

Business Environment reform in Ghana – success story or much ado about nothing?

This session focuses on the management and implementation of reform processes in Africa based on the Ghanaian experience. Ghana is currently celebrated as a major reformer in sub-Saharan Africa. The focus of the session is not to highlight the weaknesses, but to discuss how we can broaden and deepen the reform processes. What has worked, the tangible reforms, the impact for business community, society and investors, what other countries can learn, the major challenges, and how development partners can support government in the reform process.

Keynote: J. Baidoe-Ansah, Minister of Trade, Industry, Private Sector and President's Special Initiatives, Accra

Panel: C. Jebuni, M. Broemmelmeier, R. Ahomka-Lindsay, R. Anang, M. Klein

Key issues discussed

Ghana's success story:

- Baidoe-Ansah discussed how macro economic reforms and resultant growth rates are the successful precursor to enabling environment reforms. Now Ghana is recognised as a top reformer through the Doing Business rankings.
- There is now a prioritised action plan and strategy for PSD in Ghana – the PSDS which should improve access to regional and international markets. Implementation includes 17 ministries and agencies coordinated by Ministry of Trade. This is overseen by the private sector, chaired by an eminent entrepreneur.
- Currently, more than 10 reforms are underway – including trade, industrial policy, business licencing, financial sector, land registration, customs, judiciary. It is linked to a comprehensive public sector reform programme and citizen's charter.
- Ghana has a 3-year rolling workplan, decentralised management of the budgets, capacity building for procurement roles.
- A MOU has been signed with 12 different donor partners to commit support, with four different aid modalities, including budget support, pooled funds, alliance support, EU sector budget. The pooled fund is not a one size fits all – but it is a good platform for coordination, strengthens national systems, and is linked to the national budget

Some caveats:

- Jebuni highlighted that macro and trade policy reforms were relatively easy to administer and the results have not been equally distributed across Ghana. *Regional inequalities* are an indication of policy failure, exacerbated by differences in infrastructure and resources which cause these inequalities.
- The secondary level of reforms is crucial, but for policies to be effective, Jebuni believes that *Ghana needs effective decentralisation*, especially for support services if the benefit of reforms is to bring equitable and effective macro economic development and poverty reduction.
- Broemmelmeier highlighted a paradox in Ghana's reform process for donors in that while the economic conditions are strong and poverty reduction is gaining speed, *the donors have played a limited part* in this role.

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- She feels that the regulatory reforms involve a challenging, complex strategy with many stakeholders who have different levels of institutional capacity. *Absorptive capacity is an issue.*
- There is a sense of *restlessness* in that 50 years later Ghana has not achieved what was hoped in 1957. 50 years from now we want to be in a very different situation.
- Anang commented the external environment reforms are really merely externalities. They have little effect on the informal sector where most of the business really lies. The real question is how reforms can assist micro enterprises to create wealth and employment. *Skills, human resources and productivity* are critical issues.

Klein advocates going overweight on Ghana in the portfolio. Ghana offers strong signals and positive indicators through the progress in reform, strong stock market, and growth. But there are risks including worries about sustainability and loosening of discipline, electoral upheaval, possibility of commodities fluctuations, a high fiscal deficit, and a current account deficit. Donors should be wary of coordination issue. The character of Ghana is characterised by good politics and democratic systems. While attitudes can tend towards laissez-faire, discussion and issues are put on the table. We can have confidence in the re-entry of the Diaspora, healthy sense of competition, and clear understanding of Ghana's competitive advantage.

Key points from Discussion/Question & Answers:

To date there has been no serious address of non-export agriculture which is associated with the highest levels of poverty within BE reforms. Mechanisation and irrigation is critical and there are plans to address these. Ghana needs to consider the regional issue, the location of agriculture, and links to the taxation system. However, ultimately, the solution to poverty will not be found in agriculture, it will be found by migration to urban areas and increasing productivity which will occur first through the informal sector.

How will Ghana position itself and face globalisation? English will be an asset to Ghana, and it must address globalisation head on.

How should Ghana meaningfully translate reforms at macro level to the micro level?

How do we get the informal sector to benefit from central reforms? Regional strategies that relate to the ecological conditions are vital. Informality must be brought to the fore through advocacy and education on the benefits of formality. We must understand and react to the economic decisions relating to informality and formalisation.

What modalities of payment and support has been given to the private sector? A mixture of support methods have been used, including funds for advocacy, PPD mechanisms, direct technical support and exchanges with other African and Asian countries on best practices. We have not yet taken full advantage of donor pooled funding. Donor coordination is problematic and there are huge benefits to coordination.

Lessons learned/good practices

- Implementation of the PSDS has gained momentum due to the professional coordinating unit at the ministry and oversight of the private sector. The program will benefit from open peer learning, and a greater results-orientation.
- Procedures must be streamlined and simplified to make funds successful.

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- Success is dependent on the strong involvement of the private sector and demand orientation.
- For private sector to be inclusive, we need to be in the driving seat – advocacy skills need strengthening, research into issues and integrate into policy.

Recommendations

- For investor promotion, both internal and external, understand your assets! Be realistic in terms of population and size, and natural resources, good stable leadership, strategic location. Use data to analyze the true picture, be realistic and move from micro to small domestically. Consider what creates growth in terms of infrastructure, location etc. Use data. The investment promotion agency needs regional offices. It must recognise that it can't be all things to all people on the international scale and instead target where Ghana has a competitive edge and then go after it.

What can other countries learn from Ghana?

- Ramp up reform following the first generation of reforms.
- Coordination and a joint strategy and program of work is vital.
- Vibrant private sector is the key.
- Adopt the 'can-do' attitude, where globalisation is not a problem, it's an opportunity.
- Think "we can and we do".
- Look at China – learn from them, nothing is impossible.