWAS), as well as of its peaceful and stable political status within the region to increase its FDI inflows. The lack of interest by foreign investors appears to result from the investment climate and the relatively high cost (in terms of time and effort) of doing business in Ghana.

**Access to Finance for SMEs:** There is a need for substantial and sustained efforts to develop Ghana's national industry to make it more competitive. There is increasing competition SMEs face in the home market and a need to gear more SMEs towards exports. At the same time, there is an urgent need to help develop Ghana's business support bodies and establish customer service concepts, making them more user-friendly for SMEs. Existing business development services (BDS) do not appear to be effective. SMEs are currently unable to obtain the funds they need to grow, and thus remain trapped in a vicious cycle – a lack of funds means no growth, no growth in turn means no economies of scale, uncompetitive costs and no development, so they remain small and vulnerable. Accessible and affordable long-term financing, working capital and funds for marketing are desperately needed for Ghana's SME sector in order to upgrade outdated plants and equipment which seriously impedes SMEs' ability to produce good quality, internationally competitive products, enable them to move up the value chain, penetrate export markets and improve competitiveness, and ensure sufficient returns to reinvest in order to meet ever increasing market/customer demands and requirements. SMEs in their present state of development are unattractive to financial institutions due to the lack of professionalism of management, the one-man band approach and lack of succession planning, absence of business plans or properly maintained accounts, little or no knowledge of customers and their needs, no due diligence or in some cases even contracts with export customers; SMEs are therefore considered major risks by financial institutions, especially in terms of long-term funding.

**Financial Policy:** The alignment of the financial sector must be improved to support the targeted outcomes and objectives of Ghana's trade and industry policies, i.e. to accelerate investment and export development through tax relief and availability of affordable long-term funding and to upgrade outdated plants and equipment, which are severely impeding Ghana's ability to compete.

**Inputs to Production: Sub-contracting** - Certain sub-contracting activities have been initiated by MOTI and AGI with the support of UNIDO, UNDP and APDF. Yet these take place on a

limited scale largely due to SMEs' lack of production capacity to meet the demands of large firms; the unavailability of funds to upgrade SMEs to become credible sub-contracting partners; the reluctance on the part of large firms to coach and assist SMEs to take up their non-core activities; the lack of information on the potentials of SMEs and the requirements of large firms for informed decision making, and the absence of incentives (taxes, etc.) for the promotion and development of sub-contracting. *Access to Land* - following international best practice, targeted support for industry would involve the establishment of industrial or business parks where enterprises can obtain secure long-term tenancies on serviced plots, and setting up land banks under government control for allocation to domestic and foreign investors in targeted sectors meeting approved criteria. In order to implement these best practice support mechanisms, all industrial properties (plots) established in prime areas in the short term, such as Tema, but have not been used for a long time (approximately 5 years), should be inventoried and reallocated to potential investors. *Productive Infrastructure* - The provision of infrastructure fosters socio-economic development and enhances production capacity. To maximize the benefits in light of budgetary constraints, priorities need to be carefully reviewed together with the Ministry of Road Transport, the Ministry of Communications, the Ministry of Energy and the Ministry of Harbours and Railways to ensure that targeted sectors have adequate productive infrastructure. In addition, due to an intensifying shortage of energy and the problem of conventional supply capacity, concerted efforts are necessary to promote sustainable patterns of energy production and consumption.

**Productivity Improvement: Management and Training** - Managerial training is required for companies to forecast, plan and budget as well as to help enhance production capacity, develop new products, improve profitability and control their own destiny. There is no serious focus on marketing as an essential skill for meeting the challenge of competitive export markets or competitive imports. *Technology Improvement* - Present technology and product development in Ghana is not market-driven and therefore unlikely to meet market or customer expectations. It also tends to focus on hard engineering-type solutions rather than the softer brand and image issues of modern consumer markets. The contribution product development can make to enhancing productivity and competitiveness, especially in export markets, is likewise not fully understood. *Linkage between Industry and Education* - The economic returns from investment in education and training are likely to be as high in the long run as those from investment in physical capital. Solid education policies potentially have a significant impact on FDI and the competitiveness of the national business environment. In a modern economy, the standards

achieved in education will determine how easily the workforce adapts to the rapid pace of technological changes within industry. Increasingly, investment in human capital is seen as the key to increased employment, greater economic prosperity and social cohesion.

