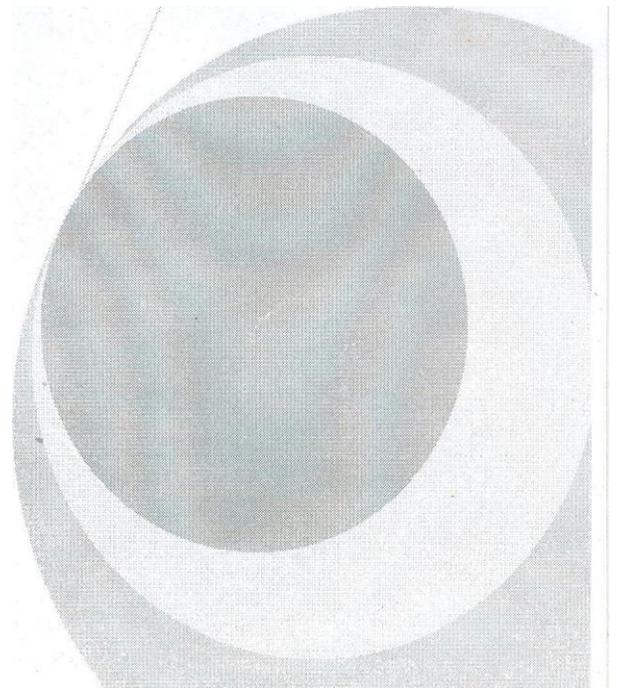


STRENGTHENING BUSINESS ASSOCIATIONS GHANA

A paper submitted to the Private Enterprise
Foundation by KAB Governance Consult

March 2010



STRENGTHENING BUSINESS ASSOCIATIONS IN GHANA

-A PAPER SUBMITTED TO THE PRIVATE ENTERPRISE FOUNDATION (PEF) BY KAB GOVERNANCE CONSULT

1. INTRODUCTION

Ghana's **Private Enterprise Foundation (PEF)** seeks to influence "*government policies and regulations in order to create an enabling environment for a private sector-led economic growth strategy and national development*". Associations are a group of people joined together for a shared purpose; in the case of business associations, the commonality is the business of members. Business Associations the world over have a potential to facilitate the development of a strong private sector by representing the interests of business and providing specific support to their members. The recognition of this truism has informed the current drive of the Foundation to explore options available in strengthening business associations (*used in this context to include trade associations*). This is because the potential of business associations to contribute to a conducive policy environment would not be attained if the associations remain weak.

There are approximately one thousand, eight hundred and fifty (1,850) registered business associations in Ghana. It is also common knowledge that a greater number of these associations are weak. In 2003, **PEF** conducted a survey of business associations and identified four critical challenges confronting them. According to the survey findings, associations are not valued by their members, are poorly funded, under resourced, have divergent and often conflicting views, as well as lack research and lobbying capacity.

Some independent studies have confirmed the present weaknesses of Ghanaian business associations. In a paper titled "*Enhancing the Competitiveness of SME's Networking through Professional Associations*", presented in March 2006 at an International Small Enterprise Promotion Training (SEPneT) workshop held in Tanzania, Ralph Nyadu-Addo of KNUST identified eight major challenges of Ghanaian business associations. These were: low membership, poor and visionless leadership, inefficient management and administration, inadequate finance, non-acceptance as full partners by Government, adverse policies of Government, conflict of Interest, and socio-cultural impediments

The 2007 Commonwealth Business Council (CBC) *Business Environment Survey* also postulates that entrepreneurs see business associations as not having "*a strong and coherent voice*" in presenting their views to Government. The attendant result is that; the business community has not been very successful in getting the maximum attention from Government with regards to solving problems that the private sector faces in doing business in the country.

Some of the key problems have been a public sector that appears not to appreciate the private sector, bureaucratic procedures, challenges of access to and the cost of credit, marketing difficulties, challenges in accessing affordable technology and corruption in the public procurement process.

Embarking on a journey to strengthen business associations is therefore a very sure way of developing "a strong and coherent voice" to deal with Government in pushing for solutions to challenges of business.

