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Donor, dollars, and development

insights into the impacts of Danida's private sector development programme in Ghana

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Donor, Dollars, and Development

Insights into the Impacts of
Danida's Private Sector
Development Programme in Ghana



PhD dissertation by
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Abbreviations

AFRC	Armed Forces Revolutionary Council
AGI	Association of Ghana Industries
AID	Aid Impact: Development Interventions and Societal Processes
APDF	African Project Development Facility
BS	Business System
BSPS	Business Sector Programme Support
BSSP	Business Sector Support Programme
B-t-B	Business-to-Business
CIBA	Confederation of Indigenous Business Associations
CIDA	Canadian International Development Agency
CPP	Conventions Peoples Party
DAC	Development Assistance Committee
Dda	Dutch development agency
Dfid	Department for International Development
DI	Confederation of Danish Industries
DIC	Divesture Implementation Committee
DIPO	Danish Import Promotion Office
DKK	Danish Krone
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ERP	Economic Recovery Programme
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GIHOC	Ghana Industrial Holding Corporation
GIPC	Ghana Investment Promotion Centre
GNCCI	Ghana National Chamber of Commerce and Industry
GPRS	Ghana Poverty Reduction Strategy
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
GVC	Global Value Chain
HIPC	Highly Indebted Poor Countries
HVR	Danish Federation of Small- and Medium-sized Enterprises
IBE	International Business Environment
IC	Investment capabilities

IFC	International Finance Corporation
IFU	Investment Fund for Developing Countries
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ISO	International Organization for Standardization
KfU	Danish Centre for Technology Transfer
LC	Linkage capabilities
LDC	Least Developed Countries
LFA	Logical Framework Approach
MCP	Mixed Credit Programme
MDG	Millennium Development Goals
MOTI	Ministry of Trade, Industry and Special Presidential Initiatives
NDC	National Democratic Congress
NLC	National Liberation Council
NPP	New Patriotic Party
NRP	National Redemption Party
NUGS	National Union of Ghanaian Students
ODA	Official Development Assistance
OEM	Original Equipment Manufacture
PC	Production capabilities
PEF	Private Enterprise Foundation
PFP	Partnership Facility Programme
PNDC	Provisional National Defence Council
PNP	Peoples National Party
PP	Progress Party
PPP	Public Private Partnerships
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSDP	Private Sector Development Programme
PSI	President's Special Initiatives
R&D	Research and Development
SIA	Social Impact Assessment
SMC	Supreme Military Council
SOE	State-owned enterprise
SSA	Sub-Saharan Africa

TAI	Technology Achievement Index
TFP	Total Factor Productivity
U.A.C.	United Africa Company
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAID	US Agency for International Development

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1. DEVELOPMENT AID TO THE PRIVATE SECTOR IN DEVELOPING COUNTRIES

The private sector in developing countries has come to the forefront of the development agenda. Recent developments within developing countries and political transformations in developed countries have once again given the private sector a central role in development. The latter is now perceived as having a complementary role to the state vis-à-vis the overall aim of stimulating economic growth and alleviating widespread poverty: while the state must still provide the overall structures, the private sector will generate economic growth.

The private sector is therefore now perceived to be a main player in all areas of development. It is regarded as important in reaching the UN's millennium development goals (MDGs) to, among other things, halve poverty by 2015 (UNIDO, 2004); it is viewed as a panacea for development problems by donors, inter-governmental organisations and many developing country governments (Jeppesen, 2005); it plays a central role in more than half of the approved Poverty Reduction Strategy Papers (PRSP) (Fox, 2004); and it is seen as playing a contributory role in rebuilding post-conflict societies (Kusago, 2005).

The private sector's role in development was established in March 2002, when governments worldwide adopted the Monterrey consensus,¹ which is intended to strengthen the global partnership to achieve the MDGs by making aid one of the bases of poverty reduction. This partnership essentially recognises the need for finance for infrastructure and human capital to attract private investments to generate the necessary economic growth to achieve the MDGs. The private sector is given a prominent role in this consensus as regards both the financing of development and as a guaranteed means of achieving economic growth.

Discussion over whether or not the private sector should be replaced by some other production and distribution system, which previously emerged on occasion, has thus now ceased. Instead, it is generally accepted that the private sector is playing an increasingly important role in the world economy (Sayer, 2005). Discussions at the Development Assistance Committee (DAC) even signal that the private sector will have a more prominent role in development aid in the future. The DAC has

¹ The Consensus was one of the outcomes of the International Conference on Financing for Development held in Monterrey, Mexico, in March 2002. The text of the Consensus is available at <http://www.un.org/esa/ffd/0302finalMonterreyConsensus.pdf>.

recently suggested that, ‘Instead of regarding private sector development as one of a number of tools for supporting partner governments, accelerating pro-poor growth through support for private sector development should be regarded as a major, if not central part of the country assistance they [the donors] provide’ (DAC, 2004: 7).

This study focuses on the private sector in developing countries and asks how development agencies are seeking to reach their goals of poverty reduction and increased welfare through support to the local private sector. More precisely, it deals with Danida’s² development intervention³ in the area of private-sector development.

Lately, the field of private-sector development aid has received more interest from academic circles. Several papers have dealt with the overall design and coherence of donors’ private-sector development interventions vis-à-vis their main objectives (Gibbon and Schulpen, 2004; Pietilä, 2000; Schulpen, 2000), though none of them have scrutinised the impacts of any of these programmes. The overall aim of this study is to shed light on these impacts. In order to do this, the study has been limited to the impacts of Danida’s Private Sector Development Programme in Ghana.

1.1 Development aid to the private sector

The foreign financing of the private sector in developing countries has increased tremendously over the past decade. Almost all donors, bilateral and multilateral alike, have private-sector development programmes, whose aim is to spearhead economic development intended to reduce poverty. However, the links between private-sector development, economic growth, and poverty reduction are seldom specified.

Schaumburg-Müller (2005) identifies the following steps in mainstream economic arguments for private-sector development leading to poverty reduction. First, the private sector is perceived as being more efficient than the state in generating economic growth. Secondly, cross-national econometric studies provide no proof that economic growth will increase inequality, though economists are fully

² Danida is the acronym of an organisation called ‘Danish Development Co-operation Assistance’, which was established in 1991, when institutional responsibility for aid in Denmark was transferred to the Ministry of Foreign Affairs.

³ The term ‘intervention’ is often avoided in the current development discourse. Instead terms like partnership and co-operation are preferred. ‘Intervention’ is chosen here because the underlying premise of most development remains the same, namely ‘the basic idea that a well-meaning and rational planned intervention will lead to a process which will lead to desirable state of development in less-developed parts of the world’ (Koponen, 2004: 11). Intervention covers development projects, programmes and policies.

aware that if such growth is concentrated in urban areas, it may have this impact. Finally, legal, regulatory and judicial systems can develop the pro-poor effects of private-sector development further. However, as Fox notes (2004: 7) each of these steps is contested, and he continues: ‘humility is in order in identification of the proper role of the private sector in poverty reduction. In the current state of knowledge, there can be no claim of certainty’.

The donor community’s focus on private sector-led growth is nothing new. Private-sector involvement in development aid dates back to the late 1950s.⁴ What is new is the apparent consensus among donors that ‘the private sector ensures economic growth while the state provides the background conditions for this to occur’ (Schulpen and Gibbon, 2002: 2). This conventional wisdom among donors even claims that that private sector-led growth leads to a more equitable distribution of the benefits of growth (DAC, 1994: 3). This section first looks at the recent trends in resource flows to the private sector in developing countries and then scrutinises the role of the private sector vis-à-vis the state in development thinking the past fifty years.

1.1.1 Financing development: the role of the private sector

The renewed focus on the private sector in development aid and the general consensus that this is the best hope for ending poverty (Jimoh, 2004) becomes apparent if one examines trends in resource flows to the private sector in developing countries. Bearing in mind the various types of resource transfers, the different definitions of the private sector adopted in the statistics and the geographical coverage involved, a clear trend emerges: while the resource flows for the private sector were generally low in the 1970s, they rose at the beginning of the 1980s and stabilised during the mid-1980s. From approximately 1993 onwards, resource flows to the private sector rose sharply (Odedokun, 2004).

Two issues, however, are of importance in this respect. First, figures for resource flows to the private sector generally include both private and official transfers, as well as direct support to the private sector and indirect support to government agencies. Secondly, the trends mentioned above are not confined to Sub-Saharan Africa (SSA) but include all developing countries. Resource flows to the private sector are markedly higher in Asia and Latin America than in Africa. In SSA, for instance, only South Africa plus a few resource-rich countries benefit from Foreign Direct Investment (FDI).

⁴ The private sector is here broadly conceived as the ‘basic organising principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk-taking set activities in motion’ (DAC, 1994).

Bearing these qualifications in mind, private capital flows to the Least Developed Countries (LDC) are indeed increasing. Even if the four largest LDC-recipients of private capital flows,⁵ which received eighty percent of annual private capital flows to LDCs in 1990-1994, are excluded, annual private capital flows to LDCs increased almost three times from 1990-1994 to 1995-1998. However, this does not mean that the remaining twenty percent is evenly distributed among all LDCs. Rather, a couple of LDCs receive more than half of the remaining inflow of private capital: in other LDCs inflows of private capital are negligible (UNCTAD, 2000: 67).

One would then expect Official Development Assistance (ODA)⁶ to be able to compensate for the imbalances of private resource flows to developing countries. Looking only at the last couple of years, ODA has indeed increased year by year in real terms, especially following the Monterey declaration, but also recent international human tragedies, such as the Indian Ocean *tsunami* and the Iraq war, have meant that ODA is also expected to rise in the fiscal year 2005-2006. However, this trend is only recent: in the first half of the 1990s, ODA actually fell in real terms every year. Moreover, donors' GNI has increased steadily and thus, in reality, ODA's share of donors' BNI has decreased gradually since the 1960s (OECD, 2005; UNDP, 2005: Figure 3.1). Likewise, ODA's share of total capital transfers declined in the 1990s. Now private capital transfers are the dominant source of capital transfers to developing countries, and FDI is now over five times greater than ODA. Furthermore, to a large degree ODA still seems to be channelled to countries not classified as LDCs too. According to Sobhan (2002: 539), in 1999: 'ODA to middle income DCs [developing countries] plus India and China accounted for US\$ 25.4 billion compared to US\$ 10.6 billion going to the Least Developed Countries'.

These general trends in ODA conceal several variations, such as the increase in ODA to Africa in the 1970s and 1980s, while ODA to Asia and Latin America was falling. Since then, ODA to SSA has fallen steadily: in the six years following the fall of the Berlin Wall, ODA to SSA fell in real terms by one-fifth. This fall has continued partly because the 1997 economic crisis in Asia caused disbursements to Asia to rise, and partly because of the increasing difficulty of delivering aid to conflict-torn countries in SSA (OECD, 2004; Riddell, 1999; Sobhan, 2002). This is further supported by United Nations Development Programme's (UNDP) calcula-

⁵ Yemen, Myanmar, Angola and Equatorial Guinea (the latter two were interesting only due to large finds of oil and gas) (UNCTAD, 2000: 67).

⁶ ODA is defined by DAC as grants or loans to developing countries made by the official sector; with the promotion of economic development and welfare as the main objective, and on concessional terms (in the case of a loan, having a grant element of at least 25 percent).

tion that: 'For Sub-Saharan Africa per capita aid fell from \$24 in 1990 to \$12 in 1999' (UNDP, 2005: 84). Lately, however, there has been a growing interest in enlarging the amount of resources going to SSA, spurred especially by the Commission for Africa, which acknowledges the multifaceted challenges that Africa currently is facing while at the same time urging the developed world to increase its ODA to Africa (Commission for Africa, 2005).

To sum up, although resource flows to the private sector are generally increasing, they are not benefitting the private sector in the great majority of poor countries. These countries are simply being excluded from these booming investments. Unfortunately, this trend has not been cancelled out by increases in ODA. However, aggregate trends are hiding qualitative changes in ODA. One of these changes is the different roles of the state and the private sector in development.

1.1.2 The changing role of the private sector in development aid

The private sector has been involved in development aid for the past fifty years, but its role vis-à-vis the state has not been constant. Rather, the relationship between the state and the private sector has oscillated back and forth. From the late 1950s to the 1960s to the 1970s, the state was perceived as the prime mover of development. Leading development economists of the time saw economic development as a process of reallocating resources from the agricultural to the industrial sector. To this end, the state was important, its responsibility being to coordinate economic growth and thus take a leading role in the development process. Entrepreneurial activity in general was seen as insufficient. Thus, the state had to perform the entrepreneurial task through the establishment of state-owned enterprises (SOE) and parastatals.⁷ However, from the mid-1970s onwards, development thinkers began to question these state-led development plans. Sufficient employment could not be generated to absorb growing urban populations: production processes were too capital-intensive, and agricultural terms of trade deteriorated. Consequently, debt rates and internal imbalances rose in many developing countries.

Due to the magnitude of these problems, the focus changed at the beginning of the 1980s. In line with ideological changes in the Western world, the private sector came to be seen as more efficient and more conducive to economic development than the state. Hence, the private sector was placed at the forefront of the development agenda. The structural adjustment programmes of the 1980s were designed to create an enabling environment for the private sector to grow by structurally changing the economy. Among the key policy instruments used by the International

⁷ See section 7.2.1 for an account of the role of SOEs in Ghana. A definition of an SOE is provided in footnote 216 on page 174.

Monetary Fund (IMF) and the World Bank were devaluations, price liberalisations, the rationalisation and privatisation of SOEs, and the de-subsidisation of food and social services. Nevertheless, after a decade of macroeconomic stability programmes and neo-liberal structural adjustment programmes in SSA, a further change occurred at the beginning of the 1990s. It became evident that the ‘rolling back of the state’ had failed to bring about structural change in the economy or to create a dynamic private sector. Thus, donors were seeking new ways to transform the economy in developing countries. Following the 1993 World Bank report, *The East Asian Miracle*, which acknowledged the active involvement of the state in the East Asian ‘miracle’, especially as regards industrial policies and investment in human capital, other donors also began to reconsider the role of the state in development. A synthesis of public and private initiatives thus came to be recognised as the way forward (Adelman, 2000; Harrigan and Younger, 2000; Thorbecke, 2000).

According to this synthesis, which has been dubbed the new ‘consensus’, the state and the private sector have complementary roles: the private sector is supposed to generate economic growth, while the state has to ensure first, that the private sector is able to fulfil its role, and secondly, that the benefits of growth are distributed among the population (Gibbon and Schulpen, 2004).

Bilateral donors could not ignore this private economic development model, which, amongst other things, promised to mitigate a growing sense of aid fatigue. An increasing number of donors, therefore, either adopted new PSD [private sector development] programmes, reworked existing ones with PSD dimensions, or re-designated activities previously classified under other headings as PSD. (Danida, 2004a: 13)

Private sector development (PSD) policies cover a wide spectrum of activities in almost all developing and transition economies. Recently, these policies have been scrutinised in several publications (Pietilä, 2000; Schulpen, 2000; Schulpen and Gibbon, 2002; Gibbon and Schulpen, 2004). According to these publications, PSD policies can be classified according to their main target, that is, the international level or the national level. At the international level, such policies focus on issues such as effective participation in international trade and debt relief for developing countries, while the policies at the national level may be grouped according to levels of support (macro-level, meso-level or micro-level).⁸ At the macro-level, attention is paid to the role of the state in, for example, improving macroeconomic poli-

⁸ This classification is commonly used to distinguish PSD interventions (Danida, 2004a).

cies and physical infrastructure. At the meso-level, assistance to business organisations and training institutions constitute the greatest part of the support. Here these programmes therefore pay attention to the branch level. At micro-level, support is provided to local companies and comprises, for instance, access to credit for developing country businesses and the promotion of business-to-business collaborations.

Not all donors are present in all countries, and not all types of interventions are applied everywhere, although many interventions are not contextualised to any major degree. Gibbon and Schulpen (2002) provide a comprehensive list of PSD interventions in operation at the turn of the new millennium. Inspired by this list, Table 1.1 presents an outline of current PSD components and corresponding donors in Ghana.⁹

Several conclusions may be drawn from Table 1.1. The first is that PSD interventions in Ghana tend to concentrate on the national level. Only three bilateral and two multilateral donors have specific interventions targeting the international level. In addition, several bilateral donors negotiate debt-reduction agreements with developing country governments. More specifically, the highest concentration of bilateral PSD interventions is found at the micro-level, where all bilateral donors except USIAD are represented. This is not the case for Ghana alone. According to Schulpen and Gibbon (2001: 61) this is a general trend, as there is an ‘extremely strong focus in bilateral donor programmes on the micro level toward transfers of technology and expertise between enterprises which are “paired” by donors themselves’. All the major bilateral donors represented in Ghana apart from USAID have PSD interventions specifically targeting the micro-level. These micro-level interventions typically consist of joint ventures, technical assistance, technology transfer and exports between companies based in the donor country and recipient country respectively.

Secondly, the table indicates a general lack of donor specialisation. On the one hand, most donors are implementing several programmes at different levels simultaneously, many of which seem to overlap. For instance, the World Bank and Danida are both targeting the macro-level by promoting legislative reforms, that is, by revising the Ghana business code and enhancing local court procedures. In a similar vein, the Dutch Development Agency, Dfid, GTZ and USAID are all seeking to promote non-traditional exports through bilateral programmes. Co-ordination of activities, especially at the micro-level, is almost absent. On the other hand, some donors like Danida and CIDA have several programmes operating simultaneously.

⁹ A full list of current PSD programmes in Ghana is supplied in Appendix D.

Table 1.1. Private Sector Development components in Ghana

Level	Components	PSD in Ghana: illustrations
International	Participation in international trade	US Agency for International Development (USAID), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Danida
	Increase private investments	IMF, World Bank and bilateral donors' Highly Indebted Poor Countries Initiative (HIPC)
	Debt reduction	NA
	Free international trade	
	Donor coordination	
Macro State	Macro economic policy change	World Bank, USAID
	Institution-building	UNDP, United Nations Capital Development Fund (UNCDF), Danida
	Legislative reforms	World Bank, Danida
	Infrastructural improvement	European Investment Bank (EIB), GTZ
	Public-sector reform	World Bank
Meso Branch	Micro finance institutions	Canadian International Development Agency (CIDA), UNCDF
	Improved training institutions	UNDP
	Improve private-sector advocacy	African Project Development Facility (APDF), GTZ, Danida, USAID
Micro Company	Financial support at company level	Danida, Dutch development agency (Dda), Department for International Development (Dfid), International Finance Corporation (IFC), EIB
	Technology transfer	Danida, GTZ, Dda
	Technical assistance	Danida, CIDA, Dda, APDF
	Vocational training	GTZ
	Market access and information	APDF

Source: Gibbon and Schulpen (2004).

Thirdly, the focus on the role of the state is also noticeable. A glance at the international level and the macro part of the national level makes it obvious that donors are concentrating their efforts on changing the role of the state in order to produce an enabling environment instead of addressing the needs of the private sector. At the macro level, for instance, all the donors in Ghana are targeting the role of the state through assistance in changing legislation, improving physical infrastructure and stabilising the economy. At the meso-level, however, attention is concentrated rather on supporting institutions that promote small- and medium-scale enterprises. However, only a few donors are focusing on this level.

In brief, therefore, the private sector in Ghana (as elsewhere in SSA) is mainly being targeted through a company-to-company approach. The majority of funds for the macro- and international levels target the state, not the private sector. At the micro-level, programmes are uncoordinated and funds often tied to collaboration with donor country companies, such as micro-level PSD interventions from Danida, CIDA, GTZ, the Dutch Development Agency and Dfid.

1.1.3 Danish development aid to the private sector

The growing interest in PSD support to developing countries over the past decade can easily be seen in Danida's portfolio of interventions, which targets the private sector, sometimes bilaterally, in other cases multilaterally. Likewise some interventions are directly aimed at the private sector, while others influence it more indirectly.

Danish direct bilateral PSD support currently comprises the Investment Fund for Developing Countries (IFU), the Danish Import Promotion Office (DIPO), the Mixed Credit Programme (MCP), the Private Sector Development Programme (PSDP), the Business-to-Business Programme in South Africa (B-t-B), the Business Sector Support Programme in Tanzania (BSSP), the Business Sector Programme Support in Ghana and Vietnam (BSPS),¹⁰ the Partnership Facility Program in Thailand and Malaysia (PFP), and the Public Private Partnerships (PPP). An overview of the aim and main beneficiaries of these instruments is provided in Table 1.2 below.

At the multilateral level, the interventions include, among others, the IFC, which promotes private investment in developing countries directly and through various facilities, for instance, APDF; the African Development Bank; the Nordic Development Fund; and the NORSAD Fund, which promotes cooperation between companies in the Nordic countries and companies in southern Africa. Logically speaking, Danida may influence these interventions only indirectly.

Lastly, several donor interventions affect the private sector in developing countries, even though they are not aimed at it directly. Most prominently, Danida's sector programmes, covering among other things agriculture, health, energy, the environment, infrastructure and education, all include the local private sector to a greater or lesser degree. Recently, these sector programmes explicitly lay out their relationship to the overall consensus by including components that influence the local private sector directly, such as financial services and input supply to smallholders in agricultural-sector programme-support schemes.

¹⁰ A second phase of the Tanzania Business Sector Programme has recently been introduced. Like the other business sector programmes, this has now been dubbed BSPS.

Table 1.2. Classification of Danish direct bilateral PSD instruments by type

Programme and year of introduction	Direct support to Danish firms		Indirect support to Danish firms	Direct support to Business-to-Business partnerships	Indirect support to recipient country firm	Institutional support to recipient country	
	Investment subsidy	Export subsidy				Public	Private
IFU (1967)	X			X			
DIPO (1977)			X		X		
KfU ¹¹ (1991-1997)		X	X				
MCP (1993)		X ¹²				X ¹³	X
PSDP (1993)	X	X		X			X ¹⁴
B-t-B (1995)	X	X		X			X
BSSP/BSPS (1998)						X	X
PFP (2004)	X	X		X			
PPP (2004)	X					X	X

After Danida (2004a: table 4.4).

Table 1.2 illustrates the growing importance of PSD policies for Danida: while only one programme has been closed down during the past forty years and a few others have experienced downward adjustments in funding, several new interventions have been added to the portfolio of PSD support. According to the recent meta-evaluation of Danida's PSD interventions, Danish PSD policies by and large reflect available knowledge regarding PSD development interventions at the time of their design and implementation. Moreover, Danida has had some success in adjusting its PSD interventions portfolio to the change in situation (Danida, 2004a). However, the PSDP is still the flagship of Danish PSD support, as is apparent from Danida's recent mission statement: 'the Government will strengthen the special Private Sector Programme (the PS Programme), which facilitates commercial co-operation between Danish and local businesses' (Danida, 2003b: 12).

By preserving most of the past programmes instead of gradually phasing them out as new interventions emerge into the light of the day, Danida has maintained a central focus on the micro-level. Politically attention is now being concentrated on the relatively new BSPS, which has a more holistic approach to private-sector de-

¹¹ Danish Centre for Technology Transfer (KfU).

¹² The export subsidy has been partially untied since 2002.

¹³ In SSA the MCP is closely connected to the sector programmes and the environmental programmes. It is also stipulated that mixed credits to the public sector in HIPC countries should only become available once the country has reached the HIPC completion point (see also note 215 on page 172).

¹⁴ Meso-level support such as support to credit institutions and business associations, which formerly could be part of the PSDP in Ghana, is now catered for in the BSSP/BSPS wherever these have been implemented.

velopment than other PSD programmes: instead of merely focusing on business-to-business support, this programme pays attention to the underlying mechanisms for the private sector to act. The PSDP, however, is still perceived as a cornerstone of PSD intervention, which should be further strengthened in Danish PSD support, even though the exact design of the programme is now open to new developments. Thus, funds allocated to the PSDP will increase from the current 150 million DKK a year (2005) to 160 million DKK a year in 2006 and maintain that level until 2009. Roughly the same amount has been allocated to the BSPSs (Danida, 2003b: 12; Danida, 2004b: appendix 3; Danida, 2005a: 13ff).

Table 1.2 also demonstrates that more than half (five out of eight running programmes) of Danida's PSD interventions are aimed directly at developing country companies, that is, at the micro-level. This provides further support for the argument made above that Danida maintains a focus on the micro-level. Moreover, it reveals the connectedness of these interventions to the Danish private sector. The lion's share of PSD interventions support Danish firms either directly or indirectly. This may be the main rationale for maintaining the business-to-business approach in Danish PSD support and maintaining the position that the business-to-business approach is an important instrument in its strategy of making the private sector the engine of growth, even though an increasing number of researchers are questioning the effectiveness of this type of intervention vis-à-vis the overall purpose of development aid (Batra and Mahmood, 2003; Gibbon and Schulpen, 2004; Hodge, 2002; Schulpen and Gibbon, 2002). The PSDP, like the B-t-B, PFP and PPP, are thus also important in terms of drawing the Danish business community into development assistance.

As already noted, Denmark's focus on business-to-business assistance is in no way exceptional: several bilateral donors, including Belgium, Finland, Germany, Italy, Japan, Norway, Sweden and Switzerland, include business-to-business assistance as part of their private-sector development assistance. What makes Danida's PSDP of interest, however, is that it is one of the most comprehensive programmes of all micro-level interventions (Kragh, Mortensen et al., 2000).¹⁵

Danida's portfolio of aid interventions includes several development programmes that are aimed at the private sector. However, it was not until 1999 that Danida's reasons for this full range of PSD interventions were substantiated. Prior to the publication of Danida's Partnership 2000 Strategy, several working papers

¹⁵ Based on the number of Danish bilateral PSD interventions and Danida's involvement in other pluri- and multilateral PSD interventions, the recently published meta-evaluation of PSD interventions also concludes that Denmark is 'one of the most active bilateral donors in the sphere of PSD' (Danida, 2004a: 19).

were prepared that aimed to enhance Denmark's development strategy. Among these was a working paper that sought to examine all the existing private-sector development interventions that were being administered out of Danida's development-aid budget and to propose ways to improve them (Danida, 2000c), and another that aimed to include the view of stakeholders in the programme countries (Danida, 2000a). The active involvement of the business sector in Danida's Partnership 2000 Strategy was then operationalised in a leaflet that presented Danida's 'programme of action for Denmark's support to business development in the developing countries'. Here, it is stipulated that, even though the private sector already has acquired a significant position in Danida's development interventions, an even stronger priority should be given to involving the private sector in the planning as well as implementation of development activities. Thus, Danida's aim is to promote poverty-oriented economic growth through the establishment of a favourable business sector, the involvement of the private sector in Danida's sector programmes, a range of specific market instruments such as the PSDP, B-t-B, MCP and IFU, and by convincing international aid organisations that the private sector should have a prominent role in development.

Thus, a more explicit role was now envisaged for the private sector in the development process. In accordance with trends among other major donors, Danida saw the private sector as having a double role: on the one hand, to create the crucial economic development in the partner countries, and on the other hand to play an important role in the preparation and implementation of the interventions. However, nowhere in the documents is it stipulated which private sector (the Danish or the partner country's private sector) has which role, or indeed whether Danida even distinguishes between them at all.

Nonetheless the private sector's role in development is now an integrated part of Denmark's development strategy, as stipulated in the government's vision for new priorities in the country's development assistance (*A World of Difference*), in the new priorities for Danish cooperation with Africa (*Africa: Development and Security*) and in the most recent plan for developmental priorities (*Globalisation: Joint Progress*) (Danida, 2003b; Danida, 2005a: 13ff; Danida, 2005c).

To sum up, by and large Danida's PSDP has remained unchanged since its inauguration in 1993. Its aim is to form long-term business links between Danish companies and those in developing countries in order to facilitate a transfer of technological and managerial skills from the former to the latter. Since its beginnings up until 2005, almost a hundred PSDP collaborations have been funded. The big question is, what has been the impact of this intervention?

1.2 Available information regarding the PSDP in Ghana

‘Denmark must make a difference with its development assistance’
(Danida, 2003b: 5).

How is Denmark, that is, Danida, ensuring that it is indeed making a difference with its development aid? Assessments of the effects and impacts of its various projects and programmes in developing countries comprise essential elements of this, since they provide the background for future improvements in donor interventions. However, this is not the only reason why Danish development aid is evaluated. Another, just as important reason is the need to inform Danish taxpayers how and on what their money is being spent, given that official Danish development assistance is financed through compulsory taxation from citizens who may or may not agree with the overall purpose of Danish development aid.

This section deals first with the knowledge regarding Danida’s PSDP in Ghana that may be extracted from this type of source, consisting of two internal reviews, one audited report and two external evaluations. It begins with a critical examination of their contents. Basically, it argues that only a little impact-related information can be drawn from these studies: while the first review was constrained by the limited data available (the programme had only been running for a year and a half), knowledge drawn from the other review and the audited report is limited by the very few cases examined. The audited report only visited a very few companies, but it found that compulsory written material about the programme was faulty. The external evaluations comprise one regular evaluation and one so-called meta-evaluation. The former provides an overall idea of how the programme has fared vis-à-vis Danida’s overall objectives but it does not provide in-depth knowledge about the business collaborations, nor does it try to explain why the programme has had particular impacts in particular contexts. The remaining evaluation does not produce any new data on the PSDP, as it is based on previous evaluations. Moreover, the main purpose of these reports is not to deepen our knowledge of the impacts of the programme, but rather to judge the programme’s merits vis-à-vis its use of taxpayers’ money.

However, this is not the only information available regarding the Ghanaian PSDP: several academic papers have used Danida’s PSDP in Ghana, or parts of it, as the empirical basis from which they construct their arguments. However, these papers have not been written in order to shed more light on the impact of the PSDP in Ghana, but have instead centred attention on issues related to the development of strategic alliances between developed and developing country businesses. The sec-

and part of this section deals with the type of knowledge that can be extracted from these sources.

1.2.1 ‘Reasonably successful...but showing limited concern for broader development aspects’: evaluation-based knowledge regarding the PSDP

Only one formal evaluation of the Danish PSDP has been conducted, namely the 2001 *Evaluation: Private Sector Development Programme* (Danida, 2001a). This was the first time an external evaluation team had assessed the effects of the then eight-year-old programme. It was carried out by a Copenhagen-based consultancy company and covered the operation of the PSDP in Ghana, Vietnam and Egypt. The evaluation had been concluded several months prior to its final release at the end of 2001. The delay was caused by internal disputes in Danida regarding its generally negative conclusions. The evaluation concluded that the results of the programme were rather limited in comparison to the amount of money that had been spent on it. This conclusion was qualified by a number of sub-conclusions, for example, that the technology transfer related to the PSDP in general had been positive, but ‘the improved technologies transferred to the local companies do not in general appear to have resulted in visible increases in profitability’ (Danida, 2001a: 33).

Evaluation of the PSDP in Ghana was based on visits to seventeen Ghanaian enterprises in the spring of 2001. The evaluation team looked at the impacts of the programme in relation to the following six criteria: employment generation, foreign exchange earnings, technology relevance, environmental improvements, sustainability and additionality. The team constructed impact indicators, ranging from low, through medium to high, in respect of these six criteria and grouped the projects accordingly. In brief, although the evaluation presents us with an idea of the effectiveness of Danida’s PSDP, it does not offer us an insight into why the programme succeeded or failed.

In a similar vein, Danida’s internal reviews of the programme in connection with its extensions in 1995 and 1999 do not offer us any new understandings of how the PSDP has impacted on the main beneficiaries or why. The 1995 review team was in Ghana for ten days and visited a large number of relevant private-sector institutions, but the number of PSDP companies it visited was limited to seven (Danida, 1995: annex 2).¹⁶ It should be noted, though, that these companies were chosen in consultation with the staff at the embassy and at the PS secretariat in the Ministry of Foreign Affairs. Most importantly, however, the study took place only a year and

¹⁶ In total, the team visited 33 companies in the three countries (Ghana, India and Zimbabwe).

a half after its initiation, and therefore none of the projects had reached the completion stage. Hence, the review team had difficulties in determining the effects of the programme, though it concluded that the PSDP had a central role to play in providing both stimulus and direct support to establish business-to-business co-operations. However, the team also argues that the PSDP should limit itself to already established businesses with proven techniques and refrain from supporting green-field projects, that is, projects with new or unproven products or techniques, or involving inexperienced partners (Danida, 1995: 41).

The 1999 review team had a larger portfolio of enterprises to study in Ghana, but it chose to limit itself to a three-day visit to the country in the spring of 1999. During these three days, interviews were conducted with five private Ghanaian PSDP partners, two non-PSDP companies and the Ministry of Finance. Of the five Ghanaian PSDP enterprises, one had been completed in 1996, another had been running for a couple of years, two had just started and the fifth had not yet taken off (Danida, 1999b).¹⁷ Based on this data, the review team concluded that ‘training, technical assistance and technology transfer carried out under the programme have been so successful that all partners and other parties involved have proposed that both aims and budget should be expanded’ (Danida, 1999b: 67).¹⁸

Approximately six months before Danida undertook this second review of the programme, a Ghanaian consultancy company, Technical Systems Ltd., presented its review of the programme in Ghana (Technical Systems Ltd., 1999). This review should to be seen as a background paper to the official 1999 review presented above. At the turn of the year 1998-1999, four Ghanaian consultants interviewed eight different Ghanaian PSDP companies. Unfortunately, data from these interviews seems to be included in neither the main report nor the annexes to the 1999 review. The main report and the annexes list all the collaborations being funded up to late 1998 and set out the aims of the programme, the number of employees, the investment and the funding, that is, they list what can be taken from the application forms.

Taken together, these three reviews offer little but an overview of the amount of money spent and a recommendation that the programme be continued. The 1995 review did not have enough cases to assess the merits of the programme and instead

¹⁷ In addition, the review team visited a Ghanaian bank that had received support from the PSDP but had no Danish partner, and a pig farm whose application for support was cancelled due to environmental concerns.

¹⁸ This quotation is almost identical to the conclusion in the background paper, even though the empirical data was different. In their report, Technical Solutions Ltd. (1999: 59) conclude: ‘training, technical assistance and transfer of technology carried out under the programme have been so successful that all stakeholders and partners have called for its expansion in scope and budget.’

concentrated on discussing the reasons for providing support for business-to-business collaborations. The 1999 review, on the other hand, potentially had several cases in Ghana but chose to base its conclusions and recommendations on very few of them, of which only one had been completed and another had been running for some time. The remaining report, that conducted by the Ghanaian consultancy company, actually points to some of the inherent problems of the programme, such as the lack of loan recovery, serious management problems and difficulties in keeping track of development. It recommends 'a significant increase in the budget allocation' and an effort 'to expand the programme significantly [to other sectors]' (Technical Systems Ltd., 1999: 59, 63).

In the autumn of 2002, the Danish Audit Department examined sixteen collaborations between Ghanaian and Danish enterprises as part of a study aimed at estimating the effects of the PSDP (and the Business-to-Business programme in South Africa). However, it only visited five partnerships and two start-up facilities in Ghana.¹⁹ It found that in almost half of the collaborations it visited, the stated objectives were not fulfilled. Moreover, it found that the compulsory progress reports were often faulty and did not reveal problems of a managerial and co-operative character. It thus indirectly points to the need for more knowledge about the PSDP in Ghana (Rigsrevisionen, 2003).

The most recent evaluation of Danish private-sector development assistance, the so-called meta-evaluation entitled 'Private and Business Sector Development Interventions', does not offer much fresh insight into the impact of PSDP, as it is based solely on the available evaluations of Danish aid to the private sector in developing countries. Its main achievement with regard to the PSDP is its illumination of the relationship between this aid instrument and other Danish aid instruments that target the private sector in developing countries. However, it also comments on the methods adopted by the evaluation team for the 2001 private-sector development programme. The meta-evaluation repeatedly expresses criticism of the 'sometimes subjective and qualitative' indicators used to evaluate Danish PSD support. Moreover, it also criticises the absence of any clear indication of how these indicators are operationalised and supplied. Instead, the evaluation team proposes that indicators should 'be quantitative without being highly technical'. More precisely, it suggests that evaluations should adopt indicators such as changes in turnover, in value added, and in market developments (Danida, 2004a: 8f, 53, 63f).²⁰ This criticism

¹⁹ During the company visits, staff from the Audit Department were accompanied by the PS coordinators from the embassy.

²⁰ Among the most criticised evaluations are those of the Private Sector Development programme, which is said to be based on qualitative indicators alone, with no clear indication of how

will form the point of departure for the discussion of the impacts on target groups in Chapter 8 (below).

1.2.2 PSDP collaborations as an example of strategic alliances: academic papers based on Danida's PSDP

John Kuada and Olav Jull Sørensen have also shed light on the Ghanaian PSDP. Their focus has not been on the programme's impacts. Rather, they have used the programme as a case study in examining partner perceptions, the effect of alliance-promoting institutions on strategic alliances, the range of motives for participating in the programme, and the impact of different national business systems on inter-firm relations (Kuada, 2000, 2002; Kuada and Sørensen, 1999, 2005; Sørensen and Kuada, 2000). Based on three successive periods of fieldwork in 1997, 1998 and 1999 and interviews with sixteen PSDP collaborations, these articles illuminate the processes at work when two enterprises collaborate. Among the most interesting findings are examinations of why Danish partners decide to enter into collaboration with a Ghanaian partner, how well the partners are matched, the initial interaction between them, the different perceptions of the standards of second-hand equipment (Kuada, 2002), and the main reasons why the Ghanaian entrepreneurs enter the programme (Kuada and Sørensen, 1999). Here, Kuada and Sørensen suggest that the main reason is resource leveraging due to the increasing pressure on local firms to improve the quality of their products as a result of the liberalisation of the Ghanaian economy, a general awareness among Ghanaian firms that their low-level technologies are placing them at a competitive disadvantage, and the fact that the high costs of local capital forces owner-managers to seek foreign funding. Conversely, the motive for the Danish companies should be sought in the opportunity to enter the Ghanaian market with limited risk.

In a similar vein, the Ghanaian PhD researcher Bedman Narteh uses Ghanaian PSDP collaborations to shed light on learning potentials in international strategic alliances between companies in developed and developing countries respectively. Based on interviews with five Ghanaian partners and managing directors, Narteh shed lights on their motives in entering alliances (access to finance, technology, managerial capacity), their selection of partners (personal chemistry, resource position, firm size), and the cultural gap between the partners (lack of prior knowledge, mutual suspicion).²¹ He also measures alliance outcomes in terms of the Ghanaian partner's perceptions of profitability, product quality and learning. Narteh finds that

they are operationalised; and of the Mixed Credit programme, which is also said to be based on qualitative indicators alone.

²¹ The cases were chosen by the PSD office at the embassy in Accra.

only one of the five alliances is making a profit and is pleased with the performance. Three, by contrast, are making consistent losses, and one is seeking redress in court in order to take full control of the alliance. Two out of the five have experienced improved quality for their products and thus been able to demonstrate that they have acquired new skills. These results seem rather meagre, but surprisingly they are not accounted for in the conclusion that ‘the PSD programme offers hope to the Ghanaian economy as it continues to attract more partners into the manufacturing areas’ (Narteh, 2005: 211), and it continues: ‘The PSD programme is a boost in the cup of the recipient countries to develop their private sectors’ (Narteh, 2005:212).

1.3 Objective and research questions

Aid is not like rain that falls on whoever happens to be present in a given time and place. Instead it is more like a set of weights placed on the scales of power at the local, regional, and national levels. Whether by design or by default, aid tilts power balances, strengthening some individuals, groups, and classes relative to others. (Boyce, 2002: 240)

For the past forty years, aid interventions have been studied regularly to demonstrate their effects to tax-payers with respect to the stated objectives. The studies have centred on assessing the outcomes of the usually technical intervention itself on the target beneficiaries and have only rarely taken other developments (internal or external) into account. Development interventions were perceived in linear fashion, beginning with the planning, continuing with implementation, and ending in outcomes. Development was therefore seen as something that was implemented from the outside and that could be predicted. Consequently, studies of aid interventions, mostly in the form of evaluations, also followed this linear thinking and assessed the technical intervention in isolation from the surrounding society.

However, a relatively small group of mainly anthropological researchers have conducted in-depth studies of development interventions in order to obtain a more comprehensive understanding of the processes that they initiate. These studies contested this linear view of predictable development and instead suggested that interventions should be seen as processes of constant negotiation and renegotiation between actors of different worlds (the developers and the developpees) who potentially have conflicting interests. In order to study these interventions, questions therefore had to be raised regarding the very nature of the intervention, the interests of the various actors involved and the strategies and practices used.

Even though these studies covered several interventions, they were by and large limited to development interventions in rural areas, they concentrated on traditional project aid, and they had only a very limited geographical coverage. Although the cases consisted of different projects in different locations, all the studies came to the conclusion that by definition development interventions have unintended consequences (Bierschenk, 1988; Crehan and von Oppen, 1994; Elwert and Bierschenk, 1988; Gould, 1994; Long and van der Ploeg, 1989; Olivier de Sardan, 1988).

Recently, interest has revived in the countless unintended consequences of development interventions. This time the initiative derives mainly from the NGO sector itself, which is seeking new innovative ways to improve its development assistance. Among the best known and most important contributions in this field is Chris Roche's book on impact assessment for development agencies (Roche, 1999), but impact studies of Danish NGO assistance have also been conducted (Kaare and Nielsen, 1999; Sultana and Folke, 1999).²² This work formed the basis for the 'Aid Impact: Development Interventions and Societal Processes (AID)' research group at Danish Institute for International Studies (formerly the Centre for Development Research), some important contributions to which have been published in Folke and Nielsen (2006a).

Both the anthropological studies and recent studies of the impact of aid have been a main source of inspiration for this thesis. However, they have also pointed to the limitations in our understanding of other types of aid interventions and the necessity for contextualised theoretical as well as empirical frameworks.

This thesis therefore sets out to investigate Danida's PSDP in Ghana in order to further our understanding of the impact of development aid and why and how it impacts the way it does. Based on this overall aim, the **theoretical objective** of this study is to construct a framework to determine the impacts of a development intervention within the sphere of private-sector development. In order to do this, the theoretical framework will single out causal mechanisms in the upgrading process of small African enterprises in the context of technology transfer, this being the main objective and the main source of input in Danida's PSDP. To obtain a better understanding of the specific context in which Danida's PSDP is being implemented, a further aim is to establish a framework to understand how Ghanaian firms act and interact.

The following sets of **research questions** guide the theoretical analysis:

1. What is impact, and how is it measured?

²² See Madsen (1999) for an overview of these studies.

2. How do small firms in sub-Saharan Africa develop technological capabilities, and how may technology transfer facilitate this process?
3. What determines the way small firms act and interact?

These enquiries throw into question issues of how development interventions are studied and why, which mechanisms determine processes of technological capability building and how changes in technological capabilities are measured, and how key institutions in society tend to influence firms' behaviour.

In general, development interventions are studied either to learn more about a particular intervention or to be accountable to tax-payers in the donor country. This study takes its point of departure in the first of these two aims, namely to learn. It thus seeks to further our understanding of how development interventions impact not only on target beneficiaries, but also on other groups in other places. Central to this line of thinking is an acknowledgement of the importance of time and space. In this regard, an intervention is perceived as just one of several simultaneous processes taking place in a specific context; its impacts begin in the planning phase of the intervention and extend well beyond its formal completion; and the impact of an intervention is not limited to a group of intended beneficiaries, but may affect power relations and economic structures for others (cf. Chapter 3). This line of thinking therefore places the emphasis on the complexity of development aid and on the unintended impacts of development interventions. The first theoretical question aims to explore this complexity and suggest ways of investigating impacts.

Danida's PSDP basically seeks to create social and economic development by enhancing developing country companies' commercial capacities and performance by facilitating a transfer of technological and managerial skills from Danish to developing country enterprises. The concept of technological capabilities, which denotes information and skills that allow productive enterprises to utilise equipment and technology efficiently, is applied here to further understanding of the central aspect of the PSDP (cf. section 4.5). The literature on technological capabilities is vast and encompasses different aims and different scales of analysis. The focus in this thesis is the technological capabilities of small enterprises in sub-Saharan Africa and how these capabilities may be enhanced through private-sector development interventions – in particular, how transfers of skills and technology can lead to the building of technological capabilities. The second theoretical question thus seeks to uncover the mechanisms and structures that promote or inhibit the building of technological capabilities in small enterprises in SSA, especially in relation to business-to-business assistance.

The idea behind the PSDP is essentially to let private companies handle the development intervention for the development agency – Danida only facilitates the

process of transferring skills between the two private partners. The immediate target beneficiaries are small enterprises in Ghana, but the PSDP, like all Danida's development interventions, aims to alleviate poverty more broadly in the partner country. The Ghanaian companies are thus interesting in a double sense: as target beneficiaries, and as a means to fulfil the overall aim of Danida's development aid. Therefore, the behaviour of firms, and more specifically how firms integrate vertically and horizontally, the direct involvement of their owners in management, and the relationship between employers and employees become significant ways of extending our knowledge of how Ghanaian companies interact with foreign partners and relate to other private entities in Ghana. This thesis departs from an understanding that a variety of capitalisms exist and thus that the ways in which firms behave differ in different contexts. These ways, however, are not accidental: they differ in systematic ways that derive from differences in institutional features. Institutional features are here broadly conceived as comprising both the general patterns of trust and authority relations in society, and the aspects that directly affect business organisation, such as the role of the state, the financial system and the educational system (cf. section 5.2.1). The third theoretical question seeks to further our understanding of how institutional features influence firms' behaviour.

Following this theoretical analysis, the **empirical aim** is to provide a deeper understanding of the changes that are associated with Danida's PSDP in Ghana, that is, whether they are short term or long term, positive or negative, planned or unplanned, anticipated or unanticipated, direct or derived, and in the area of intervention or not.

The following **research questions** will guide the empirical analysis:

1. What is the impact of Danida's PSDP in Ghana? In particular, what is the immediate impact of the programme on the participating Ghanaian enterprises, and how does it impact on these beneficiaries in the longer term? What is the impact on other Ghanaian enterprises? And what is the impact of the intervention on Ghanaian society at large?
2. How are the observed impacts of the PSDP accounted for? How does the design of the programme and the specific Ghanaian business context influence the impacts?

The target beneficiaries of the PSDP are Ghanaian enterprises collaborating directly with Danish enterprises funded by Danida. However, since the programme forms part of Danida's development portfolio, it is imperative to try to understand how the PSDP relates to the overall aim of reducing poverty in Ghana. This thesis builds on the assumption that the complexity of the intervention means that the relationship between a single aid intervention and such an overall aim cannot be in-

vestigated directly. Indirectly, however, the link may be probed by analytically distinguishing between different levels of impact. This thesis differentiates between the target beneficiaries, the local private sector that constitutes the main entry point for this type of intervention, and the wider society. Methodological as well as theoretical emphasis is placed on the first level. Of importance here is the question of how the PSDP affects the building of technological capabilities. Moreover, it challenges the discrepancy between the impacts officially intended by Danida and the unintended impacts. Probing the impact at the private-sector level calls into question the way technological capabilities are disseminated from the target beneficiaries to other Ghanaian private companies. Lastly, the study of impacts of the programme on society at large calls for a study of who the target beneficiaries are, how the gains and losses of the programme are distributed among management and employees, and how employment structure changes in connection with the programme (cf. section 3.4).

A mere listing of impacts at different levels, however, does not provide us with greater knowledge from which to understand the changes associated with the PSDP. Inquiries into why the programme has impacted in certain ways are required to increase this understanding. These inquiries relate to the programme itself, as well as to the political, cultural and economic contexts in which interaction between the actors in the programme take place. They also relate to how the programme has been appropriated by the different actors as a strategy to fulfil their own aims and to leverage resources. The second empirical question seeks to guide these inquiries.

1.4 Organisation of the thesis

This thesis is organised into ten chapters. The present chapter forms the first one, while the second presents the main components of Danida's PSDP. The following three chapters contain theoretical discussions and are thus directly related to the theoretical aim of the study. Then follows a methodological chapter setting the scene for the empirical analysis. Chapter 7 provides an account of economic and political aspects of Ghanaian history of importance for the development of the private sector, and is followed by two chapters dealing with the impact of the PSDP in Ghana. The last chapter concludes the study.

Chapter 2 explains Danida's Private Sector Development Programme to the reader through an overview of its historical roots, an account of the main components of the programme, and a discussion of significant changes in its design. The chapter starts by describing the aspiration to promote Danish exports that originally led to Denmark's participation in development aid and then pinpoints significant

moments for the Danish private sector in Danish development aid, before providing an assessment of the PSDP in terms of what it supports, and who does what and why. The main argument in the chapter is that the Danish private sector has always played a dominant role in Danish development aid, even though this role is now diminishing. As the basic structures for Danish bilateral aid changed in the late 1980s, a group of private-sector stakeholders was formed that came up with the design of the PSDP. This design has remained more or less unchanged, and the current PSDP, therefore, takes due account of the needs of the Danish private sector. This is also apparent in the different roles assigned to the various stakeholders in the programme. Hence, the two largest Danish private-sector organisations play a determining role in who and what is supported.

Chapter 3 sets off the theoretical discussion. The main aim of the chapter is to construct the overall framework for the study of the impact of the PSDP in Ghana. After defining the key concepts used in the study and briefly discussing the central consequences of these definitions, the chapter draws attention to four main types of study of aid intervention. It is argued that intervention studies can be categorised according to their main aim and their main focus. The various types of intervention study are then scrutinised in order to find the strengths and weaknesses vis-à-vis the overall aim of the thesis. To some degree all these studies have formed the recent focus on impact among development agencies. The third section of this chapter then reviews a dozen recent contributions to the aid impact literature, which it categorises according to the type of impact definition they propose, that is, linear versus complex definitions. The last section sums up the main conclusions of these intervention studies and, based on them, it proposes an overall framework for studying the impact of Danida's PSDP in Ghana. This framework calls for an in-depth knowledge of capability-building in small African enterprises (Chapter 4) and for a deeper understanding of how Ghanaian institutions influence the way Ghanaian companies act and, therefore, how they engage in the PSDP (Chapter 5).

Chapter 4 constitutes the second part of the theoretical discussion, taking as its point of departure the changing conditions for small enterprises in developing countries. Small enterprises still represent the majority of enterprises in developing countries, but they are faced with competition from new areas. Meanwhile, most donors see the small enterprise sector as a potential source of economic growth. They therefore facilitate their growth through either direct support to the enterprises themselves or support to institutions that help small enterprises. Most programmes that support enterprises directly share a focus on the improvement of technological capabilities, which is the focus of discussion in this chapter. The chapter starts by scrutinising what is meant by small enterprises and how they are influenced by re-

cent changes in the global economy. It argues that the design of donor interventions may benefit from a categorisation of small enterprises into ‘survivalist’ enterprises and ‘growing’ enterprises, as their needs differ entirely. In so far as donors already distinguish interventions, support to ‘growing’ enterprises includes some type of technology transfer for the enterprises to overcome what are perceived as the main obstacles for growth, namely access to tools and equipment. The second section discusses the content and different modes of technology transfer. It argues that technology transfer may be necessary but not sufficient for such companies to respond to changing needs. This perception of the role of technology transfer derives from heterodox approaches to technology change, which are briefly outlined in section three. It follows from this that, in order for technology transfer to contribute to technological capability building, technological efforts are indispensable. What precisely technological efforts consist of and the implications of this are examined in section four. Then follows a discussion of the concept of upgrading, which concludes that upgrading (whatever it means) depends on factors that are both internal and external to the firm. Firm-internal factors are dealt with in the subsequent section, on technological capabilities. This section seeks to define the concept in accordance with the needs of this study and also seeks to operationalise it in order to facilitate the creation of a framework to measure changes in technological capabilities. Improvements in technological capabilities are here perceived as a proxy for long-term impacts on the intended beneficiaries. Firm-external aspects of upgrading are dealt with in Chapter 5.

Chapter 5 seeks to establish a framework to examine the factors that are shaping the development of the Ghanaian private sector. It points to institutions of special importance in the building and shaping of private enterprises and seeks to explain how certain institutional features tend to produce certain characteristics. The framework builds mainly on Richard Whitley’s Business System Approach, as well as on the varieties of capitalism literature (Whitley, 1999b). It basically argues that different ways exist to organise firms and that these ways are to a large degree shaped by historical developments in key institutions in society. However, before proceeding to the theoretical framework and the necessary modifications that are required to make it suit an African context, the chapter briefly discusses the term embeddedness and what it denotes for private companies.

Chapter 6 offers methodological considerations. The complex phenomenon of the impact of aid interventions under scrutiny in this study calls for the integration of knowledge from various scientific disciplines. In other words, it requires an interdisciplinary approach to research. First, this entails research that focuses on a complex problem in which different disciplines are involved in efforts to explain

the phenomenon. Secondly, interdisciplinary research calls for analysis at different levels and with different methods. In order to overcome the problems that may be encountered with interdisciplinary approaches, in particular ontological problems such as the collision of different perspectives of reality, this chapter discusses the methodological considerations. Following Huberman and Miles (1994: 429), I have chosen to make the preferences of the study clear to others, so that they know how I construe the shape of the social world and how I intend to provide a credible account of this. This is done in the first section through an outline of the main ingredients of critical realism, its idea of a stratified reality, and the creation of connections between the various layers of this reality. Lastly, this section seeks to frame this study in a critical realist manner. The second section offers insights into the chosen fieldwork methods: it explains how and why the cases were selected, how interview guides were constructed and how data have been validated. The last section builds directly on the discussion of validity, presenting reflections regarding interviews with foreign business owners and managers, as well as the issue of positionality vis-à-vis the interviewee and the interviewer's relationship with the donor organisation.

Chapter 7 tells the story of local businessmen who have been crowded out of the private sector ever since the British colonial administration. It argues that when Ghana gained independence in 1957, Ghanaian businessmen were excluded from any profitable businesses. This situation did not change in the first two decades of independence: except occasionally, private local entrepreneurs were crowded out by parastatal enterprises on the one hand and foreign businesses on the other. Furthermore, the Ghanaian economy was rapidly declining in these years. Thus, by the beginning of the 1980s and the start of the first Economic Recovery Programme sponsored by the IMF, the World Bank and others, the Ghanaian private sector was virtually non-existent as a productive enterprise. The argument here is that the recovery programmes did not manage to establish a framework for a dynamic private sector. Instead, people were forced into various forms of self-employment. Only the last few years have seen a change in the room for manoeuvre enjoyed by the Ghanaian private sector. The subsequent sections in this chapter are based upon the theoretical framework presented in Chapter 5 and tell the story of how institutional features impact upon how Ghanaians act and interact. It thus forms the background for understanding how to account for the observed impacts (Chapters 8, 9). These sections show how the particular relationship between the state and business in Ghana has marginalised the Ghanaian small-enterprise sector and impeded the growth of strong links between the state and private businessmen. In fact, widespread mistrust has developed instead. Moreover, the Ghanaian capital market in-

fluences the way Ghanaian companies act, including their motives for entering the PSDP. These sections also argue that the Ghanaian educational system hinders inter-firm collaboration due to the fragmentation of skills, thus also influencing the impact of the programme at the private sector level. More important, however is the role that the family, trust and authority in shaping the Ghanaian businessman.

Chapter 8 scrutinises the impact of Danida's PSDP in Ghana at the level of the target group, that is, the enterprises that have taken part in the programme. The chapter begins with an analysis of technological capability building in the Ghanaian enterprises and seeks to explain how the PSDP has influenced this process. Technological capability building is at the heart of the PSDP. This chapter therefore analyses the factors that facilitate and hinder this process at some length. Henceforth, it argues that traditional quantitative indicators, such as changes in employment or in productivity, may not be as useful in determining impact as they first seem. Instead cases are used to illustrate the richness of impact. Four quantifiable indicators, inspired by Danida's own portfolio of aims, have been chosen to provide an overview of the effects of the programme, but more importantly to demonstrate the complexity of impacts. The analysis of impacts based on these indicators reveals the difficulties involved in using quantitative proxies to measure impact. The chapter then specifically analyses the unintended impacts on the target group. It examines positive and negative, direct and derived impacts and concludes that impacts are not predetermined but reflect a combination of policy-design, business culture, political will, economic resources, historical legacy and the different motives of the principal actors.

Chapter 9 examines impacts at the levels of the private sector and of Ghanaian society as such. It argues that the particular characteristics of the Ghanaian business system described in Chapter 7, combined with the design of the programme set out in Chapter 2, is to a large extent impeding the spread of impacts from the level of the enterprise to the private sector and further. There is only sporadic evidence for any impacts at these levels. However, before this conclusion is reached, the chapter describes four instrumental cases to facilitate an understanding of how the PSDP is spreading into the private sector and into society at large, and – just as important – why impacts seldom diffuse elsewhere. Based on this conclusion, the chapter seeks to determine who actually benefits from the programme.

Chapter 10 concludes the study.

2. DANIDA'S PRIVATE SECTOR DEVELOPMENT PROGRAMME IN GHANA

This chapter presents the history of Danida's Private Sector Development Programme and provides an overview of central aspects of the programme in Ghana in order to establish a background for the discussion in subsequent chapters, especially as regards the design of the theoretical framework in Chapters 3, 4 and 5, and the empirical analysis in Chapters 8 and 9.

The chapter tells the story of the involvement of the Danish private sector in development aid since its early beginnings in the 1950s and of its role in formulating what is today the PSDP. Since its inauguration the programme has not changed much, still being based upon the draft written by the Confederation of Danish Industries (DI). Therefore, it is still driven by the available knowledge in Danish firms and does not take into account the different realities of the private sector in countries covered by Danida programmes. In the second section the chapter scrutinises the PSDP, briefly describing the various possibilities for support, and examining the most important ambiguities surrounding the programme. It argues that the many uncertainties related to, for instance, type of collaboration, training and programme aims complicate the assessment process, providing unequal opportunities for Ghanaian companies seeking to benefit from the programme.

Even though the programme is essentially the same now as it was more than a decade ago, minor changes have been implemented, the most important of which are described in section 2.2.3. Lastly, this chapter takes a careful look at the main actors in the PSDP, examining the different tasks they perform and illustrating their motives.

2.1 The role of the Danish private sector in development aid

Originally the motive for Denmark's participation in providing development aid to developing countries (especially through the UN's Enlarged Programme for Technical Assistance) was the possibilities it provided for the promotion of Danish exports. It was argued that although technical assistance through the UN's programme could not provide immediate economic advantages for Danish exporters, such assistance would create contacts that would subsequently produce commercial benefits for the Danish private sector. Other arguments, however, soon took over, and instead of providing a direct breeding ground for Danish exports, Denmark chose to

focus on providing education through scholarships to key personnel in developing countries. These courses focused especially on themes that were directly related to the comparative advantages of the Danish private sector at the time, namely co-operative movements, technological development and agriculture. Moreover, Denmark made several 'experts' available to developing countries through the UN programme.

In the late 1950s and especially at the beginning of the 1960s, two interwoven changes took place: first, the grant allocated to development assistance was raised markedly, and secondly, development assistance was no longer confined to multilateral channels but was increasingly granted bilaterally (as formalised in a law of 1962 that centralised development aid in the foreign ministry and introduced the distinction between multilateral and bilateral assistance). These changes led to a renewed discussion of the role of the Danish private sector in development. Development aid was again perceived by some as a way of opening up new markets and increasing exports (Pedersen, Unpublished manuscript-a, Unpublished manuscript-b). The role of the private sector in development was supported by government loans to developing countries, which were largely used to make purchases in Denmark itself.

Even though government loans made access to developing-country markets easier, developing countries did not become a major export market for the Danish private sector in the 1960s. Denmark traded mostly with other industrialised countries, but the oil crises in the 1970s altered the geographical focus of the Danish private sector, and the share of Danish exports to developing countries relative to all exports increased rapidly from the beginning of the 1970s. Set against this background, in 1977 representatives of the Danish private sector produced a leaflet proposing several changes in Danish development policy, which would take the role of the private sector into consideration. The aim was to organise development assistance in such a way that it benefited both the Danish private sector and the recipient countries. Most crucially, it was suggested that the grants made available through government loans should be increased and that they *should* be spend on purchases in Denmark.

Following discussions initiated by the leaflet, it was argued that Danish development assistance should be concentrated in the poorest developing countries. Concurrently, however, guarantees were given that the relative share of Danish development assistance to be provided as government loans should reach at least 25 percent. Moreover, it was argued that, in the light of the current economic situation in Denmark, government loans should continue to be tied to Danish purchases (Danida, 1977: 22ff).

Based on these changes, the Danish private sector now came to play a more significant role in Danish development assistance. The scheme involving government loans provided excellent possibilities for the Danish private sector to benefit, since government loans were tied to purchases of Danish inputs and raw materials for production processes mostly in parastatal enterprises.²³ The government loans therefore represented an indirect state subsidy to Danish suppliers. In theory, the loans were also profitable for the developing country's own enterprises. Danish inputs to these enterprises were frequently more expensive than the international market price, but they were regarded as being fairly cheap due to the frequent overvaluing of local currencies. In reality, however, these government loans seldom benefited either the local enterprises or the recipient countries in the long run, for a number of reasons. First, many plants were too large, the technology chosen was inappropriate and often too capital-intensive. Secondly, the recipients seldom had the capacity to utilise the inputs, and no training, technical, either organisational or managerial, was linked to the loans. Thirdly, no incentives were provided for the local enterprises to utilise the inputs efficiently. Finally, these loans often gave rise to widespread corruption and fraud (Danida, 1997; Udenrigsministeriet, 1989).

Several evaluations pointed out the problems related to these loans, and they were therefore officially ended in 1989. The end of this type of loan, however, should probably be seen in a broader perspective: the debt crisis in the developing world in the 1980s was perceived by many to be closely linked to the government loans that were widespread among all donors at the time.

2.1.1 The making of the PSDP, 1988-1993

From the end of the 1980s to the beginning of the 1990s, Denmark gradually changed its aid system. First, the 1988 action plan altered and reduced the number of recipient countries. Secondly, the system of tied aid was gradually changed, from formally tying individual projects to Danish purchases to an informal system that was committed to spending half of bilateral donor support on purchases of Danish capital goods, inputs, and services.²⁴ Moreover, the following two simulta-

²³ From the beginning of the 1970s to 1987, government loans made up approximately half of Denmark's total bilateral development funding, the rest being provided as bilateral project aid. In theory, the recipient countries made contracts directly with Danish enterprises, whereupon these capital goods, inputs and raw materials were transferred directly to the parastatal sector.

²⁴ The 1988 action programme officially reduced the number of recipient countries from 66 to approximately twenty (starting with twelve) in order to improve the quality of aid. Concurrently, however, the action programme broadened the number of core recipient countries from four (Bangladesh, India, Tanzania and Kenya) to twelve. In effect, the action programme negatively influenced the role of the Danish private sector in development aid. First, the criteria used in selecting Danida's programme countries only included the possibilities of the Danish private sector to participate in the development process to a minor extent. Thus, only if other criteria, such as the need for assistance,

neous events gave rise to a rethinking of the role of the Danish private sector in development aid: the situation in many of the countries in which Danida had been working was gradually changing. Market-reform processes were on their way: parastatal enterprises were being privatised, trade being liberalised, over-valued exchange rates devalued etc. Similarly, the involvement of the Danish private sector in development aid was declining, especially since the revision of the action programme in 1988 and the subsequent termination of the government loan scheme in 1989. Based upon these events, a Contact Committee on Industrial Development in Developing Countries²⁵ was set up in 1989 to discuss the role of the private sector in development aid with the minister.²⁶

This led initially to a conference on the private sector and development assistance held in November 1989 that sought to give voice to the new situation for the private sector. The then foreign minister, Uffe Ellemann-Jensen, claimed that the new action plan would provide huge opportunities for the Danish private sector to participate in development assistance and that consideration had been given to Danish employment. The Danish private sector, on the other hand, felt that the new action plan constituted an obvious deterioration of its opportunities vis-à-vis development aid (Udenrigsministeriet, 1989).

Secondly, the setting up of the Contact Committee led to DI²⁷ and Danida undertaking investigations of the possibilities of supporting food-processing industries in India.²⁸ Based on these investigations, in 1992 the Contact Committee presented a 'proposal for support to the development of the private sector in developing countries' to the Danish Parliament, which approved it on 20 February 1992. This proposal is now perceived to reflect the viewpoints of both the Foreign Ministry and the Danish private sector (Danida, 1995: 7), and arts of the proposal were later

respect for human rights, gender etc. were fulfilled were the Danish private sector's needs and wishes taken into consideration. Secondly, the new programme countries did not create the same purchasing possibilities in Denmark and for subsequent export as some of the earlier recipients of government loans (Christensen, 1988; Danida, 1993; Udenrigsministeriet, 1989).

²⁵ Kontaktudvalget om Industriudvikling i Udviklingslandene (henceforth: Contact Committee).

²⁶ Just after its establishment, the Contact Committee launched two reports that directly dealt with the role of the Danish private sector role in development aid. One focused on the role of smaller Danish firms vis-à-vis development aid. The report suggested a two-phase model for private sector development, phase one to be based on development aid, while phase two was to be more commercially oriented (Kontaktudvalget, 1989a: bilag 2). The other report suggested ways of enhancing the number of joint ventures between Nordic companies and ones based in southern Africa (Kontaktudvalget, 1989b).

