



DRAFT FINAL REPORT

Development of a  
National Export  
Strategy for Ghana

Contract No:  
MOTIPS/PSI/MSME/  
CS-02/08

Prepared for:  
The Ministry of Trade,  
Industry, PSD and PSI,  
Government of Ghana

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August 2008

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## **1. Introduction**

### **1.1 Background**

Although Ghana's economy has shown a satisfactory performance in recent years it is still largely dependent on agriculture, which accounts for about 40% of GDP and about half of total employment. The Government has set itself the goal of reaching middle income country status by 2015, mainly through an export led growth and the empowerment of the private sector as the principle driver of business.

Ghana has adopted an open trade regime both at the regional and international levels. It is a founding member of the WTO and strongly committed to the ECOWAS trade agreements. However, its current account has been in deficit since 2001, its merchandise exports being mainly traditional commodities (cocoa, gold, minerals).

Export led growth requires export diversification and, as a result, the promotion of the non-traditional exports sector. Ghana's non-traditional exports have performed well, both in regional and in international markets but still account for only about 15% of all export earnings. The Government has provided support in some selected areas through the President's Special Initiatives (PSIs) in order to show the way on how to take advantage of existing opportunities and to empower private sector exporters and guide them in this direction.

In 2005, the Government adopted a Trade Policy that spells out the above priorities and provides the framework for related action. In addition, it has elaborated a Trade Sector Support Programme (TSSP), which makes a diagnosis of the existing constraints to export development and proposes a series of actions to address them. The TSSP puts emphasis on export diversification and the promotion of non-traditional exports. It has identified the lack of a National Export Strategy as one of the existing constraints to the development of non-traditional exports. It has recommended that a National Export Strategy be elaborated which would provide a focus for the country's export effort and concentrate existing resources on reaching identified objectives and results.

### **1.2 Scope**

The present Strategy, therefore, focuses on the non-traditional exports sector. Although it is still a modest percentage of total export earnings it has the potential of growth-provided that the constraints that impede its development are removed.

One major constraint inherent in Ghana's export performance is the great number of non-traditional export products and the fragmentation of export production in terms of very small production and export units, often lacking the critical mass for international trade operations. There is, therefore, an obvious need to concentrate and focus on some priority sectors in order to avoid efforts spreading very thinly and losing effectiveness.

Apart from the need for a focus, the Strategy has also to take into account existing resource limitations in both the government and the export community when defining priorities for action. As a result, and in order to have more impact, it has selected only a few priority sectors and narrowed down its scope to only these few sectors. Its proposed interventions take place, therefore, in two broad complementary areas:

- The first area consists of the identification and selection of those products that present the optimum potential for further growth and development-and for which sector-level export development strategies have been elaborated. These four sectors are vegetable oils, fresh horticultural products, shea butter and salt.
- The second area consists of the identification of some key cross-cutting constraints that affect all non-traditional (and even to a certain extent traditional) exports. It proposes actions for addressing these cross-cutting constraints and improving the enabling environment for export

growth.

It is, consequently, an export strategy for a few priority non-traditional products and an improved export environment. By combining targeted actions at national level with those at selected sector level it is hoped that there will be a real impact in export development for Ghana.

This Strategy does not propose actions for addressing general development constraints that affect Ghana's competitiveness, such as inadequate energy and water supplies, the unsatisfactory physical infrastructure of the country or the fragmentation of production and the lack of critical mass of many small producer and exporting units. These constraints can only be addressed by massive investments and the general development of the country and as such are considered beyond the scope of this Strategy. However, it highlights their importance and hopes that the TSSP action plans will eventually give rise to some gradual remedies.

### 1.3 Methodology

The design of the Strategy was based on a participatory model, involving as much as possible the direct stakeholders of both public and private sectors in the process. In order to achieve this, a National Steering Committee was constituted at the beginning of the exercise composed equally of public and private sector representatives (see Annex I for the membership and the Terms of Reference of the National Steering Committee). The elaboration of the Strategy followed five main stages:

- **An identification and research stage**, during which data and documentation were collected, analyzed and assessed. This served as a basis for the assessment of Ghana's export performance and the identification of priority sectors with export potential;
- **An interview stage**, during which a large number of stakeholders from the public sector, the export community, the academia and the donor community were able to express their views on the existing problems and constraints and proposals on how to address them. Most of the cross-cutting issues affecting export trade were thus identified;
- **A sector strategy stage**, during which sector strategies for the four priority products were elaborated by working groups of exporters of each product sector;
- **A National Workshop**, during which the draft National Export Strategy was presented to a large number of stakeholders from the public sector, the export community, academia and the donor community and;
- **A finalization stage**, during which comments and suggestions that were collected during the National Workshop were incorporated and a final text was agreed upon and adopted by the Government.

The National Export Strategy includes matrices with action plans for each major cross-cutting issue that has been assessed and identifies the bodies responsible for their implementation on a medium-term basis. The same methodology has been applied for the four sector strategies. The National Steering Committee is expected to be responsible for the monitoring of the implementation of the Strategy.

The Strategy aims at solving selected key constraints by allocating only existing or predictable resources available to Government and the export community and thus intends to have a more focused and realistic character (*than previous action plans*). It is hoped, therefore, that it will be easier to implement and have the required impact on a few priority product sectors.

The Strategy has a medium-term time frame, but it is intended to be an ongoing process. It has been conceived as a model, which can be replicated easily by stakeholders. Work for the removal of some of the most critical cross-cutting constraints is expected to continue beyond the initial time frame and some additional issues could then be tackled; at the same time, after the completion of the actions for the individual strategies of the selected four priority sectors more sectors should be selected and strategies should be elaborated for them by working groups of exporters, following the

same methodology. It is for this reason that MOTI's staff has been closely involved in all the design stages of the Strategy.

The National Steering Committee should continue to provide policy priorities, implementation monitoring and guidance to all stakeholders beyond the time frame of the first Strategy and to become the focal point for this ongoing process. It should carefully evaluate the results of the actions taken and propose corrective measures if needed. It should also take advantage of lessons learned during the implementation of the strategies of the first four priority product sectors for future reference. It is recommended that at the end of the initial time frame of the implementation of the Strategy a second National Workshop should be organized in order to take stock of the results and show the way forward.

## 2. Export Potential Analysis

### 2.1 Introduction

This export potential analysis has been undertaken as part of the development of a National Export Strategy for Ghana. The aim of the analysis is to provide an objective basis for the identification of non-traditional sectors/industries that have potential for export growth in Ghana. The prioritisation of sectors for the elaboration of detailed sector strategies is based on a range of selection criteria (for e.g., the potential for employment creation and sustainability) and therefore includes, *but is not limited to*, the results of this analysis.

Importantly, the information contained in this analysis is not based exclusively upon desktop research but is complemented by fieldwork undertaken during the Consultant's first field trip to Ghana in May 2008, including interviews with Government officials and industry associations, as well as previous studies and reports. In particular, the following reports were extremely useful in validating our findings and corroborating the selection of priority sectors:

- the World Bank 2007 Country Economic Memorandum, "Ghana: Meeting the Challenge of Accelerated and Shared Growth";
- the World Bank 2001 report on Ghana's international competitiveness, "Opportunities and Challenges Facing Non-Traditional Exports"; and
- the EU 2004 report, "EU Market Access Opportunities for Ghana and Position for EPA Negotiations".

### 2.2 Methodology

The export potential of sectors is defined here as their capacity to expand exports. The term is used in its broad sense, applying both to those sectors with existing export capacity and to those that may perhaps not yet export but fulfil many of the necessary conditions for doing so (capability to export).

An assessment of the export potential of non-traditional export sectors in Ghana thus requires a broad perspective, taking into account diverse factors that influence actual and potential export capacity. The multi-dimensional nature of export potential can be expressed with the help of composite indicators because they integrate large amounts of information from the underlying indicators and trade data and summarise them easily for a wider audience. By reducing the level of complexity, composite indicators can provide a broad picture of reality to guide policy-makers in their decisions.

However, composite indicators are typically very sensitive to different weighting and aggregation techniques and can easily result in distorted findings and incorrect policy prescriptions. In addition, an important problem concerns the information that is not available: the construction of composites can only draw on the data that exist but there is no meaningful way to adjust a composite for information that is not reflected in available indicators.

Notwithstanding the importance of these considerations, some pragmatism in approaching the use of composites is desirable. Policy analysis often benefits from the use of measures and indicators that are less than ideal. The conceptual limits of composites should be kept in mind and analyses that make use of them should be supplemented as appropriate with other information and supporting quantitative and qualitative analysis.

#### 2.2.1 Conceptual Framework and Definition of Relevant Indicators

The assessment of Ghana's export potential is based on the examination of two main dimensions: (i) world markets, and (ii) the current export performance of the sector. The first dimension, "World Markets", examines whether the international environment is favourable to Ghanaian exporters in

the selected sectors and depends on an analysis of two major factors:

- **The dynamism of international demand** – Fast growing global markets are more likely to produce net gains for an exporting country than slow growing, stagnant or declining markets, everything else being equal. *Ceteris paribus*, the more dynamic world imports (or “international demand”), the higher the probability of future export growth.
- **Ghana’s international market access conditions** – Tariffs and non-tariff barriers can prevent an industry from translating its export capability into real exports. *Ceteris paribus*, the better Ghana’s market access conditions in key markets, the higher the export potential of its industries.

The second dimension, “Current Export Performance”, reveals Ghana’s current comparative advantages. Well-performing sectors have already proven their export capacity and can thus be considered as also having high potential for future exports. “Current Export Performance” depends on analysis of the following factors:

- **The weight of Ghana in the world market** – Comparing Ghana’s world market share for a particular industry to its overall market share allows us to identify whether that industry is a relative under- or over-performer in the world market. A relatively high share of the world market suggests a competitive sector with efficient productive capacity.
- **The relative trade balance** – If exports exceed imports (trade surplus), national production exceeds national consumption. This provides another indicator to enable us to gauge the relative efficiency of the productive capacity of industries. A trade deficit suggests the opposite.

## 2.2.2 An Overall Measure of Export Performance?

While it is tempting to construct an overall measure of export performance, we feel it provides too narrow an interpretation of the export potential of particular industries. A composite index based on the above dimensions does not directly take into account factors such as technology, the importance of backward and forward linkages, and the extent to which an exported product can help to raise a country’s income. Instead our analysis groups industries into various categories based on their rankings in the two dimensions described in Section 2.2.1 above. Using previous reports and information gathered during the first field trip, we then prioritise industries based on a wider range of criteria. Rather than simply constructing another composite index, this approach allows for a more nuanced selection of priority industries and minimises the exposure of the analysis to sensitivities caused by further weighting and aggregation. Nevertheless, caution in interpreting the indices must be applied and the results of the analysis should be viewed by policymakers as a helpful auxiliary in the identification of priority sectors.

## 2.2.3 Initial Selection of Industries

Fourteen, non-traditional industries were initially selected to form part of the export potential analysis. Based on Ghana’s top 30 exports (in US\$) for 2006 at the HS2 product level, the selection comprises: *cassava starch*; *fresh fish industry*; *furniture*<sup>1</sup>; *horticultural products*; *plastics*; *processed cocoa products*; *processed fish industry*; *rubber and rubber products*; *salt*; *shea and processed shea products*<sup>2</sup>; *textiles and clothing*; *valued-added (semi-processed and processed) agricultural products*<sup>3</sup>; *vegetable oils*<sup>4</sup>; and *wood manufactures*. The full list of industries and constituent products can be found in the Annex to this report.

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<sup>1</sup> Excludes related wooden manufactures.

<sup>2</sup> Includes 151590, “vegetable fats & oils nes & their fractions, refined or not but not chemically modified”.

<sup>3</sup> Includes semi-processed and processed agricultural products but excludes vegetable oils and cassava starch.

<sup>4</sup> Includes palm and cottonseed oils as well as “fixed vegetable fats and oil and their fractions” (1515) but excludes 151590, “vegetable fats & oils nes & their fractions, refined or not but not chemically modified”.

## 2.2.4 Data Sources

The analysis uses the COMTRADE database of the United Nations Statistical Division (UNSD), available through the International Trade Centre via Trade Map ([www.trademap.org](http://www.trademap.org)).

## 2.3 Findings

The findings of the analysis are presented and discussed for the two dimensions (world markets and current export performance) in Section 2.3.1 and Section 2.3.2 respectively.

### 2.3.1 World Markets

The first composite indicator concerns the characteristics of world markets and examines whether the international environment favours or disadvantages the nine industries pre-selected for this study. It includes two sub-indices that take into account respectively (i) the dynamism of world imports and (ii) market access conditions.

#### 2.3.1.1 The Dynamism of World Imports

Industries for which international demand is fast growing are more likely to accommodate Ghana's exports than declining, stagnant, or even slow-growing markets (everything else being equal). The dynamism of international growth demand for each industry is measured by the growth rate of world imports in value terms (US\$) between 2004 and 2006. While growth in value terms is sensitive to exchange rate variations, it does include information on the evolution of prices. In addition, data in volume terms were not available for all the products in the period under review. For these reasons, growth rate in value terms was used instead of growth rate in volume terms.

Table 1 presents the sub-index for international demand. While a measure that takes into account the recent past does not necessarily have strong predictive power the index gives a good indication of structural shifts in the world economy, particularly over longer time periods. The most dynamic industries in terms of world import growth rate (in value) between 2004 and 2006 were *rubber and rubber products* (+16.62%), *cassava starch* (+15.93%), and *shea and shea products* (15.26%). In contrast, growth was lowest for *value-added agricultural products* (+4.77%), *wood manufactures* (+6.3%), and *vegetable oils* (+6.47%).

#### 2.3.1.2 Market Access

Tariffs and non-tariff barriers can prevent an industry from translating its export capability into real exports. The better Ghana's market access conditions in key export markets *vis-à-vis* its competitors in those markets, the higher its export potential, all other things being equal. Market access conditions are measured here in terms of preferential tariffs in international markets (based on ad-valorem equivalents provided by the ITC) by comparing the tariff applied by importing countries to Ghana with those applied to other exporters of the same product. Box 1 below describes the derivation of the market access index in more detail.

The market access index presented in Table 1 indicates the extent to which Ghana has an overall preferential margin in international markets in terms of trade barriers. Industries for which Ghana receives either preferential market access or is not disadvantaged in major export markets *vis-à-vis* its competitors include *textiles and clothing*, *vegetable oils*, salt, and *furniture*<sup>5</sup>. Industries for which Ghana receives significant discriminatory treatment in world markets *vis-à-vis* its main competitors include *rubber and rubber products* and *value-added agricultural products*. *Horticultural products* and *plastics* receive moderate discriminatory treatment in world markets.

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<sup>5</sup> Ad valorem equivalent tariff data is not available for fresh fish. The aggregate preferential margin for the fresh fish industry could therefore not be calculated and no value is assigned to the industry's world market index.



**Box 1. Deriving the Market Access Index**

- First, for each of the product lines in the industry under review and for each major export destination (e.g., the United States), the tariff applied to Ghana is compared to the tariffs imposed by the same market to other exporting nations. Based on the distribution of US tariffs to countries with exports over 0.5% of total US imports for that product, three summary tariffs are calculated for the median, first quartile and 5<sup>th</sup> percentile.
- The second step calculates the discrepancies (preferential margins) between the tariffs imposed by the US on Ghana and each of the three summary tariffs. By definition, discrepancies range between -50% and +50%.
- The third step calculates an average of the three discrepancies, by weighting twice the discrepancy between Ghana and the countries benefiting from the most favourable tariffs in the US market. The preferential margin is then multiplied by a coefficient to range between -100 and +100.
- For each product, the preferential margin is then aggregated over all markets, by weighting the preferential margin by the size of each market. For each industry, an average is calculated across all products belonging to the industry. Finally, the indicator is normalised to range between 1 (highest tariffs of all industries) and 5 (lowest tariffs).

**2.3.1.3 An Index for “World Markets”**

Normalising both the indicator for the dynamism of international demand between 2004 and 2006 and the indicator for Ghana’s relative market access conditions allows us to calculate an average “index of world markets”. Overall, the international environment seems most favourable for the following industries: *shea and shea products, cassava starch, textiles and clothing, salt, plastics, furniture, and rubber and rubber products*. In contrast the international environment currently seems particularly unfavourable for *value-added agricultural products*.

**Table 1. Underlying Indicators for Composite Index “World Markets”**

	Growth of World Imports (% p.a.)	Sub-Index*: Intl. Demand	Aggregate Preferential Margin	Sub-Index*: Ghana's Access to Intl. Markets	Index*: World Markets
Shea and shea products	15.26	4.54	-0.03	3.83	<b>4.19</b>
Cassava starch	15.93	4.77	-1.67	3.15	<b>3.96</b>
Textiles and clothing	7.88	2.05	2.8	5	<b>3.53</b>
Salt	10.77	3.02	0	3.84	<b>3.43</b>
Plastics	13.32	3.89	-2.57	2.77	<b>3.33</b>
Furniture	9.85	2.71	0	3.84	<b>3.28</b>
Rubber and rubber products	16.62	5	-6.84	1	<b>3</b>
Processed fish industry	8.43	2.24	-0.43	3.66	<b>2.95</b>
Horticultural products	10.36	2.89	-2.82	2.67	<b>2.78</b>
Vegetable oils	6.47	1.57	0.26	3.95	<b>2.76</b>
Wood manufactures	6.30	1.51	-0.29	3.72	<b>2.62</b>
Processed cocoa products	7.22	1.83	-1.19	3.34	<b>2.59</b>
Value-added agricultural products	4.77	1	-6.38	1.19	<b>1.1</b>
Fresh fish industry	10.98	3.1	..	..	<b>..</b>

\*Indices range from 1 (lowest ranking) to 5 (highest ranking). Source: Comtrade/ITC Trade Map.

### 2.3.2 Ghana's Current Export Performance

The second composite indicator gauges how successfully its enterprises perform in international markets for the selected industries. Well-performing sectors have already proven their export capacity and can thus be considered as also having high potential for future exports, everything else being equal.

The composite index includes two sub-indices that take into account respectively: (i) Ghana's world market share by sector and (ii) the industry's trade balance. Ghana's current export performance is calculated using direct (rather than mirror) trade data (see Table 2). While mirror statistics are typically used when direct data are not available, they do not cover trade with other non-reporting countries. Consequently, data for product lines in industries in which significant "South-South" trade occurs are systematically underestimated by mirror statistics.

However, mirror statistics are used in the derivation of the market access index (see Section 2.3.1.2), which mainly focuses the analysis of Ghana's market access conditions on key developed markets. As always, trade statistics should never be the sole source of insight but need to be complemented by other sources of information and in particular cross-checked by product specialists and industry insiders.