¹ Source: BUSAC Fund

2. EARLIER CONSULTATIONS

Private Enterprise Foundation with the support of Konrad Adenauer Stiftung started a consultative process in 2007 by organizing two fora in Kumasi and Accra under the theme *strengthening Capacities of Trade and Business Associations in Accelerating Growth of the Private Sector*". The consultation was deemed relevant from the angle of collating pragmatic ideas to propel the transformation of business associations. The 2007 consultations clearly showed that there had not been any significant improvement in the capacity of business associations since the 2003 survey. Challenges identified as hampering the work of business associations in the 2007 survey were: inadequate financial resources, lack of recognition of associations by potential members and public institutions, distrust of leadership by members and potential members, inadequate professional staff capacity at secretariats of business associations with the attendant result of inability to wage effective advocacy among others. The most critical recommendation from the consultations, however, was the position paper "advocating mandatory membership of business associations."

3. IS MANDATORY MEMBERSHIP FEASIBLE?

Business associations, including umbrella ones, cannot compel business operatives to join them. A call for compulsory membership of associations is therefore an implicit call for state legislation that will be binding on all residents within the jurisdiction.

Mandatory membership of associations looks attractive based on certain assumptions. The first assumption is that the policy makers are clothed with the jurisdiction to make laws that will compel membership and that secondly they will find it desirable to do so. The third assumption is that Ghanaians (as individuals and corporate citizens) are so law abiding that once there is an enactment they would readily comply with the provisions thereof. All the above mentioned assumptions are rebuttable in the current Ghanaian context.

The provision in Article 21(1) of the Ghanaian Constitution that *all persons shall have the right to freedom of association, which shall include freedom to form or join trade unions or other associations, national and international, for the protection of their interest*" simply means that no Government can legislate compulsory membership of business associations. This is more so when Article 1 {2} provides that the *"Constitution shall be the Supreme law of Ghana and any other law found to be inconsistent with any provision of this Constitution shall to the extent of the inconsistency be void."*

Article 37 (2) a of the Constitution further requires the State to enact appropriate laws to ensure the rights of people to *"FORM THEIR OWN ASSOCIATIONS FREE FROM STATE INTERFERENCES ..."*. There is thus an explicit provision to prevent direct State intervention in this regard, unless there is a constitutional amendment.

For those who are tempted to take advantage of the work of the Constitutional Review Commission to think of presenting such a proposal for amendment, this might not be advisable for two reasons. The tenor of the Constitution frowns upon interference with the general freedoms of citizens. The second challenge is "what is the benefit for the politician who could lead the process"? The potential resentment from those who are not members of associations and who are in the majority does not make the amendment an endearing legislation.

The notion that compulsory membership in our Ghanaian context will necessarily result in

optimal membership is also not supported by the legal history of the country. Whereas not directly targeting.

individual membership of associations, the enactment of the Council of Indigenous Business Associations (CIBA) Law in 1993 (PNDC 312) by the PNDC with the view to creating a powerful umbrella organization for trade and business associations simply did not work out. CIBA was haunted by "ownership" crisis from the word go and is nowhere near its potential now.

4. FEASIBLE ALTERNATIVES

The phenomenon to be investigated and its related questions then are:

1. Is private sector development critical to and indispensable in the economic development of Ghana?
2. Does any entity understand the private sector better than the entrepreneurs?
3. Do strong Business Associations provide the best platform for the business community to articulate their concerns for the attention of policy makers at the national, regional and local levels?

If the answers to the aforementioned questions are a resounding yes, then the challenge is to identify what needs to be done to secure strengthened business associations within the current legal, political, economic and social environments in Ghana.

A feasible approach is to make business associations attractive to entrepreneurs based on a cost-benefit analysis, as well as effectively communicating same to potential members. Membership of associations comes with responsibilities (including money and time) as well as benefits such as improved policy environment. Potential members therefore need to be convinced that the likely benefits from membership will outweigh the costs at the end of the day. Therein lies the importance of communication.

The challenge of strengthening business associations is a shared responsibility. Leadership and members of business associations, the State, as well as civil society organizations have a part to play. Ghana's Development Partners with an interest in private sector development can also be useful. The real challenge is to identify the exact roles for all stakeholders in strengthening the Associations. The following paragraphs examine the potential roles of four such stakeholders that are generally considered very critical. The ideas articulated may be validated and/or expatiated during the next consultations by PEF on how best to strengthen business associations.