²⁷ The Confederation of Danish Industries was established in 1992, through the merger of Industrirådet and Industriens Arbejdsgivere. Industrirådet, in collaboration with Danida, led the investigations. Hereafter, DI, as well as its predecessors, will be denoted 'DI'.

²⁸ Based on the conclusions of DI's investigations in India, the Contact Committee on its meeting May 3rd 1991, decided to initiate a study of how Danida could support the 'productive' sector in developing countries. Demands for market economy and support to the private sector in developing countries were put forth as the main arguments in the debate.

modified to become the PSDP. The original document maintained that it was essential to support both the individual enterprises and an enabling environment for the private sector; that is, it was essential to support a package solution for the development of the private sector in developing countries. However, it was also argued that the most important area of intervention for the Danish private sector, and hence for the programme, was the individual enterprises: areas such as establishing an enabling environment and privatisation of parastatal enterprises were of minor importance. It was thus suggested that a programme of cooperation between companies in Denmark and the particular developing country ought to be established and supported by Danida (Industrirådet, 1992).

Anchored in the proposal put forward by DI, in June 1992 the Danida board was inclined to encourage 'the plan to support the private sector in developing countries through a business-to-business approach'. Three country reports (Ghana, India and Zimbabwe) were produced by DI and a private consultancy company, which eventually developed into the strategies for the first phase of the PSDP. To a large extent these reports built on the original DI proposal: the strategy was retained, as were the interests of the Danish private sector. Only minor adaptations were made in relation to the three countries.

The PSDP did not come alone: in the summer of 1993, the then minister of development cooperation, Helle Degn, appointed a committee to draw up 'a strategy for the involvement of the Danish private sector in bilateral development aid'. The committee identified various private-sector instruments that might enhance the role of the Danish private sector in development, and its plan was subsequently approved by the Danish Parliament in October 1993. This overall plan, as well as the work of DI and the Contact Committee, formed the basis of the launch of the PSDP in Ghana, India and Zimbabwe, and of the MCP in 1993 (Danida, 1993, 1997, 2000c).

The PSDP differs in many respects from earlier forms of support to the productive sector. Most importantly, for the Danish private sector this programme is designed to take the needs of a larger part of that sector into consideration. Thus, whereas the government loans of the 1970s and 1980s largely addressed the needs of large-scale enterprises, the PSDP also addresses the needs of Danish small- and medium-size enterprises.²⁹ Moreover, this programme directly focuses on private entities in developing countries. Thus, while previous support was channelled through government bodies in developing countries, this type of aid is channelled directly from one private entity to another.

2.2 The PSDP in Ghana, 1993-2001: a new beginning for Danish aid to the private sector

Compared to the intervening years since the launch of the 1988 action plan, the launch of the PSDP may be perceived as ‘a new beginning’ for the Danish private sector in development aid. The PSDP basically provides consultancy and economic support for inter-firm co-operation between Danish companies and companies in Danida’s programme countries. The stated rationale behind the programme is that inter-firm co-operation can contribute to economic as well as social development in the recipient countries. However, as was shown in section 2.1 above, in many ways the programme’s actual design resembles the needs of the Danish private sector. It is therefore questionable to what degree the PSDP has incorporated the needs of the private sector in developing countries. In order to obtain a first impression regarding this issue, the roles of the different stakeholders in the programme will be scrutinized. However, before proceeding with this task, the next section will briefly outline the main components of the programme and point out the most important changes it has undergone since its introduction in 1993.³⁰

2.2.1 Brief characteristic of the PSDP

The overall purpose of the PSDP, that is, to contribute to economic and social development in the partner countries, is met through a transfer of competences, from Danish businesses to the partner businesses in the developing country. In the PSDP, this is done through the establishment of long-term binding agreements between companies in Denmark and the partner country. In this programme, development aid is thus essentially taken care of by two business partners. The Danish embassy acts solely as a facilitator and does not implement the programme itself.

In the PSDP, two forms of business-to-business cooperation can be distinguished, namely the Start-up Facility and the Business Partnership, as depicted in Table 2.1 below.

While the Start-up Facility, limited to a maximum of one year, is designed either to test the possibilities of co-operation or to deal with specific tasks, the Business Partnership generally lasts a minimum of three years and has a more binding character. The Start-up Facility may also form the basis of a Business Partnership, in which case the amount spent on the Start-up Facility is deducted from the budget of

²⁹ See also the discussion of the constraints on the Danish small enterprise sector in participating in development aid in the Contact Committee’s report of 1989 (Kontaktudvalget, 1989a).

³⁰ The PSDP is basically designed on a McDonalds concept: one programme fulfils the same needs everywhere. Only minor deviations from this design are observable. Hence, this outline of the

the Business Partnership. The Business Partnership is divided into two phases: the *preparatory phase* (partners meet and discuss future plans, and preliminary investigations can be carried out); and the *project phase* (setting up co-operation, training and technical assistance of local staff, execution of plans, evaluation). The Business Partnership must be commercially based, and the partners bear the commercial risks. Table 2.1 summarises the current possibilities for support in the PSDP.

Table 2.1. possibilities of support in the PSDP (August 2003)

Type	Phase	Description	Subsidies up to (DKK)
Start-up Facility	Preparatory phase	Partner identification Study visits ³¹	15,000 25,000
	Project phase	Technical assistance, training and production equipment (max 100,000)	500,000
Business Partnership	Preparatory phase ³²	Partner identification	15,000
		Study visits	25,000
		Preliminary investigations ³³	90% (250,000)
	Project phase	Technical assistance, training and environmental issues including export promotion activities, adaptation of technology, cultural seminars, combating HIV/AIDS, human rights and measures for equal rights ³⁵	90% (5 million) ³⁴ 100,000 each
	Loan	Investment in plant and production equipment ³⁶	2.5 million

Source: Danida (2003a: 5)

PSDP relates to the PSDP as such. Whenever the programme in Ghana differs from the overall picture, this is mentioned.

³¹ Grants for study visits are only approved if the Danish company has a formal invitation from a local partner or vice versa. Most often, however, the visits are not limited to this one enterprise, but include other potential partners in the same line of business.

³² Support for the preparatory phase is only provided once. Thus, if a Start-up Facility continues into a full Business Partnership, the partners obviously cannot receive additional grants for partner identification and study visits, though support for a feasibility study may be granted even if the partners have already collaborated.

³³ The preliminary investigation may be limited to certain aspects of the collaboration, such as the availability of raw materials and the preparation of the training activities, or it may include all aspects of relevance to the collaboration.

³⁴ Grant and subsidies of up to DKK 5 million are approved by the embassy, subsidies, grants and loans of between DKK 5 and 10 million by the chairman of the board of Danida, and subsidies, grants and loans over DKK 10 million by the board of Danida.

³⁵ As a minimum the PSDP collaborations have to comply with certain standard laws and regulations: as regards the environment and work environment, for instance, the collaboration has to comply with national laws and regulations in the recipient country, as well as ILO conventions regarding labour rights.

³⁶ Formally, the loan agreement is made with the joint venture as the borrower. However, in many cases the collaboration does not take the form of a joint venture. In these cases the local company is the borrower.

2.2.2 Ambiguities in the PSDP

Presented in this form, the PSDP appears simple and straightforward, but to understand some of the difficulties related to the programme and some of the uncertainties related to the merits of it, it is crucial to point to the ambiguities in it.

Danida does not stipulate what is meant by long-term binding agreements between two business partners, nor is the specific form of collaboration between the two companies important, and it may change over time. It seems that the agreement is only binding on Danida if the two other parties to the agreement – that is, the Danish and the developing country partners – fulfil their obligations. Danida also has to carry out the collaboration, whether or not the premises on which it is based change. In contrast, the private partners can cancel the agreement at any time.

The collaboration may take the form of a licence agreement, a sole agency agreement, a franchise agreement or a more binding joint venture. It may also be limited to staff development or the development of key personnel. What is important is that the agreement between the two partners includes more than simply trade: resources, in the form of either capabilities or a business concept, must be transferred from the Danish to the developing country partner.

The most important part of the PSDP is technical assistance and training.³⁷ The PSDP does not provide instructions regarding how, whom or where training should be conducted. Training may comprise all operations in the company, that is, production, marketing, purchases, administration, accounting etc. Also it may be arranged as either short-term or long-term training, in Denmark or in the host country, inside the company or elsewhere.

Like the type of collaboration and the specific form of training, the aims of the collaborations are to a large degree left unspecified, being by the partners themselves and approved by the embassy staff (see Table 2.2 on pp. 44-5). The embassy places most emphasis on whether competence is being transferred from the Danish partner to the developing country partner. Secondly, it is important that the PSDP collaboration contributes to economic and social development in the host country. However, Danida does not provide a list of criteria to be taken into account when the application for funds is assessed. Instead, Danida provides a number of ques-

³⁷ In PSDP terms, technical assistance was at first perceived very narrowly, to include only 'support to upgrading of the management team' (Danida, 1995: 82), but is now more broadly interpreted as 'primarily active participation and consultancy in implementing the co-operation'. It is therefore often provided in the form of Danish employees being posted to the local partner company. Training, on the other hand, means a 'planned and structured educational process' (Danida, 2003a: 19). In

tions that are *normally* included in the assessment. These questions relate to the creation or preservation of jobs; expansion of production; improvement of foreign currency reserves; creation of export experience; access to new markets; accumulation of local competence; improvement of the environment, working environment, women's living conditions and employees' rights; and combating HIV/AIDS. Moreover, derived positive effects and potential negative effects are both taken into consideration in the assessment (Danida, 2003a: 6f).³⁸

These questions all relate to Danida's overall development objectives, and as such they indicate that the PSDP should be perceived as an integrated component of Danida's development assistance. However, by merely providing a list of 'cross-cutting issues', Danida is failing to inform partners how the different issues are interrelated and at what level they are aimed: some parameters clearly refer to the company level, while others refer to the national level, and yet others target both the company and national levels. Moreover, the fact that the PSDP unit, along with the BSPS unit, is located in a separate building at the Danish embassy in Accra reduces the possibilities of integration with the other development activities coordinated by the embassy. In other words, the physical arrangement of the Danish embassy in Accra tends to reflect the role of the PSDP vis-à-vis other bilateral development instruments.

To sum up, the PSDP is officially open for all lines of business of all sizes in both Denmark and Danida's partner countries. Danida only requires that the collaboration has some positive developmental impacts, for example, in job creation, job preservation, production increases, export experience, etc. This should ideally give all enterprises of all sizes an equal opportunity to participate, but this is only partly true in reality, as the promotion of the programme gives priority to some enterprises over others (cf. sections 2.2.4, 9.2). Moreover, the PSDP is limited by the availability of Danish enterprises that are willing to enter into collaboration with a company based in a developing country, as the aid is tied to Danish enterprises.³⁹

reality, however, technical assistance and training is often mixed and performed by the same person(s).

³⁸ These questions do not correspond entirely to the ten development goals listed in the Danish Audit Department's report on private-sector development programmes in developing countries, which omit employees' rights and combating HIV/AIDS. According to this report, PSDP collaborations will typically comply with two to seven of these ten goals. Of the 27 collaborations examined in Egypt, Ghana, South Africa and Uganda, all stated their aim to be to accumulate local competence: hardly any stated that they aspire to improve foreign currency reserves through the collaboration (Rigsrevisionen, 2003: paragraph 34f, figure 1).

³⁹ Despite Denmark's active promotion of the untying of aid in the DAC of the Organisation for Economic Co-operation and Development, its official application of the European Union's directive for tenders (January 1st 2004) – which stipulates that all purchases of goods, services etc. for development cooperation have to go through a tender process – and its most recent announcement that all Danish development aid but food aid is now untied, some components of Danish ODA are still re-

Therefore, certain companies and sectors may in reality be excluded from the programme.

2.2.3 Changes in the PSDP over time

The current design of the programme in many ways resemble DI's proposal dating from 1992. According to this proposal, the programme should be based on the demands of the private sector, it should be long-term, Danida should finance a proportion of the expenses, it should start in only a few countries and thereafter expand to all programme countries, and it should be attached to a specific unit in the Foreign Ministry, to the local embassies in Denmark and the programme countries respectively. These aspects were all included in the original design of the PSDP dating from 1993. However, the PSDP did not include all the suggestions of DI, such as 'a considerable contribution of resources by the partners', 'adaptation of the programme to the specific context in which it is located', and the 'focus on certain sectors within each programme country' (Industrirådet, 1992). Moreover, the experiences of the Danish Federation of Small and Medium-Sized Enterprises (HVR) pilot project in Zimbabwe were included in the first phase of the PSDP. Thus, in addition to the Business Partnerships proposed by DI, the PSDP came to include a Start-up Facility, which was meant to help smaller enterprises that were not yet fully ready to arrange commercially based international co-operation.

Even though the country reports prepared by DI and a consultancy company had identified some potential business partners, lots of resources and efforts were spent in the first years of the programme to promote it and to find suitable partners. This was especially the case in Ghana, which was substituted for Egypt late in the process. Actually the purpose of the first phase of the PSDP in Ghana was to obtain a general idea of the structure of the private sector and then find suitable partners for Start-Up Facilities and Business Partnerships.

Compared to the current opportunities for PSDP support sketched out in Table 2.1 on page 40, the first support schemes were financially smaller, but so were the economic risks for the partners in the initial stage of the collaboration. Of importance here is the fact that Danida distinguished between technical assistance and training, the former being funded fully for the first twelve months and at only fifty percent for the next twelve months, while the latter was funded entirely throughout the period.⁴⁰ Later, in the second phase of the programme, further adjustments were

served for Danish industry and society, among them the PSDP (DAC, 2003; Danida, 2005b: 20; Danida, 2005c).

⁴⁰ The original design of the programme included a so-called 'swap facility', which was intended as a facility to manage shortages of foreign exchange due to local restrictions. However, since the

made: support for project execution (technical assistance, training etc.) was limited to 90 percent of DKK 3 million, and support for environmental issues 90 percent of DKK 2 million. These two forms of support have now been merged. Likewise, what were formerly known as special studies (90 percent of DKK 150,000) and feasibility studies (90 percent of DKK 250,000) have also been merged and re-named 'preliminary investigations'.

The current PSDP differs in other areas as well. In the pilot phase of the programme, support was limited to productive sectors. However, the 1995 review team recommended that the PSDP be broadened to cover all sectors (Danida, 1995: 39). Likewise, during the first phase (1993-1996), the PSDP included a special facility to support projects aimed at improving the business environment in the recipient countries. In Ghana, the Management Development and Productivity Institute, the Ghana Association of Consultants, the Private Enterprise Foundation, the National Fisheries Association and the Prudential Bank all benefited from this facility. In the second phase, it was decided to apply this facility only in special cases, in Ghana, the Association of Ghana Industries. Support for improving the business environment now comes from the Business Sector Programme Support (Danida, 2000c: 17f).

Besides these changes at the level of programme design, the mere fact that the programme has now existed in more than a decade in Ghana has had an impact on the way it is administered. In the first years of its existence, staff at the embassy spent a lot of time and resources on promoting the programme. Alliances were made with major business associations in order to find suitable partners, and advertisements were placed in the media so as to reach entrepreneurs who that were not members of these associations. The current promotion of the PSDP is more sporadic: it may consist of embassy staff participating in business meetings, workshops and economic forums, but most of the current promotion is actually conducted by the Association of Ghana Industries (AGI) and Empretec.⁴¹ The latter even offers a course to prepare Ghanaian entrepreneurs for the PSDP.

The programme has also spread tremendously: whereas it was limited to Ghana, India and Zimbabwe in the first three years, after the positive 1995 review Danida decided to expand it in the second phase⁴² to cover also Egypt, Uganda and Vietnam. In April 1999, Bangladesh was also included, basically taking India's place,

financial markets were liberalised in the three countries before the programme really took off, the 'swap facility' was never used.

⁴¹ See note 283 on page 244 for details regarding Empretec.

⁴² The decision to continue into a second phase was taken by the Board of Danida in March 1996.

as new development assistance with India was suspended after its tests of atomic weapons in the spring of 1998.

As is apparent from the discussion of the changes in the programme since its initiation in 1993, the most important change in design is the *de facto* termination of the special facility to support the Ghanaian business environment in 1996. Since then the programme has been a pure business-to-business programme. Otherwise, only minor adjustments have been made, such as the limit on support for technical assistance and training in the project phase of the Business Partnerships. As shown in Table 2.1 on page 40, the limit is now DKK 5 million, but this includes support for environmental measures that were formerly treated separately. This thesis focuses only on the ‘real’ business-to-business collaborations (cf. Chapter 6) and will no longer deal with the changes but treat the PSDP from 1993 to 2001 as one and the same thing.

2.2.4 Who is who in the PSDP?

All policy decisions regarding the PSDP are made in Danida, using consultants from Denmark and the partner countries to gather background material and make drafts. Moreover, relevant stakeholders are invited to comment on ideas and drafts at workshops. As described in section 2.1 above, this has been the case throughout the initial design period of the programme as well as its later amendments.⁴³ Likewise, experience of the daily administration of the PSDP at the embassies is discussed at yearly seminars in Denmark, though as noted above, this has not led to any significant changes to the programmes’ design. However, it has been extended to include all programme countries, and a loan facility, previously restricted to Ghana, has now been made available to all countries. Recently, as already noted, feasibility studies and special studies were merged, and the funds made available to the programme increased. However, the design is basically the same: two partners are offered the possibility of collaborating virtually without economic risk. Most of the funds are allocated for technical assistance, training and environmental issues, only a small proportion being allocated to production equipment and inputs (see Table 2.1 above). Instead, the partners (in reality the local partner) can obtain a low-interest-rate loan for plant and production equipment.

⁴³ Recently, the Minister for Development Cooperation decided to develop the PSDP further. To this aim, a reference group was established that comprises members of the Danish private sector and Danish academia. The preliminary results of this process will be shared with stakeholders in Denmark and in two Danida Programme countries.

Table 2.2. Actors and tasks in the PSDP in Ghana

Actors	Tasks	Motivating factors
Danida's PS secretariat ⁴⁴	Policy development; financial support; co-ordination; promotion; events arrangement; approval of grants	Poverty alleviation; PSD promotion; response to private sector demands
Danish embassy in Ghana (especially the PS coordinator)	Promotion; partner identification ⁴⁵ ; preparation of visits; matchmaking; approval of partners and grants ⁴⁶ ; networking; supervision; follow-up	Poverty alleviation; PSD promotion; response to private sector demands
Danish partners	Provide technical, managerial and organisational know-how; supply technology; provide relevant training; provide knowledge regarding international markets; offer advisory services	New markets - limited risk; cope with changing demands; access to raw material; promote machines and know-how; publicity; ideology
Ghanaian partners	Provide knowledge of Ghanaian market; provide a (manufacturing) site; cheap labour	Increase product quality; acquire technologically advanced machines; acquire access to capital
Ghanaian business organisations	Matchmaking and preparation for future collaboration	Access to PSDP funds
DI and HVR ⁴⁷	PSDP promotion in Denmark; find suitable Danish partners; matchmaking; feasibility studies; training schemes	Internationalisation of Danish industries; income-generation
IFU	Low interest loans to PSDP partners; loans and guarantees to Danish enterprises	Promote FDI; economic and social progress in developing countries; return on investments
Other Danish actors	Matchmaking and feasibility studies	Access to PSDP funds

Table 2.2 provides a brief presentation of the most important actors in the PSDP in Ghana, their tasks and their motivations in entering into the programme. The table also points out two central principles often seen in development aid. One is 'the

⁴⁴ Until the beginning of 1999, the administration of the PSDP was shared between the PS secretariat, the country offices in Danida and the relevant embassies. In April 1999, however, it was decided to anchor the administration of the programme in the PS secretariat, while implementation of the programme is managed by the special PS office in the embassies. It should be mentioned, though, that not all embassies in Danida's programme countries have employed a Danish PS coordinator, and some PS coordinators have other responsibilities than the PSDP.

⁴⁵ Even though since 1994 DI and HVR have formally been charged with the task of finding suitable Danish partners, the PS coordinator in the Danish Embassy in Accra has come up with suggestions in many cases. From his background in the Danish banking system, the former Danish PS coordinator has a wide network of contacts and extensive knowledge about the Danish private sector, which he has drawn on to suggest and select Danish partners (Carlsen, 2002).

⁴⁶ See note 34 on page 40.

⁴⁷ DI and HVR are the two most important stakeholders in this category. In the time-span being covered in this thesis, HVR collaborated with Århus Technical School and the consultancy company Kampsax International, while DI collaborated with consultancy company Carl Bro. DI/HVR received approx DKK 3 million annually in order to promote the programme and guide the partners in important matters relating to the collaboration, such as writing applications. Feasibility studies and

principle of selection’, which denotes that neither the target group of an intervention nor other stakeholders adopt the intervention in its entirety, but instead select the elements that suit them best and discard or counteract others. The second is ‘the principle of sidetracking’, which refers to the result of diverging motivations among different stakeholders to adopt (parts of) an intervention – actors simply exploit the opportunities at their disposal in accordance with their own aims, thus sidetracking the intervention (Olivier de Sardan, 2005). This section will elaborate further on these different roles and motives Chapters 8 and 9 provide examples of both selection and sidetracking in the PSDP in Ghana).

The Danish embassy in Accra is responsible for promoting the programme in the recipient country. In Ghana, the means of promotion has changed with the increased general awareness of the programme. While advertisements were previously placed in the paper and on the radio to advertise the possibilities of support, the programme now relies almost entirely on its collaboration with key business organisations and key individuals in the country for promotional purposes. Through this cooperation, the Embassy identifies potential PSDP companies, perhaps at trade fairs arranged by Danida or other stakeholders, or else through courses or seminars arranged by business organisations. In either case, the Ghanaian entrepreneur is first interviewed by the embassy staff, whereupon he or she is requested to fill out a questionnaire on basic company data, the proposed project idea, and more general aspects relating to the organisation and management of the company. On the basis of this data, the embassy constructs a project profile.⁴⁸

According to a programme officer at the Danish embassy in Ghana, the following characteristics (in that order) determine whether or not a Ghanaian company will be eligible for Danida support (Kokroh, 2002):

1. The ability to find a Danish partner.
2. The extent to which the Ghanaian company fulfils the formal requirements, that is, audited accounts for the past three years, profits in at least two of these three years, etc.

other preliminary investigations came on top of this. Since 2005, HVR have won the exclusive right to promote the programme in Denmark.

⁴⁸ The quality of the work done by the PS coordinator and other stakeholders depends to a large degree on the information provided by the partners. As depicted in Chapter 7, no reliable information exists about Ghanaian private enterprises. Moreover, staff at the embassy do not have the resources to conduct in-depth assessments of the statements provided by their partners – they merely rely on an auditor accounts.

3. An assessment of the potential gain in relation to Ghana's development objectives, especially as regards employment generation, foreign exchange earnings and import substitution impacts.
4. An estimate of the proposed collaboration's demonstration effects vis-à-vis other parts of the Ghanaian private sector.
5. A consideration of possible linkages to suppliers, retailers and buyers.
6. A judgement of the Ghanaian entrepreneur's own understanding of the idea, as well as a critical examination of his or her former experience with foreign partners.
7. An assessment of the Ghanaian entrepreneur's managerial capacities, which is perceived to be necessary for the survival of the collaboration.

The project profile constitutes the most important document in the matchmaking process. Matchmaking simply denotes the process of finding a Danish and a developing country partner who consent to collaborate on a formal basis within the framework of the PSDP. Matchmaking may take several forms, depending on who had the first contact and how this contact was brought about. Accordingly, different actors may take the lead role in the matchmaking process. As shown in Table 2.2 above, actors as diverse as the Danish embassy, DI and HVR, Ghanaian business organisations and other Danish actors, especially private consultants, are involved in the matchmaking process. If, for instance, a Ghanaian entrepreneur contacts the Danish embassy for further information regarding the PSDP, the embassy generates a project file upon which DI or HVR are requested to find one or preferably more suitable Danish partners for the cooperation. Meanwhile, Ghanaian business organisations are contacted to find similar Ghanaian businesses. In theory, both partners are invited to visit the future partner's company, but due to the relative difficulty of finding interested Danish partners, visits are most often limited to Ghana – that is, the potential Danish partner is invited to Ghana to meet the Ghanaian entrepreneur in Ghana and a few other companies in the same line of business.

Partner identification and matchmaking may also be undertaken from Denmark. Since 1994, DI and HVR have been assigned the task of promoting the PSDP in Denmark, arranging seminars, actively attending trade fairs, and disseminating information to their members about the possibilities of financial support in a process of internationalisation. Moreover, in collaboration with the Danish Trade Council, Eksportkreditfonden and IFU, Danida informs potential Danish enterprises about the possibilities of assistance in relation to exports, subcontractors, investments etc. in developing countries through a website. Therefore, an ever-expanding share of the Danish private sector is now aware of the PSDP and its main contents. This

awareness induces representatives of Danish enterprises to make contact with either DI or HVR for assistance to find a developing-country partner within the PSDP framework. DI/HVR has a list of interested developing-country companies that might match Danish companies, but most often DI/HVR approaches the embassy to find a suitable partner. As in the case cited above, the Danish company is invited to meet other Ghanaian companies before a final decision regarding an application for PSDP funds is made.

A third possibility concerns Ghanaian companies that are invited to trade fairs in Denmark to meet possible future partners.⁴⁹ Company profiles are distributed in advance and posted on the Ministry of Foreign Affairs' website. On mutual agreement Danish companies may subsequently be invited to the recipient country to meet other companies before a final decision to proceed is taken.

As is apparent from above, matchmaking procedures are skewed: on the whole they favour Danish enterprises, as these are offered the opportunity to choose from various Ghanaian enterprises much more than the other way around. Only at the trade fairs does the recipient country company, in theory, have the opportunity to choose from different Danish companies. In practice, however, many developing country companies are confined to choosing from a very few companies, as it is difficult to find interested Danish partners, especially for companies from sub-Saharan Africa.

The Danish embassy is responsible for the dissemination of information regarding the PSDP in the programme countries. Information is spread directly as well as indirectly. Directly use is made of leaflets and brochures, advertisements in the media, workshops and seminars, and direct interaction with Ghanaian entrepreneurs who approach the embassy to apply for support. Indirectly, the embassy uses its links with Ghanaian business organisations, most notably the Association of Ghana Industries and Empretec, to promote and disseminate information about the programme. In Denmark, spreading information about the PSDP is shared by the PS secretariat and DI/HVR. The former is in charge of the overall strategies; it produces information for a website aimed at Danish companies that want to pursue international business opportunities, publishes booklets and instruction manuals (see, for example, Danida (2001b)), and entertains direct requests from Danish compa-

⁴⁹ These trade fairs are in most cases identical with the TechChange arrangements set up to facilitate commercial cooperation between Danish and developing country companies. They are perceived as a way to link Danida's different private-sector development interventions. TechChange arrangements are now held in several fairs, ranging from the Herning Industrial Trade Fair, the Agromek and the FoodTech, to the Copenhagen International Fashion Fair. Companies from developing countries are screened by PS coordinators and, in collaboration with DI/HVR companies, are selected for the fairs. So-called Reverse TechChange arrangements, where Danish companies are invited to fairs in developing countries, have also been held.

nies. Since 1994, DI/HVR has also been assigned the task of promoting the programme in Denmark. Based on company profiles, it seeks to find suitable interested partners from its members. It also produces information material regarding the internationalisation of Danish companies. Some of this relates to the opportunities for risk minimisation and financing, both the PSDP and other Danida private-sector interventions being of importance here (see, for instance, Håndværksrådet (1998)).

Following the initial location and screening of potential Danish partners, the role of DI/HVR changes: from capturing potential PSDP partners, they now become the counterparts of these same Danish PSDP enterprises.⁵⁰ Thus, they first have to attract potential customers, and then inform them about potential pitfalls. As part of the preparatory phase of a Business Partnership, up to DKK 250,000 may be spent on preliminary investigations that aim to establish such diverse matters as the availability of raw materials, market prospects, the capability of the Ghanaian workforce, the capacity of the capital equipment, environmental concerns etc. – anything that is deemed relevant for the collaboration may be included in these investigations (cf. Table 2.1). In the project phase, DI/HVR acts as the Danish partner's counterpart. Whenever problems arise, the Danish partner can approach either the embassy or DI/HVR for assistance. This is not the case for the Ghanaian PSDP partners, who in practice can only approach the Danish embassy for support. Thus an information gap is produced, where the information and guidance available to the Danish partner is far greater than that available to the local partner.⁵¹

The Danish embassy, together with the PS secretariat, is also responsible for the approval of PSDP support for the partners. As explained in section 2.2.2 above, there is a certain lack of clarity surrounding the criteria involved in selecting suitable collaborations, which must anticipate some positive impacts, though the kind and degree of these are unclear. This haziness is often transferred to the application forms and further, to the project documents, which seldom provide specific details about the aims of the collaboration. This is not only a problem in assessing the intervention, it may also become a problem for the partners, in so far as the purpose of the collaboration becomes blurred, and it may become difficult to discern whether the collaboration is on the right track or not. This means that the process of

⁵⁰ The PSDP does not stipulate that only DI/HVR may produce feasibility studies or environmental studies: other actors, that is, private consultants, business schools and the like, are in principle entitled to do this too. However, in more than ninety percent of the cases in Ghana, the feasibility studies have been written by either DI or HVR. Moreover, only a couple of employees at these two institutions have been responsible for all these studies. According to a former resident manager for a Danish PSDP company in Ghana, this concentration results in a lack of innovative solutions and slow improvements (personal communication, 23 May 2002, Accra).

challenging how the collaboration is progressing becomes complicated, potentially giving rise eventually to collaborations that continue, even though the prospects of success in development terms are meagre.

In the PSDP, the Danish embassy only acts as a facilitator for the intervention, the true implementers being the Danish companies, who transfer the technology, and provide the technical, managerial and organisational training related to the collaboration and guidance regarding new products, processes and markets. Naturally they rely on the services of the PS secretariat, the embassy and DI/HVR, but as soon as an application is approved, responsibility for the development interventions devolves on to the Danish partners. Some Danish partners decide to conduct all training, technical assistance and supervision for their Ghanaian partners, while others choose to hand over some of the responsibilities to technical schools or private consultants.

The Ghanaian partners, for their part, are expected to provide essential information to make the business plan feasible. In other words, they have to make knowledge of the Ghanaian market available, provide access to economic or political networks of importance to the collaboration and supply the (production) site. Moreover, they are expected to provide cheap labour in order to compensate for inferior equipment, raw material and technological capabilities.

As shown in Table 2.2, the motives for participating in the PSDP are diverse. The donor, that is, the PS secretariat and the embassy, has as its overarching goal the alleviation of poverty. In line with the new consensus, the private sector is perceived as a central actor in fulfilling this aim (cf. section 1.1.2), and as shown in section 2.1.1, the PSDP is largely a response to the demands of the Danish private sector.

In their study of internationalisation processes and partner perceptions in Ghana, Kuada and Sørensen (1999; 2005) explored both the Danish and the Ghanaian partners' motives in entering the programme. Asked directly about their motives for entering into a PSDP collaboration with a Ghanaian company, the Danish partners identified these as being mainly ideological and idiosyncratic in character. Whether as individuals or as companies, they wanted to contribute to development activities, and simultaneously they were excited about the adventure associated with the PSDP. However, some were motivated by the prospect of finding a use for otherwise redundant equipment, while others were encouraged by potential access to raw materials or to a market. Research conducted for this thesis basically supports these

⁵¹ It should be noted, however, that the Danish partners agree with the Ghanaian ones in complaining of a deficiency of information both as regards the purpose and limits of the programme, and as regards the partner.

findings, but in addition the possibility of exploring new markets with limited economic risks was presented by some Danish PSDP partners as a motivating factor: Danida was perceived as guaranteeing the recovery of costs. Likewise, especially for smaller Danish enterprises, it appeared that the possibility of coping with changing demands by engaging in PSDP activities also influenced their decision to apply for PSDP funding. Moreover, in line with the ideological reasoning mentioned above, some Danish partners also saw the PSDP as a way of obtaining publicity and promoting their specific abilities and products.

In their study, Kuada and Sørensen also explored the motives of the Ghanaian partners for entering the programme. They found these to centre around resource leveraging. First, the high costs of local capital force Ghanaian entrepreneurs to seek finance abroad. Secondly, the liberalisation of the Ghanaian economy has increased the pressure on local firms to improve product quality and skills, which has led to Ghanaian entrepreneurs seeking ways to enhance both capabilities (Kuada, 2002; Kuada and Sørensen, 1999, 2005).

3. OPENING THE BLACK BOX OF AID: A FRAMEWORK FOR STUDYING AID INTERVENTIONS

The purpose of this chapter is to construct an analytical framework for the study of aid to the private sector in Ghana. The study seeks to understand the impacts of the PSDP at three different levels in Ghana, namely the enterprise level, the private-sector level and the level of society as whole.

The chapter begins with a definition of impact and a description of the consequences of this definition with respect to studying aid interventions. Before proceeding with the discussion of impact indicators, section 3.2 examines four different types of intervention study. It is argued that intervention studies may be distinguished according to their main aim, that is, accountability or learning, and their main focus, that is, the donor's intentions, or communities that have been subjected to interventions. It is argued that the specific history of aid evaluations and its close relationship to aid-management tools have produced reports that only deal with whether or not politically articulated plans have been implemented or not. Only rarely is the aim of these enquiries learning rather than accountability, the focus communities exposed to interventions rather than donors' intentions. In order to extend one's knowledge about an intervention and how beneficiaries as well as other relevant actors are responding to it, one has to turn to a different body of literature, that on the 'anthropology of development'. This was especially vibrant in the late 1980s and scrutinised the interaction, or 'interface' as it is called in this literature, between the intervention and the intervened.

The point of departure for section 3.3 is the intense interest that has arisen in the impact of aid in the last decade. Everybody seems to want to know more about impact, but nobody can agree on its definition. This section examines a dozen recent contributions to the aid impact literature. It argues that many such studies do not differ fundamentally from the traditional evaluations: at most they are incremental extensions of them. However, some studies incorporate insights from the 'anthropology of development' literature in order to produce a more comprehensive definition of impact. These broad definitions have informed the present study.

Two central conclusions come from these studies. The first is that 'a development intervention necessarily operates at different levels and scales, and is part of a more general political setting' (Folke and Nielsen, 2006b: 17). The second is that no common recipe for impact studies exists. Therefore, each and every study has to

be contextualised in order to take the local circumstances into account. This is done in section 3.4.

3.1 Defining the key concepts

The interest in how development aid functions and the ultimate effects of development interventions can be dated back to the first evaluations of development projects in the 1950s and 1960s in the UN system. Attempts to systematise evaluation approaches by means of an evaluation field manual were already being made by UNESCO in 1959 (Stokke, 1991).⁵² Since then, both evaluation and monitoring and appraisal have become integrated parts of development aid, and all major donor agencies have produced guidelines for how to conduct evaluations. However, these evaluations seldom enhance our knowledge regarding the ‘hows’ and ‘whys’ of development interventions, paying attention instead to their relative success or failure.

Recently, the term ‘impact’ has diffused into all areas of the development business: major bilateral and multilateral donors demand assessments of the impacts of their programmes, NGOs are requested to demonstrate that their projects are having an impact on the intended beneficiaries, and researchers are interested in the impacts of development interventions. This intense focus on impacts may indicate a growing interest in understanding the underlying processes of development interventions, but this is only seldom the case in practice: as already noted, most often assessments of impact do not differ substantially from traditional evaluations; in other words, by and large assessments of impacts are preoccupied with the relative success or failure of a programme with respect to its stated objectives. However, it should be noted that no agreement has been reached regarding the definition of impact, and authors seem to apply the concept in the way that suits them best.⁵³

This thesis seeks to enhance our understanding of how the PSDP in Ghana impacts upon both the target beneficiaries and non-target groups. Moreover, it seeks to understand how social developments influence the relationship between the target group and the intervention (as well as between the target group and non-target groups). In order to grasp these relationships, the following comprehensive definition of impact is proposed. Inspired by Chris Roche (1999),⁵⁴ **impact** is perceived as *changes that are associated with aid interventions, whether short-term or long-term, positive or negative, planned or unplanned, anticipated or unanticipated, di-*

⁵² Concurrently with the first attempts to systematise evaluations, a search for appropriate indicators to measure change in development was initiated, led by the UN (especially UNDP’s Human Development Report) and the World Bank (World Development Report).

⁵³ The meanings given to most other terms related to evaluations of development aid are also blurred. Wherever necessary, basic definitions of these terms will be provided.

⁵⁴ Chris Roche’s original definition is provided in section 3.3.

rect or derived, and in the project area or not. Following on from this, an **impact study** is defined as *a systematic and thorough analysis of impact*.

This definition draws partly on the ‘anthropology of development’ literature, which, as already mentioned, was especially vibrant in the late 1980s,⁵⁵ and partly on the recent contributions of interdisciplinary approaches to the study of the impacts of aid.⁵⁶ Building on these two lines of thought, the definition has several implications for my study of the impacts of the Private Sector Development Program in Ghana. Among the most important are:

1. This study is not about whether a development programme succeeds or not, or to what extent it succeeds: it is about how impacts are produced in a specific development programme in Ghana.
2. Terms such as ‘success’ and ‘failure’ are basically policy judgements; as analytical terms they are ambiguous.
 - a. The ‘failure’ or ‘success’ of a programme relates to its stated objectives. However, these objectives are often too vague to provide the basis for such judgements.
 - b. Development interventions are seldom recognised as either successes or failures by all actors: while donors and technical experts may perceive a programme as a success, professionals with a different background may find that the solution does not take gender aspects, for example, into consideration (Crewe and Harrison, 1998). Usually the outcome of a programme is ambiguous, thus increasing the uncertainty.
 - c. A so-called ‘success’ for the intended beneficiaries may produce negative effects for others. Likewise, ‘failures’ may have some positive effects on the target group or elsewhere. Most development interventions have succeeded and failed in different ways from different perspectives. Consequently, ‘success’ and ‘failure’ only make sense in a very limited context.

⁵⁵ The ‘anthropology of development’ in reality encompasses various approaches as described by Olivier de Sardan (2005). One of these is the ‘entangled social logics approach’, which was presented to a wider audience in a special issue of *Sociologia Ruralis* (Bierschenk, 1988; Crehan and von Oppen, 1988; Elwert and Bierschenk, 1988; Olivier de Sardan, 1988). Essentially, this approach claims that actors (individuals or groups) continuously interact and construct each other via development. The interaction is then the focus of attention of this line of thinking. This approach continues to inspire researchers, and the idea of ‘development projects as arenas of negotiations’ is central in numerous studies (see e.g. Henn (1991) Nielsen (2000a)).

⁵⁶ See especially work conducted in relation to the research programme ‘Aid Impact: Development Interventions and Societal Processes’ (2001-2004) conducted at the Danish Institute of International Studies (formerly Centre for Development Research) (Adam and Nielsen, 2002; Folke, 2001; Folke and Nielsen, 2006a; Wilson, 2004).

- d. Changes continue, whether or not the expected results are achieved. Thus, intended effects that have been achieved may erode over time (Earl, Carden et al., 2001).
3. Development interventions do not happen in a vacuum. Instead, the consequences of these interventions should be perceived as resulting from an interplay between the programme, the actors that directly or indirectly participate in it, and the political and economic developments framing it.
4. Impact is here perceived as something beyond the expected effects of the intervention. It therefore allows for an analysis of intended as well as unintended effects, and of positive as well as negative consequences. Moreover, it accepts that a particular intervention may cause particular effects that in turn produce other effects; that is, an intervention may have derived effects (Sultana and Folke, 1999: 7).
5. This approach demands the incorporation of many different factors in the analysis. Thus, not only aid flows and directly targeted entities are studied, but also the surrounding society. In this way, the lack of clear boundaries (spatial, social and economical) of the intervention is taken into consideration.
6. The approach does not propose a single method to assess impact. Rather, the particular field of interest guides the selection of methodologies: that is, the theoretical framework(s) relating to the particular field should direct the choice of method(s) through a selection of cases of special interest for the particular intervention.

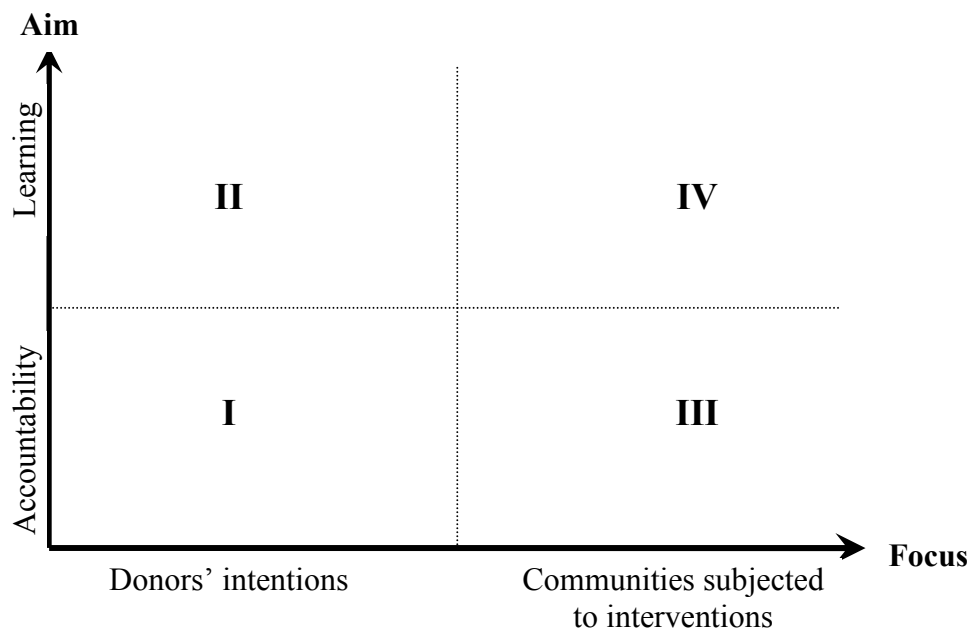
Of course, these implications have consequences for the design of the impact study of the Private Sector Development Programme in Ghana. Like the definition of impact, the design of the study has its roots in other approaches to the study of aid interventions. Thus, before proceeding to the design itself, these approaches will be examined.

3.2 Studying aid interventions: investigating donors' intentions or the communities involved?

As two extremes, aid interventions may be studied from the points of view of the donors' intentions or of the communities being subjected to interventions. Similarly, the purpose of the study may vary from pure accountability – that is, justifying the expenditure of tax-payers' money outside the national borders, at one end of the spectrum – to sheer learning at the other end. Presented this way, four ideal

types of aid intervention studies emerge, as depicted in Figure 3.1.⁵⁷ Type I is characterised by its focus on the intentions of the interventionists, as well as its aim of demonstrating effects in order to be accountable to external stakeholders. This type is numerically the largest group, as it encompasses the majority of aid evaluations conducted during the past forty years. Type II, similarly, is characterised by its focus on the intentions of the donors, but unlike Type I, the main purpose is not accountability but instead to learn more about how aid interventions work in a particular context. The border line between Types I and II is not watertight: some aid intervention studies may contain both accountability and learning aspects. Types III and IV have their main focus on communities that are exposed to aid interventions rather than donors' intentions. The former aims to demonstrate effects, while the latter seeks to understand the processes at play when intervention meets communities.

Figure 3.1. Four types of aid intervention studies



In the following, only Types I and IV will be dealt with at any length, as they are contrasted on both parameters: aim and focus. Moreover, Type I comprises by far the largest volume of information regarding aid interventions, while Type IV contains most in-depth knowledge about the interplay between interventions and local communities. In contrast, hardly any pure Type II studies have been conducted,

⁵⁷ It should be noted that this simple classification misses out numerous studies of aid, for instance, studies of organisational cultures in development aid, aid politics, and aid procedures. The intention here, however, is only to classify the studies of aid interventions.

while Type III studies are by and large linked to certain sorts of aid intervention, namely those that are implemented using participatory methods. In addition, the borders between accountability and learning, as well as between the focus on donors' intentions and on communities subjected to interventions, are contested.

The majority of knowledge we possess about aid interventions in general comes from evaluations of various kinds.⁵⁸ Evaluations of development interventions essentially serve two purposes, namely to improve future aid interventions through feedback of lessons learned, and to provide a basis for accountability, including the provision of information to the public (DAC, 1992: 132). Since these two aims are seldom fulfilled in one evaluation, an evaluation is often referred to as either *formative*, that is, it is conducted for the benefit of those managing the programme and therefore seeks to deepen understanding of what has happened in order to enhance future performance; or as *summative*, that is, it is conducted for the benefit of external stakeholders (for instance politicians, tax-payers etc.) in order to record achievements (Europe Commission, 2001; Kruse, Kyllönen et al., 1997).

3.2.1 Goal-bound summative evaluations (Type I)

This section deals with the *summative* evaluation that is by far the most widespread of the two evaluation types. It analyses why this particular type of evaluation has become the dominant kind and what sort of information we can draw from it. The reason for its dominance should be sought partly in the history of evaluation development, with its roots in the United States, combined with specific events in Denmark, and partly in the close link between aid evaluations and aid management tools. These reasons lead to evaluation being by and large *goal-bound*, that is, evaluations assess whether or not politically articulated aims have been implemented or not, as well as estimating the end effect of an intervention. Moreover, quantitative data dominates, as economists were in the forefront in developing methods of evaluation.

Evaluation as we know it today – its methodology, its theory and its professionalism – has its roots in the 1960s' expansion of the welfare state in the United States, which created a void of knowledge between grant-awarding authorities and policy-formulating authorities. In order to fill this gap, evaluations were called for.

⁵⁸ No consensus exists as regards the precise definition of an evaluation. However, the concept is used to test the coherence and applicability of a programme, that is, an *ex ante* evaluation; to assess the immediate results of an implementation, that is, an *ex nunc* evaluation; and to examine the final results of a programme, that is, an *ex post* evaluation (Virtanen and Uusikylä, 2004). In the field of development aid, DAC defines an evaluation as 'an examination as systematic and objective as possible of an ongoing or completed project or programme, its design, implementation and results, with the aim of determining its efficiency, effectiveness, impact, sustainability and the relevance of the objectives' (quoted from (Berlage and Stokke, 1992: 5).

To the fore in this development were institutions requiring information that could readily be applied by policy-makers. Thus, quantitative data that could easily be transformed into tables and figures, with information on outputs, outcomes and cost-effectiveness, was preferred to qualitative data that could only with difficulty be used for these purposes. Simultaneously, the political authorities approached American social scientists, especially economists, in order to obtain guidance in designing evaluations of social programmes. American social science in the 1960s was dominated by the positivistic paradigm: evaluation research consequently also became dominated by this line of inference, that is, universally valid conclusions about a whole phenomenon were drawn from a number of observations. In line with this, conclusions regarding programme success or failure were transferred from one context to another (Albæk, 2001; Krogstrup, 2001; Virtanen and Uusi-kylä, 2004).

Evaluation of Danish development aid began in the 1960s. The first comprehensive evaluation of a Danish development project is claimed to have influenced the design of aid evaluations in Denmark ever since. In the late 1950s, an agricultural training school project in southern India was started with the aim of making the beneficiaries adopt improved agricultural methods. Almost a decade after its launch, it was decided to evaluate the merits of the programme.⁵⁹ The evaluation team concluded that there was no significant difference as regards the adoption of agricultural methods between the students who had attended the training school and those who had either attended the school before the project was initiated or attended other schools. The evaluation created a heated debate regarding the role of development aid because the project was among the first Danish development projects. The project's lack of success led to a suspension of research-based evaluations of Danish development aid (Folke, 1998: 78f),⁶⁰ which were replaced by a more standardised approach to evaluation, mostly conducted by short-term consultants.

The institutionalisation of aid evaluations in Europe began in the early 1980s, but most bilateral donors still did not systematise evaluations, and only a minority of aid projects and programmes were evaluated. However, this soon changed: for-

⁵⁹ Folke, S. et al. (1969): *An Evaluation of the Danish Mysore Project*. Copenhagen: Mellem-folkeligt Samvirke.

⁶⁰ In the words of one of the researchers, 'as a result of our evaluation...[Danida] more than doubts the advisability of conducting extensive investigations of development projects; investigations that seek to penetrate deeply through the application of social science methods' (Jørgensen, 1972: 79 (own translation)). Twenty years later, Schaumburg-Müller (1991: 103) elaborated on the role of this particular evaluation: 'It was felt that this type of evaluation had given a bad reputation to sincere development work.... For some time, there was an aversion on the policy level not only to ex post evaluations, but also to some degree to social science development research in general'.

foreign aid became increasingly exposed to criticism, and aid agencies, both bilateral and multilateral, responded with an added emphasis on evaluations.⁶¹

Throughout this period, the quantity of evaluations increased dramatically. Concepts, methods and approaches in aid evaluation were consolidated especially through the work done in DAC's Expert Group in Aid Evaluation.⁶² Furthermore, greater attention was paid to the longer-term effects of aid interventions.⁶³ Consequently, an increasing proportion of evaluations were *ex post*, and in accordance with this trend, in 1986 the Chairman of the Board of Danida recommended that Danida evaluations should preferably investigate the long-term effects of aid (Schaumburg-Müller, 1991: 107f). Meanwhile, new forms of aid were emerging and slowly replacing old ones: for instance, project aid was replaced with non-project aid, including programme aid. These new challenges were to a large extent met by aid evaluations: whereas no thematic or cross-cutting evaluations had been made prior to 1985, four were conducted in the following two years (Schaumburg-Müller, 1991: table 1). Recently, new forms of evaluation have emerged that aim to increase the learning dimension as well as pay more attention to the communities that are the subject of the interventions. However, the core objective of the great majority of evaluations is maintained, namely to answer the question of whether a project or programme for which a donor has provided funds has achieved its stated objectives or not.⁶⁴

A number of other reasons have been suggested for the dominance of the summative evaluation, among them the role of the tax-payers and lack of time. Ireland, McGregor et al. (2003: 420) actually suggest that development staff seldom have the 'time to consider whether they are "doing the right thing" as they are too busy demonstrating they are "doing things right"'. More likely, however, the dominance of the *summative* evaluation is related to the close link between the aid management tool, the logical framework approach (LFA) and aid evaluations.⁶⁵

⁶¹ See Ridell (1987) for an impressive account of the various critiques of aid.

⁶² In 1997, this group changed its name to the Working Party on Aid Evaluation.

⁶³ The increased focus on longer-term effects took off after the publication of *Does Aid Work?*, which summarised and analysed a large number of evaluations (Cassen, 1986).

⁶⁴ Evaluations often serve as justifications for continuations of interventions. Both so-called successes and failures may serve as basis for continuation, either with minor modifications or with major reformulations. However, evaluations seldom assess the very idea of planned interventions. Therefore, they seldom recommend discontinuity of the intervention or the intervener (Long, 2001).

⁶⁵ Disagreements persist as to whether or not LFA is still exerting a major influence on the way we perceive evaluations. Europe Commission (2001) and Gasper (1997; 2000), for instance, see a clear link between the two, whereas Cracknell (2000: 47ff) argues that although LFA did indeed influence aid evaluation thinking until the late 1980s, since then participatory methods have gained ground and thus pushed LFA aside. Disregarding these controversies, the Terms of Reference of external evaluations most often specifically demand LFA-like approaches, suggesting that LFA influences the way evaluations are perceived. The following quote is a typical example of advocating a

From the very beginning, development interventions became tied up with planning and management tools. The project cycle is the best known illustration of this in the aid business. The project cycle was first introduced by the World Bank in order to make sure that a high quality was maintained in the diverse projects the Bank was involved in. Since then, the project cycle has been developed and refined several times. However, the central idea of a project/programme/policy that runs through several pre-defined progressive phases, no matter its content, is maintained.⁶⁶

In order to streamline the work in the various phases, a number of supplementary planning and management tools were developed. The most famous of these tools is the LFA, which was developed for USAID in the late 1960s on the basis of standard American management tools to manage the project cycle. A series of project evaluations had concluded that USAID's projects only had limited success due to a lack of clear objectives and of standardised project formats. Precisely these factors were dealt with in the LFA. It therefore soon became an integral part of USAID's work, and by the mid-1980s almost all major donors had adopted LFA or a similar planning and management tool. Today, all these donors have produced LFA guidelines,⁶⁷ and the approach now directs all phases in development aid, from the initial planning phases to the *ex post* evaluation.

In many ways the LFA reflected the view of the time: that is, it was assumed that a single organisation could implement a (controllable) change via a project. Essentially, the LFA perceives the development process as a causal chain of events described in the logical framework or 'logframe'. The logframe is a table that summarises and connects the main elements of the planned intervention.⁶⁸ In es-

close link between LFA and evaluations: 'The overall objective is to evaluate the programme's long-term impact.... Based on the ToR, the team is required to evaluate the B-t-B Programme in terms of the achievements of its objectives' (Danida, 2000b: 4).

⁶⁶ This idea of stages was first described by Baum (1970), who identified four different phases that all World Bank projects go through, namely: identification, preparation, appraisal and supervision. The idea of different stages was soon taken up by other donors, who developed the cycle according to their needs. Hence, the exact number of phases, as well as the names given to them, varies (Baum, 1978).

⁶⁷ The Nordic countries adopted the German version of the LFA, ZOPP. Danida has applied the LFA since 1989 (Danida, 1996). Even though other planning and management tools have been introduced from time to time into the aid business, LFA comes closest to being an 'industry standard' (Crawford and Bryce, 2003).

⁶⁸ The 'planned intervention' is based on an idea of rationality. It implies that development can be predicted and controlled (the idea of 'social engineering'), that it is possible to break with the past (the idea of 'discontinuity'), that development may only be set in motion by outside interventions (the 'cargo image' of intervention), and that recipient communities are homogeneous entities. However, these four pillars of 'planned intervention' have been heavily criticised, especially in the African context: development interventions are not inserted in a vacuum, history is not eradicated, development takes place continuously from the inside, and target groups are distinctively heteroge-

sence the matrix consists of two ‘logics’, vertical and horizontal. The former refers to the main intention of the project/programme. It then seeks to clarify the cause-and-effect logic between the assumptions and the objectives. The latter refers to the means by which the objectives are met, that is, the measurement of resources and the results of the project/programme. In sum, the logframe matrix provides an overview of the project’s objectives, that is, its goal, outputs and activities, measurable indicators, possible data sources, and major assumptions and risks related to the project. In this way, inputs are directly related to activities that are linked to results. These results are then connected to the project/programme goals, which are further related to the overall development objectives. Moreover, the matrix provides the development agency with indicators to measure the extent to which each level is reached and assumptions of the related risks (Coleman, 1987; Crawford and Bryce, 2003; Gasper, 2000; Hersoug, 1996; McCaul, 2000).

This planning and management tool has spread so widely so quickly because of its clear advantages for development agencies. The logframe ensures that planners make explicit the relationship between the proposed project/programme and the overall development objectives of the organisation. In this way, the development organisation makes certain that the project/programme falls within the boundaries of the mandate of the organisation. Moreover, the logframe provides a clear focus on indicators and possible pitfalls in the planning process.

Des Gasper acknowledges the need for planning in development aid, but he reminds us that logframes are simplifications of reality and should be seen as such. He also reminds us of some of the major pitfalls related to the use of LFA, namely the *ex-post* application of the logframe to please external funders; the risk of filling to much information in the matrix; the risk of omitting important aspects of the project just because they do not fit into the matrix; and the risk of seeing the logframe as an unchanging framework. Moreover, he is highly sceptical about the growing misuse of the LFA. Although LFA is increasingly used as a framework for evaluation,⁶⁹ in his view, logframes ‘give a predetermined focus which neglects major unintended processes and effects. Use of LFA in ex post evaluation is a form of goal-based evaluation [that] looks mostly at *desired intended effects*. Further...it considers the achievement of intended effects *in intended ways*’ (Gasper, 2000: 23, emphasis in original).

neous. For critiques of the planned intervention approach, see e.g. (Marcussen, 1999; Marcussen and Bergendorff, 2003; Mosse, 1998: 5f).

⁶⁹ The European Commission specifically stipulates the use of LFA in evaluation (Europe Commission, 2001: 9). Likewise, DfID’s new ‘output-to-purpose reviews’ directly stem from the LFA (Coles, Evans et al., 1998).

Moreover, the use of ‘objectively verifiable indicators’ as proxies for the performance tends to produce quantitative indicators at the expense of the richness of qualitative data (Green, 2003). Similarly, the mere form of the logframe excludes the analysis of politics, as all problems (including political tensions) must be defined as technical in order to be dealt with successfully (Bierschenk, 1988: 153). The logframe therefore limits the possibility of learning and obtaining a richer understanding of how aid works.⁷⁰

Thus even though in theory evaluations may be both *formative* and *summative*, in practice this is seldom the case, as the search for learning conflicts with the planning and management and with the requests of the external stakeholders. LFA inhibits learning, as it points to certain anticipated (and therefore known) effects of an intervention. Moreover, external stakeholders demand accountability and ‘...it [the learning perspective in evaluation] will often limit the chances that the overall assessment of the project is favourable’ (Danida, 1999a: 22). Therefore, as will become apparent in the next section, the learning perspective is often left out of evaluations.

3.2.2 Goal-free formative evaluations (Type II)

Type II, also known as *goal-free* or *formative* evaluation, is conducted for the benefit of those managing an aid programme and therefore seeks to deepen understanding of what has happened in order to enhance future performance. It has only been adopted to a very modest degree. Even though attempts have been made now and again to develop evaluations that do not take external stakeholders’ interests into account but instead focus solely on the effects of an intervention in order to understand better how it has worked, the main idea of an evaluation, which stems from the LFA, remains: it is possible to map the interrelationships between objectives, inputs, outputs and outcomes. Thus, formative evaluations have never had much impact upon mainstream evaluations (Albæk, 2001; Krogstrup, 2001).

However, several initiatives have been made to develop methods that meet the reporting needs of the external stakeholders while simultaneously improving the performance of the development agency. One of these is the Canadian International

⁷⁰ Not everybody is convinced that the LFA is advantageous to development work. Crawford and Bryce (2003), for instance, point out the static nature of the LFA, Aune (2000) its exclusionary concepts (which are also seen as a strength of the LFA, in so far as it makes everybody speak the same language). Hersoug (1996) criticises its inability to deal with uncertainty. In a similar vein, Green (2003) argues that the use of LFA tends to produce simplistic strategies to address complex realities because the logframe matrix demands simplistic causal hierarchies. Others do not see the LFA itself as a problem but rather the people using it, who simply do not do their work properly (Hubbard, 2001), and expect too much from a simple planning tool (McCaul, 2000), or do not exploit the LFA’s full potential (Sawadogo and Dunlop, 1997).

Development Research Centre, which has developed the so-called ‘Outcome Mapping’ method to assess the contributions of development interventions to the achievement of outcomes, that is, behavioural change of intended beneficiaries. The main aim of the method is not to measure impact, which is actually perceived as indeterminate, but to improve the design and implementation of development programmes (Earl, Carden et al., 2001). The inventors of the method claim that it includes the community perspective, but it would be more accurate to state that they adopt participatory methods in the outcome mapping process.

David Mosse’s process-monitoring approach is hard to categorise according to the typology proposed in Figure 3.1. Although it bears hardly any similarities to the outcome mapping approach described above, it certainly aims to understand the underlying processes of aid, that is, it seeks to learn more about development interventions. It focuses specifically neither on the intentions of the donors nor on the communities subjected to interventions, but rather takes both into account. The process-monitoring approach is guided by recent changes in development aid, that is, from projects to sectors and cross-sectoral issues, and from externally planned approaches towards more flexible, participatory and learning-oriented approaches. According to Mosse (1998), these changes entail attention being directed from the intervention to the processes underlying it. Thus, attention must be paid to the various stakeholders involved in the intervention (on both sides of the developer/developpee relationship) as well as their different perceptions of the relationship; to potential conflicts between stakeholders as well as likely collaborations; and to events and relationships both inside and outside the formal boundaries of the intervention. Moreover, the approach places emphasis on the feedback of inputs from the monitoring process to the development system whereby the basis for a learning approach is provided.

3.2.3 Participatory evaluations (Type III)

The dividing line between the focus on donors’ intentions and the focus on communities subject to these interventions is not clear cut. Various participatory approaches to evaluations have been developed, their main purpose being to take the community perspective into account when testing the effects of an intervention. However, disagreement persists as to whether participatory approaches really take the community perspectives into account or rather concentrate on the intervention itself (Folke, 2000). Likewise, it has been questioned whether or not participatory methods are the most appropriate way of uncovering information about communities subject to interventions: while participatory methods may be an efficient way to reveal technical information, ‘it has not in practice provided particularly good in-

struments for the kind of analysis of social relationships which projects require' (Mosse, 1998: 15). Actually, participatory methods are 'often more likely to obscure than reveal the local social relations which shape them' (Mosse, 1998: 16).

Participation, like partnership and impact, is a catchphrase of current development discourse. Therefore, assessments of various kinds and origins now include participatory methods. 'But it is well known that in this area there is a huge gap between rhetoric and reality. Specifically, the number of truly participatory impact assessments that have been carried out is limited' (Folke and Nielsen, 2006b: 13).

3.2.4 The anthropology of development (Type IV)

Unlike the three previous categories, this category of intervention studies is not characterised by donor evaluations and donor assessments. Instead, the point of departure is the dynamics of development, in relation to either a specific intervention or the development policies framing it. Intervention studies in reality cover a wide spectrum of studies, as indicated in footnote 55 on page 55. One distinguishing feature, however, is that they focus on the interplay between the intervention and the intervened, unlike the previous three types, which focus on the effects (or impacts) of an intervention. In other words, while Types I to III see the intervention as a one-way process, studies within this category perceive it as an interaction, that is, a two-way process. Furthermore, in general Type IV studies are grounded in rich data, based either on traditional ethnographic methods, such as interviews and participant observation, or on investigations of meanings and logics in texts using discursive methods.

Ethnographic studies of aid interventions already have a long history. They originate in major developments in the field of both the sociology and the anthropology of development in the 1980s, when the case for an actor-oriented approach to the analysis of development interventions was put forward.⁷¹ The actor-oriented approach paid attention to the interplay between development-internal and development-external factors. In other words, the new approach essentially argued that a sole focus on structures was unsatisfactory in as much as development interventions enter into the life-worlds of the groups affected by the intervention. These actors try to make the best of the intervention and, in doing so, they modify it. The precise result of these modifications was seen as a result of interactions, negotia-

⁷¹ Actor-oriented approaches had already been suggested in other areas of social science in the 1960s and 1970s. However, according to Long (2001: 14) these studies were too much focused on individual responses and therefore did not grasp the complexity of the social processes involved.

tions and social struggles between various groups of actors (Long, 2001; Long and van der Ploeg, 1989).⁷²

Studies based this approach also criticised the mechanical conceptualisation of development interventions, that is, the separation between policy, implementation and outcomes, which was seen as a gross oversimplification, as no direct causal link exists between these 'phases'. Instead, interventions should be perceived as processes that involve recurrent reinterpretations and transformations. As such "“outcomes” often result from factors which cannot be directly linked to the implementation of a particular development programme' (Long, 2001: 25). Similarly, the very idea of development interventions as discrete projects in time and space was forcefully criticised: the 'outcomes' of an intervention are not confined to the target group, but most often spread to other parts of the population. In a similar vein, since development interventions are continuously initiated, actors in the development arena⁷³ may have their own experiences, which form their response to the intervention. Therefore, interventions should be seen as part of a chain or a flow of events located in a broader framework of activities (Long, 2001: 32).

Systematic ethnographic studies were therefore called for in order to understand the interplay between intervention and actors. The most famous such studies appear in the collection of articles dealing with the aid interface in *Sociologia Ruralis* 18(2/3), but the interplay has been dealt with extensively since (see, e.g., *Bulletin de l'APAD*; (Bierschenk and Olivier de Sardan, 1997; Crehan and von Oppen, 1994; Nielsen, 2000a; Olivier de Sardan, 2005)).⁷⁴ These studies interpret devel-

⁷² Alongside these studies of the interface of aid, several post-structuralist analyses of the development discourse were undertaken. The two most influential studies are James Ferguson's study of a Canadian (World Bank-supported) development project in rural Lesotho (Ferguson, 1990) and Arturo Escobar's deconstruction of the concept of development (Escobar, 1995). In his study, Ferguson demonstrates how development organisations depoliticise development by concealing political issues as development matters while simultaneously establishing development as a discourse that everybody supports. Likewise, he demonstrates how development interventions based on a depoliticised discourse have an effect even when they fail on their own terms. Escobar takes a more radical stance in his study. He sees development as a rationalising technical discourse that conceals goals of dominance. These and other post-structuralist analyses of development have made us aware of the wide gap between policies and practice in development, but critics argue that they risk over-generalising the motives of donor organisations and development professionals (Olivier de Sardan, 2005).

⁷³ The 'arena' 'is a place of concrete confrontation between social actors interacting on common issues' (Bierschenk and Olivier de Sardan, 1997: 240). In the anthropology of development literature, the arena is taken to encompass development interventions. In this type of arena, the social actors may not be endowed with the same level of influence or the same level of power, but they all are driven by interest in the intervention, and they all select and interpret the intervention in ways that are best suited for their purposes. Therefore, in practice (as opposed to the theoretical line up of a planned intervention) the development intervention becomes an unpredictable phenomenon (Olivier de Sardan, 2005).