#### 2.3.2.1 The World Market Share of Ghana by Industry

A relatively high share of the world market suggests a competitive sector with efficient productive capacity. It is clear from Table 2 that Ghana has a substantial world market share in *shea and shea products*. Other industries with a relatively high world market share include *processed cocoa products*, *wood manufactures*, *textiles and clothing*, and *horticultural products*. In contrast, the analysis reveals that Ghana's world market shares for *furniture*, *vegetable oils*, and *cassava starch* are relatively low.

#### 2.3.2.2 The Relative Trade Balance by Industry

The relative trade balance is another indicator used to gauge the efficiency of the productive capacity of industries. The trade balance is the difference between exports and imports. If exports exceed imports (trade surplus), national production exceeds national consumption. *Ceteris paribus*, this suggests that an industry reflecting a trade surplus has efficient productive capacity and can be considered competitive. In Table 2, the trade balance is expressed in relative terms (i.e., relative to the industry's total trade) rather than in absolute terms (e.g., in US dollars) as it is not biased towards large industries (which tend to have either strong deficits or surpluses).

The analysis reveals that processed cocoa products, wood manufactures, and fresh fish are almost exclusively exported. *Textiles and clothing*, *horticultural products*, and *salt* also record highly positive relative trade balances. In contrast, *cassava starch*, *vegetable oils*, and *rubber and rubber products* all record highly negative relative trade balances.

#### 2.3.2.3 An Index for "Current Export Performance"

Again, normalising both the indicator for Ghana's world market share and the indicator for Ghana's relative trade balance allows calculating an average "index of current export performance" (see Table 2). Overall, the index for Ghana's current export performance (using 2006 data) is highest for *shea and shea products*, *processed cocoa products*, *wood manufactures*, and *fresh fish*. In contrast, overall export performance is lowest for *cassava starch*, *vegetable oils*, and *rubber and rubber products*.

Table 2. Underlying Indicators for Composite Index "Current Export Performance"					
	Ghana's World Market Share (%)	Sub-Index*: World Market Share	Relative Trade Balance (%)	Sub-Index*: Relative Trade Balance	Index*: Current Export Performance
Shea and shea products	2.58	5	10	3.14	<b>4.07</b>
Processed cocoa products	0.78	2.2	98	5	<b>3.6</b>
Wood manufactures	0.33	1.51	97	4.99	<b>3.25</b>
Fresh fish industry	0.02	1.03	95	4.94	<b>2.99</b>
Textiles and clothing	0.19	1.30	66	4.33	<b>2.82</b>
Horticultural products	0.18	1.28	55	4.1	<b>2.69</b>
Salt	0.02	1.03	34	3.64	<b>2.34</b>
Plastics	0.06	1.09	8	3.11	<b>2.1</b>
Value-added agricultural products	0.03	1.04	-24	2.42	<b>1.73</b>
Furniture	0.01	1.02	-24	2.44	<b>1.73</b>
Processed fish industry	0.1	1.15	-42	2.04	<b>1.6</b>
Rubber and rubber products	0.02	1.03	-75	1.35	<b>1.19</b>
Vegetable oils	0.01	1.01	-84	1.16	<b>1.09</b>
Cassava starch	0.00	1	-92	1	<b>1</b>

\*Indices range from 1 (lowest ranking) to 5 (highest ranking). Source: Comtrade/ITC Trade Map.

## 2.4 Conclusions

The analysis provides a snapshot of Ghana's current export performance based primarily on 2006 data<sup>6</sup>. Mapping the industries along the two dimensions of "world markets" and "export performance" we distinguish four polar cases:

- **Performers in attractive markets** – where both world markets and Ghana's export performance are high and/or dynamic. The analysis suggests the following industries are part of this group: *shea and shea products, textiles and clothing, horticultural products, wood manufactures, processed cocoa products, and possibly fresh fish*<sup>7</sup>. Generally speaking, trade promotion efforts for these industries are less risky and promotional efforts should aim at broadening the supply capacity.
- **Underachievers in unattractive markets** – represent the opposite case, as both world markets and export performance for these industries are low and/or static. Trade promotion efforts for product groups in this category carry some risk as export prospects tend to be poor. Based on this analysis, *value-added agricultural products* appear to fall into this category.
- **Underachievers in attractive markets** – while world markets for these industries are favourable, export performance by Ghanaian firms is presently weak. These industries present particular challenges for trade promotion efforts in Ghana, as the bottleneck is in general not world markets (demand is strong and/or markets are open) but rather domestic factors

<sup>6</sup> Growth rates are calculated between 2004 and 2006.

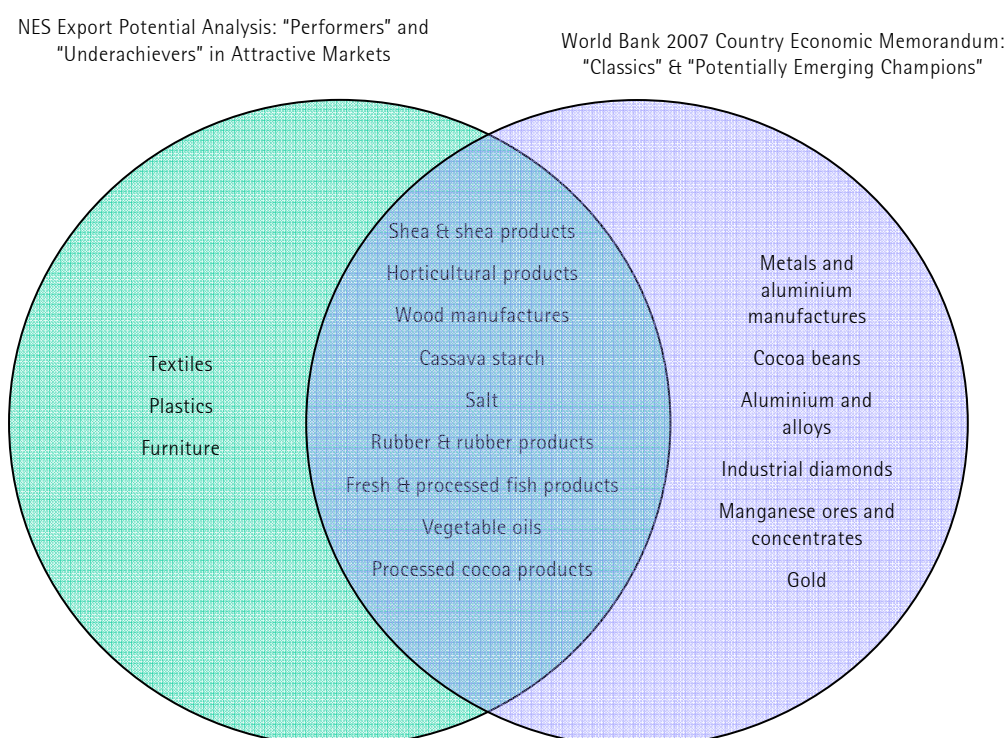
<sup>7</sup> As no ad valorem equivalent tariff data is available for fresh fish, the market access sub-index could not be calculated. While the export performance of the fresh fish industry suggests it is a "performer", we are not able to gauge whether it is a performer in an attractive or unattractive market.

hampering export performance. Efforts should be focused therefore on removing specific bottlenecks that are impeding a more dynamic expansion of exports. Industries in this group include *cassava starch, salt, plastics, furniture, rubber and rubber products, processed fish products, and vegetable oils*.

- **Performers in unattractive markets** – while world markets for these industries are unfavourable, export performance by Ghanaian firms appears to be strong. Niche marketing strategies are required to isolate the positive trade performance from the overall decline in these markets. Based on limited data, *fresh fish* could be considered a performer in an unattractive market.

A major issue is how to get from sectors with high export potential (performers and underachievers in attractive markets) to those that should be considered "priority sectors" (from which four sectors will be selected for the development of specific export promotion strategies). By mapping high export potential sectors identified in this analysis onto products identified as "classics" and "potentially emerging champions" in the 2007 World Bank Country Economic Memorandum, the following sectors emerge as potential priority sectors for consideration under the NES: *shea and shea products; horticultural products; wood manufactures; processed cocoa products; cassava starch; salt; rubber and rubber products; fresh and processed fish industries; and vegetable oils* (see Diagram 1 below).

**Diagram 1. Mapping Export Potential**



While our own analysis and the 2007 World Bank Country Economic Memorandum identify the rubber industry as having some export potential, the EU study on market access opportunities for Ghana in EPA negotiations notes that technically specified natural rubber (TSNR) is a product that has exhibits strong volatility in market share, suggesting that production issues (such as quality, reliability, volumes) and/or marketing issues (such as limited number of customers, too many small

players) are significant factors affecting the export performance of the industry. Anecdotal evidence obtained from sector specialists suggests that there is very little production of rubber currently taking place in Ghana and consequently no available supply for export. For these reasons, we decided to exclude *rubber and rubber products* from the list of priority sectors as significant production issues need to be resolved first. We also excluded *processed cocoa products* from the list of priority sectors as private sector participation in downstream cocoa processing remains limited.

Furthermore, we decided to include *value-added agricultural products* – identified as an “underachiever in an unattractive market” – in the final list of priority sectors as this industry includes processed and semi-processed food products and medicinal plants, with potentially significant medium- to long-term value-added and employment creation/poverty alleviation benefits respectively. The following final list of priority sectors is therefore based on the export potential analysis conducted by the Consultants, corroborated by previous studies and reports, and refined using qualitative information obtained stakeholders and industry specialists:

- Shea and shea products;
- Horticultural products;
- Wood manufactures;
- Cassava starch;
- Salt;
- Fresh and processed fish products;
- Vegetable oils;
- Value-added agricultural products.

### **3. Cross-Cutting Issues**

#### **3.1 General Competitiveness Issues**

As mentioned in the Introduction, the Trade Sector Support Programme (TSSP) includes a detailed description of all the main constraints that limit Ghana's competitiveness. Most of these constraints are unfortunately still very valid and not much has changed in the last two years. Since there is a thorough analysis in the TSSP and since this Strategy cannot address such important generic competitiveness issues inherent in the development stage of the country, we shall simply highlight here the most important of them. A series of actions – including the need for investments to address these issues – are recommended in the TSSP.

##### **3.1.1 Factors Affecting Production Capacity**

###### **3.1.1.1 Lack of critical mass, market orientation and focus on production for export**

The overall characteristic of Ghana's non-traditional export sector is its multitude of small producers and exporters as well as its wide variety of products. Most of them do not have the critical mass to establish international trade operations in an effective way and respond to market demand and requirements. Ghanaian producers and exporters of non-traditional products are in their majority production oriented and lack the market dimension. In most cases and with only few exceptions all these businesses have clearly not been established as the result of an assessment of international market demand; they rather try to sell whatever can be produced, often following local market standards. The products that are exported have usually low value added, although it is certain that higher value products responding to international market requirements have a good chance to be exported in some specific sectors.

Some actions have been taken in an attempt to address this issue, as for example the establishment of Export Houses which are supposed to provide the required critical mass and market dimension; but until now the results have been very limited. Other similar actions have been taken by donor-funded projects and other private operators such as commercial banks (handicrafts sector). The fact remains that there is still a need to identify some product sectors that have a strong international demand and that the country has a competitive advantage. Ghana should therefore concentrate on supporting these sectors on a priority basis in order to provide a response to this demand. Although this is an acknowledged fact very limited priority sector oriented work has taken place until now and past action plans for sector level work by initiatives such as the JITAP project, for example, have not been implemented.

###### **3.1.1.2 Electricity supply**

Electricity supply, which is a fundamental production factor for many industries and exports, is too expensive compared to competitors. This increases the unit cost of a number of export products, particularly those that need relatively important energy inputs such as, for example, the agro-processing or the textile industries.

In addition to the high cost, the electricity supply is also very unreliable. Power cuts are widespread all over the country including Accra. This obliges producers to install generators in order to offset production breakdowns. The cost, as a result, becomes even higher both because of the use of generators and of the loss of working hours and sometimes equipment damaged due to power cuts.

In addition to losses relating to the production line, unreliable electricity supply also affects the whole spectrum of export operations including transport and telecommunications.

### **3.1.1.3 Water supply**

Water availability should not be a real problem in Ghana both as a result of its tropical climate as well as of its geographical features with large inland water reserves. Nevertheless, in certain instances, a lack of adequate and regular water supply affects Ghana's production and exports in two main ways: lack of sufficient irrigation for the sustainable production of fresh agricultural products; and lack of sufficient and regular water supply for those export industries that need water for their production processes (i.e., agro-industries).

Lack of proper and regular irrigation means that the production season for certain export products is limited to only a few months every year, while the climatic conditions of Ghana would allow a year-round continuous production. Many exporters of agricultural products complained about this fact and some action has been taken through some donor-funded projects such as the EMQAP and MIDA (see Section 3.2.1.8) to address this issue. The impact, however, of these actions is still limited and concerns only some selected areas of the country.

Lack of regular water supply for industrial purposes disrupts the production line and results in loss of working hours. It is a general phenomenon all over the country but the conditions are worse outside the main cities in rural areas. In order to offset this problem, many export businesses have to procure water at high cost either by installing water tanks or by having regular supplies delivered by water tankers. This is an expensive operation and affects the unit costs and export competitiveness accordingly.

### **3.1.1.4 Low productivity due to low technical skills**

With few exceptions, most of the exporting companies in Ghana use outdated production equipment and their staff lack the necessary skills for both production processes and efficient management. There are a number of on-going technical assistance programmes (USAID-TIPCEE, GTZ, UNIDO, etc.) trying to address this constraint but the situation is still unsatisfactory. If Ghana is to become an exporter of higher value products, significant training is needed to improve production efficiency and process innovation, and important investments need to be made in new technologies.

Longer-term finance for exporters allowing them to acquire new technologies and modernise their equipment is difficult to obtain (see Section 3.2.2). Human resource development in production and management, including export management, is not readily available and needs to be enhanced (see Section 3.2.3). Lack of skilled workers is one of the major factors affecting export performance.

### **3.1.1.5 Access to land**

Access to land for industrial purposes is a very complicated and uncertain endeavour for many investors due to problems of property rights and possible land disputes. This often acts as a break to investments that could create new export capacity or modernise existing facilities. It also limits the possibilities of establishing large plantations for export crops, which could have the benefits of commercial production and economies of scale and thus be able to compete successfully in world markets.

It appears that recently some progress has been made in trying to streamline land acquisition procedures and it is hoped that this development will stimulate foreign direct investment in export-oriented production.

### **3.1.1.6 Inadequate physical infrastructure**

Ghana's road network is considered poor, particularly in the rural areas. There is a general lack of feeder roads that can allow transport by lorry regularly and at acceptable costs, products destined for export, either to harbours or to regional destinations. This situation forces producers and exporters to try and concentrate their production facilities near large urban areas and exit points, despite the fact that farming conditions and labour costs might be better in other regions of the

country that are further away.

Two donor-funded projects (MIDA and EMOAP) are currently providing assistance for the opening of feeder roads in some selected rural areas. This is a positive development but it only provides a partial solution to a general problem. It also seems that the financing for feeder roads does not give priority to regions with export- oriented production but follows general poverty reduction criteria. There is a need to establish a plan for the development of feeder roads in those areas in which sectors and sub-sectors are based whose products have the potential to compete internationally.

### **3.2 Specific Competitiveness Issues Affecting Ghana's Export Enabling Environment**

Ghana's private sector is still in the process of development after many decades of state dominated economic activity. Local entrepreneurs are encouraged by the current government to take the lead in driving the economic development of the country and more particularly in transforming it to an important export economy.

The business sector is responding but has to cope with many constraints that continue to hinder the establishment of an enabling environment for export growth. It also still lacks the critical mass to have the required impact in decision making and measures that promote exports. For that reason, there is still a need for continuous support by various state institutions, until such a time as the enabling environment has been established and the private entrepreneurs have become the main economic actors in export expansion.

The non-traditional exports sector is typically representative of the new private entrepreneurs that are seeking support from state institutions for export expansion. These institutions exist but, as we shall see, need to improve the overall trade support network and their performance in order to assist the export community successfully.

#### **3.2.1 Trade Promotion Institutional Structure**

##### **3.2.1.1 Ministry Of Trade and Industry (MOTI)**

The MOTI is in principle responsible for formulating and implementing trade and industrial policy. It has 13 Divisions and 217 staff of whom about one third are professional officers. This roughly corresponds to about 5 professional officers per Division including the Directors. In view of the mandate of the Ministry, the staffing could be considered adequate. However, it appears that modern management methods have not yet been introduced; there is no business plan with precise medium-term objectives and apart from the senior management the rest of the professional staff requires serious training in order to fulfil their tasks successfully.

As already mentioned, the Government of Ghana formulated a Trade Policy in 2004, followed by an action plan for its implementation, the Trade Sector Support Programme (TSSP). The implementation of this programme is the responsibility of MOTI, which has established a TSSP Management Committee that meets every Monday and reports directly to the Minister. The TSSP is a very comprehensive and ambitious action plan for the period 2005 –2010. It contains a diagnostic part whereby all major trade-related constraints are identified and an implementation part of 27 components with detailed action plans for addressing these constraints. These plans are expected to be implemented using government and donor resources.

During the course of the design of the National Export Strategy it was found that the TSSP had been only partly and slowly implemented. The action plans of the "Export Trade Support Services" component, which is of particular relevance to the NES, had not been implemented. Furthermore, many of the institutions which had been expected to be involved in their implementation did not know what was expected from them, nor did they even have a copy of the action plans and some were not even aware of the existence of the TSSP. This lack of implementation appears to be due



partly to unavailability of resources, to a lack of coordination and mutual consultation and ultimately, to a lack of political will to enforce necessary reforms. The result is that most of the constraints identified by the TSSP in 2005 are still present in 2008.

The TSSP action plans aim at addressing cross-cutting issues in the trade promotion sector. There are no sector oriented action plans, although the Poverty Reduction Strategy identifies some priority sectors for development. Any sector-oriented activity is supposed to be undertaken by related agencies such as GEPC.

The Division of Export Trade Support Services of MOTI is supposed to be responsible for the implementation of policy decisions concerning export promotion. As it is, this Division does not have the resources and the authority to oversee trade policy implementation. Even institutions directly under its responsibility such as the GEPC or EDIF act independently without real consultation with MOTI. In addition, MOTI is undertaking non policy actions such as investment promotion, instead of concentrating on trade policy formulation and implementation.

