



MSME Promotion and Industrial Policies in Ghana



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Policy Design and Implementation



This is the **Outline**

- Introduction
- Structure of MSMEs in Ghana
- Contributions and challenges
- MSME policies and strategies
- Industrial Transformation Agenda (1D1F)
- Success and concerns
- Summary



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Introduction

- ① Micro, Small, and Medium Enterprises (MSMEs) are known as the backbone of the global economy because they dominate the global business environment.
- ① In Ghana, the MSME sector employs more than 80% of the workforce and accounts for roughly 70% of national output.
- ① MSMEs are an integral part of the Ghanaian economy, and they have enormous potential for accelerating economic development, which is necessary for wealth creation and poverty reduction.



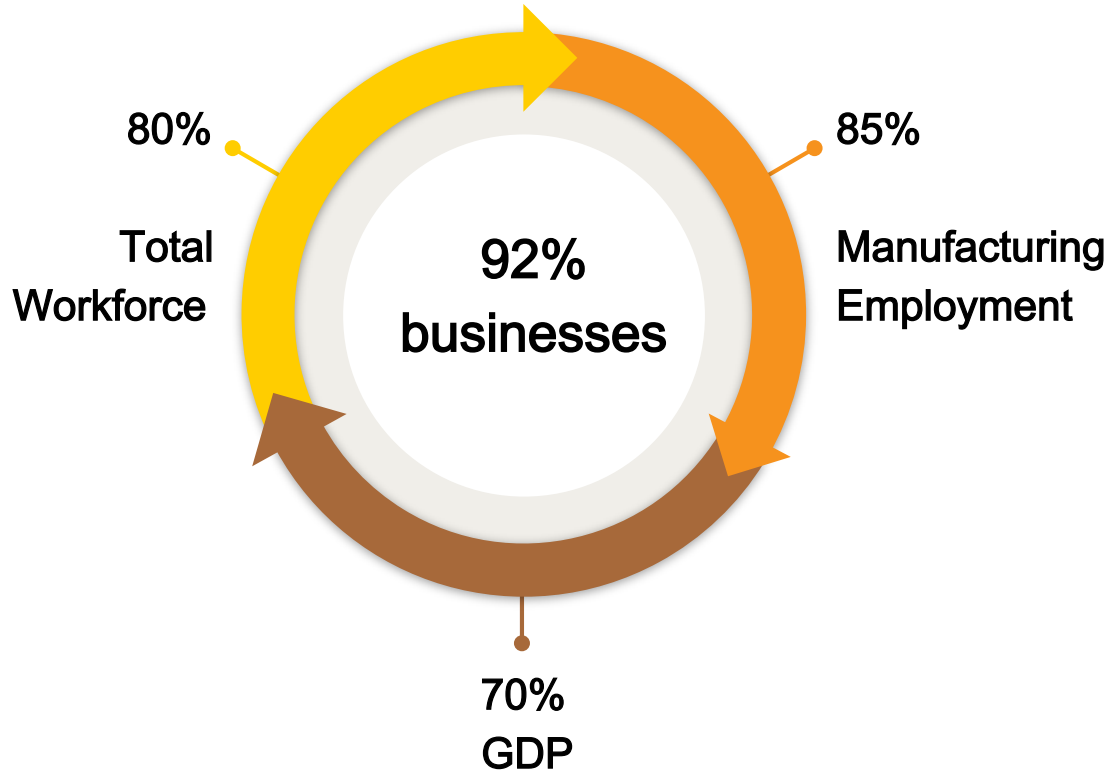
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Structure & Characteristics