⁷⁴ Most research within this line of thinking stems from the Association euro-africaine pour l'anthropologie du changement sociale et du développement, a Franco-African research network that

opment projects as political arenas with conflicting interests. They ask questions such as who are the recipients, how are the resources allocated, and what is the objective of the development project? Moreover, they approach the various logics that determine how the different actors act.

Inspired especially by the post-structuralist writings of authors like Ferguson and Escobar, Sharma (2006) has conducted a study of the impact of Finnish bilateral aid to the Nepalese water sector. He argues that the achievements presented in official project documents differ substantially from the impact of the intervention. The impact is by no means limited to the outcomes of the project, but relates to the way the intervention is brought into play by the various actors. Moreover, the impact is different in the different areas of intervention, depending largely on geographical characteristics, ethnic groups and choice of technology. Impact is therefore not restricted to the technical achievements of an intervention, but also covers all the (unintended) political consequences that are by-products of the interface between the intervention and the socio-economic reality in the area of intervention, and beyond. Among the most important impacts of the Finnish water project in Nepal are the following. First, there is the legitimisation of one historical narrative over another, and thus the justification of one ethnic group's access to resources over another group's access, owing partly to the way the project document narrates local history, and partly to the short historical time-frame of the intervention. Secondly, there is the creation of new leadership roles in the intervention areas through the project's emphasis on local NGOs as implementers of the intervention and thus an alteration of local power relations: in order to become a leader, one needs prior experience with NGOs and donors, needs to be able to speak the language of the donors, and have the extra time to do the work. Finally there has been widespread corruption due to the decentralisation of the procurement process.

Above all, these ethnographic studies of the aid interface inform us that the 'outcomes' of a development project or programme seldom result from factors that can be directly linked to the implementation of an intervention. The societies in which interventions are implemented are characterised by complex political, economical and cultural processes. Likewise, development, and development interventions, are social phenomena that involve several actors with dissimilar interests and motives both among the developers and the developed. Hence, 'outcomes' are the product

focuses especially on the aid interface in rural areas in Francophone Africa. Researchers within this tradition accept that development exists in Africa and that it is not likely to disappear. Their aim is therefore to explain the potential conflicts related to development, such as the continuous reconfiguration of power development involves (Batterbury, 2002). Numerous studies, especially by researchers based in Wageningen, in the Netherlands, have also been based directly on the actor-oriented approach proposed by Norman Long.

of a complex interplay of factors, of which the development intervention is but one. Moreover, these studies inform us that ‘a development project necessarily has unpredictable effects’ (Olivier de Sardan, 1988: 217).

The insights drawn from this large group of studies categorised under the heading ‘the anthropology of development’ clearly offer a great deal to the understanding of aid. Among the most important implications are:

1. The vivid descriptions of the development arena have partly opened the black box of development interventions by illuminating the multitude of meanings of development and the struggle for power among the various actors involved in the development arena.
2. The actor-oriented approach calls for a rejection of a linear conception of donor interventions in which plans are agreed, implemented with certain inputs and outputs, and evaluated.
3. Context is being acknowledged, that is, development interventions are not seen as happening in a vacuum. Rather, they are implemented in societies characterised by complex political, economical and cultural processes, the intervention being only one of many processes taking place simultaneously.⁷⁵ Time and space matters, and therefore the experience of one intervention cannot readily be transferred to another context.
4. This approach places emphasis on the unintended effects of donor interventions and that outcomes are not directly linked to inputs.
5. The anthropology of development literature pays attention to problems related to the use of technical language in, for instance, policy papers, in order for donor organisations to be able to deal with development interventions.

However, the approach has a few shortcomings in relation to the study of aid impact in the context of private-sector development in Ghana:

- At a general level, new forms of aid are emerging. Project aid is now being abandoned in favour of programme and policy aid. This makes the approach difficult to pursue methodologically, as interventions become even harder to delimit in time and space, and actors more difficult to define.⁷⁶

⁷⁵ David Mosse criticises many of these studies for losing sight of the ‘problem of policy’; the actor-oriented approach puts too much focus on the realities faced by the different actors and thereby, it neglects the struggles encountered at the policy formulating level (Mosse, 2005).

⁷⁶ It has been claimed by, for instance, Nielsen (2004) that since in reality programme aid consists of numerous small projects, the approach can still be applied. However, in the case of the Ghanaian PSDP this would imply approximately a hundred projects. At a more general level, the idea of

- Similarly, a large part of this literature deals exclusively with development at the village level and places great emphasis on local politics and on how configurations of local politics change with development. The Ghanaian PSDP does not avoid local politics, but the mere fact that the enterprises are located all over the southern part of the country makes these aspects harder to study. In a similar vein, the magnitude and diversity of the people and institutions involved in the politics of the PSDP may make other factors more powerful in explaining how the intervention has impacted upon the target group, as well as upon others.
- The approach centres on conflicts in the development arena. Hence, there is a risk that conflicts are sought where none exist. Linked to this, there is a risk of overemphasising the intentionality of the social actions (Nielsen, 2000a).
- The ethnographic approach to the study of aid contains an inherent conflict: its focus on inductive inference requires that the development arena be spatially as well as periodically delimited in order for researchers to explore the interplay between intervention and actors. On the contrary, the approach calls for the acceptance of unintended ‘outcomes’ and a lack of boundaries to the intervention.

3.3 Impact: the new buzzword in development

The preceding section explained how evaluations of aid interventions have become an integral part of the development business. It also described how one particular type of evaluation, that is, summative evaluation, has become the dominant type. Most evaluations are conducted by professional consultants on a short-term basis. This has had consequences for the sort of information we may obtain about aid interventions. First, it relates mostly to the fulfilment of donor objectives. Secondly, institutional settings, political and economic environments and power relations are treated only superficially. Thirdly, it seldom takes derived consequences into account. Finally, it is confined to the intervention area. These limitations seem to be recognised now by many donors, who are now generally demanding information regarding impact,⁷⁷ which is now an integral term in the development business.

Unfortunately, the intense focus on impacts does not imply that we now have a great knowledge of how aid works. Of course, an increasing number of studies are

numerous small projects overlooks the qualitative changes in development aid, from technology fixes to organisational changes, and from one-way interference to the idea of partnerships.

⁷⁷ External stakeholders are increasingly demanding that donors demonstrate impact (Hopkins, 1995). Likewise, NGO projects funded by bilateral and multilateral donors are increasingly made

being conducted, and a renewed focus on the processes of aid has meant that our knowledge is increasing. However, a large proportion of the impact literature does not seek to enhance our knowledge of the processes of aid, but simply tries to refine the methods used to measure whether aid has worked or not.

Table 3.1 reviews a dozen recent contributions to the aid impact literature. On the face of it, the definitions of impact presented in the literature only differ from one another slightly. However, placed on a continuum stretching from a linear definition of impact – that is, as something beyond outputs and effects in a logframe, to a complex one perceiving impact as something that happens through interplay between intervention and society – it becomes obvious that the differences are of a more fundamental character: the former stem from a blueprint planning perspective to development, while the latter are inspired by insights from the anthropology of development.

In line with LFA, impact sometimes refers to the achievements of the objectives of the project (White, 1996). More often, impact is perceived as the last (and seldom reached) stage in a process of linear monitoring and evaluation, in which case impact refers to a more thorough examination of the effects, that is, the consequences, of a project or programme on the intended beneficiaries (Oakley, Pratt et al., 1998). Common to these definitions is the search for answers to the problem of accountability. This type of definition seems to draw heavily on the planning literature in general and the impact-assessment literature in particular.⁷⁸ Experiences from these fields have been included in framing of today's aid-impact approaches.⁷⁹ Alongside these more conventional definitions, more complex definitions of impact have also seen the light of the day. On the one hand, these definitions draw inspiration from the 'anthropology of development' approach. On the other hand, a line can also be drawn from developments within the field of evaluation to the more complex definitions of impact.

conditional on a commitment to evaluate the impact of the programme (Earl, Carden et al. 2001). Hence, impact in this sense implies more thorough information as well as greater accountability.

⁷⁸ A greater part of the aid-impact literature stems directly from the impact-assessment literature, especially literature related to Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA). EIA emerged in the late 1950s as a way to put pressure on the US government to improve controls over pollution. Later EIA was introduced as a systematic method to predict the likely environmental consequences of a project (Roche, 1999). The form and procedures of the SIA derive from the EIA: SIA was created to guide governments in making the right social decisions and investments (Ingersoll, 1990). SIA is now an integrated part of the framework for incorporating participation and social analysis into the design and delivery of development projects in multilateral donor organisations such as the World Bank (Baker, 2000; Vanclay, 2000) and the Inter-American Development Bank (Dietz and Pfund, 1988).

⁷⁹ Even though both EIA and SIA are predictive in nature, they still seem to form the basis of new approaches to (*ex post*) impact assessment. One such approach is the 'integrated impact as-

Table 3.1. Definitions of impact: some illustrations

Success or failure? Linear definitions of impact	
Impact assessment	-the achievements of the objectives of the project (White, 1996)
	-the contribution the outputs have made to achieving the goal of the intervention (Hubbard, 2000)
	-the outcomes and effects of a development project, as part of the process of project implementation (Phillips and Edwards, 2000)
	-the achievements of objectives and consequences of a particular intervention (Adams, Batchelor et al., 2000)
	-the positive and negative changes which ...[the] programmes have produced in the lives of all members of the target group (Marconi and Mosley, 2004)
	-to determine more broadly whether the programme had the desired effects on individuals, households, and institutions, and whether these effects are attributable to the program intervention (Baker, 2000)
	-both positive and negative consequences, whether foreseen and expected or not (Danida, 1999a: 56)
	-to assess what changes had been experienced by people and how the organisation had or had not contributed to these changes (Kelly, Kilby et al., 2004)
	-the backward and forward linkages to enterprises not directly assisted by the project (Hyman and Dearden, 1998)
	-the systematic analysis of the lasting or significant changes – positive or negative, intended or unintended – in people’s lives brought about by a given action or series of actions (Roche, 1999)
Impact study	-incorporates both the intended and the unintended effects while and at the same time including an analysis of changes during a longer time-span, and sees the intervention as one of several factors influencing a particular development (Folke, 1998)
	-the social processes that are initiated when development projects are installed, expected or not, included in the objective of the project or not, and among the project target group or among other social groups (Nielsen, 2000b: 33)
How does aid work? Complex definitions of impact	

Even though ‘impact’ as defined in the upper half of Table 3.1 hardly has any meaning beyond that of the expected consequences on the intended beneficiaries, it is still the most common meaning of the word. Lately, numerous different aid impact-assessment methods have been proposed by NGOs and academics alike. Most of these approaches fall within the spectrum depicted in Table 3.1, that is, from a very instrumental definition of impact to a more complex one.

Beginning with an example from the upper half of the table, let us consider the ‘potential impact’ approach proposed by Hubbard (2000). This approach draws heavily on the LFA; impact is defined as *the contribution the outputs have made to achieve the goal of the intervention*. In that sense, impact is perceived as a stage beyond efficiency and effectiveness and is closely linked to the logframe catego-

assessment for sustainable development’, integrating economic, environmental and social dimensions in the assessment; this has been proposed by (Bond, Curran et al., 2001).

ries: purpose and goal. The very word ‘potential’ makes this approach different from most others, as it attempts to compare the actual impact of a project with its potential impact, that is, its potential benefits for the intended beneficiaries.⁸⁰ Not surprisingly, the ‘potential impact’ approach does not offer any new insights into the social or political processes of an intervention.

The various approaches that emerged from NGO circles show some similarities. They take the financial and organisational constraints into account, that is, they seek a fast and relatively cheap way to assess the impact of their projects. In general, these approaches seek to address questions such as: are we having an impact? is it sustainable? for whom? and, what is the nature of this impact? The goal for many NGOs is to have common methodological guidelines. Therefore, there is a tendency for smaller NGOs to copy a set of methods and indicators used by larger NGOs (Hopkins, 1995). However, there are also notable differences. Broadly speaking, NGO aid impact assessments seem to fall in either of the two following categories: *participatory impact evaluations* or *effect studies*,⁸¹ that is, Type III or Type I studies. The former refers to an approach used by, for instance, Oxfam and Action Aid to locate impact assessment at field level. It places a high value on the involvement of local people in gathering as well as analysing data and negotiating its meaning and validity. In addition, it tries not to follow a pre-determined path, but rather places the emphasis on the community perspective. Effect studies, on the other hand, derive from the effectiveness view of assessing foreign aid. Examples of the latter are the ODI impact studies on the alleviation of rural poverty (Adams, Batchelor et al., 2000; INTRAC, 2001). Analogous to the discussion in previous sections, in reality these two types of assessment serve two different purposes. Participatory impact evaluations aim to increase knowledge about how the project or programme is perceived locally as well as serves accountability purposes, while effect studies only serve the latter.

Due to a combination of practical difficulties in developing countries (data is often limited, and baseline or monitoring data with which to compare them are often lacking) and the costly and time-consuming nature of some participatory methods, some NGOs have adopted an approach ‘in between’ the two presented above. The Christian relief organisation, Tearfund, uses the phrase ‘impact assessment’ to refer

⁸⁰ The potential benefits are derived from an exercise that focuses on the obstacles to achieving the objective, the extent to which development assistance can help to remove these obstacles, and any external costs imposed by the project. Following this logic, the highest potential benefits (and thus highest potential impact) are to be found where the positive effects of a project are prevented by obstacles that can only be removed by the development assistance and that inflict no costs on others.

⁸¹ Of course, other approaches exist, as a large NGO evaluation synthesis study demonstrated (Kruse, Kyllönen et al., 1997).

to an evaluation of the achievement of objectives and the consequences of a particular intervention. They include a number of fashionable terms in the policy guidelines, such as holistic approach, joint accountability and learning. However, when it comes to the methodology used to assess impact, the guidelines recommend that rigorous and feasible methods should be applied, that benchmark analysis should be used, and that attempts should be made to compare data (Adams, Batchelor et al., 2000).

Other NGOs have tried to incorporate more complex definitions of impact in the assessments of their projects and programmes. Hyman and Dearden (1998) describe the impact assessment of four American NGOs that support or implement business-development programmes. The 'broader impact' of a particular project is here described in terms of the backward and forward linkages to enterprises not directly assisted by the project. Moreover, various levels are included in the analysis, namely the enterprise level, the household level and the community level. Thus on the one hand it is possible to assess whether or not the projects have met their objectives, while on the other it is possible to obtain a brief overview of the derived impacts of the projects, for example, how the changed income levels of the intended beneficiaries have affected the way they purchase inputs, and who they subcontract to, respectively.

The late 1990s also saw an increased interest in systematic impact studies in Denmark. Danida and a few large Danish NGOs commissioned a large-scale NGO impact study, which was conducted by Danish and foreign researchers in 1998-99. These NGOs had in fact been attempting to measure the impact of their projects for some time, but their results vis-à-vis determining the actual impact were meagre, in the sense that they did not know how to cope with the lack of base-line data, lack of systematic registration of the results of the projects, lack of clear targets etc.⁸² (Kaare and Nielsen, 1999; Madsen, 1999; Oakley, 1999; Sultana and Folke, 1999).

Experiences from this study formed the basis for the four-year AID- research programme at the Danish Institute for International Studies (formerly Centre for Development Research).⁸³ Slightly different definitions of impact have been applied in this programme's impact studies. However, common to them all is their adoption of a so-called 'broad' (or complex) definition of impact that is based on

⁸²Major impact studies of NGO programmes were also conducted elsewhere. Madsen (1999: 36f) highlights studies in Finland, Sweden and Norway from the mid-1990s. Insights from these studies have greatly informed the Danish NGO Impact Study.

⁸³ Several impact studies have been conducted as part of this research programme, including (Adam and Nielsen, 2002; Boesen, Ravnborg et al., 2003; Folke, 2001; Sørensen, Bekele et al., 2004; Wilson, 2004). More recently, the experiences of this programme have been compiled in an anthology entitled 'Aid Impact and Poverty Reduction' (Folke and Nielsen, 2006a).

the work of Roche (1999), who, referring to an NGO impact study, defines impact assessment as ‘the systematic analysis of the lasting or significant changes – positive or negative, intended or not⁸⁴ – in people’s lives brought about by a given action or series of actions’.⁸⁵ This definition has been modified several times by the research group in order to take into account, amongst other things, the *time dimension* (some changes happen during the implementation of a project or programme, while others are only experienced long after its end) and the *spatial dimension* (are changes limited to the project area, or can unintended consequences be found in neighbouring villages or regions too?) (Folke and Nielsen, 2006b).

3.4 ‘No common recipe for wider impact studies’: designing the PSDP impact in Ghana

Before proceeding with the design of the aid impact study of the PSDP in Ghana, the main conclusions of this chapter so far will be highlighted:

- Knowledge about aid interventions based on aid evaluations is at best sporadic, clustered around the expected positive results. At worst the goal-boundedness, the close link to aid management tools, and especially the demands from external stakeholders, result in empty political judgements regarding the merits of the intervention.
- Neither goal-free evaluations nor participatory evaluations have won general acceptance. Interesting insights may be drawn from a few of these studies, but in general they do not provide insights about impact that are not dealt with by Type IV studies.
- The anthropology of development has enriched our understanding of development interventions with regard to local communities. Insights from this area have paved the way for present-day impact studies.
 - However, the ethnographic methods used in these studies are less suitable for a study of aid intervention in the Ghanaian private sector with a very heterogeneous group of actors spread over the whole of southern Ghana than the mostly technical interventions in rural areas that have been the main focus of the ‘anthropology of development’.

⁸⁴ In relation to, for instance, Danida’s definition of impact (see Table 3.1), the important word here is ‘intended’, in as much as Gasper (2000: 23) reminds us that ‘unintended is a broader category than unexpected, since all unexpected effects are unintended but so are some expected ones’.

⁸⁵ This definition is not without its problems. For instance, it does not define what ‘lasting and significant changes’ are (Nielsen, 2000b), it does not include temporary changes, even though they can be just as important as lasting ones, and the momentary effect of a project may eventually have a considerable impact on the wider society (Sørensen, 2000).

- The interest in impact has escalated recently from donors and academics alike, and new methods and study designs are constantly being put forward. However, new insights into the aid--society relationship have lagged behind: while a few studies have sought to dig more deeply into the impact of aid interventions, most studies (or rather assessments) have used impact and effects interchangeably.

This enquiry is informed by insights from the anthropology of development as well as from so-called wider impact studies. While the former makes a case for ethnographic studies, the latter maintains that methods should ideally be adapted to the specific study: ‘There is no common recipe for wider impact studies. A key point is that the studies must be contextualised and tailor-made in order to uncover the relationship between context, intervention, development process and impact’ (Folke and Nielsen, 2006b: 14).

This study takes as its point of departure an understanding of aid interventions as complex situations in which different actors with different degrees of influence over the intervention pursue different strategies according to their own needs. As described in section 1.3, it seeks to provide a deeper understanding of the changes that are associated with Danida’s PSDP in Ghana.

The target beneficiaries of the programme are the Ghanaian enterprises that take part in the PSDP via business collaborations with a Danish private company. These enterprises form the foundation of the study. The main instrument in this intervention is the transfer of technology and skills from the Danish company to the Ghanaian company. In order to increase the understanding of impacts, the concept of technological capabilities is applied to the study of changes among the target beneficiaries. However, development interventions become unpredictable phenomena by default (Olivier de Sardan, 2005: 186), so that the study must take into account other changes related to the target beneficiaries. Moreover, interventions also affect non-target groups (elsewhere). The study must therefore also include these groups if it is to extend knowledge of the impacts of the intervention.

In contrast, the PSDP is but one of several developments taking place simultaneously. Hence, only some changes may be associated with the development intervention: others are brought about by changes in, for instance, the domestic or world economies. What is attributable to the intervention and what is attributable to other developments may only be determined with any accuracy on a case-by-case basis. For some target beneficiaries, the financial as well as technical inputs related to the PSDP lead to considerable transformations with respect to the potential to enhance company performance, while the inputs only set minor changes in motion in other

companies. These differences refer to aspects like size, relevance and timing of the PSDP in relation to the needs of the target beneficiary (cf. section 8.2.5), but they are not confined to these aspects. Just as important for the observed changes are changing market preferences, changing demands, changing exchange rates etc. For non-target groups, the distinction between what is attributable to the intervention and what is not becomes even harder.

In order to make the study of impacts manageable, three analytical levels have been singled out, namely, the enterprise level, the private-sector level, and the level of the society as a whole.

1. Impacts at the enterprise level refer to changes among the target group of the programme. The analysis at this level seeks to single out changes in participating Ghanaian enterprises that have come about as a consequence of collaboration with a Danish partner via Danida's PSDP.
2. Impacts at private-sector level: specifically, how the programme impacts on other businesses in Ghana through direct collaboration, competition or transfer of skills.
3. Impacts at society level, that is, changes in Ghanaian society at large that may be associated with the PSDP. Of special importance here is an analysis of who benefits from the intervention and the changes in the target group's labour force, and its competitiveness.

Following the definition of impact presented in section 3.1 above, at the enterprise level a distinction is made between the intended impacts on the target group and the unintended impacts. The analysis of intended impacts places the emphasis first on the role of the PSDP in the enhancement of performance in the Ghanaian enterprises, that is, in the shifts in activities which sustain higher incomes for the target group. This is done via a scrutiny of changes in technological capabilities in these enterprises (see Chapter 4 for further elaboration of the link between business-to-business support and the building of technological capabilities). Secondly, it focuses on developmental issues, which are only vaguely listed by Danida but include among other things job creation, production increases, increased product quality and variety, and greater profitability for the Ghanaian enterprises that have participated in the programme (cf. sections 2.2.2, 8.2). Here unintended impacts include both positive and negative changes, as well as direct and derived changes that affect the target group. Unintended impacts come about because of strategies of selection and sidetracking. Strategies vary from actor to actor and from case to case. They include strategies to minimise risks, leverage available resources and appro-

appropriate resources. However, unintended impacts cannot be reduced to strategies of selection and sidetracking alone, but also come about simply because two businesses (from different business systems) are collaborating, facilitated by a development organisation. It is therefore impossible to present strict indicators to measure the unintended impacts of the programme at this level. Instead, actor strategies, as well as sidetracking of the programme, will remain the centre of attention in this analysis. These strategies find expression in changing trustworthiness, access to credit, non-repayment of loans and declining earnings, as shown in Table 3.2.

Table 3.2. Impact indicators at various levels

Level/focus		Indicators
Impact indicators at various levels	Enterprise	Core focus
		Technological capabilities
		Investment capabilities Production capabilities Linkages capabilities
	Intended impacts	Developmental measures
		Employees Earnings Productivity Products (quality/range)
	Unintended impacts	Selection / Sidetracking Trustworthiness Access to credit Non-repayment of loans Declining earnings
Private sector	Broader impacts	Diffusion of knowledge Job rotation Forward linkages Backward linkages Competitors Business organisations Second-hand machinery
	Society	Broader impacts
Society	Broader impacts	Employment structure
		Competitiveness Access to funding

The analysis of impact at the private-sector level rests on two strands of the literature. The first is related to the upgrading discussion just mentioned: it deals with technology change and how technology transfer from one company to another may lead to technological capability building. The second strand of literature, more important in this context, is that on the business-system approach, which deals with how institutions influence the way firms act and interact in a specific (national) context. The business-system approach is applied in order to explain possible constraints in the diffusion of impacts from the enterprise to the private-sector level. The analysis of impacts at this level focuses on how knowledge, skills, and technology spread from the target group to non-target groups – more specifically to

other private entities in Ghana. Of specific importance here is the diffusion of technological capabilities to suppliers, retailers and competitors via different forms of (close) collaboration, the diffusion of skills through job rotation or the sale of second-hand machinery, and the diffusion of technological capabilities through membership of business organisations.

The business-system literature also informs the discussion of impact at the society level by focusing on significant institutions in Ghanaian society. It thus aids analysis of the factors that facilitate or hinder the spread of impacts from the target group to society at large. In order to study the broader impacts at this level, attention is paid to how the PSDP impacts upon the employment structure, competitiveness and local stratification by power or wealth.

4. SMALL ENTERPRISES, TECHNOLOGY TRANSFER, TECHNOLOGICAL CAPABILITIES AND UPGRADING

This chapter takes the changing conditions for small enterprises in developing countries as its point of departure. Small enterprises still constitute the majority of enterprises in developing countries, but they are faced with competition from new areas, especially cheap imports of consumer goods. The literature on enterprise clusters⁸⁶ and global value chains⁸⁷ (GVC) suggests that small enterprises have to link up locally as well as globally in order to stay competitive. Several donors perceive the small enterprise sector as a potential source of economic growth. They therefore spend lots of resources in facilitating their growth either through direct support to the enterprises themselves or through support to institutions that help them. Most of these programmes share a focus on the improvement of technological capabilities, that is, the information and skills that allow productive enterprises to use equipment and technology efficiently, through technology transfer and instruction (Lall and Latsch, 1999). This is also the case for Danida's PSDP, which seeks to facilitate economic development through company-to-company cooperation (cf. Chapter 2). However, technology transfer does not necessarily lead to a strengthening of technological capabilities. The literature suggests that the ability to use the new technology and apply it to (new) commercial ends is closely related to the technological efforts of the firm (cf. Figure 4.1 page 79). Thus, in order to build technological capabilities at company level, efforts must be put into the learning process. Moreover, technological capabilities have to be associated with a general upgrading process to facilitate enhancement of the firm's economic performance. The overall rationale for donor agencies to support technology transfer to selected companies in developing countries rests on the donors' confidence in knowledge and technology spillovers from supported companies to other parts of the private

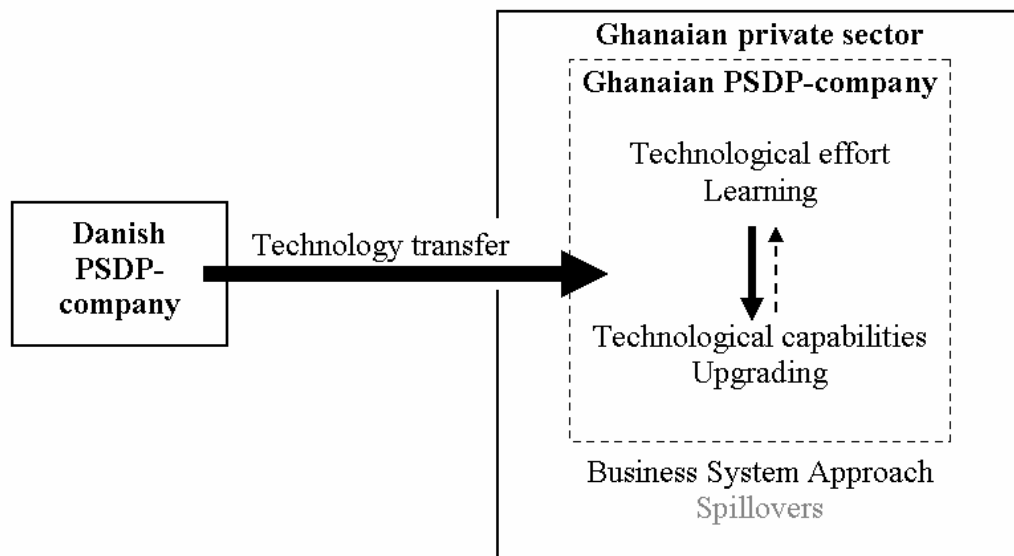
⁸⁶ Basically, clusters are sectoral and spatial concentrations of firms. Clusters have recently achieved much attention, as they are seen to be a way for (mainly) small enterprises to compete. The theoretical heritage of the literature stems mainly from the writings on so-called 'new industrial districts' in the mid-1980s. Recently, it has been acknowledged that many types of cluster exists, not only in developed countries, but also in developing countries (Helmsing, 2001; McCormick, 1999; Schmitz and Nadvi, 1999).

⁸⁷ A value chain is here defined as a sequence of complementary activities within a certain sector: it thus incorporates the full range of activities that are required to bring a product or service through its various phases, from design, via production and marketing, to consumption and recycling. In line with this, following Gibbon (2003: 616), a global value chain is defined as a sector-based structure of international trade that develops from the twin phenomena of the dispersal of production and market integration.

sector in developing countries. Thus, company-level support is perceived as fostering economic growth at the society level. Knowledge and technology spillovers are, however, not straightforward, but are based on horizontal and vertical linkages, that is, linkages among companies at the same stage of the production process and linkages among companies at different stages respectively.

Figure 4.1 seeks to outline the basic relationship proposed in this chapter. Thus, after an introductory presentation of small enterprises in SSA and the changing situation in which they are operating, the chapter continues with a short account of technology transfer in section two. Numerous studies deal with the generation, diffusion, adaptation and transfer of technology within companies, between companies, between countries, and at various levels. This chapter will not offer a comprehensive account of this literature but instead place a special focus on clarifying important concepts in the debate. Moreover, it will point to a much neglected issue in the literature, namely the linkage between the transfer of technologies and the building of technological capabilities.

Figure 4.1. Building technological capabilities via technology transfer



Section three sets out the main line of reasoning underlying this chapter. It rejects orthodox approaches to technological change and instead proposes a more heterodox line of reasoning, which maintains that technology is not readily available for all enterprises. Rather, the mere process of choosing and acquiring technologies bristles with obstacles and difficulties, being characterised by a degree of uncertainty and following certain trajectories. Consequently, the process of turning transferred technologies into technological capabilities necessitates technological

efforts. It is precisely these technological efforts that are essential in the building of technological capabilities at the enterprise level that will be elaborated further in section four, which also considers the obstacles to the process of learning. This section argues that learning is not without or incidental: rather, it is costly and targeted. Moreover, learning often builds on previous knowledge and most often happens in the vicinity of what is already familiar to the company.

The fifth section scrutinises the upgrading literature. It argues that concrete processes of upgrading are only vaguely understood, and that upgrading does not solely depend on firm-internal aspects, as described in the previous sections, but also on firm-external aspects. Thus, in addition to technological efforts, the particularities of the business system are of the utmost importance (cf. Chapter 5). Upgrading has a multitude of connotations, and in order to obtain a better understanding of the process, it is of the greatest importance to specify exactly what is meant by it. This study focuses on specific aspects of upgrading, namely firm-internal improvements in products and processes that come about via inter-firm collaboration facilitated by a development agency. The concept of technological capabilities encompasses precisely these processes. The aim of the sixth section of this chapter is therefore to review critically the literature on technological capabilities in order to construct a framework to assess *changes* in technological capabilities in Ghanaian PSDP companies.

Figure 4.1 depicts the most important aspects of the process of building technological capabilities in small Ghanaian enterprises via technology transfer from a Danish enterprise. For the sake of clarity, the role of the development agency is excluded – the figure is limited to the description of the processes from the technology transfer to the building of technological capabilities. It illustrates that even though, in this case, technology transfer is a major ingredient in the process, it is not the sole ingredient. Technological capability building also depends on technological efforts and learning, which is also affected by key institutional features in Ghanaian society, as illustrated by the dotted line. Moreover, these key institutional features also tend to influence the absorption capacity of the Ghanaian enterprises. Lastly, the spread of technological capabilities from one enterprise to others in the Ghanaian private sector depends on how companies collaborate and compete, this again being determined by the business system.

4.1 The changing situation for ‘the small-enterprise sector’ in Sub-Saharan Africa

Small enterprises dominate the economic landscape of most SSA-countries: they employ the majority of the population in both rural and urban areas, and form a large proportion of the income-earning activities of the population.⁸⁸ Moreover, it has been argued that they ‘constitute the driving force of economic development in general and industrial development in particular’ in both developed and developing countries (Kaplinsky and Readman, 2001: 2). They are thus the backbone of the private sector in developing countries and are seen as being able to ‘alleviate poverty by contributing to economic growth, job creation and poor people’s incomes’ (UNDP, 2004: 1).⁸⁹ Over a period of three decades, these small enterprises have become the major target for development agencies seeking to promote employment, economic development and improved welfare for both owners and employees. As John Sayer puts it in a recent introduction to a special issue of *Development in Practice* regarding development and the private sector, ‘SMEs tend to be favoured by those concerned with development because they are usually labour intensive and so create more employment - often at the lower end of the market, most suited to the poorest people, and in areas where no other job opportunities exist’ (Sayer, 2005: 252). Moreover, small enterprises have recently been seen as a poten-

⁸⁸ These enterprises are designated in several ways: micro- and small-scale enterprises comprising companies with up to 10 and up to 50 employees, respectively (Mead and Liedholm, 1998); small enterprises (Tendler and Amorim, 1996); small- and medium-size enterprises (Kaplinsky and Readman, 2001); microscopic firms (classified into small (under 5-10 employees), medium (5-10 to 50-100 employees), and large enterprises (over 50-100 employees)) (Fafchamps, 1994); the informal sector (Meagher, 1995); and the subterranean economy (Hope, 2001). Definitions are not limited to the number of employees but may also be based on a company’s scale of operation. Due to the sensitivity to type of activity of the scale of operation compared to number of employees and the statistical ease of use of number of employees, this parameter is most often used to define small enterprises. The ambiguity of the classification is partly a result of the lack of data for and changing character of this sector, and partly a result of the scale of the economy concerned, its degree of development and the economic structures present. No further attempts to categorise the sector will be made here. Suffice it to say that although the sector is very heterogeneous, it is mostly populated by very small companies, mostly one-person companies. Henceforth, the term ‘small enterprise’ will be used.

⁸⁹ Even though the World Bank advocates ‘unleashing the growth potential for smaller firms’ in its 2005 *World Development Report* through better access to credit and business development services, the fostering of clusters and improving access to markets, it also refers to macroeconomic data that casts doubt on the claimed importance of small enterprises in creating economic growth and reducing poverty (World Bank, 2004: 63f, 165f). Likewise, the very idea of small enterprises as the driving force of economic development has been criticised for its lack of clear definitions of the sector; lack of clear arguments for support to the sector, wide variety of policies, and lack of evidence that small enterprises are indeed capable of fostering development (Castel-Branco, 2003). Actually, ‘almost all significant cases of countries developing to the point where poverty is dramatically reduced have occurred in situations where larger companies have become a major part of the economy’ (Sayer, 2005).

tial competitive factor in developed as well as developing countries (Humphrey and Schmitz, 1996).

However, praise for the role of the small enterprises, as well as many donor interventions that aim to increase their role as a guarantor of economic development and poverty alleviation in developing countries, often neglect the heterogeneity of the small-enterprise sector in SSA. First, the characteristics and structure of the small-enterprise sector differ widely between countries, between rural and urban areas, and between genders: while less than fifty percent of small enterprises in Kenya were one-person enterprises, almost eighty percent of Lesotho's small enterprises were one-person enterprises at the beginning of the 1990s; while more than eighty percent of the small enterprises in Malawi were located in rural areas, the corresponding figure for Botswana was less than half; and while more than eighty percent of Swaziland's small enterprises are owned by women, this should be compared with less than fifty percent in Kenya and Malawi (Liedholm and Mead, 1999: table 1.1).⁹⁰ Secondly, the role of manufacturing vis-à-vis commerce also differs between countries.⁹¹ Thus, the typical perception of small enterprises as primarily vendors and small traders is only partly correct, and only in certain settings: in urban areas in Kenya, for instance, roughly three-quarters of small enterprises are engaged in commerce, and this is the case for only one-third of small enterprises in urban Zimbabwe. Likewise, big differences exist between rural and urban areas, but generally, manufacturing activities are more important in rural areas than in urban areas⁹² (Liedholm and Mead, 1999; Mead and Liedholm, 1998). Thirdly, and related to the above, small enterprises have different contributions to make in relation to the dual objective of growth and poverty alleviation. Broadly speaking, two kinds of small enterprise may be singled out in the African context: on the one hand numerous 'survivalist' enterprises exist, that is, one-person enterprises or enterprises with very few employees (often family), which only rarely grow beyond this size,⁹³ and on the other hand a limited number of 'growing' enterprises, which are seeking to expand their activities and add to their workforce.

⁹⁰ Although the figures are slightly different, a similar picture of heterogeneity is provided in (Schulpen and Gibbon, 2001).

⁹¹ Construction only accounts for a very small percentage of the activities of small enterprises, and service and repairs fluctuate between five and thirty percent in three SSA countries (Pedersen, 1998: table 2).

⁹² Figures from Pedersen (1998: table 2) also show that, within the broad category of manufacturing activities, big differences exist between rural and urban areas. The following three types of activity dominate the manufacturing sector in both rural and urban settings: textiles and clothing, food and beverages, and wood and forest products (Mead and Liedholm, 1998: 64).

⁹³ Data from the GEMINI project, in which more than 20,000 small enterprises in five southern African countries were studied, suggest that only one percent of these enterprises grew above ten employees (Mead and Liedholm, 1998: 67).

The last distinction is especially important in relation to both donor interventions and changing economic and political conditions. Survey results from developing countries indicate that even a small increase in company size for the very small enterprises is reflected in a substantial increase in economic efficiency. Moreover, the increase in economic efficiency often results in higher levels of income for people who are immediately associated with the company. Thus, donor support aimed at increasing the company size of 'survivalist' enterprises may have a large positive impact on poverty alleviation. Since these companies often lack access to capital (both working capital and fixed capital), provision of even a small amount of capital can increase the company's performance considerably.⁹⁴ Recently, other constraints have been mentioned such as property rights and reforms of labour market regulations (Liedholm and Mead, 1999: table 6.2; Mead and Liedholm, 1998: 64; Rogerson, 2001: 120; World Bank, 2004).

For 'growing' enterprises, survey results indicate that access to capital becomes less of a problem compared with obtaining the tools and equipment required for the expansion. Moreover, new problems arise that are not present for 'survivalist' enterprises, such as access to raw materials and intermediate inputs, and finding suitable employees (Liedholm and Mead, 1999: table 6.2). There is a general consensus that the most cost-effective way to obtain tools and equipment for producers in developing countries is to tap technologies developed elsewhere, instead of trying to upgrade through innovation (World Bank, 2004).

Concurrent with the trend among donors to see the business community as an increasingly valuable partner in the pursuit of development-oriented activities (Kaplinsky and Readman, 2001: iii), globalisation⁹⁵ has caused a shift in manufacturing production from developed to developing countries. However, development has been very uneven: figures from UNIDO indicate that all but a few countries in SSA have lost ground in the past decade, while conversely Southeast Asian countries in particular have gained considerable ground. UNIDO even goes as far as to state that 'SSA, as a whole, has deindustrialized since 1970' (UNIDO, 2004: table 2.6 & 39, emphasis in original). This trend leads UNIDO to conclude that: 'On the whole, SSA benefits little from globalization at its current low levels of productivity' (UNIDO, 2004: 119).⁹⁶ It has been claimed that small enterprises are less ex-

⁹⁴ A note of caution here, however: Mosley and Hulme (1998: 788) demonstrate that the poorer the borrower, the lower the impact of credit to small enterprises. Furthermore, their data indicate that the poorest borrowers may actually become worse off by obtaining a loan.

⁹⁵ Following Schmitz (1999: 1628), globalisation is here 'referring to the erosion of barriers to international flows of goods, finance and know-how'.

⁹⁶ This de-industrialising thesis has not won universal agreement: more likely most SSA countries have experienced declining manufacturing production since the 1960s, but not all. Moreover,

posed to the forces of globalisation, as they either produce non-traded goods for a local market or else benefit from the proximity of the market (Elkan, 2000; Weiss, 2000). However, recent trends indicate that this is at most true for a segment of the small enterprises, while the ‘growing’ enterprises are increasingly exposed to the global market through globalisation. First, many inputs are imported. Secondly, some small enterprises have been integrated into global value chains. Thirdly, exports of manufacturing goods are increasing relative to total exports. Lastly, imported products are penetrating local markets (Caniëls and Romijn, 2004).⁹⁷

To sum up, donors perceive the private sector, and especially small enterprises, in the developing world as a potential partner in the task of increasing economic growth and alleviating poverty. However, some disagreements persist as to how best to unleash this entrepreneurship: some donors favour micro-credits, while others want to minimise risks and uncertainty by changing labour regulations and land rights and removing the impediments to doing business, but all in all donors seldom differentiate between different categories of small enterprises, although it is occasionally mentioned that country differences may require support programmes to be modified (UNDP, 2004).⁹⁸ This is interesting because, as this section has shown, the small-enterprise sector covers a wide spectrum of enterprises, which differ according to size, gender, locality and, most importantly, the contributions they can make to economic growth and poverty alleviation. In relation to the latter, two types of enterprise were singled out, namely ‘survivalist’ and ‘growing’ enterprises. In so far as donors distinguish between interventions, support to the group of growing enterprises generally includes some type of technology transfer in order to overcome what are perceived to be the main obstacles for growth, namely access to tools and equipment. The following section discusses the content and different modes of technology transfer.

4.2 Technology transfer: facilitates but insufficient to grow

Technology transfer suggests a movement of technology from one place to another. However, the phrase ‘technology transfer’ does not have a universal meaning.

data availability and reliability is problematic, and the definition of industrialisation applied in different studies varies (Lawrence, 2005).

⁹⁷ Gibbon (2002) goes even further. In his assessment of the consequences in SSA of the new trends in globalisation, he argues that the New Trade Regime (Trade-Related Aspects of Intellectual Property Rights, Trade-Related Investment Measures, and Sanitary and Phytosanitary Measures) will not bypass SSA. Instead, it will benefit the very few contract manufacturers while at the same time eroding the traditional comparative advantage of smaller-scale producers.

⁹⁸ It should be noted, though, that many donor programmes implicitly differentiate among the various categories of small enterprises simply by requiring a certain contribution to capital, profit or

Rather, it has numerous connotations: the transfer itself may take place through, for instance, a market transaction (import of capital goods, licensing etc.); through foreign direct investments, strategic (technological) alliances and joint ventures between companies; through subcontracting and Original Equipment Manufacture (OEM) arrangements;⁹⁹ through standards; through personal exchange or exchange of documents; and through international development agencies.¹⁰⁰ Likewise, definitions of technology vary widely: narrow definitions equate technology with the technical information contained in patents, while broader definitions include technical knowledge communicable in written form, machines, the knowledge of the engineer, and institutional knowledge (Enos, 1989). Recently, broader definitions have gained considerable ground, and a consensus has emerged that technology is more than just hardware (the technique). Müller (2003), for instance, argues that technology embraces four components: technique (the physical means of production); knowledge (both tacit and codified); organisation (division of labour, management, coordination); and product (immediate result), while Grosse (1996) distinguishes between product, process and management technology. Suffice it here to acknowledge that technology consists of interdependent forms of knowledge, skills and artefacts (products and methods of production), and that technology may be used to carry out productive transformations (Metcalf, 1995: 34).

To make the confusion worse, technology transfer has been defined as being *product-embodied*, *process-embodied* or *personnel-embodied*. Moreover, it may include different objectives: the introduction of new techniques, the improvement of existing techniques and/or the generation of new knowledge (Saad, Cicmil et al., 2002: 618). In addition, technology transfer can be categorised as either *vertical*, that is, the transfer is a process in which the technology moves from basic to applied research; or *horizontal*, that is, the transfer takes the form of use in one place to its application in another place (Grosse, 1996: 782). Likewise, concepts such as *formal* and *informal* channels have been used to distinguish technology that has been paid for from technology that is transferred through observation, publications, imitation etc. *Packaged* technology transfers refer to transferred technology that arrives with all the elements required to ensure its effective application (equipment plus organisational and managerial knowledge), whereas *unpacked* technology

turnover; or by demanding audited reports. These conditions effectively exclude the survivalist enterprises.

⁹⁹ OEM designates an arrangement in which the final product is manufactured by the subcontractor under the principal's brand name (Enos, Lall et al., 1997: 59).

¹⁰⁰ In general, technology transfer vehicles are dealt with from the private sector's point of view (Enos, Lall et al., 1997; Enos, 1989; Kim, 1991), but other vehicles are added in technology transfer in the public sector, as has been shown by (Kremic, 2003).

transfers do not include this knowledge (Pietrobelli, 2000: 211ff). *Internalised* and *externalised* technology transfers have been used to describe investments where control resides with the foreign partner (FDI technology transfer) and all other forms of this (non-FDI technology transfer), respectively (Lall, 1993).

The main part of this literature relates to private forms of transfer, mostly in the form of FDI or joint ventures. Only a minority of the more recent studies directly deal with development aid and technology transfer.¹⁰¹ What is more, these studies only seldom discuss the substance of technology transfer or how technology transfer relates to other development objectives. This neglect has given rise to the following harsh introductory statement by Thomas Grammig in his recent book on technology change, development aid and social actors: ‘technology transfer remains the most persistent conceptual blank spot in all development aid by the industrialised countries’ (Gammig, 2002: 1).

There is hardly any doubt that technology transfers have played, and will continue to play, an important role in the development of productive capacity¹⁰² in developing country firms. While technology transfers to developing country companies were previously limited mostly to the manufacturing sector, this is now changing, since they have now become an integral part of inter-firm collaborations in other sectors as well.¹⁰³ However, the transfer of technology to provide new or expand existing productive capacity does not by itself contribute to building technological capabilities in the recipient company (Chantramonklasri, 1990). The extent to which the transferred technology contributes to the development of technological capabilities depends not only on the supplier of technology and the technology itself, but also on the technological efforts of the recipient company.

Put differently, technology transfers may be necessary but not sufficient for firms in developing countries to respond to changing needs and to grow. Thus, importing inputs for new or expanded productive capacity does not by itself contribute to the creation of technological capabilities in the importing companies. Technology has to be transferred, absorbed,¹⁰⁴ adopted and mastered effectively. This re-

¹⁰¹ For exceptions, see (Alänge, 1987; Crewe and Harrison, 1998; Grammig, 2002; Kuada, 2003; Motoki and Taichi, 1999; Olsen, 1995; Pedersen, 1990; Romijn, 2001; Tendler and Amorim, 1996).

¹⁰² Capacity is here defined as the ‘snapshot’ of a company’s ability to make use of existing production facilities. It thus refers to static attributes in a company. This contrasts with the dynamic resource of capability (Albu, 1997: 7; Lall and Latsch, 1998: 445). Technological capability is further elaborated in section 4.5.

¹⁰³ See, for instance, Enos, Lall et al. (1997: table 1) for an overview of the literature.

¹⁰⁴ Absorption capacity has been defined by Wesley Cohen and Daniel Levinthal as the ability to recognize the value of new information, assimilate it, and apply it to commercial ends based on prior related knowledge. It may come about as a by-product of R&D activities, as well as of manufacturing operations that provide a company with the necessary background to recognize the value of new

quires a knowledge of procedures, an understanding of their underlying mechanisms, and the skills to put them to good use. In other words, the extent to which technology transfers contribute to technological capability building depends not only on the technology as such or the exporters of technology, but to a large degree on importers' efforts to intervene and interact in the transfer process. Technological efforts are therefore indispensable in building technological capabilities. These efforts may take different forms, for instance, hiring staff with new skills and knowledge, training existing staff, seeking information about new markets and technologies, and collaboration with other companies. They pave the way for technological learning that may result in the creation and development of technological capabilities (Albu, 1997; Archibugi and Coco, 2004; Bell and Pavitt, 1993; Caniëls and Romijn, 2004; Chantramonklasri, 1990).

4.3 The study of technology, technology change, and private-sector development

As indicated above, this study leaves aside more orthodox approaches to technological change,¹⁰⁵ which are based on neoclassical thinking that perceives technology as information that is generally applicable and easy to produce and reuse; regard technology as codifiable knowledge, which is easily transferable, often without cost; see the world as one where firms could produce and use innovations by dipping freely into a general pool of technological knowledge; and hence assume that the key to economic progress for firms lies in the selection of the most appropriate technology, given local factor endowments and relative prices (Dosi, 1988: 1130; McKelvey, 1991: 121f; Romijn, 1999: 12ff).¹⁰⁶

Instead, this study is inspired by heterodox approaches to the study of technology, technology change and private-sector development. These studies cover a

knowledge and provide it with methods to reorganise its manufacturing processes (Cohen and Levinthal, 1990).

¹⁰⁵ Technical change is here perceived as improvements in the transformation of inputs to outputs, including improvement in the quality of outputs. See also Albu (1997: 9).

¹⁰⁶ A substantial part of the current literature dealing with technological change in developing countries offers the reader a very simplified version of the theoretical debate. This debate is presented as a dichotomy between neoclassic economic assumptions of technology as information that is generally available and applicable and therefore easy and costless to transfer, and evolutionary approaches that stress the tacit nature of knowledge, the fundamental uncertainty of searches for new technologies, and the cumulative nature of technological progress, which makes transfers of technology costly (Lall, 1995; Niosi, Hanel et al., 1995; Romijn, 1999; Teitel, 2000). This is only partly correct: the static notion of technology that these writers put forward is no longer representative of the neoclassical discourse. In more recent contributions, neoclassical economists treat innovations as endogenous, based on search and limited information. Therefore this approach has incorporated many of the findings of, for instance, the evolutionary approaches. For the case of simplic-

broad array of approaches that deal with technology change at different levels and in different countries. One thing these approaches share, however, is their starting point, namely the evolutionary theories expressed by, for instance, Nelson and Winter (1982). The starting point of these theories is a critique of orthodox microeconomic theory, which on the one hand assumes that the behavioural patterns of the firm are based on rules that reflect the search for maximisation (usually profit or present value), and on the other is guided by the concept of equilibrium. Moreover, orthodox microeconomic theory emphasises the similarities between firms and argues that in so far as differences exist, they are a product of differences in market environments. These neoclassical economists did not focus on the causes of technological change, but rather on the labour and capital intensity of technology and an estimate of the economic contribution of technology by its move outwards from the production function (Fransman, 1984: note 9; Nelson and Winter, 1982). In contrast, the evolutionary approach draws attention to the heterogeneity of firms caused by, for instance, different learning routines and differences in work efforts between firms – that is, the efficiency with which firms operate a given technology and the efforts with which they pursue technological improvements (Romijn, 1999: 14). Moreover, this approach does not accept the notion of readily available technology that can easily and instantaneously be transferred and utilised, which was put forward by the neoclassical economists. Instead, proponents of this line of thought argue that technology is not simply available from the ‘international technology shelf’, given that the very choosing and acquisition of technologies creates obstacles and difficulties (Archibugi and Pietrobelli, 2003). Thus, a central theme of the evolutionary theory is the analysis of the acquisition and adaptation of new technology at the national, sector and enterprise levels.

The evolutionary school of thought has been the inspiration for a number of different scholars based in different academic traditions. It has become the framework for studies dealing with such varied subjects as the competitive advantage of firms in industrialised countries, the role of product development in capability building, and different learning mechanisms for capability building in developing country-based firms.¹⁰⁷ This line of reasoning has been developed through this process, and it is no longer possible to refer to one school of thought, but only to one common theoretical heritage. However, in relation to the study of technology, technology

ity, however, the traditional distinction between orthodox and heterodox approaches is maintained here in order to highlight the origin of the heterodox approaches.

¹⁰⁷ This study will mostly relate to the literature on capabilities in developing countries, even though it will also draw on studies based on industrialised-country firms where, appropriately, the literature has much to offer in the analysis of technological capabilities in developing countries (Cooper, 1991; Teece, 2000: 106).

change and private-sector development, three common features may be singled out: technological development is perceived as an ongoing process; the studies focus on the building of technological capabilities and capacities; and technological transfer is perceived as an important factor in this process (Lorentzen and Granerud, 1999).

The evolutionary school of thought, as for instance Dosi (1988) explains, points out that technological knowledge is neither shared equally among firms, nor transferred easily between them. According to the evolutionary approach, two inter-linked concepts are crucial in the understanding of firms' behaviour, namely *search* and fundamental *uncertainty*. Firms seek to progress, but their gains from the search are uncertain. Therefore, firms have to feel pressurised by, for instance, anomalies or bottlenecks in the production process to engage in the search for new technologies. Moreover, they will most often concentrate the search process in the vicinity of the firm's initial point of production, that is, it will be localised inasmuch as it tends to be easier and less costly. These bottlenecks and anomalies are in part a product of the initial technology and peculiarities in the particular firm, and in so far as the search is triggered by these bottlenecks and is localised, the technological progress will be cumulative, or put another way, the firm will follow certain *trajectories* (Romijn, 1999: 15ff).

Central to this line of thinking is the distinction between *tacit* and *codified* knowledge, which refers to Michael Polanyi's theory of knowledge. Polanyi distinguished between tacit and explicit knowledge and stated that there is no totally explicit knowledge in the domains of human activity, since behind each element of explicit knowledge there are many elements of tacit knowledge which we are not aware of (Polanyi, 1966). Thus, *tacitness* refers to those elements of personal knowledge that are ill-defined and therefore cannot be fully articulated. This type of knowledge differs from person to person, but may to 'some significant degree be shared by collaborators and colleagues who have a common experience' (Dosi, 1988: 1126). However, tacitness is not an absolute term: the same knowledge is more tacit for some people than for others, and it is possible to convert (some) tacit knowledge into codified knowledge (Gong and Keller, 2003).

The important aspect in relation to the transfer of technology is the possibility of transferring tacit knowledge. Everybody seems to agree that the codified component of knowledge can be transferred easily from one context to another, even at a low or negligible cost, whereas the tacit elements are less mobile and transferable, since they require person-to-person communication in order to be diffused. However, in order to benefit from codified knowledge, the receiver has to know the codes, which unfortunately is seldom the case in developing countries (Archibugi and Pietrobelli, 2003).

Although many evolutionary contributions do not have an explicit microeconomic perspective, their focus on differences in productive capabilities points to the need for a more microeconomic focus in order to understand fully the concepts of knowledge, information and learning. According to Lall (1992: 166), this school of thought has provided inspiration for most subsequent micro-level analyses of technology in developing countries. It is therefore no coincidence that central terms are directly derived from the evolutionary school of thought, that is, *competences*, *capabilities*, *resources* and *capacities*. These terms refer to different levels of technological skills and abilities within a given enterprise.

Before proceeding with a discussion of technological capability building, how to measure it and how it relates to upgrading, the next section will examine the technological efforts that are essential in the pursuit of such capability building.

4.4 Technological efforts

Transferred technology contains both codified and tacit elements; only very few components of technology may be acquired ready-made and brought into use according to some blueprint.¹⁰⁸ Embodied elements of technology must be complemented by tacit elements that are taught and learned through practice and that have to take the specific context of both exporter and recipient into account. These embodied and tacit elements are thus difficult, costly and time-consuming to transfer. Hence, for the success of transfers of technology requires indigenous technological efforts. *Technological efforts* are here defined as the broad range of efforts that an enterprise must itself undertake to access, implement, absorb and build on the knowledge that is required in a production process (Lall and Latsch, 1998: 445).

Associated with this, different kinds of knowledge are required in order to for a company to perform productive activities. Lundvall (1996: 4ff; 1998: 35f) has distinguished between the following four types of knowledge, which have different targets and which are acquired differently. First, *know-what* is what is normally understood as information, the specific elements of knowledge that can be broken down into bits and thus, to a large extent, may be acquired through books, manuals, lectures and databases. Secondly, *know-why* refers to the underlying causes and effects of events and performances and is frequently associated with scientific knowledge that is often produced and reproduced in specialised institutions, but it may also be acquired through the employment of scientific personnel. Thirdly, *know-how* is essentially the capability to do something, that is, the skills. Know-

¹⁰⁸ To make matters worse for developing country firms, codified elements are increasingly being restricted by intellectual property rights.

how is created and kept within the firm and is based on experience. Finally, *know-who* involves information about who knows what, as well as the social ability to establish relationships with certain groups in order to draw on their expertise; it cannot be learned in a specific way but develops through day-to-day social interactions. In addition, it is possible to distinguish between *direct* and *indirect* knowledge. Thus, a person may know how to do something him- or herself, or may know how to get something done (Bångens and Araujo, 2002: 572). Put differently, knowledge is not necessarily possessed in-house if a company has access to the relevant knowledge elsewhere. It should be mentioned, however, that access to relevant knowledge also requires know-how.

4.4.1 The cumulative discontinuous process of learning

Central to the heterodox line of reasoning spelt out in section 4.3 above is the recognition that technical change and thus the creation of technological capabilities involves learning. The process of learning has been defined as ‘the acquisition of additional technical skills and knowledge by individuals and, through them, by organisations’ (Bell, 1984: 188). More precisely, learning is the process ‘by which repetition and experimentation enable tasks to be performed better and quicker and new production opportunities to be identified’ (Teece, 2000: 110f). This definition highlights several important aspects of learning, among them the trial-and-error experimentation involved in learning, which is associated with *learning-by-doing* and *learning-by-using*. The former is especially important in relation to capabilities closely related to already existing ones and is often related to routine production, or in the SSA context, to apprenticeship-like learning mechanisms.¹⁰⁹ The latter learning mechanism relates to the type of learning that may be provided by markets through standardised goods and services. The definition also points to the formality of the learning process, which indicates that learning is targeted, as it builds on previous learning. Similarly, the organisational character of learning, that is, organisational learning, is basically individual learning taking place in a social context.¹¹⁰

¹⁰⁹ Apprenticeship-like learning mechanisms have often been presented as a way for developing country companies to acquire technological capabilities, but one should be aware of the limitations of this kind of learning-by-doing, as experiences gained in, for instance, production operations only generate a rough idea of how the systems work, including an idea of what problems may be encountered and what changes are required. However, learning-by-doing ‘is unlikely to provide any significant information and knowledge about how the improvements and changes might be made’ (Chantramonklasri, 1990: 45).

¹¹⁰ An intense debate as to where knowledge resides – in the individual or in the organisation – as well as whether intra-organisational learning (learning taking place in organisations) or inter-organisational learning (learning taking place between organisations) is more efficient, is taking place in various journals, among them *Organization Studies*, the *Strategic Management Journal* and

Besides the learning-by-doing and learning-by-using methods mentioned above, other kinds of learning may be singled out, such as *learning-by-interacting* (deriving from the relationship of entities with dissimilar capabilities), *learning-by-searching* (deriving from research and research-like activities), and *learning from spillovers* (deriving from the connectedness of firms). Some of these are internal to the firm, while others are external to it. Moreover, some are related to the product or the production process, while others are related to interactions with suppliers, customers and competitors. Yet some types of learning are related to research processes, either internal to the company or external to it. Even though learning may take many forms, it seems to uphold certain attributes in relation to technical change: it is costly, it is targeted, and it may take place in various parts of a firm; it involves interaction between firm-internal and firm-external sources of knowledge; and it is cumulative and local (Bångens and Araujo, 2002; Malerba, 1992).

A number of aspects distinguish the process of learning from the gathering of information. First, learning is neither automatic nor passive, but involves explicit efforts and investments. Secondly, the process of learning is hazy and poorly understood, which is partly related to the fact that learning has to be learned, and partly to the tacit aspects of the knowledge involved. Finally, learning to master different forms of knowledge takes place through different channels (Bell, 1984; Lall, 2000). Following Lauridsen (n.d.: 12f), it is possible to distinguish between skills, knowledge and experiences that are acquired through *firm-internal learning mechanisms*, such as routine production activities, imitation and reverse engineering, and skills, knowledge and experiences that are accumulated through *firm-external sources*, such as movements of staff, inter-firm collaborations, use of consultants or, more passively, as the by-products of interactions with other companies or institutions. Moreover, learning may be augmented through training and education, either internally or externally.

It has been argued that the learning process exhibits elements of *cumulativeness* because both individuals and organisations tend to move along particular trajectories defined by past learning experiences, instead of just ‘jumping’ from one field to another (Bell and Pavitt, 1993: 168f). It is thus rare to find textile industries initiating the production of semiconductors, simply because these companies do not have the ability to acquire sufficient knowledge about the production process of the latter. Likewise, the opposite example is also rare, even though the techniques used

the *Scandinavian Journal of Management*. This discussion will not be gone into here. For literature reviews of the different positions adopted here, see (Holmqvist, 2003; Levitt and March, 1988).

in the semiconductor industry¹¹¹ are more advanced than those in the textile industry. However, the cumulative nature of learning does not mean that learning is always incremental. Discontinuities in the learning process stem from the introduction of new technologies or new processes into the system. Thus, technology transfers often result in discontinuities, which may impose problems of assimilating the new technology in the recipient company, such as ensuring efficient production or linking up with suppliers (Wei, 1995). The cumulative nature of learning, combined with the routines, that is, the history, of the firm, creates *path dependencies*, meaning that ‘history matters’.¹¹² Put differently, path dependency indicates that the opportunity for learning lies in the vicinity of what is already familiar (Teece, 2000). Therefore, learning is not only a good thing, as it can create *competency traps* – that is, it may lead to situations in which a company lacks the necessary experience to use new technologies because it has achieved positive results with inferior technologies (Levitt and March, 1988: 322). Thus, effectiveness of learning ‘in the neighbourhood’ of current knowledge interferes with long-term learning in completely new areas. Put differently, learning and the subsequent creation of capabilities can improve the immediate performance of a company while simultaneously reducing the incentives for and competences with new technologies (Levinthal and March, 1993: 97).

However, it seems that path dependency is likely to be more pronounced the more specialised individual knowledge becomes. Skills obtained at primary school are transferable from one activity to another, but those skills acquired in vocational training centres and tertiary-level institutes of technical education are only transferable within a specific sector of the economy, while skills acquired at postgraduate university level or in Research and Development (R&D) departments are hardly transferable at all (Enos, 1991: 122).

To sum up, technology cannot easily be transferred from one context to another, since it contains both tacit and codified elements. Therefore, the transfer requires an indigenous technical effort to be complete. This technological effort is closely associated with the process of learning, which may take many forms, and which exhibits elements of cumulativeness and path-dependency. Technological efforts in SSA should therefore not be thought of as investments at the global frontier of technology, but rather as a wide range of efforts that the enterprise must undertake

¹¹¹ Industry is here perceived as a collection of firms engaged in similar activities. It is thus synonymous with the term ‘sector’.

¹¹² The idea of path-dependency is not new. Nelson and Winter (1982) maintained that knowledge creates *routines* (the general term for all regular and predictable behavioural patterns of firms) that make firms path-dependant and therefore less flexible and less able to adapt to major changes in society.

in order to access, implement, absorb and build on the knowledge required in production. The aim of technology transfers is most often to build technological capabilities (see section 4.5 below). Studies have shown that the factor distinguishing success from failure with respect to building technological capabilities is exactly the extent to which firms deliberately devote resources to learning mechanisms, that is, devote resources to technological efforts (Romijn, 1999: 22). However, several studies have found limited technological capability building in a SSA context, due precisely to a lack of effort-based learning (see, for instance, (Biggs, Shah et al., 1995; Wangwe, 1992).

4.5 Upgrading in small enterprises in developing countries

The concept of ‘upgrading’ has acquired considerable attention recently from various political economy approaches, such as the GVC approach and the cluster approach.¹¹³ Moreover, leading development institutions such as UNIDO have integrated the term ‘upgrading’ into their policy strategies (Kaplinsky and Readman, 2001; UNIDO, 2002). Upgrading may refer to the type of labour employed (Pavcnik, 2003); the process of maximising value creation and learning through the insertion in value chains (Gereffi, Humphrey et al., 2001: 5); the shifts in activities that sustain higher incomes (Humphrey and Schmitz, 2002: 19); the improvement in the value content of local industries and the broadening of activities performed at the local level (Palpaucer and Parisotto, 2003: 106); the establishment, consolidation and diversification of manufacturing capacity (Fold, 2000: 263); the process of improving the ability to move to more profitable and/or technologically sophisticated capital and skill-intensive niches (Gereffi, 1999: 52); and the increase of value added produced by innovation (Giuliani, Pietrobelli et al., 2005). The term upgrading thus refers both to the use of additional skilled employees and to the more efficient production of better quality goods.

It is not surprising that many of the above definitions derive from studies of global value chains: it is exactly the advantage of this approach that it allows for an analysis of upgrading within the chains. Particular attention has been given to the governing role of lead firms in a chain to ensure that the internationally dispersed activities of the GVC are functionally integrated and co-ordinated. By governing the chain, these lead firms also structure the upgrading opportunities of the local

¹¹³ Humphrey and Schmitz (2000) rightly point to the differences between the GVC and the cluster literature with respect to upgrading both opportunities and trajectories for developing country firms: while the ends are the same, the means are different. Both strands of literature underscore the importance of upgrading so as to face the challenges of globalisation, but while the GVC literature stresses links to the external world, the cluster literature emphasises local cooperation as a means to upgrade.

producers (Humphrey and Schmitz, 2002), governing, so to speak, the information and knowledge flows within the chains. Unfortunately, actual upgrading processes are seldom discussed. Instead upgrading is sometimes taken for granted by its very inclusion in a chain: Gereffi, for instance, concludes that producers that acquire access to the apparel chain have good prospects of upgrading products, since design, marketing and branding capabilities will be upgraded automatically through various learning mechanisms and organisational changes (Gereffi, 1999). However, this may not be an accurate picture of upgrading opportunities for developing country firms. First, different sorts of lead firm have different governance strategies, and therefore upgrading possibilities vary accordingly. Secondly, it is questionable whether the upgrading process is as passive as is suggested in this case. Finally, lead firms may not have an interest in local upgrading. It is probably more accurate to follow the suggestion of Raikes, Jensen et al. (2000: 393) that participation in a GVC 'is a necessary, but not sufficient, condition for subordinate agents to upgrade'.