MOTI is also responsible for Ghana's trade representation abroad but currently Ghana has only one trade representative who is doing full time trade promotion work (London). Its commercial offices in Brussels and Geneva undertake some trade promotion work but are very busy following trade negotiations. A fourth trade representative is posted in Washington, which is an unsuitable location for trade promotion activities. A fifth commercial representative is expected to be posted in Abuja, Nigeria, before the end of 2008 but again the function is geared more towards trade negotiations and trade policy (ECOWAS region) than trade promotion. It appears that these trade representatives have little direct communication with other institutions than MOTI, (such as GEPC, for example), as well as with the export community, a fact which decreases the overall effectiveness of their work.

### **3.2.1.2 The Ministry of Food and Agriculture (MOFA)**

This Ministry focuses on the development of agricultural production but its mandate and objectives sometimes overlap with those of MOTI's or other agencies. In its mandate is included the "generation of foreign exchange earnings", while in its principle of objectives we find that it should work towards "increased competitiveness and enhanced integration into domestic and international markets" of agricultural products. Among the objectives of its various Divisions are the following priorities:

- Formulate national policies for the development of food and horticulture and industrial crops;
- Develop plans and programs for the promotion of the development and production of non-traditional export crops in collaboration with relevant institutions;
- Facilitate international trade in agricultural commodities through effective phyto-sanitary regulations;
- Update and enforce national phyto-sanitary regulations within the sub-regional and international standards; and
- Promote activities for meeting international standards on import and export (see Section 3.2.3).

These are all legitimate objectives but it appears that the coordination of MOFA's activities with those of other agencies needs to be improved and regular consultation mechanisms established.

### **3.2.1.3 The Ghana Export Promotion Council (GEPC)**

This institution was created in 1969 and has since contributed regularly to Ghana's export promotion efforts despite the fact that it has never been allocated sufficient resources to accomplish its mandate effectively. GEPC reports to MOTI. Currently it has about 25 professionals who do substantive work in Accra and in 5 other locations in the country. Its mandate is to facilitate the development and expansion of the production base and the promotion of non-traditional exports, by providing trade information, training and appropriate promotional programmes to the

export community. It is also expected to "*Develop and coordinate national export agenda through the harmonization of export related activities by private and public sector agencies and other development partners*". Although this is clearly stated in its terms of reference, it was found that GEPC does not have the authority to ensure such coordination, while other public and private sector agencies and development partners who are undertaking important trade promotion activities are not requested to harmonize their activities with GEPC.

The annual budget of GEPC is \$700,000 of which \$600,000 is provided by the Export Development and Investment Fund (EDIF) and \$100,000 by MOTI. In addition, about \$250,000 are allocated for trade fair participation, which appears to be GEPC's most important operational activity, although it is not mentioned in its original mandate (see below). This budget allocation is very modest in view of the needs of the export community.

GEPC's mandate appears to be very large and its work programme tries to cover a very large scope of trade promotion activities including export development. In view of its limited resources, it spreads itself too thinly and as a result can respond to the needs of the export community in a very limited way.

#### **3.2.1.4 The Ghana Investment Promotion Centre (GIPC)**

GIPC was established in 1994 with the mandate to encourage and promote investment in the Ghanaian economy. Its current mission, as stated in its business plan of June 2007, is "to attract private domestic and foreign investments to transform Ghana into a broad based industrial and export led economy through aggressive investment promotion activities".

The Act 478 of 1994 creating GIPC requires that "*all government departments and agencies and other public authorities to cooperate with GIPC*". This provides an advantage to GIPC but again GIPC is not requested to coordinate its own activities with everybody else. As a result, and since GIPC reports directly to the President, it pursues its own policies and plans without much consultation with others (the current Chief Executive was unaware of the TSSP's existence as well as of its objectives and priorities, and did not know what was expected from GIPC in the action plans).

GIPC considers that export development falls within its terms of reference and takes appropriate actions to support the export community through investment promotion, trade information and representation abroad. In its business plan it has as objectives general image building for the country, sector specific promotion, monitoring, competitor positioning and international perceptions. These are aimed mainly at investment promotion and FDI attraction but they can duplicate efforts with other agencies. It is establishing overseas offices in China, India, Germany and the USA as a first step (while Ghana has still no real foreign trade representation service), as well as regional offices within Ghana. At present, GIPC is establishing sector profiles and strategies for 24 selected priority products and services of which about 20 are export products and services. It has about 55 professional staff who are paid business sector salaries and \$10 million annual budget, of which about half is dedicated to operations. GIPC has thus sufficient resources to carry out its mandate and reports only to the President, which gives it independence and autonomy in its initiatives.

#### **3.2.1.5 The Ghana Free Zones Board (GFZB)**

This is a government agency under the MOTI, which manages the Export Processing Zones and tries to attract investment for export- oriented production. It has a list of priority products and sectors, which it has determined without any consultation with other bodies and is duplicating efforts with GIPC in attracting FDI. They also undertake some trade promotion activities in cooperation with GEPC.

GFZB has 41 staff. It has established a plan for the promotion of the free zone programme in selected foreign markets and for attracting foreign investment. It is not coordinated with the GIPC

programme - and neither does it focus on the same priority sectors and markets.

GFZB is accused by certain Ghanaian producers and exporters of not monitoring properly the activities of companies which are operating tax free in the free zone scheme. It is claimed that they are unfairly competing with local companies and thus distorting the market.

### 3.2.1.6 The Ghana Trade Fairs Company

This is a state company having the mandate to promote exports through the organisation of trade fairs. It reports directly to MOTI. Its original mandate included the organisation of trade fairs abroad but this is now an activity undertaken mainly by GEPC. It is also entrusted with the maintenance of the important trade fair facilities, the Trade Fair Centre, in Accra. The company barely fulfils its mandate by renting some buildings of the Trade Fair Centre to local businesses and has no resources to undertake export promotion by organising appropriate fairs either in Ghana or abroad (its annual budget is only \$100,000). It has 40 staff and organises two trade fairs every year in Accra. Its mandate appears to duplicate with those of GEPC and MOTI and its management has not been in a position to use the premises of the Trade Fair Centre in a profitable way and to support the efforts of the export community.

### 3.2.1.7 GNPA Ltd

The company was established as Ghana National Procurement Agency (GNPA) in 1976. The primary aim of the organization initially was to import "essential commodities" in large quantities for sale to Ghanaian consumers at affordable prices, procure goods for Ministries, Departments and Agencies and to hold buffer stock for National Food Security.

However currently the Company acts as a Trading House and competes with private exporters in trying to export various commodities such as cashew nuts, shea nuts, shea butter, coffee and other products. It has warehouses in various locations and tries to address the issue of grouping smallholder export production for more efficient international trade.

GNPA lacks adequate resources in order to carry out its mandate efficiently. In addition, it again acts independently without any coordination or consultation with other state bodies. It employs a total of 68 staff in Accra and in other regions of the country.

### 3.2.1.8 Donor-funded programmes

Apart from the above-mentioned state agencies there are a number of donor-funded programmes that undertake significant trade promotion activities, very often having greater value and efficiency than the support provided by the state organisations. These programmes are sometimes coordinated with the work carried out by the state agencies and sometimes not. The USAID programme TIPCEE and the World Bank MSME project (see below for both) appear to be the only ones that try to include activities relating directly to actions plans of TSSP. The following are the most important donor-funded programmes:

- **Millennium Development Authority (MIDA).** This programme has \$500 million to disburse over three years (starting 2007) in order to reduce poverty and develop agricultural production in three selected districts of the country. Its activities include the improvement of the available infrastructure such as feeder roads, irrigation schemes, cold storage schemes, packing houses etc; the provision of training to growers so that they enter commercial production, improve productivity and understand market conditions; and the provision of export financing. Although they do not target particularly exports, their interventions have a direct impact in raising the international competitiveness of the export firms that happen to be in the three districts. The horticultural sector appears to have benefited most until now. The programme works independently and according to criteria inspired by those of the Poverty Reduction Strategy and agreed upon with the US government who is the donor. However, coordination

with other programmes and state organisations seems to be poor.

- **Trade and Investment Programme for a Competitive Export Economy (TIPCEE).** This is a USAID-funded important programme focusing on export promotion, which started operations in 2004 and has four main objectives: expanded market access; improved performance of enterprises and smallholders; increased delivery of demand-driven business services; addressing key policy and regulatory constraints. It mostly supports exports of agricultural products but also addresses cross-cutting issues. TIPCEE appears to be involved in the implementation of the TSSP by providing financing for following up with the work plans of some of its components (Import Export Trade, Trade Facilitation, Export Trade Support Services). TIPCEE has the resources to undertake some of the actions recommended in the TSSP action plans but its priorities are again set according to its own criteria and not following a central coordinated effort.
- **West African Trade Hub.** This is another USAID regional African project promoting exports in 21 countries. In Ghana, it has selected a number of export-ready companies (87 in 2008) in 9 sectors (home décor and fashion accessories, furniture, apparel, fashion design, textiles, shea, cashews, specialty foods and fish and seafoods) and provides them with trade linkages and technical assistance for expanding their business. The programme in fact provides targeted free management consulting services to these selected exporting firms. Originally this programme was associated to the US AGOA initiative and targeted only imports in the US market but as from 2005 they cover all import markets. Its activities appear to be very practical and result-oriented but are again undertaken in relative isolation and not coordinated very much with other programmes.
- **Export Marketing and Quality Awareness Project (EMOAP).** This is a project associated to a \$28 million loan of the African Development Bank. It is under the responsibility of the MOFA and is the continuation of the Horticulture Exports Industry Initiative (HEII), which was originally funded by the World Bank. The project started in mid-2006 and is expected to be implemented over 5 years in four regions of the country. It includes production enhancement; export marketing promotion; infrastructure improvement; and capacity building. Its main outputs include the construction of feeder roads (about half of the loan funding); demonstration farms for training in quality control; field packhouses; and production of Manuals for GAP and for international market requirements. The project is providing useful work but again the coordination of its activities with other programmes such as MIDA and or other agencies such as the GEPC and the Ghana Standards Board appears to be missing.
- **MSME project.** This is an IDA-IFC project included in a \$115 million loan, aimed at enhancing the private sector operations and the SMEs. It has three main components: access to finance; access to markets, trade facilitation and entrepreneurship development; and improvement of the business environment.

### 3.2.1.9 Other bodies

Export promotion activities are also undertaken by various NGOs, banks and other important donor-funded projects, mainly targeting agricultural production for export. Here again it appears that all these important activities are undertaken without wide consultation of all stakeholders and very often, with no reference to the TSSP.

### Critical Issues

- Although a lot of useful work is currently under way in the trade promotion area, there is a serious lack of coordination of the activities of most of the trade promotion institutions and programmes. The work is unfocused and often results in a duplication of efforts and sometimes in a waste of resources;
- The mandates of many state institutions are too wide and sometimes conflicting and overlapping;

- The resources that are made available to state organisations, with few exceptions, do not allow them to fulfil their mandates adequately, while resources available with donor programmes are used for similar purposes but decided upon independently;
- The level of skills and management methods of most of the state institutions are below the required standards;
- Ghana's presence in the main export markets is hampered by the lack of trade representation offices that would ensure a liaison between import markets and Ghana's export community.

### **Recommendations**

- There is a need to establish a central high-level mechanism to coordinate all trade promotion efforts in the country;
- The mandates of most state institutions involved in international trade operations should be reviewed, streamlined and harmonised. The new mandates should be more focused and in accordance with available resources. The number of institutions active in the trade promotion field should be reduced;
- Important donor-funded programmes should operate within the framework of a central strategic focus (such as the TSSP) and if possible, be integrated in the business plans of the various state trade-related organisations;
- Modern management methods and related training of staff should be introduced in all trade-related state institutions and adequate resources should be made available to them in order to fulfil their mandates;
- A foreign trade representation network should be established in key export markets, possibly cumulating trade promotion and investment promotion functions.

<b>Action Plan for Trade Promotion</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Ensure focus and coordination of all trade promotion efforts in the country	<ul style="list-style-type: none"> <li>Establish a central coordination mechanism for trade promotion</li> <li>Streamline existing institutional structure</li> <li>Ensure coordination of donor funded programmes with state interventions</li> </ul>	<ul style="list-style-type: none"> <li>Carry out a study for the creation of a central coordination mechanism for trade promotion (2nd half of 2008-first half of 2009)</li> <li>Proposed mechanism to be approved by Cabinet (End 2008)</li> <li>Carry out a study for the review of the mandates of all institutions concerned and proposals for administrative reform and possible mergers (2nd half of 2008)</li> </ul>	<ul style="list-style-type: none"> <li>Coordination mechanism established and approved by Cabinet</li> <li>Economies in resource allocation to various institutions</li> <li>No duplication of efforts</li> <li>New institutional structure for trade promotion</li> </ul>	MOTI, MOFA, GEPC, GIPC, GFZB, GTFC, GNPA, EDIF, EFC, Office of the President	GOG Donors
Upgrade the services provided by the trade promotion institutions to the export community	<ul style="list-style-type: none"> <li>Allocate sufficient human and financial resources to the new institutional structure</li> <li>Introduce modern result-oriented management</li> <li>Upgrade the skills of the staff of the institutions</li> </ul>	<ul style="list-style-type: none"> <li>Budgets and staffing of institutions reviewed in the light of approved business plans (2nd half of 2008)</li> <li>Appropriate training provided to staff (First half of 2009)</li> </ul>	<ul style="list-style-type: none"> <li>Export community very positive about the quality of services rendered</li> <li>Business plans and job descriptions for all institutions</li> <li>Number of professionals trained in their relevant fields</li> </ul>	All	GOG Donors
Ensure presence of Ghana in main target markets	Establish a minimum effective network of trade and investment representatives in selected markets	Identification of key markets, posting of trade and investment representatives, provision of training to the representatives, elaboration of a service manual to guide them (2nd half of 2008-first half of 2009)	<ul style="list-style-type: none"> <li>Trade and investment representatives posted and trained.</li> <li>Service Manual prepared</li> </ul>	MOTI, GEPC, GIPC, Office of the President	GOG

### 3.2.2 Trade Finance

Access to trade finance continues to be a major constraint for the export community, particularly for small and medium enterprises and new exporters. Apart from the fact that the commercial interest rates are very high compared to other countries competing with Ghana in international markets (for example 10-12% for countries in the CFA area), the banks also request prohibitive collateral and are very much reluctant to assume any risk of export trade. In addition there is a lack of longer term capital for export oriented funding which limits the possibility of increases in export capacity and the modernisation of export production.

#### 3.2.2.1 Export Development and Investment Fund (EDIF)

In order to address this situation the Government created in 2001 the Export Development and Investment Fund (under MOTI) with the objective to facilitate access to trade finance for non traditional exporters. EDIF is funded by a 0.5% levy on all non petroleum imports as well as by a 10% proceeds from divestitures (at present quite minimal as most state enterprises have now been divested), government loans and grants. The 0.5% levy is by far the most important source of revenue and in 2007 it was about \$25 million. In the TSSP it is mentioned that this revenue is not sufficient for EDIF's task but in fact only half of it is disbursed by EDIF annually. EDIF offers two complementary services:

- The EDIF Credit Facility, which operates with 18 designated financial institutions (DFIs). These are mostly commercial banks but include also the Export Finance Company Ltd, a state company (see below);
- The Export Development and Promotion Facility, which provides grants for business services aiming to promote exports.

Under the first category, exporters who need export financing address themselves to commercial banks (DFIs), which appraise their request and the risks involved. If the request is approved, the banks recommend the exporter to EDIF for preferential export financing with a lending rate of 12.5% (May 2008). EDIF does its own appraisal of the request and either approves or rejects. In a case of approval the money is transferred to the exporter through the commercial bank at the above-mentioned lending rate. Of the 12.5%, 10% of the loan interest is kept by the bank concerned and 2.5% by EDIF. The exporter deals only with the bank. This procedure aims at protecting EDIF from any risk of default as the risk is assumed only by the banks, which request guarantees, collaterals etc. This means that the same conditions apply for the granting of EDIF-funded loans as for loans granted by the commercial banks at the rate of 20-25%. It also means that those who benefit from such loans are well established exporters with proven professional history and credentials. The main products financed under EDIF's credit facility are shea butter, cocoa powder, canned tuna, vegetable oil, and handicrafts. The export community indicates that this arrangement is unsatisfactory for the following reasons:

- EDIF benefits from revenues that are interest free. This means that their lending rate could be lower than 12.5% if the state wants to encourage and expand exports and make Ghanaian exporters competitive in the international markets. It could be as low as 7 or 8% with EDIF keeping enough income from interest as to cover its operating expenses;
- The fact that EDIF is obliged to use DFIs for lending to exporters cancels the developmental character of its operations and only favours companies which are well established and are good customers of the DFIs concerned. This is proven by the fact that EDIF disburses only about half of its annual revenue as the DFIs, being commercial operators, are reluctant to take the slightest risk by lending to exporters that are new to the market, have little or no collateral and other guarantees such as Letters of Credit.
- In addition to the above, the fact that the loan has to be approved both by the banks and by EDIF means very long waiting periods which kill all interest in trying to benefit from lower

lending rates. Exporters mentioned that often one has to wait up to 4-6 months for a loan. Banks and EDIF accuse each other mutually for these delays.

- With some exceptions, banks and EDIF do not always understand export operations and the risks involved and that they are ultra conservative when appraising loan requests from non traditional exporters. This applies more particularly to state banks such as the Ghana Commercial Bank and the Agricultural Development Bank.
- Finally, although the grants under the Export Development and Promotion facility can be very useful there is a lack of transparency in the way the decisions of approval are taken and not enough consultation with the export community or even other government agencies including MOTI (*EDIF management did not have a copy of the TSSP Export Trade and Support Services Component nor were they aware of the proposed action plans and what is expected from EDIF*).

It appears that it has been generally accepted by both EDIF and the government that the present arrangement is unsatisfactory and needs to be revised. It is however not clear what would be the best solution in order to improve the operations. There are several factors that have to be taken into consideration if a revision takes place:

- EDIF's present staff and experience (12 professionals of whom only 3 do project appraisal) are not in a position to handle direct loans to exporters and appraise loan requests correctly. If direct lending is decided as an option it will be necessary for EDIF to acquire highly specialised expertise for loan appraisals and increase its staffing accordingly;
- EDIF should avoid becoming another state bank while the country is trying to encourage private sector initiatives;
- EDIF should avoid behaving like the commercial banks in approving loan requests from exporters by asking impossible guarantees and collaterals; it should try and maintain the developmental character of its operations and measure risks accordingly;
- EDIF's operations have to become more transparent and accounts regularly published and audited;
- EDIF should try and have access to the data banks of commercial banks through a credit reference system which will facilitate its appraisal process;
- Ghanaian entrepreneurs have a tendency to consider any funding provided by the state as a grant that it does not need to be reimbursed. There is a danger that if EDIF lends directly it will have great difficulties in recovering.