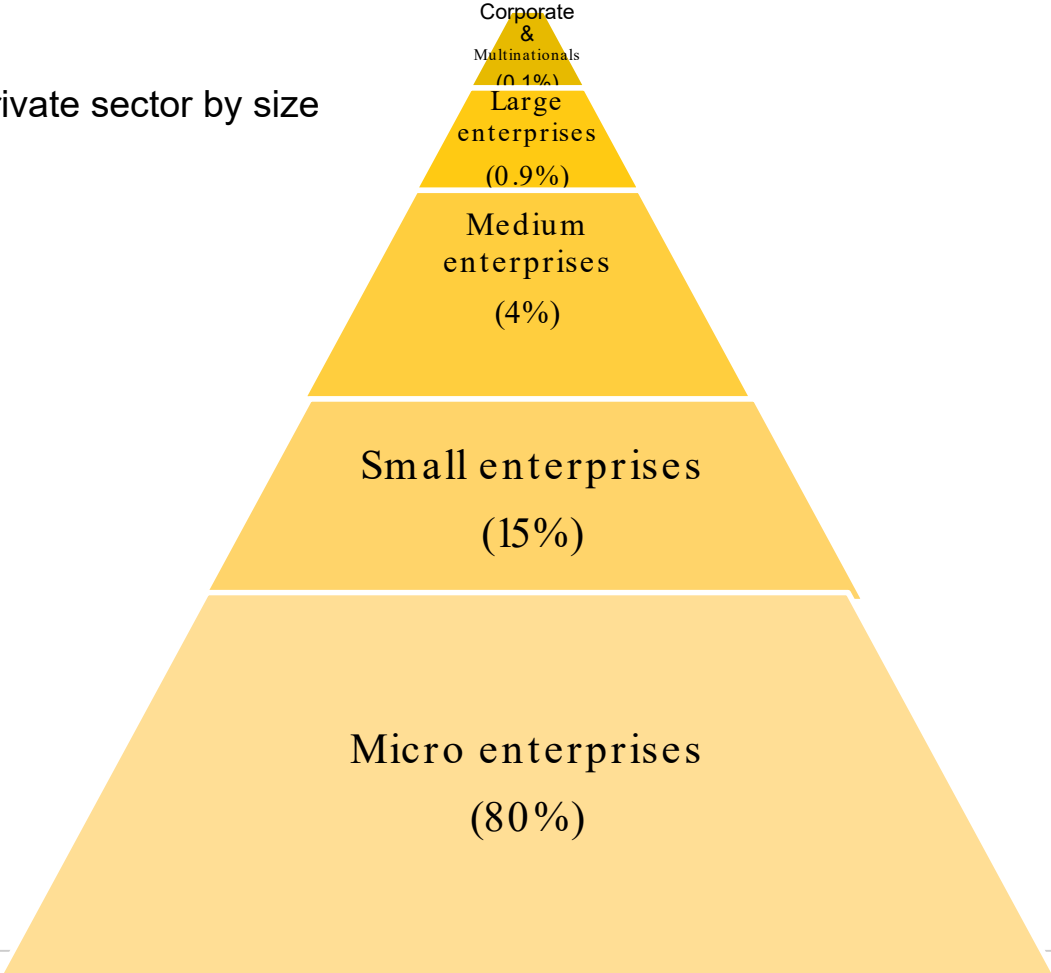
- ① MSMEs are more labour intensive than larger firms
- ① They are mostly registered as sole proprietorships, and the largest employment category is working proprietors.
- ① The owner's family is involved in the business, though they are typically considered unpaid staff. The remainder of the workforce is made up of hired workers and trainees or apprentices.
- ① They are mostly engaged in retail or manufacturing.
- ① MSMEs in Ghana are also classified as either urban or rural enterprises.
- ① Soap and detergents, clothing and tailoring, textile and leather, tin-smithing, ceramics, timber and mining, beverages, food/agro processing, wood furniture, and electronic repairs are some of the major activities in this sector.



