

**MAIDEN
ISSUE**



ENTERPRISE FORUM

THE QUARTERLY NEWSLETTER OF THE PRIVATE ENTERPRISE FOUNDATION ISSN: OSSS-3009 VOL 1 No. 1 OCTOBER - DECEMBER 1997

WHAT HAPPENED AT NORTH CAROLINA



GHANA: GOOD AREA FOR INVESTMENT - WB



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CONTENTS

PEP. What It Stands for..... Pg. 2

*Inflation and Savings.....
Pg. 3*

Partnership for Growth..... Pg. 5

! ESC Pg. 9

Women and Technology.....Pg. 11

*Reaching the Next Level of Economic
Performance..... Pg. 12*

Starting Your Own Business..... Pg. 15

*Gov't: Curtailing Expenditure.... Pg.
18*

VAT- All about it..... Pg. 20

Ghana: Good Area for Investment Pg. 22

VAT and PEF..... Pg. 23

PEF and SMEs..... Pg. 25

*Francophone Group Disturb US
Economy. Pg. 27*

*COVER PICIVRE: Mr. Ishmael Yam son poses
with some delegates at the North Carolina
Conference - See center spread.*

Enterprise Forum

Volume 1 Number 1, October- December 1997

ISSN: 0855-3009

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Editorial

WE introduces the maiden issue of this Newsletter for the Private Enterprise Foundation (PEF). This publication makes its appearance. At a time in our history when the private-sector has been given the recognition as the vehicle for economic growth in the country.

Enterprise Forum as the name suggests, is going to serve as a rallying point for private-sector opinion and would re-reflect the goals and aspirations of the sector.

It would also serve as the platform for the candid airing of opinion on practical issues affecting the development of the sector.

One expects its constituency- membership of the sector, to use it to express their views on issues affecting their respective industries. And, suggest methods of addressing them, having been informed with the relevant data and practical background information based on experience.

Enterprise Forum would in addition reflect the apolitical and autonomous stance of the organization's mission and would seek to project the harmonious relationship with government to promote regular dialogue aimed at creating the most favorable environment within which the private-sector would thrive.

This newsletter will also be dedicated to servicing the developmental needs of the private sector by providing information on current technical, managerial, financial, and marketing issues affecting the private-sector.

As the Enterprise Forum steps into the fold of publications in the country, it would like to enjoin all and sundry who share the philosophy of placing the private sector into the center of our development efforts to support it through regular advertisement and subscription. The success of this publication will reflect the vitality and dynamism of the private sector as a formidable economic force whose efforts must be appreciated and supported by an enabling policy-mix and infrastructure in addition to technical and financial systems. Failure would mean otherwise.

Our utmost appreciation goes to the International Executive Services Corps (IESC) and its indefatigable Country Director, Mr. Edward Tarpinian, who on behalf of the United States Agency for International Development (USAID), initiated and supported this maiden edition. We promise that we would uphold the burning torch and keep it aglow now that it has been lit.

Private Enterprise Foundation (PEF)

- What It Stands For

*To present the
Interests of the
private sector
business com-
munity,
particularly,
interests
common to its
members as
Well as those of
The individual
member
associations*

THE Private Enterprise Foundation (PEF), was founded on the initiative of four major business associations: Association of Ghanaian Industries (AGI), Ghana National Chamber of Commerce (GNCC), the Ghana Employers Association (GEA), and the Federation of Associations of Ghanaian Exporters (FAGE), which have felt the need to come together to exert greater influence on policy initiatives for the creation of an enabling environment in which private sector businesses can thrive as partners in the Economic Development of the Country.

PEF is a non-profit making, non-political, autonomous institution, incorporated on January 24,

1994, as a Company Limited by guarantee under the Ghana Companies Code, Act 179 with AGI, GNCC, GEA and FAGE as the founding members. Membership is open to private businesses and trade associations. The Ghana Association of Bankers was also later admitted as the fifth founding member.

OBJECTIVES

The strategic objectives of PEF among other things are:

(a) to present the interests of the private sector business community, particularly, interests common to its members as well as those of the individual member associations;

(b) To maintain close relationships with all private sector business organizations and be the lead organization that would play an advocacy role in influencing policies and regulations of Government and other internal as well as external bodies, for the creation of an enabling economic environment that would ensure that private business in Ghana can increasingly contribute to national development;

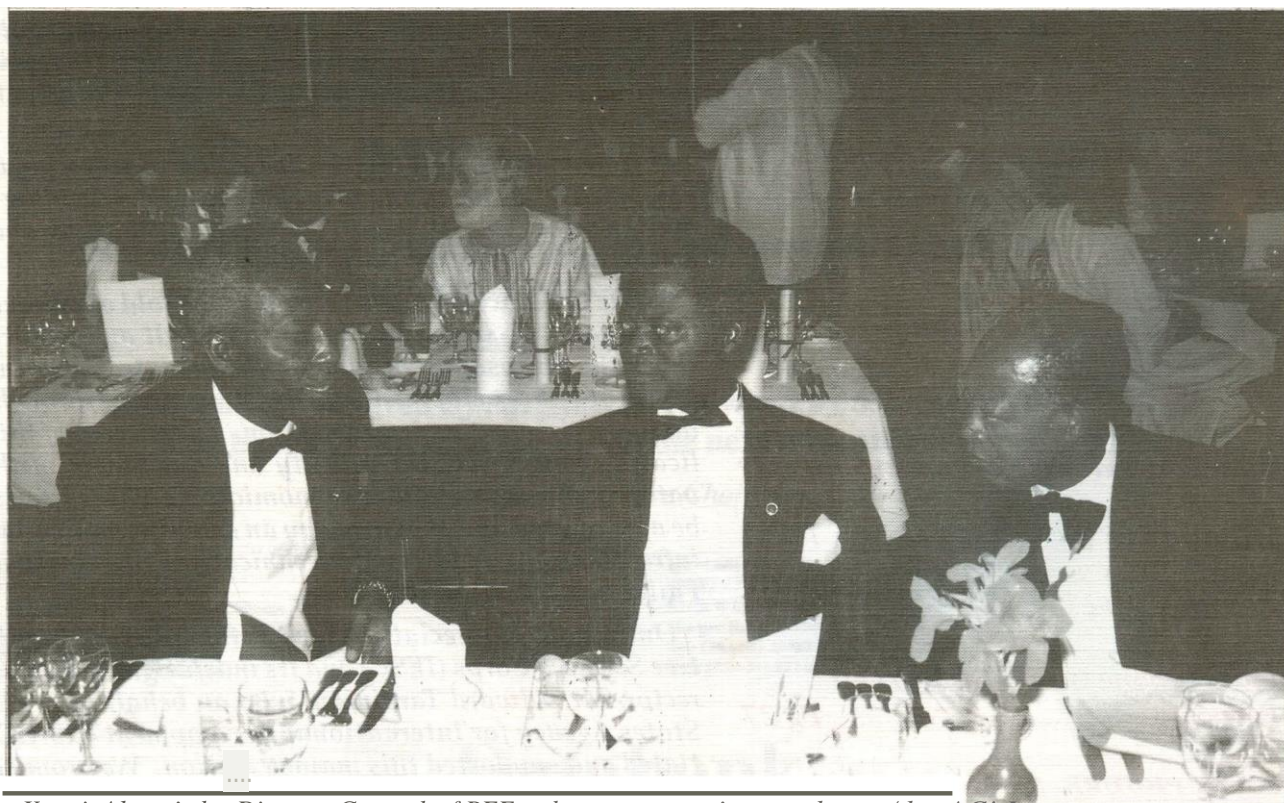
(c) to guide and influence collective efforts of private business enterprises in Ghana and service the development needs of the private sector by providing technical, managerial, marketing and financial support;

(d) To promote industrial harmony which is one of the pre-conditions for the orderly development of the private sector. PEF would co-operate with the Trade Union Congress in areas of wage and conditions of service negotiations, and worker education to promote industrial harmony and higher labour productivity;

(e) To be primarily responsible for the development of the private sector as a whole and of the export sector in particular;

(f) To promote the production of excellent and superior quality goods and services, high productivity, prudent risk-taking, innovation and creativity for the long-term success and growth of the private sector in Ghana and

Continued on page 22



Mr. Kwasi Abeasi, the Director General of PEF and some executive members of the AGI in a hearty discussion.

MR. Kwame Peprah,
Minister of Finance

Has called on the private sector
to help fight the problem of
inflation in the country

Help Fight Inflation - *Kwame Peprah*

He said government on his part will continue to stick to its economic policies and provide the necessary guidance to enable the private sector to play a functional role in the national economy.

Mr. Peprah who was speaking at the first annual general meeting of the Private Enterprise Foundation (PEF) in Accra, called on the private sector to continue to hold dialogue with government on the direction of the economy.

The PEF was founded on the initiative of five major business associations, namely, Association of Ghanaian Industries, Ghana National Chamber of Commerce, Ghana Employer's Association, Federation of Associations of Ghanaian Exporters and the Ghana Association of Bankers.

The foundation's strategic objectives are to represent the interests of the private sector business community, maintain close relationships with all private sector business organizations and be the lead organization that would play an advocacy role in influencing policies and regulations of government. The foundation guides and influences collective efforts of private business enterprises in the country

Try and services the development needs of the private sector by providing technical, managerial, marketing and financial support.

In addition, it will promote industrial harmony which is one of the pre-conditions for the orderly development of the private sector.



*Promote
industrial
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For the orderly
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the private
sector*

Inflation Control -Key To Savings Mobilization

ARTICIPANTS at a round-table discussion on
"Post-FINSAP Flow of Bank Credit to the Private
Sector: constraints and an Agenda for Improvement",
have agreed that inflation control is the key factor to
improving savings mobilization and increase credit to
the

Private sector.

The discussion which was led by Mr. Alex Ashiagbor, Chief Executive, FINSAP Secretariat and Chairman of Metropolitan and Allied Bank, was organised by the Private Enterprise Foundation (PEF) in Accra.

PEF as the umbrella organisation for the private sector in Ghana expressed concern that despite FINSAP's liberalization of the banking industry, that has enabled banks now to freely determine their own borrowing and lending rates as-well as foreign exchange rates, and the removal of Mandatory Credit Ceilings, thus, making banks free to lend to any sector they wish to support without carrying large non-performing assets, their intermediary role in the financial market continues to be "weak and not supportive of private sector growth".

The concern is buttressed by the fact that when Ghana's Private Sector Credit of 1992 stood at 4.6 % of GOP, that of Kenya was 22.7 %. Over the same period that, of Malaysia was 75.5% while Thailand and Indonesia had 68.7% and 48.5% respectively. This shows that the Ghanaian private sector does not have access to adequate levels of credit.

Mr. Ashiagbor attributed the banks failure to inflation as a major constraint. "It is the cause of high interest rates in the economy as well as the cause of the persistent depreciation of the currency. Moreover, it causes savers to divert their savings

From financial assets into non-financial assets thus limiting the supply of loanable funds in the economy," he added.

He emphasized that there must be a serious attack on inflation since any other approach was peripheral, seriously flawed and not credible. He welcomed the government's initiative to control inflation through limitations on Public Sector Borrowing Requirements (PSBRs), empowering the monetary authorities to pursue open market operations, reinforcing the role of interest rates and bringing down inflation from the current high two digits' level to low digit levels by the end of the year and thereafter to middle or low single digit levels.

It is anticipated that these reactions be channelled to policy makers for the necessary action. Other measures that were discussed were the re-introduction of the VAT system to increase government revenue and that banks should re-consider their axiom of profit maximization to moderation and community service.

The discussion was chaired by Dr. J.K. Richardson, Member of Governing Council, PEF, while Mr. Kwesi Anyemedu, Senior Lecturer, Department of Economics, University of Ghana was the principal discussant. The rest were the President of Association of Ghana Industries, Dr. Addison and Mr. Kwasi Abeasi, Director-General, PEF.

Participants Want Fund for Tertiary Education

PARTICIPANTS at National forum on funding Tertiary education has called for the creation of a fund for tertiary education with an employer contribution of one per- cent.

Cost sharing between government and other interest groups should be phased out over a reasonable time frame, they suggested. Unilaterally, the Government cannot fund tertiary education.

On the current tertiary education budget deficit of a c30billion, participants suggested that it be liquidated by some mechanisms like donor assistance, beneficiaries and private support.