### **3.2.2.2 Export Finance Company Ltd (EFC)**

This company was established already in 1989 having basically the same mandate as EDIF (supporting the non traditional export sector), but not having the same source of financing. According to its present management, its original creation as a state commercial company by the Bank of Ghana was based on a wrong premise for an export finance instrument and it was never given sufficient funding in order to fulfil its mandate. That is why it went almost bankrupt after a few years of operations. Currently it operates thanks to a credit line by EDIF (\$2.5 million in 2007, in the form of a revolving fund) and is considered as one of EDIF's DFIs, keeping the 10% of the 12.5% they lend to exporters. They claim that they are more geared to risk taking and supporting new exporters successfully. They have 5 professionals doing loan requests appraisals. Although they are nominally under MOTI they have almost no relations with this Ministry but they concentrate on their cooperation with EDIF.

At present they claim to operate a Pre and Post-Shipment Credit Scheme, an Export Refinance Scheme, an Export Credit Guarantee Scheme and an Export Advisory Service. Their total loans in 2007 amounted to \$1.8 million and they are seeking to obtain more funding from EDIF in order to double this value.



### 3.2.2.3 Commercial Banks

Among the commercial banks there are some that lend to non traditional exporters and others that specialise more to traditional exports. The Prudential Bank and the Ecobank have developed their relationship with exporters in some non traditional sectors such as handicrafts, horticulture, garments, cocoa processing and wood manufactures. They seem to have developed deep knowledge and expertise in the international trade transactions of their customers and often provide them with information and training in order to make them more competitive. They usually practice lending rates between 20% and 27% but they also offer better terms in US\$ denominated loans when they are sure that their customer will earn US\$ from his exports. As such they are somehow in competition with EDIF and EFC in trying to attract the most performing exporters as their customers. At the same time they use the EDIF facility recommending customers for EDIF rate but their decisions have a purely commercial character, which is normal for business enterprises. Commercial banks indicated that the absence of an Export Credit Insurance and Guarantee system in Ghana also acts as a brake to develop better lending conditions to non-traditional exporters.

### 3.2.2.4 Donor Funding

A number of on-going donor-funded projects provide export financing to selected enterprises (MIDA, MSME, TIPCEE etc.). These are important but temporary sources as all these sources will eventually close in a few years' time.

### Critical Issues

- Non traditional exporters in Ghana continue to face great difficulties in accessing export finance;
- The most widespread lending rate for loans for non traditional exports is very high (20-27%) and is very much higher than rates practiced in countries competing with Ghana in international markets; this is not expected to change much in the future despite Ghana's relative macroeconomic stability as the inflation rate is about 15% (May 2008);
- Long term finance for export production and trade is very difficult to obtain;
- The present arrangement and functioning of EDIF and EFC does not correspond to the needs of the export community;
- New and small exporters of non traditional products do not have the necessary skills to approach financing institutions in order to promote their business.
- There is a lack of a dialogue and consultation between the public sector (EDIF, MOTI, Ghana Commercial Bank) and the export community on trade finance issues;
- The absence of an Export Credit Insurance and Guarantee scheme in Ghana has a negative effect on lending to non-traditional exporters.

### Recommendations

- There is a need to review the current operations of EDIF and EFC as well as their mandates and design a new consolidated institution putting emphasis on developmental considerations in lending;
- This new institution could either take the form of an Eximbank or that of a Fund; if the choice is a Fund, the most appropriate ways to channel the loans through existing banks to ensure recovery and transparency should be explored; if the choice would be that of an Eximbank full transparency provisions and risk taking practices should be ensured;
- The possibility of this new institution in lending to exporters in US\$ and its corresponding Libor rates should also be explored;
- The possibility of granting longer term loans for export development operations should be explored and identified;
- Specialised training should be provided to new small exporters who need to obtain loans for export operations;

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- If necessary, commercial bank staff doing loan appraisals should also be trained in international trade operations;
- MOTI should undertake a feasibility study for the establishment of an Export Credit Insurance and Guarantee scheme in Ghana.

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<b>Action Plan for Trade Finance</b>				
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>
Improve the access to trade finance by exporters of non traditional products	Create a new Export Development Fund that offers better access, terms of lending and lower lending rates than the present EDIF	Undertake a thorough study of the present situation in Ghana, take stock of experiences in other developing countries and recommend a new scheme for an Export Development Fund that facilitates access to credit and enhances the export competitiveness of the country. (Second half of 2008)	Increase of the number of exporters that obtain loans The annual revenue available from the 0.5% levy on imports disbursed by 80% New EDIF institutional structure and mandate introduced	MOTI, donors
Lower the lending rates available to exporters	Introduce innovative mechanisms for offering lower rates either by using state funds or by having \$ denominated operations	Undertake a study to explore all possible scenarios and proceed with trial schemes. (Second half 2008 – first half 2009)	Lending rates offered to non traditional exporters below the 12.5% mark	EDIF, MOTI, donors
Make available longer term loans for exporters	Create the conditions for obtaining longer term finance	Study the current situation and recommend solutions allowing longer term loans. (Second half of 2008)	Exporters having access to longer term loans	MOTI, Ministry of Finance, Bank of Ghana, donors
Improve appraisal of exporters' requests for loans	Upgrade the skills of staff in financial institutions in export project appraisal	Undertake targeted training to project appraisal staff in relevant financial institutions in order to increase their familiarity with export operations (First half of 2009)	Less complaints by export community on lack of understanding	Banks, donors
Facilitate exporters' relations with financial institutions	Upgrade exporters' skills in preparing requests for loans by financial institutions	Undertake training of new and small exporters in writing business plans and preparing requests for loans. (First half of 2009)	Proportion of requests rejected by financial institutions decreased	GEPC, banks , donors
Increase transparency of lending	Establish a credit reference system among financial institutions	Accelerate the initiative already undertaken by the Bank of Ghana. (Second half of 2008)	Credit reference system established	Bank of Ghana and commercial banks

<b>Action Plan for Trade Finance (continued)</b>				
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>
Facilitate lending to non-traditional exporters by commercial banks	Explore the possibility of establishing an Export Credit Insurance and Guarantee scheme for Ghana	MOTI should undertake a feasibility study in order to identify whether an Export Credit Insurance and Guarantee scheme is necessary for Ghana and if yes, what form should it take. (First half of 2009)	Proposals for the establishment or not of a scheme discussed and appropriate decision taken	GoG, donors

### 3.2.3 Quality Management for Export

Although there has been a marked improvement in recent years with respect to matters affecting quality requirements for the export trade, it appears that there is still need for further work in this field. Considerable contributions have been made by donor-funded programmes, such as USAID (for example TIPCEE), UNIDO, GTZ, EU, the EMQAP programme and other donors. The MOTI, through the Ghana Standards Board, and the MOFA are the two main institutions that have the mandate to assist exporters in this particular field. The Ministry of Health, through the Food and Drugs Board, is also involved in export quality control matters.

#### 3.2.3.1 The Ghana Standards Board (GSB)

This Board, established in 1973, is a government organisation under the MOTI, responsible for the overall management and coordination of standardization and conformity assessment in Ghana. The GSB elaborates standards for food, drugs, cosmetics, and engineering products, and certifies these products under its certification scheme. It is expected to have inspectors at major customs offices and exit points to ensure that goods comply with established standards. However, it appears that in many cases there are no allocated premises in exit points (such as the airport) so that the inspectors can carry out their task. Upon request by exporters, the GSB also issues compliance certificates under the voluntary Export Certification Scheme.

#### 3.2.3.2 The Plant Protection and Regulatory Service (PPRS) of the MOFA

This Service has the mandate to develop, organise, implement, monitor, train, and to regulate the plant protection sub-sector in the country. The agency's objectives set out, inter alia, to:

- ensure that exotic plant pests are not introduced into the country or local ones exported through trading in agricultural commodities;
- eradicate, contain or retard the spread of accidentally introduced pests;
- contain and/or control pest outbreaks with all available methods;
- develop and disseminate appropriate and sustainable integrated plant protection strategies in collaboration with research;
- ensure the development of a well functioning seed industry to international standards;
- ensure the judicious and safe use of agricultural pesticide by farmers;
- The operations of this Service are of particular relevance to all agricultural non-traditional exports and have a direct effect on such growth sectors as horticultural products.

#### 3.2.3.3 The Ghana Food and Drugs Board (FDB)

This Board, under the Ministry of Health, has the mandate to protect Ghanaian consumers by testing food, drugs, cosmetics and medical and chemical products that are commercialised in the domestic market, either locally produced or imported. Although this mandate appears to be clear, it is reported that the FDB also involves itself with regulations affecting exports. It issues export certificates for the products falling under its mandate, thus overlapping with the work of GSB.

#### 3.2.3.4 Measures affecting export trade

MOTI decides which export products have to have export certification. For those selected products, certificates of conformity are issued by specific agencies. For the non-traditional sectors the agencies issuing certificates are either the GSB (for most products) or the PPRS (for horticultural products). These certificates have to be obtained before goods are shipped abroad.

In the case of products which are not on the list of MOTI, there is the voluntary Export Certification Scheme available to exporters who want to use it.

A similar system is in place for enforcing the SPS measures of the WTO. For non-traditional exports, the PPRS is responsible for issuing conformity certificates for horticultural products, while the GSB

for fish products. The SPS international requirements are not always well-known or understood by non-traditional exporters and there is a need to improve their knowledge and ability to conform to these requirements. There have been problems with the EU regulations in the fish export sector (see JITAP study) as well as pesticide residues on fresh fruits and vegetables and aflatoxin content in nuts and related products.

Many small and medium producers and exporters are not clear about the various quality-related regulations and the requirements of the international markets. There is an apparent need for companies that are engaged in export trade to receive specialised training on all these matters. This training could be supplemented by specialised documentation explaining international quality requirements for each specific export sector. As we have seen, the EMQAP project (see section...) is expected to produce Manuals for GAP and for international market requirements. Similar manuals should be produced for all priority non-traditional export sectors.

These problems are partly due also to the fact that there is a lack of testing facilities in Ghana for these requirements. The laboratory accreditation of GSB has still not been obtained and its laboratories still need better equipment. The laboratories of FDB are better equipped thanks to donor assistance-and maybe this is one of the reasons of overlapping and duplicating functions with GSB.

### **Critical Issues**

- Despite some useful work carried out by existing institutions in the field of quality management, a comprehensive approach towards quality matters is lacking and there is little or no coordination among related institutions;
- Many small and medium non-traditional exporters are still not clear and aware of the quality requirements of international markets;
- The inspection of goods for export is still not up to satisfactory standards, and there is a need for adequate premises in exit points and qualified staff;
- The existing testing facilities in Ghana are not up to the standard required by exporting companies which operate in international markets;
- There is no system alerting exporters to changes in quality requirements in the main import markets;
- The SPS/TBT compliance is suffering from lack of transparency and a lack of advisory services that could be made available to exporters for this purpose.

### **Recommendations**

- MOTI, MOFA and all other related institutions should elaborate a national action plan which ensures coordination of all quality management under a central reference point;
- The mandates of GSB and FDB should be reviewed and any overlapping and duplication of functions removed;
- A training programme for exporters on all basic quality management issues, as well as for specific issues at sector level, should be elaborated and implemented;
- Adequate premises for inspection of export products at exit points and sufficient qualified staff to regularly carry out such inspections should be put in place;
- The laboratory testing facilities for export products in the country should be improved and accreditation obtained;
- A system that closely monitors international quality requirements and promptly alerts producers and exporters of non-traditional products should be established.

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<b>Action Plan for Quality Management</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Ensure a coordinated and holistic approach to export quality management	Elaborate action plan with a central reference point for all export-oriented quality management issues	Carry out a study and recommend an operational scheme for a centralised and coordinated export quality management. (2 <sup>nd</sup> half of 2008)	Export quality management actions coordinated; Ghana exports benefiting from better quality acceptance abroad	MOTI, MOFA, Ministry of Health, GSB, FDB, PPRS	GoG
	Avoid overlapping and duplication of functions of agencies involved in quality management and certification of exports	Review the mandates of GSB, FDB, PPRS and corresponding services of MOTI, MOFA and Ministry of Health with a view to doing away with overlapping and duplication of functions. (1 <sup>st</sup> half of 2009)	No duplication or overlapping of functions, providing exporters with a clear sense of who is doing what and who can provide assistance	MOTI, MOFA, Ministry of Health, GSB, FDB, PPRS	GoG
Improve the quality of exported non-traditional products and their acceptance in international markets	Make producers and exporters of non-traditional products better aware of international market quality requirements	Elaborate and implement specific training programmes at sector level for producers and exporters of non-traditional products. (For the four priority sectors, 2 <sup>nd</sup> half of 2008; for all other sectors, 2009-2010); Elaborate Manuals of quality requirements at sector level providing detailed information on main target markets (2009) and update them on an on-going basis.	Decrease in numbers of products rejected either at exit points or abroad by foreign importers; Producers and exporters of non-traditional products requesting to attend training events	GSB, PPRS, private quality management consultants	MOTI, MOFA, Donor community, particularly representing major import markets (i.e. EU, USA )
	Improve inspection of export products at exit points of the country	Provide adequate premises for inspectors at exit points. (1 <sup>st</sup> half of 2009); Provide on-going training to inspectors and increase number of qualified inspectors.	Number and quality of inspections increased at exit points; Decrease in number of products rejected in foreign markets	MOTI, MoT, CEPS, and other relevant agencies	GoG, Donor community
	Improve overall infrastructure for quality management and facilitate testing of export products before shipment	Better equip existing laboratories and obtain accreditation for the laboratories of GSB. (2009-10)	Exporters able to test their products before shipment; GSB labs accredited	MOTI, MOFA	GoG, Donor community
	Improve responsiveness of exporters to international quality requirements	Establish alert system at sector level to inform exporters and producers of changes in quality requirements in target markets. (2009).	Fewer rejects of export products in foreign markets due to conformity problems	MOTI, MOFA, GSB	GoG, Donor community

### **3.2.4 Trade Facilitation**

Apart from factors related to such issues as productivity, product quality, marketing, cost of inputs, etc., the competitiveness of Ghanaian non-traditional exports can also be considerably undermined by the operations of front line agencies such as the sea ports, airport, border posts, customs, cargo handling companies, inspection companies and freight operators. This is because the operational efficiency or inefficiency of such bodies normally adds considerably to the transactions costs of the exporters even before their wares reach their destination markets overseas to face their competitors.

#### **3.2.4.1 Airport and Seaport Operations**

Exporters have regularly complained about the frustrations that they face from officials of the countries ports, in the form of cumbersome bureaucratic procedures, requests for unauthorized/illegal payments by officials, some of whom are incompetent and therefore unable to interpret rules correctly, all of which factors generate endless operational delays to the disadvantage of exporters at the points of exit. The system also breeds parallel systems operated by "fixers" for fees additional to the official levies.

Operators have suggested that these problems are the result of a multiplicity of rules and regulations enforced by several state agencies in an uncoordinated manner.

Exporters have also complained about the size of the fees that they are made to pay at the ports; in their view, the fees that are levied on exports tend to be too high and so undermine their price competitiveness in foreign markets. In rare instances, they have claimed that the charges are not officially sanctioned by law. The lack of certain basic facilities and infrastructure at the ports constitutes immense difficulties for the smooth export operations as they lead to needless delays. The availability of such facilities, such as well-equipped storage and cold chain facilities as well as modern cargo handling equipment, may enhance export operations worldwide. The absence in sufficient quantities at Ghana ports has been identified as a major bottleneck for a long time. However because of the huge capital that is required for their provision, the private operators on their own are unable to secure them.

Port operations in Ghana have been characterized for a long time by several reported cases of malfeasance. This is because, for the most part, many of the operations at the ports have been very complex and burdensome owing to the fact that many port operations remain largely manual. The situation makes it relatively easy for fraudsters among the several persons who carry out diverse activities to exploit the several loopholes in the maze.

Port users, especially the exporters are strongly of the view that private operators would be able to render more efficient services to them than what they are experiencing currently.

To come to terms with this situation, a number of reforms have been carried out by the Port Authorities in recent years following the recommendations contained in the report submitted to the Government in the context of the TSSP. In this respect the introduction of the Ghana Community Network which has been designed to capture data on waybills to simplify cargo handling operations has considerably improved the atmosphere at the ports, especially the Kotoka International Airport and the Port of Tema.

However a number of policy reforms are still outstanding and need to be implemented to facilitate the smooth flow of exports through the main port at Tema, in particular.

#### **Critical Issues**

- Many state agencies operating at both the Kotoka airport and at Tema port are still not connected to GCNet and many of the country's land borders are also not hooked to the system;
- There is still a lack of sufficient dedicated terminals for the export of certain categories of



- non-traditional products such as mangoes, papaya, chillies, etc.;
- The management regime in the ports still lacks transparency despite the introduction of the GCNet;
- Fees for port operations are claimed to be still too high compared with neighbouring and competing countries;
- There is a lack of coordination among the various agencies involved in airport and port operations;
- Many officials of the agencies involved in airport and port operations lack adequate qualifications in order to do their job in an efficient way;
- Many exporters also do not understand the administrative and technical requirements of airport and port operations;
- There is a lack of some basic facilities such as well-equipped storage and cold chain facilities as well as modern cargo handling equipment that hamper export trade and reduce competitiveness.

### **Recommendations**

- Establishment of more dedicated terminals for the export of certain categories of non-traditional export items to supplement the newly created Terminal 9;
- Continue the process of spreading computerized management tools to create a transparent management regime in the operations of the port, in addition to the GCNet, in order to enhance port efficiency to the benefit of the export community;
- A review of the fee structure as administered by both the port authorities and the freight forwarders at the ports consistent with best practice elsewhere, especially in relation to what obtains in other ports in the sub-region;
- Continue the process of privatising certain activities, e.g. security services, that are currently being undertaken by the Port Authorities;
- All state institutions operating at all the country's exit points which have not yet been so connected should be connected to the GCNet. This will considerably enhance agency coordination since all the frontline public bodies will be effectively operating from a common platform;
- Personnel of the agencies involved in port and airport operations should be systematically trained, in areas such as the interpretation of rules and regulations and the use of modern equipment that are used by systems such as the GCNet;
- Exporters should also be trained by their umbrella bodies like the FAGE to enable them to understand the functions and responsibilities of public officials with whom they come into contact during their operations at the ports. At the same time, operators should also be educated to know their responsibilities and obligations towards the state in order to create a congenial atmosphere between state agents and the private operators;
- Government and private investors should try and set up the necessary facilities (cold storage, modern handling equipment) for successful export operations; Government and business sector should cooperate in order to obtain the necessary financing and pool respective resources to achieve this objective.