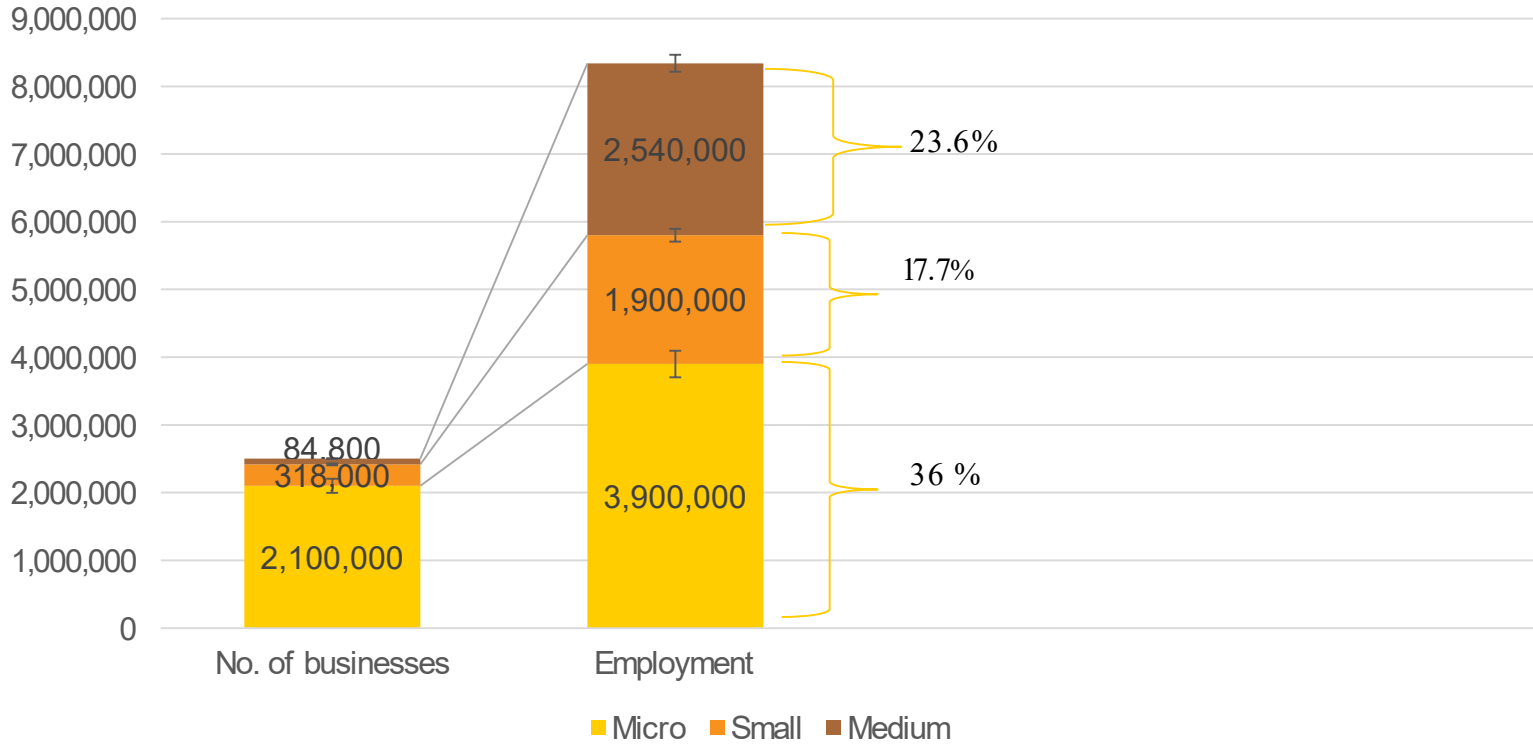
The MSME sector



Breakdown of Ghana's private sector by size



Employment estimates by size





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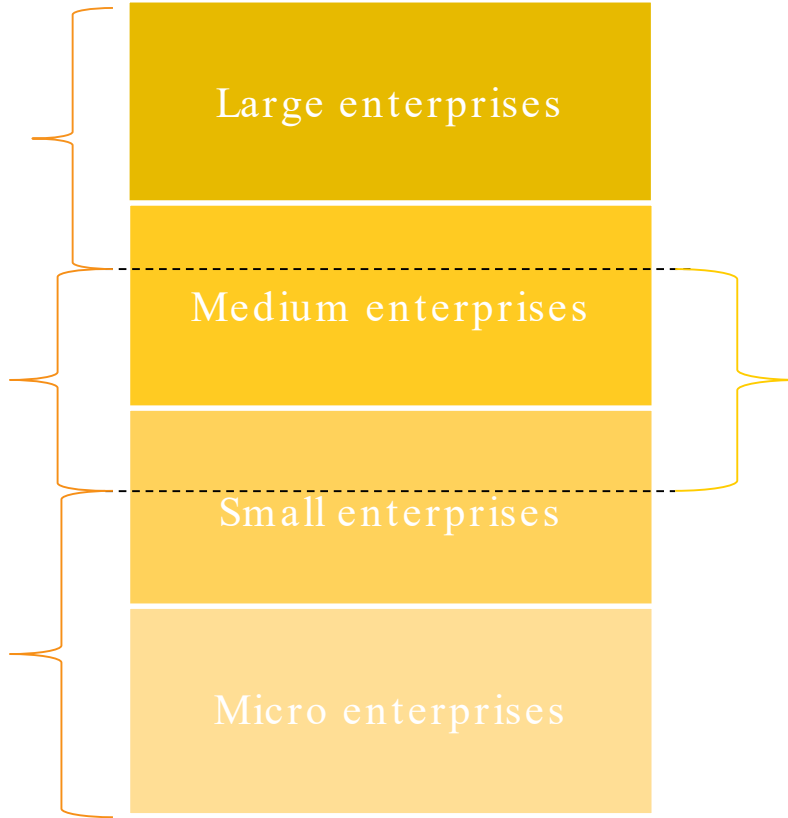
Challenges