5. LEADERSHIP OF BUSINESS ASSOCIATIONS:

The leadership/members of business associations need to recognize that the best environment for pursuing their business endeavors is the one in which they have a strong voice in the determination of policy and allocation of resources. In a situation where policy makers have to contend with competing interests which tend sometimes to be conflicting, the best guarantee for business interests is to have a coordinated and strong voice that would continually articulate such interests from an informed perspective.

Elsewhere, the cliché that America's policy is determined by the industrial/ military complex is a pointer to the influence of the military and industry in the determination of American policy. Whether as Democrats or Republicans, no President of America can easily ignore the interests of America's industry or military.

In Ghana, the geopolitics does not make the military a major power when it comes to policy formulation; industry is also not that powerful yet. The truth however is that industry and for that matter business

associations, have a potential to strongly inform economic policy decisions and even beyond to general policy process.

There are studies both within and outside Ghana that shed light on some approaches in strengthening associations. 'Speed Ghana' in the publication "Improve Your Business Association" stresses the importance of associations delivering services to members based on "their needs and priorities". Such delivery will necessarily require needs assessment on an enterprise level and in group meetings. The needs assessment would then inform activity planning based on the resources available to the association. Speed recommends that leaders of associations should identify and contact all potential members, initiate discussions about members' (including potential) situation, problems and solutions, and develop network services for the association members. Speed also advocates the importance of job description and training of leaders, stressing new leaders should be trained on the job after every election based on job description.

The Ethiopian Business Development Services Network (EBDSN) 2004 publication on "Improve your Business Association" also stresses the importance of needs assessment of members and potential members at the enterprise level and in group meetings. The publication points out the importance of one-to-one contact at the establishment, or re-organization stage as opposed to calling them for meeting. Finally planning, documentation, evaluation and reporting are highlighted.

In a study published by the Asian Foundation in August 2002, Trang and Stransoth, argue that Business Associations can undertake the following activities to strengthen themselves:

Strive to "professionalize" activities and services (that is, what is worth doing is worth doing well)

Develop core products in their areas of operation. These should be very specific to needs and expectations of members.

Prioritize fund-raising for the sustenance of the Associations and set up specific fee structures for membership dues and services.

Seek assistance from Development Partners working in the area of private sector development for technical and financial support which should pass out within specified time.

Nyadu-Addo further proposed a 13-point recommendation on strengthening business; 5 of which are highlighted below. These are: the need for leadership training; awareness creation among potential members of association; innovative ways to improve financing; linkage with academic/research institutions; and the development and enforcement of a code of conduct. Leadership of associations would thus have to realize their potential and rise up to the occasion.

6. THE ROLE OF STATE:

The State is obliged to enact appropriate laws to guarantee the rights of people to form associations and "*to use them to promote and protect their interests in relation to development processes, rights of access to agencies and officials of State necessary in order to realize effective participation in development processes*"- (Article 37 (2) a).

State officials therefore are not doing the private sector a favour when they accede to requests for dialogue on critical issues. They are required to do so by law. This is more so when the Directive Principles of State Policy expect the State to *"establish a sound and healthy economy whose underlying principles shall include the recognition that the most secure democracy is the one that assures the basic necessities of life for its people as a fundamental duty"* The point here is that there is a strong link between the stability of Ghana's political system and the well-being of its people. Concerns of the Private Sector, as a major player in the economy, must therefore receive the prompt attention of the Government.

This awareness is likely to have informed President John Evans Atta Mills in His Sessional Address to Parliament in February 2010. The President said His Government saw the private sector as an active partner in the country's development that will create the jobs and provide opportunities for the poor. He commended public-private partnership for economic development and pledged to provide the conditions necessary for private sector growth.

The challenge here should be to get the President and his agents at the national, regional and local levels to "walk the talk" of supporting private sector growth. Partnership with business associations is one sure way of 'walking the talk'. With 29% of the population below the national poverty line, and the country being ranked 92 out of 183 economies under the 2010 "Ease of Doing Business" Economy Rankings by the World Bank, the State should indeed be excited about collaborating with the private sector.