#### **3.2.4.2 Customs**

Customs operations are important in the country's international trade for at least two critical reasons:

- They are a revenue-generating agency for the central government and therefore the activities have a direct impact on the country's development. In fact there are estimates that point to the fact that about 26-30% of the country's overall revenue is derived from custom duties;
- They protect the country's security by ensuring that illegal weapons and other dangerous goods as well as illegal persons do not enter the country.

However, any inefficiency associated with customs agents and/or their operations have a direct bearing on the country's international trade competitiveness as any level of inefficiency adds to the operational costs and hence the competitiveness of the operators. The challenge is how to reconcile these seemingly contradictor functions of the Customs Service in the interest of the State.

Another source of delay at the ports is the mandatory inspection that is carried out by independent inspection companies on exports at the ports. The delay is caused basically by the fact that after the inspection by the destination inspection companies, customs is also required to carry out their own valuations. The basis for this dual inspection in the past was that Customs did not have the expertise to do a thorough inspection to meet the country's WTO obligations in respect of the Valuation Agreement. This has been a bone of contention between Customs and the Inspection companies for many years.

In addition to the above, exporters have complained that the existing duty drawback system for goods that are imported for re-export is very inefficient. It sometimes takes 8 months to a year to have the money refunded and sometimes there is no refund at all. Moreover, the bureaucracy involved in claiming this right is too heavy and puts exporters off in claiming it. This constitutes a serious disincentive for exporters as well as a burden and increased cost *vis-à-vis* their competitors in the world markets.

### **Critical Issues**

- Current customs procedures appear to be outdated in some critical areas and not fully adapted to the requirements of a modern economy which has to compete globally;
- The personnel of CEPS still does not have adequate knowledge of inspection and customs valuation methods required by the WTO agreements;
- The duty drawback regime is still viewed by the private sector operators as inefficient as it takes too long a time for refunds to be made. It is a serious disincentive to exports.

### **Recommendations**

- Customs procedures should be constantly reviewed and streamlined to cope with new in the international trading environment and to meet the requirements of their main functional remits and balance those with the requirements of a modern economy;
- Customs personnel should be trained and adequately equipped to undertake both the inspection and valuation functions simultaneously to eliminate the delays that result from the multiple inspection regimes;
- The duty draw back regime should be rationalized to enable operators get back their money as quickly and as regularly as possible so that they can plough back into their operations.

#### **3.2.4.3 Transit Trade**

A key ingredient of the country's trade policy is the promotion of intra-West African trade, which continues to lag behind despite the various trade protocols adopted by the Authority of the ECOWAS Heads of State and Government. This is because intra-West African trade faces daunting challenges including very poor regional routes, a total absence of rail links between Ghana and the neighbouring countries and irregular maritime services linking the coastal countries. The minimal trade that exists is also frustrated by many administrative obstacles, leading to the prevalence of a huge informal trade between Ghana and her neighbours, in the form of smuggling.

Some key policy measures, taken as a result of the report on Trade Facilitation submitted for the TSSP have been put in place. These include the institutionalization of a tracking mechanism introduced by CEPS along the major transit corridors, particularly along the Tema-Ouagadougou Corridor and the gradual removal of road blocks which hitherto were the source irritation to both exporters and other road users as they resulted in major delays and engendered the solicitation of illegal payments. However, there are still a number of critical issues remaining that need to be

addressed:

**Critical Issues**

- Despite various negotiations and meetings the ECOWAS trade protocol is still not implemented by the member states;
- Many administrative obstacles hampering regional trade still exist;
- Illegal (informal) trade is still prevalent in the region and represents a major proportion of intra-ECOWAS trade;
- Ghanaian exporters are disadvantaged by their lack of knowledge of the French language, which is the language of most of the neighbouring countries.

**Recommendations**

- MOTI should increase efforts to convince partner countries towards the full implementation of the ECOWAS Protocol on Trade;
- Introduction and institutionalisation of joint inspections by the neighbouring countries' officials in order to ensure an efficient and quick clearance at the land borders;
- Establishment of a shift system of public service workers and bank staff at the borders, including the extension of their working hours; this will enable traders to move their wares almost seamlessly at all times to enhance the deepening of intra-regional trade in West Africa;
- The establishment of "flea markets" along the borders where traders from several neighbouring countries can meet periodically to trade among themselves as practised in the Southern African sub-region;
- Intensification of the ongoing programme between the Governments of Ghana and France in the training of Ghanaian exporters and truckers to acquire a working knowledge of the French language which is the official language of most of Ghana's neighbours (see also Section 3.2.6).

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<b>Action Plan for Trade Facilitation</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
To provide facilities that will allow exporters to store their ware pending exportation to preserve their freshness.	Establishment of dedicated terminals at airport and seaports	MOFA and MOTI should monitor and support and accelerate the completion of the project involving the establishment of dedicated terminals. (2 <sup>nd</sup> half of 2008 – 2 <sup>nd</sup> half of 2009)	Less rejects of Ghanaian exports in world markets	Ghana Ports Authority, Department of Civil Aviation and Private Investors.	GPHA, GCAA and Private capital
To increase the efficiency of operations in airports and ports	Training of Port and Airport personnel in the operations of the GCNet	Design and implementation of a comprehensive training scheme. (Continuous)	Very few complaints received by the export community	GCNet, MOTI, GPHA and GCAA	GCNet and MOTI
Increased efficiency of customs operations and of customs officials	Introduce up to date customs procedures	Continue the ongoing process of rationalisation of the operations of customs operations. (Continue the efforts that have been commenced)	Very few complaints received by the export community	CEPS, MOTI, and Ministry of Finance	Ministry of Finance and CEPS.
	Training of CEPS personnel	Constant review of the training needs of Customs personnel and implementation of a training programme. (Continuous)	Very few complaints received by the export community	CEPS with the collaboration of the World Customs Organisation.	CEPS/Ministry of Finance
To give exporters incentives as well as easy and quick access to their entitlements	Rationalization of Implementation of Duty Drawback system	Review the causes of continued difficulties confronting the scheme and take appropriate action. (As soon as possible)	Duty drawback refunds made no longer than two months from the receipt of requests	CEPS, Ministry of Finance and MOTI (GEPC, FAGE)	N/A
To enable Ghanaian exporters to communicate with their ECOWAS counterparts	French Language Proficiency of Ghanaian operators	Intensify the on-going bilateral agreement between the Governments of Ghana and France. (On-going process should be deepened)	Number of operators speaking French doubled	MOTI, GEPC, FAGE, Ministry of Foreign Affairs	Government of Ghana with support from the Government of France.

<b>Action Plan for Trade Facilitation (continued)</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
To enable business operations to take place for longer periods of time than at present.	Establishment of a Shift System at the Exit Points	Convince employers and employees to institutionalize a mutually acceptable shift system at the ports, including land border posts. (As soon as possible)	Exporters to do business for longer periods without interruption	Employers, Workers Unions (Banks, Freight forwards, etc) Government of Ghana (Immigrations Service, MOTI, CEPS, etc).	Should require no additional resources if the scheme is deployed with the consent of all involved.
To facilitate and enhance border facilities with other ECOWAS member states	Establishment of Joint Border Inspections	MOTI and the Ministry of Foreign Affairs should take action for the implementation of the ECOWAS Trade Protocols to enhance intra-ECOWAS trade, in cooperation with the other member countries and the ECOWAS Secretariat. (As soon as possible)	Increased intra-ECOWAS trade	MOTI, Ministry of Foreign Affairs and Regional Integration, the various ECOWAS national Chambers of Commerce, ECOWAS Secretariat.	GoG, Governments of other member countries

### 3.2.5 Trade Information

Accurate and timely trade information is a key factor in successful export promotion. In Ghana GEPC is entrusted with this important function; however, other agencies also provide various types of information while some donor-funded programmes such as TIPCEE or the West African Trade Hub, are in a position to provide their target beneficiaries with the information they need in order to operate successfully. Trade associations such as FAGE and AGI have internal information systems focusing mostly on business opportunities for their members. In general, however, the exporting community complained that there was not enough and targeted information available on a regular basis.

#### 3.2.5.1 GEPC – GETIC

The GEPC established the Ghana Export Trade Information Centre (GETIC) in 2005 with the aim of addressing exporters' needs in trade information. GETIC is situated in separate premises than GEPC in the business district of Accra. Its budget, staffing, premises and equipment are below the required standards for effective information sourcing and dissemination. It has only two (dedicated) professional staff, which is not enough for this important function. Its limited financial resources only allow it to provide a rather general type of information. In addition, exporters are not always aware of the services offered (such as the ITC Market Analysis Tools that are available with GETIC). GETIC shares its limited space with events organised by the GEPC Export School as well as the bi-annual Exporters Forum of GEPC. Its documentation centre is poorly equipped for addressing exporters' needs and it does not have the resources to subscribe to data banks of relevance to Ghana's export community.

GETIC's outreach programmes benefit very few in the export community, as many of them are outside of Accra and do not have easy access to the Internet by which the GEPC tries to reach them. Even for those who receive the Centre's information, there are persistent complaints that what they receive lacks depth and scope, because for example, the information is usually on market conditions and trends in developed countries, and not developing country markets which are potentially big.

On the other hand however, it should be acknowledged that the Trade Information Centre itself lacks appropriate expertise and other resources that are conditions *sine qua non* for its effectiveness and the needed impact on the efforts of the export community. For example, according to the Director of the Centre, they are unable to furnish the operators with the right information regarding important developments in the major markets on a timely basis and market intelligence support that would inform exporters on critical factors such as costing, pricing and standards in the markets.

GETIC is trying to establish a selective information dissemination system targeting specific product sectors or even enterprises and is trying to assess the needs of these enterprises through a questionnaire. One major handicap is the lack of internet access of a number of exporting firms, particularly in the provinces, and their relative isolation. It aims to make exporters aware of the enormous number of trade information sources that are accessible through the internet. It provides exporters visiting its premises with the possibility of using two computers for information purposes- but this is inadequate to address their needs.

GETIC's work is also hampered by the lack of information feedback that could be made available through a network of Ghana's foreign trade representatives in key markets which, for the moment, is almost non-existent.

#### Critical Issues

- The present human, material and financial resources allocated to GETIC are inadequate for addressing the needs of the export community;
- The lack of a trade representative network further limits the possibilities of obtaining and

- disseminating targeted information to exporters;
- GETIC has a limited knowledge of the country's exact needs in trade information;
- The exporting community is not always aware of the information possibilities existing with GETIC;
- There is no coordination among the various trade information providers in Ghana and therefore no complementarity.

**Recommendations**

- Provide adequate financial and human resources to GETIC in order to allow it to subscribe to important data banks and to disseminate information selectively;
- Provide adequate premises and equipment for visiting exporters;
- Assess the exact needs of trade information in each non-traditional product sector level through personal interviews with exporting firms;
- Make known the possibilities of acquiring targeted information from GEPC through publicity campaigns, an improved website and trade information workshops for exporters;
- Establish a network of foreign trade representatives in key markets for information collection and feedback (see also section 3.2.1);
- Enable GETIC to become the central point for the coordination of all trade information providers in Ghana.

<b>Action Plan for Trade Information</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timing</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Promote GETIC to satisfactory service levels	Provide adequate financial and human resources to GETIC; Build capacity of GETIC staff	Increase GETIC's annual budget allocation to enable it to subscribe to foreign data banks, recruit more staff, and allocate better premises. (2009); Provide appropriate training to staff in Ghana and abroad. (2009)	Increased use of GETIC by export community	MOTI, GEPC, GETIC	GOG, Donors
Respond to real trade information needs of the export community to enhance its operations	Identify real trade information needs instead of perceived needs	Undertake trade information needs analysis using researchers who visit trade associations and samples of exporting companies in all non- traditional products sectors. (2009)	Increased use of GETIC by export community; New trade information sources and dissemination introduced by GETIC.	GEPC, GETIC, Trade Associations	GOG, Donors
Improve accurate and timely information flows from key target markets	Establish trade information network using Ghana foreign trade and investment representatives in key target markets	Establish new foreign trade representatives in key export markets (see Section 3.2.1). (2009-10)	Improved flow of information from key export markets	MOTI, GIPC	GOG
Increase the use of available trade information in Ghana by the export community	Make known among exporters the trade information possibilities existing in GETIC and in other providers; Build capacity within the export community in accessing trade information sources; Coordinate the work of various trade information providers in Ghana by establishing an appropriate network and data bank under the auspices of GETIC.	Undertake publicity for GETIC, including a new detailed information brochure, improved website and networking events. (2009); Undertake training workshops for exporters on how to access existing and available trade information sources. (2 <sup>nd</sup> half of 2008); Undertake a survey for the identification of all trade information providers and recommend a central network exchange mechanism. (2 <sup>nd</sup> half of 2008)	Number of exporting firms trained in how to access trade information sources; Exporting community aware of all existing trade information sources in the country; A GETIC website containing all these sources operational.	MOTI, GEPC, GETIC, Trade associations. Donor-funded programmes	GOG, Donors



### 3.2.6 Competencies Development for Export Operations

The need to develop the know-how of all persons involved in export trade in order to improve the export performance of a country is a fundamental factor in any export strategy. In Ghana, despite its relatively good educational level across the board, this need has been identified in past assessments and some actions have been taken to address it. It appears, however, that these actions have been limited, sporadic and uncoordinated.

Capacity building in export operations involves a large number of individuals, including those who are engaged in production for exports. This strategy will not focus on addressing production skills and overall productivity improvement as these are supposed to be dealt with by those Ministries providing extension services, such as MOFA, and/or donor-funded programmes by specialised agencies in production issues such as FAO and UNIDO or other similar programmes. The Strategy will try to address export management issues, including product adaptation issues, but focusing on the market driven needs. There is a need for capacity building in export management for operators in the following three main areas:

- business people actively engaged in export operations (mainly executives in exporting companies);
- government officials working in trade support services and who are expected to provide support and guidance to the export community;
- private consultants who can provide targeted expertise to exporting companies requiring assistance, on a remuneration basis.

These three groups of persons have different training needs-but these are all related and revolve around the main issue of export management. During the course of the design of the strategy it was found that, in general, there is a lack of expertise and need for training in all the above-mentioned three groups.

Exporting companies expressed the need of training of their executives in up to-date export management techniques and to acquire knowledge on how the international markets operate and what are their practices and requirements. This need is particularly acute for smaller exporting companies and in many non-traditional products' sectors.

Among the government institutions that are expected to provide support services to exporters there is a very small proportion of senior qualified staff and a large proportion of younger officers that requires urgently to upgrade their skills and knowledge of export operations. The export community indicated that the support they receive from the trade support agencies is very limited and often ineffective.

Finally, there is a scarcity of consultants specialised in export management techniques that could provide technical assistance to exporting companies for a fee. Language training is an additional cross-cutting training need for the export community. Indeed, the lack of knowledge of the French language can limit efforts of Ghana exporters trying to penetrate the neighbouring ECOWAS markets. The possibilities for addressing training needs in export management by the existing institutional set-up in Ghana appear to be limited and efforts undertaken until now have been sporadic.

#### 3.2.6.1 The Ghana Export School

As already mentioned, the main agency that tries to provide training in export management is the Ghana Export School of GEPC. It was established in 1990 and its mandate is *"to address the international trade training needs of the export community, agencies supporting export trade development, businesses and personnel within the export product supply chain system"*. The School operates under a National Advisory Board that includes representatives of MOTI, the Management Development and Productivity Institute, the Ghana Shippers Council, CEPS, FAGE and the School of

Administration of Legon University. The day-to-day management is carried out by the Head of the Training Department of GEPC and three other support staff.

The School draws upon a pool of local resource persons/lecturers who contribute regularly to its courses. It has 17 modules of training courses on various subjects (2005) (see Annex), which are all one- or two-day events. It claims to train about 600 people from the export community annually-all business executives.

The courses take place in Accra and in the provinces; about 70% of them are offered free of charge while about 30% on a fee basis. Many of them are funded by donor programmes (Canada, Netherlands (CBI), ITC, Israel etc.). In reviewing the work done by the Ghana Export School to date, the following observations could be made:

- Despite the limited human and financial resources available, the School has contributed towards creating awareness of the overall export management issues in Ghana;
- Its curriculum tries to cover too wide a range of export management subjects, and as such only touches on some basic subjects without concentrating on some specific practical issues of high relevance to Ghana;
- The courses are too short (one or two days) and mostly of informative nature instead of focusing on upgrading specific skills and providing specific know-how to participants;
- The list of courses offered is based on a theoretical, rather than a practical assessment of the training needs of the export community;
- The sector-level orientation of the courses exists; however, it needs to be strengthened and become the main area of its activities;
- The School has to reach beyond the export community by offering specialised courses to government officials involved in export operations as well as to private consultants (training of trainers) who can then transmit the expertise acquired to exporting SMEs;
- French language courses targeting exporters and officials active in the ECOWAS region should be included in its curriculum;
- The premises and equipment available to the School are inadequate and need to be upgraded.

Apart from the Ghana Export School of GEPC some training courses are also organised on an irregular basis by AGI, FAGE and GNCCI. In addition, specialised training on specific issues is also organised by donor-funded programmes such as Enterprise Africa, TIPCEE etc. These programmes are usually not coordinated with the work of the Ghana Export School.

The overall feedback by the export community is, however, that there is an urgent and continuous need of capacity building in export management, both among business executives and among junior civil servants involved in the trade support network.

### **Critical Issues**

- The existing opportunities for capacity building in export management in Ghana are limited and current offers are too general and fail to address real needs;
- The human and financial resources available to the Ghana Export School are insufficient and do not allow it to carry out its mandate; its premises and equipment need upgrading;
- The activities and opportunities for capacity building offered by the Ghana Export School are not well known by the export community;
- Many exporters are not aware of the need for capacity building in export management;
- There is a need for capacity building at sector level and on specific issues;
- Training programmes addressing export issues are offered by various institutions without mutual consultation and coordination.

### **Recommendations**

- A thorough Training Needs Analysis targeting the three groups of possible beneficiaries (export business executives, government officials involved in export operations, private consultants) should be carried out on a priority basis;
- This Analysis should also include sector-level training needs assessment for as many non-traditional export sectors as possible;
- The main tool for this Training Needs Analysis should be through personal interviews with qualified analysts and not through questionnaires sent by post;
- On the basis of the results of this Training Needs Analysis a medium-term Master Plan for trade-related capacity building in the country should be designed;
- The Ghana Export School and all other agencies offering training should be involved in the elaboration of this master plan and respective responsibilities for its implementation should be assigned;
- The master plan and its training opportunities should be made widely known to all involved in the export community and the trade support network by means of an appropriate promotional campaign and the internet;
- The premises, human and financial resources and equipment of the Ghana Export School should be upgraded;
- The possibility of establishing a system of training the trainers for trade associations should be explored.