Mr. Ishmael Yamson, President of PEF said, "We have to give ourselves about five years to implement these cost sharing measures"

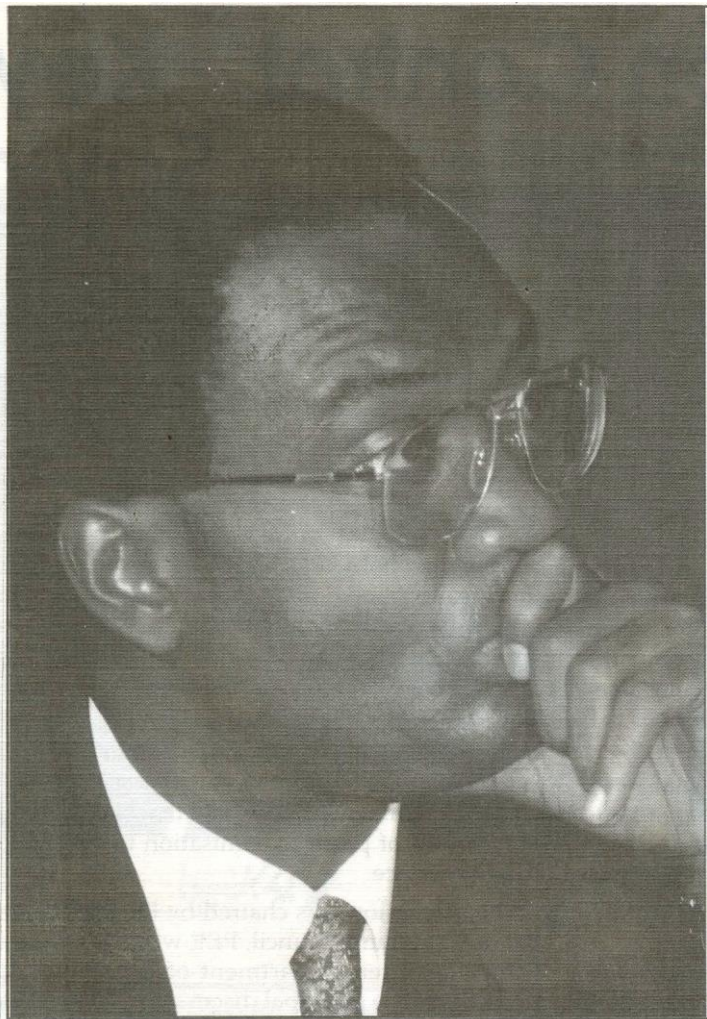
Five groups formed by participants at the work-Shop discussed perspectives of different interest groups- i.e., government, students, Universities/ polytechnics, etc.

Mr. Yamson disclosed that recommendations by the syndicates would be placed before parliament. Furthermore, he said a joint committee, would be formed to plan how to phase in parent's contributions to tertiary education.

Some of the recommendations emanating from the forum suggest that government should continue to fund teachers' salaries, teaching/learning aids consumable materials, library and other academic facilities for now, as well as development expenditure on major rehabilitation and to provide new facilities.

They also want measures taken to ensure efficient management of funds allocated to tertiary institutions and agencies.

New President for Chamber of Commerce



Mr. Ato Ampiah President of GNCC

ONE of the significant features of the recently held Annual General meeting of the Ghana National Chamber of Commerce was the election of a new president for the chamber.

The new president emerging at the end of it all is Mr. Ato Ampiah, Managing Director of Ghamot Company Limited who, before this was the Vice President of the Chamber.

A legal practitioner Mr. S. Abbain Quartey, who is the Managing Director of Legon quart Company got the spot of first vice-president.

Returned as second vice president was Mr. J.A. Awudu, the General Manager of CFAO Multistores Ghana Limited.

Nana Kwansamah III, Managing Proprietress of Margaret Bamfo Trading Enterprise in Accra was also retained as honorary national treasurer.

Mr. Ampiah assured delegates at the meeting that he would improve upon the good work of the outgoing President and his officers.

Re-energizing Public and Private Sector Partnership For Growth

REMARK made by Mr. Myron Golden, mission Director USAID /Ghana at the Private Enterprises Foundation workshop at Akosombo March 10, 1997.

You're Excellencies, distinguished guests, Ladies and Gentlemen.

I want to thank the Private Enterprise Foundation for arranging this important event, and thank all of you for being here. I believe, sincerely, that what we accomplish here today can lay the foundation for an economic take-off for Ghana.

As the chairman stated, this is a first step in a process that will bring renewed energies for effective dialogue between all segments of the private sector and the public authorities.

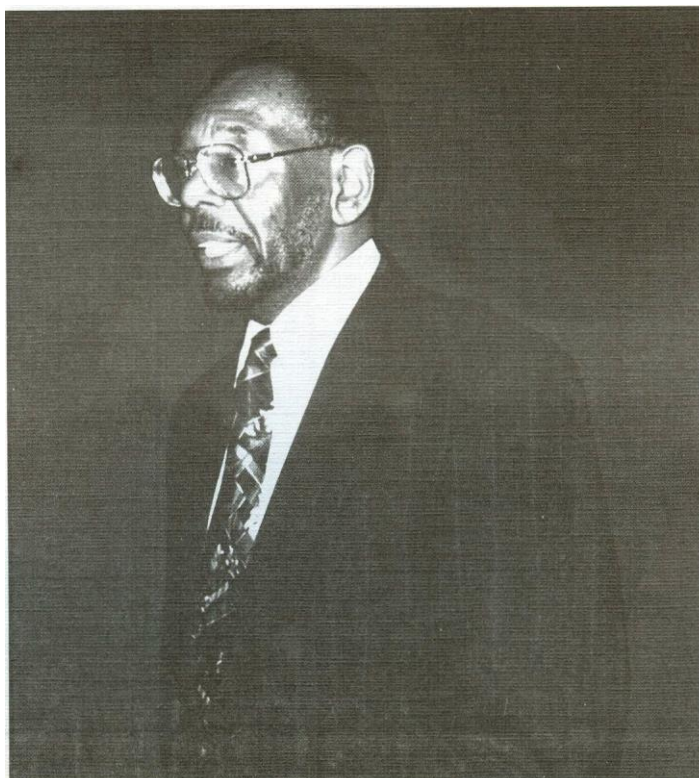
While I must congratulate all of you on what has been achieved under the Economic Recovery Programme, and more recently under the Trade and Investment Programme, I must also say, with due respect, that new and bold initiatives are needed, if Ghana is to avoid a regression to economic instability and economic stagnation, let alone move forward on a new path of rapid and broad-based growth.

From the time I arrived last June, I have expressed too many of you our resolve to help Ghana reach the Next Level of Economic Performance. Today, more than ever I am convinced that we need to find new energies and broaden the base of participation, not only to achieve visions of a better future, but to confront some pressing threats to what has already been accomplished.

The vision to become a middle-income country by the year 2000 requires persistent growth at double the average rates of the last decade. We've got to work twice as hard as we've worked in the cent past! The only way is for Ghana to become highly competitive in global markets. We are not There yet.

Furthermore, rapid growth cannot be achieved by the efforts of the large enterprises, alone. Full participation by all segments of Ghanaian society is a must, because the small and micro-level enterprises in the rural and urban informal sectors hold much of the real potential in the economy. This combination of sustained high growth through increased competitiveness in international markets, and with full productive participation by small and micro-level enterprises is what I have been calling, "the next level of economic performance" for Ghana.

The next level of economic performance requires an aggressive private-public partnership that does not yet exist in Ghana. An effective partnership between government and the private sector requires the following elements:



Mr. Myron Golden -Mission Director USAID

1. An environment in which enterprises are allowed to profit or fail from their risk taking. Ghana cannot afford the luxury of governmental bail-outs of firms from the mistakes of their managers;

2. On the other hand, the public sector must serve business enterprises as clients, rather than adversaries or waifs;

3. The private sector must become entrepreneurial rather than seekers of government benefits or privilege.

And finally,

4. Issues affecting the economy must be debated openly and with factual information available to all.

In Ghana, progress in achieving these necessary conditions has been inadequate, and as a result, Ghana remains a high cost risk economy. Renewed energy must be committed by all parties to reach the next level of economic performance.

Many of you, particularly my friends in government, have asked me, "after all the reforms we've made and after all our efforts to promote investment. Why are investors not rushing to Ghana?"

Don't Ignore Changes in Information Technology-Abeasi

CALL has been made to Ghanaian businessmen to tap the advantages of information technology

Enhance their business operations.



Tools of the new IT era

Mr. Abeasi, the PEF boss, who made the call said as business leaders, they should not ignore the emerging revolution in information technology to improve businesses.

to The Director-General made the call during the launching of an information Technology Training Programme for Chief executives, business leaders, senior managers and entrepreneurs in Accra.

The programme aimed at enhancing the capacities of chief executive and senior managers in the understanding of information systems management and the use of computer tools to enable them

To be abreast with economy of the world.

Jointly initiated by the Private Enterprise Foundation (PEF) and the KENROB Information Technology Systems, the programme focused on the practical uses of communication-based technologies in business research, market and industries in the era of competition.

Mr. Abeasi was hopeful that the programme would prime the Ghanaian businessman to cope with international competition.

He further said the programme would assist them to appreciate the need for data analysis.

The Managing Director of KENROB Information Systems assured the participants of his company's support and assistance.

Trainees were taken through introduction to computers, spreadsheet, word processing and the internet.

PEF Salutes UNDP

TRANSPORTATION is an important aspect of any project especially those being undertaken by the Empretec Ghana Foundation, Association of Ghana Industries, and the African Centre for Human Development under the \$5 million UNDP Capacity Development and Utilization Programme.

The three implementing agencies were recently recipients of 12 double-cabin Toyota pick-ups valued at \$150,000.

Mr. Kwasi Abeasi, Director-General of the Private Enterprise Foundation (PEF) who received the ignition keys on behalf of the institutions doffed his hat for UNDP for the gesture with the assurance that the operators of the programme would reach out to their target groups and provide the relevant services and support.

The head of the Multi-Lateral Agencies Department of the Ministry of Finance Dr. D.K. Berkoh, re-affirmed the government's readiness to create a conducive atmosphere for private sector participation

Potion in the economy.

Mr. Abdoulie Janneh, Resident Representative of the UNDP who handed over the keys asked the recipient agencies to reach out and provide the required services to small and micro private sector enterprises under the programme's target objectives.

He charged them to ensure that the vehicles are used strictly in accordance with UNDP's policy regarding use of project cars.

The implementing agencies have their operations located in 12 regional centres within Koforidua, Tamale, Kumasi and Takoradi.

... Re-energizing Public and Private Sector Partnership for Growth

Continued from page 5

The short answer is that; investors will not rush to Ghana until Ghanaians bear a larger share of the financing requirements. Domestic savings must increase several fold for Ghana to become an attractive business partner.

The investment climate in Ghana is dramatically affected by the role of government in all markets, particularly the labour and financial markets. The government is the principal employer and the wage setter. It has granted large real wage increases in recent years, And could do so again in response to political pressures. This labour Market situation adds to Costs and risks for expansion of activity in manufacturing, tourism and financial services.

On the other hand, established private enterprises still turn to governmental bodies to provide them with privileges and protections from competition. Official connections remain too much of an important factor in determining the success of an enterprise, in Ghana today.

In such an investment climate, it will be difficult to reach the next level of economic performance, because government, even if benevolent toward business

Is still seen by many as a fundamental bottleneck. This alone raises the cost of doing business in Ghana. And Ghana's enterprises which are accustomed to government's protection do not make attractive partners to international entrepreneurs.

The well intentioned efforts of government officials to assist particular sectors or activities seldom yield the expected positive results and come at high cost to other unprotected sectors. A more neutral framework is what is needed. A domestic level playing field, if you wish.

In the financial markets, banks and other institutions serve primarily to provide the nation's meagre savings to support the government's current expenditures. Major consequences of this are high nominal rates of interest and reduced lending to the private sector.

These severe problems with the financing of government expenditure will not be easy to eradicate, because by now the government's need to service its domestic debt is on a par with the wage bill and with other components of current

ance of the private financial system will be severely restricted by the government's pervasive Role in this market. The present system is a disincentive for domestic savings, and a threat to international investment flows. The government's room for maneuvering is also limited by falling levels of official assistance, and the dependence on a narrow export base-cocoa and gold.

On the matter of foreign assistance, let me say, candidly, that I believe, we, the international donors are part of the problem. We have created a market for piecemeal reforms and concessions that



Mr. Cleveland Thomas Project officer of the Trade and investment Programme (TIP) in a chat with Mr. Myron Golden

ex-
Improve the perform-

Drive you away from what is truly optimal for Ghana. You need to tell us what your national agenda is and then ask us to fit in.

For Ghana to achieve the next-level of competitiveness in international markets, it must truly open to the global markets for goods, services and capital. To become globally competitive, the country must address the problems of macroeconomic management and trade distortions in an integrated, persistent and credible manner. Gradual and piecemeal

approaches create the risks of making matters worse through inconsistent policies and behaviour.

The foregoing notwithstanding, Ghana has many positive factors that are cause for optimism regarding its role as a highly competitive player in the global economy. Ghana is closer to its potential markets than other ready successful world class exporting countries. Its resource endowment is robust, and Ghanaian women and men have a long history of successful entrepreneurship. With these assets Ghana's enterprises can be full and productive partners to many types of international enterprises.

Continued on page 26

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On is as follows:

GENERAL MANAGEMENT

Management - Top Level
Management - Executive
Management Consultant
Operations manager (Non-Mfg.)

FINANCE

Economist
Credit
Investments, Securities
Controller, Treasurer
Accountant, C.P.A., Auditor

PRODUCTION, TECHNICAL

Metallurgist
Tool and Die Designer Production
Manager, Manufacturing
Maintenance
Agronomist, Farmer, Rancher
Construction Geologist,
Miner Architect, Interior
Design Quality Control
Spinners and Weavers- Textiles
Specialist, Printer, Textiles Finisher and Dyer

MARKETING/PUBLIC RELATIONS

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Market Research
Marketing, Sales, Merchandising
Advertising
Retailer

HUMAN RESOURCES

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ADMINISTRATION

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Distribution, Warehousing, Transportation,
Inventory Control
Purchasing
System and Procedure
Data Processing, E.D.P., Software, Computers

ENGINEERING, RESEARCH

ElectdcarEngineer; Electronics
Chemist; Chemical Engineer, Scientist
Industrial Engineer
Mechanical Engineer
Civil Engineer
Design Engineer, Industrial Designer
Research and Development
Environment
Plant Engineer

PROFESSIONS

Educator
Health, Medical
Legal

"These individuals arrive in the country ready to go" says Dr. Duffour of the DuPaul Wood Processing Ltd one of the beneficiaries of IESC programme

In Ghana, and who had had three differ-

Continued on page 27

Move Away from Militancy Approach - *Harry Mbeah*

THE Private Enterprise Foundation organized a two-day seminar for the Trade Unions Congress (TUC) on the 12th of September, 1996. The seminar which aimed at educating TUC membership on the use of financial statements in negotiating salaries and conditions of service with management, was sponsored by the Danish International Development Agency (DANIDA).



