

Different continent,

Small firms in Ghana are struggling to get access to finance and support. Does that sound familiar? **Sylvia Arthur** reveals how the country is tackling the problem and finds the challenges are more like ours than some might imagine

As local authorities around the country grapple with the local enterprise growth initiative (Legi) and local area agreements, it's worth remembering that right at the heart of both initiatives is economic development.

It's also interesting to note that increasing enterprise, not employment, was a common factor in successful first round Legi bids. The fact that bidding for Legi was restricted to neighbourhood renewal areas is indicative of the importance that government places on the role of enterprise in regeneration.

Halfway across the world another government is also recognising the value of enterprise in development. In Ghana, west Africa, huge amounts of time and money are being invested in priming the micro and small to medium enterprise sector.

So serious is the Ghanaian government about business, big and small, that it's even created a ministry whose sole purpose is to facilitate the development of the private sector. While it's long been recognised that small and medium enterprises are a key driver of economic development, the timing and political will to champion the cause of enterprise and entrepreneurship have finally coincided both here and in Africa.

The parallels between economic regeneration in the UK and poverty reduction in Africa are greater than one might expect. The problems faced by SMEs in Ghana are similar to those faced by entrepreneurs in deprived areas of the UK. Access to low cost finance, lack of affordable and accessible business support and the absence of an enabling social and political environment are common barriers to start-up and established business success.

Harsh as it may sound, poverty has proved to be a great enabler in Ghana's economic development and enterprise is booming.

Ghana was the beacon of hope for Africa when it gained independence from Britain in 1957, and in the 1980s stealth economics steered the country



to relative fiscal success. In the 1990s, however, the country suffered a severe decline. Inflation rose sharply and so too did unemployment. But unlike in the UK, where there are enough jobs to go round, in Ghana the labour force far exceeds the job market.

Forced to choose between unemployment and deprivation, this need is breeding entrepreneurs and the government is keen to encourage this upward trend. According to a recent continental business

of poverty. Exporting models of best practice in regeneration and neighbourhood renewal would help expedite this mammoth task and have a significant long-term impact on the socio-economic development of the continent. Though jobs brokerage and intermediate labour markets may not be right for the client base, the link between social enterprise and unemployment is widely accepted.

But transferring models of outcome-generating interventions work both ways. Just as Grameen banking has empowered poor communities in Bangladesh it has also helped assist deprived groups in the east end of London. So too can similar models of best practice from the UK do

small wonders for people in Africa.

Em Ekong of regeneration agency Urban Inclusion helped set up a credit scheme for underprivileged women in Tower Hamlets based on the Grameen model. She believes Africa is ripe for regeneration. 'There's great scope for taking good practice to Africa working in partnership with UK expertise to develop regionalised regeneration interventions.'

Last July, Ms Ekong travelled to Ghana as a volunteer business adviser on an enterprise

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survey business confidence in Ghana is high and Ghanaian business leaders are the most optimistic about the progress and future of their economy.

'Poverty is an expensive business,' says John Kofi Agyekumhene, director of the Micro-Finance and Small Loans Centre (Masloc) in the Ghanaian capital, Accra. 'Partnership working between the public, private and NGO sectors and civil society to stimulate enterprise is the way forward.'

The Economic Commission for Africa says eight million jobs a year are needed to pull Africa out



Volunteers giving business advice to business owners; and SME owner William Dowokpor talking to volunteers Em Ekong and Ama Davies at the site of his new internet café

same issues



Opposite: Chief executive of Masloc Dr JK Agyekumhene talks to Afford volunteers; left, Prince Sackey of Toe Talk Shoes received advice and training from Afford; right, volunteers help SME owners improve their IT skills

mission organised by the African Foundation for Development (Afford), a London-based not-for-profit organisation. The purpose of the mission, which was sponsored by Voluntary Services Overseas and run in partnership with Barclays Bank Ghana, was to teach business planning skills to grassroots entrepreneurs in order to promote social and economic regeneration through sustainable enterprise.

While there's no shortage of business support providers in Ghana the dearth of affordable and accessible services for micro and small entrepreneurs is hampering the sector's progress. The main business support agencies, like the UN-funded Empretec, charge in excess of \$3,000 for a business plan.

'Afford is committed to working in partnership to provide affordable and accessible business support for micro-enterprises and SMEs,' says Chukwu Emeka-Chikezie, its chief executive. 'We're determined to add value to what already exists by working with others to build a network of business support centres.'