<b>Action Plan for Competencies Development in Export Management</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Provide to: (i) the export community; (ii) Government officials involved in export operations; and (iii) private consultants in trade support services, the possibility of upgrading their skills	Identify the exact training needs in export management of the three groups at cross-cutting level as well as at sector/product level.	Undertake a thorough Training Needs Analysis by interviewing personally exporting enterprises in non-traditional product sectors, state organisations of the trade support network, sector trade associations, and private consultancy firms active in export management	Number of personal interviews conducted by sector and by target group.	GEPC, MOTI, Management School Legon	GoG; Donor community
Improve export management operations in the country	Establish the framework for providing targeted training to all concerned; Inform all concerned about the need to build capacity in export management and of the possibilities existing in the country.	On the basis of the results of the Training Needs Analysis elaborate a Master Plan for a medium-term Training Programme addressing all identified needs; Allocate responsibilities to the various bodies/agencies who will be involved in its implementation and ensure coordination of actions; Undertake media campaign to inform export community about training possibilities	Training Programme prepared and implemented; Number of persons attending courses; Number of consultants providing assistance to exporting companies; Increase in value of exports of non-traditional products.	GEPC, MOTI, Management School Legon; AGI, FAGE, GNCCI, and sector trade associations; Specialised agencies in export management techniques (ITC, CBI etc.).	GoG; Donor community
Increase export operations in the ECOWAS region	Increase knowledge of French language among Ghanaian exporters.	Introduce French commercial courses in the curriculum of the Ghana Export School; Expand the current programme undertaken with the assistance of the French government.	Increased number of exporting companies active in the ECOWAS region; Increased number of exporters able to operate in French.	GEPC	GoG; Donor community (Francophonie)

## 4. Sector Strategies for Horticultural Products, Salt, Vegetable Oils, and Shea Butter

### 4.1 Introduction

At its meeting on 20th May 2008, the Steering Committee selected four sectors out of a list of nine products, namely, Cassava starch for Industrial Uses, Horticultural Products, Semi-processed Agricultural Products, Fresh Fish, Processed Fish, Wood Manufactures, Shea Nuts/butter, Salt and Vegetable Oils, to be studied in depth; the Committee chose Horticultural products, Salt, Vegetable Oils and Shea nut. Two of these, Salt and Palm Oil (Vegetable Oils category) have been part of the President's Special Initiatives for the past six years, a fact that underlines the importance that Government has assigned to them as non-traditional export products that have to be promoted vigorously. The selection of the four priority products was also facilitated by statistical analyses carried out by the Project Team (see Export Potential Analysis in Section 2 above) and complemented with consultations with the key stakeholders with expansive experience in the export industry who were invited by MOTI to be part of the Steering Committee. Other criteria that were taken into consideration in the designation of the four product areas were:

- An assessment of the opportunity costs as well as the trend of international demand and prospects for high export performance; in the case of shea butter, the Steering Committee took into cognizance of the fact that even though it has a fairly long gestation, it was capable of generating sustained growth in returns in the long-term;
- Ability to create jobs, especially in the rural communities as a means of reducing poverty in line with the country's medium to long-term development objectives;
- Reasonable likelihood of overcoming local supply constraints to be able to meet orders from overseas.

Four sector-specific Working Groups (Memberships of the Working Groups are attached as Annex... of the Report) were established to carry out an in-depth analysis of the individual sectors and to make recommendations for the consideration of the Steering Committee and eventually the National Workshop for adoption, in line with the terms of reference of the Strategy. Each Working Group had at least three working sessions and dealt exhaustively with the problems and opportunities that characterize the selected product sectors and the best way to address those problems and opportunities to benefit the Ghanaian economy.

To summarise, and in view of the above, the success or failure of this Strategy should be measured against the background of the following criteria:

- Creation of export development capacities, as a result of the removal of the various constraints that have been identified in the various sectors;
- Creation of effective and efficient industry organizational structures, such as sector trade associations, to champion the interests of their members;
- Development of enterprise and management capacities for the operators, including financial literacy (i.e. accounting, costing and pricing etc.) along the entire supply chain;
- Access to relatively cheap, timely, short and long-term finance and related credit facilities;
- Creation of opportunities for jobs and incomes on a sustainable basis to reduce poverty in the rural communities where the products are grown.

#### 4.1.1 General Problems Facing All Sectors

Deliberations in the Working Groups either revealed or confirmed a number of essential features that characterize the export trade of the sectors.

Both the preliminary research work undertaken by the Consulting Team and the discussions in the Working Groups have demonstrated unequivocally that the non-traditional sector even though

growing rapidly, is underperforming because of a number of challenges that they face; in other words, the share of the NTE sector to the country's GDP can be multiplied manifold if sufficient effort is deployed by the Government and the private operators to address the many constraints that the operators face; it has been clearly established that some of the constraints result from the failure of public institutions to facilitate the operations of the private operators (i.e. there is a marked absence of the requisite enabling environment); at the same time, though it has also been revealed that some of the problems facing the various sub-sectors have been created by the failure of the operators to prepare themselves sufficiently to be able to operate efficiently so that they can compete effectively in the global market place. In this particular instance one may mention the fact that the private operators in those sectors have not mobilised themselves properly to be in a position to exercise sufficient influence on the formulation of policies that affect their sectors; the Working Group discussions have also confirmed the obvious fact that the non-traditional sector can generate considerable employment opportunities and thus reduce rural poverty as all the four sectors are predominantly concentrated in some of the poorest communities in the country; the need for Government's active and deliberate involvement in their development and growth is therefore self-evident.

The Team discovered the following challenges that have to be addressed in a judicious manner, albeit with some sense of urgency to systematically promote the sectors:

- *An overall low productivity* in relation to their main overseas competitors, owing partly to the paucity of appropriate skills at appropriate levels of the supply chain as well as poor agronomic practices in the case of the agricultural products (horticultural products, vegetable oils and shea nut), and lack of equipment in the case of the salt industry operators characterizes many of the operations of the country's non-traditional exporters.
- *Lack of sector operator cooperation:* The operators are for the most part small scale operators who are mostly unwilling to work together to acquire the requisite critical mass that would enable them to exert sufficient influence on public policy in favour of their trade and to overcome difficulties they confront in the event of big orders from potential overseas clients. In fact there are stories of operators undermining each other as a means to achieving some perceived advantages over the local competitors.
- *Over-liberalisation of the Sectors:* There is a growing consensus among the members of all the Working Groups and in fact unease, that certain segments, especially the down stream activities of the trade should be reserved for Ghanaians. At the moment, the Working Groups expressed the view that the sector has been over-opened to the participation of non Ghanaians, who for the most part are better resourced than the indigenous operators; in their view, this policy stance is not in the national interest and is discouraging indigenous entrepreneurs to venture into the operations of the non-traditional export sector to gain the requisite experience that will enable them to grow the sector on their own. There is however an ongoing debate in regard of this policy prescription by the operators especially within expert circles, since it is argued that the best way forward for the non-traditional sector, as indeed in all sectors of the Ghanaian economy is to encourage competition from foreign investors to foster efficiency by injecting capital and expertise, including technology and hence fostering international competitiveness.
- *Market and product development constraints:* A major constraint that the non-traditional export sector faces in Ghana is the inability of the entrepreneurs to develop export markets on their own because of the shortage of financial and other resources that they face and the ineffectiveness of institutions dedicated to this requirement, such as official Commercial Representation units in the country's overseas diplomatic missions, to render useful services to exporters in this regard; even though the Ghana Export Promotion Council and the Ministry of Trade and Industry, the sector Ministry to which the GEPC is administratively answerable, are supposed to carry out this function, they are woefully unable to fulfil this crucial responsibility; the sector associations which are supposed to assist their members to overcome

this constraint are also unable to carry out this function because they do not have the resources that are required to fulfil that responsibility on behalf of their members.

In the case of product development, several operators complained of the irrelevance of research institutions since research findings usually reach the operators either too late to be of value or they tend to be too expensive for many small holders (see sections on horticulture and vegetable oils). This is due largely to the fact that research is not demand-driven, in several instances, and of course the research institutions do not have what it takes to conduct quality research on a cost effective basis to enable them to partner effectively with the export community. It is another case of a typical vicious circle.

## 4.2 Sector Strategy for Salt

The industry spans along the coastal belt of the country, from the Western Region to the Volta Region in the eastern part. The major geographical zones of salt production are the Ahanta West (Western Region), Mfantiman and Komenda (Central Region), Weija and Ada (Greater Accra Region) and Keta (Volta Region).

The industry is largely underdeveloped due to a number of factors, which are described below. However, according to some studies, Ghana can earn over US\$ 1.0 billion annually from salt exports if the industry is well developed.

Salt is currently mainly exported to the West African region to countries such as Mali, Burkina Faso, Niger, Togo and Benin. Along the West African Coast, only Senegal and Ghana have the right climatic conditions and suitable lands to produce large quantities of salt.

In 2007, while the domestic production is estimated to be about 200,000 tons annually, Ghana exported 62,099 tons of salt and received US\$ 3,043,353, but studies have shown that 2.5 million tons of salt can be produced annually. Market studies also reveal that there is a vast market for Ghana's salt especially in neighbouring Nigeria which imports \$1.5 billion worth of salt from Australia and Brazil a year in order to meet domestic demands and feed its oil industry.

2005		2006		2007	
Quantity (metric tons)	Value (US\$)	Quantity (metric tons)	Value (US\$)	Quantity (metric tons)	Value (US\$)
53,890	2,533,891	69,918	3,252,535	62,099	3,043,353

Source: Ghana Export Promotion Council

\*\* There are disparities in data reported by GEPC, MOTI, and the exporters. However, to ensure uniformity, all statistics used for this report are those obtained from the Ghana Export Promotion Council database.

Salt from Ghana and Australia are graded as higher than other suppliers, as further processing costs are lower.

The above statistics capture only part of the export trade, namely that which is reported by the big trading companies. It is estimated that roughly equivalent quantities are exported informally to neighbouring countries and not recorded.

Presently, the industry is limited essentially to the production of salt through solar evaporation and is done by artisanal winners who manage small ponds and are only able to produce small quantities of low quality product. The output from this rudimentary method does not fetch those engaged in the business adequate income to improve upon their low standards of living. This rudimentary technology also accounts for the low total output of salt in Ghana.

Under the Government of Ghana's President's Special Initiative on Salt, it was envisaged to

transform the salt industry into an internationally competitive one with an enhanced capacity for the production of good quality salt for domestic and export markets, increasing production from 200,000 metric tons at present to 2,500,000 metric tons in 5 years. It was also expected that a viable chloro-alkali industry would develop in the medium term to generate employment for about 50,000 people altogether. Until now, however, the results of the Special Initiative on Salt have been minimal. The industry is constrained by obsolescence of technology; lack of local expertise and poor production methods; poor industry infrastructure; lack of economies of scale; low investment and lack of credit; cumbersome land acquisition procedures and land tenure administration systems.

Medium and long-term investment opportunities, however, especially in the Chlor-Alkaline and Petrochemical Industries do exist and are awaiting exploitation.

There are several indications to suggest that salt is an industry that can and indeed should be promoted strongly as a big foreign exchange earner, especially if the Chlor-Alkali and petrochemical industry requirements are factored into the calculations. In fact, according to MOTI sources, interest in the sector is on the rise.

During the period of 1965-1989, there were only 5 licensed companies but between 2000 and 2005, 50 companies were licensed, giving a total of 73 registered companies as at the end of 2006. These do not include the several artisanal producers and winners dotted along the producing communities. The sale and distribution of the product takes place as follows:

- Direct sales at the production sites;
- Small scale wholesaling in non-salt producing regions of the country;
- Transportation of the product in bags and trucks to a small number of neighbouring countries in West Africa (Burkina Faso, Mali and Niger);
- Sale of salt in open basins in local markets by market women and;
- Sale of packaged refined salt both in markets and supermarkets in the country.

#### **4.2.1 The Land Question**

The biggest constraint facing the salt industry and which is serving as a brake on a rapid development and expansion of the sector are the difficulties encountered for land acquisition by prospective investors. By its very nature, salt land mining and winning are concentrated along the coastal belt of the country; in most of the communities where the product is mined, however, poverty is endemic. For this reason, the local people see the land as their only source of wealth and income generation and are not willing to part with it easily. The situation has been compounded by the lack of clarity on the part of successive governments in land administration across the country, and the type of tenure system that is practiced in the communities. This has created a situation of extreme delays for prospective investors who wish to acquire land for salt production.

Some of the difficulties that potential investors face include having several claimants to the same piece of land which often reportedly results in multiple sales, unexpected financial claims on a leaseholder midstream the agreed period, and lengthy and uncertain negotiations with different parties. A 2002 Ghana Business Climate study for example indicated that it could take as much as 92 calendar days for a prospective investor to identify land and another 46 calendar days to finalise a land purchase transaction (this has now been improved but is still a long procedure). It is appropriate to recall that in Ghana ownership of land is vested in either the State, traditional authorities and in rare cases private individuals. In the salt producing areas, land is virtually owned by traditional authorities or clans. The solution to the land question must encompass a number of actions:

- Central Government and/or the District Assemblies should embark on a vigorous policy of providing certain basic social amenities to the communities such as schools, health facilities, housing, water and electricity supplies, in order to ease the acute burden that poverty imposes



- on them;
- A systematic promotion of small-scale joint-venture mining companies which ideally should involve the local communities as stakeholders to ensure that the locals have a stake in the stability of the industry and to provide them with regular and decent incomes;
- An efficient and transparent and above all fair administration of the licensing regime to be somehow skewed in favour of local entrepreneurs in order to assuage the resentment that the local communities harbour towards "foreigners", either from other countries or even other parts of the country;
- The Minerals Commission which is responsible for the administration of the mining industry in Ghana should have a policy of constructive engagement with the community leaders of the salt mining areas to explain public policies relating to salt to the communities; in this respect, it is strongly felt in the industry that the Minerals Law, in as much as it relates to the salt industry in particular and mining in general should be reviewed as a matter of urgency;
- It has also been known for a long while that public officials have developed the rather harmful habit of interfering in the administration of land in the mining communities, thus perpetuating the animosity between investors and the local communities. This should be discouraged through a policy of transparent and fair administration of land issues not only in the salt mining communities, but across the entire country.

Many of the above concerns have been captured in the Land Administration Project, which hopefully would effectively address all the thorny issues of land acquisition and tenure security not only for the benefit of the salt industry but also for the benefit of investment promotion in general. Broadly, the LAP aims to rationalize the administration of land for the benefit of investor confidence and overall economic development. Its four main parameters are:

- *"The creation of a harmonious Policy and Legislative Framework to form the basis for sustainable land administration*
- *Institutional Reform and Development*
- *Improvement of Land Titling, Registration, Valuation and Land Information Systems, and*
- *Project Management, Monitoring and Evaluation".*

Ghanaian exporters of salt to the neighbouring countries (Burkina Faso, Mali, and Niger) also face administrative and other delays in transit, and are compelled to pay an undefined, discriminatory fee of CFA400, 000.00 (on a truckload) by the border authorities in Burkina Faso, in contravention of the ECOWAS Protocol on Trade. This, as a result, makes Ghanaian salt in the neighbouring countries more expensive compared to salt coming from Senegal (the main exporter of salt in the West African region) and entering the same markets. This is in spite of the fact that the quality of the Ghanaian salt is far superior to the Senegalese counterpart, according to industry sources in Ghana.

Industry sources also indicate that Brazil has started trans-shipping salt from Brazil and selling it as originating from Ghana, thus undermining the efforts of local producers.

#### **4.2.2 Infrastructure**

The salt industry is quite capital intensive and requires the active involvement of Government to create the right environment for the private operators.

The basic requirements to support the industry include road networks, rail/road terminals, and specialized vehicles to transport the salt to the markets, regular power supply, the appropriate technology and pumps. All these require large amounts of money, which are beyond the reach of the average Ghanaian investor in the industry.

In addition to these infrastructural requirements, which are those that Government should provide in order to create the necessary enabling environment for the operators, other industry needs are no less crucial. In particular, the operators need the appropriate technology and skilled manpower to support their production and enhance their productivity.

### 4.2.3 Financing

The salt industry as indicated above is very capital intensive. Apart from the commercial banks, some of which have tentatively developed some export financing products lately, the major source of financing available to the operators is EDIF, which has not demonstrated enough interest in the salt industry so far. Apart from a previous very lukewarm move in that direction, the Fund's interest in the sector seems to be very weak. It should be noted though that there are a number of new facilities that have been created by the Government to meet the needs of small and medium-sized export industries; these include institutions such as the Exim Bank, the Venture Capital Fund, and the Support Programme for Enterprise Empowerment and Development.

The fact still remains that, despite the existence of these financial institutions, the industry requires more financial backing than it is actually receiving to promote it to levels of efficiency that will make it competitive particularly in the West African market (see also Section on Trade Finance in cross-cutting issues).

Furthermore as the petrochemical industry comes on stream in the years ahead, salt will become an increasingly critical product in the country's economy.

Financing from these facilities on terms that are attractive to the operators would enable them to acquire the appropriate technology for production, construction materials, operation tools, transportation systems, creation of salt banks and proper packaging of coarse salt for both the domestic and foreign markets. An alternative to access to local financial institutions on favourable terms is of course, the attraction of high quality, technology rich direct investment into the country, preference being given to joint ventures in which Ghanaians would be made to hold substantial shares.

In addition to financing, the other critical input that the industry needs is skilled manpower. Currently the industry employs only semi-skilled manpower, but as it grows its manpower needs will include various levels of sophisticated skills, that are not available at the moment. The institutions of higher learning, especially the polytechnics should be encouraged to incorporate mining technology in their curriculum to meet future requirements as a long-term goal of the industry. This need can also be solved through joint-ventures in which the foreign investor would be required to train Ghanaian experts to progressively take over more senior and management positions in the ventures.

### 4.2.4 SWOT Analysis of the Salt Sector

#### Strengths

- The salt industry has been identified as a major industry that should be nurtured into full growth; this is clearly why the Government has designated it as one of President's Special Initiative sectors;
- The entire coastal belt of the country is a potential source of the product, and can potentially be a large avenue for job creation (and thus poverty alleviation) among the indigenous inhabitants of the salt producing communities;
- Ghana is the only country in the region with a fairly well developed salt industry, both artisanal and industrial, so there is already a small pool of experts who can drive the industry forward;
- The discovery of petroleum, some of whose by-products need considerable amount of salt (sodium chloride) as an input, portends well for the future of the salt industry in Ghana.