**Agro-Processing:** Successful agro-processing is largely contingent upon the availability of agricultural produce in the right quantities, quality and at competitive prices. The problems the agro-processing sector faces include: Unavailability of raw material supplies due to dependency on rain-fed agriculture, poor planting materials, huge post-harvest losses, poor storage facilities, inadequate infrastructure, high transportation costs, poor quality, etc. Production is not demand-driven and consequently, marketing difficulties are encountered; Inadequate skills, technology, management and poor packaging also pose a challenge as does inadequate investment capital and poor observance of good manufacturing processes.

**Information Communications Technology (ICT):** There are currently a number of obstacles to the growth of ICT which need to be addressed if Ghana is to provide an internationally competitive (best practice) environment for business. These include: the poor fixed line network and uncertainty over the telecom regulatory environment; public procurement procedures which are not always consistent and transparent; limited ICT training facilities and incubators; irregular electrical power supply, which results in significant additional expenditures in terms of power backups, redundant systems and broken parts. The institutions responsible in Ghana for the development of scientific and technological capabilities, research and development and the provision of essential services for ICT need to be strengthened and focused on demand-driven initiatives in order to provide products that meet local needs.

The ISSP, therefore, reflects both international best practice and local experience, and is based on the needs of the domestic environment. In short, the ISSP provides a comprehensive framework for the implementation of the Ghana Industrial Policy with detailed programmes. The ISSP was launched in November 2010 and completed in June 2011. The document was produced by three consultants, Samuel Buame, a senior lecturer at the University of Ghana, Ben Essel Hagan, Director of the Centre for Scientific and Industrial Research and Patrick Nimo, the TSSP coordinator. The TSSP template was adopted for the ISSP and the final document presented in three stages. The first stage was the implementation plan followed by the second stage, the draft ISSP and, ultimately, the final ISSP document.

A total budget of US\$ 346.680.380 was estimated for the implementation of ISSP, with US\$ 45.361.780 for technical assistance and related studies, surveys, stakeholder consultations and

workshops; US\$ 296.866.000 for the Industrial Development Fund to be accessed mainly by the private sector and service providers targeting the private sector; and US\$ 4.452.600 for project coordination and management. The ISSP is supported through three different funding modalities: The government budget; pooled funding through the PSDS Joint Financing Facility for business enabling environment reform and the proposed Industrial Development Fund. The procedures for ISSP financial management are similar to those already in place for the government budget and the PSDS Joint Financing Facility. The Industrial Development Fund (IDF), which is a demand-driven revolving fund for the private sector, will have its own governance structure, financial management and disbursement as well as reporting procedures, which will be clearly defined in its legislation. It has been launched with a seed fund of US\$ 296.966.000. Funds from the government's budget are released on a quarterly basis throughout the budget cycle. Funds from the PSDS Joint Financing Facility are released biannually.

All focus groups or consultant teams for projects under the thematic areas were prepared and their periodic outputs were submitted in the form of reports on their ISSP activities to the PPME division at the Secretariat of Industrial Policy, where they were compiled into projects, programmes and components of the industrial policy and ISSP documents. The Minister of Trade and Industry reviewed these projects, programmes and components, the progress of Cabinet memoranda and other modalities with the Inter-Ministerial Coordinating Committee, which were then presented to the President through the Cabinet.

The budget for the entire industrial policy process was derived from the TSSP. The Ministry of Trade and Industry estimated the budget based on the scope of each of the components. The industrial policy and ISSP were supported through three different funding modalities, namely the allocation of funds of the budget of the Government of Ghana, pooled funding by development partners through the PSDS Joint Financing Facility and aligned project support. The financing was mostly derived from PSDS funds which consisted of TSSP funding and other financial means. These funds were aligned with those already in place for the government budget and the PSDS Joint Financing Facility (a summary of the development of the industrial policy budget from GoG's MTEF for 2006, 2007 and 2008 are attached in the annex). MOTI and other key implementing MDAs involved in the projects of the various components prepare and submit quarterly financial reports on their projects under TSSP project activities to the PPME Division of the Ministry of Trade and Industry, where they are compiled in biannual TSSP reports. The Ministry of Trade and Industry submits these financial reports to all relevant parties, including the quarterly meetings of the PSD Strategy Working Group. The major donors

to the PSDS and for industrial policy funding include DFID, the EC, World Bank, Denmark, AFD, USAID, UNIDO, UNDP, Canada, Italy, Japan and Germany.