- ① Access to finance or credit. E.g., the problem of the missing middle.
- ② Weak legal and regulatory framework. E.g., Public Procurement Act, formalizing businesses, etc
- ③ Duplication of institutions
- ④ Access to business development services and capacity development

Multiple financing options. E.g., loans from banks, equity from Private Equity Funds, institutional investors, etc.

Limited financing options. E.g., bank requirements too high, funding needs lower than PE funds but higher than rural banks and microfinances

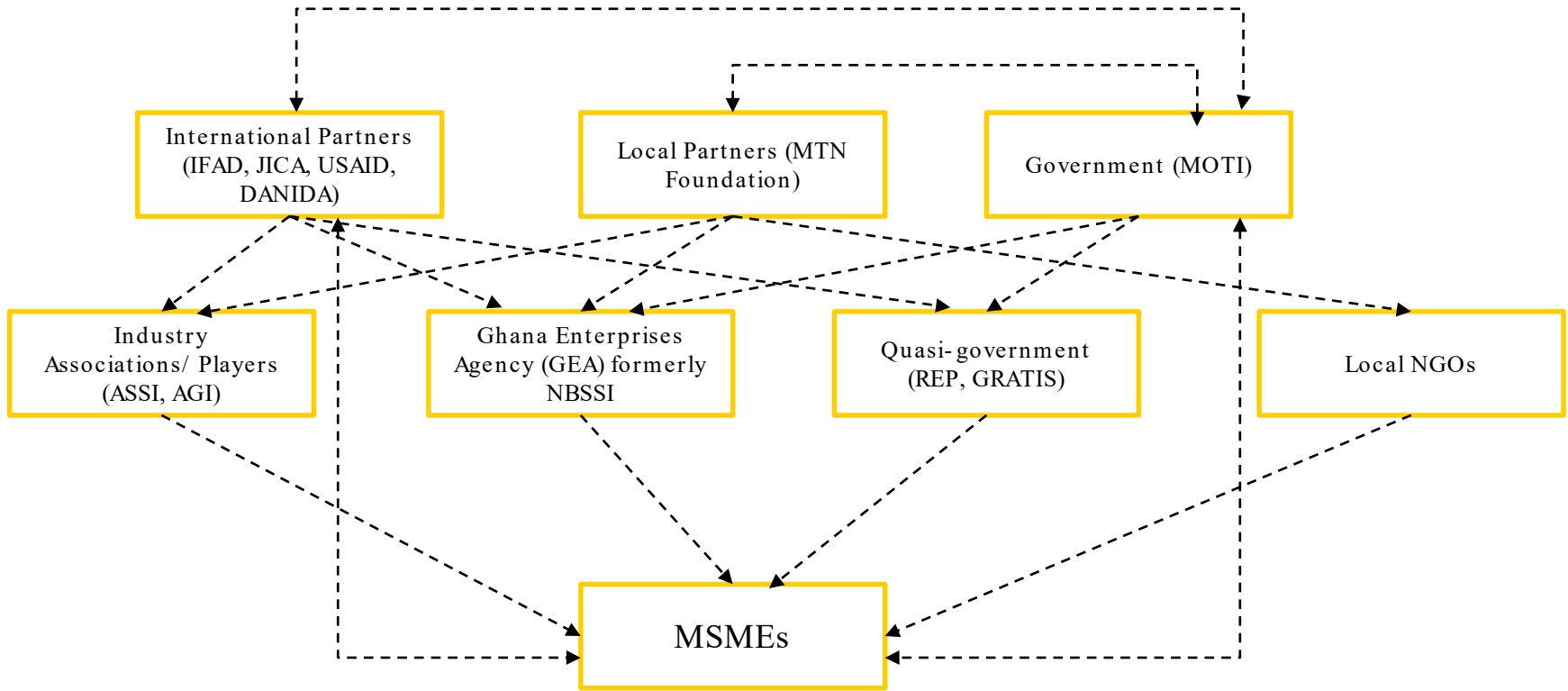
Multiple financing options. E.g., Grants and low interest rates from Intl. Partners, Donor Agencies (IFAD, AfDB, Mastercard Foundation, ...). Numerous rural banks and microfinances; interest rates on the high side