Despite the vagueness of the concept, attempts have been made to deconstruct it further in order to facilitate an operationalisation. Among the most cited typologies is that suggested by John Humphrey and Hubert Schmitz (2002: 19) of an abstract classification¹¹⁴ of *process upgrading* (the transformation of inputs to outputs more efficiently through superior technology or reorganisation of the production system), *product upgrading* (moving into more sophisticated product lines either through the introduction of new products or improvements in existing products), *functional upgrading* (adding or abandoning the existing function with the aim of increasing the overall skill content of the activities performed in the firm), and *intersectoral upgrading* (the application of functions obtained in one sector to uses in another sector that are more skill-intensive).

This classification implies that firms may pursue different strategies in order to upgrade, but according to Kaplinsky and Readman (2001: 34) it is not unimportant in what order they are pursued: they suggest that an upgrading trajectory exists that begins with process, continues to product, then moves on to functional upgrading and ends with intersectoral upgrading. This is not only interesting from a GVC perspective, but also more generally for small enterprises in developing countries, as it indicates that these enterprises must try and upgrade processes and products before they increase, for instance, the overall skill content of their activities.

Upgrading opportunities, however, vary according to the type of GVC (especially the specific type of lead firm), the specific cluster network, or inter-firm col-

laboration that local companies are inserted into. Gibbon (2001: 352ff), for instance, argues that crucial differences exist between retailer-driven and trader-driven primary products' GVCs with respect to the potential of local firms' to upgrade. In contrast to the abstract classification of upgrading set out above, Gibbon's analysis of the primary products' GVC suggests that upgrading should be studied on a case-by-case basis. 'As such, it [Gibbon's analysis] is based on an explicit rejection of the notion that upgrading follows a distinct "life history" of stages or that it can take forms that can be defined in the abstract' (Larsen, 2004: 14). Recently, Gibbon and Ponte (2005) have taken the critique even further. They point out the difficulties involved in distinguishing between different typologies of upgrading and instead suggest that upgrading should be determined according to the reward structures available to suppliers in a given chain.

It should be mentioned, however, that upgrading does not solely depend on firm-internal aspects of learning and technological capability building (even though most studies deal, by and large, with upgrading within the chain) but also on broader regional and national aspects. The cluster literature, for instance, suggests that firms that increase cooperation show greater improvements in performance. Moreover, this line of argument suggests that networks of public- and private-sector institutions facilitate upgrading. In other words, from the cluster perspective the role of business associations and inter-firm linkages becomes of utmost importance for upgrading (Humphrey and Schmitz, 2000). Research conducted within the realm of GVC has also stressed firm-external (and chain-external) aspects of upgrading. Fold (2000), for instance, has emphasised state regulation as a key explanatory factor for upgrading in the oil-seed industry in Malaysia and Brazil. Likewise, Raikes, Jensen et al. (2000) have questioned the sole role attributed to the lead agent regarding upgrading: what is the role of governments (national regulation and de-regulation) and other regulatory agencies in this process? Thus, besides firm-internal aspects, it is clear that the particularities of the business system (cf. Chapter 5, below) within which local firms are embedded play an important role in determining firms' willingness to engage in a learning process and thus acquire opportunities to upgrade (Palpaucer and Parisotto, 2003: 107).

To sum up, this section has argued that, even within the narrow lens of GVCs, universal upgrading typologies are problematic. It goes without saying that it becomes even more problematic to apply universal upgrading typologies for inter-firm collaborations in general. Following Gibbon's (2001) argument presented above, the processes that lead to upgrading will be studied here on a case-by-case

¹¹⁴ A similar, yet slightly different, classification is proposed by Gereffi, Humphrey et al.

approach. Due to the vagueness of the concept, however, processes ranging from changes in type of labour employed, via learning mechanisms, to the diversification of manufacturing capacity may be included in such a study. More precisely, therefore, it is important to single out what is meant by upgrading and how it is going to be studied.

This chapter seeks to provide a better understanding of the firm-internal processes that may foster improvements in processes and products through the transfer of technological and managerial skills from Danish companies to developing country enterprises. These processes are captured by the concept of technological capabilities. This concept, however, is blurred, and approaches to measure changes in technological capabilities often stem from radically different contexts to the Ghanaian one. Therefore, it is essential to disentangle the concept and propose a framework that can be used to measure changes in technological capabilities in small Ghanaian enterprises.

4.6 The concept of technological capabilities

The concept of capabilities within the firm stems directly from the notion of routines and was originally introduced in order to draw attention to the dynamic evolution and creation of competitiveness through innovation at the firm level (Nelson and Winter, 1982). Today, the notion of capabilities is widely used, as it encompasses both the information and the skills that are required to utilise technology efficiently. Bångens and Araujo (2002: 573) even state that ‘the notion of capabilities dissolves clear-cut boundaries between knowing and learning’. These technological capabilities are firm-specific in the sense that they are a form of institutional knowledge that is made of the combined skills of its members over time (Lall and Latsch, 1999; Lall, Navaretti et al., 1994). Moreover, the very process of developing technological capabilities is evolutionary, as it builds upon past efforts and choices. The process itself involves buying skills and information from the market, as well as providing some in-house. As argued in section 4.4 above, the process is neither spontaneous nor passive, as technological efforts and choices depend on past knowledge, the particular technology, market conditions and the specific firm strategy. Hence, the process of developing technological capabilities is driven by conscious, purposive efforts that are undertaken by the enterprise; moreover, it is time-consuming.

A consensus has emerged that building and development of technological capabilities is of the utmost importance for developing country firms to be able to com-

(2001:5), who distinguish between product, process, intra-chain and inter-chain upgrading.

pete in the globalising economy. Caniëls and Romijn (2004: 50) even go so far as to state that ‘Accumulation of technological capabilities is crucial for the ability of small and medium-sized manufacturing enterprises to make a significant contribution to local industrial development in the context of liberalisation and international economic integration’.

Most definitions of technological capabilities stress similar features, namely that such capabilities consist of more than the knowledge residing in the company (or among its employees), that they cannot be reduced to physical equipment, blueprints and patents, and that they are better described as the ways in which firms combine physical equipment, blueprints and patents, and skills in order to function as organisations. Thus, Lall, Navaretti et al. (1994: 5) define technological capabilities in an industry as the information and skills (technical, managerial and institutional) that allow productive enterprises to utilise equipment and technology efficiently, while Bell and Albu (1999: note 5) assert that ‘Technological capabilities can be thought of as bundles of complementary skills and knowledge, which together with the organisational structures in which they are embedded facilitate particular activities in the production system’. However, these definitions miss out one important aspect, namely that technological capabilities are not only the skills, knowledge etc. required to utilise the technology efficiently, but also the capacity to generate and manage change, as Bell and Pavitt point out (1993: 159).

Technological capabilities can be classified *vertically* as well as *horizontally*. The vertical classification essentially pays attention to the distinction between utilisation and change. Thus, it may be argued that it is conceptually helpful to make a vertical distinction within the range of technological capabilities, namely between the degree of innovativeness, the technological complexity and the technological depths of the capabilities. Technological capabilities may thus relate to as diverse a spectrum of activities as simple routine activities, duplicative activities, or even to original, innovative activities. Put differently, some capabilities relate mostly to the *use* of technology, that is, the use, replication and recirculation of knowledge that is already established in the company, while others relate more to the *change* of technology, that is, the acquisition, creation and processing of new knowledge in order to bring it to play in the company (Bell and Albu, 1999: 1724; Bell and Pavitt, 1993). According to Lauridsen (n.d.: 9f), it is generally acknowledged that investments in technology-using capabilities may enhance the productivity of a company to a remarkable extent, but in order to achieve longer-term dynamic changes, investments in technology-changing capabilities must be made. However, companies seldom invest in such capabilities.

The horizontal classification refers above all to the functional competences related to the technological capabilities. The exact headings of these sets of technological capabilities may vary. Lall and Latch (1999: 48ff), for instance, differentiate between investment, production and linkage capabilities, which are equivalent to the technological tasks facing manufacturing companies.¹¹⁵ Each of these functions are performed either implicitly or explicitly by all manufacturing companies.

The phrase *investment capabilities* is an umbrella category for the skills and information that an entrepreneur or manager requires to be able to identify (realistic) investment projects, to (systematically) search for and buy appropriate technologies for the enterprise at the right price, and to install and absorb the tacit elements of the technology. The investment capabilities required vary according to the level of technology used, the scale of the operation and the nature of the market. For some enterprises, the required level of investment capabilities is high, while others can make do with a lower level, either due to contracts with specialised agents who handle the investment interest of the enterprise,¹¹⁶ or because the activities performed in the enterprise involve mature technologies or simple processes.¹¹⁷ However, as Teitel stresses (2000), technology transfer is hardly ever a spontaneous process in the sense that the successful transfer presupposes the existence of qualified personnel and an appropriate organisation that can receive the technology.

Production capabilities are related above all to the skills and knowledge required to run a firm and are subsequently related to the improvement of the production process. Production capabilities can be subdivided into three headings.¹¹⁸ First, *process-centred* refers to the general organisation of production (for instance, scheduling, quality control and productivity monitoring) and thus the improvement of the process as such. Secondly, *product-centred* includes the design, re-design and improvements of products. Thirdly, *equipment-related* refers to activities like

¹¹⁵ Others, like Romijn (1999: 19f), propose to use ‘adaptive innovation capability’ in stead of ‘linkage capability’. The adaptive innovation capability refers to the skills and knowledge required to make changes to established plants. However, this is included in Sanjaya Lall’s ‘production capability’ category. Among other useful typologies of capabilities are capabilities for technology use, compilation, acquisition and generation proposed by Sharif (1994); and production, investment, and invention capabilities proposed by Evenson and Westphal (1994).

¹¹⁶ In an African context, there is a risk that the technology being provided by a specialised agent is likely to be a ‘turnkey’ operation in which the recipient is passive and likely to remain dependent on outside assistance, and which subsequently has to be adopted to fit the particular purpose of the enterprise. Hence, there is a risk that the capital costs of a project increase due to the use of specialised agents (Lall and Latsch, 1999; Lall, Navaretti et al., 1994).

¹¹⁷ The significance of investment capabilities to the success of the enterprise increases with the capital-intensity of the facility and the complexity of the process (Lall, Navaretti et al., 1994: 112).

¹¹⁸ Lall, Navaretti et al. (1994) have proposed slightly different subgroups, namely process technology, product technology and industrial engineering, but due to the fact that only the former two have any relevance in a Ghanaian context (Lall, Navaretti et al., 1994: 123f), production capabilities have been subdivided differently.

maintenance, adaptation to new materials etc. This classification may seem somewhat arbitrary, because change in one alters the other: for example, change in the design of a product has consequences for the production process. However, the separation is maintained here for analytical purposes.

Linkage capabilities are defined as the skills needed to establish, maintain and exploit production and technological links with other firms and institutions. These linkages go beyond the anonymous purchase of products and services. Instead, they involve exchanges of information, know-how and skills, and thus they work as efficient ways to diffuse technology. In the SSA context, the linkages to other firms and to institutions are both generally weak. As regards linkages to other companies, there are hardly any relationships between large formal enterprises and small (informal) sub-contractors. In the few isolated instances of collaboration, it often takes the form of ‘coaching’, rather than being an interactive forum for the exchange of information and skills (Lall, Navaretti et al., 1994). However, this category is of the greatest importance, as not all technology flows generate technological capabilities, and because linkages with local suppliers and other groups within the local economy are critical in enhancing technological capabilities (Wei, 1995).

As stated above, the concept of technological capabilities originally refers to the level of the firm, but since its introduction it has been applied in studies of various levels, that is, the firm, industry, regional and national levels. However, the various levels and themes introduced in the literature on technological capabilities mostly seem to have been included in order to shed light on what is the primary focus of most studies, the individual firm (Gammeltoft, 2001: 29). However, not all firms in all countries are equally interesting: the focus in the greater part of these studies has been centred on the acquisition and building of technological capabilities in large companies, and only a few have scrutinised these processes in small enterprises in developing countries¹¹⁹ (Romijn, 1999: 11).

4.6.1 Measuring changes in technological capabilities

As technological capabilities cannot be measured directly, indicators or proxies have to be constructed in order to examine the acquisition and building of technological capabilities. These indicators naturally depend on the objective and level of the study. Thus, several authors have recently attempted to quantify technological

¹¹⁹ Romijn (1999: 33) claims that many of the firms covered in these studies are not only among the largest in the country, but also the leaders of their particular sector, and are sometimes large even by international standards. Thus, the image that is generally presented is biased towards the large-scale sector. However, most of the studies she refers to relate to some Asian or Latin American context. In the SSA context, the picture is somewhat different, given that the many works

capabilities at the national level in order to capture how well various nations are creating and diffusing technology and thus facing new challenges such as globalisation and the network age. Among the most prominent attempts is UNDP's Technology Achievement Index (TAI), which uses indicators for the creation of technology, the diffusion of recent as well as old innovations, and human skills in order to establish the overall TAI (between 0-1) (UNDP, 2001). Another is Daniele Archibugi and Alberto Coco's ArCo Index, which is constructed by combining the creation of technology (patents, scientific articles), the technological infrastructure (Internet penetration, telephone penetration, electricity consumption) and the development of human skills (tertiary science and engineering enrolment, mean years of schooling, literacy rate)¹²⁰ (Archibugi and Coco, 2004).

Likewise, researchers have sought to measure technological capabilities at other levels. Broadly speaking, these indicators can be classified into three headings: input indicators, output indicators, and combinations of the two (Babu, 1999: 26). In subsequent paragraphs, the most widely used indicators will be examined to facilitate a discussion of relevant indicators in the case of the transfer of technology to small Ghanaian enterprises.

Among the key input indicators is *R&D spending*, which is often used as a proxy for technological capability, as R&D spending data exists, which are, in addition, easy to compare. However, as rightly pointed out by Figueiredo (2002b: 6), one should be wary, even in developed countries, in assuming that innovative activities only are confined to R&D laboratories. Rather, technical change in companies is most often associated with trial and error in the process of designing products and processes. Moreover, R&D activities are mostly confined to larger companies. In small companies, technological activities are performed on a part-time basis and often not categorised as R&D but rather as design or product engineering (Bell and Pavitt, 1993: 166). In firms based in the developing world, the innovative activities that are normally equated with R&D spending are more often associated with incremental activities not covered by R&D statistics. Thus, R&D does not capture the full extent of technological activity in a developed-country context and it has hardly any relevance in the SSA context.¹²¹

(Alänge, 1987; Biggs, Shah et al., 1995; Lall, Navaretti et al., 1994; Teitel, 2000; Wignaraja, 2001) that include small enterprises in their analysis.

¹²⁰ To comply with a referee's comments, the authors added yet another measure, namely the importation of technology, which is composed of FDI, technology licensing payments and capital goods imports.

¹²¹ Within this category, one could also add the availability of scientists and engineers relative to GDP, or science expenditures relative to GDP. However, both indicators share the same fundamental problems relative to the measurement of technological capabilities in small enterprises in SSA: they do not grasp the kinds of technical change that take place in these enterprises.

Educational enrolment rates are also frequently used as input indicators. Enrolment rates represent the human capital base in a country. However, education by no means equals technological capabilities but simply provides the basis on which learning takes place. Thus, 'enrolment data can serve as a reasonable proxy in the absence of other comparative human capital formation data' (Lall, 2000: 41). Pietrobelli (2000: 216) suggests that the pupil/teacher ratio should be included in order to take the effectiveness of the educational system into account. However, neither enrolment rates nor this proxy for the availability of education tell us anything about the quality of the educational system. Moreover, enrolment data do not exist in a disaggregated form and therefore cannot be used to measure changes in technological capabilities in small companies. However, a variety of this proxy has been suggested by Biggs, Shah et al. (1995: 49ff), who suggest using the educational levels of both the production manager and the general manager as an indicator of production capabilities. The advantage of this proxy is its focus on the firm level, its main shortcoming the lack of information on the quality of the education that was obtained.

Enrolment at the tertiary level in technical subjects and vocational training represent another commonly used input indicator (see, for instance, Lall (1999; 2000)). One may argue that, in the SSA context, the skills needed to create (basic) production capabilities are ultimately formed within the framework of the enterprises and not in the formal schooling system. However, it is important to note that even the most basic technological capabilities often demand skills acquired at primary school, such as the ability to read and write, and to carry out arithmetical calculations. More advanced capabilities are normally partly acquired in universities and R&D departments, and partly within the company itself (Enos, 1991). This is further supported by a study of capability building in the Indonesian manufacturing sector, which concluded that there is a positive relationship between the availability of technical personnel and the ability to cultivate technological capabilities. This same study also established a positive relationship between the level of training within a particular firm and the potential for enhancing technological capabilities (Kumar, Kumar et al., 1999).

With respect to the two proxies above, the *number of days of training* of employees is sometimes used as an indicator for technological capabilities. This measure, like the percentage of the workforce participating in internal or external training, assumes a direct link between training and technological capability building, but this causal relationship does not always exist. Moreover, this narrow focus on hours spent on training does not take the quality of the training into account.

Lastly, *investment in* (technologically more advanced) *machinery* is also used as an input indicator in some studies. It does not by itself lead to new technological capabilities, but according to Romijn (1999: 84f) the literature on the small-scale metal sector in developing countries suggests that the introduction of new production equipments leads to the acquisition of new skills and most often also to product development and technological capabilities. In reality, however, this indicator only informs us that new machinery has come into use – that is, it is a very static indicator, which does not inform us about the dynamics of technological capabilities. However, if information about new machinery were coupled with information regarding production methods, this indicator could be an important indicator of technological capabilities.

Output indicators may also take a variety of forms. One of them is *production output*, which, inasmuch as this indicator can quantify capabilities at all (a number of external factors, such as foreign exchange and raw material shortages, can make the company stand idle for longer periods of time), it only captures a part of the technological capability development, since it does not take quality changes into account (Alänge, 1987: 27). Romijn (1997; 1999) uses a specific type of this subcategory in her study of the small-scale capital goods sector in Pakistan, namely the *product range*. She quantifies the manufacturing complexity of products by breaking down each product into a limited number of standard operations and giving these operations scores. In this way, she is able to quantify the level of production capability incorporated in each product.¹²²

Patent data, another output indicator, has regularly been used as a substitute for technological capabilities in developed-country companies, but as Evenson and Westphal point out (1994: 28), patent data on the one hand articulates differences of inventive activity between countries, while on the other hand it reflects differences in the laws governing intellectual property rights (IPR). Moreover, hardly any developing countries have functioning IPR systems. Similarly, indicators such as number of performance awards and number of publications are regularly used in a developed-country context,¹²³ though they are of no use here.

Export may be regarded as an indicator for technological capabilities on an international scale and is seen as one of the most serviceable indicators in measuring

¹²² In addition to the indicator, she includes data on general education, formal technical education, prior working experience, internal efforts to assimilate and improve products, the search for new technological information outside the firm, external technical assistance, and the age of the particular firm.

¹²³ Here it is worth mentioning that the economic benefits of basic research are not the published information, but rather the problem-solving skills, international networks and background knowledge that many researchers have (Bell and Pavitt, 1993: 175). Thus, it is questionable whether this indicator is of any use even in an industrialised country context.

national technological capabilities, as it is easy to calculate while simultaneously measuring international efficiency (Lall, 2000: 31).¹²⁴ However, automatically export data neither distinguish between different levels of technology used in the production process, nor differentiate between domestic and foreign firms. Moreover, they can only be used on a national scale, not at the enterprise level.

Total Factor Productivity (TFP) is the most widely used proxy to combine both input and output indicators. It is the most frequently used single indicator for technological capabilities by the proponents of the new growth theories.¹²⁵ Basically TFP is a combination of *capital productivity* and *labour productivity*. The indicator itself does not measure capabilities but technical (in)efficiency. However, advocates of TFP argue that, by including both physical and human capital and labour, this indicator measures technical progress. Lall (2000: 50), on the other hand, reminds us that it captures a range of influences other than technology, for example, capacity utilisation and imperfect competition. Moreover, it covers the entire economy and not a particular sector.

As shown above, there is no agreement as to what constitutes the optimal indicator for an assessment of technological capabilities, nor is there any objective indicator that can be used to assess systematically changes in technological capabilities across countries, sectors, or even companies. The indicators listed above have been used in a wide variety of studies covering national inquiries (Lall, 1992, 2000), industrial branch-level studies (Putranto, Stewart et al., 2003) and firm-level investigations in both developed and developing countries (Okejiri, 2000). Most of these indicators tend to be focused at the highest technological level, while technological activities at lower levels tend to be ignored (Ariffin and Figueiredo, 2004). In addition, all the input indicators presented above have a common weakness: they are valuable only when the inputs they represent are directly linked with the output of the related technological activity, which is seldom the case (Babu, 1999). Serious questions may thus be raised in relation to the use of most of these proxies for the study of technology transfer-induced changes in technological capabilities in small enterprises in SSA.

It may be argued that in general firms are capable in some areas, less so in other areas, and consequently, a single measure of technological capabilities would provide a misleading picture of the technological capabilities in a particular company. Therefore, a combination of indicators is often applied for each type of capability in order to avoid the greatest pitfalls involved in the use of proxies to assess techno-

¹²⁴ Closely related to this sub-category are *export intensity* and *export destination*.

¹²⁵ See (Biggs, Shah et al., 1995: 37ff) for an example of how to calculate TFP in three African countries.

logical capabilities. Gammeltoft (2001: 253), for example, uses four to eight different indicators for each of his four different sub-capabilities in his study of technological capabilities among Indonesian electronics manufacturers.

However, even a combination of indicators may not avoid all the pitfalls: almost every new article or paper that deals with technological capabilities proposes a new categorisation. In most cases, the particular technological capabilities are conceptualised as the ability to undertake a corresponding set of technological activities, but very few intend actually to measure the capabilities in a disaggregated form. Hence, some degree of overlap is generally not a key concern. However, overlap does become a concern when the aim of the study is to assess *changes* in technological capabilities rather than develop theory. In this case, the construction of indicators with a minimum of overlap is important. Moreover, the indicators should correspond to the performance of a given firm in the study. In order to overcome these hurdles, the following illustrative framework within which to assess changes in small enterprises in Ghana is proposed. This framework takes both the horizontal and vertical classifications into account. Moreover, it builds on the discussion of indicators presented above.

The columns in the Table refer to the horizontal classification of the technological capabilities. In this framework, the categories of technological capabilities set out above have been subdivided into the following functions. *Investment capabilities* have been split into ‘pre-investment’ and ‘preparation and implementation’. *Production capabilities* have been broken up into product-centred, process-centred and equipment-related capabilities. It is, of course, difficult to distinguish between activities that relate to the product, the process of producing the product, and the equipment used to produce the products. Notwithstanding these problems, this analytical distinction will be retained here. *Linkage capabilities* have not been broken down further. The rows in the proposed framework determine the technological depths of the capabilities as well as the development over time. Hence the various cells in Table 4.1 point to an activity that a company is able to undertake on its own at a given point in time. Thus, following Figueiredo (2002a), the accumulation of capabilities in a company is identified when that particular company has acquired a technological ability that had not been available to it before.

Table 4.1. Technological capabilities in small Ghanaian enterprises

TC Forms		Investment		Product-centred	Production	Equipment	Linkage
TC levels		Pre-investment	Preparation & implementation		Process-centred		
Time & 'depth of knowledge'	Basic	Simple →	Decision regarding company/ plant location				
			Identification of a suitable project	Initial project outline preparation	Routine production control	Basic equipment maintenance	
			Pre-investment studies	Simple plant erection	Basic quality control Simple production planning	Routine replacement of components	Local procurement of goods and services
			Search for suitable technologies	Installation of equipment	Minor adaptations incl. material substitutions	Trouble shooting	Linkages to suppliers/ subcontractors
			Technology transfer negotiation	Project specification (product mix, input requirements, scale etc.)	Adaptation to export market needs	Obtaining certification for routine process quality control	Links with technology suppliers, and private sector associations
	Intermediate	Simple → Complex		Equipment procurement, training and recruitment of skilled personnel	Quality improvement & reverse engineering	'De-bottlenecking', 'capacity-stretching' and cost-saving	Minor adaptations in equipment to adjust to local materials
			Full execution of feasibility studies incl. search, evaluation and selection of technology	Basic engineering of individual facilities, and plant expansion	Expansions of product mix Inventive adaptations	Equipment repair Modifications of core technology	Supply of technical advise to buyers Transfer of know-how to buyers
	Advanced			In-house product innovation and R&D	In-house process innovation and R&D	In-house manufacturing of equipment, design and R&D	Turn-key capability

Sources: (Ariffin and Figueiredo, 2004; Figueiredo, 2002a; Gonsen, 1998; Lall, 1992; Lall, Navaretti et al., 1994; Wei, 1995).

As will become apparent in subsequent chapters, the Ghanaian companies that have collaborated with Danish companies as part of Danida's Private Sector Development Programme span a wide variety of sectors. Moreover, they differ substantially in size, type of customer, outlook etc. Therefore, some categories in Table 4.1 may seem arbitrary for some companies, while others may seem too broad to grasp fully the changes that have taken place since the collaboration was initiated. However, the intention is not to provide a clear-cut quantitative assessment of the changes, but merely to put forward a framework to guide the study of technological capability building. Moreover, it is important to note that the above framework does not take the source of a particular change into account: it merely provides a checklist for assessing changes in the various categories of technological capabilities.

5. UNDERSTANDING HOW FIRMS ACT AND INTERACT: THE BUSINESS SYSTEM APPROACH

This chapter aims to establish an analytical framework based on the Business System Approach to examine the factors that are shaping the development of the Ghanaian private sector. This framework identifies certain institutions in Ghanaian society that are of specific importance in understanding how private companies act and interact. This chapter focuses on the theoretical arguments underpinning the Business System Approach. In the first section, it introduces the background for the framework. The point of departure here is a critique of the orthodox economic approach. It is argued that economic action is not undertaken by rational agents in the market. Rather, personal relations and structures impact upon the economic actions that agents undertake. Thus, the socio-economic environment of the agents has to be taken into account in order to understand how and why private entities operate. The socio-economic environment is scrutinised further in section two. The Business System Approach essentially deals with the nature of the economic agents in the economy, the structure of relations between agents, and the prevailing system of authoritative co-ordination and control. In this section the basic mechanisms of the system are accounted for. Thus, section two points out the relevant institutional features that shape the distinctive business system, the business system characteristics, and how these two are related. Section three adapts the overall Business System Approach to a Sub-Saharan African context.

5.1 The embeddedness of economic action into wider institutional and social frameworks

Research on embeddedness is research into how social and institutional structures affect economic life. The term ‘embeddedness’ originally derives from Joseph Schumpeter’s work on economic action and inter-firm networks (Schumpeter, 1950) and Karl Polanyi’s description of how the social structure of modern markets impacts upon the form of exchange in a given economy (Polanyi, 1944).¹²⁶ Nowa-

¹²⁶ Polanyi’s *The Great Transformation* includes a number contradictory arguments and inconsistencies, including a fuzzy distinction between the embedded and disembedded market economy, due to his shifting relationship to the Marxist academic tradition. According to Block (2003), the main reason for these contradictions should be sought in the time span between the outline for the book, which was drawn up in the 1930s, and the book itself, which was written in 1941-43. During this period Polanyi’s theoretical framework shifted, and thanks to his eagerness to publish the book before the end of World War II, he did not have time to iron out the inconsistencies.

days, however, most people refer to Mark Granovetter's notion of embeddedness, namely that economic action is embedded in ongoing social ties that sometimes facilitate exchange, and at other times derail it (Granovetter, 1985).

The notion of embeddedness therefore opposes the neoclassical approach to inter-firm relations. Whereas orthodox economists argue that, in the ideal-type market, partners are linked by arm's-length ties, the proponents of the embeddedness approach argue that business partners are linked by embedded ties based on trust and personal relations (Granovetter, 1985).¹²⁷

Granovetter therefore disagrees with the perception of economic exchange as rational economic behaviour organised in impersonal institutional arrangements. He claims that this understanding of economic action is *under-socialised*, inasmuch as it does not allow actual personal relations to influence the outcome. In contrast, he argues that the claim of some sociologists, who wanted to correct the under-socialised form of understanding, that general morality provides the basis of human behaviour, is *over-socialised*, as it calls for an automatic and unconditioned response to economic action. However, these two apparently contrasting approaches have one theoretical trait in common, namely the notion that action and decision are carried out by atomized actors, in the sense that behavioural patterns are treated as internalised and thus as unaffected by ongoing social relations (Granovetter, 1985: 485; Granovetter, 1992: 6). This theoretical notion is the central point of Granovetter's critique of mainstream economics and the reason for his approaching the firm from a sociological viewpoint: 'The embeddedness argument instead stresses the role of concrete personal relations and structures (or "networks") of such relations in generating trust and discouraging malfeasance' (Granovetter, 1985: 490).

Numerous studies have been based on Granovetter's notion of embeddedness and his argument that networks should be used to analyse the economy. These studies have shown us that economic institutions are embedded in wider social relations. However, this does not imply that culture and social values predetermine economic organisation. Rather, the notion of embeddedness signifies the interaction between the two (Schaumburg-Müller, 2001).

The concept of embeddedness has undergone a change over time, as already described in the introduction to this section. Moreover, the level of analysis has changed, as depicted in Table 5.1. Thus, embeddedness in the Polanyian sense of the word is based on a macro-level analysis of the market economy within a nation-

¹²⁷ Between these two extremes are variations of revisionist economic frameworks, such as transaction costs theory, agency theory and game theory, which try to incorporate the social structure into the economic analysis, but these approaches still perceive these relations as having only a marginal effect on economic performance relative to the logic of the market (Uzzi, 1996).

ally framed context. It refers to the notion that ‘markets’ are not naturally given, but rather, socially structured and governed. Thus, the economy is seen to be embedded in social and cultural structures.

Table 5.1. Different notions of embeddedness

Who?	What?	In what?	Where?
Polanyi	The economy	Social and cultural structures	The nation state
Granovetter ¹²⁸	Individuals and firms	Networks of ongoing social relations	NA
Whitley	Firms	Institutional framework	The nation state ¹²⁹

Source: Hess (2004: table 1).

Embeddedness in the Granovetterian sense of the word, in contrast, refers to the micro-level analysis of the economic behaviour of individuals and firms. This behaviour is then embedded in ‘networks of ongoing social relations’. Business partners are thus linked by embedded ties based on trust and personal relations. However, Granovetter’s main aim is not confined to the micro-level. Even though his ‘embeddedness’ focuses on the proximate mechanisms of economic life, his stated aim is to explore macro-level patterns, that is, to carry out an in-depth analysis of the networks of interpersonal relations in order to facilitate an understanding of the overall economic structure (Granovetter, 1985: 506f).

However, the exact focus of Granovetter’s analysis remains unclear. His main argument is that concrete personal relations and trust impact upon the economic outcome, and thus one would imagine that the ‘actors’ were individuals, but as Hess (2004: 170) points out, he also stresses the importance of social relations between firms. Granovetter’s concept of embeddedness has often been criticised for its vagueness (Henderson, Dicken et al., 2002). Stated crudely, Granovetter only argues that individual economic behaviour is embedded in networks of interpersonal relations. However, he does not specify how these networks are shaped, nor how the links between these networks and wider social structures –the state, institutions, educational system, law, religion, kinship etc. – are formed (Barber, 1995). As will become apparent in the next section, the business-system approach tries to

¹²⁸ This categorisation refers to Granovetter’s 1985 article, ‘Economic Action and Social Structure’ (Granovetter, 1985). In later writings, Granovetter moves the study into a larger framework of analysis in order to capture how and why economic institutions exist. He is especially puzzled by overseas Chinese in East Asia and the Korean *Chaebols* (Granovetter, 1992).

¹²⁹ Even though Richard Whitley has recently admitted that business systems may vary within nations – for instance, between regions or sectors – or may overlap across national boundaries, he still maintains that regulatory institutions that impact upon economic outcomes have a distinct national character, and thus business systems will remain national for some time to come (Whitley, 2003).

overcome this critique by focusing on the institutions that shape how firms act and interact.

Polanyi's and Granovetter's writings have both inspired several lines of research, for example, the interest of economic geographers in spatial embeddedness and the 'culture' of economics,¹³⁰ and of business organisation researchers on firms and their networks, as in the work of Halinen and Törnroos (1998). In this context, however, the discussion will be limited to a third line of thought inspired by the concept of embeddedness, namely the Business System (BS) approach. Although the BS literature does not use the term 'embeddedness', it is clearly inspired by these writings. Thus, the link between the way firms act in a given economy and the specific social-institutional environment in the business system literature is clearly inspired by Polanyi's idea that markets are governed by society. At the same time, however, it departs from Polanyi's focus on the economy as such and has more similarity with Granovetter's concentration on individual actors.

5.2 The business-system approach: a theoretical outline

The BS literature is therefore directly related to the literature on the embeddedness of economic action. Moreover, it builds on the work of Hamilton and Biggart (1988), who oppose both purely market-focused and purely cultural¹³¹ explanations of industrial arrangements and practices in three East Asian economies. Instead, they propose a political-economy approach that incorporates economic and cultural factors but also stresses the relationship between the state and business and structures of authority in the explanation of organisational differences. This approach aims to explain how these relationships, as well as structures, have come into being, and how they impact upon industrial arrangements.

In a similar vein, the BS approach focuses on particular organisation and the governance structures of certain types of economic institution. The main aim of the BS approach is to explain the differences in the nature of the firm and the ways in which it competes and co-ordinates inputs and outputs in the market in terms of key social institutions (Whitley, 1996a).¹³² Therefore the BS approach also opposes the orthodox economic understanding of firm–market relations, offering instead the possibility to analyse these relations in a specific (national) context.

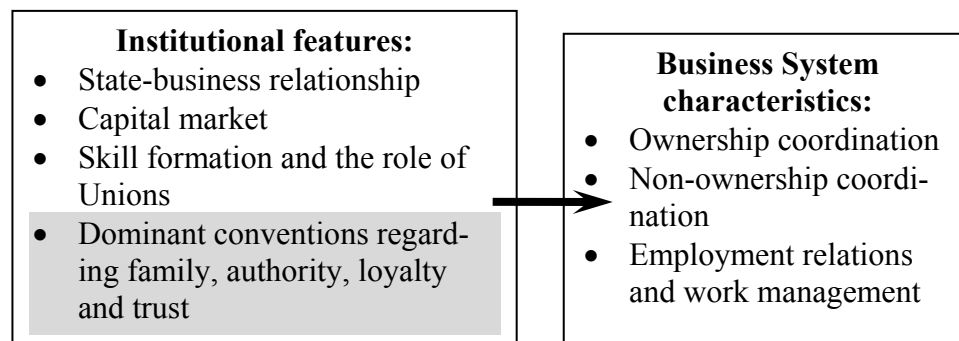
¹³⁰ For a critique of the increased use of the concept of embeddedness in economic geography, see Martin and Sunley (2001).

¹³¹ Cultural explanations cover a wide array of approaches. In general, however, they link organisational patterns with cultural practices, such as explanations of Japanese organisational arrangements through an examination of the Japanese value, *wa* (harmony), which seems to subordinate the individual to the group.

The BS represents a distinctive way of coordinating and controlling economic activities. According to Whitley (1999b: 33), business systems ‘vary in their degree and mode of authoritative coordination¹³³ of economic activities, and in the organisation of, and interconnection between, owners, managers, experts, and other employees’. As pointed out above, one of the objectives of the proponents of the BS approach is to explain how these distinctive business systems have come into being. According to Whitley, for example, a number of factors influence the formation of business systems, the most important being variations in key institutions in society that influence BS characteristics.

Figure 5.1 sketches out the essential components of the BS approach, namely institutional features that help to generate and reproduce certain business systems, BS characteristics that define the business system, and the link between them. The components will be discussed in the following.

Figure 5.1. Business system analysis framework



5.2.1 Institutional features

Proponents of the BS approach stress its historical dimension: the current firm-market relationship in a given context is shaped by the development of certain institutions in society during and after industrialisation. Thus, even though a BS is not static, it does not change overnight. The reason for this stability is the role of the institutions that govern access to labour and capital in shaping the way firms act and interact. The BS literature is very vague in stating exactly which institutions are important. During the past decade, several institutions have been singled out in, for instance, Richard Whitley’s writings, but they may all be grouped into the follow-

¹³² Firms are here perceived as ‘units of financial control, which coordinate economic activities through authority hierarchies on the basis of unified ownership’ (Whitley, 2002: xx).

¹³³ Authoritative coordination is defined by Whitley as ‘common obedience to established rules of conduct in the pursuit of collectively agreed goals’ (Whitley, 1999b: 31).

ing four main types of institutional feature:¹³⁴ the state, the financial system, the skill development and control system, and dominant conventions governing trust and authority relations.¹³⁵ In Whitley's writings from the early 1990s, these features are grouped into 'proximate' and 'background' institutions respectively (see, e.g., Whitley ((1992a; 1992b; 1994)). The former institutions are directly related to the economic system, and in general, they have developed with the modern nation state. They are thus the product of industrialisation. The latter institutions refer broadly to the social institutions that underpin a given society and that impact upon how firms act and interact. Thus they relate to the underlying principles of cooperation and include trust relations, family relations, subordination and obedience. In Figure 5.1, the background institutions are highlighted.

These institutional features condition access to labour and capital, affect how labour power is developed and the attitudes and values of individuals, influence the norms and rules controlling private property, and shape the wider social structure, which may affect individuals' capabilities. The institutional features cover a wide variety of relations that vary in strength and degree. Therefore different institutional features tend to shape the nature of, for instance, ownership relations, inter-firm connections and employment relations, thus impacting on how business systems materialise (Whitley, 1999b). In the following, these features are briefly explained.

The *state-business relationship* refers above all to the role of the state with regard to leading economic actors, thus reflecting the relative dependence of private businessmen on state policies. Secondly, it refers the state's ability to develop and implement coherent policies for economic growth, thus reflecting the state's dependence on dominant groups upon economic growth. Thirdly, it refers to the extent to which the state encourages intra- and inter-sectoral organisations between individuals, firms and the state, thus reflecting the state's support for industrial development through risk sharing and the encouragement of long-term cooperation between employers and employees, and between the state and private companies. Lastly, it refers to the extent of market regulation.

The *capital market* is closely related to the state–business relationship, as the financial system impacts on how the state supports industrial development. Broadly

¹³⁴ For a critique of this lack of consistency in the BS literature, see, for instance, Lundvall (1999).

¹³⁵ Richard Whitley easily ends up in a circular argument as regards the institutional features. For instance, he argues that exactly these institutions are singled out because they 'guide and constrain the nature of ownership relations, inter-firm connections, and employment relations' (Whitley, 1999b: 47) – the exact content of the BS characteristics! What is important here, though, is that these four institutional features govern most aspects of the private sector, for instance, the technical skills of workers, the attitudes to work of employees, exchanges of inputs and outputs, and rules regulating the use of human and material resources.

speaking, two types of capital market can be distinguished, namely the capital market-based financial system and the credit-based financial system. In the former resources are made available by capital markets, which are often specialised financial institutions, and lenders and users are relatively remote from one another. The relationship between users and lenders also tends to be short-term and specific to particular transactions. The latter, on the other hand, are weak capital markets that only play a minor role in mobilising funds for the private sector. Instead credit is often provided by commercial banks or long-term credit banks or a combination of both.

Skill formation and the role of unions denotes the overall system for developing and controlling skills. As regards skill development, it is possible to distinguish between a system that is dominated by formal academic standards and a system that separates technical/practical skills from academic skills. In the former system, academic skills are standardised, practical skills only rarely so, often being provided through intra-firm training. The latter system, on the other hand, encourages fewer task-specific practical skills, therefore in theory this system is better prepared to accommodate technical change. This distinction not only impacts on future learning, but also on the 'extent to which employers, unions, and the state are jointly involved in developing and managing such training' (Whitley, 1999b: 50). Skill development is also related to the role of unions: some unions are defined by separate crafts and thus certify specific skills, whereas others are either industry-specific unions or more general unions that do not identify special expertise.

The *dominant conventions regarding family, authority, loyalty and trust* is a broad category that influences relations between business partners and between employers and employees. These so-called 'background' institutions were initially perceived as underlying the 'proximate' institutions and thus producing their specific characteristics (Whitley, 1992b). In later writings, the causal relationship between these two types of institution has been omitted. Instead, they have been combined and constitute part of the institutional features. However, most of the components of the original 'background' institutions still feature in this category. Among the most important elements are the degree and basis of trust between non-kin – that is, the extent to which trust is granted and guaranteed through formal social institutions; the commitment and loyalty to collectivities beyond the family; the relationship between superordinate and subordinate; and the degree to which authority rests on widespread appeals to common interests, as opposed to specific agreements between separate contractors – that is, a shared understandings of priorities versus the pursuit of self-interest (Whitley, 1992b, 1996b, 1999b).

5.2.2 Business System characteristics

Essentially a BS is a coordination and control system that can vary on two basic dimensions in relation to economic activities, namely ownership coordination and non-ownership coordination (or alliance integration). Ownership coordination refers to the connection between the owners and controllers of private property rights and economic resources. Thus, whereas direct control over economic activities by the owner of a company indicates high ownership coordination, delegation of control to trusted agents points towards lower levels of ownership coordination.¹³⁶ Non-ownership coordination refers to the integration of economic activities through alliances, joint routines and cooperation, which are not predicated upon joint ownership (Whitley, 2002). These activities may be organized in cooperative arrangements with a high degree of commitment, thus indicating high levels of non-ownership coordination, or else be dominated by anonymous, ad hoc or one-off arrangements and thus indicate low levels of non-ownership coordination. The combinations of these dimensions – that is, ownership and the non-ownership – and levels of coordination make up the following four distinctive ideal business systems: Fragmented BS, Coordinated industrial districts, Compartmentalised BS, and Collaborative BS.

The most important characteristics of the *ownership coordination* category include the extent of the owner's involvement in the management of the business (direct control, alliance control, market control) and the extent of horizontal (across sectors) and vertical (in chains) ownership integration. These characteristics are interrelated. Thus, the direct control of family businesses theoretically counteracts the horizontal spread of business activities, as owners of these firms tend to develop certain capabilities related to a certain activity. In the *non-ownership coordination* category, the characteristics can be divided into joint activities between the members of a production chain, among competitors and across sectors. Ownership coordination and non-ownership coordination are interrelated in such a way that the type of ownership influences how non-ownership coordination takes place. Direct ownership, for instance, creates a personal identity with the company and a reluc-

¹³⁶ For reasons of simplicity, only two levels have been chosen, namely high and low. However, ownership and non-ownership coordination both cover various categories. Ownership coordination, for instance, refers to the primary means of owner control over the company (direct, alliance, or arm's length), the extent of ownership integration in production chains, and across sectors. Likewise, non-ownership coordination refers to the integration of members in a chain, the alliance between competitors, as well as alliances between firms in different sectors. These alliances range from competition or short-term arrangements to long-term cooperative arrangements. In some instances, like the collaborative BS, the high levels of ownership coordination in reality cover a high level of ownership coordination in production chains, but only a limited ownership integration across sectors (Whitley, 1999b).

tance to share information and control, thus limiting the possibility of cooperation with competitors.

Table 5.2. Coordination systems and ideal types of BS relationship

	Ownership coordination	Non-ownership coordination
Fragmented BS	Low levels	Low levels
Coordinated industrial districts	Low levels	High levels
Compartmentalised BS	High levels	Low levels
Collaborative BS	High levels	High levels

In addition to the two coordination systems, employment relations and work management may be used to categorise distinctive business systems because BS characteristics relate to the degree of employer-employee interdependence and managerial delegation to and trust of employees, respectively. However, since employment relations and work management are dependent on ownership coordination, this category has been omitted from Table 5.2. Direct control of a firm, for instance, tends to limit the interdependence between employers and employees, while alliance forms of ownership can lead to a higher level of dependence between the two parties (Whitley, 1999b).

Like the specifications of specific institutions that influence the BS described in the previous section, the literature on BS in general, and Whitley's papers in particular, have not been at all consistent as regards the most important BS characteristics.¹³⁷

In sum, four ideal business systems can be distinguished, namely the Fragmented BS, the Coordinated Industrial Districts, the Compartmentalised BS, and the Collaborative BS (see Table 5.2). *Fragmented Business Systems* are characterised by limited ownership as well as non-ownership-based coordination. They are dominated by small owner-controlled firms that specialise in a narrow range of economic activities, and employment relations are typically short-term. *Coordinated Industrial Districts* combine low levels of ownership integration with more extensive inter-firm cooperation, both within chains and across sectors. Non-

¹³⁷ The specific BS characteristics have changed considerably during the past decade. In 1992, the BS had sixteen different characteristics. In 1994 the number was reduced to thirteen. Then in 1996, Whitley simplified his framework considerably and mentioned only five key features of the economic actors, though in 1999 this was raised again to eight key dimensions (Whitley, 1992b, 1994, 1996b, 1999b). However, the idea remains the same: particular social institutions that govern access to labour and capital shape the way firms act and interact.

ownership coordination is often stimulated by government agencies, trade unions, educational facilities etc. Like the fragmented BS, units in this type of BS are generally small, and firms are often owner-controlled. *Compartmentalised Business Systems* are dominated by large firms that integrate activities within chains and across sectors, but display low levels of inter-firm cooperation and thus normally operate at arms' lengths through financial markets. Lastly, *Collaborative Business Systems* combine large entities with high levels of inter-firm cooperation. Firms are often vertically integrated and seldom diversify across sectors, while owner-control is typically alliance in nature.

Two variations of these business systems are often mentioned in the BS literature, namely the *State-organised BS*, a sub-type of the compartmentalised BS, and the *highly coordinated BS*, a sub-type of the collaborative BS. It is important to bear in mind that these distinctive business systems are ideal types – that is, empirical examples often reveal conflicting features and contradictory tendencies.

5.2.3 The link between institutional features and BS characteristics

Figure 5.1 assumes a one-way causation between key institutions in society and BS characteristics. However, the link between these two aspects of the system is under-emphasised by the proponents of the BS approach. Basically, the relationship between these two entities is not straightforward: it is neither linear nor reversible. In other words, Whitley argues that the institutional features on the left-hand side of the figure are not correlated with the BS characteristics on the right-hand side. Instead, he argues, certain features *tend* to produce certain BS characteristics. Moreover, not all institutional features have the same significance in this process. Rather, extreme features tend to dominate. Put differently, different institutional features do not necessarily go hand in hand. Hence, if two institutional features pull in opposite directions, the most extreme one will dominate. Lastly, the relationship between institutional features and BS characteristics does not necessarily apply in reverse: 'the existence of an effective legal system governing contractual trust does not necessarily lead to extensive delegation of control...although the lack of such formal institutions is likely to encourage strong owner control' (Whitley, 1999b: 55).

5.3 The Ghanaian BS: an analytical framework

The previous section (5.2) considered the institutional features and characteristics of the BS in an ideal world. It informed us that institutions that govern capital and labour in a given (national) context constitute the most important features of the BS. However, we should bear in mind that a BS only represents the general pattern

of economic coordination and control in a market economy. In other words, we should expect to find variations within the national economy (Whitley, 1999b: 31f; Whitley, 2002: xx).

Moreover, it is important to remember that the BS approach was not intended to apply to the Ghanaian case, but was first developed in East Asia (Whitley, 1990, 1992a) and then transferred to a European context (Kristensen, 1996; Whitley, 1992b). Recently, however, it has been applied to one Sub-Saharan African context (Pedersen and McCormick, 1999; Sørensen and Kuada, 2001; Whitley, 2001). The BS approach was thus developed on the basis of rather well-established business systems in East Asia and Europe, which were characterised by firmly established institutions and solid social groupings. In contrast, many Sub-Saharan African countries have only recently begun rebuilding key institutions in society. Moreover, social groupings are often weak, as traditional loyalties are breaking down and new ones have not yet been fully developed.

This section begins with a critique of the BS approach and then proceeds with a proposal for an analytical framework based on the BS approach just outlined. This framework takes the major critique of the approach into consideration, but more importantly it identifies the specific institutional features in Ghana that must be taken into account if we are to understand how Ghanaian firms act and interact, and why they do so. Lastly some reflections are offered regarding changes in the BS.

5.3.1 Challenges to the BS approach

The BS approach has been challenged from various perspectives. The most intense debate relates to the role of globalisation vis-à-vis the national character of the BS. Critics argue that globalisation tends to neutralise the effect of distinctive national institutions, whereas proponents of BS maintain that, even if global institutions are ‘imported’, as the critics claim, these institutions will be affected by the existing framework and thus be distinctive (Kristensen, 1999). Moreover, Whitley (2003: 30) insists that, even though the international business environment (IBE) – that is, the internationalisation of ownership and regulation – may in theory weaken the national specificity of the BS, in reality the IBE is still so weakly institutionalised that there is a greater chance that specific national institutions will impact on the IBE than that international institutions will influence national ones. In a similar vein, Whitley (1999b) maintains that the social and economic organisation of migrant communities depend to a large degree on the host nation’s institutional structures, and therefore these ethnic communities will not have any noticeable effect on the national BS as such.

However, it is worth restating that most studies of business systems have been conducted in nations with relatively stable institutions. Thus, the proponents of the distinctiveness of the BS approach base their arguments on quite stable institutions, which have so far been able to maintain their specific features and thus preserve the distinctiveness of their BS. In most developing countries key institutions have only recently been developed, and in many cases they are still very fragile. Therefore, these institutions are likely to be more receptive to change than the institutions that are most often studied in the BS literature. Moreover, the way firms act and interact in developing countries may depend not only on key national institutions, but also on changes in the management and organisation of production resulting from sub-contracting arrangements with foreign companies, mergers, joint ventures etc. Likewise, business systems in developing countries often consists of several distinct segments that only interact in limited ways (Pedersen and McCormick, 1999; Whitley, 1999a).

As spelled out already in section 4.1, the large majority of small enterprises in SSA do not have an international outlook, but process and sell products for the local market. Thus, the impact of globalisation on these 'survival' enterprises is at best indirect. However, the situation is slightly different for 'growing' enterprises, as to a large extent their market is being squeezed precisely by globalisation. Moreover, it is worth noting that the differences between developing countries, as well as between sectors in the same country, are considerable. While the impact of globalisation on the structure and organisation of many home-based industries is expected to be insignificant, the effects on, for instance, the garment industry in Bangladesh are likely to be considerable, as Schaumburg-Müller shows (2001: 230). Here, he argues, international trends have radically changed the industry: a new labour force has been created, which consists mainly of female wage labourers formerly living in rural areas. Thus, how companies in this sector are organised differs markedly from other parts of the Bangladeshi private sector. It may therefore be more appropriate to discuss changes in certain sectors resulting from globalisation, not changes in the economy as a whole.

Furthermore, international financial institutions, such as the World Bank and the IMF, have played an essential role in the development of key institutions in LDCs, especially since the introduction of structural adjustment and stabilisation programmes at the beginning of the 1980s.¹³⁸ Likewise, major bilateral and multilateral donors alike have placed a major emphasis on changing the room for manoeuvre

¹³⁸ In Richard Whitley's only paper to deal with developing countries, he goes so far as to state that 'many developing economies are quite "internationalized" in the sense that much industrial activity and trade is coordinated by foreign organization' (Whitley, 2001: 34).

vre of the private sector in developing countries during the last decade through, for instance, legislative reform, the implementation of new incentive structures, and financial support for certain segments of the private sector (cf. Chapter 0, above).

The BS approach has also been criticised for not being able to take change into account (Yeung, 2000a), and for not allowing for sector and product specifics when dealing with the international dimension (Gereffi, 1996; Raikes, Jensen et al., 2000). In other words, business systems are generally considered to be relatively stable, with only a small tendency to converge. This argument builds on an assumption that the institutional features that provide the foundation for the business system are stable and enduring. However, this is seldom the case in developing countries. Thus, one might argue that various aspects of globalisation, including the role of donors, puts pressure on business systems in developing countries. On the contrary, however, institutional features reflect configurations of power and interest in a society. Thus, any attempt to change them provokes intense opposition from affected groups. Moreover, proponents of the business system approach specifically argue that the relationship between the institutional features and the business system characteristics is irreversible, that is, even though key actors change due to influence from donors, multinational companies, international traders, foreigners etc., these changes do not necessarily lead to institutional changes, at least not in the short run.

5.3.2 An analytical framework for the Ghanaian context

Figure 5.1 spelled out the relationship between the institutional features on the one hand and the specific patterns of coordination and control, that is, the business system characteristics, on the other. This framework does not take specific historical developments into account. Instead, it focuses on the abstract relationship between the two. However, and in line with the notion of embeddedness, not all institutional features are equally relevant in all settings. This section singles out the most relevant institutional features in the Ghanaian context.

State–business relations are of the utmost importance in developing countries that have pursued a state-led industrialisation strategy. The majority of these countries are now committed to a private sector-led development strategy. Ghana is no exception. Thus, an analysis of the state-business relationship from a historical perspective can enhance our understanding of how private businesses react to new initiatives. The state-business relationship comprises four subgroups. The first relates to how the state has managed the industrialisation process and the role of the private sector in it. The second deals with corruption and how the state tackles this. The third is related to the former two groups in that it considers official state poli-

cies towards the private sector. The last group deals with organised private-sector responses to the state.

Access to capital has a major impact on how private enterprises operate. Capital forms a basic premise for enterprises to operate, and thus access to capital may facilitate, as well as hinder, the development of local private-sector activities. In Ghana, the financial system is dual in the sense that only a very few foreign companies and large-scale Ghanaian companies have access to capital from formal financial institutions: the great majority of Ghanaian companies have to rely on relatives, informal moneylenders and a few business organisations to obtain capital.

The educational system trains the skills that are available for the private sector. In Ghana, as elsewhere in SSA, this system was established by missionaries and later taken over by the colonial administration. Throughout this period, the focus was on elite education for white-collar clerks and junior bureaucrats. This focus continued after independence. The types of skills produced in the educational sector, that is, formal academic or technical skills, tend to determine what kind of activity the private sector can undertake and therefore influences its characteristics.

Likewise, institutions that reveal the cultural values of Ghanaian society, such as the role of the family, trust between non-kin, commitment and loyalty beyond the family, and authority relations, have an effect on the relationship between business partners and between employers and employees. These institutions determine how private entities are managed and how and to what degree companies collaborate. This is of the greatest importance in studying donor-induced business collaborations.

6. NO SUCH THING AS A COOKBOOK FOR DOING CRITICAL REALIST RESEARCH: METHODOLOGICAL CONSID- ERATIONS

The topic of this thesis is the impact of development aid. In order to unpack this, it is important to scrutinise the dynamics of both aid and context. Moreover, it is of the utmost importance to be aware of the underlying structures and mechanisms that affect the interplay between these two aspects. A meta-theoretical position that acknowledges internal dynamics, as well as the importance of underlying structures and mechanisms, and that rejects naïve demands for universal validity is therefore essential. Critical realism serves exactly these purposes and will therefore constitute the starting point for the choice of methods.

This chapter begins with a short outline of critical realism, in particular the specific category of critical realism that is identified as methodological realism. The purpose of this section is to present the key concepts and features of critical realism that lead the researcher from theory to empirical data and back. Inspired mainly by the writings of Andrew Sayer and Henry Wei-chung Yeung, this section applies critical realism to the study of the impacts of the PSDP in Ghana, outlining the particular method of reasoning applied in this study, and introducing the research methods.¹³⁹ Section two departs directly from this application and describes the design of the study, the choice of cases, the construction of interview guides and the search for the validation of empirical data. In the last section of this chapter, issues of specific relevance to the question of validity are discussed in more detail. In particular, this section deals with the struggles encountered when interviewing foreign elites, an acknowledgement of the nature of the interviewer's position vis-à-vis the interviewee, and the challenges related to the researcher's 'closeness' to the development organisation.

6.1 Critical realism in brief

The critical realism of today was developed in the 1970s in the writings of Roy Bhaskar and Rom Harré. They aimed to establish an alternative to Humean positiv-

¹³⁹ Following Yeung (2000b: 3), I define *methodology* as the entire process of practising research, and *methods* as the specific techniques used in research.

ism, or empirical realism, as they dubbed it, that is, an alternative to an ontology of atomistic events, comprising objects of experience.¹⁴⁰ Their concern was entirely philosophical.

Critical realism has since been dealt with by a number of different researchers from various branches of the social sciences.¹⁴¹ Each contribution has its own distinct focus. However, it is possible to categorise the contributions according to their main points of departure, involving respectively ontological and epistemological questions, the relationship between theory and methods, and the comparison of different theories. The argumentation adopted here is inspired by the writings of Danermark (2002), Danermark, Ekström et al. (2002), Sayer (1992; 2000) and Yeung (1997), among others on methodological realism, the special branch of critical realism that deals with analytical strategies and outlines of methods.

Critical realism in essence is a

philosophy that celebrates the existence of reality independent of human consciousness (realist ontology), ascribes causal powers to human reasons and social structures (realist ontology), rejects relativism in social and scientific discourses (realist epistemology) and reorientates the social sciences towards its emancipatory goals (realist epistemology). (Yeung, 1997: 52)

Critical realism basically seeks to answer the question of what reality must be like to make the existence of science possible and thus what researchers are doing when they do research, as well as what the structure of the world must be like to make scientific research possible (Danermark, Ekström et al., 2002: 18). The answers to these questions constitute the foundation of critical realism. The essence is that since scientific practice is possible, it is possible to conclude that a reality exists independent of our knowledge of it. Moreover, reality is not immediately accessible to researchers, otherwise science would not have been required. Reality is thus not transparent, but it has ‘mechanisms which we cannot observe but which we can experience indirectly by their ability to cause – to make things happen in the world’

¹⁴⁰ Harré presented his all-embracing critique of positivism in *The Principles of Scientific Thinking* of 1970 (Macmillan, London). This critique was later taken up by Bhaskar in 1978 in *A Realist Theory of Science* (Harvester Press, Hassocks). Nowadays, critical realism is normally associated with Bhaskar’s writings.

¹⁴¹ The label critical realism was applied subsequently: it is a contraction of two central terms: transcendental realism (a philosophy for and of the natural sciences) and critical naturalism (a methodological question relating to the possibility of practising a natural science of society) (Harvey, 2002).

(Danermark, Ekström et al., 2002: 20, emphasis in original). Reality is thus an open system.¹⁴²

6.1.1 The idea of a stratified reality

Mechanisms and structures are often referred to as either the deep dimension of reality or the generative mechanisms. Reality, according to critical realists, is therefore not only constituted by events and our experience of those events, but also by a deep dimension that triggers actual events and directs them (Lawson, 1995: 13). In other words, reality is composed of three ontological domains: the *empirical* domain (direct and indirect experiences), the non-empirical, *actual* domain (events, whether experienced or not), and the non-actual *real* domain (underlying causal structures, mechanisms, powers and tendencies). Thus, the *real* is whatever exists, the *actual* refers to what happens if and when the powers of the real are activated, and the *empirical* is what can be experienced (Sayer, 2000).

These domains are, furthermore, *structured*, that is, although changes at the level of the *actual* may change the nature of the *real*, the latter is irreducible to the former. Likewise, changes at the *empirical* level may influence what happens at the *actual* level, but they need not. According to critical realism, the objects under study therefore exist and act independently of the process of their identification.¹⁴³

Mechanisms relate to the domain of the *real*. Mechanisms denote the reasons and causes of the events, that is, they have the power to produce events. However, the outcome of the mechanisms is dependent on the *context*. The empirical manifestation of contextually determined mechanisms should be regarded as a *tendency*, not an empirical regularity (Danermark, 2002: 59). A *tendency* is thus the feature of a mechanism that makes it able to produce certain events.

It is not the intention of critical realist-inspired research to predict what will happen at the level of concrete events. According to Sayer (1997), this demand is simply unanswerable due to the open nature of social systems, which implies that

¹⁴² 'Openness' here stands in direct opposition to the positivist's 'closeness', that is, the idea that the world can be discovered by experience, the possibility of making experiments, and thus making predictions and formulating laws.

¹⁴³ This last statement is a preliminary outcome of a continuing debate between critical realists and social constructivists on the role of the researcher vis-à-vis the object under study. Critical realists now acknowledge that the researcher may influence the social world under scrutiny, but they maintain that the influence is insignificant. Fairclough, Jessop et al. (2002: 3), for instance, insist that *most* of the physical and social worlds can exist regardless of whether researchers are observing them. Likewise, Sayer (2000) claims that in *most cases* it is not the knowledge of contemporary researchers that influences the social world we are researching, but past knowledge. Thus, even though these critical realists maintain one of the central tenets in the realist ontology, they have opened the door to new interpretations.

the activation of generative mechanisms depends on contingent conditions and is therefore not pre-determined.

6.1.2 Creating connections between the empirical, the actual and the real: explanation in critical realism

Opposed to the orthodox, positivist view of explanation, which calls for a direct relationship between events, or regularities between these events, critical realists argue that causality concerns the causal powers and liabilities of phenomena (Sayer, 1992: 104f).¹⁴⁴ Causality is therefore not a matter of regularity between separate events (cause and effect), but of what an object is like and what it can do. Specifically, causality in the critical realist sense establishes connections between the three domains of reality. Hence, it is essential to establish an account of the underlying structures and mechanisms that are responsible for identification of phenomena in the social sciences.

An explanation in the critical realist sense provides just such an account. It entails the interpretation and re-contextualisation of phenomena within a conceptual or theoretical framework, as well as a description and analysis of concrete phenomena and a reconstruction of the basis conditions for those phenomena in order for them to be what they are. Explanation in the critical realist sense of the word thus denotes a process of constant reflection and immanent critique that seeks to reconstruct the causal structures and mechanisms that create the phenomena. Explanation therefore seeks to reveal the relationship between an empirical problem (a concrete phenomenon) and the deeper causal structures (Danermark, Ekström et al., 2002: 42ff; Yeung, 1997: 57).

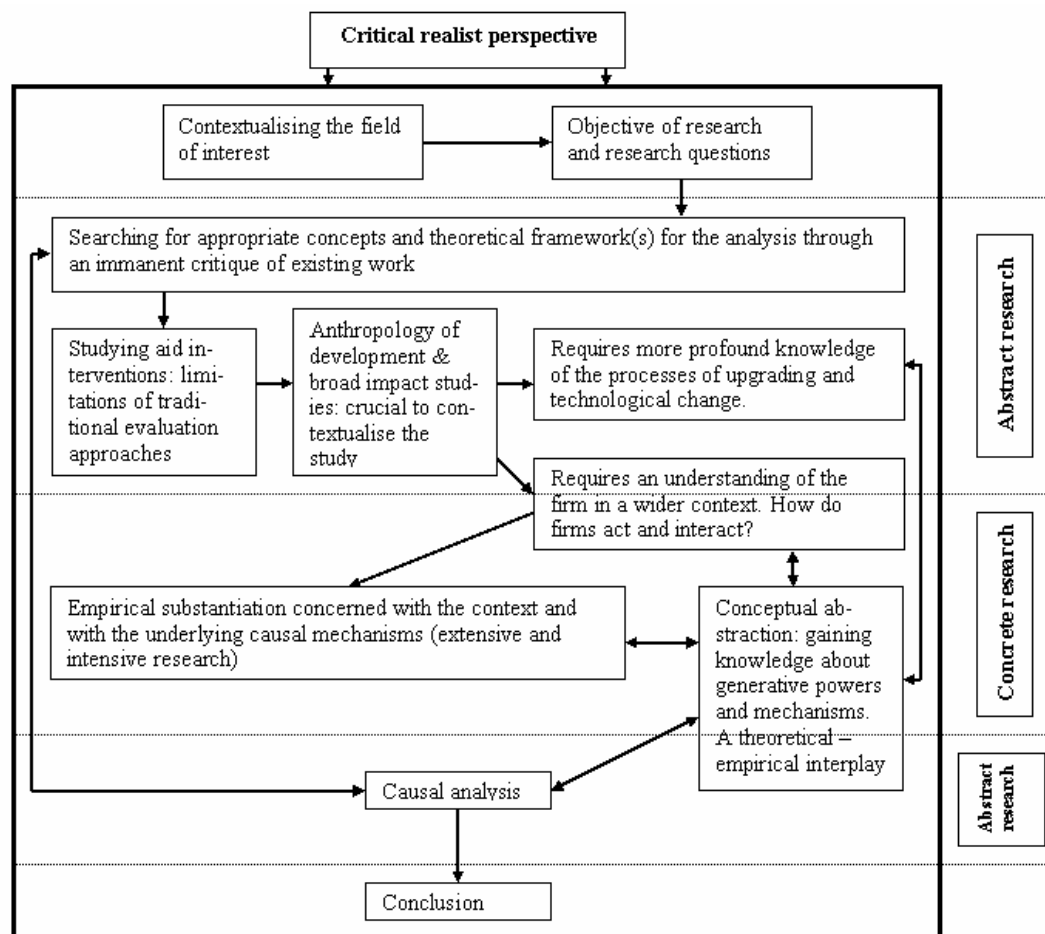
6.1.3 Putting critical realism to work

It has been claimed that critical realism is: ‘a philosophy in search of a method’ (Yeung, 1997: 51), that ‘critical realism lacks clear guidelines for empirical work’ (Downward, Finch et al., 2002: 482), and that the main problem ‘concerns the inadequately worked through practice of critical realism’ (Pratt, 1995: 62, emphasis in original). In spite of the fact that several authors have dealt with different techniques for doing research in relation to critical realism, only a very few have

¹⁴⁴ According to Sayer (1992), objects are internally related to other objects, as are their causal powers. Hence, an object is dependent on its relation to another object, but whether or not its causal powers are activated depends on external factors. In critical realist terms, although the objects are *necessarily* related, activation of their causal powers is a *contingent* matter. Moreover, different effects may be activated by different mechanisms. Thus, different mechanisms and different contingent conditions may both set events in motion. What eventually happens depends on the specific context, that is, the specific political, economic, social and spatial developments that frame the phenomenon.

spelled out how critical realism has actually been applied in concrete research projects. What is at stake here is very central to critical realism, namely that the very process of doing critical realist research is by its very nature tortuous, being characterised by numerous iterations in which the basic model is constantly being refined. Hence, the unilinear presentation of the structure of this thesis in Figure 6.1 is by definition different from the actual stages in this research process: certain stages have been omitted altogether; other stages have been included along the way, and yet others have been moved from one section to another.