Ali: Jeffery Owusu, Administration Manager

The seminar took the participants through "What it takes to go to the negotiating table". Speaking at the seminar, Mr. Harry Owusu, Administrative Manager of PEF, said negotiating conditions of service was vital to industrial harmony and that the labour movement needed to know what was required for effective negotiations. He also said properly negotiated conditions of service promotes productivity and good management-worker relationship.

Mr. Harry T. Mbeah, Administrative Secretary of the TUC, noted that it was imperative for workers to know the financial standing of their organization before entering into negotiations adding that of all the criteria needed for effective negotiations, the most important one was "ability to pay". Mr. Mbeah said current global changes demanded that trade unions moved away from the use of militancy in their approach to issues of welfare and rather adduce facts and figures to justify whatever they demanded. He spoke about the importance of understanding financial statements and mentioned how it could have prevented a lot of fraud and save the nation from various losses.

Mr. Stanley Pierre, a board member of PEF, who chaired the function, said accounting was very vital to a business, and management employee relationship. He pointed out that the workforce of any entity was very essential to achieving set targets, suggesting that organisations should strive for equilibrium in management-worker relations.

Use New Techniques and Skills - *Abeasi*

TWO-WEEK training seminar aimed at enhancing sustainable productivity by private enterprises
Was held in Accra on the 9th of September, 1996.

The course was jointly organised by the Private Enterprises Foundation and the Danish International Development Agency for 30 participants from the manufacturing industry.

The workshop aimed at improving the skills and awareness of Ghanaian enterprises in relation to the importance of improving both their productivity and environmental conditions. Discussions were held on environmental management, productive machine safety and accident prevention, control of hazardous substances, and health and safety in industry.

The workshop was opened by Mr. Felix Quansah, Consultant to the DANIDA private sector development programme. Opening the conference, Mr. Quansah noted that higher productivity with minimal environmental impact was imperative for sustainable development. Therefore, it is essential that concrete efforts are made to minimize environmental impact while enhancing productivity. Mr. Quansah asked the private sector to assume full responsibility for ensuring

Improved standards of working to sustain a viable economy, noting that ensuring better standards of health and safety and sustaining the environment, should not be seen as the major concern of government

Mr. Benni Bundsgaard, of DANIDA also said it was possible to improve the environment and productivity in order to get a higher output with better qualities. He added that DANIDA was committed to contributing positively to the development of private enterprise in Ghana

The Director General of PEF, Mr. Kwasi Abeasi who chaired the function, said there was the need for private entrepreneurs to learn and use new techniques and skills that would enhance their competitiveness on the international market. He observed that the trade liberalization policy being pursued in the country has made it imperative for local entrepreneurs to enter global competition. He again reiterated the need for private entrepreneurs to increase productivity while ensuring a clean and a healthy environment

Women Entrepreneurs Challenge the Global Information Society

THE need for African women to use advances in information technology to support such productive sectors like food production, agri-business, healthcare and educational reform has been emphasised.

Speaking at the opening session of the Sixth International Conference for World Association of Small and Medium Enterprises (WASME) and International Federation of Women Entrepreneurs, the wife of the vice president Mrs. Naadu Mills, informed participants that they should take up the challenge of improving their proficiency in Communication technologies. This she noted, will bring about tremendous advancement in the economies of their respective countries. Mrs. Mills emphasised that the need for women to take advantage of advance telecommunication technology to improve their business was further affirmed at two other conferences for women in Malta and Botswana.

She refuted the assertion that the cost of transferring telecommunication technology to remote rural areas cannot be justified by the benefits they bring. Citing examples from Lesotho and Zimbabwe, Mrs. Naadu Mills stated that dramatic impact in terms of improved market access has resulted among groups of traditional rug weavers, and vegetable farmers in the countryside. These groups were exposed to the

Global market through the Internet.

In the Academic field, students at Universities in the South Pacific and the Caribbean have benefited from teaching information made available through Satellite communications. Similarly, through the use of Electronic Mail (E-mail) and video conferencing, negotiations have been conducted at cheaper cost, whilst wireless technology has carried educational skills to people in remote areas.

She cautioned however that while women in developing economies yearn to take full advantage of the unfolding communications technology, they must be at the same time, mindful of obvious technical hurdles and financial stumbling blocks to their goals.

She consequently advocated that African women must find ingenious ways of getting over the hurdles so that they could

Balance their business through access to advance telecommunications technologies.

She concluded her address by emphasising that women entrepreneurs have no choice but to take advantage of available opportunities and build on their experiences. Declaring that "in the new millennium the 21st Century advances in information technology and communications will affect almost all aspects of our lives". Women entrepreneurs she enjoined, must seek financial and socio-political liberties through increase usage of information technology.

The four-day conference was organised by the International Federation of Women Entrepreneurs, the World Association of Small and Medium Enterprises (WASME) and the Ghana Association of Women Entrepreneurs (GAWE). The theme of the conference was: *"Technology and Communication: Impact on women Entrepreneurs in the global economy."* The main sponsor is the United States Agency for International Development (USAID).



Mrs. Naadu Mills and the President of the International Federation of Women Entrepreneurs (IFWE) Madam Motik Promono

PEF on Policy Implementation

TOP private enterprise promoter has expressed a desire to see established an effective partnership and collaboration between African governments and the private sector, to accelerate the socio-economic development of the continent.

Mr. Kwasi Abeasi, the Director-General of the Private Enterprise Foundation, explained that such collaboration would facilitate the implementation of policies and programmes by the private sector.

The Director-General was speaking at the closing session of the second commonwealth entrepreneur trainer motivator's workshop, organised by the Management Development and Productivity Institute in collaboration with the National

Board for Small Industries and Empretec Ghana Foundation.

It was designed to enhance their capability in initiating, planning and executing entrepreneurial activities in their businesses. The participants were drawn from 13 African countries; Ghana, Cameroon, Zambia, Tanzania, Lesotho, Mauritius, Namibia, Uganda, the Gambia, Sierra Leone, Seychelles, Zimbabwe and Malawi. The Commonwealth Secretariat, London, sponsored the function.

Mr. Abeasi called on other African countries to emulate Ghana's example, where a government/private sector initiative aimed at establishing the necessary collaboration is underway.

Mr. Austin Garney, a government representative and deputy Minister of Employment and Social Welfare, whose speech was read on his behalf, said the role of small and medium-scaled enterprises in the economic growth of African countries is of crucial importance to the continent's development.

Establishment of Gold Refinery Advocated

Today seminar was organised by MOME Consult Limited and the Ghana Chamber of Mines. It was attended by members of the Ghana Mine Workers Union and the Ministry of Mines and Energy, including a team of their managers and other workers. The theme of the seminar was "Sustaining the growth of the mining sector: the role of social partners."

At the seminar, Mr. Kwasi Abeasi, Director General, of the Private Enterprise Foundation (PEF) stressed the urgent need for mining companies to consider the establishment of a gold refinery in the country to add value to the ore.

He said it is time for the establishment of more support industries to provide a basis to invest in processing the high volumes of raw gold production.

Mr. Abeasi mentioned that the country should diversify into industrial minerals which have a greater potential for linkages with the rest of the economy. He asked all social partners, especially the mining companies to ensure that the industry operates in a more environmentally friendly manner.

Mr. Abeasi noted that the theme was appropriate because the mining sector has seen some real growth in the last few years especially with the introduction of policies that have encouraged small-scale mining.

Mr. Kwabena Sarpong Manu, Director of MOME Consult Limited said in a welcoming address, that the seminar would provide a forum to discuss issues confronting the mining sector so as to deal with certain misconceptions, suspicions and conflicts in the industry.

Mr. Feter Bradford, President of the Ghana Chamber of Mines, stressed the need for improved safety measures in the mines to minimize the number of people who get injured.

And finally, Mrs. Veronica Wiredu, Director of Administration of the Ministry of Mines and Energy, who chaired the function, said mining products have overtaken cocoa in export earnings and urged the social partners to endeavor to maintain that lead by sustaining production levels.



Miners at Work

Starting Your Own Business

ONE of the most dramatic stories I have heard about entrepreneurship, is the story of this young university graduate who was recruited by an international organization in Ghana soon after school. This lad demonstrated tremendous potential at his job and consequently, was nominated to pursue a course in America which would train him adequately for a position in one of the organizations' departments. Eventually this young man returned to Ghana, only to be set aside by some senior officers, stating that he was too young to run the

You need to be able to compromise and be intensive and be able to move fast to grasp opportunities and avoid pitfalls

Programme.

The young man became frustrated and left the organization vowing that he was going to start his own business and become his own boss. He is now successfully managing his business which is steadily making profits.

Certainly, there are different motives for starting your own business, but not everyone can succeed in a business venture. In thinking of starting your own business, the basic question that you need to ask yourself is: Are you the right candidate? Well, are you? Stop here for a moment... and think. This is probably the most important question that you will ever ask yourself, in connection with the running of your own business. Forget for a moment whether your idea is viable, whether you have the necessary skills, capital, premises- before tackling the validity of your business ideas. We should first be looking at YOU. Self-knowledge is vital for the running of your own business- not only in the early stages, but as your business grows. You need to be acutely aware of your strengths and weaknesses, so that you can capitalize on your strengths and make sure that there are others around to compensate for your weaknesses. It is often said that there is no room for sentiment in business. This is largely true and never more relevant than in the case of self-analysis.

Ask yourself these questions

* Do you have confidence in yourself and your abilities - confidence that will enable you to withstand major setbacks, confidence that can rise above criticism and rejection?

* Are you an innovator as well as an administrator? Can you claim to have the power of original thought, or to work effectively? Do you need to be a part of an existing operation?

* Are you a workaholic? Are you prepared to work until three in the morning night after night, if necessary, to see your idea off the ground?

* Are you dedicated- not just playing at it? In other words, are you prepared to "put all" into the establishment of your business, with the firm conviction that failure is impossible?

* Are you fit, mentally and physically? If you have a tendency to ill-health, the stress of running a business will aggravate it and there can be no days off sick from now on.

Don't start your own business

If by inclination or ill-health you are not pre

pared to fulfil your ambition. If you cannot cope with taking the ultimate responsibility for your future. If you do not feel positively vocational about your project- you have to want to do it so badly that you are quite prepared to put it before everything and everyone else. If you feel daunted by the prospect - if you have your doubts before you even start, then three weeks into running your own business you will be suicidal. You need to be able to compromise, and be intensive and able to move fast to grasp opportunities and avoid pitfalls

It is necessary in this process of self-analysis, to consider of your own. After all, you are unlikely to be undertaking such a major step purely for fun you

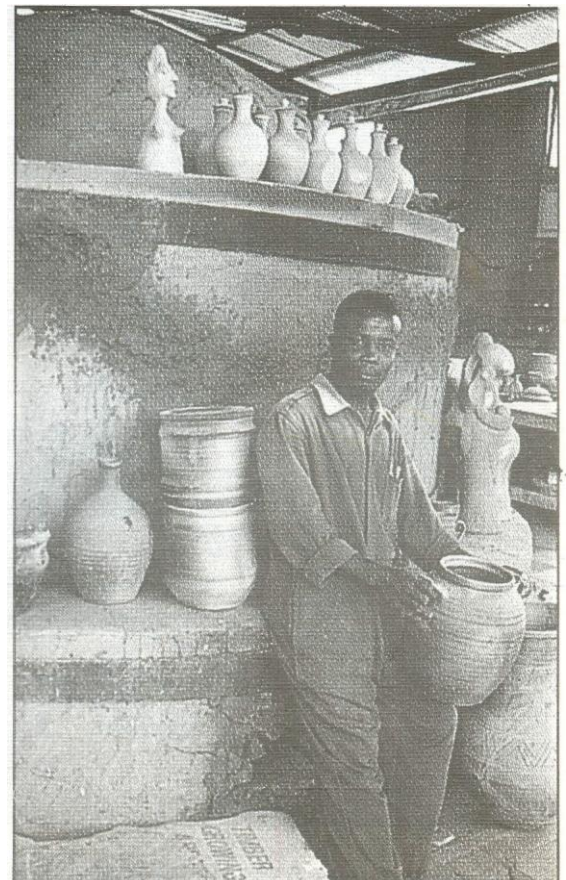
Want to achieve something, you have an end product, a goal, in mind, and what you need to ensure is that your own business is the best method by which you can achieve that goal.

What do you want to achieve?

Do you want to be? Rich? Do you want to be?

Famous Do you want to be more fulfilled in your work? Do you want to change the world? Do you want to be your own boss? Do you want to be more altruistic do something for someone other than yourself, for a change?

