

An Enterprise Map

of

Ghana

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Motivation

- Lack of adequate and uniform description of the capabilities of existing enterprises
- Need for discussions of enterprise policy to be grounded in a shared, correct understanding of this

Appropriate Descriptions

- Cost and Timescale of full surveys
- What surveys do not capture
- The body of knowledge in advanced industrial economies
- The limited but specific information that is important to policy analysis
- Towards a design that is fast and inexpensive

Scope and Coverage

- Profile each of the major industries
- Excludes services and financial sector
- Profile the leading firms in each industry (History, origins, current capabilities, etc.)
- Identify clusters of mid-size firms and their activities
- Problems and challenges

Structure

- Profile 50 'Leading Firms' distributed across these key industries
- Industry profile includes brief profiles of a few representative mid-size firms in each sub-market

Overview and Motivation

- 83% of exports from three primary industries (Gold, Cocoa, Bauxite)
- 17% from five secondary industries (metals, wood, plastics, fats and oils, pharma)
- 27 firms account for over half of total exports

Major Primary Exports					Others
Gold		Cocoa		Bauxite 0.3%	16.8%
64.3%		18.6%			
Pharmaceuticals, Cosmetics and Related ↓					
Metals and Metal Products 23.0%	Wood and Wood Products, Furniture 22.5%	Plastics and Rubber 2.0%	Fats and Oils 8.7%	Others 43.2%	
Aluworks Limited	John Bitar & Co Limited	Ghana Rubber Estates Limited	Norwegian Palm Ghana Limited	Phyto-Riller Pharmaceuticals Limited	
	Samartex Limited	Interplast Limited	Ghana Oil Palm Dev Company		
Tema Steel Company Limited	Logs and Lumber Limited	Qualiplast Limited	Twifo Oil Palm Plantation	Tex Styles Ghana Limited	
Others	Others	Poly Group of Companies	Others	Others	

Figure 1. An export map.

The Big Issue

- Can Ghana's Growth rate be sustained ?
- And if so How???

Ghana's Growth

- Ghana's Economy has had really strong growth performance over the past decade
- If this continues , Ghana can become a middle income country in a decade or so
- But can it continue?
- And How?
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Sources of Growth in GDP and in Exports

- Some contributions are not of a continuing nature
- Two factors will be key in sustaining growth