Figure 6.1. critical realism applied



Inspired by Henry Wei-chung Yeung's description of his research into Hong Kong-based transnational companies' activities in Asia, Figure 6.1 outlines the different phases in the present research (Yeung, 1997). The aim of the figure is to present the relationship between the critical realist methodology, the chosen theories and the methods applied. The figure includes the main stages in this research process, namely the description of the phenomenon under study; the abstract research, which concerns the conceptualisation and reconceptualisation; the concrete re-

search, which deals with the aspect of empirical validation; and the link between the two, which fosters the causal analysis of the phenomenon based on the generative mechanisms. Hopefully, the double arrows from the level of concrete research to that of abstract research and vice versa, as well as from both concrete and abstract research to the level of research questions and objectives, indicate that the process has by no means been linear. Rather, insights from one part have informed another, which have then been applied in the former. For the sake of clarity, the different stages correspond to the chapters of this thesis if they are read from the top downwards.

According to Yeung (1997: 65), any explanatory study inspired by critical realism must begin with a conceptualisation through an immanent critique of existing work, followed by a reconceptualisation. This has also been the case in the present study, which thus begins with the contextualisation of the field of research and an outline of preliminary research questions. These questions are refined and reformulated throughout the research process, as represented by the double arrows in the figure.

The research is based on the premise that the great majority of studies of aid interventions conducted in the past forty years or so do not provide us with much knowledge regarding the ‘hows’ and ‘whys’ of aid interventions. One strand of literature, however, has provided in-depth knowledge about the interface between aid interventions and local actors, though it is an approach that has certain limitations with respect to the study of development aid to the private sector in Ghana. Recently interest in the impact of aid has resumed, and much work has been done to propose new methods of studying aid interventions. Some of the current work takes its point of departure in traditional evaluation studies, while another part is inspired by the literature on the interface of aid. None of these studies, however, has dealt at any length with context, whether in the form of economic and political developments, or in the form of the social developments framing the intervention. Moreover, these studies by and large lack any deeper theorisation of why certain interventions impact in certain ways (cf. Chapter 3, above). This study, by contrast, accepts that all knowledge is theory-laden and builds its analytical framework on two strands of literature, one dealing with the transfer of technology, technological capabilities and upgrading, the other considering how institutional features affect the way companies act and interact in a certain setting.

A central feature of the PSDP in Ghana is the transfer of technology. In order to probe how such transfers have impacted on the intended beneficiaries, as well as on other actors in the Ghanaian private sector, it has been felt necessary to review the relevant literature. A central feature in this process is the relationship between

technology transfer, technological capability building and eventually upgrading. The technology transfer literature is broad: it covers a long time-span, stems from many meta-theoretical disciplines, and covers many sub-categories. Therefore, it has proved to be of great importance to single out the most relevant parts of the literature, namely the building of technological capabilities and upgrading. Literature that deals with these two aspects covers many levels (from regional, through national and sectoral, to enterprise) and many types. The literature review on the one hand singled out the relevant theoretical contributions, and on the other hand pointed out areas that are under-researched, in particular how to measure changes in technological capabilities in the small enterprise sector in developing countries. A major task of this part of the abstract research was thus to reconceptualise and operationalise changes in technological capabilities.

The varieties of capitalism literature inform us that there is no single way of organising economic activities. Rather, several distinct ways can be singled out. It has thus been of great importance to increase the understanding of how Ghanaian firms act and interact in order to grasp first, why the PSDP impacts the way it does, and secondly, how impacts at the enterprise level spread to other parts of the Ghanaian private sector. Based on the literature on embeddedness, a single theoretical line of reasoning has been chosen as a point of departure, namely the business system approach. This literature, however, has some shortcomings in relation to the study of private businesses in Ghana. Therefore the approach has been adapted and refined in order to fit this context.

This conceptualisation and reconceptualisation, which aim to abstract out important concepts and underlying mechanisms, belong to the level of abstract research, that is, the level of research in critical realism that aims to link the actual and real domains. From here, the research process entered the phase of concrete research, that is, the empirical validation of the underlying mechanisms and search for links between the actual and the empirical domains.¹⁴⁵ Concrete research, in the critical realist's sense of the word, is normally employed through two different kinds of research designs: the intensive and the extensive research designs. According to Danermark, Ekström et al. (2002: 161), the terms intensive and extensive are used in order to go beyond the typical dichotomy between qualitative and quantitative methods.¹⁴⁶ Within the framework of critical realism, then, intensive research is concerned with how processes work in a particular case or a limited number of

¹⁴⁵ In critical realism, no provisions are made as regards the order between concrete and abstract research: the process may begin with abstract research and proceed to concrete research or vice versa.

¹⁴⁶ Usually, quantitative methods are associated with positivist traditions, qualitative ones with hermeneutic and phenomenological traditions.

cases, while extensive research is concerned with uncovering regularities and common patterns in a large collection of cases. This in itself is not essentially different from the characteristics of qualitative and quantitative methods, respectively. What is different, then, is that, by changing the terms, critical realists avoid the clash between the underlying meta-theories of qualitative and quantitative methods, simply arguing that both intensive and extensive research strategies may help the researcher to uncover underlying structures and mechanisms. Thus, instead of being perceived as competing methods, critical realists argue that intensive and extensive research designs should be seen as complementary (Sayer, 1992: 246).

This project, as will be apparent from section 6.2.1, applies both extensive and intensive research strategies. Actually, the research design spans a wide spectrum of strategies, relating to available statistics and secondary literature to build up background descriptive information, conversations with most Danish PSDP partners, company-related information, interviews with the owner-managers of almost fifty different PSDP collaborations in Ghana, interviews with key actors in Ghana and in Denmark, and in-depth studies of seven Ghanaian PSDP enterprises.

6.2 The study design

Since Robert K. Yin (1989) published his much cited book on case-study design and methods, numerous other books and articles have dealt with the challenges encountered when choosing one or more cases as the object of research. Most of these publications have one feature in common: they all define the case study in relation to other types of study. However, this is hardly surprising, as the majority of these publications have argued against the then dominant positivist paradigm in social sciences. Therefore, like Yin (1989), for instance, they have not defined the case study itself, but rather presented a list of relevant situations for various research strategies, *including* the case study. Similarly, Gomm, Hammersley et al. (2000) compare central aspects of the case study with central aspects of the experiment and the survey, for instance, the amount of information gathered on each 'case', the possibility of quantifying the data, the aim of the study etc. In contrast to many previous studies, including Yin's, the advantage of the latter is that it incorporates the aims of the research strategies.

Many of the contributions also share another feature, namely that they do not distinguish between different types of case study: the case study is simply seen as a research strategy that is distinct from other, more widely disseminated research strategies. Some publications, however, make the distinction that Stake (1994) makes, between intrinsic, instrumental and collective case studies, that is, between particular reasons or interests that guide the selection of phenomena to be studied.

Finally here, Flyvbjerg (1991; 2004) distinguishes extreme, maximum-variation, critical and paradigmatic cases, which in essence refer to the type of information yielded by the study of cases.

These distinctions are of particular relevance here, as they point to a specific feature of the case study that is only seldom mentioned, namely that case studies may be applied to research with totally different aims. Thus it may be a critical case suitable for theory testing, an extreme or paradigmatic case that acts as an eye-opener with respect to existing knowledge, an intrinsic case that may form the background for a new narrative, or an instrumental case that facilitates the understanding of a specific phenomenon by playing a supporting role. Moreover, cases may be analysed with different degrees of intensity. Some case studies take their point of departure in the study of one entity (a single person or a unique group of persons), while others depart from an interest in a specific concept (the entrepreneur) and study several individuals. Yet other case studies pay attention to a phenomenon that is best studied across time and space.

This study sees cases as being *instrumental* to the analysis. They provide insights into the concrete phenomena that constitute an essential part of the analysis and that form a building block in analysing the structures of mechanisms (cf. section 6.1.2). In accordance with the critical realist tradition, a combination of extensive and intensive research strategies has been used in this study. As regards the latter, a choice of maximum variation was aimed for in order to reveal the significance of various circumstances for the impact of the PSDP. However, as described in section 6.2.1 below, this did not fully materialise.

6.2.1 Obtaining knowledge about the PSDP in Ghana

In order to unfold the impact of the PSDP at various levels in Ghanaian society it was necessary to obtain knowledge from different sources that were expected to have different viewpoints. Among the key actors in Ghana were the owner-managers of the PSDP companies located in the country,¹⁴⁷ the companies' employees, representatives of business organisations, representatives of key ministries, researchers, the owner-managers of non-PSDP companies, embassy staff, other donors etc. The main actors and the most important reasons for including them in the study are listed in Table 6.1.

In line with the critical realist idea of adopting both extensive and intensive research methods, and guided by the lack of available information regarding the merits of past and current PSDP collaborations in Ghana, an approach was adopted us-

¹⁴⁷ The majority of companies were Ghanaian-owned, but a few were owned by Lebanese migrants and a small number by Danes now living in Ghana.

ing a mixture of methods. This section will deal with the challenges related to studying the owner-managers of the PSDP companies located in Ghana. It will begin with an account of the difficulties involved in locating the owner-managers before proceeding with a discussion of the selection of cases.

Table 6.1. Main actors in the study of PSDP impacts in Ghana

Actors	Main reason for inclusion
Owner-managers of PSDP enterprises in Ghana	To gain insights into how they perceive the intervention, and to obtain knowledge about the collaboration and how a range of other actors influence the current situation in the company
Representatives of PSDP enterprises in Denmark	Basic data regarding the collaboration, their Ghanaian partner and additional material regarding the PSDP
Employees in the Ghanaian enterprises	To gain insights into how they have perceived the intervention, to be able to assess changes in technological capabilities, and to acquire a better understanding of how capabilities spread and how impacts diffuse
Representatives of Ghanaian business organisations	Knowledge about the Ghanaian private sector, especially as regards constraints and challenges for SMEs
Donors and brokers	Information about the PSDP, management of the intervention, selection of enterprises, evaluation of outcomes, and sharing of knowledge
Other key actors in Ghana (civil servants, researchers, and private sector agents)	To gain insights into the Ghanaian business system, that is, data on institutions that affect the way Ghanaian small enterprises act and interact and information about the impacts of the PSDP on unintended groups of actors.

The Danish embassy in Accra does not keep track of past collaborations, and information beyond what is legally required, that is, beyond the grant awarded, the contact address and a brief description of the business goals, is considered confidential. Hence, available information is limited to simple facts about current participants in the PSDP and does not provide any insights into the ‘hows’ and ‘whys’ of the intervention.

The list of disbursed grants (1993-2001) contained both the Danish and Ghanaian company names, the names of the responsible persons in Denmark, the amount of money granted, and a brief description of the aim of the collaboration. As indicated in Table 6.2, the list contained the names of 86 PSDP collaborations (37 partnerships and 49 start-up facilities). However, not all of these collaborations quali-

fied for this study: some did not have a private partner; some had no partner; others had gone on from the start-up facility to the business partnership; some have had more than one Danish partner; one had been cancelled before it took off; and finally one had received two full partnership grants. Therefore, the potential number of distinct PSDP companies located in Ghana was reduced by 22 to a total of 64.

Table 6.2. Potential PSDP company cases in Ghana from 1993 to 2001

	Total	Phase I (1993-96)	Phase II (1996-2001)	Potential cases	No private partner	No Danish partner	Continued to partnership ¹⁴⁸	More than one partner	Cancelled	Received two grants
Partnerships	37	10	27	28	4	2		1	1	1
Start-up facilities	49	6	43	36	1		7	5 ¹⁴⁹		
Total	86	16	70	64	5	2	7	6	1	1

In order to obtain more information about the Ghanaian partners and to acquire access to documents relating to the PSDP,¹⁵⁰ letters were written to all responsible persons in the Danish companies informing them about the research,¹⁵¹ asked their permission to obtain access to relevant material, and last but not least, asking for information regarding the whereabouts of their current or former Ghanaian partner(s). Not all Danish partners possessed information about their former Ghanaian partner: in some cases, the responsible person(s) in the Danish company was no longer employed; in others, the information had been disposed of. Every possible Ghanaian company was initially contacted by mail (and if possible also by fax or e-mail) to ask their permission to conduct interviews with the owner-managers. If possible, mails were followed up with phone calls. In order to track down enterprises that had either closed down or moved, current as well as past participants in the PSDP were asked for their whereabouts.¹⁵² Likewise, owner-managers were sought out in business directories, business associations and among former neighbours.

¹⁴⁸ Between the first and the second periods of fieldwork, a further five start-up facilities had been approved for business partnerships.

¹⁴⁹ Three Ghanaian companies have had two different start-up facilities, and two have had one start-up facility and one partnership with different Danish partners.

¹⁵⁰ Documents related to the PSDP may include confidential information regarding the enterprises involved. Therefore, the Ministry of Foreign Affairs would not forward me copies of application forms (which include, among other things, the development objectives of the different collaborations), feasibility studies, environmental studies, progress reports etc.

¹⁵¹ Enclosed in the letter was a one-page summary of the research proposal, which described the rationale of the project, its goals and objectives, and the methodology being used.

¹⁵² The omission of companies that have disappeared may be analytically problematic, as it is unclear just why they have disappeared. Therefore, much effort was expended in trying to track down closed enterprises. However, closure rates are high (as far as I am aware, no studies of closure

Table 6.3. Location of total, potential and actual Ghanaian PSDP companies

		Accra-Tema	Kumasi	Takoradi-Sekoni	Central region	Volta region	Western Region	NA	Total
Total	Partnership	27	2	-	1	3	3	1	37
	Start-up	35	7	3	3	-	-	1	49
Potential	Partnership	21	2	-	1	2	2	-	28
	Start-up	25	5	3	2	-	-	1	36
Actual	Partnership	13	2	-	-	2	2	-	19
	Start-up	18	4	2	1	-	-	-	25

Eventually, interviews were conducted with owner-managers and employees of 44 of the 64 potential enterprises in the study during two periods of fieldwork in Ghana comprising just over half a year.¹⁵³ These enterprises consisted of 48 different collaborations, as four enterprises have had two PSDP collaborations. The total number of cases thus comprises 21 Business Partnerships and 27 Start-Up Facilities. In addition, interviews were conducted with the representatives of private companies that did not take part in the PSDP, business organisations, development agencies, relevant ministries and research institutions.¹⁵⁴

My fieldwork was divided into two parts. During the first part, from April to June 2002, attention was paid to trying to locate, contact and interview as many owner-managers of the Ghanaian PSDP enterprises as possible. The majority of these enterprises were only visited once during the first period of fieldwork. The interviews typically lasted from one and a half to two hours (some lasted longer and included a lunch or a beer at a nearby bar, while a few were quickly done with). They were based on interview guides (see section 6.2.2) and were most often conducted in the owner-manager's office. After the interview, I always asked permission to see the premises, and usually I was shown around the company. Special attention was normally given to the sections of the company that had directly been affected by the collaboration, either because a new machine had been placed there, or because the restructuring of production processes had altered this very part of the production.

rates have been conducted in an Ghanaian context, but figures from Nigeria indicate that more than half of all small enterprises are closed after approximately twenty years of operation: some of the closures are related to inheritance, while others close in their infancy (Sam, 2003), and it was not possible to track down all closed or disappeared companies.

¹⁵³ Some companies could not be tracked down at all, while the owner-managers of others were not in Ghana during the two periods of fieldwork. I have corresponded with a handful of them by mail or fax.

Due to the fact that employees in the PSDP enterprises were not unionised, contact with and permission to interview them had to be sought through the workplace. At the end of each interview, therefore, owner-managers were also asked for permission for me to have an informal conversation with relevant employees, both the ‘main learners’, that is, the employees who had directly participated in the programme through training and technical assistance, and also employees who had indirectly experienced the programme as part of, for instance, a restructuring process. This did not always prove to be a successful strategy: many owner-managers accompanied me in order to introduce me to the employees, but unfortunately, their presence most often meant that the employees were reluctant to talk to me. This was either because they were suspicious of my reasons for being there, or simply because the mere presence of the owner-manager created a certain degree of submissiveness in the employees, which was reflected in them giving me very short answers, if any at all, even to non-controversial issues. A number of employee interviews were therefore brought to an end before they really began.¹⁵⁵ In more successful interviews, I often chose to gain trust and establish a rapport by letting the interview become an unstructured conversation with the aim of obtaining an understanding of their situation and their perception of the collaboration. I therefore often chose not to take notes, or only a minimum of notes, in these situations.¹⁵⁶

The second period of fieldwork was mainly devoted to in-depth studies with selected PSDP companies in Ghana and studies of the Ghanaian business system. Originally, ten companies had been selected on the basis of their expected level of new insights. Thus, a strategy of maximum variation was aimed at in order to reveal the range of variation and differentiation in the field (Flick, 1998). In order to pursue this strategy, the following criteria were initially decided on to delimit the sample: the duration of the collaboration;¹⁵⁷ the ‘success’ of the collaboration;¹⁵⁸

¹⁵⁴ The information gathered from interviews and direct observation has been matched with feasibility studies, application forms and progress reports generously given to me by many partners. See Appendix A for a list of the people who were interviewed.

¹⁵⁵ In retrospect, it would have been more fruitful to limit the interview to a brief introduction and a request for permission to conduct a simple questionnaire subsequently. In this way, it would have been possible to minimise the impact of the relationship between the owner-managers and the employees and thus obtain more reliable information. See Mullings (1999) for a similar case in information-processing companies in Jamaica.

¹⁵⁶ Of course, mental notes were taken, and these were written down in the taxi, away from the company. See Fontana and Frey (1994) for a discussion of how to establish rapport and conduct unstructured interviews.

¹⁵⁷ As already described in Chapter 3, impacts happen immediately, as well as over time. Likewise, the process of transfer of technology (hardware, knowledge and organisational routines), the building of technological capabilities and upgrading are ongoing processes. It was thus desirable to include collaborations initiated in both Phase I and Phase II of the PSDP.

links with the rest of the Ghanaian economy;¹⁵⁹ the composition of the workforce;¹⁶⁰ and ownership.¹⁶¹ However, it turned out that it was impossible fully to turn these ideas into practice: some owner-managers were unwilling to let me interview them again,¹⁶² two companies had changed general managers, and the actual start-up of one collaboration company had been postponed. Instead, the in-depth study includes the seven companies listed in Table 6.4. Five of these were included in the original list, and two new ones have been added (P19/P20)..

Table 6.4. Selected characteristics of seven in-depth studies

Enterprise ¹⁶³	Start-up	Partnership	Size ¹⁶⁴	Ownership	Owner-manager	Workforce (mainly)	Main market	Main inputs
P1	-	2000	Medium	Foreign	Danish/m	Unskilled/m	Local	NA
P6	1996	2000	Small	Ghanaian	Ghanaian/f	Unskilled/f	Int.	Denmark
P13	1999	2000	Small	JV	Ghanaian/m	Skilled/m	National	Denmark
P16	-	2001	Small	Ghanaian	Ghanaian/m	Skilled	Local	Imported
P17	1998	2001	Micro	Ghanaian	Ghanaian/f	Mix/f	Int.	Local
P19	1999	2002	Small	Ghanaian	Ghanaian/m	Unskilled	Local	Denmark
P20	1999	2002	Small	JV	Ghanaian/m	Unskilled/m	National	Local

Even though maximum variation could therefore not be achieved completely, the selected characteristics in Table 6.4 nonetheless indicate a fair degree of variation: the initiations of the collaborations span a five-year period; they cover both col-

¹⁵⁸ ‘Success’ is an ambiguous term that is related to the objective of the intervention rather than the intervention itself (cf. Chapter 3, above). However, the intention was to include collaborations that have had largely positive impacts, as well as ones with largely negative impacts.

¹⁵⁹ In order to study the impacts at the private-sector and society levels, forward and backward links were examined. The aim was to include enterprises producing for the home market as well as for the world market. Likewise, a distinction was made between enterprises using local sub-contractors and enterprises relying mostly on imported inputs in their production.

¹⁶⁰ Here, a distinction was made between salaried and non-salaried workers; skilled and unskilled labour; blue and white collar labour; and female and male employees.

¹⁶¹ Ownership was classified according to nationality, that is, Ghanaian (both local and non-African) and foreign, in order to obtain further insights into the impact of the programme on different parts of the population.

¹⁶² Only one owner-manager directly informed me that he was unwilling to participate in any further investigations. The remainder simply did not answer my calls, continuously postponed the meetings, or did not show up for the interviews.

¹⁶³ The numbers correspond to the numbers given to the enterprises in Appendix B and used throughout the study, especially in Chapters 8 and 9.

¹⁶⁴ The size of the company is constantly changing, and therefore size in this context refers to the number of employees at the beginning of the collaboration. Following Mead and Liedholm (1998), ‘micro’ represents companies with fewer than 10 employees; ‘small’ represents companies with 10-50 employees; and ‘medium’ represents companies with more than 50 employees (cf. the discussion of terminology regarding small enterprises in SSA in note 88 on page 82).

laborations that began as start-up facilities and collaborations that were set in motion as business partnerships; they include various sizes (from a company with one non-salaried employee to a company with almost a hundred full- and part-time employees); four companies are fully Ghanaian-owned, while two are joint-ventures and one is in effect in foreign hands; some have predominantly skilled labour, others unskilled; some are dominated by female staff, some by male staff, and two have a mixture; three cater exclusively for the local Ghanaian market, while two cater for the national market, and a further two are mainly linked with their Danish partner; and lastly these cases comprise companies that obtain most of their inputs locally, from Denmark, and from other places. However, these seven cases are not representative of all the PSDP companies in Ghana. If anything, the aim of this intensive research is to identify the structures in which these cases are situated

6.2.2 Constructing interview guides

This section focuses on the construction of the interview guides used in owner-manager interviews. Interviews with 48 owner-managers were conducted, embracing 44 different companies during the two periods of fieldwork.¹⁶⁵ Interview guides¹⁶⁶ were chosen because on the one hand they offer a sense of order and structure, as the main aspects to be studied of a given phenomenon are predetermined. On the other hand, interview guides offer flexibility, for the reason that they can be adapted en route. They therefore ensure that the interviewer remembers all the important aspects (some aspects may be omitted for reasons of, for instance, relevance or trust), but they avoid the rigour of questionnaires.

It is not the intention here to go through the guide from A to Z (but see Appendix C). Instead certain key points will illustrate the fundamental idea behind the method. The aim of the guide was to pose questions that targeted different spheres. Some questions aimed at increasing knowledge about the PSDP, the relationship between the partners, and the perception of the intervention. Others dealt specifically with training, technology transfer and upgrading. Yet others related to the specific activities of the company, its employees, its products, and its links with

¹⁶⁵ The actual number of interviews with owner-managers adds up to more than 48, as some owner-managers were interviewed more than once. See also Appendix A.

¹⁶⁶ The term 'interview guide' is chosen here instead of the more widely used 'structured interview' to avoid misunderstandings. Some researchers perceive the structured interview as being similar to a survey: the only difference is that in a survey the respondent fills in the forms, while in a structured interview 'an interviewer asks each respondent a series of preestablished questions with a limited set of response categories.... The interviewer controls the pace of the interview by treating the questionnaire as if it were a theatrical script to be followed' (Fontana and Frey, 1994: 363). The interview guide, by contrast, should more be seen more as a list of topics that I, as a researcher, want to know more about in order to understand the complex situation in which the interviewee is situated.

other companies. And yet others sought to establish how a range of actors influenced the situation in the company, for instance, how the current New Patriotic Party (NPP) administration has affected the business climate, the role of Asian imports vis-à-vis the company's products, the changing rules and regulations governing export markets (FSC certification,¹⁶⁷ ISO standards¹⁶⁸ etc.), access to credit, the rule of law, etc.

The interviews always opened by me introducing the issues I wanted to discuss. It was stressed that they did not necessarily have to be dealt with in that order. Moreover, the interviewee was informed that I would take written notes rather than using a tape-recorder, as the aim was not to analyse their statements, but instead to understand particular issues. Moreover, notes enabled me to make sure that I had understood what was said correctly. Lastly, they made it easier for me to keep track of the interview and thus maintain control over it: several interviewees began talking immediately after my introduction, before I had had the chance to ask particular questions, and many talked at some length. In order to change the subject, I usually picked up something they had already said and used that as an introduction to another subject: notes were invaluable in this respect.

Naturally, due to the fact that the companies interviewed were very different in character, not all questions suited all enterprises. The guide was simply used *as* a guide: it provided a structure, but at the same time allowed for flexibility. Thus, if an interesting subject was taken up by the interviewee, it was followed up and discussed before the interview proceeded to other themes.¹⁶⁹ In general, however, sensitive questions were left until near the end of the interview, in order to build up trust and confidence between myself as interviewer and the interviewee (see also section 6.3.2 below).¹⁷⁰ Likewise, so-called simple questions were normally posed at the beginning of the interview, then being followed by more complex questions. But flexibility was nonetheless of the utmost importance, as the same questions may mean vastly different things to different interviewees. The flexibility of the interview guide allows the interviewer to respond to and follow up on such variations (Sayer, 1992: 245).

However, even the simple questions I posed to owner-managers are open to different interpretations, thus blurring the very notion of simplicity. This problem be-

¹⁶⁷ See note 291 on page 252 for a description of FSC certification.

¹⁶⁸ International Organization for Standardization (ISO).

¹⁶⁹ This strategy corresponds roughly to Ostrander's suggestions (1993: 22) about how to conduct elite interviews (see also section 6.3.1).

¹⁷⁰ Some authors, like Fontana and Frey (1994: 371), would argue that 'breaking the ice' with general questions before proceeding to more complex ones is outdated as a technique. Interviews, according to them, should be more honest and therefore expose the interviewer's real intentions from the very beginning.

comes intensified in a foreign context, as terms may have different meanings in Denmark than in Ghana. What, for instance, does 'employment' denote? Salaried employees? Family members? Casual labourers? Does this include drivers or cleaners? More complex questions relating to, for example, values and norms inevitably become open to an even greater range of interpretations. In order to minimise potential misinterpretations, most issues were probed from different perspectives in the interviews. Thus, employees were divided into different categories: salaried vs. non-salaried; family vs. non-family; owner(s), manager(s), expatriate(s), administrative and operative personnel; and skilled, semi-skilled, or unskilled. Moreover, the issue of employment was dealt with under various other headings, for instance, training, cost composition and managerial changes. Additional material provided by the business partners themselves, as well as material from evaluations and other studies, was used to assess interview data. In addition, many owner-managers were interviewed more than once.

Interview guides were used throughout the study. Hence, conversations with the representatives of Danish PSDP companies¹⁷¹ were also guided by a certain structure: information was sought about their Ghanaian partner on the collaboration and the donor's role. Likewise, interviews with representatives of Ghanaian business organisations were based on a pre-formulated structure that aimed to reveal information on the Ghanaian private sector, constraints for small enterprises, and of course, specific knowledge about the particular organisation.

On the whole, the seven in-depth studies included interviews with the owner-managers, interviews with key employees, participation in training sessions with Danish 'technicians', participation in board or planning meetings, and casual conversations with other staff. However, the cases were very different, and therefore slightly different information-gathering approaches had to be adopted. In order to illustrate how the in-depth studies were conducted, a schematic example (P16) is provided below.

Through my initial contact with the Danish PSDP companies, I was informed that the responsible person for the collaboration would be in Ghana for a short stay just after I arrived for fieldwork. A machine had been shipped to Ghana, and the responsible person therefore brought two technicians with him to install it and train the Ghanaian staff to operate it. Meanwhile, the owner-manager of the Ghanaian PSDP company was having planning meetings with the responsible person from

¹⁷¹ Almost all these conversations were conducted by telephone. In some cases additional information was exchanged by mail or e-mail. Only two interviews were conducted on the premises of the Danish partner. These two are included in the list of interviews in Appendix A, but telephone conversations with Danish partners have been omitted from the list.

Denmark. I met up with him a couple of days after I arrived, had dinner with him and discussed the collaboration, the current situation in Ghana and the intervention itself. Concurrently, I spent time in the company during the following couple of days in order to interview the owner-manager, observe the training, and participate in the planning meetings. After the Danish group had returned to Denmark, I went back to the Ghanaian owner-manager to seek another interview, this time without the representatives of his Danish partner being present. Following this second interview, I was introduced to the rest of the staff, those who had not taken part in the training, and a Canadian volunteer who had been working with the company for a couple of months, trying to implement new workflows. I talked casually with the staff during lunch and then had an interview with the Canadian volunteer, whom I subsequently met twice for follow-up information. One and a half years later, I returned to the same company three times in order to interview the owner-manager, conduct informal conversations with the staff, and observe how the company had implemented the planned changes. In addition to the knowledge gained through these visits, I was generously provided with all the project documents by the partners, and I also maintained intermittent contact with the Danish PSDP representative.

6.2.3 Validating data through a multiple, iterative set of tactics

Since different methods produce different results (and because different perspectives lead to different methods), there now seems to be agreement that a certain degree of triangulation – that is, the use of, for instance, different methods in order to valorise data – is to be recommended. Triangulation may also take other forms. Jenesick (1994) distinguishes between data, methodological, theory and interdisciplinary triangulation, but usually only the first two, that is, the use of different data sources and the use of multiple methods, are discussed in the literature.

The triangulation of different methods in the sense advocated by critical realists, that is, a mixture of extensive and intensive methods, need not yield new insights. Winchester (1999) even goes as far as to state that intensive research methods can stand alone. Conversely, she is worried by the fact that triangulation is applied in order to validate data on positivist premises, that is, to support replicability and the possibility of generalisation.¹⁷² In the critical realist tradition, however, validity

¹⁷² Based on her fieldwork, she concludes that: ‘In hindsight, I felt that the questionnaire revealed nothing of the causal structures and underlying mechanisms which produced a particular [phenomenon]’ (Winchester, 1999: 65). Likewise, Danermark, Ekström et al. (2002: 153) fear the use of mixed methods to validate data, especially if one is seeking to validate phenomena through quantitative methods that are originally explored by means of qualitative methods: this does not correspond to the critical realist ontology because it fails to ‘realize that an empirical connection in it-

does not rest on the generalisation of data but rather on whether the chosen research methods are able to reveal the structures and mechanisms that underpin the observed phenomena. Thus, what is at stake here is not so much triangulation, but rather different ways of validating the data, such as noting patterns and themes, checking results with peers, and following up surprises. In the words of Huberman and Miles (1994: 429), ‘there is a multiple, iterative set of tactics in play’ when data is validated.

Validation relates to the specific phenomena under scrutiny. The aim is to verify that the results obtained actually apply to those phenomena that have been studied (Sayer, 1992: 246). Thus, validation in relation to the study of one person’s life history is inevitably different from validation in the case of, for instance, Ghanaian entrepreneurs. In this, study an effort has been made to validate along the following lines:

- Statements from parties that have not directly been involved in an incident or in the progression of a PSDP collaboration have been included in the data analysis. Likewise, statements from third parties that have been linked to the intervention, whether as evaluators, students or researchers, have been used to check the plausibility and credibility of the findings.
- Observation in the companies themselves, along with participant observation in training sessions and board meetings, has facilitated a deeper knowledge of the processes at play, while simultaneously enabling me to crosscheck certain information.
- Written material alongside information about the specific sector of the business under scrutiny, more general knowledge of the Ghanaian business system, and theoretical knowledge related to the transfer and building of capabilities have been used in handling *post-facto* rationalisations, that is, the phenomenon that an interviewee, in an attempt to be helpful, may give answers that he or she either thinks will please the interviewer or will justify certain actions (Healey and Rawlinson, 1993: 348).¹⁷³
- ‘Transparency’ has been aimed at in the methods, as well as through data displays that provide the reader with a more thorough picture of the data and enable him or her to assess the credibility of the subsequent analysis

self cannot identify the active mechanism or mechanisms, nor does it contribute to any profounder information about the interaction of the forces behind the observed pattern’.

¹⁷³ This problem may be intensified in relation to events that happened several years prior to the interview. Both broad-based knowledge and specific information relating to the case is thus essential in order to assess the information obtained through an interview.

(Dahler-Larsen, 2002; Huberman and Miles, 1994; Miles and Huberman, 1994).

- Findings have been discussed several times with staff at the embassy and presented at seminars in Ghana, Denmark and elsewhere (see, for example, Kragelund (2004b; 2005c)) in an effort to acquire new insights and new perspectives from both key actors and colleagues regarding the preliminary results.
- Findings have also been presented in publications (Kragelund, 2004a, 2005a, 2005b; Kragelund and Folke, 2005) so that colleagues can check the main conclusions and the analysis leading to these conclusions.

For the case of clarity, it should be noted that not all information could be validated through the above means: in some cases, I only had information from one source. In addition, some sources conflicted with one another, without there being any easy way to sort out the inconsistencies. These particular sources have thus remained in conflict.

6.3 Reflections on the interviewer–interviewee relationship

The previous sections dealt with validity in a very technical sense: it was shown how cases were chosen, which themes were discussed, and how data were validated. However, these technical aspects do not make much sense if my position as a young, white, male, doctoral student in relation to the middle-aged black businessmen who constituted the majority of my interviewees is not taken into account. This section begins with a discussion of access and power in relation to the study of foreign elites and continues with a discussion of trust and of the quality of the data.

6.3.1 Interviewing foreign business owners and managers: a double-edged sword

The majority of interviews in Ghana were conducted with parts of the Ghanaian elite, that is, with high-level employees in the Ghanaian public administration, directors and chief executive officers in both public and private organisations, the owner-managers of Ghanaian PSDP companies, and key representatives of other private entities.¹⁷⁴ Previously, elite status was only ascribed to Ghanaians perform-

¹⁷⁴ The very notion of an elite may, of course, itself be problematised. As an analytical term it has hardly any depth, but merely indicates that someone is relatively more powerful or privileged than someone else. However, it is not the intention here to delve further into the definition of the concept, which has been chosen to point out some of the challenges involved in researching the powerful, instead of the tradition within development studies of researching down (Bradshaw, 2001;

ing roles and jobs that were formerly held by the Europeans, but this situation has gradually changed. Elite status now partly derives from related attributes, for instance, education and language, and partly from sheer economic and political power. Thus, even though none of the owner-managers I interviewed can be considered to be key players in the global economy, they derive power from their status through their ability to create and maintain jobs in the local community. Moreover, many are well-connected and hold high positions elsewhere.¹⁷⁵ Among the owner-managers I interviewed were chiefs, board members of large state-owned enterprises, the chairmen of local branches of the Association of Ghana Industries, members of the board of Empretec, members of the board of Ghana's Employers Association, politicians, a spouse of a former high-ranking and influential Provisional National Defence Council (PNDC) politician and successful businessman (cf. Table 9.2; Table 9.3).

There is a general agreement that interviews with owners and managers are a prime source of information on business activities (Healey and Rawlinson, 1993; Yeung, 1995).¹⁷⁶ However, they are not always straightforward, especially if the owners and managers belong to the elite of a foreign country in which they are embedded (Herod, 1999; Oinas, 1999). It is precisely the fact that they belong to a foreign elite that may make access more difficult, it may turn time into a serious constraint, and it may complicate communication. However, since elites belong to easily defined groups, identifying elites may be easier than identifying other groups (Mullings, 1999).¹⁷⁷

Studying foreign business owners and managers in many ways resembles studying other groups of actors, the concrete methods that are adopted being very similar.¹⁷⁸ Thus, this section sets out to discuss issues related to conducting research

Desmond, 2004; Ward and Jones, 1999). It should be noted, though, that some of the challenges described relate more to the specific Ghanaian context than to 'studying elites' per se.

¹⁷⁵ Oinas (1999: 352) characterises elites in terms of their involvement in a broad range of social relations.

¹⁷⁶ Even though a profusion of information about business elites (especially in a developed country context) may be available, it may not be the information one requires: in many countries, shareholder-owned companies are required by law to name top officers; in some countries information such as the company shares held by members of the board and salaries is also accessible; extensive news coverage from business magazines provide a picture of the corporation in question; and corporations often provide their own information. However, these publicly accessible sources seldom provide the researcher with knowledge about, for instance, restructuring processes or training programmes. To obtain insights into such issues, one has to ask specifically or observe (Useem, 1995).

¹⁷⁷ One should beware of generalisations. In a description of the very different experiences of studying elites in Scotland and in France, Sabot (1999: 330) writes: 'I did not receive the same amount, and the same kind of information in the two countries, despite being the same person, interviewing the same kind of people'.

¹⁷⁸ Parallels may be drawn between the challenges involved in interviewing elites and the use of key informants in the research process, but there are also important differences: key informants do not necessarily belong to the elite, and vice versa; interviewing elites entails certain challenges re-

among Ghanaian owner-managers of small- and medium size enterprises. It turns out that this is a double-edged sword: on the one hand their relation to Danida's PSDP made access easy, while on the other hand the very fact that they belong to the elite made it impossible just to pass by and strike up a conversation.

Businesses constitute well-defined organisational structures, which on the one hand may cause problems, due to the fact that one needs to seek and gain access to them in order to make research possible.¹⁷⁹ On the other hand, it may create access to information such as annual reports,¹⁸⁰ feasibility studies etc. that is not available when interviewing non-elites, whether at home nor in a foreign country. These documents are invaluable because reliable information concerning business activities in Ghana is non-existent, with the exception of the few (mostly transnational) companies that are listed on the stock exchange (Grant, 2002).¹⁸¹ In just under half of the total start-up facilities (23) and just over one third of the total business partnerships (14), additional information (feasibility studies, application forms, progress reports) was made available to me from the partners.

It is often easier to make initial contacts with foreign elites than foreign non-elites, as in general the former have more resources (including access to telecommunications) than the latter. Moreover, elites often belong to clearly identifiable groups, making identification less complicated. Closely linked to this is the straightforwardness of singling out the 'right' person(s) within a given organisation to interview (Herod, 1999). Moreover, it may be argued that my interviewees' elite status vis-à-vis my status as a young white doctoral student made communication easier (see also section 6.3.2 below). In the words of Welch, Marschan-Piekkari et al. (2002: 622): 'Where elites may differ from non-elites is in their cross-cultural experience and their facility to communicate with people from different cultures'.

Relative ease of access may also have its disadvantages: if access to the elite is gained through an organisational affiliation, for instance a development agency, it

garding access, quality of data and power, which are not necessarily present when interviewing key informants; and, as Undheim points out (2003), elites are often generalists, while key informants are chosen for their expected specific knowledge.

¹⁷⁹ Ostrander (1993: 9) maintains that the difficulties of gaining access are exaggerated. By applying well-thought-out strategies, such as making the right contacts in the right order, 'snowballing' and activating one's own networks, access to elites becomes unproblematic. However, getting in is not the same as gaining real access, that is, obtaining useful information (Ostrander, 1993: 16).

¹⁸⁰ It should be noted that the progress reports that the partners are obliged to submit to the embassy are routinely faulty (Rigsrevisionen, 2003).

¹⁸¹ Most of the literature on 'studying elites' relates either to corporate elites (Oinas, 1999; Thomas, 1995; Welch, Marschan-Piekkari et al., 2002) or to local political elites (Hunter, 1995; Sabot, 1999; Ward and Jones, 1999) in developed countries: only very few treat this research issue in a developing world context (for an exception, see Mullings (1999)). Therefore, it is often argued that information such as company reports, public statements to the press or to shareholders, company

may limit access to interviewees outside the range of this organisation as well as to other organisations, because the researcher becomes a prisoner, as it were, of the structures of this very organisation. The insights of the researcher are thus informed by his or her organisational affiliation. In the case of researching PSDP companies located in Ghana, this might very well have been the case if strategies of ‘snowballing’ – that is, locating actors by asking other interviewees – had not been adopted. As described in section 6.2.1 above, information on past PSDP collaborations was at best incomplete, as the following example shows. During the first years of the programme, Danida, with additional funding from the Industrialisation Fund for Developing Countries and the Ghana Venture Fund, decided to support the establishment of an airline company in Ghana. The collaboration ended after less than two years of operation. The Danish company had to stop its operations due to financial losses, and shortly afterwards the Ghanaian company went bankrupt. Moreover, complaints against the Danish training personnel for racist behaviour were lodged by the Ghanaian staff. Due to fraud and corruption, the Ghanaian partner and the financial controller are now in hiding in the UK and Zimbabwe, respectively. This was not an exemplary example of Danish-Ghanaian business collaboration, to say the least. It appears that neither Danida nor the Danish Embassy in Ghana wanted anyone to delve further into this story: at any rate, they did not inform me that the former managing director of the company¹⁸² was still living in Ghana.¹⁸³ Actually, I was informed that the Embassy had no information whatsoever regarding this particular company. This, and many other cases were only located through ‘snowballing’.

In addition, the notion of ease of access must be qualified. Access to elites, foreign as well and local, is severely restricted by the fact that it is impossible just to enter an office and expect to strike up a conversation, as would be possible in, for instance, a rural setting: interview arrangements therefore have to be made well in advance. In the Ghanaian business context this is not easy: the great majority of companies only have a P.O. box number, but no address indicating their physical location. Hence, the only reliable information about the company was the city it was located in (even this might not be helpful, as some owner-managers used the P.O. boxes of other companies as their mailing addresses).¹⁸⁴ It was therefore im-

newspapers etc. are readily available. However, in a Ghanaian context this information is only available for the largest transnational companies.

¹⁸² In the last phase of the collaboration, changes were made to the board of directors and a new Danish managing director recruited in order to restart the ailing company. He is now running his own company and has had frequent contact with the Embassy since the airline company was formally closed down.

¹⁸³ For a more detailed description of this PSDP collaboration, see Case XXI on page 276.

¹⁸⁴ The location of the PSDP companies in Table 6.3 refers precisely to this P.O. boxnumber.

possible just to pass by a company in order to make an arrangement for an interview: to do this, I had to contact the owner-manager by telephone.¹⁸⁵ A common characteristic of Ghanaian owner-managers, similar to elites in general, was their busy life: many owner-managers had other businesses, pursued political careers, lived partly abroad etc. Therefore, a great deal of time was spent trying set up interviews with them, and even though the two periods of fieldwork lasted approximately seven months in total, divided by one year, I failed to interview some owner-managers with whom I was in contact because an interview could not be fitted into their schedule (an alternative reading would, of course, suggest that this business conceals a resistance to cooperating in the research project).

Some researchers even go as far as to argue that, by their nature, elites establish barriers around themselves in order to set themselves apart from the rest of the society. Access to elites is therefore made relatively more difficult than access to non-elites (Welch, Marschan-Piekkari et al., 2002). As indicated in note 181 on page 144, the literature on elites mostly views them from the perspective of the developed world, in which elites tend to mean something else than in the developing world. Whatever the reason, I did not experience any barriers of this sort during my fieldwork.

Access is not the only parameter related to interviewing foreign elites: the literature also stresses issues of power. It is to be expected that the power balance favours the interviewee over the interviewer (Healey and Rawlinson, 1993; Welch, Marschan-Piekkari et al., 2002). Desmond (2004: 265) even goes so far as to suggest that 'with elite interviewees the relationship [between the interviewer and the interviewee] is inevitably asymmetrical regardless of the research strategies deployed'. The question of power is not only related to elite status, but may also refer to age difference, gender and race, which may be closely linked to elite status anyway.¹⁸⁶ Asymmetrical power relations may be reflected the interviewee acting in a patronising manner towards the interviewer, but not necessarily so. Power relations are most often reflected in dependence on a relatively small number of people

¹⁸⁵ In most cases, the secretary or receptionist, if any, were not authorized to make appointments on behalf of the owner-manager. Therefore, I had to wait until I could reach him or her. Moreover, the telephone network was regularly out of order. In a comment in the *Daily Graphic* for 26 November 2003, Nana Owuso-Sekyeré suggests that it may not always be network failures that made me wait for hours or days to get through to a company: 'Telephones ring endlessly without any response whatsoever.... This is not because the offices are closed for lunch, empty or closed for the day. I found to my utter surprise that one such office, which I had tried endlessly to reach one morning, had all the staff at post. I drove over, stood in front of the office, called from my cell phone and it was unbelievable! The endlessly ringing telephone was actually nobody's business and the staff couldn't be bothered!' (Owuso-Sekyeré, 2003).

(Cormode and Hughes, 1999). Thus, my status as a seeker of information vis-à-vis the owner-managers was constantly reiterated: I was wholly dependent on them for information and insights into their perception of the PSDP, as well as access to their employees. As yet another illustration of the power relationships involved, interviews were often cancelled (some prior to the appointment, but most often at the scheduled time and place: the person with whom I had made the appointment was simply not present) and if not, then almost always delayed.¹⁸⁷ I was repeatedly reminded that I was fully a part neither of this business community, nor of the group of funding agencies present in Ghana. As will become apparent in section 6.3.2 below, power relations, like positionality, are by no means static but rather highly dynamic. Thus, what at first seems like a skewed balance of power may upon closer examination reveal a more nuanced picture involving mutual respect and trust.

In conclusion, the issue of time will be discussed. Elites are often constrained by time: by definition, they have influential positions and are embedded in extensive networks. Time constraints are reflected in the pre-interview as well as interview situations. In the pre-interview situation, it is of the utmost importance that any opportunity be taken to convince the potential interviewee that it is worthwhile participating in the interview (Mullings, 1999: 329), while in the interview situation itself, the interviewer has to be prepared for several interruptions, such as telephone calls or members of the staff coming into the office for a signature or instructions.

6.3.2 Building trust between interviewer and interviewee: the question of positionality and the relationship with the donor

Local elites distribute their knowledge very differently to foreign and local researchers. Paradoxically, foreigners are given more information as they easily generate confidence in local elites. However, foreign researchers are not really the best people to understand and use such information most effectively, because they are not natives of the place and do not understand completely the local context. (Sabot, 1999: 334)

While I do not contest Emmanuèle Sabot's statement that foreign researchers do not completely understand the local context (even though one might question

¹⁸⁶ Most of the literature dealing with 'studying elites' has been written by women. Reflections on 'studying elites' may be seen as a continuation of the methodological reflections on power, race and gender that were especially vibrant in feminist studies in the 1980s and 1990s.

¹⁸⁷ These issues, however, should not be over-interpreted: time is generally not regarded an important issue in a Ghanaian context. In the words of Samuel N. Woode, senior lecturer at the School of Administration, University of Legon: 'time is not seen as a scarce resource [for most Ghanaians]...people attending meetings congratulate each other when they get a quorum twenty minutes after the meeting was scheduled to have started' (Woode, 1999: 13).

whether or not local researchers do this *per se*), I find the rigid distinction between local and foreigner, that is, between insider and outsider, unproductive. This section argues that positionality is not fixed but may change during the course of fieldwork and may be different in relation to different interviewees. Of course, the very fact that I am a young, white Danish researcher makes me an outsider vis-à-vis a middle-aged black Ghanaian businessman, but the fact that a large proportion of the interviewees had a university degree from either a European or North American university, had business experience from these parts of the world, and interacted on a regular basis with Danes made me a 'temporary insider', in the words of Mullings (1999: 340), or more precisely it made me 'multi-positioned' (Desmond, 2004: 263).¹⁸⁸ Moreover, not all relevant actors in Ghana were middle-aged black Ghanaian businessman: some were women, some employees, both white- and blue-collar, some researchers, some civil servants, some Lebanese and yet other Danes.

Building trust between the interviewer and the interviewee(s) is of the greatest importance in order to increase the quality of the knowledge being exchanged and thus the quality of data. Trust makes interviewee(s) more open and frank and thus willing to explain, for instance, how they are really experiencing the collaboration with the donor agency, or perceive the training in relation to the needs of the company. As indicated above, trust is related directly to positionality. However, trust is not fixed but should be seen as constantly changing: some interviewees were interviewed several times, some were introduced to me through other interviewees, and I first met yet others at business meetings or seminars, so that the initial contact had been made prior to the interview. Trust is related to respect, both personal and professional, in as much as the latter may enhance the former: if an interviewee notices that an interviewer possesses in-depth knowledge about his or her area of activity or interest, the person in question may feel flattered and thus be ready for a more open dialogue.

The development of trust between interviewer and interviewee is not confined to the issue of positionality. In studying PSDP impact in Ghana, positionality may be overshadowed by the researcher's perceived 'relationship' with the donor. Even though I constantly tried to distance myself from Danida, there is hardly any doubt that some actors in the Ghanaian enterprises, whether owner-managers, expatriates or employees, had difficulties in distinguishing me from representatives of Danida. As spelled out in section 6.2.1 above, most Ghanaian companies were contacted by mail in advance. These letters stressed that this was an independent research project

¹⁸⁸ The more knowledge I gained about the PSDP, the Ghanaian business system and the specific sector in which a company operated, the more I could opt for a position as a temporary insider, or at least being multi-positioned.

and that my purpose was not to assess their work with reference to either Danida or their Danish partners. Rather, the aim was to understand how their particular company operated, which factors were influencing the operation, and how the PSDP fitted into all that. At the beginning of each interview, the independent nature of the research was once again stressed. Moreover, in order to minimise the risk of an interviewee perceiving me as a potential donor, I stressed that I had no access to funding. However, not even these tactics always worked successfully.

One case in particular is worth discussing in some detail. After one interview, which had been interrupted several times by telephone calls and by employees coming in and out of the office, and which had dealt mostly with issues not directly concerning the PSDP collaboration, the owner-manager of a former Ghanaian PSDP company invited me to lunch in a nearby restaurant. Here, the topic of the dialogue naturally changed. While, during the interview, we had mostly discussed the changing political and economic climate in Ghana since he first participated in the PSDP in the mid-1990s (because he did not reply to my questions concerning the collaboration), during lunch he changed tack and informed me of his future business plans, told me about all the new jobs that his company could create in the near future, all the tax revenues that could be earned, and so forth. Every now and then he mentioned that he needed a business partner in order to kick-start the project. During the course of the conversation, I tried to inform several times that I had no connections to Danida and therefore could not help him, but merely inform him about the content of the programme and the existing guidelines for applications. After a while, he asked me directly to plead his cause at the embassy to help him obtain access to donor funding again. I told him that I was not in a position to plead his cause and that I could not make his way through the application jungle any easier. The lunch ended shortly thereafter.

Fortunately, I did not have this type of experience in most interviews. In by far the majority of them, I felt I had managed to get rid of the initial suspicion that most owner-managers undoubtedly had regarding the real motives of the interview. I sensed that an awareness of the issues at stake at the levels of both the programme and the Ghanaian private sector provided me with a degree of credibility. Moreover, by attending meetings in such places as the Ghana-Denmark Business Club, even owner-managers whom I had only interviewed once had a chance to meet me several times and thus acquire a more nuanced picture of myself and my research project.¹⁸⁹ In addition, some companies were visited more than once, and trust

¹⁸⁹ Only approximately half of the owner-managers I interviewed were members of the Ghana-Denmark Business Club, and not all of these attended meetings regularly (this was especially the case for companies located outside the Accra-Tema metropolis).

therefore gradually built up. Actually, the interviews often ended as dialogues discussing the state of the Ghanaian economy, political developments, the advantages and disadvantages of private-sector development programmes (Danida's as well as other donors'), possible ways forward, etc.

Even though I gradually acquired a better understanding of the Ghanaian private sector, the motives of the Ghanaian partners in entering the programme, the expectations they had etc., I still fell short of uncovering the real intentions, motives or even stories that the various people had to tell. Several agendas were in play simultaneously. This study shows how I was able to uncover these agendas, but certainly many other agendas and stories remain to be uncovered.

7. POLITICAL AND ECONOMIC DEVELOPMENTS, KEY INSTITUTIONAL FEATURES, AND BUSINESS SYSTEM CHARACTERISTICS IN GHANA

The aim of this chapter is to set the scene for the discussion of how the observed impacts of Danida's PSDP are accounted for (cf. Chapters 8, 9). The chapter is divided into two main parts. The first part (section 7.1) aims to provide an account of Ghanaian history from colonial times to the present that focuses exclusively on economic and political aspects of relevance to the private sector. Continuing the description of how the private sector in Ghana was crowded out in the first part, the second part departs from the theoretical framework presented in Chapter 5 to present the most important institutional features and relevant characteristics of the Ghanaian business system vis-à-vis the impacts of the Danida PSDP (sections 7.2-7.6).

Part one is structured chronologically, though the aim is not to give a comprehensive historical account of economic and political developments in Ghana, as this has been done adequately in numerous other books (for instance, (Buah, 1998; Chazan, 1983; Herbst, 1993; Leith and Söderling, 2003; Nugent, 1995; Rimmer, 1992; Rothchild, 1991). Instead, it will point to aspects of specific relevance for the subsequent discussion of institutional features and business system characteristics.

The Ghanaian private sector was squeezed both in the process of state-led industrialisation in the first years following independence, and again in the process of putting these industries back into private hands. This state-led industrialisation penetrated all areas of the economy, including the sectors that were dominated by Ghanaian entrepreneurs. It thus either marginalised these small-scale entrepreneurs or forced them into other businesses, especially petty trade. Moreover, since the SOEs were in constant demand for money, hardly any credit was available for the private sector. When privatisation really took off in the late 1980s, the result was not a booming Ghanaian private sector. Instead Ghanaian entrepreneurs were further marginalised, as most did not have the financial means to buy the former SOEs and did not trust the government; furthermore, the banking system in Ghana was not geared to lend them money.

The first part also tells the story of the economic downturn in Ghana starting just after independence and continuing for approximately fifteen years, when it reached an absolute low. Since then, the Ghanaian economy (in general) has grown, albeit

with some oscillations, but now, almost half a century since independence, it has just about recovered to its former level.

Ghanaian private entrepreneurs have faced several constraints during the last century. Numerous industrial development policies have been formulated by successive governments, but until recently, only a few economic achievements were realised (Arthur, 2002). Just as important, however, in determining the characteristics of the Ghanaian business system is the relationship between the state and private businessmen, which has been characterised by suspicion and uncertainty, and sometimes even outright hostility, ever since independence. This is partly the result of the overall developmental strategies pursued in Ghana and partly of the large-scale corruption that was one consequence of precisely these policies. Moreover, private-public interaction has been influenced by the low capacity and inadequate coordination of Ghanaian business organisations.

Section 7.2 describes the relationship between the state and business in Ghana. It analyses the dependence of private businessmen on state politics through an account of the development doctrines of changing Ghanaian governments since independence. This analysis is followed by an examination of how widespread corruption and brutal anti-corruption campaigns have both influenced the room for manoeuvre of the private sector. This section then scrutinises the Ghanaian state's policies for economic growth vis-à-vis the Ghanaian private sector. Lastly, it examines the role of business organisations. Section 7.3 deals with the Ghanaian capital market. It reveals the distinct duality of this market and examines how this duality impacts upon Ghanaian entrepreneurs' investments. Section 7.4 briefly looks at skill development and the control system in Ghana. Section 7.5 takes a step back and considers some of the Ghanaian 'background' institutions that are influencing relationships between business partners, as well as between employers and employees.

Section 7.6 applies information about institutional features in Ghana in order to portray central aspects of the business system's characteristics. The argument in this section is that the combination of these trends, that is, the state-business relationship, which makes up some of the institutional features of the Ghanaian business system (cf. Chapter 5), has made the development of a prosperous national private sector almost impossible. The Ghanaian private sector currently comprises some (former state-owned) dormant, largely run-down large-scale enterprises, a small number of 'growing' small enterprises, and numerous 'survival' enterprises. Alongside these Ghanaian-owned enterprises, there are a few modern large companies, mostly owned by foreigners, and some 'growing' small enterprises owned by local non-Africans.

7.1 Crowding out the private sector: economic and political developments in Ghana

The overall conclusion of this chapter is that the policies pursued by various governments throughout the period have all resulted in the domestic private sector being crowded out in Ghana. Policies have varied from plain harassment, via mere exclusion, to counterproductive efforts to revitalise the sector and limited state autonomy in defining economic policies. In colonial times a combination of European oligopolies and Lebanese businessmen excluded Ghanaians from profitable markets. . The establishment of state-owned enterprises financed by external loans in the post-independence period and widespread corruption became a huge financial burden, which constrained the availability of capital for small Ghanaian-owned companies while also holding back the development of small manufacturing enterprises, as the parastatal enterprises dominated all spheres of the economy. The later Structural Adjustment Programmes that were intended to revitalise the economy did indeed manage to turn the economy around, but the liberalisation of the economy that, it was claimed, would give Ghanaian producers access to the world market also opened a huge door for imported products and thus forced many Ghanaian producers out of the consumer goods market. Finally high inflation in the early years of the democratically elected government also impacted negatively upon the private sector, as it reduced the amount of credit available. Lately, political rhetoric has changed: in agreement with the international donor community, the current government in Ghana perceives the private sector as the engine for growth. However, this new rhetoric does not seem to have changed the basic premises for small Ghanaian companies to operate: they are still by and large being squeezed out.

This tendency has contributed to a widespread lack of entrepreneurial experience among Ghanaians. This characterised the years just before and just after independence, but it remained a factor when Ghana started out on the road to adjustment, paved with devaluations and liberalisation. Widespread corruption forced entrepreneurs away from productive activities to speculative ones. Thus, when the economy opened up, the Ghanaian private sector was generally not ready to face competition. The private sector came to be characterised mostly by small ‘surviving’ enterprises catering for a very local market with low added value. Now, more than two decades after Ghana opened up its economy, the structure of the private sector remains essentially unchanged (cf. section 7.6).

7.1.1 The exclusion of local private entrepreneurs by the British colonial administration

At independence from Britain, hardly any Ghanaians were involved in manufacturing industries, due to a combination of relatively cheap European imports – for instance, print, cotton and salt – and restrictions in colonial legislation to limit competition to Britain's own industries. Even though cocoa was abundant, no cocoa-processing factories existed, and fruit was exported to Britain to be re-imported as soft drinks. A mere 259 manufacturing establishments were registered in Ghana two years after independence. Almost half were in the timber industry, and the rest were divided between furniture, food-processing, printing and ceramics. Moreover, both forward and backward linkages in Ghana were weak, apart from the agricultural base in the export sectors. The Ghanaian economy as it had evolved was basically a trading economy, but Ghanaians were mostly excluded from the profitable import-export business (Agbodeka, 1992; Andræ, 1981; Grant, 2001).

One of the reasons for the latter was the role of the Levantine trader.¹⁹⁰ World War I was followed by a short economic boom that was succeeded by a rapid recession. Already in 1921-22, export prices for most commodities fell sharply. Crowder (1968: 293) estimates that there was a fifty percent decline from the 1920 level. This forced Ghanaian traders to sell their stocks to the European import-export houses, which were characterised by well-established commercial networks extending to Europe and were therefore able to withstand the economic downturn. Within a short space of time, Ghanaians thus ceased to be important in trade in Ghana, except in the case of cocoa. Concurrently, a large number of Lebanese arrived in West Africa from the late nineteenth century and in the first two decades of the twentieth century,¹⁹¹ fleeing poverty. Most of them intended to go to the United States or Brazil, but they were rerouted in southern France due to a lack of funds,

¹⁹⁰ The term 'Levantine' in general denotes Lebanese, Syrians and Indians (including present-day Pakistanis and Bangladeshis) in Ghana. However, it sometimes also includes immigrants from Ceylon and Armenia. Even though this term is analytically vague, it is often used in the literature. It seems to stem from P. T. Bauer's (1954) *West African Trade*. The Lebanese were the first to arrive in West Africa, and they still comprise the largest element among the Levantines. In the literature, the Lebanese have often been confused with the Syrians, whose numbers were very small (Falola, 1992: note 3). This may derive from the historical development of Lebanon, which was part of the Ottoman empire, became a French mandate, and finally became independent in 1943. Consequently, the name used for the citizens of Lebanon changed from Mount Lebanon Arabs, Turks and Syrians to Lebanese (Falola, 1990). It suffices here to describe the role of the Lebanese, as other nationalities were treated similarly in Ghana.

¹⁹¹ Lebanese migration to West Africa rose sharply from the late nineteenth century to the mid-twentieth century, but especially in the inter-war years, when Lebanon was facing difficulties at the same time that migration laws in the United States were effectively reducing the number of possible Lebanese migrants. An estimated 2,200 Lebanese had settled in Ghana by 1962. Due to strong kinship ties, migrants from the same part Lebanon tended to settle in the same areas. Thus, most of the Lebanese in Accra are Sunni Muslims from Tripoli (Falola, 1992; Khuri, 1965: 385,389).

missing documents, or because they could not meet the strict health requirements in the US. In many cases they did not even know that they had been rerouted.¹⁹²

Once in Ghana, they started businesses. In general, they were excluded from farming, factory and office work, and therefore they opted for trade, even though competition from the Europeans was fierce. The first immigrants who came had neither the capital to start a proper business nor the language skills to obtain a proper job. Therefore, they were forced to find other means of survival. Most Lebanese chose small-scale trading, serving a specific market sector that was not catered for by Europeans or local Africans. Many reasons have been suggested as to why they managed to develop their businesses. Their relative advantages in relation to the Europeans included the lowness of their costs (lower profit margins and cheap family labour), their readiness to live in the countryside, to bargain, and their ability to speak African languages.¹⁹³ In relation to the Ghanaians, the Lebanese trader benefited from the relatively lenient financial obligations to family members. Moreover, and probably most importantly, both in the retail shops and on the streets, the Lebanese trader had access to capital from prosperous fellow countrymen, from large European companies like the United Africa Company (U.A.C.)¹⁹⁴ and from the banks. The Ghanaians were not offered credit by the wholesalers nor by the banks (Buame, 2003; Buame, 1996; Crowder, 1968; Falola, 1992; Khuri, 1965). The result of this European domination and the role of the Levantine middlemen was therefore overwhelming. By independence, only five percent of Ghana's imports were controlled by Ghanaians, the rest being divided between these two outside groups (Asamoah, 1996: 40). Moreover, with their relative success in trade, most Lebanese diversified into manufacturing, mining and the timber industry.

¹⁹² Lebanese businessmen in Accra told me stories about their great grandfathers' arrival in Ghana on several occasions. Common to these stories was the fact that they actually thought that they had reached the United States upon arrival in Ghana. They had paid middlemen for a trip to the US, but disembarked on the Gold Coast. This explanation runs counter to the claim by Falola (1992: 122) that some migrants: 'were simply ignorant of their destinations'. Most Lebanese migrants, however, were well aware of their geographical destination, as they were sponsored by kin already in West Africa. However, they were probably unaware of the living conditions they were facing, as West Africa was frequently portrayed as a place 'where money making is shovelling in sand' (Khuri, 1965: 393).

¹⁹³ The first immigrants actually opted for the cities, setting up shops that specialised in selling imported manufactured goods. They made use of local agents, who bought and sold on behalf of the Lebanese. In this way, they were able to penetrate a larger geographical area.

¹⁹⁴ European firms were generally willing to supply credit to the Lebanese because they often sold their goods in small quantities to the Ghanaians and thus had a role that was secondary to the European trade houses. Moreover, data from Burkina Faso, Sierra Leone and Nigeria indicates that this was not the sole reason. Due to the relatively small size of both the European and the Lebanese communities, the Lebanese trader could not escape his loan obligations – he would be blacklisted immediately (Falola, 1990, 1992; Khuri, 1965).

Another reason for the exclusion of Ghanaians was the dominance of the European oligopolies. In the inter-war period, the import-export trade became increasingly dominated by the European banks and a few major European trading companies. The price of primary products constantly fluctuated, but during the recession Ghanaian traders and small European traders were squeezed out of the market, leaving basically only the European oligopolies¹⁹⁵ and the Levantines. The British colonial administration did not actively control business in the Gold Coast colony except for some involvement in mining and the timber industry through the establishment of support institutions, like the necessary infrastructure¹⁹⁶ and the Geological Survey Department set up in 1913. The trading companies were rather unsophisticated, and most of their profits were returned to their European shareholders. Hardly any capital investments were made in the Gold Coast itself. Key staff in these oligopolies were Europeans living with their families in special quarters and consuming imported goods. Actually, the European trading firms were often allied with the manufacturing companies that exported goods to the expatriate West African market. Thus, local manufacturers were excluded from this profitable market too.

Thus neither the colonial administration nor the commercial European businesses, were interested in developing local industries, let alone human resources, in the Gold Coast. Hardly any Ghanaians were employed in managerial posts in the European companies. 'Mighty U.A.C. offered one £300 scholarship for a Ghanaian student.... This was how far as any company, French or British, went towards encouraging Africans' (Crowder, 1968: 304).