A variety of circumstances may contribute to your ultimate decision to run your own show. Perhaps the knowledge that if your boss criticizes your work just once more, you will smash his teeth down his throat, could provide the incentive' Perhaps that opportunity / order / enquiry that your existing employer continually ignores, is building a gap in the market that you can fulfil in other parts of the world. One hears, With surprising fre



Pared, or cannot work, all hours of the day and

Continued on next page

... Starting Your Own Business

Continued from previous page

Quency, of ambitious young people who set about becoming millionaires by a given age and do actually achieve it. Are you one of them? Analyse yourself, analyse your motives, check and double check. The easiest person in the world to dupe is yourself. Don't let that happen - there's too much at stake.

Whenever you are making a major decision, it is vitally important first to understand exactly where you are. Only then can you decide where

You should be going. Pedantic it may appear, but what you must do, before putting into operation any sort of business plan, is to fill out the Personal Audit form. You may think that you are only too aware of your assets and liabilities, but it is surprising how different the picture can look when committed to paper. You are, in effect, conducting a personal audit, and it is essential to establish the financial base from which you are planning to start a business of. Your own. Your personal audit will tell you;

Your fixed expenditure, you're fixed liabilities, your current income, and your current assets. These pointers will highlight what you actually need to earn to Put yourself in the same Position as you are in currently. They will also tell you what in Come and assets pledge Have available to of against the raising money to finance your Business. Most important of all, they will tell you the very minimum income you have to achieve to meet your current commitments.

A personal audit is a vital exercise. But of course, it only highlights the financial aspects of your life, which, although important, are by no means The only consideration. Do you actually have the time to run a week business? Do you spend four nights of the working as a youth club leader? Is your spare time spent at the sports stadium, at the beach, drinking beer with friends singing in the church choir, or with your head in a book? And if so, are you prepared to give up these activities- at any rate for several years - while you concentrate wholly and single-mindedly on the establishment of a business? Money is not everything, though, it does feel like it when you have none! Generally speaking, though, we are becoming increasingly aware

PERSONAL AUDIT

NAME -----

AGE -----

STATUS Married ☐ Single ☐ Divorced ☐ Widowed ☐

DEPENDENT CHILDREN No: Ages:

OCCUPATION

Employed ☐ Unemployed ☐ Self-employed ☐ Retired ☐
Yourself Spouse

ANNUAL INCOME- EARNED

SALARY/UNEMPLOYMENT BENEFIT	£	£
BUSINESS/PROFIT SHARE	£	£
PRIVATE PENSION	£	£
STATE PENSION/CHILD ALLOWANCE	£	£
CASUAL WORK	£	£

-UNEARNED

BANK INTEREST	£	£
BUILDING SOCIETY INTEREST	£	£
INVESTMENT INCOME	£	£

ANNUAL EXPENDITURE

MORTGAGE PAYMENT/RENT	£	£
BANK INTEREST ON LOANS	£	£
DAY TO DAY LIVING COSTS	£	£
HOLIDAYS	£	£
INSURANCE PREMIUMS	£	£
OTHERS COMMITMENTS	£	£

ASSETS

HOUSE (FULL VALUE)	£	£
ADDITIONAL PROPERTIES	£	£
PERSONAL POSSESSIONS	£	£
BANK DEPOSITS	£	£
HOME FINANCE DEPOSITS	£	£
ANTICIPATED LEGACIES	£	£
OTHER INVESTMENTS	£	£

LIABILITIES MORTGAGES

BANK OVERDRAFT	£	£
/LOANS OTHER LOANS	£	£
OTHER BORROWINGS	£	£

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Wealth is not necessarily the way to a happy and fulfilled life. If your hobbies and interests absorb the major part of your free time, and you enjoy doing them, you might well be advised not to start your own business.

You are probably sitting comfortably at home, with your feet up, reading this publication, and yet you are thinking of embarking on a new phase in your life which will give you very little time for looking at any magazine but this one! Are your personal circumstances dictating the way you are thinking, or have you been made redundant and are finding it difficult to get another job? Have you been retired early and feel it is wrong not to be working when other people your age is still in harness? Is it a factor such as this which is making you feel you must create your own employment? There is nothing wrong with these feelings provided that the idea of running a business has always appealed to you. What you must analyse is whether like the chap described above, desperation has driven you to considering this step, or whether you would have set up on your own anyway, sooner or later. Do your current circumstances represent the opportunity for which you have always been looking, or are they forcing you into taking a step you would never otherwise have considered?

So... you have retired a few years early - why not settle for drawing your pension and finding an interesting hobby? Just because you cannot find a job, it does not necessarily mean you should be creating your own. Be wary of how your personal circumstances are influencing your decision.

Is Your Family Behind You?

Self-inflicted pain is one thing. Visiting it on other people - particularly your nearest and dearest is quite another. Most advice linked to the starting of a new business tends to concentrate on the importance of family backing. Frankly, backing is not enough. Members of your family need to recognize that, if you are intending to start and run your own business, for the first few years, at any rate, they will take second place - along with everything else in your life. Roles will blur and change. Wives will find themselves standing on the touch-line, cheering on their sons in a game they may have never played. Husbands will be cooking family supper and helping with home-work they may well not understand. The ordered traditional roles of the family will be turned upside down. Not only do you have to decide whether this is possible, but also if it is desirable. Your family may well be enthused about the concept of your starting a business of your own, without really having any understanding of the implications involved. It is up to you to ensure that they fully realize what is going to happen, so that there is no room for resentment later on.

The Mediterranean countries specialize in this - It is known as the Mamma and Papa business. The whole family, becomes involved in the running of a shop, a cafe, a taverna or a bar. Family

Participation may be rather extreme in these countries, but the philosophy behind the concept is correct. Resentment develops very largely as a result of misunderstanding. Communicate with your family at all times - that is the key.

Circumstances to avoid

Do not start a business of your own if you have children under two years of age. A terrible generalization, yes, but you cannot cope with sleepless nights and the stress of a business startup. Similarly, responsibility for an aged dependant is again stacking the odds too highly against success. You cannot be stretched in too many directions. Do not put your family home in jeopardy if you have children. However, tempting it is to pledge your house to generate extra business capital - do not take the risk. Avoid personal guarantees and concentrate on building your business slowly and carefully, if you have a young family relying upon you. Recognize that if the members of your family are going to have to cope with seeing you on a part-time basis only, you cannot expect them to accept a dramatic reduction in their standard of living as well.

Allow at least six months' money to support your family while you are establishing the business. A year's financial back-up would be a more realistic figure, but this is not always possible. Never, for one moment, imagine you can live off the business from Day 1.

The good news

Dire warnings about the need to consider and cater for your family are more than compensated for by the other side of the coin. In moments of despair and weariness, your family can provide tremendous security and comfort. They are your *raison d'être*. You have to succeed because they are relying on you, and this responsibility will be an additional fillip to help you build a successful business. Certainly, in the past, many a business has been built on the

Back of one person's ambition to provide a Better life for the children.

Indeed, many of today's big industrial empires have grown and prospered for the benefit of one family, and there is nothing wrong with that. One of the many advantages of owning one's business has to be that there is something to pass on to children and grandchildren. A family business has a special kind of attraction on its own feeling of tradition, of an established proven product or service - and perhaps this is the kind of business you have in mind. Either way, whether you are planning to build a multi-million-pound conglomerate or to form,

Do not diversify from your special skills. You know what you do best. Stick to it and sub contract The rest.



A partnership with your Child, involve the family From the first day,

Continued on page 19

The agricultural sector of the Ghanaian economy. Offers excellent opportunities for investment - A young woman entrepreneur tending her palm seedling

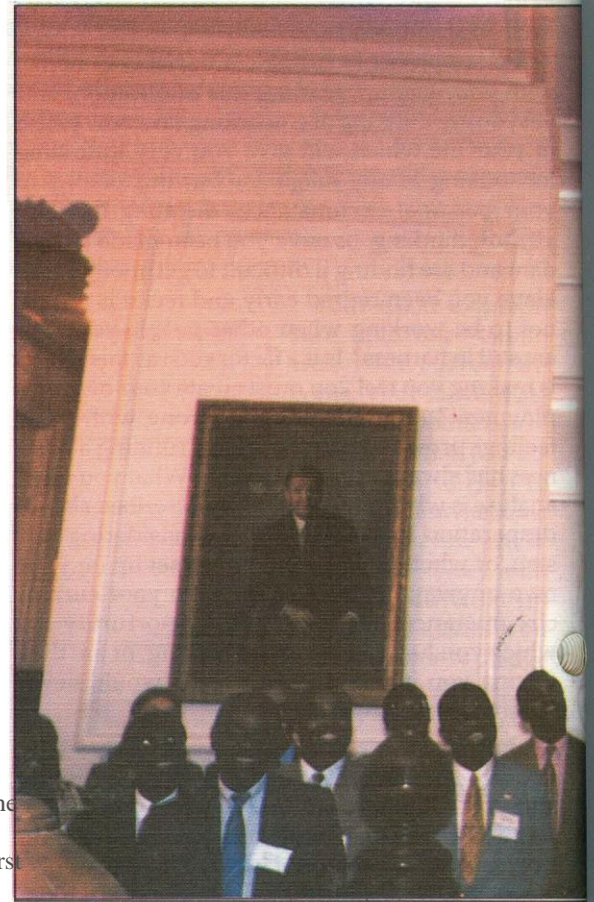
Ghana: Reaching The N

THE North Carolina Conference organised by PEF and sponsored By USAID brought together prominent Ghanaian private sector business operators, policy makers and representatives of government to discuss the direction of the national economy. This was a follow-up to a previous conference held in Akosombo earlier on in the year.

The North-Carolina conference even though was not highly publicized, attracted public comments and delegates were subjected to various interviews on what happened. In this edition, Enterprise Forum brings you a serialized article on what happened at North Carolina. The first installment is on what happened on the first day of the conference.

WHAT HAPPENED AT NORTH CAROLINA DAY1?

First day's meeting started with Ishmael Yamsom, president of the Governing council of the Private Enterprise Foundation (PEF), giving the background to the current three-step initiative, the first step of which was in Akosombo on March •



The Vice President of Ghana/ Professor Atta Exdtement is to Rnor Hunt of NorthCar



Delegates at the Conference interacting with each other. Left Mr. Adu Arthurmanaging Director of Pee Wood Ltd. and in the middle js Mr. Edward TarpInjan Country Director of ! ESC

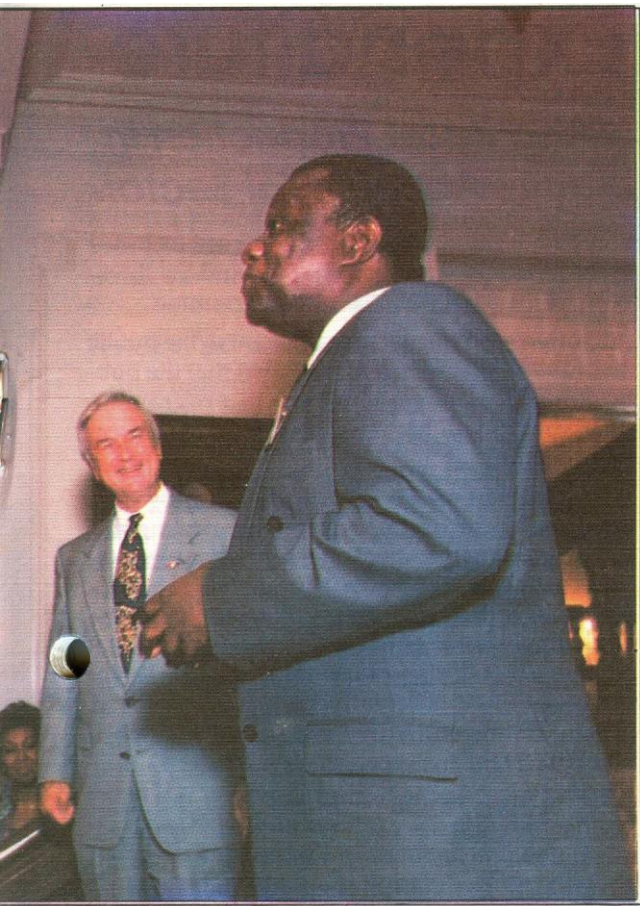
10, 1997, known as the Ak Introduced the Director of the as the moving vision has cu to give some opening rema

Mr. Myron Golden, in h lenges from Akosombo" co in getting involved by the that Ghana is fully commit nomic performance to tials of the work that was Ess of building a public/pr But inevitable choice requi

He reviewed what was lea that were identified. For h the need to build a partner One that solves p problems challenge is to create a feelin partnership, find a way off d cost, high risk economy.

"We confirmed in Akoso but it cannot be achieved attitude. We agreed to ateb that in this debate meanve of informing the pro As the number one problem Be the number one target. Many other private and pub petitiveness. We also exp dollarized economy as a s markets."

Next Level of Performance



Mr. Golden is addressing his Compatriots. Looking on with Mr. Myron Golden, USA.

Mr. Golden, therefore, challenged the delegation to identify Ghana's choices and what their American friends can do to help. America was offering Ghana its love, but it is "tough love." Tough love because they are sincere about wanting to help Ghana, and tough love because they are convinced of our commitment. His dream was that we conclude with a clear commitment to the bold initiatives needed to achieve the next level of international competitiveness.