The 2 Factors

- Oil
- Industry
- These must be linked

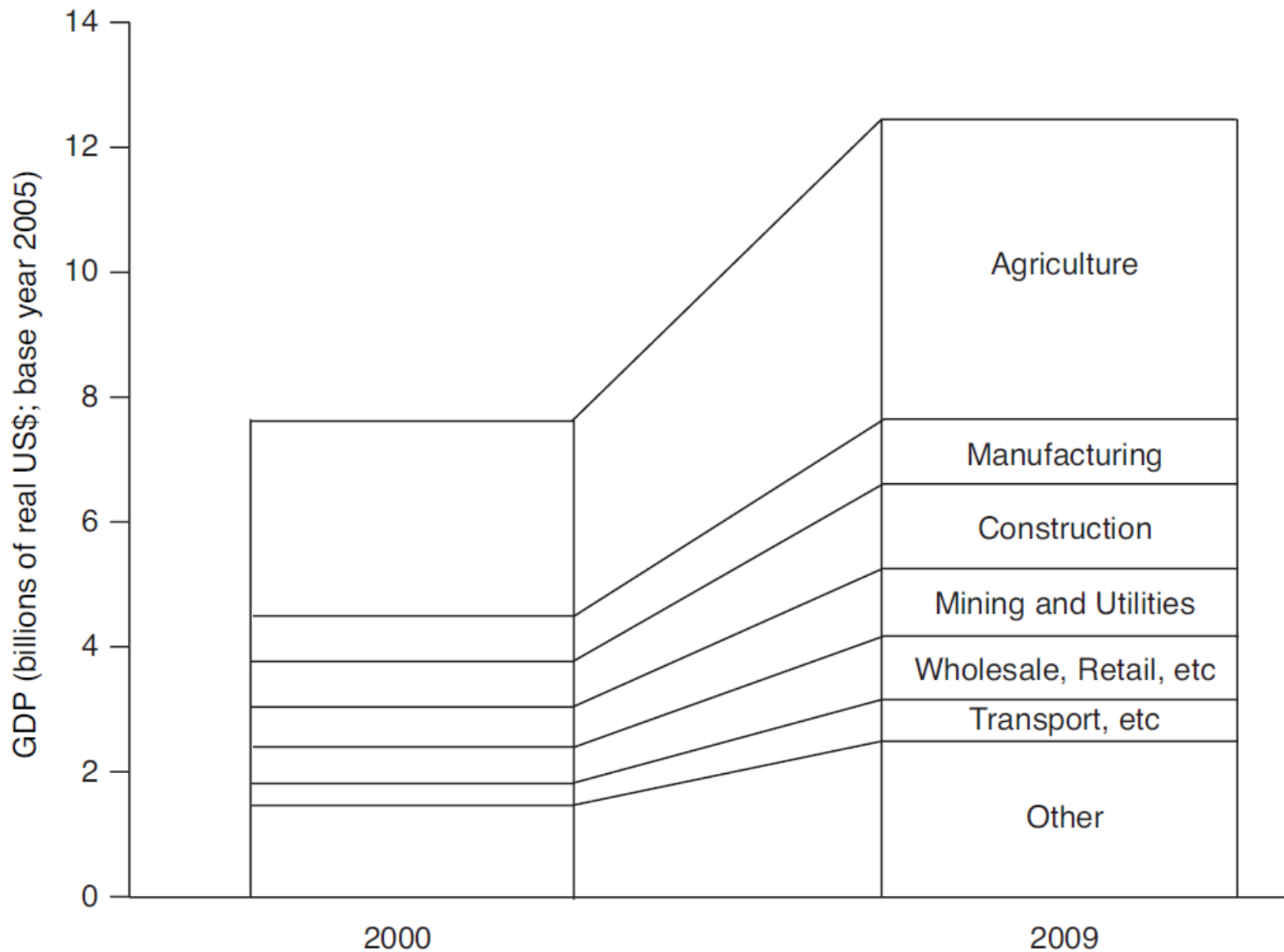


Figure 3. The change in size and composition of Ghana's GDP in real US dollars 1993–2009. ('Wholesale, retail, etc' covers wholesale, retail trade, restaurants and hotels. 'Transport, etc' covers transport, storage and communication.)