World War II changed the situation considerably. For the first time, the colonial government began taking an economic interest in the European companies, and at the same time, nationalism started to emerge in the Gold Coast. During the war, the colonial government stipulated that only goods from the British Empire could be imported freely. The trading companies thus came under administrative control. However, the law meant that British firms gained an even greater advantage over local firms because the British as well as other European firms united in the Association of West African Merchants. In order to increase profits, the Association introduced 'conditional sales', whereby customers were obliged to buy additional

¹⁹⁵ The giant of the European trading companies was U.A.C. amalgamated from a number of smaller companies in 1929.

¹⁹⁶ Haulage and shipping were controlled by individual firms. Only the railways were controlled by the colonial administration, being expanded under the auspices of Sir Gordon Guggisberg's ten-year development plan. In 1923, the Accra-Kumasi line was completed in order to reach the mines, and a couple of years later the railway line was extended into the Central Province to open up new areas of cocoa production and timber exploitation (Buah, 1998; Crowder, 1968).

goods (that they did not ask for) in order to buy those they needed. As locally produced substitutes did not exist for most articles, they were forced to buy these extra goods.

The war, however, also had some positive impact on the domestic private sector. A whole range of small-scale industries mushroomed because German submarines prevented many goods from entering the Gold Coast, and within a few years numerous enterprises producing leather goods, furniture, building materials and preserved fruits had been established.

By the end of World War II, people had become very frustrated by the increasing marginalisation in both the economic and political spheres. This frustration resulted in a growing nationalism that took diverse forms. The United Gold Coast Convention was formed by the black elite, the main objective being winning independence of Britain (1947); European goods were boycotted (1948), and a general strike was launched (1950). However, the growing nationalism scared away new foreign investments (Buah, 1998; Crowder, 1968; Manu, 1999). Meanwhile, the colonial administration made efforts to change the structure of the economy. Economic advisors were appointed to guide the economic plans, marketing boards to determine producer prices for primary commodities were established, and the Industrial Development Corporation was founded in 1947, its role being to supervise and support manufacturing corporations. However, its funding was rather small, and it did not manage to reach local entrepreneurs.

At the end of the colonial era, therefore, the Ghanaian entrepreneur was excluded from all profitable businesses. Even more important, however, was the lack of entrepreneurial experience.¹⁹⁷ Aside from some relatively prosperous cocoa producers, the Ghanaians were excluded from the world market. Michael Crowder describes the role of the Ghanaians during colonial rule as follows:

The African found himself the simple producer of raw materials for which Lebanese were the agents of sale and the European companies the exporters. Conversely these same companies imported the goods which the African bought, mainly at the shops or through the agencies

¹⁹⁷ Contrary to what Ayee, Lofchie et al. (1999: 6) suggest, I do not see any evidence that 'Ghana's population was well endowed with entrepreneurial talent as evidenced by the wide variety of medium scale business enterprises that flourished throughout the country'. Rather, numerous Ghanaian-owned micro-scale enterprises in certain lines of business had been established during World War II.

of Lebanese traders, with the money he earned from sale of his crop.
(Crowder, 1968: 345)¹⁹⁸

7.1.2 From Nkrumah to SAP: from high expectations to rapid decline

On 6 March 1957, the Gold Coast colony was proclaimed the sovereign independent nation of Ghana, thus becoming the first sub-Saharan African colonial territory to regain independence. Ghana's first leader, Kwame Nkrumah, had been prime minister of a self-rule government since 1952, and his ruling party, the Convention People's Party (CPP), enjoyed majority support in Ghana. In order to push Ghana into the 'modern world' in the shortest time span possible, Nkrumah's government pursued a 'Big Push' strategy based on import-substitution industrialisation. Nkrumah wanted heavy industrialisation with heavy imported machinery, but foreign capital was scarce. Ghana actually experienced its first foreign exchange crisis only four years after independence, in December 1961, as a response to which Nkrumah restricted import licences and access to foreign capital, as well as issuing Ghana's own currency, delinked from sterling.

The new independent government needed to break away from its previous dominance by foreigners. The establishment of SOEs was perceived as the most efficient way to fulfil both obligations, but in 1966, after 88 SOEs had been set up, Ghana had still not embarked on the road towards the 'modern world'.¹⁹⁹ Instead, the SOEs were mismanaged due to political interference and corruption, and Ghana's debt rapidly increased, as many of these SOEs were financed through external loans (cf. section 7.2.1). In addition, many parastatal enterprises were established not for economic but for nationalistic reasons and had hardly any linkages with other sectors of the economy. According to Richard Sandbrook and Jay Oelbaum (1997: 610), '[v]irtually none of the import-substituting industries...could be justified on the basis of cost calculations, and most had extremely low rates of capacity utilisation... Even monopoly enterprises were not profitable'.

Meanwhile, foreign-owned companies, especially in certain sectors of the economy, acquired more and more economic influence. For small Ghanaian companies, the competition from Nigerian and Lebanese entrepreneurs became fiercer and fiercer under Nkrumah. This was partly a result of the fact that the Nkrumah government was to some extent financed by the Lebanese, but also partly a result of

¹⁹⁸ It should be noted, however, that the vast majority of people living in the Gold Coast were unaffected by the European trade houses and Levantine businesses, since they lived in the rural areas and did not purchase imported goods.

¹⁹⁹ SOEs include wholly state-owned enterprises, ones under joint state and private ownership, and public boards. See section 7.2.1, page 173 for a more detailed discussion of SOEs in Ghana.

Nkrumah's pan-Africanism. Therefore, his government did not impose any restrictions to foreign entrepreneurs (Peil, 1971: 212).

One result of the first years of independence, therefore, was the crowding out of local entrepreneurs, most of the remaining privately owned industries being owned by foreigners. This was partly due to the import licences, which 'worked in favour of the Ghana National Trading Corporation, which received generous allowances mainly at the expense of the small Ghanaian traders' (Tangri, 1999: 70), and partly due to the establishment of SOEs in all sectors of the economy, including those in which Ghanaians had experienced some success during World War II. On the other hand, the restriction of both import licences and access to foreign exchange led to widespread corruption (cf. section 7.2.2) (Agbodeka, 1992; Asamoah, 1996; Herbst, 1993; Hutchful, 2002; Jeffries, 1982; Kennedy, 1994).

The National Liberation Council (NLC), which overthrew Nkrumah, did not manage to change the Ghanaian economy fundamentally. The NLC government initiated negotiations with the IMF only two weeks after it took power in February 1966. In May it managed to acquire a stand-by credit from the IMF, and in December of the same year it signed an agreement with the Fund, prescribing liberalisation policies and attempting to reorganise the increasingly corrupt state administration. After the agreement was signed, both credibility among aid agencies and the inflow of long-term concessional loans rose substantially (Rimmer, 1992). Balance of payment problems, however, persisted, and economic growth was marginal. One observer even goes as far as to state that 'the programme was almost a complete flop' (Jonah, 1989: 100). The reason should be sought not only in the inadequate design of the programme (it devalued the cedi as well as liberalised trade, but paid no attention to industrial bottlenecks or external constraints), but also in the lack of any commitment to implement the policies. Within the NLC, one faction wanted to pursue economic policies similar to those of Nkrumah, whereas another faction wanted to introduce more liberal policies. At the end of the day, these internal conflicts meant that the Rehabilitation Programme designed by the IMF was not fully implemented, and the NLC failed to break with past economic policies.

The eventual break did not come until December 1971, when the democratically elected Progress Party (PP) announced a 90 percent devaluation of the cedi. The PP, led by Kofi A. Busia, was in direct opposition to Nkrumah's Conventions People's Party and also more committed to liberalisation than the former military regime of the NLC.²⁰⁰ Busia officially continued the privatisation of SOEs that had

²⁰⁰ It is difficult to be sure whether the Progress Party was in reality pursuing genuine liberalisation or only wanted to win Western sympathy, as Nugent (1995: 25) suggests. On the one hand, the PP's manifesto promised to abandon the import licensing schemes, and the proportion of imports to

been initiated in the Rehabilitation Programme, and like the NLC, the PP made many public-sector employees redundant. However, for a number of reasons these policies did not succeed, among them a fall in the world market price for cocoa from 1971 onwards, excessive government spending, a lack of policies to counter the effects of the liberalisation of imports on the balance of payments, and a rapid decline in foreign assistance. Moreover, new SOEs were also established. The reforms were never fully implemented, which has made Douglas Rimmer describe them as ‘reform at half-cock’ (Rimmer, 1992). Overseas suppliers and donors realised that Busia’s liberalisation measures were not adequate and forced him to pursue stricter ones. Busia therefore devalued the cedi at the end of 1971, his aim being to change the structure of the economy. However, the devaluation never had the intended economic effect, as it created widespread urban disapproval, which eventually led to the military overthrowing the Busia government in January 1972²⁰¹ (Gyimah-Boadi and Jeffries, 2000; Rimmer, 1992). As Gyimah-Boadi and Jeffries (2000: 34) describe the matter, ‘Colonel Ignatius Acheampong judged, correctly, that a coup d’etat would meet little opposition in the politically crucial urban areas so long as the incoming regime reversed these measures.’

Therefore, one of the first actions of Acheampong’s National Redemption Party (NRP) was a revaluation of the cedi.²⁰² The NRP was generally popular in the initial phase. The revaluation was a highly populist measure, and Acheampong also gained support from those who felt that Busia’s politics were governed by Ashanti interests, and as the NRP in many ways followed in Nkrumah’s footsteps,²⁰³ it also

open general licenses actually rose by almost 60 percent during the first year of the Busia regime (Rimmer, 1992: 123). On the other hand, only a few SOEs were privatised during that regime, and in fact new SOEs were established (cf. section 7.2.1, page 173). It seems that the exceptionally high cocoa prices in 1969-1970 influenced the PP’s political choices. The party faced initial opposition to its privatisation policies, and the country’s foreign earnings from cocoa meant that it was not forced to change the state-market relationship radically.

²⁰¹ There are signs that Acheampong had been planning the coup for some time. Thus, the December devaluation was not the only cause, but probably the factor that made it happen at that particular time.

²⁰² The exact extent of the revaluation is hard to determine. One reference puts it at 44 percent (Gyimah-Boadi and Jeffries, 2000: 34), another at 67 percent (Jeffries, 1982: 312). What is important here is not the exact figure, but rather the fact that the fierce opposition to the devaluation and the subsequent revaluation meant that the military regime could neither reverse the revaluation nor use devaluation as a policy measure in the future. Even more important, however, was the impact the coup had on later governments, when ‘they contemplated resorting to market mechanisms to address their foreign exchange shortages’ (Herbst, 1993: 23).

²⁰³ Until Rawlings’ second coming in 1981, in reality only two political traditions existed in Ghana. One consisted of Nkrumah loyalists and adherents of the CPP. The other consisted of adherents of Danquah’s United Party. Initially, the division between these two traditions was ideological, but ideology soon faded out, and even though the PP belongs to the Danquah tradition, Busia did continue some of the more socialist-oriented policies of former regimes. Sandbrook and Oelbaum (1997: 632) have even gone so far as suggesting that adherence to either tradition ‘has much more to do with style than substance’. Some authors, like Ayee, Lofchie et al. (1999), actually argue that

gained support from those who still supported him.²⁰⁴ In many ways the NRP, which later changed its name to the Supreme Military Council (SMC) and in 1978 to SMC II, reversed the policies of Busia's Progress Party (Brydon and Legge, 1996).

Corruption and maladministration in the public sector was widespread throughout Ghana's first years as an independent nation. It started with the import license restrictions after the 1961 foreign exchange shortages and 'reached almost unbelievable heights [during the Acheampong regime] when government decisions on fundamental issues such as import permits were made largely on the basis of personal connections' (Herbst, 1993: 24). It seems that everybody, including the ruling party, was aware of the increasing corruption. For instance, when the NLC took power, it immediately started commissions of inquiry to report on these activities. However, the commissions excluded senior civil servants from inquiry, and in reality they were only used to remove chiefs appointed by the CPP and to replace them with new ones (Rimmer, 1992). Corruption therefore did not cease, as the following quote from Chazan (1983: 102) indicates: 'If Busia could state that with himself excluded "there is not a single honest person in my cabinet", then it is hardly surprising that many people felt that the patrons who had sprung up under his aegis had gone beyond permissible bounds'.²⁰⁵ Busia actually initiated an investigation into the causes of corruption, but a leading member of the presidential commission was pulled to pieces by Busia's fellow ministers when he demanded that ministers should declare their assets. The investigations were therefore quickly halted.²⁰⁶

In June 1979, two weeks before the first elections since Busia had come to power in 1969 were due, a group of junior officers overthrew Akuffo. The major aim of the Armed Forces Revolutionary Council (AFRC), led by Flight Lieutenant Jerry Rawlings, was to conduct a 'house-cleaning exercise' in the military forces and society at large. The exercise lasted approximately three months, after which the newly elected Hilla Limann took office. Corruption was to be eliminated once and for all. Eight senior military officers, among them Achaempong and Akuffo, were executed.

Corruption, of course, was not eliminated at all after these three months, and by the time 'Limann took office, the working assumption was that the larger mer-

Rawlings has been able to combine the two traditions into a single radical (CPP) populist United Party tradition.

²⁰⁴ The NRP even revived some of Nkrumah's industrial projects, which had been abandoned by the governments intervening between the two regimes (Buame, 2003).

²⁰⁵ The quote from Busia is taken from *The Spokesman*, 25 May 1971.

²⁰⁶ I provide a lengthy discussion of corruption and its implications for the private sector in Ghana in Chapter 9 in order to shed light on how corruption, among other factors, has affected PSDP companies.

chants were hoarders and smugglers; that contractors were almost certainly bogus; and that the senior managers of state corporations were by definition corrupt' (Nugent, 1995: 28). On the one hand, there are no signs that President Limann genuinely tried to combat corruption. Actually, the liberalisation of both trade and price controls in relation to the agreement with the IMF helped to pave the way for even more petty corruption, as traders could increase the profits of black market sales because the cedi continued to be highly overvalued. On the other hand, Limann faced an overwhelming task: the economy was collapsing, the shops were empty, the infrastructure was run down, schools were without teachers, clinics without staff and medicine, and institutions had to be rebuilt. In addition, Limann's People's National Party was split over economic policies, and Limann himself knew that if he did not fulfil the expectations of the Ghanaian people, Rawlings would return to power again by force²⁰⁷ (Africa Confidential, 1980, 1981a, 1981b; Brydon, 1999; Leith and Söderling, 2003). Limann neither fulfilled these expectations nor combatted corruption, and Rawlings took power on the last day of 1981, following which the attacks on corruption were also revived.

Summing up, the industrialisation policies pursued by Nkrumah, which were characterised by heavy investments in SOEs, especially in the mining sector, were also pursued by subsequent governments. On paper the policies may seem different, but they display a great deal of similarity. Even though the PP in particular, and the NLC to a lesser extent, openly showed their aversion to Nkrumah's socialism, more than eighty percent of the SOEs that existed when Nkrumah was overthrown were still operating when the NRP took power six years later. Public-sector employment did not change much either: in late 1965 it numbered approximately 277,000; at the end of 1971 the figure had grown to approximately 289,000 (Rimmer, 1992: 126).

By SSA standards, the manufacturing sector in Ghana was diverse and dynamic by 1970. However, the costs of establishing these enterprises were huge, and Ghana had incurred large foreign debts on account of them. In addition, they were highly dependent on imports, and Ghana experienced declining revenues from the primary exports that were expected to finance them. By the beginning of the 1970s, they had become a drag on the economy rather than an engine of Ghana's economic growth (Agbodeka, 1992; Lall, Navaretti et al., 1994).

²⁰⁷ Rawlings, the former head of state, never left Accra, but stayed at the Burma Camp Barracks, watching the political situation. Limann constantly feared that Rawlings would capitalise on social instability, which constrained his room for manoeuvre. Ever since Acheampong's coup in 1971, devaluations meant coups in Ghanaian politics. See also note 202 on page 160 for a description of the consequences of the devaluation.

Thus, by the late 1970s, the structure of large-scale manufacturing enterprises in Ghana resembled that of many other developing countries that had adopted import-substitution industrialisation strategies but not been able to go beyond the first phase. The industry was numerically dominated by beverage and vehicle-assembly plants. Strategically, however, the large-scale heavy industrialisation projects, such as the Valco Aluminium Company (an aluminium smelting facility), the Iron and Steel Project and large refining industries, dominated manufacturing. Also of importance were textiles, garments, sawmilling and furniture. A large proportion of these industries were SOEs. During this period, the state also possessed majority equity in mines, banks, iron and steel products, and insurance companies (Andrae, 1981; Tangri, 1999).

The medium- and large-scale industries shared one feature: capacity utilisation fell drastically throughout the period. Although there were differences between various sub-sectors and abnormal fluctuations appeared, the overall trend is clear: capacity utilisation decreased by more than fifty percent in the decade from 1971 to 1981 (Asante, Nixson et al., 2000: table 13.4). Manufacturing production in 1981 was approximately sixty percent of its 1977 value, mining production followed a similar trend and dropped by roughly thirty percent in these four years, production of vital cereals like maize, rice, cassava and yams all dropped by more than fifty percent from 1974 to 1982, and real wages fell by almost seventy percent from 1977 to 1983. Moreover, fiscal deficits were huge, and by 1981 Ghana had the most overvalued African currency, estimated at 816 percent overvalued in 1982 (Aryeetey and Harrigan, 2000: 8; Hutchful, 1996: 143f).

7.1.3 Revitalising the private sector or marginalising the local economy? Structural Adjustment Programmes in Ghana

When the PNDC took power, it had no party structures and no real ideology. The rhetoric was genuinely socialist, and among its main supporters were the urban poor and left-wing intellectuals, including the National Union of Ghanaian Students (NUGS), but it soon became apparent that Rawlings was approaching politics pragmatically. The PNDC itself was made up of military members from all ranks and with different ethnic backgrounds, and civilian members with different political backgrounds. Nomination of cabinet members seems to have followed the same pragmatic approach, including a former trade unionist, three former right-wing politicians and four young politicians with a more radical background. Thus, while the PNDC proclaimed a revolution, in reality no revolution happened. The economic policies presented in the initial phase included 'revolutionary' initiatives, such as the confiscation of 50 cedi notes, and a freeze of bank balances of more

than 50,000 cedis, 'monetary' issues to cut the budget deficit through currency adjustments and strict fiscal policies, and 'structuralist' policies with the emphasis on self-reliance.

Before long it became clear that these measures would not be sufficient to change the economic downturn. The urban poor demanded immediate improvements in their living conditions, neighbouring Nigeria wanted payment for US\$ 130 million worth of oil, export earnings from cocoa dropped, and due to the inclusion of former right-wing politicians in the cabinet, the NUGS became part of a fierce opposition demanding a genuine socialist revolution.²⁰⁸ Libya provided Ghana with emergency shipments of oil, while the PNDC looked towards the Eastern bloc for economic help and guidance, though the response was negative.

In the meantime, the PNDC launched its Programme for Reconstruction and Development. This programme in essence synthesised the economic policies of the monetarists and the structuralists. The combination of the failed mission to the Eastern bloc and the launch of a programme that included strategies resembling the IMF's guidelines paved the way for the April 1983 budget agreement with the IMF (Africa Confidential, 1982a, 1982b, 1983, 1984a; Herbst, 1993; Hutchful, 2002; Nugent, 1995).

However, the budget agreement and the subsequent Economic Recovery Programme (ERP) did not look at all like PNDC's programme. The state monopoly of the import trade, increased public control of the banking sector and the distribution of essential goods through people's shops were all discarded. Moreover, the reality of the monetary policies, especially the devaluations, was harsher than anyone had expected.

In 1983, after several years of political instability and economic decline, Ghana embarked on the ERP sponsored by the IMF, the World Bank and many Western donors. The poor performance of the Ghanaian economy in past decades was perceived as resulting from a combination of inappropriate state actions and erroneous macroeconomic policies, that is, purely internal causes in line with the prevailing neo-liberal line of thought in the IMF and the World Bank. Thus, central to the policy prescriptions were a change in the balance between the state and the market, an improvement in the balance of payments, and the expansion of the ability of the economy to adjust to shocks, just as the neo-liberal orthodoxy prescribed. The ERP therefore included a liberalisation of prices, the rationalisation and privatisation of

²⁰⁸ During the first twenty months of its existence, the PNDC survived a number of major threats, namely its own collapse and subsequent restructuring, two attempted coups, two strike calls, and the alleged involvement of Rawlings himself in the murder of four judges.

SOEs, devaluation, and of the withdrawal of subsidies for food and social services (Aryeetey and Tarp, 2000).

The ERPs in Ghana evolved in three phases: ERP I (1983-86), II (1987-93), and III (1993-95).²⁰⁹ ERP I included a stabilisation package (devaluation, reduction of price controls, reduction of import tariffs etc.) and an economic development promotion programme that included the repair of essential infrastructure and the stimulation of traditional exports by reforming the State Cocoa Marketing Board and improving producer incentives. ERP II concentrated on extending the ongoing reforms through structural and institutional reforms and exchange rate liberalisation. During ERP II a number of reforms were launched that aimed at shrinking the role of the state by making public-sector employees redundant and privatising SOEs (Hutchful, 2002).

The effects of the ERPs are disputed. The IMF and World Bank maintain that Ghana is a successful adjuster in as much as the economic downturn was reversed and key economic indicators stabilised. Others, however, focus on the social costs of ERPs and argue that the programmes have forced people into self-employment, increased inequalities and greater poverty.

A number of reasons account for the different interpretations of the effects of the ERPs. Most obviously, interpretation of effects is related to area of interest. Thus, on the one hand, there is no doubt that, during a period of more than a decade of structural adjustment and stabilisation, inflation was halted, the exchange rate re-valued and the balance of trade improved. On the other hand, the outcomes of the institutional restructuring are ambiguous. Likewise, there is general agreement that the majority of Ghanaians were not able to enjoy the benefits of the economic improvements, but instead experienced negative social consequences during these years. Put differently, the shops filled up with goods, but hardly anyone could afford to buy them. Besides this, different ways of evaluating the results provide different interpretations (Aryeetey and Harrigan, 2000). Moreover, as Lall has shown (1995), since various indicators can be chosen to measure the outcome, different results are obtained. These discussions will not be pursued further here.²¹⁰

²⁰⁹ ERP III will be dealt with in section 7.1.4.

²¹⁰ For insights into the various assessments of the effects of ERPs on the development of the informal sector, see, for instance, (Barwa, 1995; Nikoi, 1995), on micro- and small-scale enterprises (Arthur, 2003; Boeh-Ocansey, 1995; Steel and Webster, 1991), on medium and large-scale enterprises (Acheampong and Tribe, 2001), on SOEs (Adei, 1990; Christensen, 1998; Djokoto-Asem, 2003), on the response of the entrepreneurs (Amponsah, 2000), on employment (Fine and Boateng, 2000; Mazumdar and Mazaheri, 2002), on exports of traditional products (Owusu, 2001), on mobilisation of action (Awuah, 1997), on urban lives (Brydon, 1999), and on the female workforce (Panford, 2001).

During ERPs I and II, imports increased dramatically, even though the value of the cedi continually depreciated. Oduro (2000: table 9.4) suggests an increase in the value of imports of almost 200 percent from 1983 to 1992. This growth was considerably larger than the growth in export earnings²¹¹ and was only possible because foreign loans and grants also increased concurrently.²¹² Import licensing to some degree directed the increased funds towards inputs and supplies for industry, but imports were unfortunately not confined to essentials and capital goods for production: they also included consumer goods that squeezed out local production.

Table 7.1. Manufacturing production in Ghana 1985-1992 (1977=100)

Industry	1985	1986	1987	1988	1989	1990	1991	1992
Food-manufacturing	41.8	40.6	50.5	53.6	48.0	57.5	59.3	62.8
Beverages	59.3	75.1	85.2	89.0	98.0	94.0	93.0	112.2
Tobacco and tobacco products	61.3	57.6	54.9	58.0	51.0	57.1	49.6	47.1
Textile, clothes and leather goods	19.2	22.9	26.1	28.7	24.0	37.7	39.1	23.7
Sawmill and wood products	75.4	79.5	79.3	98.3	80.0	74.2	133.6	120.2
Paper products and printing	65.1	70.5	59.7	52.8	48.0	53.5	49.3	54.6
Petroleum refinery	80.6	76.6	62.7	67.7	87.2	70.5	92.2	65.0
Chemical products other than petroleum	31.8	38.0	51.9	67.5	62.0	57.6	44.7	56.7
Cement and other non-metallic mineral prod.	63.6	47.4	49.7	73.4	100.0	117.3	125.6	177.0
Iron and steel products	46.2	38.8	42.9	18.3	12.1	5.2	NA	356.0
Non-ferrous metal basic industries	28.4	72.5	90.3	97.3	100.5	103.8	104.6	115.8
Cutlery and other non-ferrous metal products	34.6	55.2	51.9	46.2	47.9	55.2	63.2	83.3
Electrical equipment and appliances	28.4	51.0	31.5	47.1	13.5	25.5	40.0	46.3
All manufacturing industries	39.3	49.3	54.2	56.8	63.0	63.5	71.3	76.9

Source: Quarterly Digest of Statistics

As depicted in Table 7.1, manufacturing production in Ghana did improve during ERP. The overall trend shows an increase from index 39.3 in 1985 to 76.9 in 1992, that is, an increase of 96 percent. However, what is more important here is the fact that in 1992, nine years after the start of ERP I, manufacturing production

²¹¹ Export earnings rose by 125 percent during the same period. Unfortunately, exports remained undiversified. After a decade of structural adjustment in Ghana, approximately 85 percent of exports were still made up of traditional primary products, that is, timber, minerals and cocoa (Oduro, 2000: 178f).

²¹² This was especially true in the first years after the ERP was signed. In 1983, ODA/capita was US\$ 9.35. This increased to US\$ 45.18 in 1989, that is, by almost 400 percent (Harrigan and Younger, 2000: 190).

in Ghana had still not reached its 1977 level. This general trend, however, hides enormous differences among the various sectors. Some sectors, like tobacco, paper products and petroleum refining, had declined by roughly twenty percent, whereas others, like iron and steel products, non-ferrous metal industries and cement, had reached production levels that clearly exceeded the 1977 level.

The sector developments for manufacturing shown in Table 7.1 are by no means unexpected. The economic liberalisation of the 1980s and the 1990s in Ghana on the one hand gave the producers access to the market. On the other hand, however, liberalisation also increased the competition from imported products and the exposure to market fluctuations for primary goods. Therefore, a large increase in production is to be expected in industries that are dependent on imported inputs and capital equipment, while a drop is to be expected in industries that face foreign competition directly.

At the beginning of the 1980s, capacity utilisation in manufacturing industries was so low that literally no production was taking place. The medium and large-scale enterprises experienced a relatively high increase in capacity utilisation after the start of an ERP. On average, capacity utilisation in manufacturing industries rose by fifty percent from 1983 to 1992, but from an extraordinarily low level at the beginning of the 1980s, when ERP I was started (Asante, Nixson et al., 2000: table 13.4).

The aim of the ERPs was to establish the framework for a dynamic private sector. However, this did not happen. Rather, people were forced into various forms of self-employment. Many explanations have been put forward for this result, including the poor institutional environment (Amponsah, 2000), structural rigidities in the Ghanaian economy (Government of Ghana, 2003b), and the lack of private investment (Africa Confidential, 1988; Asante, Nixson et al., 2000). Nevertheless, some recovery did occur in the private sector. A considerable proportion of the recovery of manufacturing production was due to improvements in capacity utilisation rather than capacity expansion and technological change, and as such was of a short-term nature. Moreover, much of the growth occurred because of the special attention that was given to the manufacturing sector in the ERPs. In addition, the 1983 budget, the announcement of the ERP in April (signed in February) and the presentation of a relief programme at the Paris Club meeting for major donors in November²¹³

²¹³ 1983 marked the bottom of Ghana's economic decline. Any comparisons with this year are misleading. In January 1983, the Nigerian government announced the expulsion of alien workers whose papers were not in order. An estimated 1.2 million Ghanaians or approximately ten percent of the Ghanaian population were expelled from Nigeria and returned to Ghana in the first months of the year. In addition, the dry season of 1982-83 was exceptionally long, as a consequence of which most food crops failed.

meant an injection of aid flows and loans to Ghana. An indication of the almost bankrupt state of the Ghanaian economy was the fact that the programme requested items like nails, screws and light bulbs (Brydon and Legge, 1996).

7.1.4 Continuity rules: the PNDC without the ‘P’ wins Ghana’s first democratic elections in more than a decade

In late 1992, Ghana again held presidential elections. Thus, democracy did return to Ghana, but Rawlings stayed too. Rawlings won 58.3 percent of the votes in the presidential elections and was therefore entitled to another four years as president. Elections to the National Assembly were scheduled for 29 December that year, but the opposition parties, led by Adu Boahen and his NPP, accused the PNDC of fraud and therefore boycotted the elections, which were easily won by the National Democratic Congress (NDC) and its fellow pro-Rawlings parties, the National Convention Party and the Egle Party.

Several reasons can be given to account for Rawlings’ victory, but the relative success of his economic policies since the beginning of the 1980s is definitely among the most important. Moreover, opposition leaders presented no alternative to Rawlings’ ERPs. Thus, even though most Ghanaians, especially in the urban areas, were still poor and had to diversify their sources of income in order to survive, the steady economic growth was appreciated.²¹⁴ Moreover, Rawlings had already shown that he was able to change the direction of the economy. Due to the economic progress, the future was generally viewed with optimism. In the words of Jeffries and Thomas (1993: 362), ‘Rawlings won, then, in part because he enjoyed the advantages of incumbency and because the majority of Ghanaians cared more about their material standard of living than about “human rights”’.

Rawlings was the first Ghanaian head of state to implement across-the-board structural reforms designed by the IMF and the World Bank. It is arguably easier to implement these kinds of reform during an era of executive authority and political autonomy than in a democracy, as in the latter case accountability and popularity become central aspects of day-to-day politics. As pointed out in the preceding section, the ERPs did cause the macro economy to stabilise and spurred continuous economic growth, but at the same time inequality and poverty also rose. Therefore, it looked doubtful whether the NDC administration would be able to continue its close alliance with the Bretton Woods Institutions.

²¹⁴ Of course, many groups opposed the ERP, such as the Trade Union Congress, which opposed the layoff of workers in the SOEs; businessmen, who complained about the high interest rates and the liberalisation of trade; and intellectuals, who criticised the ERPs on the grounds of their social costs. At the same time, however, most people acknowledged the improvements in the economy.

However, soon after the inauguration of the fourth republic, ERP III (1993-1996), or the *Accelerated Growth Strategy*, as it was rightly called, was launched. This took a different approach than the two previous programmes, as it emphasised economic growth instead of economic recovery, because both the NDC administration and the major donors saw sustained economic growth as essential for eradicating poverty. The priority areas of ERP III were thus poverty alleviation, private-sector development and human resource development. The fundamentals of the programme, however, turned out to be incorrect. When the programme was initiated, the economy was no longer stable. After almost a decade of economic recovery, it was still highly vulnerable to domestic as well as external shocks. Moreover, the 1992 elections had placed huge fiscal pressures on the economy. In order to gain support from the large number of people employed in the public sector, the PNDC increased civil servants' salaries by sixty to eighty percent, thus causing government expenditures to rise by almost 25 percent in a year. As a result, both inflation and interest rates increased rapidly (Aryeetey and Harrigan, 2000; CEPA, 2001: figure 3.1; Hutchful, 2002; Sandbrook and Oelbaum, 1997: 628).

In the first couple of years, the new democratically elected government also faced the burden of major macroeconomic imbalances. To a large degree, the government financed these deficits through domestic borrowing that on the one hand, made inflation sky rocket, and on the other hand reduced the amount of credit available for the private sector, thus again crowding it out. To guide Ghana's economic policies, Rawlings and his ministers launched the Vision 2020 programme, which was presented as 'Ghana's road map to achieving middle-income country status by the year 2020'. The main aim of the programme was to reduce poverty and inequalities, and increase employment opportunities and average incomes. Closely linked to the government's own visions, a new reform package, the Enhanced Structural Adjustment Facility (ESAF), was approved by the IMF in 1995.

However, the relationship between the major donors and the NDC administration soon cooled down. The story of the 1992 elections is repeated in the 1996 elections. Due to expensive campaigning, heavy fiscal pressures were once again placed on the economy, and inflation increased from approximately twenty percent in mid-1994 to more than seventy percent just before the 1996 elections. The donors suspended the ESAF until the beginning of March 1998, when it was renamed the Poverty Reduction and Growth Facility (PRGF). Concurrently, the Ghanaian economy revived again; inflation fell to one-digit levels for a short while and interest rates slowly fell too. In May 1999, therefore, the donors were ready to sign a new three-year phase of the PRGF (IMF, 2002; IMF and IDA, 2002). According to CEPA (2003: 35), its objective was 'to remove structural bottlenecks and create an

environment for sustained balanced growth whilst at the same time addressing macroeconomic imbalances’.

The PRGF was successfully reviewed a little more than a year after its implementation. The NDC administration seemed to be able to fulfil most of the performance criteria stated in the programme, but then elections were due again. As soon as the election campaigns began, the economy started a downward spiral; inflation tripled in 2000, credit for the private sector became more expensive, and the cedi depreciated. Thus, the situation became bad for import-dependent manufacturing companies, as they faced high lending costs and costly imports. Small enterprises also faced difficulties during this phase; the high costs of formal credit were transferred to the informal credit market (see section 7.3), and liberalisation caused an increasing influx of imported manufactured products into Ghana (CEPA, 2003).

Manufacturing production increased 24 percent in 1993-1999, substantially lower than in the preceding period. Moreover, it was only eight percent higher than the 1977 level. As opposed to the PNDC era, manufacturing production under the NDC administration oscillated considerably, and there were large differences between the various sub-sectors. What should have been a period of sustained economic growth was instead a period of very uneven economic performance. The private sector was prioritised on the official agenda, but in reality little was done to enhance room for manoeuvre in this sector. Rather, it seems that the political decisions and economic policies that the NDC administration pursued during its eight years as a democratically elected government squeezed the room for manoeuvre for the Ghanaian private sector: high levels of uncertainty, fluctuating rates of inflation, high interest rates and increased liberalisation all in some way or another influenced the private sector negatively. CEPA (2001: 12) describes the situation more directly: ‘In the last few years, fiscal indiscipline also resulted in severe crowding out of the private sector through the accumulation of payment arrears and non-payment of bills to businesses and individuals for goods and services supplied to government’.

7.1.5 Pragmatism returns to Ghana: Ghana goes HIPC

On 7 December 2000, presidential and parliamentary elections were held again in Ghana. However, this time they were different from the previous elections since they marked the definite exit of Jerry Rawlings from Ghanaian politics: under the constitution ‘a presidential candidate may serve for a maximum two terms of four years and is not eligible for re-election thereafter’ (Ayee, 2002: 151). Moreover, the outcome of the elections was a way of assessing the strength of Ghana’s democracy. The political parties that participated in the elections did not differ signifi-

cantly on the three main issues debated in the campaign, that is, the national economy, development and change, and ways of enhancing democracy. For instance, all the parties pursued market-oriented economies, all wanted to combat corruption, almost all suggested a programme of national health insurance, and the two major rivals, the NDC and NPP, both proposed public-private partnerships in order to boost the economy. Thus, what people really voted for were personalities rather than policies. Moreover, they seem to have voted for change (Africa Res Bull Pol, 2001; Ayee, 2002; Smith, 2002).

After a presidential run-off on 28 December 2000, John Agyekum Kufuor of the NPP was sworn in as President on 7 January 2001. The NPP administration inherited a highly destabilised economy. One of the worst droughts since 1982-1983 reached the northern part of the country in 1997-1998 and destroyed significant quantities of agricultural production. In addition, in the fiscal year 1999-2000 Ghana experienced severe terms of trade. Cocoa prices reached a 27-year low, gold prices deteriorated, and oil prices tripled. Concurrently, aid disbursements were delayed due to the NDC's inability to meet the performance criteria of the ESAF in the latter part of 2000. Moreover, fiscal indiscipline in the months leading up to the presidential elections caused the money supply to increase by almost forty percent in the same year. Meanwhile, inflation tripled from 13.8 percent in December 1999 to 40.5 percent in December 2000, and interests rates also rose noticeably in the same period (CEPA, 2001: table 3.1; ISSER, 2001: table 3.2).

On the other hand, donors were delighted that the change of power after the 2000 elections went smoothly. For the first time in Ghana's history, one elected president handed over power to another from a different political party. This 'democracy dividend' paved the way for negotiations between the NPP administration and the donors to implement the HIPC. More importantly in the short term, however, the 'democracy dividend' was transformed into increased inflows from both donors and private individuals. Already in his inaugural speech, Kufuor called for support from the international donor community in order to revitalise the ailing Ghanaian economy (Africa Confidential, 1999; Africa Res Bull Econ, 2001; CEPA, 2001, 2003). CEPA (2002) estimates that the increased inflows amounted to approximately ten percent of GDP.

As a result of the increased inflows, the NPP administration managed to stabilise the Ghanaian economy within its first year in power. Inflation dropped from 40.5 percent in December 2000 to 21.3 percent in December 2001. Likewise, currency depreciation reached historically low levels (3.7 percent compared to 49.5 percent in 2000). However, interest rates were still high, and credit to the manufacturing industries was therefore constrained.

One of the most important steps that the NPP government has taken is the decision to apply for the Enhanced HIPC Initiative²¹⁵ (henceforward HIPC) in February 2001, which immediately caused an additional increase in inflows from abroad. Concurrently, the NPP administration was able to suspend debt payments to bilateral donors worth approximately four percent of GDP (ISSER, 2004). The HIPC has three components, namely the calculation of debt relief, the PRSPs guiding the use of funds made available through the HIPC, and the IMF PRGF, which is basically a continuation of the ESAF. However, while the ESAF focused mostly on macroeconomic stability through tight monetary policies, the PRGF focuses on achieving both macroeconomic stability and poverty reduction through economic growth (CEPA, 2002).

On 26 February 2002, Ghana reached the HIPC decision point. The NPP administration had completed the Ghana Poverty Reduction Strategy (GPRS), that is, the Ghanaian version of the PRSP, just prior to this date. In eight years, 49 percent of Ghana's debt-service obligations should be delivered. The GPRS sets out five main policy priorities, namely infrastructural development, agricultural modernisation, improvements in social services, good governance and private-sector development. These policy priorities are meant to enhance economic growth and reduce poverty by stabilising the macro-economy, promoting production and employment, human resource development, implementing special programmes for the vulnerable and excluded, and improving governance (Government of Ghana, 2003a).

There is hardly any doubt that the NPP government has been able to achieve a relatively stable macro-economic environment, with low inflation rates. In contrast to the NDC administration, it has also been able to keep the economy on track in election year (EIU, 2005a). Furthermore, Ghana has qualified for HIPC debt relief, which may free money for development purposes in the future (HIPC funds have an estimated value of US\$ 80-120 million per year, which can be transferred to other sectors of the economy). Up until now, however, the stable macro-economy has to produce economic gains for the Ghanaian population. According to the EIU (2005b: 7), the NPP has failed to deliver any noticeable reduction in poverty. Moreover, the all-embracing private-sector rhetoric has failed to create any benefits for the Ghanaian private sector either: 'He [John Agyekum Kufuor] promised his

²¹⁵ The HIPC was first introduced in 1996. However, it failed to deliver its stated goal of providing a lasting reduction in debt burdens, and therefore it was decided to enhance the HIPC in 1999. Concurrently, changes in the rules were made that entitled Ghana for debt relief. A country that opts for HIPC has to go through two critical stages. The first is the decision point, that is, debt is deemed inappropriate, structural adjustment programmes have been adopted, and a Poverty Reduction Strategy Paper has been prepared. The second is the completion point, that is, the agreed debt cancellation takes place. The completion point is only reached if the debtor can demonstrate a track record of good performance.

party's wealthy patrons a golden age for business; so far mostly foreigners have benefited' (Africa Confidential, 2004a).

The business community, especially the most important business associations, are therefore placing increasing pressure on the NPP government to protect local producers against the forces of globalisation. According to the EIU (2005b), so far the business community have only called for minor protectionist interventions, such as higher duties on textile imports. Up to now the NPP government has been able to withstand this pressure, but its room for manoeuvre seems constrained by its relations with the IFIs. The NPP government simply cannot impose interventionist measures due to its dependence on the international aid community. Rather, it has to continue the economic liberalisation measures that began more than twenty years ago and which have hitherto been unable to meet the needs of the Ghanaian private sector. In the words of the EIU (2005a: 20): 'In general, the Ghanaian government will have to demonstrate very clearly to the IMF that it is committed to carrying out further economic reforms, including unpopular measures such as increases to water and electricity tariffs, and to further improving fiscal disciplining'.

7.2 State-business relations in Ghana

In accordance with the outline of the theoretical framework presented in chapter 5, my account of institutional features is chronological in form, in order to explain how the characteristics of the current Ghanaian business system are shaped by developments in key institutions in society. It starts with an account of the change from state-led industrialisation to private sector-led development that was largely fuelled by the donor community. It then deals with how the combination of large-scale corruption and brutal anti-corruption measures has affected the business community in Ghanaian society, and how Ghanaian government attitudes and specific policies are still having an impact on how Ghanaian businessmen perceive new state-led initiatives. Lastly, this section takes a quick glance at business organisations in Ghana, organisations that in theory could make up for the developments mentioned above, but which, due to a lack of legitimacy, do not play an active role in advocating the views of the Ghanaian private sector.

7.2.1 From parastatals to privatisation: the Ghanaian private sector under changing development doctrines

Even though the history of SOEs in Africa is often portrayed as part of the history of the industrialisation strategies of the newly independent countries, the roots of SOEs often go back beyond this point to colonial times. This is also the case in Ghana. At independence, there were just six SOEs, namely the West African Pro-

duce Marketing Boards, the Industrial Development Corporation, the Cocoa Purchasing Company, the Agricultural Development Corporation, Ghana Commercial Bank, and the Bank of Ghana.²¹⁶

However, the establishment of SOEs really took off after independence, as they were perceived as a crucial and necessary instrument of industrialisation (Table 7.2). In 1965, Ghana had 47 fully state-owned enterprises. This grew by 13 percent in only one year to 53 state enterprises. On top of that, Ghana had 12 state/private sector joint ventures and 23 public boards in 1966. These SOEs constituted an amorphous group of companies that covered most areas of the Ghanaian economy, including banking and insurance, mining, transportation, construction, laundries, and various manufacturing industries such as bakeries, bricks and tiles, and pharmaceuticals. However, the establishment of the SOEs was not only a matter of industrialisation: they also served as suppliers of cheap products to urban constituencies. Christensen (1998: 282) also indicates that the creation of SOEs was not detached from the political sphere as ‘[p]erhaps the single most important objective was the need to create well-paid jobs in the “modern” (i.e. non-agricultural) sector of the economy, especially for supporters of the ruling party’.

Exact figures for SOEs are not easy to come by, and most authors do not cite their references. Moreover, they seldom define SOEs. Figures from various sources have been used in constructing Table 7.2. Even though the figures in this table are hardly reliable, one trend can be observed, namely that the number of SOEs increased rapidly from independence to the beginning of the 1980s, after which it decreased, albeit slowly.

However, the rather sporadic data also hide some stories. When the NLC took power in February 1966, it initiated negotiations with the IMF and the World Bank. The agreement between the parties stipulated that Ghana should initiate a privatisation process. As described in section 7.1.2, although the reform programme was not fully implemented, it did result in the dissolution of a number of SOEs, sales to the Ghanaian private sector of some fairly small companies (a bakery and a laundry among other things), and joint ventures with foreign companies, for example a tyre, a cement and a textile factory. However, SOEs were still regarded as a symbol of national sovereignty, and the sale of some SOEs to foreigners created a national outcry. Indeed, the privatisation process was cancelled in some cases due to the

²¹⁶ The exact definition of what constitutes an SOE is disputed. Unless otherwise stated, SOEs here denote fully state-owned enterprises, joint ventures between the state and private businessmen, and public boards. In 1987, the Ghanaian state held a 100-percent interest in 56 percent of the 324 SOEs, majority shares in 17 percent, and 30 to 49 percent in the rest (Appiah-Kubi, 2001: note 4).

sensitive political situation surrounding the sale of SOEs to foreigners. Meanwhile, the NLC established five new SOEs.

Table 7.2. SOEs in Ghana, 1957-1995

Year	1957 ²¹⁷	1965 ²¹⁸	1966 ²¹⁹	1980 ²²⁰	1983 ²²¹	1983 ²²²	1987	1988 ²²³	1990 ²²⁴	1995
State enterprises	4	47	53	NA	181	345	NA	194	NA	NA
Joint ownership	-	NA	12	NA	54	NA	NA	NA	NA	NA
Public boards	2	NA	23	NA	NA	NA	NA	NA	NA	NA
SOEs total	6	NA	88	280	NA	NA	324	NA	329	277

The PP officially continued these liberal policies, but the Busia administration feared provoking fierce attacks and therefore suspended the privatisation policies. Meanwhile, the ‘Two Year Plan’ and the ‘One Year Plan’ of 1968 and 1970 respectively in many ways resembled Nkrumah’s development strategies: that is, the PP pursued an all-embracing industrialisation strategy based largely on SOEs. Thus, while PP on the one hand opted for pro-private sector policies, on the other hand it established a number of new SOEs, especially public boards. Among the most famous ones was the Ghana Industrial Holding Corporation (GIHOC), the biggest manufacturing concern in Ghana, organised as a conglomerate, and with many subsidiaries organised as self-accounting limited-liability companies.

Thus, by the beginning of the 1970s, when the NRP took power, the number of SOEs was probably more or less the same as in the mid-1960s. However, this changed soon thereafter. The first years of NRP rule show conflicting signs as regards the industrialisation process: on the one hand, Acheampong demonstrated a willingness to reform many of the poorly performing SOEs through the establishment of a Board of Government Business, which was responsible for the reform process that, among other things, consisted of large-scale retrenchments. On the

²¹⁷ Figures for 1957 are contested. Appiah-Kubi (2001: 199) states that there were four SOEs by independence, although he actually mentions six. To make the picture even more blurred, Agbodeka (1992: 146) informs us that one of the SOEs, the Industrial Development Corporation, actually took over a few industries before independence. Therefore, the figures are most probably deflated.

²¹⁸ These SOEs were all in the non-agricultural production sector (Frimpong-Ansah, 1991: 101).

²¹⁹ Figures for 1966 and 1987 are taken from Appiah-Kubi (2001: 199, 201).

²²⁰ Brownbridge, Gockel et al. (2000: 133).

²²¹ Tangri (1991: 524).

²²² According to Hutchful (2002: 93), the number of SOEs at the beginning of ERP I was re-counted twice, in 1987 and in 1990. The recounts revised the figure from 235 (181+54) to 345.

²²³ 194 entities responded to a survey that the State Enterprise Commission made in early 1988 (Davis, 1991: 989).

²²⁴ Figures for 1990 and 1995 are taken from White and Bhatia (1998: table 5.7).

other hand, the NRP reversed the privatisation process that had been initiated by previous governments. Instead they created numerous new SOEs, while at the same time nationalising a large number of foreign companies, for instance, gold mines, banks, insurance companies, and aluminium and timber companies; all in the name of controlling the ‘commanding heights of the economy’. Related to this, the NRP/SMC regime aimed for self-sufficiency in a number of critical consumer goods. Thus, SOEs were established within the following sectors: animal feed, beverages, caustic soda, edible oils, electrical appliances, fertilisers, footwear, metals, milk, salt, soap, sugar and textiles. The NRP/SMC regime therefore pursued a development strategy to serve a double purpose, namely to capture economies of scale, and to fulfil socio-political concerns. Moreover, this strategy made it possible for the regime to pay off its supporters.

Throughout the period, the SOEs were a financial burden of the economy. Many SOEs ran at a loss, and others were heavily dependent on imports, therefore becoming a burden on government savings and the balance of trade. Meanwhile, Ghana lost its international creditworthiness, with the result that foreign capital could not compensate for the low level of savings. The SOEs were in general overstaffed, and management was chosen on the basis of political connections rather than managerial abilities. Meanwhile, capacity utilisation fell throughout the latter half of the 1970s, partly due to the lack of creditworthiness. However, it was not until the second half of the NRP/SMC regime that SOE performance (as well as the economy in general) deteriorated markedly.²²⁵ Neither the short Rawlings interlude in 1979 nor the Limann administration were able to change this. In fact, it is actually more likely that the relationship between the SOEs and the private sector became even more skewed, as Rawlings’ attack on private capital (see section 7.2.2) and the general economic situation caused private enterprises to close down. In a similar vein, Limann’s Peoples National Party (PNP) followed the Nkrumah tradition and by not objecting to the state-led industrialisation process, thus further marginalising the domestic private sector.²²⁶ Therefore, by 1983, when the PNDC signed ERP I, the total number of SOEs exceeded, three hundred, and the private sector in Ghana

²²⁵ Exact figures for the deteriorating economic performance of the SOEs are unavailable, but the following data indicate the extent of the decline: from 1979-82 the losses of 101 SOEs increased from 92 million cedis to 2894 million cedis (Shaikh, 1990: 307), while net budgetary transfers to the SOEs amounted to approximately ten percent of annual total government expenditure from 1979 to 1983 (Tangri, 1999: 22f).

²²⁶ However, it should be noted that Limann passed the 1981 Investment Code, which preceded the PNDC’s liberal Investment Code of 1985, and thus laid the basis for the opening of the economy.

was almost non-existent²²⁷ (Appiah-Kubi, 2001; Aryeetey and Harrigan, 2000; Christensen, 1998; Davis, 1991; Dotse and Agbeko-Kra, 1990; Frimpong-Ansah, 1991; Sandbrook and Oelbaum, 1997; Tangri, 1991, 1999).

ERP I did not deal directly with the SOEs. Rather, it targetted industrial output as such and sought to increase capacity utilisation through the removal of production bottlenecks. However, the sheer size of the SOE sector, as well as its poor performance, was perceived 'to be crowding out the private sector' by both the IFIs and the PNDC itself. Therefore, privatisations – or divestures, as they are called in Ghana²²⁸ – became an essential part of ERP II. Divestures were formally initiated in 1987 with the establishment of the Divesture Implementation Committee (DIC), which was responsible for planning, monitoring, co-ordinating and evaluating all divestures of former SOEs. However, not all SOEs were scheduled for divesture. The SOE reform programme essentially distinguished between core SOEs – that is, companies that, 'no matter what the circumstances', should continue to be owned by the government and hence restructured rather than divested – and non-strategic SOEs that would be available for divesture. The first group consisted of mining, electricity and infrastructure companies, the second mostly of manufacturing industries. The process of deciding which companies should belong to which group took some time, but by 1988 the first list of SOEs for divestment was announced and in 1989 the first divestures actually took place.²²⁹ However, in the spring of 1990 Africa Confidential (1990a) could report: 'Not a single enterprise of any significance has been divested'. From then on, however, more lists were drawn up (some were made public, while others were not), and the divestures of former SOEs were initiated (Appiah-Kubi, 2001; Dotse and Agbeko-Kra, 1990; Tangri, 1991).

Table 7.3. DIC divestures of former SOEs in Ghana, 1989-1998

	1989-1991	1992	1993	1994	1995	1996	1997	1998	Total	%
Sale of assets	16	4	3	30	19	18	15	7	112	53
Sale of shares	11	5	2	2	6	1	2	2	31	15
Joint ventures	6	3	1	4	0	4	1	2	21	10
Leases	3	1	0	1	0	0	1	0	6	3
Liquidations	24	2	5	5	6	0	0	0	42	20
Total divesture	60	15	11	42	31	23	19	11	212	101

Source: Appiah-Kubi (2001: table 2).

²²⁷ Private borrowing formed only 11 percent of domestic credit in 1983 (Brownbridge, Gockel et al., 2000: 135).

²²⁸ The term 'divestiture' connotes various different processes, such as leasing, liquidation and transfer of ownership.

Table 7.3 presents the number of divestitures completed through DIC from 1989 to 1998. It should be noted that several other former SOEs were divested through other channels (mostly sector ministries), most famously the Ashanti Goldfield Corporation. Thus, the figures in Table 7.3 are deflated. In addition, different sources refer to different figures. For instance, the World Bank has estimated a figure that is five percent higher than the DIC figure (White and Bhatia, 1998: appendix A). This could have accounted for former SOEs divested outside DIC, but information from the various years differs markedly.²³⁰ Thus, it seems unlikely that this should be the case. Instead, many SOEs were in fact conglomerates like GI-HOC, and disagreement regarding the figures therefore probably relates to how the divestiture of conglomerates is accounted for.

Table 7.2 and Table 7.3 demonstrate the increasing participation of the state in the economy up until the late 1980s, after which the donor community forced the Ghanaian state to introduce an SOE reform programme. This programme initiated a relatively large-scale divestiture process,²³¹ which was initially slow and dominated by liquidations. By the mid-1990s the rate of divestitures had increased, and strategic companies began to be included in the list of SOEs for divestiture. It might be thought that the divestiture process would open up more domestic private-sector participation in the economy, especially because more than half of the divested enterprises were in the industrial sector (Kayizzi-Mugerwa, 2002: table 4). However, it seems that this has not been the case.

Like other data related to the divestiture process, the degree of participation of local investors in the process is also highly contested. But most sources agree that the Ghanaian private sector became marginalised in this process. Referring to the initial phase of the divestiture process, Tangri (1991: 531) argues that the Ghanaian private sector was unwilling to participate in the process mainly due to the low economic viability of the SOEs, the considerable economic difficulties facing the Ghanaian private sector, and the lack of confidence in the PNDC administration. These arguments are reiterated by Christensen (1998), who also highlights the lack of venture capital available for the private sector, the lack of transparency in the divestiture

²²⁹ In the event, most of these companies were not actually divested. Instead, they were liquidated, as they were either running with considerable deficits or proved unattractive to private investors due to their relatively small size (Hutchful, 2002: 98).

²³⁰ White and Bhatia (1998: appendix A) provides the following divestiture data: prior to 1990 (4), 1990 (33), 1991 (13), 1992 (14), 1993 (9), 1994 (83), 1995 (24), 1996 (12). Likewise, Tangri's data (1991: 527f) differ from DIC's data. Tangri states that no SOEs were divested in 1988, a few in 1989, and just over twenty in 1990.

process, and the related suspicion that the reform programme was put together in such a way that it favoured the allies of the state administration. Based on this, he concludes that the ‘divestment programme has suffered from a lack of domestic investors’ (Christensen, 1998: 290). Eboe Hutchful (2002: 100) essentially agrees with this view, arguing that the ‘Ghanaian participation has been minimal. What participation has existed, has been confined to the lower end of the scale’. Kayizzi-Mugerwa (2002: table 5) presents us with a slightly more nuanced picture. He claims that foreign sales accounted for 71 percent of the total value of divestures in Ghana,²³² It should be noted, however, that one transaction, namely the sale of 45 percent of the Ghanaian state’s shares in the Ashanti Goldfield Corporation in 1994, accounts for approximately fifty percent of all sales. If the divesture of the Ashanti Gold Fields at the London Stock Exchange is excluded, foreign sales account for just over forty percent of Ghanaian divestures. It is likely that these three sources are in agreement with each other, as Ghanaian private-sector participation increased from the mid-1990s onwards, due especially to the implementation of the financial sector reform in 1990, but also because more economically viable SOEs were listed for divestment, and hence private capital became more interested.

In contrast to the views presented above, Appiah-Kubi (2001: 218), using the official figures, states that ‘[a]bout 169 transactions of the total 212 DIC divestures had been completed with local investors, in addition to the 20 joint ventures involving local and foreign investors’. Bearing in mind that only 212 SOEs were divested through DIC, of which 42 were liquidated (see Table 7.3), it seems unlikely that 169 of the remaining 170 divestures were completed with local investors. Moreover, these figures do not take into account the joint ventures. Thus, any idea that there was an extreme degree of domestic participation in the divesture process being discussed here can probably be ruled out.

7.2.2 Extensive corruption and brutal anti-corruption policies: the marginalisation of Ghanaian small enterprises

Since Kufuor took office in Ghana at the turn of this century, he has declared a policy of ‘zero tolerance for corruption’ and promised to run a clean government by establishing ethical codes of conduct; also, his government has enhanced the capacity of the courts to pursue the anti-corruption strategy, especially through the establishment of the computerised fast track courts. Whether or not Kufuor has fulfilled

²³¹ In SSA, the total value of the divestures in Ghana (1988-96) has only been exceeded by South Africa. The value of the divestures in Ghana adds up to one-sixth of the value of divestures in SSA (White and Bhatia, 1998: 71).

²³² This figure includes divestures conducted by DIC as well as divestures outside DIC. Moreover, it relates to the period from 1987 to 1997.

his promises is unclear: while in office he has jailed a serving minister on charges of corruption; openness towards the media has increased; a Public Procurement Act, largely funded by donors, has been passed; and according to the EIU (2005b: 15), there 'have been no serious incidents of corruption surrounding him prior to taking office'. By contrast, several recent studies suggest that corruption in Ghana is endemic and perhaps on the increase: Ghana scored 3.6 in Transparency International's 'Corruption Perceptions Index 2004',²³³ only a slight improvement over the 3.3 scored in 2003, but still lower than the 3.9 scored in 2002. This indicates first, that only a little has changed recently, and secondly, that there is still a long way to go to combat corruption fully. More importantly, however, the score is only slightly better than the 1999 score of 3.3, when Rawlings was in office (Takyi-Boadu, 2005). Similarly, local survey reports from Ghana indicate that approximately 75 percent of the Ghanaian population perceive corruption to be on the increase (EIU, 2005b). Moreover, occasional headlines, such as 'Chop chop at SMA?',²³⁴ (claiming large-scale corruption and misappropriation at Sunyani Municipal Assembly) and "Grab and chop" at Ghana Water Company (reporting considerable corruption relating to tenders in the Water Company, as well as in the Community Water and Sanitation Department), also suggest that full-scale anti-corruption policies have yet to materialise (Gyebi, 2004; Ohene, 2002). Lately, Kufuor himself has been accused of corruption in respect of the purchase of a hotel opposite his home (Africa Confidential, 2005b).

Alongside the consensus that the private sector should to generate economic growth while the state should play its designated role in enabling an efficient and reliable market economy and simultaneously ensuring that the benefits of the economic growth are distributed among the population (cf. section 1.1.2), there is general agreement that large-scale corruption slows down investments and restricts the productive private sector's room for manoeuvre.

In this section, I argue that corruption in Ghana is by no means a new phenomenon. Rather, it has been an integral part of economic activities in the country, especially since the 1970s. Moreover, and more importantly, I suggest that both corruption and the brutal fight against it observed in Ghana have made the Ghanaian private sector unproductive and ineffective while simultaneously forcing affluent,

²³³ The Corruption Perception Index reflects the perceptions of business people and country analysts, both resident and non-resident, of the level of corruption in a country (corruption here only refers to corruption in the public sector and is defined as the abuse of public office for private gain). The score ranges between 10 (highly clean) and 0 (highly corrupt). For further information regarding the index, see <http://www.transparency.org/cpi/2004/cpi2004.en.html#cpi2004>.

²³⁴ Normally, corruption in Ghana is understood in terms of consumption, or in everyday parlance, of 'chopping'. "*Consuming the goods of the state is likened to eating voraciously and consequently becoming literally or figuratively fat*" (Hasty, 2005: 275).

well-established (and corrupt) businessmen out of the country. Moreover, it has been a major reason why the antagonistic relationship between the state and the private sector has not changed markedly during the past two decades (cf. section 7.2.3). To begin with, the Ghanaian economy as a whole was negatively affected by corruption, as described in section 7.1.2. Moreover, with the liberalisation of the Ghanaian economy at the beginning of the 1980s, a large proportion of the domestic private sector (as well as the SOEs) had carried out virtually no production for years. Thus, the competition from imported goods became fiercer than would have been the case had the productive sectors actually continued producing. Consequently, Ghana currently lacks entrepreneurial capacity and private-sector role models.

In direct relation to the increased participation of the state in the economy during the 1970s, large-scale corruption also increased. Corruption became so fierce that a new word, *kalabule*, entered the Ghanaian vocabulary. *Kalabule* probably derives from the Hausan '*kara bude*', literally 'keep it quiet' or 'hide it' (Frimpong-Ansah, 1991: 116), and referring to 'profiteering, either by manipulation of the state machinery or merely by evasion of official controls' (Nugent, 1995: 27). It thus denoted corruption, hoarding and ruthless profiteering. All entrepreneurial activity in this period was increasingly associated with *kalabule* activities and regarded as underhand and parasitic.²³⁵ Referring to her field notes from the end of the 1970s, Lynne Brydon states: 'This was also an era when the basis for giving out government contracts was at its most blatantly corrupt. It was widely rumoured and believed that in order to secure a contract for work a bribe had to be given and often the cost of the bribe was such that the contract could not be fulfilled' (Brydon, 1999: 368).

During the NRP-SMC regime in the 1970s corruption increased steadily, and by the time Rawlings took power the first time, *kalabule* was everywhere – in both public as well as private spheres. In order to conduct his 'house-cleaning exercise' to eliminate *kalabule*, Rawlings established a 'People's Court' that scrutinised the activities of senior government officials as well as private businessmen. A number of people were imprisoned, and still more had to refund large sums of money that had supposedly been obtained by fraud. A number of small private Ghanaian-owned manufacturing firms were confiscated on the grounds of *kalabule*, and numerous businessmen were interrogated (Agyeman 2003). The most famous single action during AFRC's three-month reign was the burning to the ground of Makola No. 1 market, which had been the centre of commercial activity in Accra for half a

century, and its subsequent replacement by a car park. The burning down of Makola No. 1 was not necessarily an indication of Rawlings' perception of the private sector as such, but it might be interpreted in the same way as the killings of the former heads of state, namely it was undertaken to demonstrate that fraud and malpractice would be forcefully dealt with. No matter what the real magnitude of attacks on private capital had been, the burning of Makola No. 1 remains imprinted in most businessmen's minds today, including those who have taken part in the Danida PSDP. In direct relation to the house-cleaning exercise, AFRC declared that 'it would conduct unannounced searches of traders and stated that if any were found with hoarded goods they would be "taken away to be shot by firing squad"' (Herbst, 1993: 26).²³⁶

Rawlings' campaigns did not end corruption. Even though Limann's PNP was under constant surveillance from Rawlings, all accounts mention an increase in corruption, both in the state apparatus and among businessmen, during the PNP era. Meanwhile the economy deteriorated, and only private businessmen who were able to exploit this downturn, for instance, through exploitation of the difference between the official exchange rate and black market rates, made a profit.

When PNDC took power on New Year's Eve 1981, it re-launched AFRC's attack on *kalabule* activities, initiating intensive interrogations, searches, punishments and arrests of private businessmen. These attacks were most intense in the first years of its regime. The following quote from one of the PNDC members in the *People's Daily Graphic* for 26 January 1983 informs us that they continued well into 1983, at least: 'we have already set up institutions that are slowly but surely and painstakingly smoking out all the big-time frauds. But we need to remind ourselves that the counter-revolutionary activities of our small-scale traders are also not just mere inconveniences',²³⁷. There are indications, however, that the attacks continued up until the elections in 1992, as the cases of the arrest of the owner of International Tobacco Ghana and the seizure of a large-scale pharmaceutical factory by the military shows (Africa Confidential, 1992). Africa Confidential (1998b) also reports that Rawlings reintroduced his war against corruption by letting the police general in Accra evict hundreds of street hawkers.²³⁸

²³⁵ According to Jeffries (1982: note 1), the term *kalabule* was coined in 1974. The creation of a new term indicates the magnitude of corrupt activities in Ghana.

²³⁶ The quotation is from the *Ghanaian Times* for 12 June 1979.

²³⁷ Quoted from Nugent (1995: 111).

²³⁸ When hearing these stories, one should bear the following quote in mind: 'It is well known, or at least should be, that the London-based media dealing with Ghana are heavily manned by Ghanaian political exiles seeking every opportunity to present the PNDC regime in the worst possible light' (Jeffries, 1992: 208).

The fierce attacks on private capital in the months after Rawlings took power for the second time were largely carried out by workers, who, under the PNDC's leadership, attacked 'the imperialists and their internal collaborators' (Ninsin, 1989: 30). The workers concentrated their attacks on individual factories, enterprises and offices, the official being to expose their alleged corruption and mismanagement. The workers dismissed the management or seized goods diverted into the wrong channels and sold them at the official price. Private capital in general, and *kalabule* activities in particular, were perceived as the main cause of the economic decline that Ghana had been experiencing since the beginning of the 1960s: 'Across the country, "big men" who had grown up used to flaunting their wealth woke up to discover that conspicuous consumption attracted hostile scrutiny rather than admiration' (Nugent, 1995: 58).

There is hardly any doubt that Rawlings' accusations had solid foundations: *kalabule* was certainly widespread among Ghanaian businessmen in the 1970s. Indeed, it was all over the place, among senior government officials as well as small-scale entrepreneurs. Certainly, these activities had to be stopped in order to restart the economy. However, the unprecedentedly high-level of brutality in Ghanaian politics that was associated with the burning down of Makola No.1 and the subsequent public punishment of small-scale traders and manufacturers may have impeded the development of a dynamic private sector. The most affluent and best established businessmen fled Ghana when Rawlings took power for the second time, but small-scale entrepreneurs and street hawkers were seldom able to migrate.