## **5. Coordination mechanism**

In the initial industrial policy process, the President of the Republic of Ghana was informed on the status of the procedures, phases and process until the draft document of the policy was presented to the Cabinet with the President as chairman and the Cabinet ministers as members to review and to provide feedback, comments and suggestions to help shape the policy. Within the Cabinet, the President is the chairman and other members included the Ministry of Trade and Industry, Ministry of Finance and Economic Planning, Ministry of Education, Ministry of Employment and Social Welfare, Ministry of Communications, Ministry of Justice and the Attorney General's Department, Ministry of Defence and Ministry of Energy. Apart from the Cabinet's involvement, inter-ministerial meetings including technical staff from the respective ministries took place to deal with cross-cutting issues, which contributed to the elaboration of the industrial policy and the Industrial Sector Support Programme. The TSSP provides details on the institutional arrangements for the implementation of the industrial policy which has been mainstreamed into the Ministry of Trade and Industry's work programme.

The development process of the industrial policy and its implementation programmes was characterized by inter-ministerial coordination. Technical staff/directors of the responsible ministries were invited on an ad hoc basis to discuss issues related to their field of work and that are of relevance to the policy process. As a result, an Inter-Ministerial Coordination Committee involving the relevant staff of ministries was established under the TSSP. The Ministry of Trade and Industry played a leading role in the formulation of an all inclusive industrial policy. The Ministry of Trade and Industry collaborated with other ministries, such as the Ministry of Energy, on issues, policies and projects on energy and power which affect the industrial growth of the economy; with the Ministry of Communications on issues and policies relating to telecommunication and ICT and affecting the rapid growth of the industrial sector and to ensure adequate and reliable telecommunication infrastructure and services for industry at competitive rates; with the Ministry of Lands and Natural Resources on issues and policies on the land tenure system, land acquisition and other resources inhibiting rapid growth industries as well as to harness and fully utilize the mineral deposits available in the country to support rapid industrial development and to develop effective land administration at national, regional and local levels to facilitate acquisition of secure land for industrial development; with the Ministry

of Employment and Social Welfare and the Ministry of Women and Children's Affairs on issues and programmes that will help increase worker productivity in the manufacturing sector as a means of enhancing competitiveness and other issues such as fair labour, employment creation and youth participation to address the needs of vulnerable and marginalized people, as well as other issues affecting women and children, and to ensure that all industrial policy measures and incentives benefit women entrepreneurs, particularly those in the micro-small and medium enterprise (MSME) sector.

Others include the Ministry of Food and Agriculture to help ensure that adequate agro-based industrial raw materials are produced locally at competitive prices for local manufacturing; the Ministry of Education to help ensure the availability of the necessary technical manpower for specialized areas on a sustainable basis and to develop a pool of skilled tradesmen for the current and future needs of industry; the Ministry of Transport to develop an intermodal transport system to ensure reliable and cost-effective modes of transporting goods and to promote investment in various forms of transportation to enhance industrial production and distribution; the Ministry of Water Resources, Works and Housing to ensure that the current and future needs of industry are taken into account in infrastructure development, rehabilitation and expansion programmes in the water sectors; the Ministry of Finance and Economic Planning on issues and projects that will ensure lower interest costs for industries and to improve the availability of medium- and long-term funds for financing manufacturing projects, to increase the use of lease financing for industrial development projects, and to promote the development of venture capital and equity markets to finance industrial development; the Ministry of Justice and the Attorney General to establish clear procedures for the development of technical regulations and to establish mechanisms to monitor and enforce the technical regulations as well as adequate and appropriate legal forms of intellectual property rights and effective rules to protect these, and the Ministry of Environment, Science and Technology on issues that will encourage the adoption of modern technology in industry. All of these collaborations and consultations were part of the steps to ensure alignment of Ghana's industrial policy with other government policies.