Dr. Joe Goodwin of the Sigma One Corporation handled the subject "Difficult Choices to be made to Achieve vision 2020". Dr. Goodwin first reviewed the macroeconomic framework using the figures as released by the various Ghanaian sources to indicate that Ghana needs to target a GDP growth of about 8% on the average. Ghana is on a CUSP and must strive for the next level or face regression. This next level cannot be reached with business as usual or high inflation but through;

- 1) Increased competitiveness
- 2) Increased domestic savings, and
- 3) Increased foreign investments.

It "was, also identified that to be able to achieve the vision 2020 objectives, exports must grow. Ghana also cannot depend on gold and cocoa alone but must diversify the export base. By implication, this would involve harnessing the agricultural base, including the informal sector, and

- 1) Increased competitiveness
- 2) Increased domestic savings, and
- 3) Increased foreign investments.

That we cannot pick winners.

Continued on page 28

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Mr. Ishmael Yamson - President of PEF (middle) poses with some of the delegates at the Conference. At the far left is Mr. Abeasi the Director General of PEF

Government to Curtail

Expenditure

and Boost Production in Agricultural Sector

THE aim of Government to restore macro-economic stability in the country through curtailing public expenditure and increasing agricultural production was further given an impetus by the president Jerry John Rawlings at a conference in Accra.

... What the Nation requires is practical solutions and actionable suggestions.

Speaking at the National Economic Forum at the International Conference Centre on Tuesday, September 2 1997, the president outlined the measures that the government has embarked on in this direction.

As an integral component of this measure, all Ministries, departments, agencies and district assemblies are no longer to enter into open-ended contracts. Any contract whose variation exceeds 25% of the contract sum is to be subjected to laid-Down procedures for award of contracts.

The Forum which was organised by the National Development Planning Commission in collaboration with the Private Enterprise Foundation (PEF) had as its theme, achieving national consensus on policy measures for accelerated economic growth within the framework of Ghana Vision 2020. It was attended by a cross-section of the Stake-holders in the National economy.

The President elaborated that new projects will

Only be admitted where they have been included in the five-year development plan and the three-year rolling public investment programme.

To improve financial management in the public institutions, the president indicated that the public finance management reform programme (PUFMARP) will be accelerated to cover all sector ministries.

The programme he explained, will provide a timely database for effective decision-making and control public expenditure. Other public expenditure-cutting measures that the president mentioned included; the centralised purchasing of government vehicles to enjoy economies of scale, stringent monitoring of use for such vehicles by heads of ministries departments and agencies and placing ceilings on utility expenditures by government establishments.

President Rawlings observed that the fight against inflation has been made worse by public institutional investment in treasury bills making government pay interest on its own money, while the function for which the funds were allocated, and remains unperformed.

As a measure to forestall this practice, he directed that all government accounts be transferred to the central bank. District assemblies were also prohibited from investing in treasury bills.

The president also outlined some measures to boost the agricultural and manufacturing sectors. These include securing additional lines of credit to increase its lending capacity, the reduction from 35% to 20%, the tax on income derived from bank Lending to agriculture.

He also announced that a number of existing irrigation projects in the country are to be rehabilitated and their management improved, adding that an inventory of farm lands that are free from litigation is to be taken to create a land bank with a view to facilitating access to land by the youth and prospective investors in agriculture.

To increase the capacity utilization of manufacturing industries, government would encourage contract production and other forms of tolling arrangement as part of measures to increase capacity utilisation of manufacturing industries and create job opportunities.

He charged participants not to engage in Theoretical wranglings on definition of economic concepts, causes and effects of economic phenomena and disputes over responsibility for causation or rectification of problems. Emphasising that what the nation requires is practical solutions and actionable suggestions.



Fit. Lt. Rawlings- President of Ghana

Starting Your Own Business

Continued from page 15

And if they will not give you their full support and backing, forget the whole idea.

What is Your Business Experience?

What are you? Are you an administrator, salesperson or an operative? It is vital to establish which of these skills is yours in particular, for you need to recognize that no one can do everything within a business. Having recognized which is your special skill, you should stick to your last and gather around your compatible talent, to fulfil those tasks of which you have no experience.

Profile of an Administrator

An administrator knows how to turn a potentially viable concept into an up-and-running business. An administrator can mastermind the operatives and salesforce into doing their jobs of producing and selling, pulling the strands together into a cohesive whole, which will run smoothly and efficiently. To use their special skill effectively, administrators are likely to be looking at a comparatively larger business than those who are in the other two categories. Administrators are reliant on other people for product knowledge and production technique. And, if they are sensible, will tend to 'poach' the skilled staff who are needed, from former business contacts, recognizing that employing the right people is everything.

Experienced administrators can establish a very successful own business, provided they recognize the need to buy in the very best, in terms of sales and production personnel.

Profile of a Salesman

For an experienced salesman to start a business of his own, it goes without saying that he has to have a product or service to sell. A product or service about which he feels enthusiastic and committed. Salesmen are the lifeblood of any business, and a man with selling experience, going it alone, does have some enormous advantages. Not only is he able to establish a market for the product or service he is offering, but selling skills will help considerably in the development of the business.

It applies whether he is selling the viability of the business to the bank manager in order to obtain an overdraft, selling his integrity to a potential supplier to gain credit, or selling to a future landlord the concept that he will make an excellent tenant.

The salesman needs to work with good operatives, whom he both trusts and respects to produce what he has to sell. Few salesmen are good administrators, and they need to recognize that fact by employing the right staff to make sure the office runs smoothly. Traditionally, managing directors tend to be administrators or accountants, rather than salesmen. There is no reason why this should be so. If your particular skill is selling, there is every reason to suppose you would make an excellent managing director. Indeed, it tends to help the selling effort enormously if the customers feel they are dealing with the top man.

Profile of an operative

In many ways it is easier for an operative to

start a business than for either of the other two categories. The operative holds all the cards. It is he who is producing the product or service, without which there is no business at all. An operative, working within a company, may realize that the product he is producing for someone else is either not quite right, or not being produced in sufficient quantity to meet the demand. This situation may provide the opportunity to set up a business of his own. Often, if he does this in the light of experience within a particular industry, the operative needs very little back up support in terms of administration or sales, because he or she is

working in an existing and known market. However, if that operative should decide to broaden his base in any way, then he should recognize the need for specialist help.

An operative can usually learn the skills of selling and administration easier than those in the other two categories. Therefore, he has more of a choice as to how the business is run. As an alternative to bringing in specialist skills, he can acquire those skills. Certainly, in some industries, the customers infinitely prefer to talk to the man who has the skill to produce the product they want, rather than deal through a seller who only has third-party knowledge. While the business is small, operatives are the one category who can successfully go it alone- but as the business increases they, too, will need specialist help.

Golden Rule

The message here is simple. Do not diversify from your special skills. You know what you do best- stick to it and subcontract the rest.

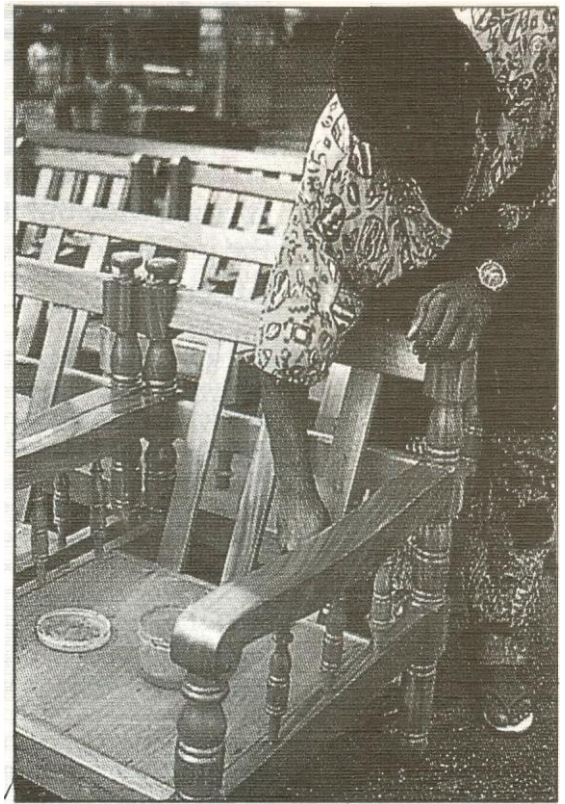
Study Your Product Knowledge

Speak to any banker or financial institution on the subject of new business failure and you will find that invariably they will hold the same view - a view borne out by statistical fact. Most of the new businesses that fail is those where the principals have had no previous knowledge of their trade.

It is a curious phenomenon that people are so often attracted to a trade in which they have had no previous experience. Engineers want to grow vegetables, accountants want to run fast food joints... there is this feeling that if you are going to run your own business, you should do it in a field that appeals to you rather than one in which you have direct experience.

Dreams are all right in their place, but putting them

Continued on page 21



A young man starts his own furniture manufacturing company

Most of the new businesses that fail are those where the principals have had no previous knowledge of their trade

A little knowledge is never more dangerous than when it forms the foundation for starting a business of your own.

The Value Added Tax (VAT) currently is used as a major source of revenue by all members of the European Union (EU).

Value Added Tax (VAT)

What IS It?

spreads wide but its implementation is the problem. — Kwas1 Abeas1 Director General PEF

The introduction of the value-added tax as a replacement of the sales tax in 1995, stirred up public sentiments and had to be suspended. The hue and cry by the public was justifiable, considering the cascading effect of the VAT on consumer items. This cascading effect was consequent on the low level of education about the VAT. People are apprehensive of taxes. Frequent mention of the introduction of a new tax system is enough to send shivers down their spine. Apprehension mixed with misunderstanding and the cascading effect of VAT on price is therefore a good recipe for disaster. This piece is intended to shed more light on the VAT system and its administration. It is also to educate people who want to comment on it so that they could put forward better arguments either for or against it. This is so that a better implementation of VAT becomes effected.

The value-added tax (VAT) currently is used as a major source of revenue by all members of the European Union (EU). The tax was first adopted in 1954 by the French National Government. In 1967, the council of the EU issued directives that led to implementation of the tax in all member nations, in order to better harmonize existing tax systems and, in turn, to improve the flow of goods and services among member nations. When a nation is admitted to the EU, it is required to intro-

duce the VAT as a condition of membership. Currently, the EU nations include Belgium, France, West Germany, Italy, the Netherlands, Luxembourg, the United Kingdom, Greece, Ireland, Spain, Portugal, and Denmark. The value-added tax is also used in Austria, Norway, Sweden and some Latin American nations.

The meaning of value-added tax is simply a multistage sales tax that exempts the purchase of intermediate goods and services from the tax base. Value added is the difference between sales proceeds and purchases of intermediate goods and services over a certain period. For example, the value added for a grocery store in a given month is the difference between the total sales receipts that month and the total invoices for goods and services from its suppliers that month. Suppose the store had total sales receipts of €150,000 that month. If it purchased €75,000 of groceries from its suppliers and €10,000 of goods and services from other firms, its value added would be €65,000 that month.

Sales - Purchases = Value Added

$(€150,000 - (€75,000 + €10,000) = €65,000)$

therefore €65,000 is taxable. Assuming the VAT is 10%, the Store pays €6,500 to the Internal Revenue Service.

Total

transactions less intermediate transactions (that is, purchases made from firms by other firms,) is equal to the sum of, wages, interest, rent, and other input payments in the nation, summing up to the gross national product.

For example, the purchase of steel by an automobile manufacturer is an intermediate purchase, because the steel is to be further processes and converted into automobile frames and other parts for automobiles that will then be incorporated in the value of the final product when it is sold. In measuring gross national product, such intermediate sales are netted out to avoid double counting the steel, both as an input and as part of the automobile. Similarly, seed and fertilizer purchases are intermediate purchases for farmers, because they will be further processed into agricultural produce, which in turn, will reflect, in part,

A section of the crowd



*demonstrating against
VAT in 1995*

the cost of seed and ferti-
lizer to the farmer.

Netting out the cedi value of intermediate transactions from all transactions leaves the cedi value of final sales. Because final sales must cover the producers' costs, with profit left over as a residual, it follows that such final sales represent the cedi value of all wages, interest, rents, depreciation, and profits. This is the definition of gross national product (GNP). It thus becomes clear that the sum of value added by all business firms at each stage of production is just another way of defining GNP. A general tax on value added therefore, would be equivalent to a tax on national product

Administration of the VAT

Administration of a value-added tax does not require firms to calculate value added. The most common means of administering the tax is the invoice method developed in France and used in Common Market nations to collect the tax. Under the invoice method, all transactions are taxed at a fixed proportional rate, irrespective of whether they are final or intermediate transactions. Taxpayers then are allowed to deduct the taxes paid on intermediate purchases from the taxes collected from the sales in determining their tax liability. This is called the invoice method because payment of the tax merely requires firms to maintain invoices on sales and purchases for each tax payment period (usually monthly or quarterly). Tax liability is determined simply by applying the fixed rate of taxation to total sales invoices and then deducting the amount of VAT paid previously on intermediate purchases as indicated on purchase invoices. The tax is usually itemized separately.

In effect, the tax is charged to purchases at each

stage of production. At the final stage of production, consumers purchase goods with the value-added tax included in the price. Because consumers have no intermediate transactions to offset the tax liability, they end up paying the entire amount of the tax, with no tax offset. Only producers can offset their tax liability to the extent to which they purchase intermediate goods and services.