Initially, the beneficiaries of the intensive two week programme were to be Susu collectors, men and women who travel the marketplaces collecting cash from traders and saving it for a commission. These mobile bankers form a lucrative informal industry, one that the banks in Ghana are eager to bring in to the mainstream. It's estimated that there are 4,000 Susu collectors in Ghana, each serving between 400 and 1,500 customers a day with a collective wealth of £75m a year. As 75% of Ghanaians are without a high street bank account, Susu collectors provide a valuable and relevant service. The challenge for banks and other financial institutions is to provide a portfolio of products that are right for customers they serve. However, when Susu collectors proved difficult to engage, SMEs became the focus of the training.

But the banking structure in Ghana for the average SME isn't an enabling institution. Barclays Business Club members pay a monthly subscription and after a year of membership automatically become eligible for the equivalent of a £3,000 loan.

However, stringent repayment terms and exorbitant interest rates hinder business growth. Another problem is that accessing finance over and above the initial loan is virtually impossible.

For those with a good business but without the required three years' audited accounts, there's scant hope of getting finance to make the leap from SME to corporate. Participants in the Afford programme were justifiably frustrated that despite being taught

'The ultimate test will come in tangible evidence of improvements in business performance of SMEs with which we've worked.' Chukwu Emeka-Chikezie, Afford

the rudiments of running a successful business they were still unable to access finance for expansion at the end of it.

'From Afford's perspective, we have already seen groups of businesses in Ghana taking responsibility to advance their own interests collectively,' says Mr Emeka-Chikezie, referring to the two business associations that were set up as a result of the Afford programme. 'These associations will conduct more business among themselves creating supply chains and also influence key stakeholders to provide products and services that meet their needs in order to grow thriving, successful ventures. The ultimate test, however, will come some months down the line in form of tangible evidence of improvements in business performance of these SMEs with which we've worked.'

Though the Afford mission is considered a success it also revealed gaps in its own programme. Volunteer advisers, who included regeneration professionals, business support service providers and legal experts, were painfully aware that the poor majority who operate outside the banking system and are most in need of help were unable to benefit from the sessions.

'The most surprising aspect of our trip was that the SMEs we advised were neither small in size nor small in turnover,' Ms Ekong says, who taught clients everything from bookkeeping to market research. 'These were well established enterprises with

employees in double figures and huge revenues.' And therein lies the problem. While micro-finance and business support initiatives have helped a small proportion of Ghana's not-so-poor, the very poor, women and youth are still not being reached.

As a way of redressing this imbalance do-it-yourself banking services like Susu loans, lending circles and cooperatives continue to thrive. The proliferation of credit unions has bought finance to thousands of people who were previously excluded from mainstream banking. Between 2004 and 2005 membership of the Ghana Co-operative Credit Unions Association increased from 132,000 to 192,000.

Masloc was established in 2004 to coordinate the administration of all funding coming to government and donors for the use of micro finance. The remit of the centre, which sits in the Office of the President, is more than administrative. Masloc has been charged with developing a decentralised micro-finance system and has sought to engage the private sector and NGOs to build a strategic partnership that can deliver results for the country at large. It aims to provide strong active coordination between all stakeholders, from grassroots entrepreneurs and organisations right through to service providers and banks.

Since its inception, the centre has disbursed approximately £11m in micro-finance funding and has developed a holistic approach to the provision of credit including capacity building, basic skills training and credit management awareness. It is also linking savings to credit.

'Prior to Masloc there was no coherent policy for micro-finance,' says Dr Agyekumhene. 'Now there is a policy blueprint. We've gone through 18 months of consultation that has involved all stakeholders and we're currently at the last stage of the process.'

Masloc is currently looking at developing an accreditation scheme for micro-finance service providers. It's urging stakeholders to come together to form an association to self-regulate the growing industry. Like Barclays, Masloc is keen to strengthen credit unions and bring Susu collectors into the formal banking system. The government is convinced that credit unions could

play a vital role in achieving its objectives in job and wealth creation for the urban and rural poor.

Since the publication of its poverty reduction strategy in 2002, the Ghanaian government has begun making strategic linkages between enterprise and poverty reduction. Job creation is crucial to Ghana's development, especially if it's to achieve its millennium development goal to become a middle income country by 2020. At a recent press briefing in London, Ghana's president, John Agyekum Kufuor, emphasised the role of the private sector in Ghana's ability to achieve its targets for economic success: 'If we are going to move into a modern economy, it is important to rehabilitate the private sector.'

Enterprise is not new to Africa. The continent has been innovative in finding ways around poverty for centuries. And while aid is a necessity, so too are skills and knowledge sharing. International donations cannot in the long term stimulate and sustain enterprise for millions of poor people. If job creation is the key to an African renaissance, then it cannot happen without the enterprise and skills agenda that is an integral part of any regeneration programme. Why should reducing poverty in Africa be any different from regeneration anywhere else?

Sylvia Arthur is a neighbourhood renewal fund programme support officer and a partner in Regenterprise, an agency that promotes regeneration through enterprise in Africa