Trang and Stangsoth (2002) argue strongly for State support for business associations and recommend that Governments do the following:

- Regularize and broaden business associations' participation in economic policy by requesting ministries to solicit comments from business associations before promulgating laws on business activities.
- Improve the regulatory environment for the establishment and operation of business associations.
- Exempt business associations from taxation on income generated from core activities (i.e. membership fees, issuing of certificates and carrying out business support services)
- Grant individuals and enterprises income tax benefits in the form of tax deductions on payment of membership dues to the professional association.
- Delegate some SME promotion tasks to Associations.

7. CIVIL SOCIETY:

Civil Society Organizations (CSOs) can play a supportive role to enable business associations achieve specific set objectives. Leadership of business associations will have to do an assessment of civil society organizations and identify those that can help champion the cause of business at the local and national levels. Two institutions that have great potential in partnering the business associations are the media and faith-based organizations.

By its agenda setting role, the Media is powerful in determining priority concerns that merit the attention of policy makers. In Ghana, the media has been given a responsibility to demand public accountability. Article 162(5) of the Constitution provides that the mass media "*shall uphold the responsibility and accountability of the Government to the people of Ghana*".

The privilege given the Ghanaian media to demand public accountability has been effectively used by the Ghana Journalists Association (GJA) under its project "Using the Media to Strengthen Business Advocacy" (2008-2009) to advocate certain concerns of small scale entrepreneurs. As a result of the successful project and direct dialogue between the GJA and Regional Co-ordinating Councils (RCCs) of Brong Ahafo, Ashanti, Western and Central regions, the respective Councils have issued policy directives to respective Metropolitan, Municipal and District Assemblies in their jurisdictions to involve business associations in the fee-fixing and general planning processes of the Assemblies. The Brong Ahafo and Eastern RCCs have further asked their Assemblies to use the public procurement processes to support local, especially small scale operators.

The most striking policy outcome of the GJA intervention emanated from the Ministry of Local Government and Rural Development (MoLGRD). The Honorable Minister sent a letter dated 4th January 2010 and titled "*Position on Promoting an Enabling Environment for Small and Medium Scale Enterprises at the District Level as a Strategy for Local Economic Development*" to the President of the GJA. In the letter, the Ministry pledged among others to;

- Develop relevant Local Economic Development (LED) guidelines for Assemblies by June 2010
- Promote strong civil society voice at the district level
- Encourage Assemblies to collect or update their information on business enterprises in the districts and that the ministry would provide a framework to collate such information for its own research, planning and performance assessment purposes.
- Require assemblies to adhere to a time-bound programme of stakeholder consultations in fee fixing with the appropriate authorities in attendance •

The position paper was copied to the Minister of Trade and Industry, as well as all Regional Ministers.

Another group that may be targeted and partnered by business associations is the faith-based organization. Faith-based organizations are very powerful largely because of their numerical strength and the respect religious leaders enjoy.

The Catholic Church for example is noted for the issuance of its seasonal pastoral letters in which they comment on matters confronting the nation. The Catholic Bishops also engage in dialogue with sitting Presidents over their concerns.

Business Associations can therefore tap into the goodwill of the religious bodies through two main ways; namely, using the platform of the 'bodies' to reach potential business associations members and persuading leaders of faith based organizations to join them in articulating the concerns that will be of interest to business.

8. DEVELOPMENT PARTNERS:

Another group that has the potential to contribute to strengthening of business associations is Development Partners that are interested in private sector development and poverty reduction. Support for business associations will increase the capacity of the associations to address the concerns of their members while increasing the general demand for accountability from public office holders.

The story of the Business Sector Advocacy Challenge (BUSAC) Fund under which three development partners – namely the Danish International Development Agency (DANIDA), Department for International Development (DFID), and United States Agency for International Development (USAID) pooled a total of US\$8.5 million to support advocacy actions of three hundred and sixty-two (362) associations clearly demonstrates that Development Partners can support business associations to improve their capacity in addressing the needs of members.

The added advantage of supporting home-grown associations is their ability to directly demand accountability from government on policies they find inimical. This has the effect of increasing the space for public dialogue and generally enhancing citizens' or group input into the policy/governance process. The importance of such an approach lies in the fact that citizens' participation is one of the critical indicators of good governance.