In most nations that use the value-added tax it is customary not to itemize the tax on the final transaction. However, it would be simple to itemize the tax to consumers by simply tacking it on to the sale, as is done for the retail sales tax at the retail level. In many European nations, the VAT is often accused of being a hidden tax, which is likely to result in fiscal illusion on the part of consumers, who pay the final tax. This need not be the case because the VAT easily can be made visible by collecting it from consumers at the fixed rate on final sales.

Also, the invoice method embodies a sort of built-in anti-evasion mechanism. If any firm fails to pay tax liability at some stage of production, it then becomes the tax liability of the producer in the following stage of production. This is not to say that tax evasion is impossible. In some nations that use the tax, it has been evaded by arrangements between firms and consumers to engage in transactions without issuing invoices. Without an invoice, there is no record of the transaction, and the tax becomes difficult to collect. Problems of tax evasion have been most acute for small firms and professional services, such as those of physicians, lawyers and insurance salespersons, where the costs of enforcement are high. Compliance has been fairly good for larger firms.

Starting Your Own Business

Continued from page 19

into practice is not to be recommended.

A sound product knowledge is vital for success and you would be very foolish to attempt to go into business in an area in which you know nothing. Having said that, of course, you can learn.

Exploit an existing skill or acquire a new one - but either way, be prepared.

It may be that you have worked in a sector of industry for some years and have seen that there is a gap in the market, into which you believe you can introduce a new type of product or service. Alternatively, you may feel that the market is large enough for you to produce the same product or service in parallel. This kind of direct involvement is ideal, but make sure that your experience is rounded enough and that you are not purely looking at one aspect, i.e. the role you play currently. A product might be cheap to produce - you know it because that is the job you do - but it may be very expensive packaging it. You must not leave a stone unturned in your search for relevant detail. Product knowledge is not restricted to the actual goods or service you are supplying. You need to acquire a background understanding of suppliers, castings, pricing structures, staffing requirements and repair and maintenance implications. If you start a business with these details at your fingertips, you have to stand a better

chance than most, of making a success of your venture.

One of the pitfalls, into which would-be entrepreneurs regularly fall, is not understanding the differences between the amateur and the professional. Your ceramics, your hand-made furniture may be much admired by your friends - to the point where you feel that their praise justifies trying to make a business out of what, until now, has been a hobby. But your friends are no judges at all, for nobody is asking them to buy your creative efforts. Producing something attractive, which receives considerable praise, is light years away from producing something commercial. Not only may there be no market for your hand-painted silk lampshades, you may be unable to produce them at anything like realistic price, or they may fade after three months, causing enormous customer dissatisfaction. There are so many aspects to be considered - perfecting a product or service before you can offer it commercially, and there are no short cuts to the amount of original research you must undertake. A little knowledge is never more dangerous than when it forms the foundation for starting a business of your own.

DO YOUR RESEARCH THOROUGHLY.

Ghana, Good Area for Investment- WB

for GHANA is considered as a free and good area for foreign investment with

Uno restriction on capital repatriation, a World Bank sources said in Hong Kong recently. Quoting from the Banks 1997 World Development Indicators, Mr. Cesare Calari, manager of the International Finance Corporation (IFC) Africa Capital Markets said, Ghana's attraction of portfolio investments was influenced by the country, s transparent "entry and exit regulations"

By 1995, he said, Ghana had removed all barriers to investments, especially on the capital market which had been the vehicle for portfolio investment flows, into the Country.

"I think these less restrictive policies have made Ghana an increasingly attractive market to investors", Mr Cesare Calari said.

The report itself mentioned Ghana, Cote d'Ivoire, Uganda and South Africa as African countries which were now moving towards joining Thailand, Malaysia and the Philippines as "hot" new markets for foreign capital.

Ghana, the report said received more foreign direct investment (FDI) as a percentage of return on its Gross National Product than the emerging markets of Mexico, Brazil and India.

Investors have been rewarded as well, the report said, during 1990-94 rates of return in Africa, especially Ghana, averaged between 24 to 30 percent compared compared with 16-18 per cent for all developing countries.

But the continent has much to do before it achieves the broad-based economic growth that distinguishes the most dynamic parts of the developing World.

Private Enterprise Foundation - What it Stands For

Continued from page 2

(g) to establish and manage the Accra Business Centre which would provide services, trade and investment information, conference and exhibition facilities for use by member enterprise of the various trade and business associations.

RATIONALE FOR PEF

The long period of active government participation in production which over-shadowed and crowded out the private sector led to a serious deterioration in the sector's effectiveness.

The recent shift in government policy in respect of its role in production, de-emphasized direct government involvement in production and proclaimed the private sector "the engine of growth", thus, placing the responsibility for achieving growth of the economy on the sector.

The relevance of PEF is therefore rooted in both the expected new role of the private sector in the economic development process and realization that for the private sector to be able to effectively propel the process, it requires one strong body to organise, represent and promote the interests of the sector from a single platform.

Such a single body should be able to exert greater influence on government policies for the creation and maintenance of a stable business environment in which private sector will have confidence to invest and thrive. PEF is also required to guide the effort of the private sector businesses and service their development needs through the provision of technical and managerial support.

FUNCTIONS OF PEF

Three main distinct functions are performed by PEF towards the realisation of its goals, and these are advocacy role, promotional role and establishment and management of the Accra Business Centre.

ADVOCACY ROLE

PEFs advocacy role is aimed at influencing government policies and regulations and would evolved the performance of the following activities;

Serve as the principal channel of communication between

the private sector and the government;

To undertake analysis of the business environment, using the findings to dialogue with government for the necessary changes and improvement of the macroeconomic policies, regulatory and legal framework affecting private enterprise;

To develop national economic and business policy recommendations for consideration by government and

To undertake analysis of trade promotion and support programmes required for the export sector and make appropriate recommendations to government.

PROMOTIONAL ROLE

PEFs promotional role takes the form of facilitating the development of private sector businesses as well as enhancing co-operation between Ghana Employers Association and the Trade Union Congress for the creation of a harmonious working environment. In this regard, PEF undertakes a number of activities including the following;

Undertake analysis of trade promotions and support programmes required for the export sector for the benefit of Ghanaian enterprises as well as for government;

Arrange to provide technical assistance to local entrepreneurs in areas of technology development, selection of appropriate technology, preparation of bankable projects, and development of value added products;

Explore other ways in which private enterprises can develop better and stronger for the benefit of the economy;

Analyse and propose policies to enhance financial viability of private enterprises;

Take initiative in organizing conferences, seminars and training for the enhancement of the technical knowledge and managerial skills of private entrepreneurs in areas such as corporate planning, budgeting, working capital management, production planning, inventory control, production development and marketing, cost control, marginal costing, vertical and horizontal integration and mergers;

Develop an active outreach programme to acquaint private sector enterprises with modern/improved methods.

PEF: View On VAT Undaunted

THE Private Enterprises Foundation (PEF) in May 1995, commissioned a study on "VAT implementation and its implications for business". The research was conducted by a team of consultancy researchers from the Institute of Statistical Social and Economic Research, University of Ghana, Legon led by Dr. V.C. Nyanteng.

The study indicated that VAT has enormous advantages: these include widening the scope of indirect taxation to include value-added at retail and service sector; making tax revenue more stable and equitable; and imparting tax compliance through a mandatory keeping of record for all business transactions.

Other advantages are that VAT being broad-based, it possible to generate a given level of revenue by the use of a lower tax rate than can be done under Sales Tax. Also, the zero-rating under VAT would give maximum tax benefits to exporters by relieving exports of import tax and strengthening the external competitive position of the Ghanaian exporter.

However, the payment of VAT up-front, has the tendency of setting in motion a chain of negative reactions in the economy, including increased working capital requirement with a part of it locked up in an unproductive manner, increased rate of inflation due to cost-push; reduced purchasing power and hence the size of the local market; reduced effective use of installed capacity of production technology and increased unemployment.

PEF, therefore, called upon government to consider manufacturers tax credits under the VAT regime. The tax credits method will yield the same level of revenue and will partially help those producing for the domestic market but who would not enjoy any benefit from any exceptions under VAT.

PEF further called for a reduction in the VAT rate of 17.5% to a pre-VAT sales Tax level of 15% or even lower which is in line with the Government's own statement that broad-based VAT will make it possible to generate a given level of revenue by the use of a lower tax rate than can be done under the sales Tax.

This, according to PEF, will also reduce the level at which final product prices will be increased. The lower tax rate for the VAT will reduce the capital requirements of these businesses which were covered under the sales Tax while at the same time allowing the other businesses to absorb the shock of being drawn into the net.

Other recommendations are; the administration of VAT in Ghana should be properly monitored since even in developed countries VAT collection is fraught with high incidence of frauds causing revenue collected to fall below target and therefore forcing government to increase the tax rate, and that the VAT rate should be reduced since by roping in the relatively large service sector which had paid much less taxes, government is likely to increase collection.

PEF also holds the view that VAT should not be applied to excise duty and that a more reliable way to maximizing revenue is to expand and increase the productive rise and lower local taxes since the wide-net due to the VAT system only affects marginal agents which would not increase revenues significantly. (Presently, the increased revenue comes mainly from higher taxes on consumers). The PEF document also stated that the inclusion of excise duty in the computation of the VAT is not fair to the con-

sumer adding that the excise is paid to government and does not add value to output.

Nevertheless, in order to ensure maximum collection of revenues from the VAT system, the educational process should be intensified, since many people are still confused about the operation of the VAT system, a fact which led to price hikes for almost all items on the consumer market in 1995.

Mr. Ishmael Yamson the President of the governing council of PEF in a contribution at a seminar on VAT, said the implementation problems that surfaced in 1995, were largely anticipated and had the policy makers paid heed to caution on the need to consider Ghana's peculiar circumstances, the problems of 1995, would have been averted.

Mr. Kwasi Abeasi the Director-General of PEF in a separate interview with the Ghana News Agency, reiterated that "The VAT is a good tax policy; it is easier to administer and it also spreads wider but its implementation is the problem. He said in the long-term, the positive side of the VAT will outweigh its negative side which will be good for manufacturers and other productive sectors of the economy.

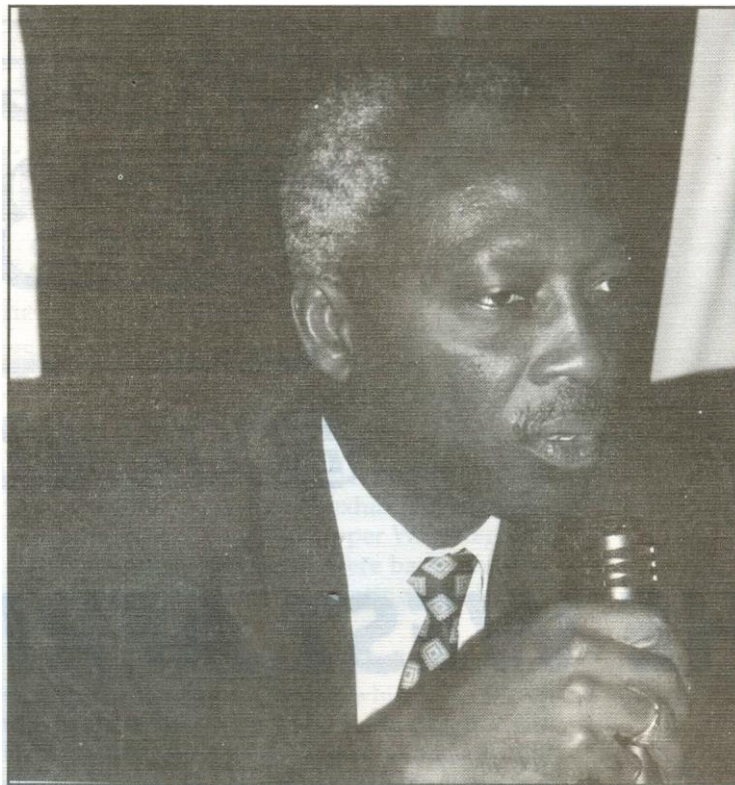
"But, we need to look at the rate. One major problem with the VAT is that the rate is too high," Mr. Abeasi said and suggested that the rate could be reduced to 10% as a starting point and reviewed upwards when people understand it well.

"Experience throughout the world where VAT has been adopted showed that the rate is pegged at a lower level to get the community to back it," he added.

Mr. Abeasi, however, dispelled the criticism that VAT is unsuitable for developing countries such as Ghana but argued that the level of education in 1995 was highly inadequate.

He also mentioned the filing of returns as a major problem which needed to be tackled with the registered traders.

"But, all is not lost: we can reshape it to become a positive tool" Mr. Abeasi concluded.