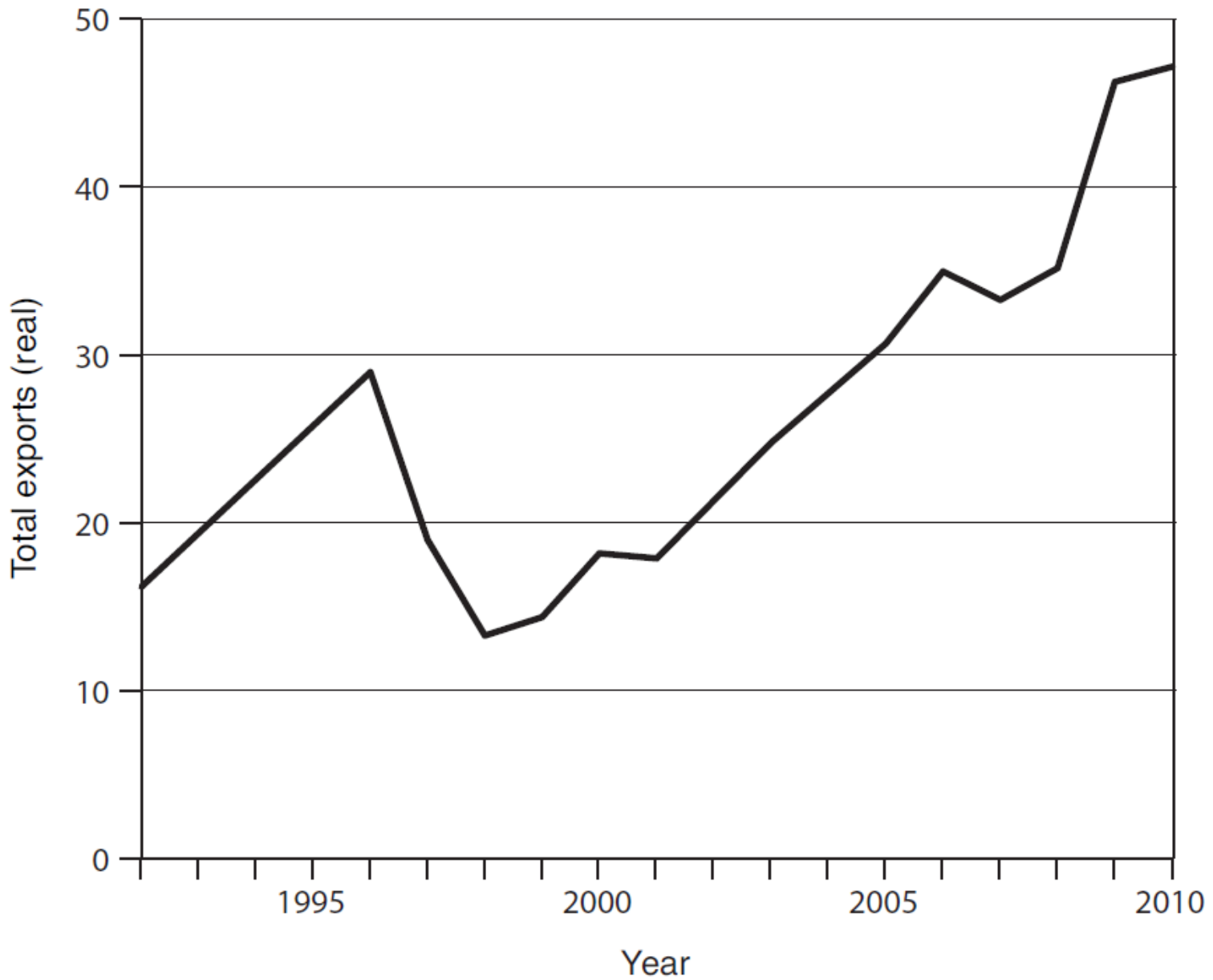


Figure 4. Total exports in real US dollars 1992–2010.

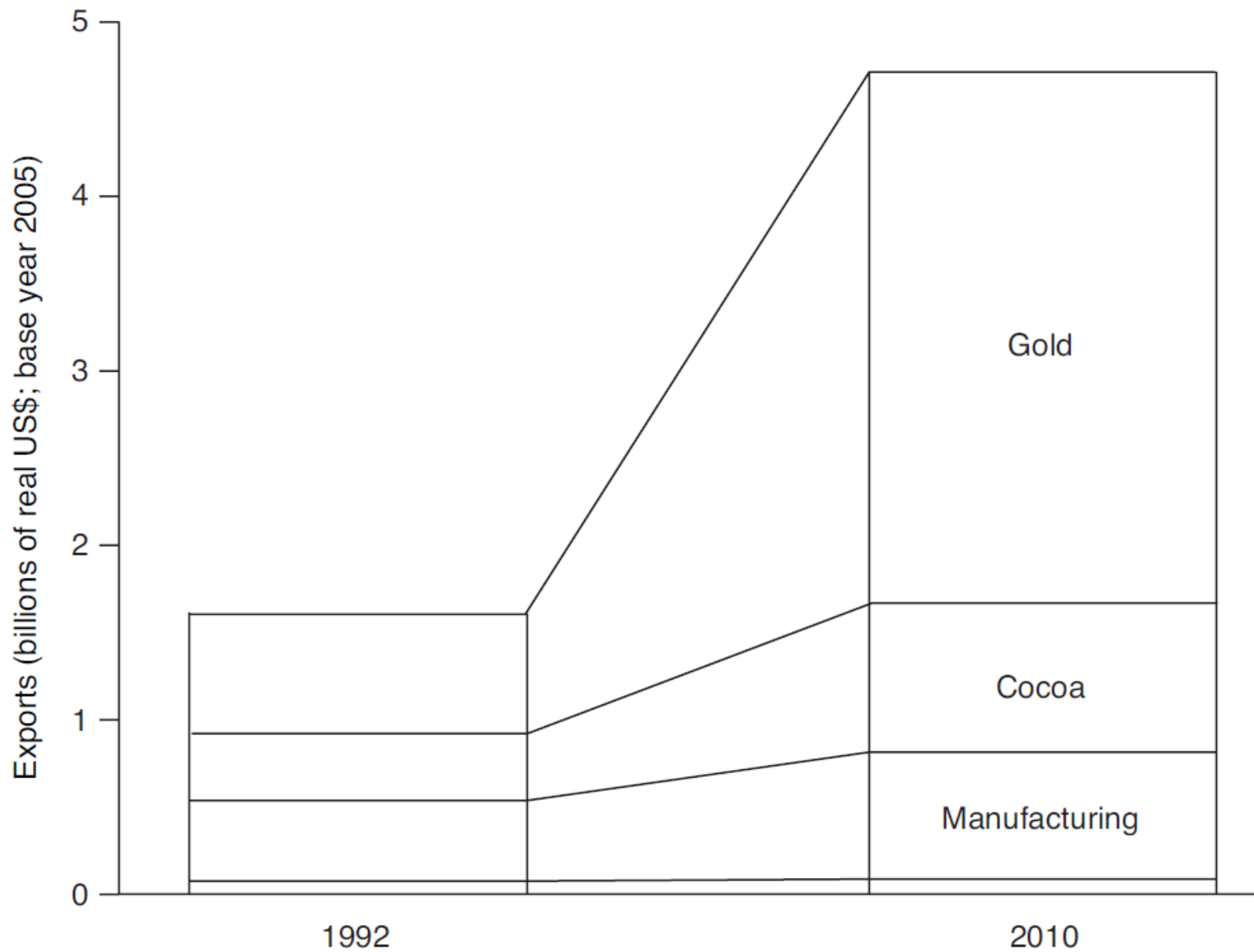


Figure 5. The change in size and composition of Ghana's exports in real US dollars 1992–2010.