In addition, a working group ("focus team") was set up consisting of directors from the Ministry of Trade and Industry, who were responsible for monitoring and supervising the work of the consultants on the thematic areas and projects. Each focus group was to concentrate on a thematic area and was to consist of MDAs, private sector associations and civil society organizations whose activities relate to the given thematic area. Each focus group was to be in

charge of one specific thematic area with the respective consultants reporting back to the focus group. However, only one focus team was formed within the MOTI to work in collaboration with the consultants to finalize projects under the various thematic areas with the output and indicators as well as budgets estimated for each project. Focus groups were also formed in every workshop for brain storming purposes. The composition of the focus groups depended much on the knowledge, experience and expertise in the thematic areas of the policy document. For instance, the background and experience of the focus group working on the production and distribution thematic area built on experience working with the Ministry of Trade and Industry, Ministry of Food and Agriculture, Ministry of Local Government and Rural Development, GRATIS Foundation, Rural Enterprise Project, Institute of Industrial Research, Ghana Free Zones Board, Ghana Investment Promotion Centre, Association of Ghana Industries, Crop Research Institute, etc.

As part of the coordination mechanism, the PPME division of the Ministry of Trade and Industry serves as the secretariat which was expected to coordinate and monitor the progress and to conduct evaluations on the various aspects of the industrial policy process. The PPME division is headed by a director who is assisted by a deputy director. Two technical staff members and a secretary support the work of the division. The PPME and the focus team supervised the work of consultants who in turn based their work on the various forum, workshop and round table reports on the issues discussed by the stakeholders, and their inputs and contributions made up 21 thematic areas which were structured into eight cluster groups. Terms of references were subsequently developed for the eight cluster groups and consultants recruited to work on them. The action plan of the industrial policy process was embedded as a core responsibility of the PPME division of the Ministry of Trade and Industry which is tasked with the formulation, monitoring and evaluation of trade and industrial policies, programmes and projects, as well as the coordination of the activities of all divisions and agencies of the Ministry as well as MDAs and Inter-Ministerial Coordination meetings. The work plan for the industrial policy aspect and others included the following five (5) specific outputs.

***Output one: Development of an industrial policy*** - For this output, reports on various issues considered part of the stakeholders' inputs or contributions to the development of industrial policy at two trade and industry forums held in 2005 and 2006 were compiled. From these forums, 20 thematic areas structured around eight clusters were identified. Draft terms of reference have subsequently been developed for the eight cluster groups.

***Output two: Strategic sectors identified and sector strategies developed*** - These strategic sectors are to act as growth poles for the economy, once legally and economically stable and predictable environments are created for the development of industries. In this regard, market opportunities have been scanned to identify high potential sub-sectors which will receive relevant institutional support within the industrial policy framework. These potential sub-sectors were presented to stakeholders for comments and inputs.

***Output three: Effective support measures to assist in the development of selected sectors*** - This output is contingent upon the development of industrial policy as well as the final strategic sectors to be agreed upon with stakeholders.

***Output four: Effective policy coordination*** - This involves conducting research on trade and industrial policy issues that arise over time and reviewing these; liaising with various divisions and agencies of the Ministry to deal with day-to-day trade and industry-related issues; and organizing bi-annual trade and industry forums to hear the concerns of stakeholders and to receive their inputs for policy consideration; and to exchange ideas with them on issues that affect stakeholders' businesses and activities.

***Output five: Operational M & E system*** - This involves finalizing ISSP performance indicators; undertaking baseline surveys for the TSSP M & E system; establishing an M & E database (framework); and maintaining a high quality trade and industry information database. This task is being carried out in collaboration with the Research and Statistics Division of the Ministry. Ernst & Young was one of the consultancy firms contracted to produce a harmonized M & E framework including indicators for all three of the Ministry's key dollar funded projects (PSDS, ISSP, MSME). A management information system has been developed for which project management application software (MS project) has been introduced. A pilot implementation has also been undertaken in some agencies. The results inform the total roll out of the application to all agencies within the trade and industry sector.

## **6. Concluding remarks and lessons learnt**

The present report analyses the policy process that resulted in the publication of the Industrial Policy and Industrial Sector Support Programme in Ghana in 2011. The report has two objectives. First, it seeks to provide a reference to other countries engaging in industrial policymaking, particularly in sub-Saharan Africa. Although Ghana has been at the forefront of

industrial policymaking in the region, the report also seeks to identify bottlenecks and draw on lessons learnt to support **learning and improve future policy processes**.