#### Weaknesses

All the above-mentioned strengths notwithstanding, the industry faces a number of serious challenges, which have to be overcome before it can be turned into a major industry:

- The land tenure system in the producing communities is very complex and has served as a major disincentive to potential investors;
- The infant salt industrialists in the country have a serious handicap in the areas of finance and technology especially, and since the industry is very capital intensive, its growth has been stunted by and large;
- The lack of appropriate infrastructure in the salt producing areas are also major a major constraint to the development of the industry.

**Recommendations**

- The land situation should be addressed on several fronts, including improving the living conditions of the local communities. It is necessary to explore various solutions, including the elaboration of an important investment plan for the regions concerned in order to promote job creation. It has been also suggested to promote of a joint Venture between the clans through a Special Purpose Vehicle (SPV) and prospective investors. It is envisaged that the Trust would acquire shares in future investments in the area and use its dividend from the investment to finance the District Administration, Traditional Councils and improve social amenities such as schools, health facilities, housing, water and electricity supplies. The product associations should also be involved in this project;
- The Minerals Law relating to the salt industry in particular and mining in general should be reviewed with the view to making its practical effects simple and transparent and to respond much better to the needs of the salt industry;
- Government agencies with interest in the issuance of licenses should be properly coordinated and monitored by the Ministry of Land and Mineral Resources, the Ministry of Public Sector Reform and the Office of the President, to avoid costly duplication of efforts on the part of both the private operators and the public institutions, and as means of controlling official corruption;
- Access to long-term credit should be facilitated through the improved operation of the various financial schemes that have been created by Government (see also recommendations of the cross-cutting issues);
- Infrastructure such as roads, power, and meteorological services should be improved in the salt producing areas. More particularly, the meteorological services should be improved in order to be able to make longer term forecasts. The possibility of using solar power should also be explored;
- The way the PSI on Salt is implemented should be reviewed by MOTI and its operations should be strengthened. Modern management methods should be introduced such as detailed business plans and appropriate resources should made available for this purpose;
- MOTI should explore the possibility of creating a central marketing board or commodity exchange for salt, in order to facilitate the production and trade of this commodity;
- MOTI, GEPC, GIPC and the product associations should work together to design and promote a comprehensive investment plan for the salt industry with appropriate incentives in order to attract domestic or foreign investors.

<b>Action Plan for the Salt Sector</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Increase and expand production and exports of salt	Improve the land acquisition procedures and find solutions for small producers	MOTI, GIPC and the Ministry of Land and Mineral resources should carry out a feasibility study for the setting up of a SPV or a similar scheme in order to incorporate small salt producers in the modern market oriented large scale production. (1 <sup>st</sup> half of 2009); The possibilities of joint ventures of local smallholders with foreign investors should also be explored. (1 <sup>st</sup> half of 2009)	Increase of investments in the salt industry.	MOTI, Ministry of Land and Mineral Resources, GIPC, trade associations.	GoG, donor community
	Adapt the legislative infrastructure to the needs of the salt industry	Review the Minerals Law with the objective of making it relevant to the needs of the salt industry. (As soon as possible); Improve collaboration between MOTI and the Ministry of Land by having representatives of the Ministry of Land participating in the PSI operations. (As soon as possible).	Minerals Law reviewed to the satisfaction of salt trade associations; Ministry of Land and Mineral Resources represented in the PSI of Salt.	MOTI, Ministry of Land and Mineral Resources, Trade associations, Cabinet.	GoG
	Increase investment in the salt industry	MOTI, GEPC, GIPC and salt trade associations should design and promote a comprehensive plan with appropriate incentives for investors in the salt industry. (2 <sup>nd</sup> half of 2008)	Increase of investments in the salt industry.	MOTI, GEPC, GIPC, trade associations.	GoG (GIPC)
	Improve the marketing of salt	MOTI to carry out a feasibility study to explore the possibility of establishing a marketing Board or a Commodity exchange for salt. (1 <sup>st</sup> half of 2009)	Feasibility study prepared and proposals discussed.	MOTI, GEPC trade associations.	GoG, donor community
	Improve operations and results of PSI on salt	MOTI to undertake a critical review of the operations and the results of the PSI on salt, analyse reasons of shortcomings and introduce modern management techniques in its operations. (As soon as possible)	The salt production and export community praise the results of the PSIs operations; Increase of investments in the salt industry.	MOTI	GoG, donor community
	Facilitate production and processing techniques	Allocate appropriate resources to the Meteorological Department to enable it to make accurate longer term forecasts for the intention of salt producers. (As soon as possible)	Forecasts improved and salt production increased.	Ministry of Communications	GoG

<b>Action Plan for the Salt Sector (continued)</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Increase and expand production and exports of salt	Improve licencing system	The Ministry of Public Sector Reform, the Ministry of Land and Mineral Resources and the Office of the President should undertake a review of the present licencing system and propose a coordination mechanism in order to avoid publications and corruption. (1 <sup>st</sup> half of 2009)	Cases of corruption decreased.	Ministries of Land and Public Sector Reform, Office of the President, traditional authorities.	GoG

### 4.3 Sector Strategy for Vegetable Oils

The vegetable oil industry is a sector that has a tremendous development and export potential. The world demand is extremely strong and the demand deficit in West Africa alone is estimated to be about 1 million metric tons annually. Ghana itself is currently a net importer of vegetable oils and its demand deficit is estimated to be about 200,000 tons annually. The domestic production therefore does not even cover the domestic needs, while export quantities are very small and concern mainly supplies to ethnic Ghanaian consumers living abroad.

2005		2006		2007	
Quantity (kgs)	Value (US\$)	Quantity (kgs)	Value (US\$)	Quantity (kgs)	Value (US\$)
557,855	386,595	1,699,374	754,562	282,511	196,412

Source: Ghana Export Promotion Council

This situation is due to a number of factors, including the huge demand by domestic users, especially the Unilever Group of Companies, and the consistent inappropriate production and marketing practices of the farmers, especially the small out growers. However several studies indicate that the trend can be reversed, if sufficient attention is given to the sector.

The vegetable oil sector, therefore, has been included in this Strategy as a priority sector having maybe the best potential for export development. The main issue is how to increase production capacity in the country in order to:

- satisfy the domestic demand;
- become a successful exporter of vegetable oils to the world markets.

For both purposes, the estimated foreign exchange earnings or savings could be considerable and in par with other important traditional sectors such as cocoa. The vegetable oil industry is also critical to poverty alleviation in the country because it is located essentially in the rural parts of Ghana.

For the present exercise, the Working Group on Vegetable Oils selected three products for examination, namely, palm oil, including palm kernel oil, coconut oil and soya oil. The choice of the three product categories was decided taking into consideration factors such as their growth potential, world demand trends, their ability to alleviate the level of poverty in the rural areas and their potential to attract the interest of private investors in the medium to long-term.

#### 4.3.1 Palm Oil

There are four large-scale oil palm plantations (Kade, BOPP, Twifu and Norpalm). In addition there exist a number of small farmer schemes, which sell to the plantations, which in turn sell to companies like Unilever Ghana Limited. Apart from the domestic demand, it is also known that there is a growing demand for, especially palm kernel oil in countries such as Pakistan, India, and China. Other by-products such a bio-diesel have also markets in the sub-region.

#### 4.3.2 Coconut Oil

The coconut industry, which has hitherto been run on a smallholder basis, is currently undergoing a major crisis because of a disease (Cape Saint Paul wilt) that has afflicted it. However it is being rehabilitated through a technical cooperation programme with the Government of France. Hopefully when it is fully rehabilitated, it can be grown into a viable export industry. Apart from the oil, the fruit has other by-products which have large export potentials. The by-products that the Working Group has identified for possible and active export promotion are, carbon from the shell for the gold

industry, concentrated juice, copra, and coconut milk, even though the Team's remit is restricted to coconut oil.

### 4.3.3 Soya Oil

The Soya oil industry is still small but has a huge potential for exploitation for the export market particularly the West African market. Its by products such as oilcake, animal feed, baby food, bio-diesel, fertilizer, and milk, all have ready markets in especially West Africa.

### 4.3.4 Constraints

Ghana has the appropriate climatic conditions for a large scale production and exports of vegetable oils. However, the Working Group established that the industry as a whole has a number of constraints that are unique and which hamper the development of the production in this sector. The following key constraints need the attention of the stakeholders in order to re-launch the sub-sector for it to attain its optimum value in the country's production and export trade:

- *Weed and pest control:* This has been identified as a major problem that the vegetable oil industry has faced for many years; its effect is low yield and poor quality of the yield compared with what is produced in countries such as Malaysia and Côte d'Ivoire; related to this are the poor agronomic practices that are rampant in the industry in Ghana; fruiting methods, quality seedlings, irrigation, etc should be improved to promote higher yields.
- *Lack of coordination in capacity building:* Even though they all belong to the same group, training activities that take place are not coordinated and pooled to achieve economies of scale. The result is that some parts of the industry are poorly trained, leading to low productivity which reduces the ability of the sector to compete effectively; in addition, lack of appropriate training limits the number of qualified workers who would be necessary in order to attract new investments in this sector.
- *Research and Development:* Even though a number of the Research Institutes in the country carry out some research, operators and users persistently ignore such research because the research findings come out either too late and/or are too expensive for the potential beneficiaries; in order to solve this problem, there is a widespread feeling in the industry that research should be demand-driven and targeted strategically at the farmers, whether they are plantations or small out grower farmers, to make it relevant.
- *Certification:* An incessant problem that faces the industry is the lack of clarity as to which body, Ghana Standards Board or the Food and Drugs Board, has responsibility for quality assurance and certification. This situation has led to instances where exports have been denied entry into certain markets for failing to meet certain health and other technical requirements applicable in those markets, especially in Europe (see also recommendations in Section... of the cross-cutting issues).
- The sector, like others of Ghana's export trade is characterized by very weak supply capacity which results mainly, but not exclusively from *low productivity of the Ghanaian labour*; this is because specialized skills are very rare in many instances; low yields are the result of poor agronomic practices, poor infrastructure poor management and an almost total disregard for financial literacy; disciplines such as accounting, book keeping, budgeting, cost control, etc. are woefully lacking in the daily activities of a good number of the operators, perhaps owing to their overall weak financial positions and their lack appreciation of the fact that financial literacy is an almost indispensable condition for the success of any firm small or big. This situation hampers the efficient management of the operations of the exporters, and needs to be addressed.
- Like other agro-based industries in the country, the problem of *land acquisition* features prominently also in the vegetable oils industry and constitutes a disincentive for new investments in the sector.

#### 4.3.5 SWOT Analysis of the Vegetable Oils Sector

##### Strengths

- Palm oil is one of the four sectors chosen for special treatment in the President's Special Initiative products. This means that there is strong interest and support by the Government for its development.
- The vegetable oils have strong and growing markets both domestically and internationally for domestic consumption and as industrial inputs. Apart from being used as a vegetable oil for cooking, palm oil is in increasing demand as a source of bio-diesel; similarly, soya oil is increasingly being used as a feed stock for bio-diesel production, in addition to its application for industrial uses;
- The country has very conducive climatic conditions for the cultivation of all the three sub-sectors that were selected (soya oil in the savanna belt, palm oil in the forest belt and coconut in mainly, but not exclusively along the coastal belt);
- There are a number of research institutions in the country that could be leveraged efficiently to enhance the productivity of the products and hence make them competitive both at home and abroad;
- Some experience has been acquired especially in the palm oil field owing to the involvement of major some corporations in the production of the product in the country;
- There is also a wealth of local expertise which is internationally recognized and which can drive the sector to considerably heights if they are given the right incentives.

##### Weaknesses

- There is very poor linkage between industry and R & D institutions in the country;
- The industry operators use very poor agronomic practices, such as sub-standard weed and pest control methods;
- Weak supply capacity resulting from a wide range of factors such as the low productivity of the Ghanaian small growers, inadequate or total lack of the use of modern agricultural techniques;
- Lack of clarity in regard of the mandates of the Food and Drugs on the one hand and the Ghana Standards Board on the other, leading to perennial difficulties in quality certification before exports;
- An unwillingness/inability to take advantage by both the government and the business community of the vast pool of local knowledge and expertise which are available in the country;
- A complete or almost complete absence of financial literacy in the industry.

##### Recommendations

- Research and Industry should work much more closely together so that the output of one can constitute an input for the other to enhance the quality and productivity levels of the industry; it is therefore recommended that MOTI sets up a public/private Research Committee at sector level, modelled on the Malaysian example, to ensure closer cooperation and synergies. This Research Committee should have two sub-committees, one for coconut and palm oil and another for soya oil.
- MOTI should undertake an assessment of the existing expertise in the country in matters of production and processing techniques as well as marketing and research in the sector. This assessment should identify existing gaps and thus will establish a list of subjects or practices where expertise from outside Ghana is required. On the basis of this assessment, technical assistance should be sought from the donor community.
- MOTI should explore, in cooperation with GIPC, the possibility of providing incentives to large private companies that possess the required experience (such as Lever Bros for example), for



providing training courses in production techniques, marketing, costing and pricing, accounting, book keeping, budgeting to small growers in rural areas, so that they feel confident and undertake to establish and manage new vegetable oil plantations.

- MOTI, again in cooperation with GIPC, should undertake an assessment of the current spare parts supply to the vegetable oils industry in the country and identify existing gaps. On the basis of this assessment, an incentives programme should be designed in order to attract machinery manufacturers from abroad to establish production units in Ghana to fill the gaps and satisfy the spare parts needs of the industry.
- The mandate problems between the two statutory quality setting institutions, the Ghana Standards Board and the Food and Drugs Board should be sorted out as quickly as possible and the two organizations and corresponding Ministries should be streamlined to operate in a more cooperative manner than has been the case thus far; (see also recommendation and action plan in Section 3.2.3 of cross-cutting issues)
- GIPC should promote the vegetable oil sector on a priority basis in order to attract investors from both Ghana and abroad.

<b>Action Plan for the Vegetable Oils Sector</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Expand production and exports of vegetable oils	Improve and promote closer cooperation and synergies between research institutions and the vegetable oils industry	MOTI should set up a public/private sector Research Committee modelled on the Malaysian example. It should have 2 sub-committees, one for coconut and palm and another for soya. The Terms of Reference of this Committee should be drafted by a specialized expert. (1 <sup>st</sup> half of 2009)	Research work corresponds to the needs of the industry and is demand-driven	MOTI, MOFA, research institutions, trade associations	GoG
	Improve production, processing and marketing techniques	MOTI should undertake a study in order to identify the gaps that exist in Ghana in technology, processing techniques and marketing of vegetable oils. On the basis of the results prepare a plan for acquisition of the required expertise either through technical assistance or on a fee basis. (1 <sup>st</sup> half of 2009)	List of technical assistance requirements prepared and submitted to the donor community	MOTI, MOFA, trade associations, donor community	GoG, donor community
	Improve productivity levels and yields by building necessary capacities	MOTI and GIPC should carry out a study to explore the possibility of offering incentives to large companies in order to organize training course for small producers in processing, accounting, costing and pricing, marketing and overall plantation management techniques. (1 <sup>st</sup> half of 2009)	Study and list of incentives to large private companies prepared and approved by Cabinet	MOTI, GIPC, product associations	GoG (GIPC)
		MOTI in cooperation with GIPC should carry out a study to assess the current spare parts supply and existing gaps to the vegetable oils industry. On the basis of this assessment design an incentives programme for investors in these industries. (1 <sup>st</sup> half of 2009)	Incentives plan for the identified industries established and approved; Increase of investments in this sector	MOTI, GIPC, product associations	GoG (GIPC)
	Increase investments in the vegetable oils sector	GIPC to design and promote a priority programme for the attraction of investors. (1 <sup>st</sup> half of 2009)	Increase of investments in this sector	GIPC, trade associations	GoG (GIPC)

<b>Action Plan for the Vegetable Oils Sector (continued)</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Expand production and exports of vegetable oils	Improve the quality management procedures for vegetable products	MOTI and MOFA should accelerate and finalise the review of the mandates of GSB and FDB and make proposals to Cabinet for better cooperation between these Ministries. (As soon as possible)	Elimination of duplication in mandates of GSB and FDB; Improved communication and cooperation between MOTI and MOFA		

#### 4.4 Sector Strategy for Horticultural Products

Overall, the relative success of the NTE sector is being driven by the relatively high performance of the horticultural industry. But of late that sub-sector's success is becoming pyrrhic, as it goes through some difficult patches due to a number of factors.

2005		2006		2007	
Quantity (kgs)	Value (US\$)	Quantity (kgs)	Value (US\$)	Quantity (kgs)	Value (US\$)
95,252,470	50,263,776	148,224,519	49,641,771	131,422,425	46,475,977

Source: Ghana Export Promotion Council

It is suggested that the apparent success of the sub-sector can be ascribed to a number of factors including the massive support that has been extended by the donor community, both governmental and non-governmental institutions. Interventions through such initiatives as, TIPCEE, MIDA, MOAP, HEII, etc. have all been very supportive of the growth and development of the horticultural sub-sector as they have enabled Ghanaian exporters to take advantage of such development partner policy initiatives as AGOA, EBA, and the various GSPs.

The major importance of the horticultural sector lies in the fact that most of the growers are small holders who reside in the rural areas; for that reason its successful development will enhance the efforts of government to reduce rural poverty by creating employment opportunities in the communities where the products are grown; this in turn will stem the rural-urban drift which has become a major policy challenge to Government.

Even though the sector faces a number of challenges as outlined below, it has a number of opportunities that can be exploited to offset those challenges if sufficient support is continued to be extended to the industry.

Ghana's comparative strengths in the horticultural industry derive from a number of factors:

- Relatively abundant and suitable but under-utilised land that can be used for increased production, despite the problems associated with land acquisition;
- Suitable climatic conditions for diversified horticultural pursuits even with minimal irrigation;
- Proximity to both Europe and the Middle East, both of which markets for horticultural products are rapidly expanding;
- The availability of fairly cheap, semi-skilled and trainable labour force suitable for labour-intensive horticultural production, even if productivity is usually low among such employees;
- The introduction of simple and low cost equipment for processing some of the products could tremendously increase value to the raw products and create jobs and earn more foreign exchange for the country.