Why the 2 factors?

- Problems with attracting FDI
- The key contribution of FDI
- How Oil can draw in the FDI...
- But really careful management is crucial if benefits to local industry are to flow

The Enterprise Map Project

- What is in the book?
- What are the themes?
- How is it arranged?

Example

- Steel, Engineering and Assembly
- Sub-markets include:
 - A : Galvanized coil/sheet, Corrugated sheet, Re-bars etc.
 - B: Engineering products, Car/Truck bodies, etc.
 - C: Hand Tools and other final products

Focus

- Basic information on size, product range, ownership, etc
- First focus : where capabilities came from
- Second focus : Supply chains...inputs , origin by category ; sales, what and to whom.

Rationale

- What can be locally sourced ?
- What can be locally sold ?
- Development of enterprises and development of domestic supply chains
- Development of enterprises within international supply chains
- Two faces of supply chains

The big picture : Where capabilities come from...

- Home grown successes (Bharat Forge)
- From Trading to Manufacturing (Steel Wire in Zambia)
- From Equipment Suppliers (Packaged Orange Juice in Ethiopia)
- From Supply Chains (Auto Components in India)

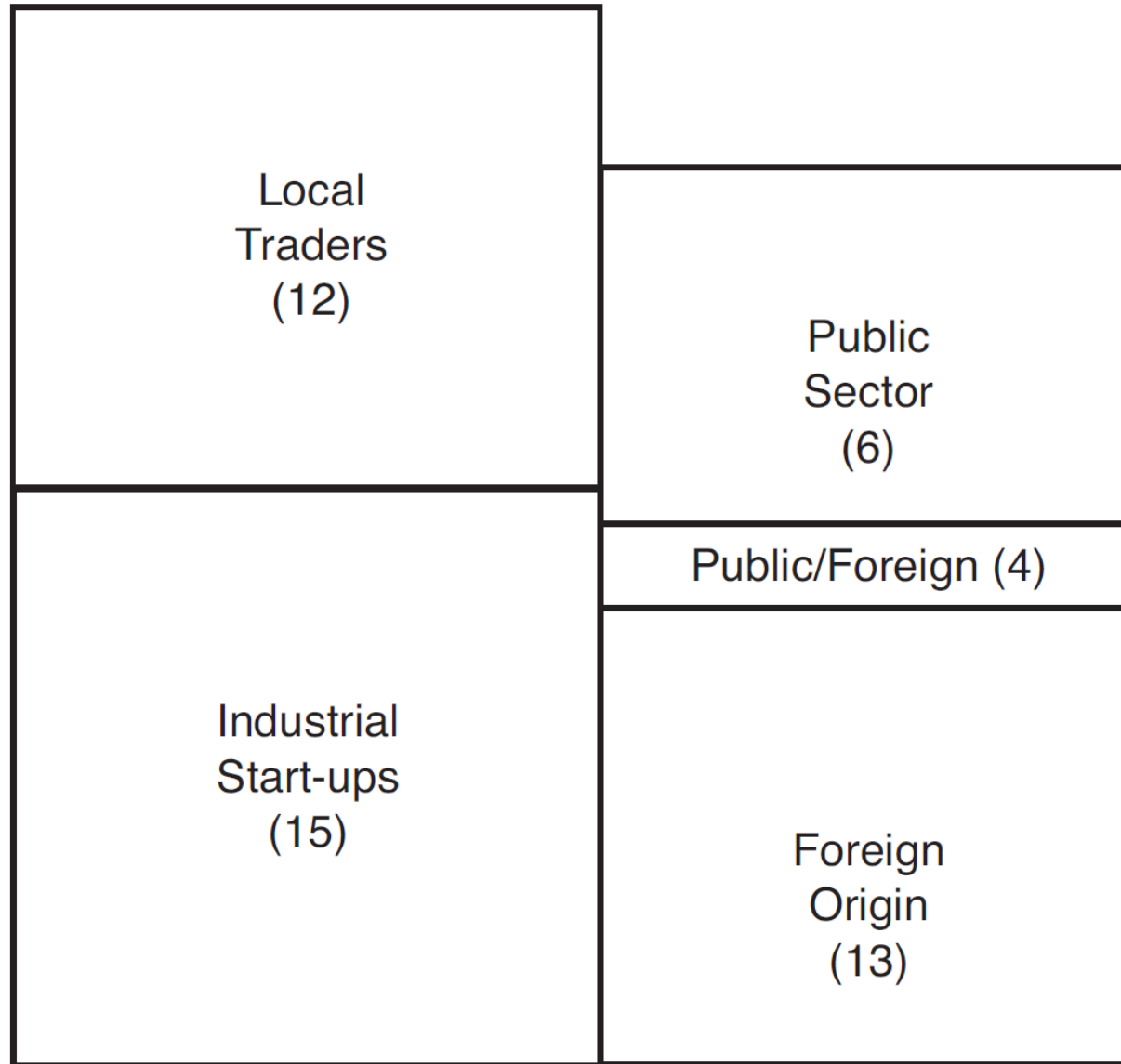


Figure 2. Origins of Ghana's leading industrial companies.

Trading to Manufacturing

- Of the 27 domestic private sector Leaders 12 had their origin in Trading....
- And 15 were industrial start-ups

Trading to Manufacturing: Examples

- Kwabena Adjare Danquah (Metalex) began as a Stockist in Roofing.
- Michael Agyekum Addo (Kama Health Services) began as an importer of Pharmaceuticals.
- Komla A. Hukportie (Parlays) was a trader and distributor in foodstuffs.
- Samuel Mensah Stone (Prime Stone Quarries) was a supplier of aggregates.

The Second Group: Domestic Industrial Start-Ups

- What do we know of such ventures in other parts of the world?
- Are Ghanaian concerns special to Ghana?

'Growth of Firms ' Stories

- It is seen as disappointing in Ghana that so few local start-ups grow to become mid-size industrial companies....
- Is this surprising ? Special to Ghana?
- Lessons from elsewhere : a standard pattern.
- A story from the US : When DO small firms grow?

Problems and Policies

- Domestic Industrial companies need a supportive policy environment...
- Examples.....

Problems and Policies

- Examples of key issues...
- The export of Scrap Steel..The problem is not rules , but Implementation ...
- Relative prices of raw material inputs and final good: Tariff policy in the news...

The Third Group : FDI

- 13 of the '50 leading firms' have foreign origins