Missing middle

This explains one of the problems access to funding by MSMEs.





Flow of Funds and Technical Support: This explains the duplication of institutions





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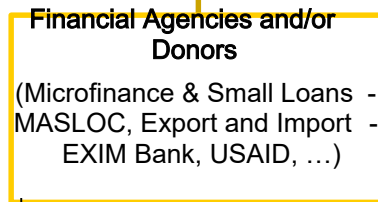
MSME Promotion Strategies

PROCESS FOR POLICY FORMULATION AND IMPLEMENTATION IN GHANA

Policy formulation process is initiated by a ministry or through the Office of the president



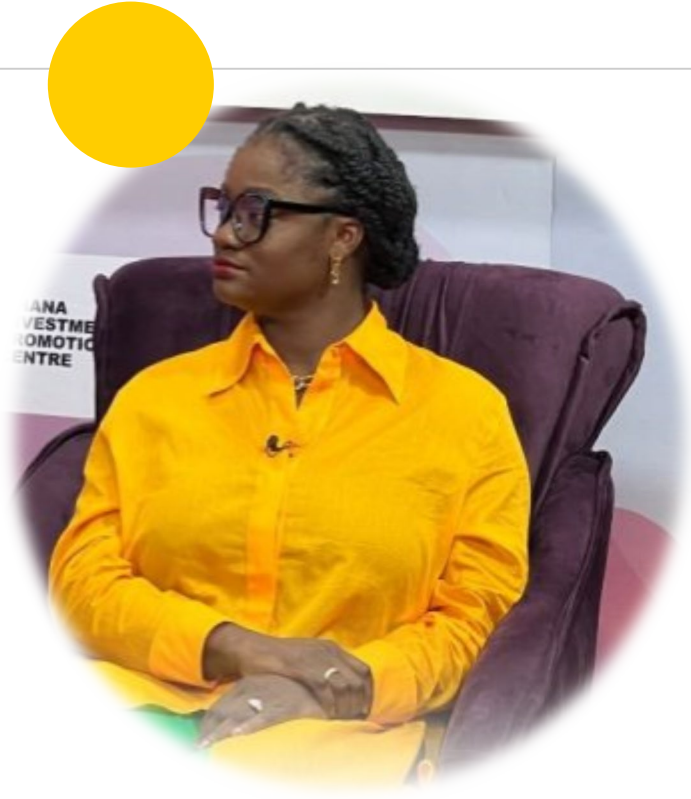
The proposed policy is sent to parliament for approval through various parliamentary committees



Once the policy approved, the ministry uses selected government agencies, sub - national, and financial agencies for the implementation of the policy.

- MSME and Entrepreneurship Policy
- Industrial Transformation Agenda (Development of SMEs; One District One Factory Project)
- USAID Support Services Strategy (2015-2020)

MSME AND ENTREPRENEURSHIP POLICY addresses the:



Ms. Kosi Yankey-Ayeh, CEO of GEA

- Absence of a comprehensive policy framework on MSME development
- Absence of a standard definition (classification) of MSMEs.
- Ineffective coordination and implementation of MSME initiatives due to overlapping functions of government agencies and institutions
- Lack of comprehensive data and information on MSME establishments.