Fleeing Ghanaians often blame the military government for the abuses of human rights and the sometimes random attacks on private enterprises. Undoubtedly, these allegations contain some truth; human rights abuses, as well as random attacks by PNDC factions, have frequently been reported. However, one has to view the full picture. The motives for the flight of entrepreneurs were probably not entirely political but also pragmatic – many businessmen migrated because of the economic climate they expected to develop under a military regime. As pointed out in *Africa Confidential*, a number of well-established entrepreneurs actually considered returning to Ghana in mid-1984 because multinational oil companies expected to be able to explore oil reserves in Ghana. The PNDC's attitude towards private enterprises therefore did not worry them (Africa Confidential, 1984b).

7.2.3 Ghanaian politics and the private sector: constraints on development

According to Tangri (1999: 14), African states have always seen an independent indigenous private sector as a potential political force capable of overthrowing the existing regime. Of course, given the influence of the IFIs, this has changed to

some extent, as the IFIs see the private sector as the engine of growth. In Ghana, however, close collaboration with the IMF and the World Bank in the 1980s did not fundamentally change Rawlings' perception of the private sector. Thus, in June 1993, after a decade of structural adjustment programmes, and only half a year after he was elected as the president of the fourth republic, Rawlings urged people not to buy goods from certain local businesses, as he maintained that they were using their profit to support opposition parties. Concurrently, the NDC administration established the Confederation of Indigenous Business Associations (CIBA), which was composed of politically acceptable business partners, that is, partners that did not support the opposition parties in the 1992 elections (Tangri, 1999: 78, 93). Thus, on the one hand, in line with its stated objectives, the NDC administration sought to establish a closer relationship with the private sector by sponsoring an umbrella organisation. On the other hand, it favoured certain entrepreneurs who were closely associated with the government and tried to force others out of business.²³⁹

The harassment of businessmen, hostility towards the domestic private sector, and the lack of transparent policies are not exclusively confined to the Rawlings era. Rather, they have been the rule in respect of government attitudes towards the private sector in Ghana since independence. This section scrutinises the relationship between these two spheres. It argues that, due to the magnitude and longevity of these policies, new government initiatives aimed at increasing the Ghanaian private sector's room for manoeuvre are being met with scepticism, even though the current NPP administration is renowned for its pro-business policies.

Soon after Nkrumah came to power in 1957, a fierce attack on private capital was launched. During the first years of independence a large number of MPs actually were private businessmen. Nkrumah initially pursued a policy of a mixed economy, in which he encouraged private participation, but he soon changed his mind, drawing up a gigantic state-led development plan that focused on education, health, infrastructure, energy and industries. The main intention was to break the near-monopoly of foreign companies, but private Ghanaian businessmen were squeezed out too. With the development plan, private entrepreneurs in Parliament were kept away from influence, and after the presidential elections of 1960 they were practically out of positions of influence. Businessmen were thus effectively kept out of politics.

²³⁹ In theory, CIBA was supposed to represent small entrepreneurs before governmental agencies, but in reality, it seems to have been merely an instrument of the NDC's patronage: 'The CIBA appears to have acted as a major conduit of NDC patronage, notably by providing pay-offs to the leaders and employees of those associated organisations...' (Sandbrook and Oelbaum, 1997: 625).

With the exception of the Busia regime (1969-72), subsequent governments in Ghana continued to keep businessmen effectively out of politics (Asante and Addo, 1997).²⁴⁰ In the first year of the Busia regime, two important laws for the Ghanaian private sector were passed, the Aliens Compliance Order and the Ghanaian Business Promotion Act.²⁴¹ Both aimed to increase the 'Ghanaianisation' of the Ghanaian economy by preserving major industries for Ghanaians only and expelling aliens respectively. Moreover, the PP government established the Small Business Credit Scheme, which was aimed directly at Ghanaian manufacturing enterprises (Buame, 1996).

The Aliens Compliance Order, which was issued on 18 November 1969, gave foreigners without a residence permit two weeks to leave Ghana. It resulted in the expulsion of over 100,000 people in a period of approximately two weeks.²⁴² The official reason for the passing of the Order was that most 'undesirable persons', including criminals, were foreigners (Schildkrout, 1970: 269). However, the real cause should probably be sought in the economic problems that were facing Ghana in the 1960s.²⁴³ There were many unemployed, 'aspiring businessmen found that Nigerians, Lebanese and Indians were established in many of the best locations and were often more successful in getting import licences than local people' (Peil, 1974: 368). This dissatisfaction soon spread and eventually resulted in the passing of a law that in reality only applied to the self-employed, as the government encouraged public-sector employees, people employed in formal private corporations, the mines, the docks, the cocoa farms etc. to stay in Ghana (Peil, 1971: 226).²⁴⁴ As a result of the many foreigners, especially traders, who were forced out of the country, Ghanaians took over numerous market stalls and some small businesses. Unfor-

²⁴⁰ Some authors claim that the NLC regime pursued pro-private sector development, as it initiated the 'Ghanaianisation' policies that reserved some economic activities for enterprises owned or controlled by Ghanaians. However, it seems more likely that these policies had other aims than helping the domestic private sector. As one member of the NLC executive council put it, 'It is no secret that this legislation was directed against the Lebanese and the Indians' (quoted from Rimmer (1992: 126)). Moreover, similar policies were adopted elsewhere in SSA, that is, not to promote businesses but to increase the 'national' share of the economy.

²⁴¹ The Ghanaian Business Promotion Act in effect enforced the Ghanaian Enterprise Decree of 1968.

²⁴² The exact figure is unclear: Peil (1971: 206) states that more than 100,000 aliens were expelled, Rimmer (1992: 126) 150,000, and Peil (1974: 367) approximately 200,000.

²⁴³ Three aspects are important to bear in mind with respect to the Compliance Order. First, it related to all foreigners in Ghana, that is, Togolese, Upper Voltans and Nigerians (the largest three foreign nationalities in Ghana at the time), as well as Gaos from Mali, Lebanese, Indians etc. Secondly, things quickly quietened down again, and many 'aliens' were able to stay in Ghana by hiding or by bribing the right people. Thirdly, many foreign investors were not expelled but simply chose to sell their interests after the expiry of tax concessions because of the deepening economic crisis (Adei, 1990; Peil, 1971, 1974).

tunately, the Order did not lower unemployment significantly: outside Accra many stores remained closed, the new Ghanaian owners having neither the capital nor the networks of the former 'alien' owners, and thus they had difficulty in importing goods; also, while business-owners had been expelled, so had customers (Peil, 1971, 1974).

In the late 1960s, the private sector in Ghana was skewed in the sense that certain groups controlled a large proportion of activities in certain sectors. In order to change the situation, the PP government led by Busia passed the Ghanaian Business Promotion Act approximately half a year after the Compliance Order had been passed. The Act gave foreign small businessmen (wholesale and retail traders with sales of less than N¢ 500,000 in the 1967-68 tax year, and anybody dealing in commercial transport by land, printing, beauty culture, baking, advertising and publicity, and the manufacture of cement blocks) two months to close their businesses or sell out to Ghanaians. The Act also prohibited foreigners from trading in the markets or from kiosks or from hawking. Thus, the law affected the Lebanese, Syrian and Indian communities that owned small businesses, as well as the numerous Africans from neighbouring countries who were engaged in trading. However, the Lebanese and the Nigerians comprised the largest groupings in small-scale business and trading respectively, and therefore it is fair to say that this 'Ghanaianisation' policy was not directed at all foreigners, but mainly at the Lebanese and the Nigerians present in the Ghanaian private sector²⁴⁵ (Ofosu-Amaah, 1974).

Relations between the state and business returned to 'normal' during the course of the military regime of Acheampong and, after 1978, Akuffo: that is, private businessmen were kept away from influence, and most economic policies adopted in Ghana were hostile to the private sector. However, in his first couple of years, Acheampong largely continued Busia's policies towards the Ghanaian private sector, including those adopted in the Business Promotion Act of 1970 (Acheampong, 1973).

In 1975, a Nationalisation Decree was issued. This stipulated the minimum level of Ghanaian holdings in the banking, mining and timber-sectors and the large-scale manufacturing industries. However, private Ghanaian businessmen were effectively

²⁴⁴ A residence permit, and thus authorization to stay in Ghana, could be obtained by showing a tax-clearance certificate. In the months following the announcement of the law, the tax authorities experienced a great rush of people wishing to pay taxes (Peil, 1971: 228).

²⁴⁵ The true impact of these 'Ghanaianisation' policies, however, is unclear. Most authors confirm that they were intended to prohibit foreign firms from operating in certain sectors of the economy. However, Kennedy (1994: 202) argues that most often they failed to dislodge foreign firms from their designated activities because they were used by the ruling group to establish themselves as sleeping partners in Asian or Levantine businesses. In Ghana, government leaders thus secretly

kept out of these sectors due to the high amounts of capital needed. It is therefore not surprising that the SMC passed an Investment Decree in 1977 that set the level of public shareholding in all large-scale businesses of national interest, such as timber, minerals and basic necessities such as fertilisers, soap etc. Moreover, as Rimmer (1992) reminds us, in order to compensate for the revaluation of the cedi, Acheampong was forced to re-introduce import licences. These licences were the mainstay of the increasing corruption of society (cf. section 7.2.2), but they were also of importance for the relationship between the state and business, since they effectively squeezed out local small- and medium scale entrepreneurs altogether and pushed the economy away from productive activities into more speculative ones. Most manufacturing industries during this period were merely fronts for obtaining import licences. Machines stood idle, and nothing was produced. The premises were used as warehouses for imported goods (Agyeman, 2003). Thus, even though on the surface the NRP-SMC pursued pro-private sector policies, in reality a large proportion of the domestic private sector was being squeezed out by unfair competition from subsidised parastatals and the increasing levels of corruption.

As shown in section 7.2.2, Rawlings' first and second comings were both characterised by a pronounced anti-capitalist rhetoric. Thus, even though Rawlings was soon being pressed by the international donor community to moderate his anti-business rhetoric and officially recognise the private sector as an 'engine of growth', '[b]usiness people continued to bemoan the stigma attached to private profit and entrepreneurship by various PNDC leaders, and objected to being publicly reviled as exploiters' (Tangri, 1992: 99). Moreover, the PNDC continued detaining both domestic and non-African entrepreneurs without formal charges long after the initial 'cleaning exercise' had come to an end, and members of the PNDC regime continued to question the morality of Ghanaian businessmen throughout the 1980s (Tangri, 1999).

In accordance with the ERPs, the Ghanaian state withdrew from certain areas of the economy in order for the private sector to take over. Pulling itself out of key sectors of the economy, however, took the state almost a decade. In a similar vein, the PNDC established the National Board for Small Scale Industries in the light of the essential role played by micro- and small enterprises in Ghana. Its role was to promote industrialisation through small-scale operations initiated by a special entrepreneurship development programme. Thus, officially the state-business relationship changed in 1983. In reality, however, it worsened, at least until the beginning of the 1990s.

encouraged Asian and Levantine businesses, even while making strongly anti-imperialist speeches

For a long time the PNDC regime faced difficulties in convincing private investors that it was serious about reforming the economy. Even though it pursued liberal economic policies, it failed to encourage private businessmen to invest sufficiently. All previous governments in Ghana had made similar statements about their intentions to reform the economy, and liberal economic policies had also been adopted before. Moreover, on several occasions Rawlings attacked foreign investors for their 'neo-colonial' attitudes (Africa Confidential, 1990a, 1990b; Herbst, 1993; Jeffries and Thomas, 1993).

The stressed relationship between business and the Ghanaian state continued throughout the PNDC era. Thus, in the campaign for the 1992 elections, businessmen were warned not to have any contact with the opposition. Moreover, rumours indicate that government contracts were given on the grounds of political affiliations, practically ensuring that disadvantaged businessmen would openly support the opposition (Jeffries and Thomas, 1993).

Following the democratic elections of 1992, the relationship became less tense. The NDC was eager to convince both the domestic private sector and potential foreign investors that the government was indeed in favour of private-sector development. It therefore took a tough line in bargaining for a minimum wage and adopted a liberal fiscal policy (Africa Confidential, 1993). However, even though in theory the return of democracy made it possible for exiles to return to Ghana, in reality many refugees felt safer abroad, because the new democratic government resembled the previous military regime in all fundamental respects.

The Fourth Republic headed by Rawlings launched Ghana's Accelerated Growth Strategy in 1994. This strategy aimed at making the private sector a dynamic partner of the government's in the development process. Rawlings apparently managed to convince parts of the business community that his policies were indeed pro-private sector in as much as important financiers for the 1996 election campaign came from the private sector. As *Africa Confidential* remarked just before the elections: 'Rawlings no longer denounces business as a whole but saves his rhetoric for unpatriotic (meaning opposition) business people' (Africa Confidential, 1996: 5).

Meanwhile a new business class emerged, consisting of expatriate Ghanaians investing in enterprise and real estate,²⁴⁶ but the Ghanaian economy was still highly vulnerable to shocks, levels of corruption continued to increase, and economic

condemning the presence of foreigners in the national economy.

²⁴⁶ It is estimated that Ghanaians in the US send US\$ 250-350 million per year back to Ghana. The Ghanaian house-building industry in particular depends on these remittances. Likewise Ghanaians staying in London spend a large proportion of their income on building houses back in Ghana (Peil, 1995b: 359ff).

growth never really took off. Moreover, the actions taken by Rawlings still remain deeply imprinted in the memories of local entrepreneurs. They still affect the relationship between the state and private enterprises, and even though the government changed in 2001, entrepreneurs are still suspicious about the real aims of new state-led initiatives. They simply do not believe that the state can benefit the private sector as such (Agyeman, 2003; Asante, Nixson et al., 2000; Djelic, 2004; Hutchful, 2002; Kraus, 2002; Kuada, 1994; Nugent, 1995; Tangri, 1992).

There are some signs that the relationship between the NDC and the private sector improved in the last years of the Rawlings era. In collaboration with the Ghana Investment Promotion Centre (GIPC), for instance, the NDC planned a Home Coming Summit for Ghanaians living abroad. Since a large fraction of the Ghanaian diaspora actually fled Ghana during the Rawlings era, this summit can be seen as Rawlings' way of inviting these people back to Ghana. However, the NDC lost the elections in 2000 and the summit was cancelled.

Nonetheless in 2001 the NPP took up the idea. As part of its strategy to boost the Ghanaian economy, the NPP government has been looking outside the country. Officially, 2½ million Ghanaians, but probably more likely 3 million, live outside Ghana, mostly in the United States, Canada, Europe (especially the UK) and other parts of Africa. Kufuor and his economic team, especially Yaw Osafo-Mafo, the Minister of Finance and Economic Planning,²⁴⁷ have recognised that Ghanaians living abroad represent a huge investment potential.²⁴⁸ Therefore, the Government of Ghana finally sponsored the three-day Home Coming Summit at GIPC in July 2001. The main aim of the Summit was to enhance the dialogue between the Ghanaian diaspora and the Government of Ghana and thus improve investment potentials in Ghana. The Summit resulted in the establishment of a National Economic Dialogue to give voice to the views of Ghanaian businessmen in both Ghana and abroad as regards national economic policies. Moreover, it led to the passage of a law enabling Ghanaians living abroad to obtain dual citizenship. By giving the diaspora a say in political matters, the NPP government hopes that the many Ghanaian businessmen living outside Ghana will make long-term investments in the country (Africa Confidential, 2004b; EIU, 2005b; West Africa, 2001, 2002).

²⁴⁷ Until recently, Dr Paa Kwesi Nduom was also part of this team as the Minister of Economic Planning and Regional Planning. In April 2003, however, Kufuor reshuffled his cabinet and Nduom became the Minister of Energy. Similarly, Kwamena Bartels was appointed Minister of Private Sector Development. Previously, he had been Minister of Works and Housing.

²⁴⁸ Remittances have risen sixfold during the NPP administration (*Africa Confidential*, 2004b). However, part of the increase is probably due to better statistics and the lower costs of money transfers (EIU, 2005b).

When the NPP government came to power in 2001, it continued and expanded the focus of former regimes on the private sector as an engine of growth. President Kufuor has even dubbed his presidency ‘the Golden Age of Business’. Specifically, the government seeks to create ‘an enabling environment for improved private sector-led agro-based industrial production propelled by the application of science and technology’ (Government of Ghana, 2003a: iii). Central to its development strategies are the Coordinated Programme for Economic and Social Development and the GPRS. Recently, the government published its National Medium Term Private Sector Development Strategy 2004-2008, outlining the strategies that the NPP government wants to pursue in order to reach its goal, that is, to reach an eight percent annual growth rate (Government of Ghana, 2003b: 13). These three central development strategies envisage a special role for the private sector as the engine of growth leading the country towards poverty reduction. In this process, the government perceives its role as a development partner and a provider of assistance, that is, to create a well-functioning market in which the private sector can thrive (Government of Ghana, 2003a; Government of Ghana, 2003b: 31). In order to reach these goals, the government has set up a special Ministry for Private Sector Development and introduced the President’s Special Initiatives (PSI) to boost non-traditional export commodities under the auspices of the Ministry of Trade, Industry and Special Presidential Initiatives (MOTI). These ministers, like many other ministers in the Kufuor government, themselves have prior personal experience of the private sector.²⁴⁹

The idea behind the PSI is of a public-private sector partnership programme designed to put the NPP government’s export-led growth strategy into practice. The idea is to create four pillars of growth: textiles and garments, industrial salt, palm oil and cassava starch. These pillars all are based on Ghanaian resources; they are perceived as having a strong potential for employment generation, as they typically apply labour-intensive technologies, as well as having strong linkages both forward and backward; and they are perceived as having a growing export market.²⁵⁰ Within each of the four pillars, selected entrepreneurs are offered training, and tertiary training facilities for their workforce are provided. Inputs are also provided, credit facilities developed, and products certified. In essence, therefore, the PSI is intended to develop new pillars of growth for the Ghanaian economy by accelerat-

²⁴⁹ Mr Kyerematen of MOTI is a former senior executive in one of the largest TNCs in Ghana, and he was also responsible for establishing EMPRETEC in Ghana. Similarly, Mr Bartels of the Ministry of Private Sector Development has prior experience as a professional lawyer. John A. Kufuor is himself a Kumasi-based lawyer and businessman.

²⁵⁰ MOTI plans to expand the PSI to cover also cocoa-processing, sorghum, groundnut oil, cotton, fruits, vegetables and crafts.

ing the development of selected products into leading export earners, thus generating employment and eradicating poverty through the creation of wealth, particularly in rural communities. It is, however, still uncertain whether or not the PSI has succeeded in boosting exports for any of these products. According to the director of the Policy, Planning, Monitoring and Evaluation Division of MOTI, the results still have to be seen. The PSIs have experienced setbacks partly due to poor infrastructure and partly because of opposition from the private sector (Amoako, 2003). Likewise, *Africa Confidential* concluded, just after the 2004 elections, that the PSIs 'have become victims of bureaucracy, chieftancy and land disputes or of worker agitation' (Africa Confidential, 2004c). Thus, these much publicised Initiatives have probably yet to materialise.

As far as small enterprises are concerned, a directorate has been established within MOTI to cater for their specific needs. Among the initiatives are support for business associations, credit schemes, and the establishment of flagship enterprises in rural communities. However, the positive effects of these initiatives and the all-embracing private-sector rhetoric are apparently having difficulties in coming to fruition in Ghana. In June 2005, peer review reports for the first two African countries (Rwanda and Ghana) were presented at the African Peer Review Forum organised by the secretariat of the African Union's New Partnership for Africa's Development. According to Africa Confidential (2005a), the report criticised the Ghanaian government for promoting private-sector development before completing public-sector reforms. The lack of public-sector reforms is seen to be behind the slow start-up of investments, both domestic and foreign.

7.2.4 Business organisations in Ghana: no real challenger to the state

The role of business organisations in Ghana, as elsewhere, is to promote the views of the private sector vis-à-vis the state that sets the rules of the game. As pointed out in the preceding section, some Ghanaian business organisations have been established by the government, but they were never regarded as being free. Instead, they were established in order to create patron-client relationships in the private sector. The Private Sector Advisory Group is an example of this sort of relationship. It was established by the NDC with the stated purpose of consulting the private sector in important matters, such as changes in the investment code and the review of laws regarding the private sector. However, its members were handpicked by the government. In other words, the majority of these business organisations were never meant to be the voice of the entire private sector, but only a selected part of it.

Lately, the role of business organisations has changed. As pointed out above, the current government in Ghana is indeed pro-private sector, and even though results have been meagre in certain areas like investments and the combating of corruption, at least no incidents of private-sector harassment have been reported. Quite the reverse, at least on paper the NPP government is trying to establish a consensus on its economic policy among important stakeholders in the private sector.

The most important player for the Ghanaian private sector is the Private Enterprise Foundation (PEF), an umbrella body established by the NDC government in the context of Ghana's Accelerated Growth Strategy in 1994. In theory, the PEF organises all private enterprises apart from the logging industry and the agricultural sector, but in practice non-African Ghanaians are excluded, as they tend to organise in other associations. Furthermore, only enterprises in the major cities in the south are represented, and the PEF's advocacy role is still limited because advocacy is a recent phenomenon and the PEF has not yet been allowed an active role in formulating policies (Agyeman, 2003).

However, the PEF has been successful in bringing together various selected private-sector stakeholders with representatives of the state. Lately it has launched a National Economic Dialogue in order to create a shared vision on issues such as the role of government, the responsibilities of ministries, departments, agencies and local authorities, and the roles of workers associations and civil society, including traditional authorities, civil groups and ordinary citizens.

The PEF is not, of course, the only business organisation in Ghana. Actually a survey captured 1824 such organisations in Ghana in 2003 (PEF, 2003). Many have existed for quite some time, but they have never come to constitute any real power vis-à-vis the state, as most of them have neither branches nor funding. This relatively high figure therefore does not indicate a high level of activity, whether among the organisations themselves or among the members. Actually, most business organisations in Ghana, including the most important ones, like the AGI, the Ghana National Chamber of Commerce and Industry (GNCCI), the Federation of Associations of Ghanaian Exporters and the Association of Small-Scale Industries, lack member support. Their databases include a relatively high number of members, but only a few pay membership fees.²⁵¹ This is increasingly seen as a problem of legitimacy. In the words of the director of policy and communication in the AGI: 'The small and declining number [of members] constitutes a real problem for AGI vis-à-vis the government as AGI only speaks for a small percentage of all manufacturing companies in the country' (Kosiba, 2003).

Besides the dwindling membership of the major business associations in Ghana and the total lack of real content in most of the smaller associations, the private sector, and especially the PEF, is facing another big problem: in order to maintain legitimacy in relation to their members (and to the donor community that supports these organisations financially), every business organisation needs its own distinct objective, as well as its own distinct programmes. The AGI naturally caters to its own members, that is, manufacturing industries in Ghana. With financial support from the PSDP, it has created a Business Development Centre, which is thought to provide business services to the private sector. Unfortunately, since the Ghanaian private sector cannot afford to pay the fees for these services, the centre is practically dormant (Kosiba, 2003). Likewise, the GNCCI has its own agenda: even though formally it includes manufacturing industries like the AGI, in reality it is an organisation for trade and commerce. A major concern for the GNCCI is the liberalisation of the economy. On the one hand, the GNCCI by definition advocates free trade. On the other hand, its members are concerned about the large and increasing importation of goods from China (Addo, 2003).

Summing up, the Ghanaian private sector is fragmented and speaks with numerous voices: numerous business organisations are seeking to provide for the needs of the sector, but in general these organisations lack either financial resources or a broad-based membership, while the larger business organisations, united under the umbrella of the PEF, sustain their own advocacy programmes either because they do not agree with the strategy of the PEF, or because they feel obliged to pursue contrary policies by their own constituencies.

7.3 Capital formation

The Ghanaian capital market is essentially dual. Formal structures exist, including the stock market, banks and non-bank financial institutions, but only a minority of private enterprises in Ghana have any access to them. The large majority of enterprises, including most of the Ghanaian-owned small enterprises, are in reality excluded from this capital market. They have to rely instead on access to capital from informal sources, like rotating savings and credit associations, professional money-lenders, family and friends. These sources are known as *susu*. This section will describe further the Ghanaian credit market and its implications for private enterprises in Ghana.

²⁵¹ The AGI for instance, had less than 300 and GNCCI approximately 500 paying members in 2003 (Addo, 2003; Kosiba, 2003).

This section argues that the nature of the financial market tends to restrict the growth of small enterprises in Ghana. Small enterprises are excluded from the formal banking system as they are not perceived as being either profitable or in a position to comply with the rules. Although they do have access to the informal capital market, either the loans offered in this sector are too small or the interest rate too high.

7.3.1 Formal banks

In July 1989, the Ghana Stock Exchange was set up to help Ghanaian companies obtain long-term capital. Moreover, it also gave the government an opportunity to boost the divestures of SOEs, as the Stock Exchange could generate domestic capital for these. The Stock Exchange was formerly inaugurated in November 1990, and three years later, in June 1993, it was opened for investments to both non-resident Ghanaians and foreigners. The vast majority of Ghanaian enterprises, however, cannot comply with the rules and regulations. Moreover, liquidity on the Exchange is low, and the Ghanaian market small. Therefore, a mere 25 companies are listed on the Exchange fourteen years after its inauguration. Most of these companies are in manufacturing, financial services and beverages. These sectors only dominate by number. As regards stock market capitalisation, the Stock Exchange is dominated by the mining giant, the Ashanti Goldfields Corporation. In 1998, this corporation accounted for 57 percent of the entire stock market capitalisation in Ghana. The rest was divided among big international companies like Guinness, Standard Chartered Bank and Fan Milk (Africa Confidential, 1998a).²⁵² The only two indigenous companies listed on the Exchange are Mechanical Lloyd and Camelot Ghana Ltd. The Ghana Stock Exchange has therefore not been able to reach Ghanaian-owned companies. In order to overcome this, a second window in the Ghana Stock Exchange has recently been opened, with less strict rules and regulations. The criteria for listing on the Exchange include profitability, several years in existence, management efficiency and capital adequacy. The aim of this window is to make long-term capital available to small enterprises. So far, however, such enterprises have not made use of the second window to obtain long-term capital. The reason probably lies in the lack of experience of information-sharing

²⁵² As of 31 May 1999, the listed companies were Accra Brewery, Ashanti Goldfields, Aluworks, British American Tobacco, CFAO, Enterprise Insurance, Fan Milk, Ghana Brewery, Ghana Commercial Bank, Guinness Ghana, Home Finance, Metalloplastica Ghana, Mechanical Lloyd, Mobil Oil of Ghana (now ExxonMobil Ghana), Pioneer Aluminium Factory, Paterson Zochonis (now PZ Ghana), Standard Chartered Bank, Super Paper Products, Social Security Bank, Unilever & UTC Estates (Ghana Stock Exchange, 1999). Since then, Aluworks, Camelot Company, Cocoa Processing Company, Produce Buying Company and Trust Bank have been listed on the Exchange, and UTC Estates removed (Databank Securities Limited, 2004).

among Ghanaian small enterprises, the fear of takeovers by investors, and the impossibility of complying with the rules (Agyeman, 2003; Baah-Nuakoh, 2003).

Even though their outreach is far greater than the Ghana Stock Exchange, formal banks in Ghana only serve a small minority of private enterprises in the country. In general banks do not regard lending to small enterprises as a profitable endeavour, and in addition competition has been weak in the banking sector. Thus, banks only cater for large and successful medium-scale enterprises, and do not seek to reach smaller clients at all. Moreover, they demand collateral, feasibility studies and audited reports; most small enterprises cannot comply with this. Apart from these problems, a mismatch exists between the banks concentration on making short-term loans and the needs of small enterprises for longer-term funding. Thus, bank loans in Ghana essentially represent working capital for large-scale companies and are inadequate for capital investments in small enterprises.

In general, Ghanaian banks have no way of guaranteeing repayment by the small enterprises, as the latter seldom use banks for sales and procurement. Thus, banks cannot directly deduct money from entrepreneurs' accounts. Larger companies, on the other hand, regularly interact with banks when paying for salaries, imports, large-scale transactions etc. Therefore, it is easier to keep track of a loan. Likewise, banks often make loans to civil servants, as their salaries are paid via the bank, which is therefore able to deduct repayments of the loan directly.

Recently competition has increased, and major banks like Barclays have opened business clubs that include many non-core bank activities in order to reach a larger proportion of the small enterprises. However, recent figures state that sixty percent of the money supply in Ghana is outside the commercial banks. Until recently, real interest rates in Ghanaian banks on deposits have been negative. Therefore, entrepreneurs and other individuals have hardly had any incentive to become involved with the commercial banks. Remembering Rawlings' anti-capitalist politics at the beginning of the 1980s, for instance, confiscation of 50-cedi notes and the freezing of bank balances of more than 50,000 cedis (see section 7.1.3), many entrepreneurs still lack confidence in the banking system. Thus, the negative real interest rates and the lack of confidence may also have been instrumental in the lack of domestic private-sector response to the new initiatives (Aryeetey, 1996; Steel and Andah, 2003; ter Haar, 2003; World Bank, 1995).

Following the liberalisation of foreign-exchange markets and the elimination of import licensing during ERP I, other sectors of the Ghanaian financial market were liberalised. In 1993, the government passed the non-banking law (PNDCL 328), which promoted the entry into the market of various non-banking financial institutions, including savings and loan companies, leasing companies, a finance house,

and a venture capital company, among others. Overall, these new institutions ‘were competing largely for the same large-scale clients of the commercial banks, with relatively little impact in broadening the range of clients’ (Aryeetey, Nissanke et al., 2000: 220). Savings and loan companies show some signs of being able to reach the small-enterprise sector on a commercial basis (ter Haar, 2003). However, their loans are still issued on a very short-term basis (6-12 months), which does not satisfy the demand of ‘growing’ enterprises’ for long-term investments in technologically more advanced equipment.

7.3.2 Informal credit or *susu*

Most entrepreneurs are thus excluded from the formal banking and non-banking institutions in Ghana and have to rely on informal institutions to provide *susu*, that is, saving products to help clients accumulate their own savings or loans from friends and relatives. *Susu* clubs have become especially popular since the mid-1990s, and even some commercial banks are now applying *susu* methods in respect of certain financial products. But the amounts available through *susu* are generally too low to cater for entrepreneurs who want to expand their businesses. In addition, many entrepreneurs do not have cash on a daily basis and therefore cannot meet the credit obligations of the collectors. Small enterprises are also excluded from credit from suppliers, as relationships between an enterprise and its suppliers are seldom long-term. Rather, these relationships are characterised by arm-length, spot-market interactions (Funkor, 2003; Steel and Andah, 2003).

7.4 From white-collar education to practical skills enhancement: developments in the educational sector in Ghana

Even though the Ghanaian educational system has undergone major changes, most recently in 1987, what is perceived relevant as compared with less relevant knowledge in Ghana dates back fundamentally to the colonial system of education. This section outlines the major changes in the educational system in Ghana in order to provide an account of the relative difficulties facing the Ghanaian private sector as regards entrepreneurial skills and qualified staff. The history of education in Ghana is partly a history of changing educational systems, from a system dominated by formal academic standards to a system that separates technical and practical skills from academic skills. However, as will become apparent, the change has not been fully implemented, mainly due to lack of resources.

The formal schooling system in Ghana, as elsewhere in SSA, was established by missionaries who created numerous missionary schools in order to teach Africans about both Christianity and modernity, that is, literacy and fluency in the colonial

language. By World War I, mission schools were providing the great majority of education in the Gold Coast. The colonial system of indirect rule was in great need of white-collar clerks and junior bureaucrats and therefore established its first secondary school in 1876. By the beginning of the twentieth century, three secondary schools had been founded in the Gold Coast, all of them located in the southern part of the country. Soon '[s]chooling became part of the governmental dream of control and organization; schools became crucial instruments for directing the future of the country...' (Coe, 2002: 25). The colonial administration did not aim to provide mass education. Rather, it sought to produce an African intelligentsia through elite education. Among the most famous Ghanaians who benefited from this elite education was Kwame Nkrumah, who attended the most eminent of these schools, the Achimota Teacher Training College, in the 1930s. Elite education was also the reason behind the founding of the University College of the Gold Coast in 1948. Its mandate was to produce people to take over the administration of the central government and public services. Therefore, by independence Ghana possessed a highly educated elite that could easily fit into the bureaucracy established by the British colonial administration, but who had hardly any technical skills. Elsewhere among the population, the functional illiteracy rate in Ghana was high, as most people had not attended schools, and hardly any who had had gone beyond middle school.²⁵³

Even though Nkrumah prescribed mass education, the educational system did not change fundamentally.²⁵⁴ Nkrumah and the rest of the political elite of the self-rule government and the first republic had all been educated in the highly elitist system of the British colonial administration. Thus, even though enrolment rates increased rapidly from 1951 onwards, the content of the teaching did not change.²⁵⁵ The focus at the lower formal educational level was the production of white-collar clerks and junior bureaucrats, scientific education and technical training being absent. At the elite level, for instance, in secondary schools and universities²⁵⁶ the fo-

²⁵³ In 1951, for instance, only 2,937 pupils were enrolled in secondary schools in the entire Gold Coast (Panford, 2001: table 10.2). Enrolment figures are generally few and unreliable. However, some figures are provided. Clignet and Foster (1964: 351) inform us that in 1950 281,000 individuals out of a population of approximately five million (or just over five percent) had been enrolled in formal schools.

²⁵⁴ That is, six years of primary school, followed by four years of middle school (middle school leaving certificate). The best students could continue with five years of secondary school and two years of sixth form passing an exam, after which students could continue for a further three years in university.

²⁵⁵ The total number of pupils enrolled in Ghana rose from 226,218 to 624,575 in the eight years from 1951 to 1959. The great majority (97 percent) of these pupils were enrolled in primary and middle schools in 1959. However, the largest increases took place in secondary, technical and university education, which grew more than 5½ times during this period (Panford, 2001: table 10.2).

²⁵⁶ These were the University College of the Gold Coast (now the University of Ghana, Legon), the University of Science and Technology in Kumasi (1962) and the University of Cape Coast

cus was still mainly on subjects of relevance to a political career. Enrolment rates increased so rapidly that by the mid-1960s the proportion of pupils who went beyond primary school was higher than anywhere else in SSA – Ghana had become an exporter of educated people. However, hardly anyone had a technical degree²⁵⁷ (Berman, 2003; Coe, 2002; Djangmah, 2000; Nugent, 1995; Peil, 1968, 1995a). Lall, Navaretti et al. (1994: table 2.5) have calculated the number of people enrolled in tertiary education in Ghana in 1965 –only one percent of the age group. From this figure, one has to deduct all the tertiary education that is not technical. In the end, the number of people with technical skills is so small that Lall, Navaretti et al. (1994: 37ff) end by concluding that ‘the base of manufacturing skills in Ghana seems very small’. Even more dismissively, Agbodeka (1992: 146) suggests that ‘[t]he paucity of technical education meant that education for skills and competences which was the bed-rock of industrial and technical development of a new nation was almost non-existent’.

Nonetheless it is important to remember that to a large degree the educational system satisfied the perceptions of success of most students; that is, the character of the occupational structures erected during colonialism and the first years after independence, which emphasised employment in government, SOEs and transnational corporations, corresponded with the perception that white-collar work indicated status. Thus it was rightly believed that a formal education could pave the way for a secure, well-paid job with numerous fringe benefits, in the modern sector. As Foster (1980: 223, emphasis in original) puts it, based on fieldwork in Ghana in the 1960s, ‘African populations still clearly believe that formal education is the royal route to success’.²⁵⁸

However, the economic situation in Ghana deteriorated dramatically throughout the 1960s and 1970s. Thus even though jobs in the public sector continued to be perceived as being high in status, officially they could not pay an adequate salary; on the one hand public-sector employees had to take extra employment, most often as hawkers or taxi-drivers, while on the other hand the level of corruption in the public sector grew tremendously (cf. section 7.2.2).

By 1983, with the signing of ERP I, the relationship between the state and the private sector slowly changed. In line with this new ideology, the educational sys-

(1962). Later the University of Development Studies in Tamale (1992) and the University College of Winneba (1994) were added. Lately, a number of private Christian universities have been established in Ghana.

²⁵⁷ King and Martin (2002) remind us that in theory middle schools offered elements of craft and practical work, but it is uncertain whether these courses were actually taught or not. At the secondary school level, there were certainly no technical or vocational elements.

²⁵⁸ Even though the educational system has changed, Ghanaians still believe that the longer you stay at school, the more you will earn (Yamada, 2005).

tem needed an overhaul. Hitherto, it had solely catered for white-collar jobs. In order to boost the private sector, blue-collar skills were now required.

Thus, in 1987 the educational system in Ghana was reformed. The aim of the reform was first, to reduce the number of years spent in school: 'As policy-makers saw it, the average Ghanaian spent too many years in school, learned too few practical skills, and had little chance of advancing into higher education with the "book knowledge" he or she did acquire' (Nugent, 1995: 173). A new 6-3-3-4 system was introduced, that is, primary (6 years), junior secondary (3), senior secondary (3) and training college (4), the total number of years before university therefore being reduced from 17 to 12. Secondly, the reform aimed to institute vocational and technical skills in the lower grades. Thus, subjects such as agricultural sciences and Ghanaian craftwork were taught alongside Ghanaian languages, English, mathematics, religious and moral education, social studies etc. In line with this, students from junior secondary could choose vocational and technical training²⁵⁹ instead of senior secondary, and technical subjects were included in the curriculum for the latter. Thirdly, in line with the neo-liberal ideology of the ERPs, state funding for further and higher education was reduced as part of the reform programme. Prior to the programme, essential educational materials could not be imported due to economic problems. The reform programme sought to solve this problem by putting the economic burden of tertiary education on the 'consumers' while transferring state funds from this level to the primary level. Finally, the reforms emphasised new problem-solving teaching methods. It was acknowledged that the previous system had to a large extent focused purely on recall. The new system was instead to emphasise practical and analytical skills of relevance to employers (CEPA, 2001; Dull, 2004; Hutchful, 2002; Nugent, 1995; Peil, 1995a).

Thus, in theory the educational reform was to make education more relevant to the needs of the Ghanaian economy. However, the 1987 reform also had a moral side to it. First, according to Yamada (2005: 74), 'Vocationalism in JSS [Junior Secondary School] aims to eliminate the distaste of manual work and plant a work ethic and attitude in the minds of students, that is, to orient students' minds, rather than to transmit specific skills', and she continues: 'Vocationalism is seen more as a strategy of moralistic socialization than as skill training for employment' (Yamada, 2005: 76). Secondly, the Ghanaian private sector is dominated by self-employed people, or 'survival' enterprises, as they were called in Chapter 4. Only approximately one-tenths of the population are occupied in manufacturing produc-

²⁵⁹ Vocational education denotes training for particular jobs for skilled persons at lower levels of qualification. Conversely, technical education prepares technicians and middle-level management with broader theoretical as well as practical technical skills.

tion in (fully) registered private companies (Ghana Statistical Service, 2000). The intended beneficiaries of the educational reform, that is, the 'formal' private companies in the industrial sector, through their access to skilled employees, only constitute a very small fraction of the private sector. The majority of the private sector, by contrast, requires skills developed through apprenticeships.

The ERPs in Ghana had effectively downsized the jobs in the public sector, as described in sections 7.1.3 and 7.2.1. Thus, the educational system was not only to educate students for these general tasks, but also for more specific tasks demanded by the private sector. However, in practice numerous problems have emerged. The laboratories in the technical schools, for instance, either do not exist or are under-equipped, and qualified teachers are lacking, especially in the rural areas, as are textual materials and equipment. Then again, a number of public technical institutes have been established throughout the country to provide training in various vocational skills, ranging from hairdressing via bookkeeping to computer technology. Among these centres is the National Vocational Training Institute, which is charged with organizing apprenticeship training, developing training standards and trade testing. Alongside these, the private sector and NGOs also run technical training institutes.²⁶⁰ However, there is neither formal coordination nor formal evaluation of these institutes, most of which are anyway only known to a very small fraction of their potential students.²⁶¹

Neither the public nor the private technical institutes reach great numbers of students. The majority of the vocational training and technical education continues to be done by private businesses, especially the small enterprise sector. This type of training mainly takes the form of an apprenticeship, that is, of job-specific knowledge acquired through learning-by-doing in the workplace. Most often the training is conducted by the 'master'; only very seldom is it linked to established institutes, either private or public. Apprentices exist in all parts of the Ghanaian private sector. However, they are more common in tailoring and carpentry than, for instance, electrical work. The apprenticeship institution complements the vocational training. Most apprentices actually have to pay a fee in order to receive training. Unfortunately, many studies on this highlight the lack of adequate tools, lack of up-to-date

²⁶⁰ Exact figures are few, but according to McGrath and King (1994: chapter 3, volume 2), there were just over 150 vocational and technical training institutions at the beginning of the 1990s. In addition, 250 private institutions were registered, and the authors reckon that about 700 unregistered institutions existed at the time in Ghana.

²⁶¹ One exception is EMPRETEC, which until recently had offices in all the major cities in Ghana. However, the Tamale office was closed down in 2002, officially due to the outbreak of the conflict in the Northern Region, which made potential investors withdraw their assets from the area. Unofficially, however, the reason should be sought in the lack of private investment in the area. See footnote 283 page 244 for further details about EMPRETEC.

knowledge and lack of training capacity in most of the companies that take in apprentices (Fine and Boateng, 2000; Ghana Statistical Service, 2000: table 2.9; Hutchful, 2002).

As a result, the Ghanaian educational system to a large degree still produces formal academic standards, despite the major reform undertaken in the late 1980s. Certainly in theory technical and practical skills are now separated from academic skills, but financial as well as organisational constraints within the educational system have produced a certain degree of ambiguity regarding the quality of Ghanaian technical education among the country's businessmen. Moreover, unemployment rates are still high, and formal technical education seldom leads to formal employment. As a consequence, many potential technical students instead opt for an apprenticeship. And recruitment for apprenticeships in Ghanaian small enterprises is, according to Yamada (2005: 82), 'highly dependent on kinship or other social relationships between masters and apprentices' families'. Unfortunately these training arrangements do not lead to certification, without which there is a risk that the apprentices will be stuck with their 'masters'. Knowledge and skills thus only circulate very slowly in the Ghanaian private sector. It is therefore important in the PSDP context to consider how capabilities are circulated among Ghanaian companies.

In addition, employees seldom have any theoretical knowledge to supplement their practical abilities. The educational system in Ghana may thus impede the building of intermediate and advanced technological capabilities like the learning-by-doing form of acquiring knowledge in the Ghanaian private sector. The system simply makes it difficult to move beyond a certain threshold (cf. section 8.1).

7.5 The role of the family, trust and authority

Even though Richard Whitley perceives the so-called background institutions that encompass the dominant conventions regarding the family, authority, loyalty and trust as constant and enduring (like other the institutional features described above), this perception may be challenged in the Ghanaian context, where institutions in general are not yet stable, and where urbanisation, cross-border migration, economic globalisation etc. tend to change the mentality of the upper echelons of society that are most affected by these trends. Bearing in mind that the cultural complexities of Ghanaian culture may be overlooked, this section examines key features of the role of the family, trust and authority in relation to the Ghanaian private sector. It argues that some institutional features, such as the role ascribed to the family as the primary social unit, seem to persist, while others, such as the close link between seniority and respect, may be on the decline.

Notwithstanding these changes, this section demonstrates the importance of these institutional features for the dynamics, both firm-internal and firm-external, of the private sector in Ghana, and thus also for how the impacts of the PSDP are accounted for. These institutional features tend to impede longer-term interaction between non-kin businessmen, and in so doing they also tend to hinder the spread of the effects of the programme. Likewise, the role of the family, trust and authority is likely to slow down the firm-internal dissemination of knowledge, as the specific leadership style that these features tend to produce tends to restrict knowledge to top management, whose staff are therefore disinclined to assume any responsibility. This section will take the role of the family as its point of departure before elaborating on the related institutional features. The consequences in relation to the characteristics of the private sector are further dealt with in section 7.6.

Central to the understanding of the background institutions that shape BS characteristics in Ghana is the family. Even though lineage systems differ – for instance, matrilineality is predominant among the Akan and the Asante, patrilineality among the Ewe, and double decent system among the Fanti – the family is central across all ethnic groups in Ghana. The family in Ghana is typically an extended family, that is, a grouping related by decent, marriage and adoption, which includes grandparents, grandchildren, cousins, nephews and their children, and in-laws.²⁶² Many generations of a single family often live in the same household, and it is not uncommon to find households consisting of three or four generations.

The extended family provides the individual with a form of security. Moreover, it is a source of opportunities. Very often family members pool resources to provide one individual with opportunities, for instance, through the payment of university fees or a flight ticket abroad. In other instances, better-off members of the family share their economic resources (which have often been supported by other family members) by providing education for a younger member of the family, or by looking after poorer relatives, by providing either financial support or accommodation. These contributions are perceived as investments that are expected to yield a dividend in kind or in cash. Therefore, the role of the extended family is not confined to providing security and opportunities, but also involves moral obligations, for instance, through the intra-family distribution of resources and job-fixing (Adepoju and Mbugua, 1997; Buame, 1996; Sørensen and Kuada, 2001).

²⁶² The concept of grandparents, whether grandmother or grandfather (*Nana*) among, for instance, the Akan, does not distinguish between biological and non-biological grandparents. The extended nature of the family is so pronounced that most people actually do not know whether their *nana* is biological or not (van der Geest, 2004: 48).

Even though the role of the extended family in Ghana is constantly changing, especially in urban communities, its role as a primary social unit appears, by and large, to be continuing (Adepoju and Mbugua, 1997). Garcia Clark (1999), for instance, has shown how the Akan in general and the Asante in particular are constantly renegotiating the role of kinship. She argues that the central family system has been shaped and reshaped by political and economic developments in Ghana. On the one hand, Christian and colonial institutions have underlined the importance of marriage and fatherhood and thus weakened matrilineal loyalty. Likewise, national laws regarding, for instance, housing and pensions have weakened matrilineal loyalty, as a man's wife and children have to inherit two-thirds of a property. On the other hand, matrilineal kin remain of the utmost importance, as they are constantly available, whereas husbands come and go. The family thus provides a channel for requests, but it does not set limits regarding what to ask for. Similarly, kin are used to spread economic risks: 'Kinship establishes the right to ask for whatever they will need most desperately in the future, along with the right to refuse. Fulfilling kin commitments in new ways remains both feasible and valuable in the current social and economic context, and so kinship is still well worth contesting' (Clark, 1999: 81f).

The role of the family in Ghana, which comprises aspects of security, opportunities and obligations, influences many other spheres of society. Within the private sector, the role of the family is, at least to some extent, related to the concept of trust. The individual's loyalty towards his or her extended family is constantly reinforced through rituals like funerals and festivals, which provide an opportunity to honour one's obligations towards one's family and to show one's embeddedness in the extended family. This is important, as 'a man who is not thoroughly embedded in a network of extended family is not completely trusted since he cannot be dealt with in a *normal* way' (Buame, 1996: 148, emphasis in original). Seen in this perspective, trust is a central feature in the extended family.

The relationship between trust and the family is also important with regard to interactions between Ghanaian businessmen. As a general rule, non-kin Ghanaian businessmen tend not engage in long-term business partnerships. Two main reasons may be suggested for this. The first relates to the high level of suspicion of non-kin business partners among Ghanaian businessmen, which is caused by an almost total lack of reliable information about other businessmen's trustworthiness. Business information in Ghana is not shared in any mechanical way: no formal institutions exist, only the registrar's office, where enterprises have to register²⁶³ merely the name

²⁶³ See also note 266 on page 206.

of the company. Similarly banks have at best only partial knowledge of their customers' business activities, and they do not share this information with others, and business associations are fragmented.²⁶⁴ Due to the lack of accurate information, or even alongside it, most business contracts between small enterprises are transactional rather than relational, thus minimising the dissemination of information between the partners (Buame, 2003; Buame, 1996; Deteah, 2003; Fafchamps, 1996; Kuada, 1994; ter Haar, 2003).

The other reason for the lack of long-term business relationships is the strong obligations towards one's family that tend to put the family before anyone else. Engagement in trade with kin therefore has to be considered before engaging in trade with non-kin. Similarly, the Ghanaian entrepreneur must consider borrowing money from the extended family before approaching other sources of credit, while contacts with relevant individuals and institutions are established through members of the extended family (Buame, 1996: 153f).

In addition, the role of the family influences the Ghanaian work place. Kuada (1994) argues that it impacts upon employer-employee relationships, as the Ghanaian employee is brought up to 'cultivate' the right people in order to have a successful career. Moreover, employees tend to have an instrumental relationship to their work because it is perceived as having a limited duration, whereas the family lasts for ever. Employees are afraid to sacrifice the family for the work place. The role of the family may, however, also influence the work place in an opposite direction, as successful entrepreneurs are obliged to employ family members, even if they lack qualifications.

Social behaviour in Ghana is closely linked to respect, comprising both outward respect, which is similar to politeness, and inner respect, which can be compared to admiration. Seniority may denote respect as suggested by, for instance, Kuada (1994), but not necessarily so: respect between different generations is not absent in Ghana, as grandparents are still respected for their wisdom by younger generations, but respect in this context is confined to the first meaning of the word, that is, politeness. This type of respect is constantly reinforced through the current education system in particular and by formal institutions in general. As regards the other meaning of the word, admiration, the link between seniority and respect may be fading, as both rural and urban areas are experiencing rapid changes in life. These changes imply, *inter alia*, that new generations need other kinds of knowledge than their grandparents, and thus traditional wisdom tends to be less respected than pre-

²⁶⁴ Sørensen and Kuada (2001) argue that since an ever-increasing proportion of owner/managers belong to Old Boys' associations or other professional bodies, the problem of sharing information may decline in the future.

viously. In contrast, what bestows respect in the second meaning of the word in Ghana today is success, especially economic success (van der Geest, 1997, 2004).

Even though the role of one's seniors vis-à-vis respect is changing in Ghana, seniority still plays an important role in the private sector, as authority in the work place, especially in small enterprises, is likely to be ascribed to seniority. Seniors in small enterprises are thus, in general, expected to guide and direct juniors, who in turn are expected to respect the wisdom of their seniors. The most widespread leadership style in these enterprises in Ghana, as well as in other SSA countries, has consequently been labelled authoritative, authoritarian-benevolence, non-consultative, and driven by personalism and a desire to control. It is said to comprise close supervision of employees, elaborate instructions on everything matters and disapproval of deviations from these instructions on the one hand, and the provision of extra opportunities and privileges to the closest and most obedient employees on the other hand. Accordingly, the dominant management style in Ghana may be described as a vicious circle characterised by the reinforcement of managers' as well as the employees' behaviour: managers tend not to delegate authority to staff, which in turn makes the development of management skills at lower levels difficult; and employees tend to have an instrumental relationship to work that gives priority to personal goals over organisational ones (cf. Case II page 225). Only very little autonomy and decision-making power is shared with subordinates, who consequently are disinclined to act independently in the absence of the manager (Jackson, 2004; Kuada, 1994; Montgomery, 1987; Sørensen and Kuada, 2001; Woode, 1999).

7.6 Business system characteristics in Ghana

The business systems approach indicates that institutional features tend to influence business systems characteristics – that is, ownership co-ordination, non-ownership co-ordination, and employment relations and work management – in a non-linear, non-reversible way. This section describes these characteristics in Ghana and explores how institutional features have impacted on them.

Considerable differences in how companies are organised appear not only between countries but also within them: the business system approach seeks to single out the dominant forms. In Ghana, as in any other SSA country, a variety of organisational forms may be singled out. However, the following three forms tend to dominate the manufacturing sector:

1. A few large modern firms with an international focus. These companies are generally owned by foreigners, local non-Africans or the government.²⁶⁵
2. 'Growing' enterprises operating on a small scale and with low levels of efficiency. They are mostly Ghanaian-owned, but some local non-Africans are also represented.
3. Numerous 'survival' enterprises serving limited markets. This sector is entirely Ghanaian.

Since the PSDP in Ghana targets only type two (and to a lesser degree type three), above, the following account is limited to the characteristics of 'growing', that is, type two enterprises. The vast majority of these companies are organised, that is, they have at the minimum a legal existence according to the 1962 Registration of Business Names Act (Act 151).²⁶⁶ They are mostly located in the major cities of Accra-Tema, Kumasi and Takoradi-Sekondi in the southern part of the country. Although they are characterised as 'growing' enterprises, they seldom grow beyond a few employees, typically being family-owned, with the owner having direct control over the company. Decision-making is (thus) centralised; family members hold managerial positions, and the likelihood of family members being sacked is severely limited.

Before proceeding with the discussion of how institutional features have influenced the shaping of the Ghanaian business system with regard to how the system is controlled and coordinated, Table 7.4 provides an overview of the main consequences of these institutional developments. It lists the four main institutional features described in the preceding sections in the first column, the description of core characteristics of developments within these institutions in the second column, and the consequences for the private sector in the third column.

²⁶⁵ Foreign economic interest in Ghana dates back to colonial times (cf. section 7.1), and in spite of the changing character of the economic interest in the country since then, foreign investments are still principally directed towards Ghana's natural resources (especially gold, industrial diamonds, bauxite, manganese and timber), due to the modest size of the Ghanaian market. However, foreign investments in the form of wholly owned foreign companies, joint-venture arrangements with local companies, or liaison arrangements, no longer solely serve the international market with primary goods, but also produce for the Ghanaian market, as well as using their location in Ghana as a hub for the African market generally, especially through the development of regional products (Grant, 2001, 2002).

²⁶⁶ The 1962 Registration of Business Names Act is the basic form of registration in Ghana. Operating a business as a sole proprietorship in Ghana thus only requires a simple registration of the business name at the Registrar-General's office. Therefore, most companies, including many 'survival companies', have a legal existence in so far as they are registered with the Registrar. Consequently, the term 'organised' is preferred to the more common term 'formal' to indicate the various degrees of formality encountered in Ghana.

Table 7.4. Private sector consequences of institutional developments in Ghana

Institutional features	Description	Consequences
State-business relationship	Insufficient experience among Ghanaian manufacturers	Scarcity of entrepreneurial skills
	Investments historically directed towards unproductive activities	Naive replication of successes
	Unstable economy	Scarcity of private sector role models
	Mutual suspicion between private sector and state	Diversification of economic activities
	Widespread corruption	Lack of capacity in central agencies
	No private-sector mouthpiece	Surplus invested fixed assets
		Difficult to implement reforms
Capital market	Lack of working capital	Partial capacity utilisation
	Lack of fixed capital	Endless search for resources
	Businessmen unfamiliar and hesitant regarding formal banking system	Surplus invested fixed assets
Skills formation	Scarcity of formalised technical skills	Hard to advance to intermediate technological capabilities
	Firm-specific technological capabilities	Difficult inter-firm collaboration
	Learning practices characterised by mechanical repetition	Reduced capability diffusion
		Challenging international inter-firm collaboration
Family, trust and authority		No long-term business collaborations
	Family as the primary social unit	Very difficult to lay off unproductive high-level staff
		Hindrance for long-term capital
	Lack of reliable information about non-kin business partners	Pronounced distrust among non-kin business partners
		Knowledge is kept at the managerial level
	Authoritative-benevolence leadership style	Promotion is based more on personal affiliation than qualifications
		Low rotation of workforce

Section 5.2.2, starting on page 116, described the theoretical relationship between the degree of ownership and non-ownership coordination respectively, and the ideal type of business system. Moreover, it was argued that, in theory, certain forms of coordination tended to produce certain characteristics. Hence, according to the theory, direct control of ownership, involving a high level of owner control in management and a high concentration of control over financial assets, as in the Ghanaian case, should limit diversification into other sectors, as diversification increases the owner's risk. However, the Ghanaian case is different: Ghanaian entrepreneurs often engage in several unrelated businesses simultaneously.

Several developments in key institutions account for this phenomenon, including economic instability, the marginalisation of the private sector through state-led in-

dustrialisation, large-scale corruption, the nature of the financial market, and the lack of reliable business information. First, the Ghanaian economy has experienced many fluctuations. After a few years of hope and positive economic growth just after independence, the majority of Ghanaians experienced a continuous downward economic spiral for more than two decades. The economy now is only slightly better than at independence, but wealth is more unevenly distributed. Secondly, the creation of parastatals in all areas of the economy squeezed out the Ghanaian private sector both directly and indirectly: directly through unfair competition, and indirectly via the large burdens placed on the credit market. Privatisation did not radically alter the picture; a lack of both trust in the administration and of venture capital led to a lack of domestic private-sector participation in the process. Thirdly, *kalabule* generated pronounced inefficiencies and unproductive work-flows in both the public and private sectors. The growing difference between official prices and market value, which was brought about by the high levels of inflation, combined with dishonesty of the ruling elite that influenced the perception of right and wrong among ordinary people, gave rise to the growing corruption of Ghanaian society (Rimmer, 1992: 136). *Kalabule* thus forced entrepreneurs away from productive towards more speculative activities, while simultaneously creating an intense anti-business rhetoric, leading to a situation in which the brutal actions taken by Rawlings to combat *kalabule* remain deeply imprinted in the memories of local entrepreneurs. This continues to affect the relationship between the state and private enterprises, and even though the government changed in 2001, some entrepreneurs are still suspicious of the real aim of the new state-led initiatives. Lastly, the nature of the financial market tends to restrict the growth of small enterprises in Ghana. Such enterprises are excluded from the formal banking system, since they are not perceived as profitable, nor can they comply with the rules. The desire to keep these 'growing' enterprises under family control may hinder access to long-term capital. As described in section 7.3.1, Ghana's stock exchange has opened up a new window for small enterprises. However, the mere fact that these enterprises are characterised by a high degree of ownership control may prevent them from going public and thus making use of the Ghana Stock Exchange's new window. Small enterprises do have access to the informal capital market, but either the loans offered here are too small or interest rates too high. Lastly, the dominant role of the family and the lack of reliable information about non-kin partners have created a pronounced distrust of one another among Ghanaian businessmen.

Since it is not only the owner of a Ghanaian 'growing' enterprise who depends on the economic success of his business activities but also his family and kin (whether directly through employment in the company or indirectly through his

family obligations or both), it is of the utmost importance to avoid failure. Therefore, instead of limiting diversification, Ghanaian entrepreneurs tend to do the opposite: that is, they protect themselves from periods of economic decline and cope with the historically high rates of inflation by undertaking several unrelated businesses, which have hardly anything in common and are hardly economically complementary. Moreover, Ghanaian businessmen often neglect activities that do not immediately pay off, and often rely on connections to the political establishment to obtain contracts. As will be apparent from the description of the cases in Chapters 8 and 9, since the PSDP often takes a long time to become established, there is a risk that the Ghanaian partner will lose interest and instead focus on other business activities. Similarly, the shortage of formal long-term capital for small- and medium-sized enterprises in Ghana compels owner-managers to seek capital elsewhere, one such place being the PSDP. Funds made available through PSDP loans are therefore sometimes directed to other businesses. The economic and political legacies have thus had an important impact on the business strategies of many Ghanaian firms.

In a similar vein, these institutional features have tended to influence collaboration within chains and between sectors – the other element in the category of ownership coordination (cf. section 5.2.2). The absence of trustworthy company data, combined with the role of the family, discourages the creation of long-term ownership arrangements, such as joint ventures.

In the business system terminology, direct control refers not only to control over the company, but also to control over markets and alliances. In so far as the Ghanaian entrepreneur is concerned, control is confined to the first meaning of the word. As stated above, the level of ownership coordination also includes intra- and inter-chain governance, but while the Ghanaian private sector may be defined by high levels of owner control over management in the enterprise itself (but not in either markets or alliances), Ghanaian owners have no, or hardly any, intra- or inter-chain control. Using Richard Whitley's terminology, the Ghanaian business system therefore shows low levels of ownership coordination.

The reasons for low levels of ownership coordination also seem to account for the low levels of non-ownership coordination, that is, the relationship between different ownership units: the Ghanaian family's interlocking structures of security, opportunities and obligations; the lack of 'real' pro-private policies; limited information; the lack of organised private-sector challenge to the state; and an educational system that creates fragmented, firm-specific skills.

Joint activities between the members of a production chain, among competitors or across sectors are constrained first by the role of the family, which stipulates that

all private sector-related activities have to be directed towards the family, and only if, for instance, engagement in trade with kin is not viable may other partners be considered. Secondly, even though Ghanaian policies during the past twenty years have officially seen the private sector as an important player in the quest for economic development, it has only very recently started implementing pro-private sector policies: there is no tradition of including the private sector in policy-making in Ghana. Thus, even though various business-support organisations have been established by previous regimes, they remained negligible as forums for the Ghanaian business community because they represented only a politically acceptable fraction of businesses. Thirdly, limited information eases the flow of rumours and thus generates suspicion about the 'real' intentions of business partners or competitors. Fourthly, the private sector is weakly organised, and business organisations generally lack membership support, thus making the flow of information difficult. Lastly, the educational system, where most of the technical skills are produced in apprenticeship-like circumstances, tends to produce firm-specific capabilities that can be transferred from one company to another of with difficulty, especially if also from one sector to another. Thus, institutional developments in Ghana – that is, developments in the characteristics of the state vis-à-vis the private sector; in the financial sector; in the skills-training system and in the system governing trust and authority – all tend to inhibit strong non-ownership coordination.

Hardly any long-term mutually binding agreements are to be found between suppliers and producers or between producers and retailers. Forward and backward linkages are almost non-existent, especially between the small enterprises and the few large modern firms in Ghana. A study of Ghanaian aluminium companies found that only four percent of the small workshops receive regular supplies from the big firms, only two percent of employees had previously been employed in one of the large companies, and only 1½ percent of entrepreneurs had purchased equipment from the big firms (Yankson, 1996). Ghanaian businessmen are unfamiliar with collaboration across sectors, for instance, to acquire new technology or upgrade technological capabilities. For example, hardly any forums for collaboration among competitors exist. Only a very few cases of collaboration among competitors have been described for Ghana: the only well-known case of large-scale non-ownership co-ordination in Ghana is the *Suame Magazine* in Kumasi (McCormick, 1999). As Whitley points out, 'An economy that is low on both dimensions [ownership and non-ownership coordination] is composed of small firms that engage in spot-market-like competition with each other, and there is little authoritative coordination of economic activities' (Whitley, 2002: xix).

Employer–employee relationships, a third dimension of the distinct business system, is, according to Whitley (see, for instance Whitley (1999b), basically contingent on the degree of ownership and non-ownership coordination, as some employment strategies are hard to envisage with certain production systems.²⁶⁷ However, developments in certain institutions may also influence employer-employee relationships independently of the coordination system. Of importance in the Ghanaian context are the so-called ‘background’ institutions, as on the one hand Ghanaian employees are brought up to ‘cultivate’ the right people in order to have a successful career, thus frequently staying with the ‘big man’, even though ‘he’ may not have any contracts and therefore cannot pay their salaries. On the other hand, many employees have an instrumental relationship with their work because it is perceived as being of limited duration, whereas the family lasts forever. Employees are afraid to sacrifice the family for the work place. Therefore, most employment relationships are either very stable or of a short-term nature. The role of the family also works the other way around: successful entrepreneurs are obliged to employ family members, even though these may lack qualifications.

²⁶⁷ One example of a situation that is hard to envisage is the Taylorist production system, that is, a system of fragmented production activities characterised chiefly by a distinct occupational division of labour (often in different plants), in which unskilled labourers perform simple repetitive tasks, and which offers long-term contracts and invests in the development of employees’ skills.

8. IMPACTS ARE LIKE DEATHS, THEY ARE INEVITABLE:

IMPACTS OF DANIDA'S PSDP AT ENTERPRISE LEVEL IN GHANA

The aim of this chapter is to provide a deeper understanding of the changes among the target group associated with the PSDP in Ghana by making extensive use of empirical data. Chapter 3 laid out the framework for studying these changes. Aid interventions were perceived as complex situations where different actors with different degrees of influence over the intervention pursue different strategies according to their own needs. Moreover, interventions are seen as only one of several processes taking place simultaneously. Therefore, political, economic, and cultural changes may account for many of the observed changes in both target and non-target groups.

In so far as it is at all possible to distinguish them, this chapter focuses on the impacts on the target group, that is, on Ghanaian enterprises (owner/managers as well as employees) that have benefited from Danida's PSDP in the country. Chapter 9 takes the discussion further, to the levels of the private sector and of society at large.

Based upon the framework developed in Chapter 4 regarding technological capabilities, the first section probes the role of Danida's PSDP in the enhancement of performance among the target beneficiaries, which is the main aim of the programme as laid out in Chapter 2. Through technology transfer, training and technical assistance, the aim of Danida's intervention is to enhance technological capabilities and thus improve productivity, turnover, employment etc. Eventually, it is intended that this process should lead to social and economic development in the recipient country. In this thesis, therefore, technological capabilities are construed as embracing the most important aspects of performance-enhancement through technology transfer.