The Ghana Industrial Policy is a comprehensive document which serves as a living and working document by the Government of Ghana and is implemented through the Industrial Sector Support Programme. The policy seeks to provide clear and transparent guidelines for implementing Ghana's industrial development agenda, with particular emphasis on the growth, diversification, upgrading and competitiveness of the manufacturing sector. It aims to complement the Ghana Trade Policy which was implemented through the Trade Sector Support Programme, contributing to accelerated sustainable economic growth and increased incomes and employment in Ghana. This has increased Ghana's competitiveness in international and domestic markets and improved the legal and regulatory environment for businesses and consumers.

The development of industrial policy in Ghana has progressed significantly, facing a few challenges during the process. One of these challenges is the lack of experience and knowledge in the domestic economy. There generally were only few people with the necessary experience and knowledge of the thematic areas. The industrial policy encompasses a broad spectrum of issues due to the very complex nature of today's industrial environment. Entrepreneurs in Ghana do not have the necessary knowledge and expertise and this is in fact one of the reasons why international consultants and experts had to be contracted. This represented a huge financial cost and contributed to the delay of the process. The quotations of some experts were well above the budget of the Ministry of Trade and Industry.

In addition, some stakeholder participation exercises could not provide the appropriate responses needed for the development of the policy. This is because their respective institutions did not select individuals with in-depth knowledge. Consensus building was difficult due to the different views of the numerous stakeholders with diverse backgrounds. Considering the number of people involved in the workshops and round tables, it was very difficult to determine who in fact was sincerely interested in developing an effective industrial policy and to reconcile the differing views, and reaching a conclusion on a particular decision was time consuming. Some participants seemed to present ideas that were not relevant for the policy but simply wanted to draw attention to their presence. Furthermore, participants wanted their viewpoints to be included in the policy, which made it difficult to arrive at inputs and recommendations for a

way forward for some of the policy options in the thematic areas. However, it was a fruitful experience in general to have everybody on board expressing their specific views.

Furthermore, the financing and funding of the industrial policy process poses a challenge for the Ministry of Trade and Industry, in particular, the final phase of the process. The initial phase of the process was adequately funded from the PSDS pool funds of the development partners. However, funding became a serious problem when the first phase of the PSDS project ended in the last quarter of 2010. Management of the process was also problematic as a result of the lack of commitment by some civil servants with lackadaisical attitudes towards the administration of the projects. Management of the contracts was another challenge due to the lack of availability of the focus team to quickly respond to the reports by the consultants. This further delayed the process.

Lack of credible and recent data/information on the Ghanaian industrial sector, especially SMEs, also poses a problem. Data on SMEs is very difficult to come by as most of the players work in informal sectors that do not value data and information and thus do not keep proper records or do not document their activities. Procurement processes in Ghana are very cumbersome and it takes a very long time to hire/contract consultants.

The idea was to task a full section or division with the development of industrial promotion and investment to head Ghana's industrial policy process. However, the lack of facilities such as office space and human resources forced the Ministry to divide the activities and tasks among other divisions such as the SME and Technology and PPME divisions. Consequently, the PPME division was in charge of the industrial policy process. PPME did not have the necessary resources to deal with the challenges of monitoring and evaluating the process. The planned industrial policy formulation activities including the collection of baseline and monitoring data, managing consultants and a quick review of reports was often constrained and not properly implemented due to delays in releasing funds; another problem was inadequate staffing to execute M&E activities for industrial policy programmes across Accra and the regions. The capacity building programmes did not really benefit the process since training and capacity programmes only favoured people who were not part of the process due to nepotism and preferential treatment of the staff of the MDAs. This was one of the most serious problems risking to undermine the progress of the whole process.

Some outputs of the TSSP which would have been a very good catalyst for the industrial policy could not be achieved. For instance, the TSSP projects 'Strategic Sectors Identification' and

‘Sector Strategies Development’ were not realized. Thus, the industrial sector could not target any specific industry and instead, targets industrialization as a whole.

Some lessons can be gleaned from the industrial policymaking and formulation process. These lessons include the following:

**Comprehensive policy:** Ghana’s industrial policy has become more practical and is in fact much more ‘holistic’ in its approach and focuses on both demand and supply side factors of industrial development as well as on micro- and macro economics. The provision of infrastructural needs, a refocusing of the education and training system, increased funding for science and technology and greater involvement of stakeholders, especially the private sector, in the policy formulation process, and a greater emphasis on technology acquisition are key objectives. The report stressed that the role of the industrial promotion agencies should be continuously reviewed, and the desirability of fostering clusters of related industries building on ‘leverage points’ of national advantage was also highlighted.