Some Objectives of the Policy

SDGs

The policy integrates targeted SDG goals in its framework (**SDG Goals 1, 2, 5, 8, 9, 10** ...)

SME Fund

Set up a fund that provides MSMEs with soft loans

MSME Support Services

Technical support that contributes to value addition, export diversification, and the creation of decent jobs.



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Industrial Transformation Agenda

- a. The Industrial Transformation Agenda is a 10-point pillar agenda of the current government of Ghana which aims at transforming the economy through industrialization and massive promotion of the country's private sector.
- b. One District One Factory (1D1F) is by far the most ambitious and popular of all the projects.
- c. The mission of the 1D1F programme is to identify and create business opportunities in the districts, harnessing the strengths and resources of the local community in an efficient technology and demand driven value chain.



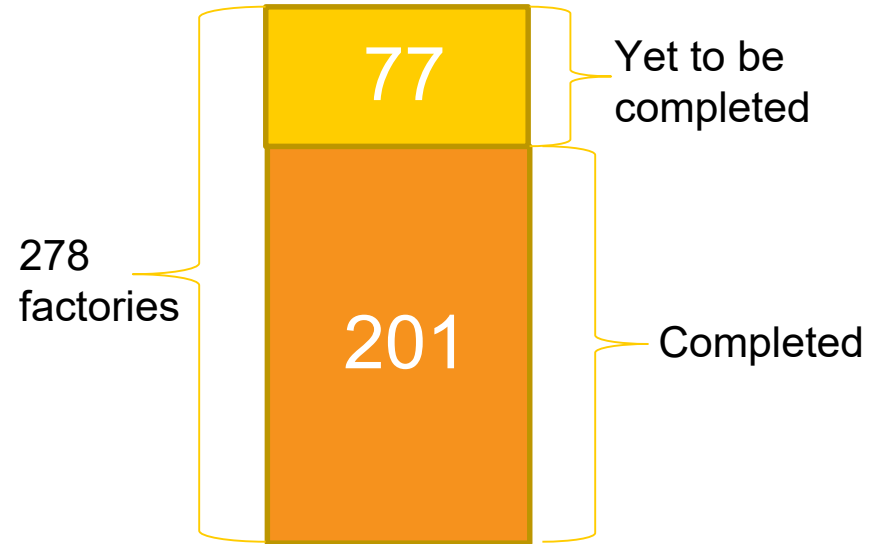
To change the economy from one which is dependent on imports [processed goods] and exports of raw materials to one which is focused on manufacturing, value -addition, and exports of processed goods- President Nana Akufo -Addo



Breakdown of 1D1F

- 278 Factories (Both new and existing factories)
- At least one factory in the 260 districts in the country
- Five years tax holiday
- Soft loans from participating institutions
- Private sector driven

Progress so far...





1D1F in Pictures



Success and Concerns

Success

- Job creation: The Ekumfi Juice factory has created about 5,000 direct jobs in and around the district.
- It has helped to solve the issue of wastage during bumper harvest.
- Revenue generation: Ekumfi Juice factory accrued about GH¢530 million in 2020



Success and Concerns

Concerns

- Prioritize sustainability rather than wholesale establishment of factories in each district.
- Revive closed state factories and hand them over to private individuals. E.g., Bonsa Tyre factory in Tarkwa, Wenchi Tomato factory, etc.
- Electoral calculations and lack of continuity

Summary

The MSME sector is a vital part of Ghana's economy, and policies especially development and industrial-related policies that promote the growth of this sector cannot be taken for granted.



Thanks!

Sources:

- <https://moti.gov.gh/v2/10-point-agenda/>
- <https://ldf.gov.gh/#>
- https://pdf.usaid.gov/pdf_docs/PA00TCMF.pdf
- [https://www.bcp.gov.gh/acc/consultation/docs/DRAFT%20MSME%20-%20FINAL%2026.02.2019%20\(1\).pdf](https://www.bcp.gov.gh/acc/consultation/docs/DRAFT%20MSME%20-%20FINAL%2026.02.2019%20(1).pdf)