On the other hand, it is the case that the sub-sector has not been able to attain its optimum strength largely because of constraints that exist in both the policy domain and at the level of the operators. At the level of policy, there remain a number of gaps that have to be filled:

- Lack of policy coordination and consistency by relevant government agencies, as has been alluded to in the first part of the Strategy. This has inevitably led to several chronic bureaucratic bottlenecks, verging on incompetence as well as possible corruption in the administration of the export trade in Ghana. One example would be the lack of coordination of actions and policies between EDIF and GEPC.; MOTI also fails to coordinate all the technical assistance projects in the export sector to be able to monitor the developments in the sector and take corrective action in a timely manner;

- There is a serious lack of investment in Research and Development to support the horticultural export sector through the creation of new export products and industries; in addition there is a lack of specialized expertise across the board;
- There is a serious lack of facilities such as pack houses for the small holders, export trade houses and cold storage facilities at the ports;
- There is difficulty in accessing to financing at affordable rates and on a timely and long-term basis for operators to meet orders; in favour of the financial institutions, though, it should be stressed that they are guided by the various risks that are associated with the numerous small and medium operators who usually lack the necessary collateral or equity to protect the interests of the banks, as well as the propensity of many applicants to divert bank credits to un-related activities;
- Absence of a Code of Practice for the industry in order to safeguard the integrity of Ghanaian exports to overseas markets; a persistent complaint of the indigenous operators is the irregular involvement of foreigners at every level of the industry; a stringent code of practice should delineate areas of the sector that are reserved for Ghanaians and areas where foreign participation would be allowed by law;
- The Ministry of Agriculture does not undertake sufficiently the development of skills and expertise through the training of farmers and ancillary operators in the industry;
- Like the salt industry the land problem is a major constraint to the development of the horticultural industry, as described in the first part of the Strategy. Hopefully the Land Administration Project can solve some of the problems in the near future.

On the part of the operators, a number of problems combine to make them inefficient and uncompetitive overall. These include *inter alia*:

- Lack of input supplies, such as quality seeds and other planting materials, proper field maintenance, irrigation schemes, agronomic practices, etc.;
- Lack of resources both human and financial to modernize their operations, which is also linked to the difficulty of obtaining trade finance;
- Poor facilities for hygiene and pest control, sorting and/or grading, and the inability of farmers to unite to strengthen their operational capacities;
- Lack of facilities to access market information on a timely basis;
- Lack of financial literacy, in basic areas such as pricing, retail bar-coding, basic accounting, etc., as has been described above;
- Marketing difficulties such as pre-shipment storage, pre-cooling, packaging, labelling, lack of representation and warehousing in the main markets of choice (Europe and America, for the time being), regular incidents of non-payment by importers owing to the fact that many Ghanaian exporters are small exporters and can only deal with small and usually unreliable overseas clients;
- Certification is another problem for the industry because of its peculiar nature of being both a food and agricultural industry. Exporters of horticultural products face daunting challenges as the trade has become increasingly linked to the development of capacity to meet plant health risks and other phytosanitary requirements; additionally, in the main destination markets, while new standards are being applied to address hitherto unknown risks parallel with changes in official standards and public oversight, concerns and preferences of consumers have created additional and more stringent barriers to the exports of horticultural products;
- There is a lack of a cooperative attitude among industry operators; if they are encouraged to develop such an attitude it will strengthen their bargaining power vis-à-vis the public sector and make them able to use common facilities to reduce their operational costs. The effectiveness of close cooperation among producers is demonstrated by the relative success of a group of exporters of the pineapple sub-sector, which operates under their umbrella organization called the Sea-freight Pineapple Exporters of Ghana (SPEG). As a group the

Association has been able to achieve some notable successes like the shaping of an industry policy and the provision of common services such as the purchase of sea-freight space for Ghanaian pineapple exporters, coordination of shipping arrangements for its members and ensuring that only pineapple of the highest quality is exported from Ghana by maintaining on farm pre-shipment inspection at designated locations. Through their collective effort, they have obtained certification to the Global GAP Integrated Farm Assurance Standards, and bargaining as a group, they were able to get the Government to support them to migrate from the smooth cayenne variety of pineapple to the MD 2 variety with a grant of US\$2 million dollars when the market for the sweet cayenne collapsed.

#### **4.4.1 SWOT Analysis of the Horticultural Sector**

##### **Strengths**

- The horticultural industry includes a wide range of products some of which are performing very well in overseas markets;
- Because of the above, there is a pool of highly skilled and experienced operators who can drive the sector higher;
- Some of the sector's operators are also well organized (e.g., the pineapple and papaya and the mango players are relatively strong global players), so their experience on the global stage can be brought to bear on the smaller and new players;
- The industry has benefited immensely from the country's development partners and the NGO community to the extent that the better established players do not confront the same difficulties as those confronted by other sector operators.

##### **Weaknesses**

- The industry is still predominantly composed of small operators with very limited resources and expertise to compete effectively on the world stage;
- The small operators act in a much disaggregated manner, making it difficult for either the Government or credit institutions to deal with their needs efficiently;
- Because they are generally under-resourced, they are unable to avail themselves of the expertise of specialists who could advise them on a commercial basis;
- For the same reason they are unable to avail themselves of research findings with bearings on their operations;
- They lack very basic facilities such as pack houses and cold storage facilities;
- The operators still face major difficulties in land acquisition;
- Difficult access to accurate and timely market information and data;
- Facilities to ensure quality are still problematic and create serious difficulties for the operators especially in very sophisticated markets such as those of the EU and US.

##### **Opportunities**

- The market for horticultural products both in Europe and the Middle East is growing very fast and should be exploited by the Ghanaian industry;
- Both of these big markets are relatively close and accessible from Ghana by air;
- There is an explicit Government policy to encourage the private sector and the vigorous promotion of exports as a development policy instrument, so the policy framework is quite propitious.

##### **Recommendations**

- The numerous and small-scale operators should operate on a cooperative basis so that they can make common use of facilities such as pack houses; be able to negotiate with Government from a position of strength and to be able to exploit economies of scale; to achieve this

product and sector associations should be strengthened; product associations should be also strengthened in order to enable them to establish commercial links with established traders, such as super market chains in overseas markets;

- Since the sector has proved to be a serious player in the global market, the credit institutions which have been created by Government to support the growth of the private sector should dedicate a considerable portfolio to the horticultural sector as a deliberate policy to nurture industry champions in the country;
- The Land Administration Project recommendations should be implemented by the Government promptly since the horticultural sector is also confronted with the complex land tenure system in the country;
- Mini irrigation schemes should be built to help the growers enhance their productivity;
- There is a wealth of local expertise both as private practitioners who can drive the sector to success if the right incentives are created for them;
- Official Trade Representation Offices in the existing and potential destination markets should be established by Government to lend support to the exporters;
- There is the need for Government and the trade to work together to find ways and means of overcoming new barriers to trade such as phyto-sanitary requirements, new standards that are being applied to address hitherto unknown risks parallel with changes in official standards and public oversight, as well as concerns and preferences of consumers. The problem can also be addressed through bilateral and multilateral mechanisms, such as the provision of technical assistance from development partners and access to courses run but bodies such as UNCTAD, WTO, ITC and the World Bank Institute.

<b>Action Plan for the Horticultural Sector</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Enhance bargaining power and increase benefits of economies of scale for small scale operators	Strengthen existing product associations and create new ones	<p>Creation of a Fund for strengthening product associations. (As soon as possible);</p> <p>Allocation of professional officers in agronomy, costing and pricing, marketing and pack house management to existing product associations. (As soon as possible);</p> <p>MOTI and MOFA carry out a study for the creation of a policy instrument which will facilitate the establishment of new product associations. (As soon as possible);</p> <p>Creation of new product associations for products that do not have them. (As soon as possible)</p>	<p>Appropriate Fund created;</p> <p>Professional officers allocated to existing associations;</p> <p>5 new product associations created.</p>	MOFA, MOTI, GEPC, EDIF, FAGE, PEF, product associations.	<p>GoG</p> <p>Donor community</p> <p>Product associations</p>
Expand production and exports of horticultural products	Improve access to trade and production finance for horticultural industry	EDIF and commercial banks should carry out a study for the improvement of access to credit by small growers. (1 <sup>st</sup> half of 2009)	Concrete recommendations for a scheme to allow small growers to access credit.	EDIF, MOTI, MOFA, commercial banks, product associations.	N/A
	Facilitate land acquisition for production purposes	Prompt implementation of the Land Administration Project recommendations by the government agencies concerned. (As soon as possible)	Land acquisition for production purposes expanded and related investments increased.	Land Commission, Ministry of Land and Mineral Resources.	N/A



<b>Action Plan for the Horticultural Sector (continued)</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Expand production and exports of horticultural products	Increase productivity and yields of horticultural crops;	<p>Create mini irrigation schemes for small growers by allocating some of the existing resources of MOFA. (1<sup>st</sup> half of 2009);</p> <p>Provide specialized training to small growers on how to irrigate by the Irrigation Development Authority. (1<sup>st</sup> half of 2009);</p> <p>Provide funding for irrigation purposes to small growers. (2<sup>nd</sup> half of 2009);</p> <p>Creation of courses in Polytechnics and Agricultural institutions on modern irrigation techniques (2<sup>nd</sup> half of 2009);</p> <p>Exchange of appropriate information for transfer of irrigation technology with foreign specialized universities, e.g., University of Florida. (As soon as possible);</p> <p>Product associations through and with the support of MOFA and MOTI should request EDIF to provide financing as an incentive to experienced operators so that they disseminate their expertise through workshops to small growers. (1<sup>st</sup> half of 2009);</p> <p>MOTI to request funding for the opening of four new Trade representation offices in export markets. (As soon as possible).</p>	<p>Productivity and yields of small growers increased by 30%;</p> <p>Introduction and use of modern irrigation techniques;</p> <p>Four new Trade Representation offices opened.</p>	<p>MOFA, Irrigation Development Authority, University of Legon;</p> <p>MOTI, EDIF;</p> <p>MOTI, GEPC, Ministry of Foreign Affairs.</p>	<p>GoG, donor community for technical assistance</p> <p>GoG</p>
	Open trade representation offices in main export markets	<p>GSB and MOFA should carry out a study for the feasibility of the establishment of a GhanaGAP on the lines of the KenyaGAP. (1<sup>st</sup> half of 2009);</p> <p>GEPC and product associations should elaborate a Code of Practice for horticultural exports. (1<sup>st</sup> half of 2009).</p>	<p>Concrete proposals for scheme adopted by GoG;</p> <p>Draft Code of Practice prepared.</p>	<p>GSB, MOTI, MOFA, FAGE, product associations;</p> <p>GEPC, product associations.</p>	N/A
Improve quality of export products and lessen certification costs	<p>Improve existing quality certification and quality assurance schemes;</p> <p>Elaboration of a Code of Practice for horticultural exports</p>				

#### 4.5 Sector Strategy for Shea Butter/Nuts

The shea industry is an old industry which, until recently, had been run on an artisanal basis in the Northern part of the country; it has however been growing fairly steadily in recent times because of the growing demand in the developed countries, especially the US and Europe (France and the Netherlands being the biggest importers). These markets use the butter for products such as confectionaries and cosmetics; it is also due to the reorganization of the supply/value chain owing to the attraction of big foreign companies (e.g. AAK, 101, FFF, who mostly act through local buyers) and some minor players into the trade.

Shea butter has a wide variety of uses. In the body care industry, the butter is used as a moisturiser, in soap, due to shea's high saponifiable content, in skin and hair care cosmetics, including lotions, creams and moisturizers. It is also used as a cocoa butter substitute and in the manufacture of chocolates and as an additive to confectionary products, biscuits and pastries in the form of vegetable fat. In the past and even now in traditional households, shea butter was also used as cooking oil for frying and in sauces, as the base ingredient in skin cream, hair products, and soap and as traditional medicines especially for skin and respiratory ailments.

An important fact to note is that it shea nuts are produced in significant quantities in almost all of the Sahelian countries of West African and even beyond, e.g. Uganda and, as a result, the Ghanaian shea butter industry faces very stiff competition. This is the reason why it should be well organized to position it to cope with the competition.

The performance of the industry, according to official export statistics, has been below its actual potential owing to a number of constraints that confront the sector. Industry experts indicate that if the sector is properly managed, Ghana can on the average export 200,000 tonnes per year, during the next decade.

2005		2006		2007	
Quantity (metric tons)	Value (US\$)	Quantity (metric tons)	Value (US\$)	Quantity (metric tons)	Value (US\$)
165,508	28,968,495	104,757	27,248,779	57,165	27,008,556

Source: Ghana Export Promotion Council

The recent strong decline in exports that can be noted is due to the fact that the US authorities now request a notification which should be sent to the Food and Drug Administration prior to any shipment. The sector, like those listed above faces a number of constraints, which need to be addressed for it to attain its full potential.

- Fortunately or unfortunately the industry is largely driven by the NGO community and technical cooperation mechanisms, even though artisans still continue to play some role in it. Unlike , e.g. the cocoa industry it is still largely managed haphazardly, perhaps because the tree takes so long to bear fruits (about nine years);
- The quality of the product is still quite poor; according to industry experts and traders, this is due to the fact that post-harvest processing of shea nuts at the moment leads to inconsistent quality because of the traditional methods and provenance variability that are still in vogue and which are unable to produce the requisite standard quality;
- Farmers in the producing areas are still price takers because of the absence of organization at their level. The lack of proper organization has deep roots, including the seasonality of the product, the poor transportation network in the producing areas (in Ghana, it is worthy of note that shea is produced predominantly in the three northern regions which are also the poorest regions of the country; they suffer from almost all the indices of economic underdevelopment

- including inadequate transportation networks);
- The lack of organization of producer groups has created another industry difficulty, namely the inability of the buyers to trace back products through the supply chain (traceability), a major requirement in the key markets of Europe and America. It is believed in local circles that the multiplicity of actors in the supply chain (local buying agents, post-harvest minimal processors, and the large-scale exporters, usually foreign firms) has added to the confusion that the village pickers have to deal with;
- Financing, like in the other products that form the subject matter of this Strategy, is a huge constraint to the local operators in particular. Credit from official banks tends to be too costly and uncertain for all the reasons that are expanded upon above. This explains the deep involvement of the NGO community in the trade; of late, some merchants, especially Indians have also taken advantage of the vulnerability of the farmers and extended credit facilities to them and literally take the produce at ridiculous prices. It should be said though, that in some cases when private buyers have attempted to extend financial support to the farmers and local traders in lieu of financial institutions, they have reported regular cases of such beneficiaries absconding with money entirely or diverting the money to other uses;
- Promoting the product as a sub-regional export commodity is fraught with a lot of problems because of the unwillingness and/or inability of the member countries of ECOWAS to abide by their own regional trade protocols. Traders with whom the Consultant discussed this aspect of the trade expressed dissatisfaction and frustration with the usually very exorbitant legitimate and illegitimate taxes that they have to pay at borders; these high formal and informal charges have led to what industry insiders consider to be more than 50% of the commodity being smuggled to other West African countries and therefore not captured in official statistics;
- The growth of the trade has also been adversely affected by the high cost of transporting high grade shea butter to Europe and America. The usually high cost is compounded by the unavailability of specialized containers to ship, either by air or by sea, the product safety and in conditions demanded by buyers;
- Because of the non-availability of modern processing facilities in Ghana, the bulk of the country's shea butter is transported to Europe and America for value addition, and so the price that Ghanaian farmers receive is very small. Recently some modest processing has been introduced in Savelugu (Northern Region) and Juaben (Ashanti), but that is still very insufficient.

#### **4.5.1 SWOT Analysis of the Shea Butter Sector**

##### **Strengths**

- The product grows quite well in the northern part of Ghana on relatively abundant and suitable land that can be used to increase production in the medium to long term;
- It has a long history and tradition in that part of the country and therefore some level of expertise, even at the level of the rural communities, has been acquired;
- It is used increasingly in the US and the EU where the end users include the food, chocolate, high-end cosmetics and natural products industries; the market is big and growing;
- Enjoys considerable donor and NGO support because of the potential for job creation for the rural pickers and farmers in the North if properly managed.

##### **Weaknesses**

- Lack of facilities for processing in the growing regions which creates quality control problems and result in very little value addition to benefit the farmers and the indigenous traders;
- Difficulty in accessing market information in terms of standards and market demands regarding quality and other requirements;
- Lack of capital for both traders and growers; this serves as a kind of disincentive towards the

growth of the sector even though lately some private buyers are extending credit facilities to the farmers on very appalling conditions;

- Lack of producers' organization and representation;
- Lack of proper quality management and traceability in the supply chain.

**Recommendations**

- The work of the NGO's and other donor communities which have shown interest in the growth of the industry should be encouraged but better coordinated by MOFA;
- The local farmers should form cooperative societies in order to improve on their bargaining power with both the government and the new group of buyers mainly from foreign companies;
- There is a need for a trade association in this sector;
- Access to credit should be made less costly and more easily available, as a matter of deliberate public policy to grow the industry;
- Processing facilities should be established either with or without the support of Government; alternatively, private sector operators should be encouraged to establish processing facilities to add some value to the nuts before export;
- MOTI and MOFA should study the feasibility of creating plantations of shea trees which could begin to bear fruits in shorter periods (4 years);
- MOTI and MOFA should study the possibility of creating a Marketing Board for Shea products on the lines of the Cocoa Board. Since shea butter is also used by the cocoa industry it would make sense to associate shea production and exports to that of cocoa products;
- A quality management scheme including the possibility of traceability should be put in place;
- MOTI and MOFA should establish links and exchange experiences with other Sahelian countries that are exporting shea products.

<b>Action Plan for Shea Butter/Nuts</b>					
<b>Objectives</b>	<b>Targets</b>	<b>Actions &amp; Timings</b>	<b>Measures</b>	<b>Institutions</b>	<b>Resources</b>
Improve marketing and exports of shea products	Better organization of the producers	FAGE and MOFA should assist the producers and collectors in the Northern Regions to form cooperatives and a trade association which will represent their interests	Cooperatives and trade association established	MOFA, FAGE	GoG, FAGE
		MOTI and MOFA should undertake a feasibility study for the creation of plantations of shea trees which could start bearing fruit in shorter periods	Feasibility study and corresponding action plan completed	MOTI, MOFA	GoG, donor community
		MOTI and MOFA should study the possibility of creating a Marketing Board for shea products along the lines of the Cocoa Board	Completed study and recommendations submitted to Cabinet	MOTI, MOFA, Cocoa Board	GoG
	Better quality management for shea	Producers and exporters trained in quality management aspects and traceability	Increase of exported quantities to US and EU	GSB, MOFA, MOTI	GoG
	Improved regional cooperation in production and marketing	MOTI and MOFA should establish links and exchange of information and experiences with other shea producing countries in the Sahel; The possibility of promoting the product on a regional basis should be explored	Proposals for a promotional campaign on a regional basis and request for technical assistance prepared	MOTI, MOFA, GEPC	GoG, donor community
	Increased value addition in shea product exports	GIPC should design a promotional programme with incentives for investors in shea processing facilities		GIPC	