**Resources – financial and human resources:** The availability of financial resources is a major driver that could further propel the industrial policy process. Intensive research is needed at the initial stage for all aspects of the thematic areas to ensure the feasibility of the projects. This comes at a huge financial cost in terms of hiring consultants and experts in the respective fields. Hence, only limited background research was conducted by the PPME division which was woefully inadequate in helping formulate industrial policy. The release of funds for consultants to kick start research in key thematic areas of the policy was delayed because MOFEP delayed the disbursement of funds to the Ministry of Trade and Industry. In addition, the focus team for the policy process was not particularly active due to the lack of funds. Hence, organizing the teams to review the work of consultants took quite some time, causing further delays. In terms of human resources, the Ministry of Trade and Industry, like any other civil service in general, does not have the financial resources to employ and retain professional and technical staffs. This is one of the reasons why the government cannot form an expert group to develop policies and review the work of consultants. In this regard, the focus team made up of directors/staff of the Ministry could not properly review and examine the contents of the various projects carried out by the consultants. A team of experts is needed to objectively review all reports and documents submitted by consultants instead of a team consisting of directors with divided attention. Availability of funds allows outsourcing of the entire policy drafting process to external academics and consultants, with policymakers only providing comments and making revisions.

**Procurement laws must be reviewed:** There is a need to have a simple, clear and flexible procurement procedure which is fast enough to allow the Ministry of Trade and Industry to hire and employ both local and international consultants to quickly work on certain aspects related to the drafting of policies. It took quite some time for most of the consultancy services to be awarded due to the very long process of procuring expert consultants.

**Dedicated focus team:** A focus team which is dedicated to the work of the policy process is needed to facilitate the process and to support various consultants on the components as well as properly and timely review of documents presented by consultants. Documents submitted by consultants should be assessed against their feasibility and whether they are implementable or not. The group of directors seems to be overwhelmed with the task of reviewing these reports since they head divisions under the TSSP which also require equal attention. The fact remains that only few have the capacity to review the consultants' work, especially at the level of director. There is a wide gap between a director and upper and middle management in the Ministry, which makes delegation difficult. This is attributable to the fact that just one person is appointed to carry out specific tasks.

**Capacity building:** Capacity building programmes should target the appropriate staff or personnel working on industrial policy, especially in the PPME division or in any other designated office. Capacity building programmes should be intensified. Another common problem which is becoming increasingly visible in the civil service is the decline of quality and morale among some officials, resulting in low productivity. Public service must overcome the problem of overstaffing divisions with unsuitable and low salary workers. The prevalence of second jobs, formalism, rigidity, nepotism, relationship-based employment and promotions that are not performance-based are some of the issues impeding the capability and competence of the Ministry. Training programmes involving foreign travel only benefit the very few who may not even work in the related field.

**Technical staff:** The number of technical staff in the division responsible for industrial policy needs to be adequate. The number of technical staff in the Ministry of Trade and Industry is very low, especially for the industrial policy process. The majority of the Ministry's staff are found in management and administration rather than in the core technical units. Thus, the supporting staff generally outnumbers the commercial and/or industrial promotion officers. The public sector only attracts individuals who seek stability, who want work flexibility so they can attend to other personal issues, or individuals who want to take advantage of official privileges

to study abroad or receive training as a stepping stone for a better paying job in the future. As a result, highly qualified and motivated people are becoming difficult to recruit or retain.