Mr. Kwasi Abeasi- The Director-General

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THE WEST AFRICA BANK

Manufacturers Benefit From Productivity Workshop

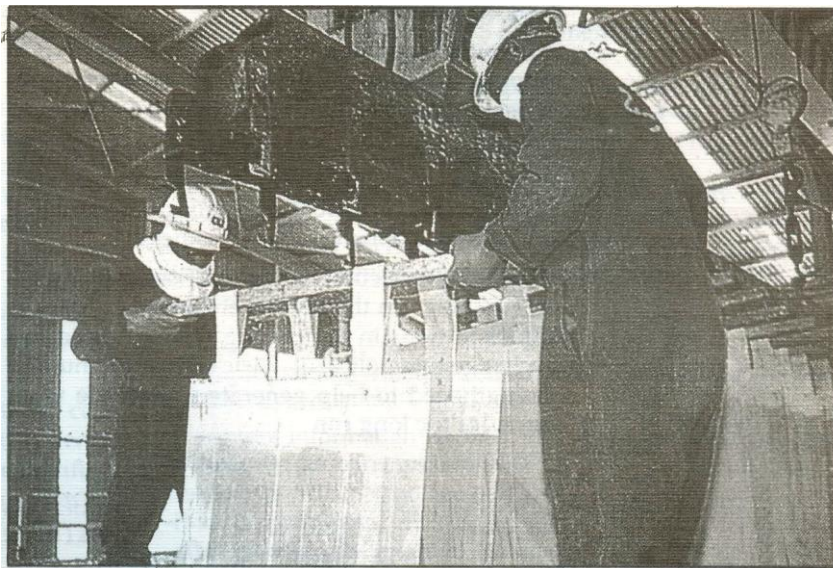
IMPROVEMENT in the working conditions and productivity enhancement in the private sector are vital areas worth looking at if the private sector is to be adequately equipped to serve as the engine of growth of the Ghanaian economy.

To achieve these, the Private Enterprise Foundation (PEF) recently organised a 2 week workshop for 20 participants drawn from the manufacturing sector with sponsorship by the Danish International Development Agency (DANIDA).

The Director-General of PEF, Mr. Kwasi Abeasi, who welcomed participants to the workshop said was designed to raise the awareness and skills of individuals in enterprises, institutions and authorities in relation to the method for improving working conditions.

Referring to the workshop as the fourth in a series initiated by DANIDA under its private sector development programme, Mr. Abeasi also said that the workshop aims at developing a high degree of sustainable production in private Ghanaian enterprises through the use of efficient production processes in the best working environment.

Addressing problems of occupational safety and health, Mr. T.F. Bruce, Chief Factory Inspector, Factory Inspectorate Division, in a keynote address



A manufacturing workshop

said, there should be significant consideration for the multiple interplay between working conditions and the environment. The need for improvement of working conditions and the environment cannot be overemphasised. According to the chief factory inspector, this can only be achieved with the involvement and informed participation of both management and workers.

Workers and management by reason of their frequent presence in the workplace, should be able to evolve effective systems and organisations to improve their working environment.

AGI, PEF Discuss Activities of small-Scale Industries

THE Association of Ghana Industries (AGI) in conjunction with the Private Enterprise Foundation (PEF) have discussed modalities for incorporating activities of small-scale industries into national development plans.

The venture being supported by the United States Agency for International Development and the United Nations, would facilitate efforts by the AGI to influence and determine policies related to industry in the country.

Alhaji Goodman, Northern Regional chairman of the AGI, said the long term plan was to organise all industrialists into the private sector. He was speaking at the close of a three-day mini industrial fair organised by the National Board for Small-Scale Industries for the selection of good and innovative products for INDUTECH '97.

The fair which was on the theme 'Buy Made in Ghana Goods', featured 97 exhibitors from the Northern, Upper East and Upper West Regions. Among products displayed were batik, smocks, metal and leather works, pelting and locally manufactured gas cookers.

Mr. Goodman said the AGI established a business growth centre in Tamale which was assisting to introduce improved technologies like leather tanning and food processing to small-scale entrepreneurs. The centre has plans to equip and introduce credit facilities to local industries and link them to foreign markets.

Ladies and Gentlemen, we believe in Ghana, we are here, today, to reinforce and solidify our efforts to promote partnership and progress...

... Re-energizing Public and Private Sector Partnership for Growth

continued from page 7

The target of doubling the growth rate is achievable! But it requires new energy, partnership and the courage to make difficult choices— this is the topic of our first panel.

I would urge our panelists and the rest of us to recognize that the next level of economic performance requires the following fundamental bases:

Savings and investment must be dramatically increased, and substantial increases in domestic savings must provide the signals to international investors that Ghana means business.

Labour productivity must also rise dramatically. In the short run this can be enhanced by removing distortions in the pricing regime (trade and exchange rate policies). Basic education must be strengthened to help generate a trainable work force, for the long run.

The government must release productive resources to the private sector by reducing crowding out of financial markets, eliminating inflation as a tax on poor people, and accelerating the divestiture of state owned enterprises. Where it remains in business it must submit itself to the tests of international competition to insure adequate capacity and efficiency.

New and bold actions to thrust Ghanaian enterprises and private financial institutions into dynamic international financial markets must be executed.

To reach the next level of performance, Ghanaian enterprises and financial institutions must devise innovative financial instruments to complement, not substitute for, prudent financial management in the public sector. During the transition to higher savings rates, creative financial engineering must provide the conduits for mobilizing existing resources into productive uses by the private sector. Instruments must be designed to protect the capital of investors and to allow them to share in the profits of ventures without eroding incentives for entrepreneurship.

At the other end of the spectrum, the "susu" system and other informal financial systems reveal a willingness by micro-enterprises and households to save, yet the existing system funnels the savings of the poor into government expenditures. In fact, it is a current, cruel reality that the rural informal sector is a net lender to the formal sector.

Stronger efforts must eradicate policies, regulations and administrative practices that maintain Ghana as a high cost and high risk economy.

While many laws have been written and numerous regulations modified, the next level of economic performance cannot be reached unless profound reform is achieved in the attitude of government toward business. Many point to the multiple actions that have been taken and the willingness of the highest levels of government to deal

with issues on a case-by-case basis as manifesting a commitment of export-led growth. Growth, at two times the current rate, cannot be achieved with piecemeal and case-by-case actions.

Again, let me say, that a sense a general perception that, there remains scores of administrative and regulatory practices that signal to Ghanaians and their international partners that Ghana has not yet achieved the appropriate enabling environment for business.

Micro-enterprises must be profitable and integral participants in the growth process, because without them the next level cannot be reached.

The bulk of Ghana's potential remains in the informal sector. Much of this informal activity is carried out on farms and in micro-level trading and craft enterprises. A major proportion of these economic activities are dedicated to producing, processing, transporting and marketing food products for domestic consumption. There is great scope for incorporating this systems of micro-enterprises into a more productive and efficient agribusiness chain that serves domestic and export markets with more and better products. This latter concept I

call "PUSH-PULL", as we help push the established firms into competitive positions in the global economy, they, in turn, must pull the smaller enterprises into profit-

able and well-articulated chains for increasing the productive base and added value from all Ghanaian firms.

Ladies and gentlemen, this is my challenge to all of us today:

Let's discuss these issues candidly and in a spirit of collaboration to find the all renewed energy and courage to make difficult choices for the sake of better future for all Ghanaians.

What we place on the table today will serve as the basis for bringing the participation of my country's investors and entrepreneurs, and with their participation will come renewed assistance from our agency. We will be working with you in the weeks ahead to identify a set of issues and bold innovations to place on the table for high-level discussions in the United States in May.

We are here Today to set the Agenda for those High-level consultations between Ghanaians, as effective partners to each other, and our American private and public leadership, that wants to help Ghana help itself toward reaching the next level.

Ladies and Gentlemen, we believe in Ghana. We are here, today, to reinforce and solidify our efforts to promote partnership and progress in economic reform for greatly increased trade and investment.

Savings and investment must be dramatically increased, and substantial increases in domestic savings must provide the signal, to international investors that Ghana means business.

/ESC, The Best That America Can Offer

Continued from page 9

Volunteer Consultants working for his company. "They are mostly hands-on people who are propelled by the desire to give back to the world what the world has so generously given them". Another client explained. "Their commitment to their assignments therefore, comes untainted by any other motive but the desire to help improve the lot of your company or organisation" he reiterated.

"Our services are purely dedicated to serving the needed technical, managerial and marketing needs of developing countries, to speed their own progress. Since our consultants and advisors are volunteers they serve without compensation. However, the client is responsible for the volunteers' basic needs, providing a decent accommodation for the consultant and per diem which will be used to take care of meals and incidentals. The client also pays some administrative charges related to the recruitment of the consultants and their orientation.

"The total cost of using IESC volunteers, is nothing compared to the benefits of a lifetime experience that this person brings to your organisation" Mr. Edward Tarpinian clarified.

Other services that IESC can provide are the United States Volunteer Executive (USVE) and the America Business Link "age Enterprise (ABLE) programmes.

USVE

In this programme, US Volunteer Executive (USVE) who is an expert in his/her industry is selected to perform the following work on the Ghanaian client company's behalf;

- * Identification of U.S. joint and co-venture partners
- * Sourcing U.S. Technology
- * Sourcing and inspecting U.S. equipment and raw materials
- * Visiting U.S. facilities
- * Developing Marketing strategies for Ghanaian companies
- * Promoting and facilitating licensing agreements
- * Representing client firms at trade shows
- * Feasibility studies

The USVE program permits clients to work directly with IESC industry expert on follow-up and technical assistance activities in the U.S. Together clients and experts participate in trade shows, visit U.S. plants, write marketing plans and observe the U.S. market place first hand.

ABLE

This programme will help you get all the information you need to sell your product in the U.S.

For more information on IESC and its programme in Ghana contact:

MR. EBENEZER ARYEE,
The Country Representative
IESC, PMB C31 Cantonments, Accra.
Tel: 778427

'Francophone Group Disturb Our Economy'

THE Ghanaian economy is facing a number of impediments in its efforts to move forward.

Mr. Ishmael Yamson, President of the Governing Council, PEF, in an address to mark the first annual general meeting of the foundation identified some of these challenges impeding the improvement of the economy.

∴ The high inflow of uncustomed goods whose prices are lower than locally produced ones is detrimental to the economy, he observed.

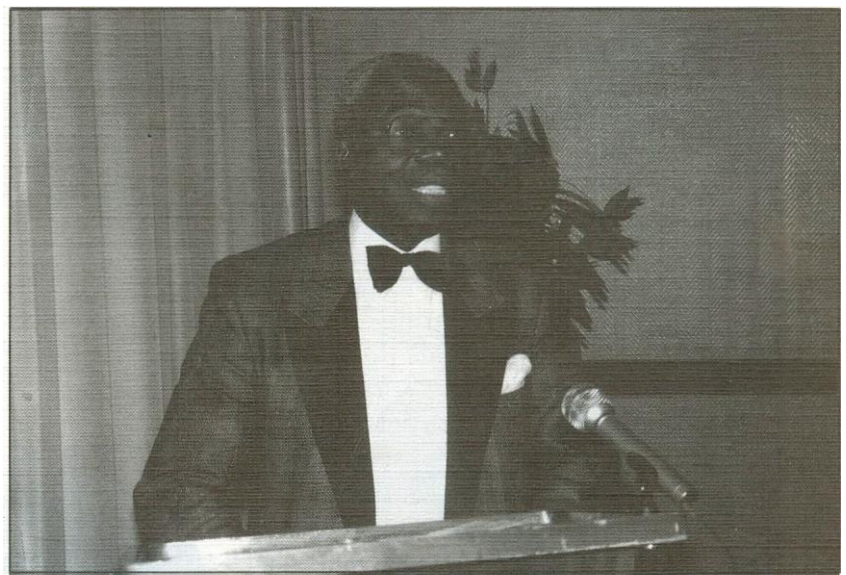
The formation of an economic community of Francophone West African countries has kept the Anglophone group out. They have also composed high tariffs on goods from Ghana.

La Cote D'Ivoire in particular subsidises energy of 30% for her manufactures and 50% on local raw materials.

This means that while Ghanaian soap manufacturers buy palm oil at 650 dollars per tonne on the world market price, Ivorian manufacturers pay 350 dollars, Mr. Yamson disclosed.

For fairness therefore, he has called on government to consider the economic community issue not because of fear of competition but for fairness.

In PEF's two years of operations, Mr. Yamson observed it has made significant contribution to national development with the support of \$1.5 million from USAID, \$453,000 from DANIDA, and 250 million from the government of Ghana.



In a reaction to Mr. Yamson's speech, Mr. Kwame Peprah, the Finance Minister expressed concern at the high tariff imposed by the economic community of the Francophone countries. He described it as a drain on the national resources and that the government will examine it through a review of taxation to plug loopholes.

The Minister called on PEF to create ways to enhance the partnership between them, with a view to selling Ghana without partisanship.

President of PEF

... GHANA: Reaching the Next Level of performance

Continued from page 17

Touching on international competitiveness, Dr. Goodwin indicated that international competitiveness is determined by

a) the state of the labour market b) the state of financial markets, c) the product markets, and also d) the facilitative role which government should play

In assessing the Ghana situation, Dr. Goodwin indicated that the policy framework impedes international competitiveness because

a) labour markets are rigid, b) financial markets do not work, and c) that the role of government is pervasive in our markets.

The labour market rules are part of the causes of high cost, high risk labeling of Ghana. Government is a wage setter, and wages are rising faster than the productivity of labour.

The low nature of savings in the country was also highlighted. Dr. Goodwin identified the fact that to achieve vision 2020, we need to increase our saving rate from the low level of 6% to about 24% by the year 2020. The crowding out of the private sector by government debt should be addressed. The effects of the macro-economic policies on micro enterprises and women were also brought up.