Strengthened business associations could also lobby Development Partners to have their concerns incorporated as "triggers" and "conditionalities" in the partner's dealings with the Government of Ghana. In recent times, civil society organizations have partnered the Bretton Woods Institutions and the Multi-Donor Budgetary Group to have the passage of the Whistle Blowers Act and the Freedom of Information Bill as triggers. What this means is that Government would then have to pass such legislation before the donors release a specific trunch of the money pledged to support the country's development process.

Ultimately, improving the capacity of business associations to do policy analysis and engaging governments in policy dialogues would reduce the necessity for imposition of conditionalities. This is because there would be well articulated positions by Industry to get governments address some of the challenges which otherwise would have to be pushed through "triggers" and 'conditionalities" with the attendant criticisms of Development Partners.

What must however be borne in mind is that the interests of Development Partners and business associations would not necessarily always coincide. For example, with subsidies on agriculture, business associations could have an interest quite opposed to that of Development Partners.

The challenge therefore will be for the leadership of business associations to identify areas in which they could have common interests with Development Partners (a non-homogenous group) and to work hard in forging partnerships.

9. END NOTE: Best practices dictate that it is feasible to have strong business associations without legislating mandatory membership. What is required to kick-start the journey is leadership. PEF must resolve to play that leadership role. The Foundation is invited to create platforms at selected regional centres to determine and fine-tune ideas on the roles various stakeholders could play to strengthen business associations and to

provide leadership in the development of action plans for the implementation of the recommendations from the consultation process.

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DRAFT

PEF CONSULTATIVE WORKSHOPS ON STRENGTHENING BUSINESS ASSOCIATIONS- BACKGROUND PAPER FOR WORKSHOP PARTICIPANTS

INTRODUCTION

The **Private Enterprise Foundation** (PEF) is organizing four consultative workshops to collate ideas on how best to improve the membership and general capacity of trade and business associations and thereby strengthen same.

The one day workshops are scheduled to take place in the four metropolis of Tamale, Sekondi / Takoradi, Kumasi and Accra in the year 2010.

The consultations are a continuation of what began in 2007 when PEF decided to pursue optimal membership of business associations as a major priority.

GOAL: The goal of the workshops is the improvement in the membership and capacity of trade and business associations.

OBJECTIVES: The workshops will explore:

- Current status of trade and business associations
- Inhibitory factors in attaining optimal membership of trade and business associations
- Potential role of:
 - Leadership / membership of trade and business associations
 - The State
 - Other Civil Society Organizations and
 - Development Partners in deepening membership / capacity of the Associations
- A preliminary plan of action to strengthen trade and business associations
- A co-ordination role for PEFIAGI in the crusade process.

PARTICIPANTS: Participants at the workshop will be drawn from three groups namely:

- Trade and business associations operating in the geographical areas or Zone of the workshop (about 50%)
- Other civil society organizations in the area of jurisdiction, the media (as participants) and international NGOs (about 25%)

- State agencies and other regulatory bodies whose mandate impinge on the development of industry especially the SME sector (about 25%) including the Regional coordinating Council, District Assemblies, NBSSI, Ghana Standards Board and Food & Drugs Board.

The PEF will identify and invite workshop participants acting in consultation with the local constituent PEF members. Invitation to the workshop shall be accompanied by the background paper for the workshop:

The Format for the workshop shall be along the following lines:

A formal opening Session (at which organizers communicate the rationale and interests in organizing the forum)

A lead plenary presentation on the case for strengthening business associations.

Syndicate sessions: Break into four groups to examine the potential contribution of four major stakeholders to the strengthening of Associations. Leaders/members of associations, the State, Civil Society Organizations and Development partners.

Plenary discussion of syndicate reports

Summary and affirmation of the way forward (Consensus building)

The process should culminate in the following output:

A position paper on initiatives required to achieve optimal membership and thereby strengthen business associations in Ghana.

The outcomes are likely to be the following:

- Improved understanding among stakeholders of the challenges of business associations in Ghana.
- Consensus building on critical requirements in strengthening business associations
- Renewed commitment by leaders of business associations to strive for improved membership.
- A more responsive public sector at the local/regional level to the cause of business associations
- An emergence of partnership between business associations and the wider civil society for the championing of business interests.
- Renewed mandate for PEF to co-ordinate and provide leadership in strengthening trade and business associations.