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## **Interviewees**

Dr. John Hawkins Asiedu – Principal Officer, Monitoring and Evaluation of PSDS, Ministry of Trade and Industry Annex

Dr. Essel Ben Hagan – Director (Retired), Centre for Scientific and Industrial Research (CSIR)

Mr. Eric Kwame Mante Bediako - Budget and IT officer, Ministry Of Trade and Industry (MOTI)

Mr. Kenneth Agyepong – Coordinator of TSSP, Ministry of Trade and Industry

Mr. Kofi Addo – Deputy Director, PPME, Ministry of Trade and Industry

Mr. Patrick Yaw Nimo – Technical and Project Management Consultant, John Young & Associate Limited

Mr. Quansah - Commercial Officer, PPME, Ministry of Trade and Industry

Mr. Samuel Ato Yeboah – Principal Commercial Officer, Multilateral, Bilateral and Regional Trade Division, Ministry of Trade and Industry

## Annexes

### Annex I

#### Budget Extract for Development of Industrial Policy, 2006 \*

Objectives	Output:	Activities	Amount GHC
To provide trade and industrial information to stakeholders	Industrial policy and sector strategic design and implemented	Industrial policy developed (external consultants fees)	1.099.86
		Strategic sectors identified (local consultants fees)	274.97
		Sector strategies developed (external consultants fees)	12.442.17
		Effective support/oversight of sector strategies (local travel cost)	5.224.34
		MOTI technical capacity developed targeted (staff development)	4.674.41
	Industrial policy unit established	Request map of infrastructure (local consultants fees)	687.41
		Establish database for industrial sector (local consultants fees)	2.735.9
		Certify and maintain ISO 9000 standards for key public institutions (external consultants fees)	7.424.06
			Personnel emoluments

Source: Extracted from GoG MTEF for 2006-2008 and Annual Estimates for 2006

## Annex II

### Budget Extract for Development of Industrial Policy, 2007\*

Objectives	Output:	Activities	Amount GHC
To strengthen legal, regulatory and institutional framework to support industrial production and trade	Industrial policy developed	Recruit international consultants to assist in drafting new Industrial Policy document (hotel accommodation= GHC 5.000, seminar/workshop/conference= GHC 2.000, external consultants fees= GHC 10.000; other consultancy expenses= GHC 1.000; stationery = GHC 2.000	20.000
		Publish and launch industrial policy (seminar/workshop/conference= GHC 20.000; contract printing = GHC 30.000)	50.000
	Policy coordination effectively undertaken	Organize national/presidential PSD conference (seminar/conference/workshop)	15.000
	Monitoring & evaluation system operational	Establish M&E database framework (seminar/conference/workshop= GHC 3.500; other materials & consumables cost = GHC 1.500)	5.000
	Gender development programmes undertaken	Organize workshop and training programmes on gender issues (seminar/workshop = GHC 5.000; training materials = GHC 1.000)	6.000
To increase industrial output and improve the competitiveness of domestic industrial products	Update, analyse and disseminate import and export data for stakeholders	Update overland export database from regions and border points (other materials and consumables cost = GHC 4.000)	4.000
	ICT infrastructure maintained to support stakeholders in information sharing	Maintain network infrastructure (purchase of plant and equipment = GHC 100.000)	100.000
		Personnel emoluments	21.528

Source: Extracted from GoG MTEF for 2007-2009 and Annual Estimates for 2007.

## ANNEX III

### Budget Extract for Development of Industrial Policy, 2008\*

Objectives	Outputs	Activities	Amount GHC
To strengthen legal, regulatory and institutional framework to support industrial production and trade	Industrial policy developed and publicised	Recruit international consultants to assist in drafting new Industrial Policy document (external consultants fees= GHC 30.000)	30.000
		Publish and launch industrial policy (stationery = GHC 30.000)	30.000
	Gender development programmes undertaken	Organize workshop and training programmes on gender issues (seminar/workshop = GHC 5.000)	5.000
To increase industrial output and improve the competitiveness of domestic industrial products	Industrial output increased and competitiveness improved for domestic industrial products	Update, analyse and disseminate import and export data for stakeholders (other materials and consumables cost = GHC 16.000)	4.000
	ICT infrastructure maintained to support stakeholders in information sharing	Undertake periodic computer training for MOTI staff in new ICT skills (staff development = GHC 4.000)	4.000
		Upgrade and maintain MOTI IT infrastructure (purchase of computers and accessories = GHC 20.000; investment in multi-sectoral = GHC 386.880)	406.880

Source: Extracted from GoG MTEF for 2008-2010 and annual estimates for 2008.

\*financed from the government budget other than donors







**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**  
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria  
Telephone: (+43-1) 26026-0, Fax: (+43-1) 26926-69  
E-mail: [unido@unido.org](mailto:unido@unido.org), Internet: [www.unido.org](http://www.unido.org)