- What is happening to FDI today ?

Hard Environments , High Performance

- As in many Sub-Saharan countries , Ghana's successful mid-size companies have had to be extremely effective to get to where they are....
- And the issue is , if the policy environment is improved , will there not be a great benefit , not only to existing firms , but to the entry , growth and success of new companies...

High Dispersion

- 994 new projects in the 3 year period 2008-2010
- 25 countries , China and India account for 45%
- But leaders in value are United Arab Emirates, Nigeria and the Netherlands.

Policies for FDI

- Two extremes...
- (a) permissive
- (b) supportive

- The Irish experience with autonomous agencies

The big picture : Where capabilities come from...

- Home grown successes (Bharat Forge, India)
- From Trading to Manufacturing (Steel Wire , Zambia)
- From Equipment Suppliers (Packaged Orange Juice , Ethiopia)
- From Supply Chains (Auto Components , China)

The Big Transition

- Cement , Beer , Wood Furniture , etc.
- Clothing and Textiles...a special case
- International supply chains
- What REALLY happened to Indian and Chinese industry ?

So if FDI is crucial...

- What the oil industry can bring
- Integration of local firms into international supply chains
- How easy it is to go wrong

Success and Failure

- Columbia as a success story
- Tipiel now does engineering design for Italian clients
- PTS took over Well Testing from Schlumberger/Haliburton
- Equipo took over Plant Maintenance from Wood Group
- Angolan achievements
- Disappointments in Azerbaijan

Managing the process

- The key to success lies in having a deep understanding of existing industrial capabilities
- It is crucial to focus on narrowly defined sectors which offer long term viability
- It is hopeless to expect a large number of ventures

Openness of Process

- It is vital to have a fair and open process, as Ghana does...
- But it is no less important to carefully design criteria for Approved Vendor status in the light of a deep understanding of Ghana's existing industrial capabilities

The Range of Opportunities

- See the Chapter on Steel , Engineering and Assembly for Ghana's potential recruits in the construction of Rigs and Terminals
- See the chapter on Food Processing for leading potential suppliers
- And see also how , as in Columbia , new forms of sophisticated services can boom.

The Prize

- If oil industry supply chains can be fully integrated with Ghana's domestic industrial sector , then the payoff to medium term growth will be huge...
- No single issue in Enterprise policy is more important right now.....