Dr. Duffuor- Governor of Bank of Ghana

Dr. David Franklin, President of Sigma One Corporation, followed with a treatment of the "Dangers from Inflation Threaten Ghana's Future- Suggested strategies Required by Vision 2020". Dr. Franklin used the graphic picture of the "spaghetti" bowl to indicate the chaotic nature of the monetary indicators and to show that with the threats from inflation, Vision 2020 would be impeded. He illustrated how: the problem of inflation destroys the financial system and creates a barrier to trade and investment, as well as destroying policy effectiveness.

He underscored the fact that inflation is a monetary problem and traced the problem through issuing of domestic currency, regulating how much banks have to hold in reserve, accumulation of foreign reserves, and direct lending to public sector through T-bills.

The myths about inflation that prevent solutions to the problem were identified as follows

(1) Inflation and Food Prices:

- that inflation is much more variable than food production

- that farm gate costs are high - this is not true

(2) Devaluation and inflation;

- inflation creates the need for devaluation and

- that with fixed exchange rates, inflation creates parallel market.

An anchored exchange rate enquires monetary and fiscal discipline, and the problem should be solved at the source by dealing with the runaway public sector expenditures. Dr. Franklin insisted that it is not a tax revenue problem (since the revenue over the period tripled) but that the increased dependence on extraordinary revenue (like divestiture receipts being misused and the Bank of Ghana issuing dividends to the government) is also a problem. The "culprit" as he puts it is off, budget expenditure, which is out of control. The excess? pending of 1992 was highlighted as having destabilized the economy. The effect of this spending which resulted in excessive money growth was also shown and traced through the subsequent years up to 1996 with special emphasis on the effect of excess monetary growth and the erosion of the inflation tax base.

Dr. Franklin ended his presentation with a review of the mopping up operations by the Bank of Ghana and the dangers of the dollarization of the Ghanaian economy which include:

- reduction of yield of inflation tax- Higher interest rates on government debt- Temptation to impose exchange controls - Risk of banking collapse- Elimination of devaluation as a policy tool and - reduction of the effectiveness of mopping up operations.

The morning session ended with open discussions after comments on the Chilean experience in its turnaround by His Excellency Herman Buche, former Minister of Finance of Chile, and

Professor Felipe Larrain of Harvard University. Both speakers emphasized the fact that what Ghana wants to do by the year 2020 is possible and can be done, provided we are prepared to make the hard choices and to stop being overly "creative in our assessment and reporting of our economic performance" and also provided we create a vibrant private sector which was previously nonexistent. Professor Larrain who has done some work in Ghana gave

a dispassionate and candid opinion of the performance of the Ghanaian economy and made some suggestions on the use of divestiture receipts, the need for further structural reform and stabilization measures to fight both inflation and external finance position and to create an open and competitive market system. In the discussion that followed, clarifications were sought while the need to get the macro-economic environment forth was reinforced.

he need to increase savings was also emphasized. The luncheon speaker, Ms. Carol Peasley, the Acting Assistant Administrator for USAID, gave an indication of the USAID's commitment to helping those African economies that have taken structural adjustment "and reform seriously.

Dr. Goodwin started the afternoon off with a presentation on "Imperative for Further Trade Liberalization." He indicated that Vision 2020 obliges Ghana to become more competitive. In order for Ghana to grow, it must trade more; and to trade, Ghana must be competitive. Ghana is competitive if it produces goods for the world at cost below the world prices.

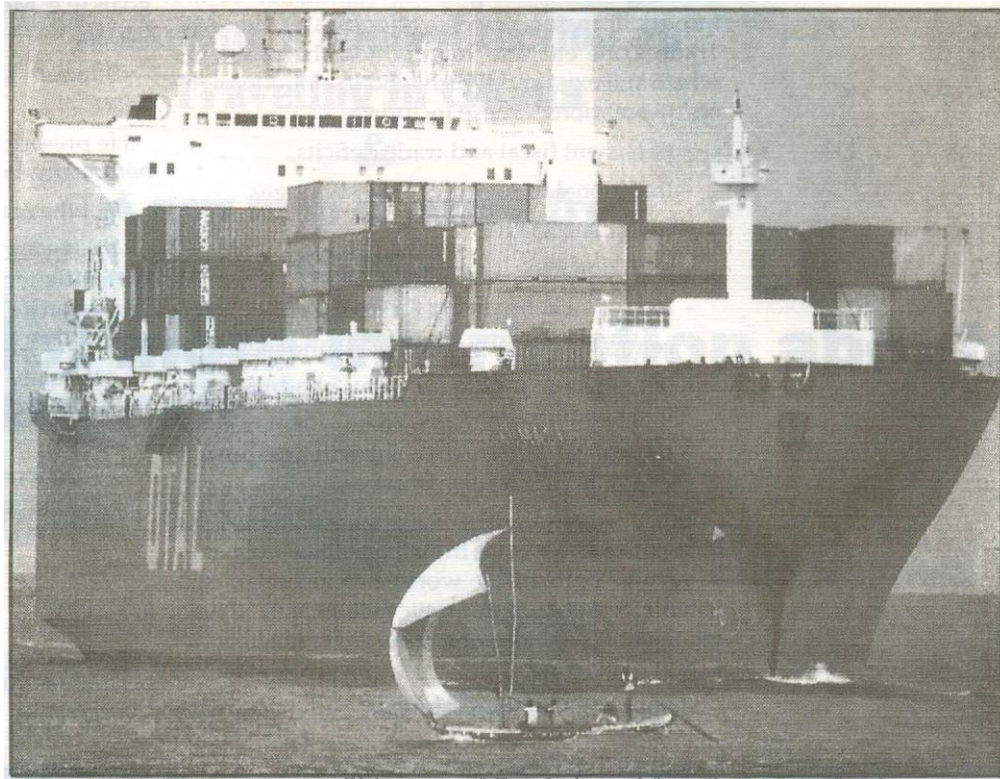
The fundamentals of competitiveness involve taking account of international terms of trade, improving our trade and fiscal policy ensuring adequate financial flows and appropriate labour markets.

The macro-economic environment as it is now, taxes the export sector because the effort to slow down inflation through currency appreciation reduces the absolute and relative profitability of the export sector. He insisted that past policy over the past 10 years made exporting risky.

A more neutral trade framework was required and the need for a new trade agenda that ensures that we continue with tariff reductions, simplify trade administration and finally, an emphasis on the fact that Ghana cannot continue with the present macro-economic policy if it wants to achieve its vision 2020 because it will limit the success of the export, investment and promotion programmes. Small open economies like Ghana's must increase participation in global markets to provide the employment, profits and consumption opportunities to the members of its society. One should also have recognized the fact that the purpose of trade is to increase the opportunity to con-

sume which is the true definition of income and real income growth therefore, means no more than improve opportunities to consume.

Professor William Amponsah Coordinator of the International trade center of the North Carolina A & T State University and Professor Dirck Stryker of Tufts University then gave responses to the imperatives of further trade liberalization in



Shipment of Goods bound for the export market

Ghana. Prof. Amponsah defined trade liberalization as a reduction in trade restrictions and an increase in the use of market forces (mainly prices) instead of discretionary intervention by bureaucrats and politicians. He said the key objectives of any further liberalization in Ghana should be to:

- a) Link Ghana to global technological advances,
- b) Enable Ghana to compete more effectively in an increasingly integrated global trade environment (in the advent of multi-lateral and regional trade agreements such as the GATT /WTO, EU 15, NAFTA, etc.) and c) Enhance Ghana's image as fertile ground for direct investment and tourism.

He indicated that Ghana is perceived (whether we like it or not) as a high cost, high risk business environment by the American business sector. There is therefore, the need to reduce the welfare cost of government interventions that is a reduction in the direct cost or at least in some of the indirect costs of conducting business.

He said there is the need to create a better enabling environment through a public-private partnership placing emphasis on the four I's of reforming Institutions.

Creating market Incentives, developing Infrastructure and attracting Investment (both domestic and foreign).

We should engage vigorously in entrepreneurial

continues on next page

... Reaching the Next Level of performance

Continued from previous page

capacity building and seek to change the business culture and attitudes.

Prof. Amponsah recognized the progress so far made in trying to create this enabling environment like the removal of price controls, correction of exchange rate misalignment, elimination of the import licensing system, adoption of the Free Trade Zone etc. and highlighted the problems which still exist and which tend to cloud foreigners' perceptions. These include:

- persistent fiscal and trade deficits,
- traditional foreign currency shortages
- high interest rate,
- high domestic inflation
- lack of local financing for investment,
- central bank still not politically independent,
- bureaucratic inertia (ier delay in administrative handling and customs)
- stagnation in industrial growth and preservation of micro-scale-business.

Prof. Amponsah drew the attention of the conference to some lessons from the political economy in various parts of the world and indicated that usually, four sets of domestic factors tend to constrain stronger and more sustained trade liberalization. These are:

- a) opposition of vested interest and inadequate

conviction about the benefits of reforms (e.g. Kenya, Peru, Zimbabwe)

b) administrative and institutional insufficiencies which cause setbacks in implementation (e.g. Bangladesh, Cote d'Ivoire, Malawi)

c) weak macro-economic performance and conflicts between policy reforms and stabilization goals (e.g. Morocco, Philippines, Argentina, Zambia) or

d) lags in supply response to policy liberalization

He prescribed the next steps to be taken care of before any further trade liberalization as:

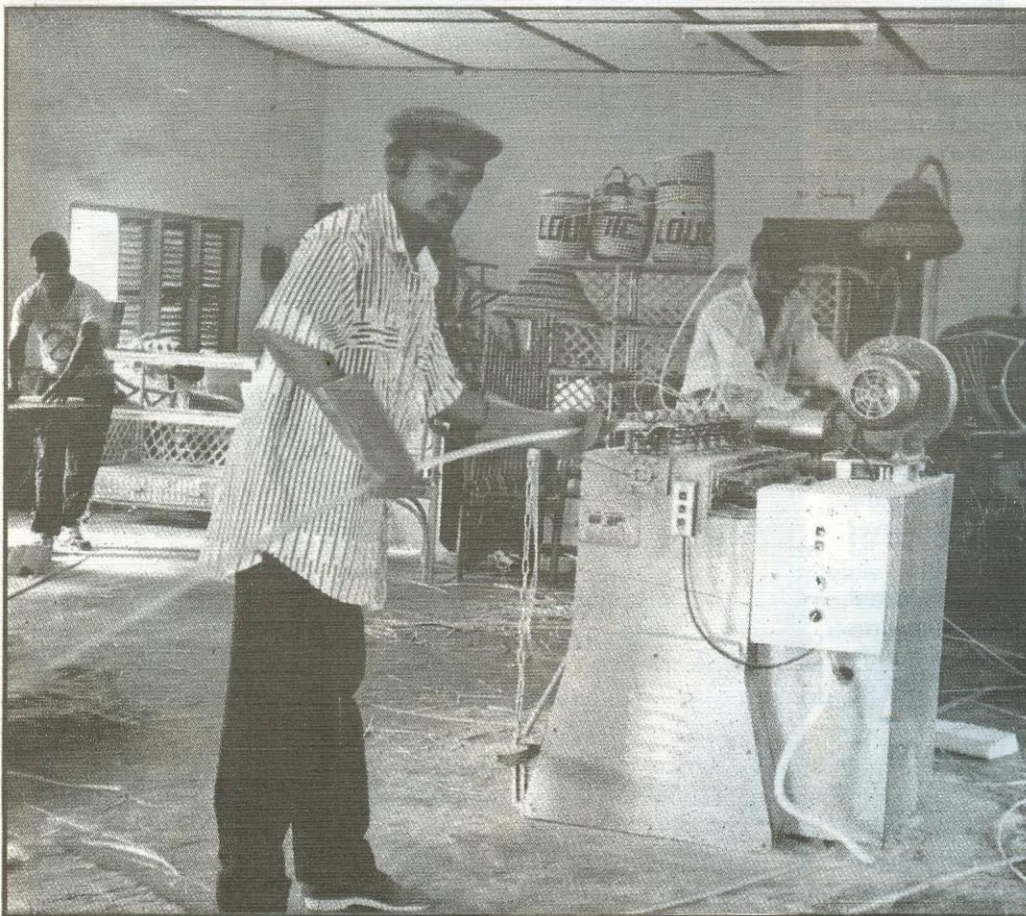
- get the macro-economic fundamentals right,
- timing and sequencing of exchange adjustment with inflation (Exchange rate must not be used as anchor on inflation and should be reduced before any further trade liberalization),
- gradually reduce tariffs, - address completely, the institutional and infra-structural needs of exporters.

Discussions then followed during which more clarifications were sought from the various speakers on the topics dealt with.

The first day ended with a dinner at which Congressman Jim McDermott who was the Guest Speaker, briefed the delegates and other invited American guests on "The African Growth and Opportunities Act" which he has co-sponsored with Congressman Charles Rangel. McDermott said that

he realized, two years ago, during the process of adopting the Uruguay Round Agreements Act, that America had no policy and no real interest in expanding her trade with sub-Saharan Africa it was very clear that America did not have a comprehensive and focused approach there.

He therefore decided too r an amendment that he h would begin a serious debate and re-evaluation of their ap proach to sub-Sahar, Africa. He described the event<, since then that has led to this initiative which is a comprehensive package of trade, investment and development measures that includes the establishment of US-Africa Free Trade zone, a US-Africa Socio economic Forum and two investment funds worth US\$65 million. The bill enjoys wide bi-partisan sup- port and is designed to pro- mote a transition path from developmenl lssistance to self- sufficiency for those countries committed to market based reforms and private-sectors development.



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