It is thus of the utmost importance to scrutinise how technological capabilities are built into Ghanaian small enterprises and how the PSDP has impacted upon this process. This chapter thus takes as its point of departure an analysis of exactly this process. It starts off in section 8.1 by analysing an *instrumental* PSDP case to further our understanding of what makes this process happen (cf. section 6.2). However, the overview of technological capability building provided in section 8.1.1 clearly shows that not all PSDP collaborations have been equally fortunate in this

process. In order to obtain a richer understanding of the factors at play when a Danish company tries to build technological capabilities in a Ghanaian company by way of Danida's PSDP, this section presents three other cases. These point to the interface between specific features of the Ghanaian business system and the design of the PSDP as an explanation for the difficulties of upgrading. This interface and the consequences for building technological capabilities are discussed in section 8.1.2.

The second section departs from Danida's own perception of how the PSDP relates to the overall developmental purpose of Danida's development aid. These loosely defined indicators (cf. section 2.2.2) make up the foundation of most traditional evaluations of development interventions. These evaluations, which are sometimes also called 'impact studies', generally seek to establish qualitative indicators that aim to measure the intended effects of an intervention. Section 8.2 takes these evaluations as its point of departure. It scrutinises four different indicators directly drawn from the goals of Danida's PSDP (see Table 3.2 page 77) and argues that this type of indicator does not enhance our understanding of how an aid intervention actually impacts, either on the target group or on non-target groups. Based on fifteen instrumental cases, this section points to the problems involved in using changes in employment, in earnings, in productivity and in products respectively, this section draws attention to the importance of focusing on the complexity of aid impacts, instead of searching for the simple story of success versus fiasco in development aid.

These cases also form a background for the discussion of how the observed changes have come about and the analysis of the role of the PSDP in this process. Basically, they underline a major conclusion of Chapter 3, namely that impacts are complex.

Unintended impacts are the focus of attention in section 8.3, which builds on the knowledge regarding complexity established in the previous section and examines five PSDP collaborations in order to improve understanding of the unintended impacts of the programme. The distinction between intended impacts in the previous section and unintended impacts in this section is ambiguous: the cases presented in the former to a certain degree all exhibit unintended impacts, while the five cases portrayed in the latter section, of course, reveal intended impacts as well. However, the distinction is maintained here to highlight the fact that aid interventions, which involve planned social change, are instituted in contexts characterised by certain political, cultural, economic, geographical etc. features. Hence, aid interventions, including Danida's PSDP, by definition have unintended impacts. These impacts comprise both positive and negative, direct and derived effects of the programme.

Section 8.4 concludes the chapter. It draws attention to the different logics of the various actors in the programmes. Principles of selection and sidetracking explain some of the observed impacts, while political, economic and cultural processes explain others. The end result, however, is not changed: the impacts of aid interventions are inevitable.

8.1 Building technological capabilities in Ghanaian PSDP companies

The phrase ‘technological capabilities’ refers to the bundles of complementary skills and knowledge in a specific context that facilitate particular activities in productive systems and provide the background to managing change in these systems (cf. section 4.5). Several attempts have been made to measure technological capabilities at diverse levels and with varying foci. The problems involved in actually measuring changes in technological capabilities in small enterprises in SSA were considered in Chapter 4. Based on studies of capability building in small enterprises in other developing countries, it was argued that a distinction between technological capability levels (basic, intermediate and advanced) and forms (investment, production and linkage) would be fruitful for the further analysis. Technological capabilities among Ghanaian PSDP companies are therefore measured by distinguishing a certain activity that a company is able to carry out on its own at a given point in time in the matrix presented in Table 4.1 page 107. The accumulation of technological capabilities is thus identified when a company has achieved a technological capability that it did not have before.

A large part of the literature regarding technological capabilities takes its point of departure in manufacturing enterprises, and there is hardly any doubt that the terminology has been specifically developed for precisely such enterprises. This being said, the concept of technological capabilities does not exclude other sectors, such as service-providers – the concept simply has to be interpreted more broadly: thus, the subdivision of, for instance, production capabilities into process-centred, product-centred and equipment-related may not be appropriate. Instead, only the former two have relevance, namely how production is organised, and which products are produced. Likewise, the building of all forms of capabilities may not be of equal relevance to all PSDP collaborations: some such collaborations focus solely on upgrading production and linkage capabilities and leave out investment capabilities, while others may give more importance to some forms of capabilities and less to others. However, all but a couple of collaborations, most notably a sustainable forest operation (P9) and an institute for caretakers (P3), have placed the building technological capabilities at the forefront of the PSDP collaboration.

Before presenting an overview of accumulated technological capabilities in Ghanaian PSDP companies, the process of actually developing technological capabilities is described by means of the business partnership between a Danish and a Ghanaian consultancy company (cf. Case I). As will be apparent from what follows, this case is unusual in many ways, but precisely because it is unusual, it may point to some of the factors that are important in developing technological capabilities through the PSDP.

Case I. Technological capabilities in the Ghanaian service sector (P2)

In order to stay competitive, Ghanaian²⁶⁸ and Danish consultancy companies have to search for partners abroad. The Ghanaian consultancy company being discussed here had existed for less than a decade, but it had already managed to become one of Ghana's largest consultancy companies, using experience from outside Ghana as well as from contracts with large donor agencies. Concurrently, most international donors were making increasing use of local consultancy companies, either to fulfil a restricted contract alone, or in collaboration with larger international consultancy companies for large contracts. To be able to exploit fully the expanding market for consultancy in Ghana, as well as in the West African region generally, certain areas in the Ghanaian consultancy company required upgrading, most importantly structural engineering and desktop publishing. Likewise, the Danish partner, a large consultancy company with increasing experience of international contracts, could benefit from formal collaboration with a Ghanaian partner already established in the West African market. It too, was finding that donors were increasingly demanding a local partner in order to win contracts in developing countries. Moreover, a PSDP Business Partnership could further the internationalisation process of the company: it had limited experience of SSA, and its international competitiveness was negatively affected by the high salary levels in Denmark.

In the mid-1990s, the Danish consultancy company won a World Bank contract in Ghana, which stipulated cooperation with a local partner. The World Bank recommended the future PSDP partner as a high-quality consultancy company. Basically, two companies' capabilities complemented each other. They carried out the contract satisfactorily and therefore decided that they would mutually benefit from a more formal collaboration: the Danish company needed a Ghanaian partner to win contracts in Ghana, while the Ghanaian company needed training and supervi-

²⁶⁸ Actually, the Ghanaian partner comprises two consultancy companies: one specialises in architecture, real-estate planning, and urban, rural and regional planning, while the other specialises in transportation systems and geotechnical engineering. Besides these two companies, which are taking part in the PSDP collaboration, the two Ghanaian owners have two other companies.

sion to enhance its capabilities and thus win more contracts. In order to meet both partners' needs, and based upon the Danish company's knowledge of the PSDP, they applied for funding for a formal collaboration.

The partners examined various forms of collaboration and initially chose a non-equity joint-venture form of cooperation that would minimise the respective partners' initial investments. This joint venture aimed to pursue business opportunities mostly in the international financial and development institutions, such as the World Bank, the European Union, the African Development Bank and the large bilateral donors, as neither the public nor the private sectors in Ghana were yet ready for private consultancy companies. The PSDP partners agreed that possible contracts from the financial and development institutions should first be offered the joint venture for acceptance or refusal before the Ghanaian and Danish companies could be offered the contract.

From the start, the collaboration, including the training and technical assistance, took a project-by-project approach: whenever the joint venture won tenders, training and technical assistance associated with the contract were started. In the first two years of the PSDP collaboration, that is, for the full period of Danida support, the partners collaborated on a fixed number of projects. Thereafter, the collaboration became more ad-hoc: whenever the partners gain economically or otherwise from collaborating, they do so, otherwise they pursue their own goals.²⁶⁹

Prior to the start of the PSDP, an initial assessment of key Ghanaian employees' capabilities and immediate needs was conducted. This assessment pointed out the following areas in which upgrading was needed: computerised project, information and storage management; computerised drawing and design; geographical information systems; road construction engineering capabilities; and traffic management and planning capabilities.²⁷⁰ As it turned out, the collaboration mostly focused on enhancing the capabilities to perform road and transport work in Ghana and other West African countries; to conduct environmental impact assessments; to carry out quality control; to enhance project management capabilities; and reporting techniques, including the ability to present the key strengths of the company to donors and other sources of contracts.

²⁶⁹ According to the initial plan, the partners hoped eventually to be able to create a Ghanaian equity-based company with shares from both partners as well as from IFU, but in the end the project-by-project approach suited both partners better. Therefore, the subsidiary that the Danish consultancy company opened in relation to the PSDP collaboration, which is physically located in the same building as the Ghanaian companies, is now working as a liaison office. It is therefore not allowed to bid for local contracts, but has to limit itself to international contracts. It does, however, carry out local work in Ghana if another company wins a contract and uses it as a sub-contractor.

²⁷⁰ The transport sector was regarded as especially important by the partners, as the majority of investments in the public sector in the late 1990s in Ghana were directed to this sector.

Before the training and technical assistance were carried out, attention was paid to streamlining the organisational structure of the Ghanaian company. A new organisational plan was set out, which aimed to reorganise the responsibilities between the management team and other administrative personnel in the company. Hence, tasks previously performed by the management team are now conducted by other groups so as to free time and resources for the former group to make key decisions in the company. According to the former resident manager in the Danish subsidiary located in Ghana, the human resource department in the Danish consultancy company that was assigned the task of restructuring the organisation was generally successful, but 'there is still a long way to go if the aim is a typical Danish company of that size'.

A resident general manager was put in charge of the implementation of the PSDP – that is, assessment of the process regarding training and technical assistance, coordination, and the planning of technical assistance and training. The resident GM was thus in charge of the technical assistance being administered locally, while most of the specific training was conducted by the Danish (and international) staff who were directly responsible for the projects. In short, all key staff in the Ghanaian company have been trained during the two-year period covered by Danida. As spelt out above, the focus was initially placed on the necessary organisational changes: the management team and the administrative personnel were both given technical support in Denmark and Ghana. The whole management team, along with the chief accounts manager, have been to Denmark once a year to facilitate a transfer of management information systems and direct economic project-control skills. Thereafter, technical training was purely related to the projects: in the pre-project phase, attention was paid to the bidding process for contracts, as well as to how the company's profile was being presented. This training therefore included legal, technical and communicative personnel in the bidding stage, and communicative and information personnel in the presentation stage. Likewise, in the later phases of a project, attention was paid to methods of monitoring and evaluation.

In the five years that have passed since the PSDP was initiated, the number of staff has increased by one third. Most of the new employees are skilled workers with technical degrees, BAs or MAs. As the Ghanaian company also was expanding rapidly prior to the collaboration, these figures do not by themselves point to the source of the expansion. However, a more detailed examination of the figures indicates that at least some of this expansion relates directly to the PSDP: more than half of the recently employed staff are specialised in the areas of interest to the cooperation, and these areas were previously less prioritised in the Ghanaian company. Moreover, the Ghanaian company has been able to attract staff with comple-

mentary expertise and thus has been able to broaden its portfolio of products. Associated with the expansion of both staff and products, the company has therefore been able to bid for more tenders and thus win more contracts. The restructuring of the enterprise in the initial phase of the collaboration furthermore contributed to increase the efficiency of the company.

At the beginning of this PSDP collaboration, production and linkage capability levels were at a basic level in the Ghanaian consultancy company. The basic technological capability level spans simple as well as more complex operations. A company may thus possess simple basic capabilities in one form, and complex basic capabilities in another. In theory, there is no causal relationship between the two, even though in practice there is a tendency for forms of the development of technological capability to go together.

The Ghanaian consultancy company already possessed complex basic linkage capabilities at the start of the PSDP: it was, among other things, able to enter neighbouring country markets and make links with major donor organisations. Its production capabilities, that is, its product- and process-centred capabilities were of a simple basic character. Thus, its quality-control system and its ability to plan production ahead were very rudimentary. During the course of the formal PSDP collaboration, but also based on the subsequent project-by-project collaboration between the partners, both production and linkage capabilities have been upgraded.

The process-centred production capability was the centre of attention in the initial phase of the intervention. The Danish partners simply created a new organisational structure upon which new routines were planted. The main intention was to create a more efficient work-flow and introduce quality-control systems in all stages of the production process: less attention was paid to the management team's ability to be able to change the organisational structure subsequently. However, the mere fact that the partners were collaborating closely and that the resident manager actually had his office inside the Ghanaian consultancy company ensured the transfer of these capabilities. Alongside the development of process-centred technological capabilities, product-centred capabilities also increased. The company indeed experienced an improvement in the quality of their products and through the collaboration it was able first, to expand its product portfolio, and secondly, to attract new employees who could further expand the portfolio. The level of product-centred production capabilities has thus increased from a basic to a more intermediate level. Equally, linkage capabilities have been increased by the collaboration: whereas donors and international consultancy companies previously approached the Ghanaian company in order to fulfil contract requirements stipulating collaboration

with a local partner, the Ghanaian company is now able to search actively for suitable partners for certain tasks, both locally and abroad.

The interesting question here is why and how the partners managed to build technological capabilities through Danida's PSDP. The literature highlights several important aspects in the process of developing technological capability building through technology transfer in SSA (cf. Chapter 4). Most importantly, it points to the extent of the recipient's efforts to intervene and interact in the transfer process, that is, the technological effort. Successful technology transfer – that is, technology that has been effectively transferred, absorbed, adopted and mastered – requires a thorough knowledge of the procedures, an understanding of the underlying mechanisms of these procedures, and the skills to put them in use. Moreover, the literature emphasises that learning is cumulative and discontinuous: that is, it moves along particular trajectories but it is not always incremental, especially in the case of technology transfer through development interventions.

These basic premises for successful transfer were present in this case. While most Ghanaian PSDP enterprises are staffed with unskilled or semi-skilled employees, all key personnel in the Ghanaian consultancy company are skilled. They therefore have a solid theoretical as well as empirical base upon which to build new capabilities. In addition, many key employees, including the owners, have experiences from abroad and therefore recognise several of the new routines introduced into the company by the Danish partner. By the same token, most of the required learning essentially builds on the previous knowledge of the Ghanaian staff. New areas have been prioritised in this PSDP collaboration, but basically new capabilities have been built on the basis of already existing ones, instead of having to create entirely new technological capabilities.

On the whole, this PSDP collaboration has followed the guidelines of successful technology transfer as laid out in the literature. However, this is not the sole explanation: a crucial aspect in this case is the capacity of the Danish company actually to provide the training and technical assistance. Successful technology transfer places high demands not only on the recipient's ability to absorb the technology, but also on the exporter's ability to transfer the essential tacit and codified knowledge effectively. As described in Chapter 2, Danida's Business Partnerships are each divided into a preparatory and a project phase. In the preparatory phase, Danida subsidises ninety percent of the costs of the preliminary investigations. In most cases, the investigations comprise a feasibility study, which includes a plan of the crucial training and technical assistance for the aim of the intervention to be realised; it specifies who is to be trained where and by whom. However, the quality and accuracy of these plans vary considerably. Some feasibility studies merely pre-

sent broad headings for the training that provide the reader with no indication as to how the partners see the building of capabilities, while others provide more detailed accounts of the training and technical assistance.²⁷¹

The Danish partner has broad experience in training and technical assistance, while the educational department of the consultancy company has the overall responsibility for planning and carrying out training in both Denmark and Ghana. Moreover, both the Danish and the Ghanaian partner had an economic interest in upgrading. The Ghanaian partner wanted to increase both its portfolio of products and the value added. By upgrading both product- and process-centred capabilities, the company was able to fulfil both aims. The Danish company, conversely, had to stay competitive by obtaining access to highly qualified cheap labour. In addition, the partners knew each other from before, when informal contacts and networks between the staff in both companies had been established prior to the PSDP collaboration. In addition, the project-by-project approach provided a flexibility that was advantageous for the partners while simultaneously ensuring that all training and technical assistance were perceived as highly relevant, as both were linked to actual projects, not just abstract examples.

Seen from the perspective of technological capability building, this case may in many ways be considered a role model for the PSDP in Ghana: even though the Danida-supported intervention ended more than five years ago, the partners are still collaborating on an ad hoc basis. In addition, the transfer of technology has resulted in the employment of more staff, higher turnovers etc., aspects that are highly valued by Danida as the funding organisation. On the face of it, moreover, no negative impacts are discernible. It is therefore reasonable to ask, what was the role of Danida's PSDP in this case? In other words, would the partners have upgraded without Danida's financial support? These questions are clearly hypothetical, but the following account may provide some sort of answer.

Prior to the PSDP collaboration, several international consultancy companies approached the Ghanaian company in search of formal collaboration with it. Like its future Danish partner, these companies had realised that a formal collaboration with a developing-country partner was essential in order to bid for international contracts in developing countries, and also this partner could provide an easy entry

²⁷¹ As shown in Table 2.2 on page 46, DI and HVR produce the great majority of all feasibility studies. The plan for training and technical assistance is, of course, anchored in the vast experience that the two organisations have acquired, partly from supporting the large portfolio of Danish companies that have taken part in Danida's PSDP, and partly from assisting Danish companies that have internationalised without the support of Danida. However, the inputs for the plan (as well as other parts of the preliminary investigations) derive chiefly from the two business partners. In other words, the plans are no better than the sum of the inputs.

point to new and expanding markets. Even though other bilateral donors have business-to-business development programmes in Ghana (cf. Appendix D), they do not cover as large a proportion of the expenses as Danida's PSDP, nor are they so easy to assess. Moreover, since the Danish PSDP is restricted to collaborations between Danish companies and companies in Danida's programme countries, these international consultancy companies would probably not have had access to donor funding. Nonetheless they were still interested in collaborating with the Ghanaian consultancy company. Similarly, the Danish consultancy company was well aware of the need for a local partner and had already collaborated with the Ghanaian company before they achieved PSDP funding. According to Jespersen (1997a: 23), however, the reason why the Ghanaian partners chose the Danish consultancy company was not the prospect of PSDP funding, but rather the fact that, unlike previous potential partners, the Danish consultancy company was seeking 'real' cooperation, not just a fictive partner to facilitate the tender bidding. Both partners needed a foreign partner and would therefore probably have pursued the collaboration without Danida's assistance. However, this is not to say that the PSDP did not play any role. On the contrary, it paid for the resident general manager's salary as well as the training sessions that facilitated the development of technological capabilities. It is thus probable that the training and technical assistance have been more comprehensive and conducted within a shorter time-span than would otherwise have been the case.

8.1.1 Technological capability building in Ghanaian PSDP companies: an overview

Case I above highlighted important aspects in the process of converting technology transfer into technological capabilities and thus upgrade the recipient company. However, these conditions are not always met, and technology transfer, or rather PSDP collaboration between two companies, does not always lead to enhanced technological capabilities and upgrading. This section provides an overview of Ghanaian PSDP companies regarding this process. Table 8.1 and Table 8.2 below present changes in technological capabilities, that is, changes in investment capabilities (IC), production capabilities (PC), and linkage capabilities (LC), but not the quality or the degree of these changes.

Positive changes in technological capabilities are shown by an upward arrow, deteriorations by a downward arrow. The arrows are based on the findings of interviews with owner/managers and key personnel, observations, project descriptions, and available progress reports. They thus represent a best possible 'guestimate' based on triangulation of methods. The direction of the arrow refers to movement

up or down the technological capabilities level (cf. Table 4.1 on page 107). ‘NA’ denotes PSDP collaborations that either did not have the building of technological capabilities as their major aim (P3/P9) or collaborations that for some reason have not transferred any technology as yet (S2/S12/S21), while columns left blank indicate that no changes in technological capabilities are observable in these collaborations. The first row in the table refers to the number given to each collaboration. ‘P’ represents a Business Partnership and ‘S’ a Start-up Facility.²⁷² The cases described in section 8.1 are highlighted.

Table 8.1. Technological capability building in Business Partnerships

No	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15	P16	P17	P18	P19	P20	P21
IC	↑	↑												↑	↑			↑			
PC	↑	↑	NA			↑			NA		↑		↑	↑	↑	↓	↑	↑		↑	
LC	↑	↑				↓							↓		↑	↓	↑			↑	

Table 8.2. Technological capability building in Start-Up Facilities

No	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26	S27
IC								↑								↑								↑			
PC	↑	NA						↑				NA	↑	↑			↑		↑	↑	NA	↑	↑			↑	
LC													↑		↓	↑		↓					↑			↑	↑

The tables bring out several interesting facts: no improvements in technological capabilities could be observed in practically forty percent of the collaborations; the development of technological capabilities is as likely in Start-Up Facilities as it is in Business Partnerships; improvements in technological capabilities often come together, for instance, production and investment capabilities, or production and linkage capabilities; improvements in production capabilities, however, are present in nine cases without improvements in other capabilities; and roughly one-tenth of the PSDP collaborations have experienced weakened technological capabilities following the establishment of a Danida-funded PSDP collaboration.

By its very nature (equipment and technical training), the PSDP is directed at enhancing production capabilities: investment and linkage capabilities are therefore seen as by-products of production capabilities. It is therefore no surprise to observe that improvements in production capabilities are twice as widespread as improve-

²⁷² See Appendix B for a full list of PSDP collaborations.

ments in linkage capabilities, and more than twice as prevalent as advances in investment capabilities. Production capabilities have been increased in twenty cases. Most of these improvements are confined to replicating specifications set by the Danish partner, namely basic quality control and basic maintenance. None of the Ghanaian partners has been able to carry out effective trouble-shooting on their new equipment, none has acquired quality-control certification, and only one has begun a process towards adaptation to export market needs.

From Table 8.1 and Table 8.2, it is clear that the development of investment capabilities has not been given the same attention as the development of production capabilities. In only one-sixth of the Ghanaian PSDP companies have investment capabilities increased since the start of collaboration with a Danish partner. These changes, like the improvements in production capabilities, relate to the lower end of the spectrum: some companies have conducted pre-investment studies, and a few have searched for suitable technologies outside the scope of the PSDP, but none, for instance, has negotiated with other partners for technology transfer. Likewise, most of the preparation and implementation related to new investments conducted solely by the Ghanaian PSDP partners emanates from the basic level of technological capability. Contrary to the fairly even distribution of changes in production capabilities between Business Partnerships and Start-up Facilities, the distribution of changes in investment capabilities between the two types of Danida co-operation is fairly uneven: positive changes in investment capabilities in Business Partnerships come about in approximately a quarter of the cases, while positive changes in investment capabilities in Start-up Facilities only are observed in one-tenth of cases. This is, not unexpected, however, as Business Partnerships in general entail more comprehensive changes than Start-up Facilities: while the former, in theory, seek to change fundamentally the way the Ghanaian company operates, including changes in the organisation of production, management and physical set-up, the latter is normally limited to enhancing and adjusting specific routines, or introducing new or improved products into production. Therefore key staff in Ghanaian PSDP companies participating in a Business Partnership tend to require upgrading of their ability to identify investment projects and to search for appropriate technologies at the right place and price for the company more than staff in companies taking part in Start-up Facilities. That said, however, as the figures indicate, upgrading of these capabilities is only highly prioritised by a few PSDP collaborations: in the majority of collaborations, the Danish partner acts as a specialised agent who handles the investment interests of his or her Ghanaian partner (cf. section 4.5).

As regards linkage capabilities in the Ghanaian PSDP companies, the data provides a mixed picture of the changes. On the one hand, ten companies have been able to augment their skills to establish, maintain and exploit links with other firms and institutions. On the other hand, five companies have experienced declining op-

portunities to link up with other firms and institutions with respect to their linkage capabilities.

Like the upgrading of production and investment capabilities described above, the building of linkage capabilities is limited to the basic level. Moreover, upgrading of such capabilities is largely related to the new opportunities that collaboration with the Danish partner creates, and this type of upgrading is seldom specified as an aim in itself. Instead, there is a tendency for linkage capabilities to come about as by-products of the upgrading of production capabilities: increased product quality may necessitate better inputs, which then require tighter relationships to sub-suppliers, or it may call for an upgrading of retailers or consumers, as the products need special handling. However, most often the relationship between the producer and its suppliers is kept at arm's length, and thus, rather than upgrade existing suppliers, new ones are found, most often with the help of the Danish PSDP partner, and therefore usually internationally.

PSDP collaborations often tend to result in a move away from the local sphere towards a more international sphere: that is, there is a tendency for Ghanaian PSDP companies to replace existing locally oriented products, markets, inputs, suppliers etc. with products aimed at the international, or rather, Danish market, international (Danish) suppliers, Danish recipes etc. In other words, the PSDP tends to shift Ghanaian companies away from their previous local or national customers towards their Danish partner and its customers. In cases of co-operation collapse, the end result is usually a degradation of linkage capabilities: the PSDP has not resulted in any improvements, while simultaneously, the Ghanaian partner has lost its foothold in the domestic market.

Table 8.1 and Table 8.2 above do not tell the full story of capability-building in the Ghanaian PSDP companies. First, the tables do not allow for changes in either degree or quality of technological capabilities. Secondly, they do not make any allowance for either company-internal variations in technological capabilities or fluctuations over time caused by, for instance, changes in staff. Lastly, they do not identify the causes of these changes. In order to obtain a fuller understanding of the processes that lead to changes in the technological capabilities of the Ghanaian PSDP companies, three cases are presented. The first illustrates the problems of building capabilities among the staff if the owner/manager keeps all the knowledge to him- or herself. The second focuses on aspects that, in theory, at least, are only of minor importance for technological capability building, but in practice tend to be very important. In this case, certain expectations with regard to both the PSDP and the Danish partner, which led the Ghanaian partner to make certain decisions, made capability building very difficult while also making the economic situation of the company worse than before the collaboration. The third case illustrates how fragile technological capabilities are in reality. In this case, basic production capabilities were built to cater for the new demands that came with collaboration with the Dan-

ish partner. However, these capabilities were hardly of any use as the collaboration ended, mainly because they were mostly related to specific recipes that were lost when the collaboration formally ended.

Case II. Hierarchical structure and replacement of staff impede technological capability building (P17)

When one Ghanaian woman returned to Ghana from her MA studies in the United States, she started working as a teacher while simultaneously writing children books. After a while a friend introduced her to the world of publishing, and eventually she found a job in a publishing house, where she was taught the basic skills of publishing. She soon realised that she was doing so well in this line of business that she decided to start a publishing company of her own. Based on her own manuscripts, she started her company more than a decade ago. During the first years of operation, the company only published children books, for one of which it won the 1999 UNESCO children's book prize as well as a prize for the best African children's book of the century.

Due to her success in publishing children books she was invited to book fairs throughout Africa, where she met, among other people, a Danish publisher specialising in publishing fiction from developing countries, to whom she gave copies of her recent publications. When, a couple of years later, she learned about the possibilities of PSDP funding through the African Publishers Network,²⁷³ she approached the only Dane she knew, namely the publisher of fiction from developing countries, and introduced him to the idea of PSDP collaboration.

Now, some seven years after the PSDP collaboration was initiated, the range of books that this small Ghanaian publishing house is publishing has been broadened considerably: while it was limited to children books before the PSDP, it now comprises novels and short stories, as well as non-fiction. Likewise, the desktop publishing that was previously carried out by other companies is now done in-house, thus reducing both costs and time. Quality has increased because all the manuscripts are proof-read by the Danish partner before they are shipped to the printers. Printing quality has also been improved, mostly because printing is now done outside Ghana, while before it was done within the country.²⁷⁴ Increased turnover has

²⁷³ The African Publishers Network seeks to promote indigenous publishing in Africa through training, information-sharing and sales promotion. As part of the information-sharing, it informs its members of opportunities for funding.

²⁷⁴ The choice of foreign printers instead of local ones derives mainly from the desire to increase quality, since foreign printers are considered better than Ghanaian ones. However, price is also a determining factor: in order to increase the availability of books in Ghana, the Government has decided to exempt books from VAT and import taxes: This exemption does not, however, apply to paper, and it is therefore more expensive to print books in Ghana than, for instance, in eastern or southern Europe.

come about as a consequence of the enlarged product range and improved quality of the books, but also because the company benefits from a Dfid development programme that aims to enhance knowledge of developing countries, as well as generate greater demand by buying books from developing countries. Moreover, the PSDP collaboration has enabled the owner of the Ghanaian company to obtain credit from the printers, because the mere fact that she now has a non-African partner increases her trustworthiness in the eyes of her business partners (see also Case XXII on page 279).

As shown in Table 8.1, technological capabilities in the Ghanaian publishing company have increased in respect of both production capabilities and linkage capabilities since the start of the PSDP collaboration. Over these years, the owner/manager of the company has gradually enhanced her capabilities to adapt her products to export markets, as well as expanding her network to other publishers and funding institutions. However, these positive changes do not apply across the board for either capabilities or staff.

First, the owner/manager has paid a great deal of attention to product-centred capabilities, but less so to process-centred capabilities. She therefore continues to forward manuscripts to the Danish partner's company for proof-reading instead of trying to build capabilities for this process in-house. Unfortunately, since it is time that is most often the limiting factor, the Danish partner chooses to correct the mistakes instead of making the Ghanaian employees correct them. On the one hand, this has resulted in a tendency for the Ghanaian employees to make the same errors over and over again. On the other hand, the improved quality of the owner's publications has been noticed by both distributors and authors. Consequently, she has managed to have her books distributed through organisations and institutions specialising in books from SSA, from which she receives scarce foreign exchange with which to pay for the printers. At the same time, she is receiving an increasing number of manuscripts from African writers.

Secondly, the Ghanaian owner/manager is well aware that her Danish partner has a wide network and great knowledge of the international publishing business. She therefore lets her Danish partner handle all communications with, for instance, printers, including locating them. During the course of the PSDP cooperation, therefore, she has not become acquainted with the skills necessary to explore and maintain these links.

Thirdly, staff have been replaced in the Ghanaian company since the collaboration began: a skilled desktop publisher was employed at the start of the intervention, and technical training for the first couple of years was directed solely at her. However, after a few years she chose to quit her job. It is not yet clear what she de-

cided to do next. The Ghanaian owner/manager maintained that her former employee is now working in a bank, where she does not make use of any of the skills she acquired from the publishing company. However, an employee of the Danish company responsible for desktop publishing insisted that she was offered a better job in publishing.²⁷⁵ However that may be, the fact is that, with the replacement of staff, all technological capabilities relating to the preprint phase of the production process were lost (for the company), and new capabilities had to be developed.

Fourthly, the Ghanaian company, despite its small size, has a very hierarchical structure, with impermeable boundaries between the various tasks, and has probably become even more hierarchical since the former desktop publisher left. Consequently, the owner/manager is responsible for all decisions regarding which books to publish, does all the editing work and takes care of communicating with authors, her Danish partner, customers and international distributors. She has only opened one e-mail account in the company, which is her own account. Consequently, all communication between the Danish company and her employees concerning pre-press work has to go through her – the Ghanaian employees simply do not communicate with representatives of the Danish partner if the latter are not physically present in Ghana. Therefore, the Ghanaian employees only learn whenever staff from Denmark are in Ghana; in between these training sessions, they just continue to make the same mistakes over and over again. Moreover, the Ghanaian staff have many other responsibilities than desktop publishing, providing lunch, serving coffee, fixing the toilets whenever they break down etc. Thus, the training sessions seldom become intensive, and valuable time goes on activities that could have been dealt with by others.

In conclusion, this PSDP collaboration has indeed assisted the upgrading process in a small Ghanaian publishing company, but the process has been very uneven, and the Ghanaian company still depends greatly on its networks, and not just the capabilities of its Danish partner.

Case III. Unfulfilled expectations lead to worsening technological capabilities (P16)

In September 1999, a Ghanaian graphic designer was invited to Denmark to present his business at a TechChange fair in Herning. His company profile had been forwarded to five potential Danish PSDP partners in advance, and besides these companies, a couple of others were also showing an interest in collaborating with him. Approximately one year later, one of these companies came to Ghana to pursue the

²⁷⁵ I was unable to locate the former employee. The Ghanaian owner/manager did not want to pass me information concerning her whereabouts, and the Danish partner had also been unable to locate her.

possibility of formal collaboration further. This particular company, which eventually became the PSDP partner, already had experience of a PSDP collaboration in the printing business in Zimbabwe.

The Danish owner had no interest in starting a joint venture with his Ghanaian partner, and therefore the two partners, with assistance from DI, agreed to form a technical partnership, that is, a partnership with no underlying mutually binding agreement. The sole purpose of this was to upgrade and improve the existing pre-press operations and to establish an in-house printing facility in the Ghanaian company. The transfer of technology was intended eventually to lead to a doubling in the number of employees, a reduction of the Ghanaian company's reliance on external sources for printing services, an increase in its foreign-exchange earnings, increases in turnover and profits, and eventually an increase the government of Ghana's tax base.

The situation some three years later is still far from the hoped-for outcome of the PSDP collaboration. Hardly any activity is taking place, the Danida loans have not been repaid, almost all the employees have been laid off, the customers have gone, and a key machine is still not working.

On the face of it, this ought not to have happened: the Ghanaian partner had a good reputation in Ghana as well as internationally, where he had won a couple of prizes for his design; his key staff had a theoretical as well as practical grounding in design and pre-press operations; the PSDP collaboration focused partly on already known techniques; and the Danish partner had previous experience of both the PSDP and SSA. Thus, the basic premises for successful technology transfer were present, and one would expect that the outcome of the collaboration would have been somewhat different from what actually happened. The big question is thus why did it happen, and what was the role of the PSDP in this process?

A main reason why the intervention did not proceed as planned relates to unfulfilled expectations on the part of both partners. In 2000, when the Danish partner came to Ghana to prepare the application form for the PSDP, the Ghanaian company was facing problems due to its lack of in-house printing facilities. The company had neither printing nor finishing facilities, and therefore had to outsource this work. However, neither deadlines nor quality requirements were met by these companies, and the Ghanaian graphic designer was receiving numerous complaints from his customers. He had no prior experience of development agencies or foreign partners and thought that the PSDP would begin shortly after the application form had been handed in. Similarly, he expected the technology transfer, including the necessary training and technical assistance, to translate into productivity gains quickly. Based on these expectations, he decided not to accept any more orders:

since he did not want to risk getting a bad reputation and lose customers due to delays and poor quality products while the PSDP collaboration got started, he was reluctant to initiate new projects and instead scaled down his business and focused entirely on what could be done in-house.

However, the actual process of getting the PSDP up and running experienced delays, and when the printing and finishing equipment eventually came to Ghana, parts of it did not work, and some minor parts were missing altogether. This process lasted nearly one year, during which period the Ghanaian company was hardly producing anything and therefore not making any profit. Salaries were only being paid irregularly, which led to all the trained staff – that is, the manager, the designers and the desktop publishers – to leave the company, either to start businesses of their own or to seek employment elsewhere. Therefore, when the PSDP got started, the level of technological capabilities among the Ghanaian staff was much lower than when the partners had first met. In reality, all technical work on the computers was carried out by a young Canadian geekcorp (a technology volunteer). In addition to the geekcorp, the staff comprised a secretary and a driver, who had been working there from before the Ghanaian owner/manager went to Herning, and a newly employed designer, a manager, two printers, and an assistant printer. None of the newly employed staff had any solid prior experience. Hence, the training and instruction became more demanding than anticipated, and technological capability building therefore went, much more slowly. Moreover, training plans had to be re-worked, due to the change of staff.

The Ghanaian partner was fully aware that his Danish partner had insisted that the collaboration should not be a joint venture, but the information he received from the Danish Embassy, his communications with other Ghanaian PSDP partners and his knowledge of the Danish partner's prior PSDP experience gave him reason to believe that it was just a matter of time before his Danish partner changed his mind. Based on the preliminary talks, first in Herning and later in Ghana, the Ghanaian partner decided that he had to find suitable offices for the company, which was about to increase in size. In addition, he took out a Danida loan to pay for a digital camera, computers, computer programmes, a scanner, a printer etc. None of this seemed to be a problem at the time, first because he expected to make a large profit,²⁷⁶ and secondly because he anticipated his Danish partner investing in the company. As is apparent from the above, none of this happened: the company is hardly producing, and the Danish owner/manager never invested in the company.

²⁷⁶ Figures in the feasibility study indicate that sales turnover would increase ten times in the five years following the start of the PSDP, and that company profits would increase 23 times during the same period!

In fact, the Danish partner pulled out of the collaboration shortly after it was initiated and left responsibility for it to a former employee of his, who now has his own private company. As already mentioned, the Danish partner had already taken part in one Danida-funded PSDP activity in the same line of business. He thought that he could transfer his experience from this collaboration directly to the one in Ghana, but failed to realise that the printing sectors in the two countries were very different, that competition in Ghana was fiercer, and that the training needed was different. On top of this, the Danish partner's relationship with key personnel in the embassy was characterised by a certain degree of mistrust. His former employee, who had taken over from him, possessed managerial and organisational capabilities but no technical capabilities. Also, he did not face any economic risks: the PSDP was essentially seen as a way of coping with changing demands in his own company.

Several other factors have influenced the current situation of the company. Most importantly, a combination of unfulfilled expectations and declining business made the Ghanaian owner/manager spend more and more time on his other income-earning activities. This meant that the company lost more and more customers, while the newly employed staff either left the company or were fired. Also significant was the fact that the Ghanaian partner had no technical knowledge of the new computers and desktop programmes in the pre-press department, the colour offset machines in the printing department, or to the laminating, stapling and folding machines in the finishing department. Moreover, the newly employed staff had no prior knowledge to build upon, and the Danish partner responsible for the collaboration had only managerial and organisational experience. Technical training was thus only conducted in relation to the installation of new machines.

In the end, therefore, technological capabilities in this Ghanaian graphic designer company were lower two years after the Business Partnership was initiated than when the partners first met in Denmark. During the initial phase of the PSDP collaboration, the Ghanaian partner decided where to relocate the company and was able to find a suitable project, namely the PSDP. Likewise, the already existing technologies had been installed anew. Thus, the company already possessed basic investment capabilities when the PSDP took off. In principle, no change took place in this form of technological capability during the course of the collaboration. The story is somewhat different, however, as regards both production and linkage capabilities. While, prior to the PSDP collaboration, the company was indeed able to perform tasks that could position its production capabilities between the basic and the intermediate levels within the narrow range of activities the company undertook, its current employees are hardly able to carry out routine production control

or basic equipment maintenance, nor to replicate specifications from either the Danish partner or customers: in other words, they hardly possess any simple or basic production capabilities. Almost the same can be said about the linkage capabilities. While the Ghanaian graphic design company was previously able to link up with its suppliers and subcontractors – and even though these contractors were one of the main reasons for upgrading the company – these capabilities are currently unused and, moreover, are only possessed by the owner/manager.

Case IV. Technological capability set-backs in a small textile enterprise (P6)

In 1996, a Start-up Facility was initiated between a small-scale Danish textile company and a small-scale Ghanaian textile company, and in 2000, the partners signed an agreement for a Business Partnership. Three years later, the partnership had ended abruptly, and the Ghanaian company in many ways resembled what it was almost a decade earlier. What happened during these nine years, and especially why it happened, is unclear. The various stakeholders tell somewhat different stories. This account relates predominantly to the building of technological capabilities in the small Ghanaian textile company. It seeks to include the views of the two main stakeholders, the Ghanaian and Danish partners. However, not all aspects are examined here from both sides. In these cases, the findings are backed by my own observations or the observations of third parties.

The Danish partner already had experience of a business venture with an SSA partner when the Start-up Facility began in the mid-1990s. Her former experience was actually the main reason why she learned about the PSDP. Danida's programme coordinator at the Danish embassy in Accra had read about her business ventures. As the PSDP was then still relatively new, he was looking for potential partners, both in Denmark and in Ghana. He therefore contacted the Danish partner and invited her to Ghana to visit a few textile companies. Based on her former export experience, as well as her prior experience with a development agency, the Ghanaian female textile entrepreneur was chosen for a PSDP collaboration.

At the time the Ghanaian company was producing hand-dyed textiles, mostly batik for the local market. It had a few girl employees and otherwise used casual labourers whenever needed. All chemicals, dyes, fabric etc. were of local origin and mostly bought in small quantities from small enterprises in the nearby area. The intention of the PSDP was to turn the company into an 'export class business' by providing new designs, making quality improvements and introducing new products. Competition among small textile companies in Ghana was increasing. Meanwhile, the Ghanaian partner's local market was shrinking, due to a lack of new

ideas and new products. The Ghanaian partner therefore saw plenty of possibilities in the new collaboration.

In accordance with her Danish partner, therefore, she chose to concentrate fully on the new market opportunities in Denmark. Basically, she imported all the dyes and most of the chemicals through her Danish partner (dyes from the partner and chemicals from Germany), produced the textiles, and re-exported her products to Denmark. The Danish partner designed all the products before their production in Ghana. At the end of the Start-up Facility, the Ghanaian company had changed all of her production in such a way that it catered to her Danish partner's requirements. However, this also meant that she lost all her local customers, as they had no interest in the new designs or new colours. Thus, when the collaboration ended with accusations of irregularities on the part of the Ghanaian owner/manager, she had to start again from scratch because the Danish partner had been responsible for all her supplies, as well as for the retail sale of the products. All the production capabilities that had been built up during this phase proved useless, like the new techniques and new designs in the local market.

During the Start-up Facility, the Ghanaian owner/manager experienced a positive change in her company. She had employed a couple of primary school leavers to operate the sewing machines that came as part of the PSDP collaboration, turnover had increased, and she had been taught new techniques. She was therefore eager to continue the collaboration, even though she acknowledged that it had been far from easy to work with her Danish partner. The Danish partner, for her part, did not want to continue with the collaboration, but was persuaded to do so by the Danish programme coordinator, as he considered the textile industry to be important for Ghana.

In the course of preparation for the second phase, the partners decided that the Business Partnership should not focus entirely on re-export to Denmark but instead be equally divided between the home market and the Danish market in order to avoid a total collapse if or when the collaboration ended.

By 2000, when the Business Partnership took off, the Ghanaian company was virtually dormant. The Ghanaian owner/manager had taken up production of textiles and garments for the local market again, but due to a lack of working capital she could only buy small quantities of fabric, chemicals and dyes whenever she received an order. All her employees apart from her adopted daughter had been laid off due to declining sales, and many technological capabilities had been lost, mostly because the Ghanaian owner/manager had not used the techniques she had learnt since the end of the Start-up Facility, but also because her employees had

now left the company.²⁷⁷ Technological capability building therefore had to start again.

Besides the double focus, in many ways the Business Partnership resembled the Start-up Facility: the Danish partner made the designs before the textiles were produced in Ghana and re-exported. Training was organised so as to support this process. The Danish partner taught her Ghanaian partner, her adopted daughter and two new employees how to work with colours and how to dye. Moreover, attention was paid to replicating her specifications and improving the quality of her products. In order not to make the same mistake twice, the Ghanaian owner/manager also hunted for customers in public as well as private offices in the nearby area.

However, she had difficulties turning the textile company into a sound business. The Danish partner demanded a relatively high royalty on her designs, which the Ghanaian owner/manager could not add to the price of locally sold products. She therefore contacted her lawyer, who insisted that the royalty at the very most should be one-quarter of the current royalty, which according to him was the highest royalty one could legally pay in Ghana. This conflict over royalties, among other conflicts over marketing strategies, timely deliveries, budgets etc., eventually led to the total collapse of the collaboration.

According to the Ghanaian owner/manager, the Danish partner told her one day that she needed the book in which they had collected all the designs, the colours, the dyes etc. for all the textiles they were producing because she had to make some corrections during the night. That was the last time she saw either the book or her Danish partner. Once again she had to start anew. Of course her production capabilities had been increased and the collaboration itself had been an eye-opener for her, as she is now aware of the potential of other designs and fabrics, though is not able to make these designs herself. During the past nine years, however, she has lost all her connections with local suppliers of dye and chemicals and no longer has any regular customers. Both input and output were previously taken care of by her Danish partner. This arrangement is now finished, and she is now worse off in terms of linkage capability than when she began the collaboration almost a decade ago. Moreover, the company's unstable turnover and profit make it impossible for her to obtain a loan in any commercial bank in Ghana.

²⁷⁷ All former employees are now housewives who are either not working at home or selling foodstuffs locally. According to the Ghanaian owner/manager, they all wanted to start their own textile businesses, but since none of them could find the necessary capital, they chose instead to get married and now have children.

8.1.2 Technological capability building in Ghanaian PSDP companies: determining factors

Technological capability building and the related upgrading process in Ghanaian companies are key indicators of the longer-term impacts of Danida's PSDP.

On the one hand, Case I to Case IV illustrate factors of importance for building technological capabilities in Ghanaian PSDP enterprises. One of these factors is learning. However, as spelled out in section 4.4.1, different learning mechanisms are useful in order to build different forms of technological capability, and especially to build different levels of technological capability. As shown by the cases above, capabilities in the Ghanaian PSDP companies mostly stem from firm-external sources, or more precisely, from the interaction with the Danish company via the PSDP. By far the most frequently applied teaching methods in the PSDP collaborations include *learning-by-doing* and *learning-by-using*. These learning methods are especially advantageous for building basic production capabilities or capabilities that lie in the vicinity of what is already known in the recipient company. They relate directly to the new equipment sponsored by Danida and are easily transformed for use in training and technical assistance. However, they may not be sufficient to build intermediate and advanced technological capabilities: in order to move beyond a certain threshold, other learning mechanisms are needed. Of importance here are *learning-by-interacting*, *learning-by-searching* and *learning from spill-overs*. Of these, only *learning-by-interacting* is employed in the PSDP, using the relationship between the Danish and Ghanaian companies, as they are defined by having dissimilar capabilities.

On the other hand, the cases discussed show that no general life histories may be applied to technological capability building in Ghanaian PSDP companies. Specific circumstances relating to the collaboration itself, as well as to the economic and political contexts in which it is situated, determine how capabilities are developed. However, some general observations can be made. The first is that technological capabilities tend to come together. In other words, increased production capability levels tend to cause linkage and investment capability levels to rise, but not necessarily so. If the building of, for instance, linkage capabilities is not attended to purposefully, and if the Danish partner takes responsibility for procurement, sales, technology etc. linkage capabilities may either not develop or in certain cases actually decline. Similarly, investment capabilities need special attention from the PSDP collaboration in order to expand. However, almost all of the PSDP collaborations pay attention to building production capabilities. Only very few collaborations pay deliberate attention to investment and linkage capabilities, respectively. One should therefore not expect all Ghanaian PSDP companies to make equal progress in all forms of technological capabilities.

Factors internal as well as external to Danida's PSDP seem to influence technological capability building. Put differently, the Ghanaian business system, like the PSDP design itself, may hinder capability building. Since, in general, Ghanaian companies are in constant need of capital (cf. section 7.3), most decisions seem to be based on the availability of capital rather than strategic planning. The decision to seek a Danish partner and apply for PSDP funding may be perceived as a strategy of enhancing the availability of capital. However, this choice usually leads to entails investment-related decisions being taken by the Danish partner, who comes to act as a specialised agent: investment capabilities therefore only tend to be developed if the PSDP partners deliberately seek and plan to develop them.

As already mentioned, processes of production capability building are most often stated in the form of the objectives of the collaboration: they form the central part of the PSDP. Therefore, improvements in this form of technological capability are more prevalent than in the other forms. However, the level of capabilities seldom passes beyond a certain (relatively low) threshold. There are two main reasons for this. The first is related to the Ghanaian educational system (cf. section 7.4), where technical skills are mostly taught under apprenticeship-like circumstances, which ensures that skills are very firm-specific. This also means that most employees do not have a theoretical background to build on, which may impede the building of more advanced technological capabilities. The second reason is associated with the PSDP: in almost half of the PSDP cases examined in Ghana, the partners sought to introduce a completely new product as part of the PSDP (cf. section 8.2.4). As shown in section 4.4.1, learning processes are usually at least partly cumulative, that is, companies seldom jump from one sector to another, as the efforts needed to do so are far greater than just advancing along one path. The introduction of new products therefore demands great technological efforts, which, however, cannot always be met due to the structure of the Ghanaian educational system. Moreover, the new technologies introduced by the Danish PSDP partner may impose discontinuities that also hinder rapid improvements in production capabilities.

In general, linkage capability building is neglected, as the initiative in searching for and exploiting business links is left to either the Danish embassy or the Danish partner, or both. As soon as the matchmaking between the two partners has been completed and the application for funding approved, many Ghanaian owner-managers expect the enterprise to develop instantly, due to access to the Danish market, new machines and a steady inflow of capital. However, this is seldom the case, as Danida's specific routines make administrative procedures lengthy, and time schedules are seldom observed because of financial constraints, difficulties in obtaining the right equipment, problems in procuring high-quality inputs etc. Moreover, partners underestimate the time it takes to get to know each other. Instead of searching for alternative markets and other funding channels, owner-managers slow down operations and wait. The result is often that they lose custom-

ers and pull out of agreements with sub-suppliers. Therefore, linkage capabilities deteriorate.

A technological capability building strategy using the PSDP may end up being a two-edged sword. On the one hand, the PSDP collaboration facilitates relatively rapid improvements in some forms of technological capability, as the PSDP offers access to training and equipment. On the other hand, the Ghanaian enterprise may end up being fettered to one partner, namely the Danish PSDP company. There is therefore a tendency for the programme to cause excessive dependence, which may eventually impede functional upgrading in the recipient company: that is, the PSDP may hinder improvement in the overall skill content of the activities performed in the firm because the Ghanaian company relies totally on its Danish partners and thus fails to upgrade central investment and linkage capabilities.

8.2 Simple indicators fail to grasp the complexity of impact: an attempt to measure intended impacts on the target group

The recently published meta-evaluation of so-called ‘Private and Business Sector Development Interventions’ repeatedly criticises the ‘sometimes subjective and qualitative’ indicators used to evaluate Danish PSD support. Instead, the evaluation team proposes that indicators should ‘be quantitative without being highly technical’. More precisely, it suggests that evaluations should adopt indicators such as changes in turnover, changes in value added, and changes in market development (Danida, 2004a: 8f, 53, 63f).²⁷⁸

In so far as an intervention’s development targets and objectives are presented in a quantitative form, evaluations may also apply quantitative measures to determine whether or not an intervention has reached its goals, but without clearly defined targets and objectives (as is the case in Danida’s PSD interventions), no clear reason exists why quantitative measures should be any more valid or objective than qualitative ones.

In the specific case of Danida’s PSDP in Ghana, many local enterprises do not have detailed information regarding, for instance, changes in value added over a long period of time, nor does information exist regarding the number of companies within a certain sector, or the number or types of goods available. Thus, strictly quantitative figures based on ambiguous data tend to suggest accuracy where no accuracy actually exists. In addition, an assessment of impact based on such figures alone would be highly unreliable, as these figures do not take the source of change

²⁷⁸ Among the most criticised evaluations are those of the Private Sector Development Programme, which is said to be based only on qualitative indicators, with no clear indication of how they are operationalised; and of the Mixed Credit Programme, which is also said to be based only on qualitative indicators.

into account: it is very unlikely that changes in these categories should be the sole product of the PSDP. More likely, they are the result of an interplay of factors, of which the PSDP may be one.

Moreover, an impact study as defined in Chapter 3 seeks to *understand* the changes that are associated with aid interventions, not merely to *list* them. Changes here are perceived as the result of an interplay between Danida's PSDP, the participating Danish and Ghanaian enterprises, other stakeholders, the economic and political situation in Ghana, and the Ghanaian business system.²⁷⁹ To facilitate manageability of the impact study, a three-pronged design has been chosen (cf. section 3.4 page 74), which distinguishes between impacts at the enterprise level (that is, the target group), at the private-sector level, and at the society level.

The aims of the PSDP collaborations are unclear. As noted in Chapter 2, Danida does not stipulate which development goals are most important, nor how many of them the partners have to fulfil (or in what order, or if at all). Moreover, these goals cannot be assessed in all cases due to Danida's policy of confidentiality (cf. section 6.2.1); and many PSDP partners, especially in the early years of the PSDP in Ghana, stated the goals so vaguely that an unambiguous assessment of goal-fulfilment would be misleading.²⁸⁰

Instead, four indicators have been chosen that focus on the developmental issues involved in the PSDP. These are *changes in employment*, which are included because it is the argument in favour of the PSDP that is most often put forward by Danida; *changes in earnings*, which are used as a proxy for the economic achievements of the company; *changes in productivity*, which provide an idea of a company's ability to make a profit; and *changes in products*, which hint at enhanced product or process capabilities. Moreover, when combined, these indicators give an impression of the current economic situation in the Ghanaian PSDP companies, their capacity to make vital investments, their ability to compete locally as well as abroad, and their potential to increase incomes.

Although at first such indicators may provide an idea of how the PSDP has fared, they are riddled with uncertainties. This section therefore argues that they may well provide a rough, summary idea of the situation in the local companies

²⁷⁹ One could argue that numerous other factors also affect the changes, most notably aspects of the Danish business system and patterns of globalisation. However, these factors are only included where a relationship between these aspects and changes in the PSDP company are probable.

²⁸⁰ Actually, the Danish Audit Department compared the objectives stated in the application forms with the performance of the company-to-company collaborations. It found that in Ghana only three collaborations met the stated goals to a large degree, eight met the goals to an acceptable degree, while five met the goals to a lesser degree (Rigsrevisionen, 2003).

subsequent to a PSDP collaboration, but in order to understand how the intervention has impacted on the target group, much richer data is required.

8.2.1 Changes in employment

As spelled out in section 2.2.2, one of the criteria used by Danida in order to assess potential PSDP collaborations is their ability to create or preserve jobs. Only the creation of jobs may be measured quantitatively with any accuracy, as assessing the preservation of jobs clearly has to be based on a more thorough discussion of possible future scenarios once Danida's support has been withdrawn. Moreover, according to Mead and Liedholm (1998: 66), this indicator is the most widely used indicator of change in the small-enterprise sector, as it is 'most easily and accurately remembered by entrepreneurs' compared to other indicators "...and because it does not need to be deflated". However, data from the small-enterprise sector in SSA suggests that the 'changes in employment' indicator is biased: employment data seem to increase with a lag after substantial growth in, for instance, turnover. Based on these findings, employment data suggest a conservative estimate of the changes in the company (Mead and Liedholm, 1998: 67).

Table 8.3. Employment adjustments in Business Partnerships

No	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15	P16	P17	P18	P19	P20	P21
S																					
P																					
Outset	80	135	>50	91	-	15	18	18	300	0	>50	12	27	7	130	13	1	60	5	22	-
'02	80	180	25	56	37	3	18	18	2000	15	7	0	23	33	75	8	3	60	2	27	
'03	94					1							12	23		4	3½		5	20	-

Table 8.4. Employment adjustments in Start-Up Facilities

No	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26	S27
S																											
Outset	100	80	40	>50	5	-	25	9	8	70	70	140	3	1	25	3	-	86	9	5	1100	11	6	40	1	2	-
02	63	50		25	5	190	37	10		160	160	140	9	10	5		140		12	4	800	8	4	60	2	6	48
03			30						40							8		<5									

Table 8.3 and Table 8.4 above depict the changes in employment since the individual PSDP collaborations were initiated. The first row refers to the numbers given to the collaborations (cf. Appendix B). ‘P’ denotes Business Partnership and ‘S’ denotes Start-up Facility. The second and third rows in Table 8.3 and the second row in Table 8.4 refer to the year the collaboration was initiated and thus indicate the time-span of the change in employment between the figure at the start (row four in Table 8.3) and the figure at the time of fieldwork in 2002 and 2003 respectively (rows five and six). The cases described in section 8.2.1 are highlighted.

An analysis of the changes in employment in the PSDP collaborations based merely on quantitative data does provide some meagre initial results (see Table 8.3 and Table 8.4 above): in six Business Partnerships and nine Start-up Facilities, the number of employees has increased since the start of the collaboration; it has remained unchanged in four Business Partnerships and two Start-up Facilities, decreased in nine Business Partnerships and nine Start-up Facilities, while for two Business Partnerships and three Start-up Facilities information is lacking.

Before proceeding with a more thorough examination of the changes in employment in the PSDP collaborations, this indicator requires further qualification. First, not all collaborations actually aim to increase the number of employees, some focusing instead on, for instance, expansion of production or achieving export experience. Second, the changes in the number of employees are not necessarily related to the PSDP collaboration, but may result from, for instance, changing markets, or changes in other parts of the recipient company. Third, positive employment changes in Ghana do not necessarily designate positive overall impacts, but may instead conceal specific Ghanaian Business System characteristics. Fourth, although the number of employees is constantly changing, the picture provided here is largely static. Fifth, various types of employee are included in the aggregate figure provided in Table 8.3 and Table 8.4, such as family labour, casual workers, part-time and full-time employees. Likewise, the figure covers skilled as well as unskilled workers, and managers, expatriates and administrative as well as operational staff: an adjustment in the number of jobs does not explain qualitative changes in employment as a result of the PSDP. Lastly, employment data in the Ghanaian PSDP companies must be treated with reservations: some owner/managers clearly embellished the data, either because they saw me as a potential donor (cf. section 6.3), or because they wanted to conceal company, market or staff problems. Employment data may relate to various groups of more or less permanently employed staff (cf. section 6.2.2), and in any case most owner/managers could not recall the exact number of employees they had at the

end of the (formal) PSDP collaboration. Thus, all figures relate to the situation in 2002 and 2003 respectively.

The four cases presented below demonstrate some of the problems involved in using this indicator.²⁸¹ These cases show that a change in the number of jobs may derive from other mechanisms than the PSDP, such as international trends in the supply and demand of a particular good (Case V); that immediate changes may very well be different from longer-term changes revealed by this indicator (Case VI); that negative changes in employment may reveal positive adjustments in the company as a whole (Case VII); and that employment data may be embellished (Case VIII).

Case V. Employment increase not related to the PSDP (P9)

The first case is very unusual in many ways: it has received funding twice, it includes many other aspects than purely business ones, and it includes a whole community as partner. The largest forest and wood-processing company in Ghana in the mid-1990s was given a concession by the Government of Ghana. The area was an off-forest reserve located between two large forest reserves.²⁸² From aerial photos dating a few years back, the forest in this area seemed to be almost as dense as in the adjacent forest reserves, but within the last couple of years the farmers living and working in the area had started cutting more and more of the wood without re-planting any trees.

Both the population of this area and the two partners therefore had an interest in making the forest remain healthy in order to make the production of timber and non-timber products possible in the future. The local farmers are mostly migrants who have moved into the area to cultivate cocoa, but the soil is not suitable for cocoa cultivation. The yield per acre is very low compared to other cocoa-producing areas, and farmers must therefore cultivate an ever larger area in order to obtain the same yield as other farmers. Hence, they were interested in any project that could increase their income. The two formal partners, a Ghanaian timber company and a Danish trading company, also saw possibilities in the project, which aimed to re-

²⁸¹ The examples are not limited to the seven in-depth studies (cf. section 6.2.1), but cover all 48 different collaborations. Here, the cases are chosen according to their strategic importance in relation to the general problem – that is, they are chosen to reveal as much knowledge as possible (Flyvbjerg, 1991, 2004). Data for the cases derive principally from my interviews with owner/managers and employees in the Ghanaian PSDP companies; application forms, feasibility studies and other relevant material made available by the partners; discussions with Danish partners; and sporadic data from Danida documents, such as reviews, evaluations and presentations.

²⁸² In an off-forest reserve the local chief may give permission to any farmer to cultivate the land, but the trees in the area are vested in the state. Hence, the timber industries need permission from the government to log the trees. These special rules, which relate to off-forest reserves, therefore often give rise to conflicts between the chiefs and the logging companies (and the state).

duce the reforestation, as this would eventually increase the sustainability of their businesses.

The idea for a forest-management programme came from the Ghanaian partner, which knew that, in order to make a profit, in the long run it had to avoid conflicts and make sure that the off-forest area continued to produce logs. At the time, the Ghanaian partner was already trading with the Danish company, which knew of the PSDP and was aware that the collaboration itself had to be specially designed to make it suitable for PSDP funding. Funding was approved with the help of an external consultant and an eager ambassador, although the collaboration had hardly anything in common with usual PSDP collaborations. The Business Partnership was very complex – too complex, as it turned out. It included, among other things, the dissemination of information to the farmers to make them realise that it was economically beneficial to regenerate the forest; extension services so as to introduce new crops; and a community development fund that transferred funds from the logging company to the population of the area (US\$ 5 for every cubic metre of timber). Meanwhile, however, the Ghanaian Government eagerly promoted cocoa cultivation, which made it very difficult to persuade the farmers to change the way they cultivated the area.

By the time the Business Partnership ended, therefore, although many activities were just about to take off, the risk of a collapse was still overwhelming, as the interests involved in the project were many and often contradictory. In order to cope with its complexity and make it more profitable, the partners applied for another Business Partnership, this time involving a NGO to be responsible for the agricultural aspects of the collaboration. Central to the second phase of the Business Partnership was the introduction of new species that were intended to make it possible for the business partners to exploit a greater share of the forest economically.

During the course of the two phases of the partnership, the number of employees in the Ghanaian timber company increased dramatically: in 1995, when the PSDP collaboration formally began, the company employed roughly three hundred people; by 2002, the number of staff, who were mostly hired on a day-to-day basis, had increased to approximately two thousand. In between staff numbers had fluctuated dramatically.

What is important here is that this increase cannot be ascribed to the PSDP at all but relates solely to international trends in prices and the demand for tropical timber. Thus, while the PSDP collaboration between the Ghanaian logging company and the Danish trading company – which also involved a community of a thousand migrants in Ghana's Western Region and an international environmental NGO – has indeed benefited positively to the economic development of the area, an unac-

companied indicator such as ‘changes in employment’ does not shed any light on this (cf. Chapter 9).

Case VI. Immediate changes in employment are different from the longer-term impact (P4)

The second case is a joint venture between a former Ghanaian SOE, a relatively small Danish pharmaceutical company that mainly sells its products abroad, IFU, the Nordic Development Fund and the Ghana Venture Capital Fund. While the initial period of getting acquainted lasted a couple of years, the Business Partnership really took off in 1998. By the time the Ghanaian SOE first made contact with the Danish company, it was obvious that the company would go into liquidation before long. However, the PSDP and the extra capital derived from the investment funds initially improved the economic state of the company, and in 2001, just after a new local management team had taken over, the number of employees was 91. Ten months later, this number was reduced to 56 and decreasing.

The Ghanaian market for pharmaceutical products is highly competitive: in 2002, eighteen other pharmaceutical companies were present in Ghana, and in addition imports, especially from India, were increasingly penetrating the market. Moreover, the product range of the Ghanaian PSDP company is quite typical in having only one product based on local raw materials. Therefore, the company has experiences difficulties in increasing its profits, and liquidity is again very tight – according to the general manager, the company is very close to bankruptcy. However, these two factors do not make up a full explanation for the current situation: just as important as the competitive market and question of mainstream products is the fact that a large share of the machines that came with the PSDP, such as the sugar film protection machine, were never made to work properly. In addition, the company has to make high service payments on its old debt, the former management team did not realise the economic difficulties in time, and the Danish partner has gradually withdrawn from cooperation, as it too has been experiencing economic difficulties.

Based on this case, employment data alone may suggest, for instance, first, that the PSDP has had an impressive positive effect, since the collaboration with the Danish partner and the availability of extra funds ensured that the Ghanaian company did not go bankrupt in the late 1990s; or secondly, that the PSDP at best had no effect, and that the liquidation of the company has just been postponed; or thirdly, and worse, that it had a negative effect, as several employees have been laid off since the start of the collaboration.

More careful analysis of the case, however, suggests that the PSDP has indeed had an immediate impact on the intended beneficiary, the Ghanaian partner in that

it temporarily gave life to an insolvent former SOE. However, the joint venture did not recognise the challenges facing the company in time. Second, the product range was not altered sufficiently. Third, collaboration was restricted to training and did not take account of the managerial problems. Fourth, some machines were unsuitable, and many ended up standing idle. Last, the collaboration did not take the economic situation of the company fully into consideration. Therefore, the longer-term impact of the PSDP collaboration has been negligible.

This picture is indeed very far from that of the same case presented in Danida's own publications. In a presentation of business collaborations, it states: 'Constant growth and productivity gains have given [the company] reason for optimism' (Ministry of Foreign Affairs, n.d.).

Case VII. Employment has been adjusted to make the company economically viable (S23)

Through one of its customers, who had already participated in two PSDP collaborations, a small Ghanaian marketing and design company heard of the possibilities of finding a Danish partner, which on the one hand could provide equipment for the company, and on the other hand could supply it with the necessary technical training to make it more competitive. The Ghanaian company was increasingly faced with problems due to its limited resources: preprint operations and printing had to be outsourced, quality was low, and orders were often delayed. What was needed was to enter the printing business to cut down costs, increase reliability, and thus regain old markets as well as win new ones.

The Start-up Facility with a small printing company in Denmark included a second-hand one-colour offset printer and a couple of computers for desktop publishing. Unsurprisingly, the aged equipment has generated minor problems of maintenance, repair, capacity etc. What is important, though, is that it has totally changed the Ghanaian company: while previously it was constrained by its lack of equipment to focus only on the design phase, it now performs the whole range of tasks, from the initial idea through to the final printing. During the course of this transformation, its customers have also changed drastically, and turnover has increased rapidly. Concurrently, the number of employees has decreased by 33 percent!

The Danish partner found that, in order to make the Ghanaian company profitable, it simply had to make two employees redundant. This means that, on top of the two owner/managers, the company now consists merely of a graphic designer, two printers and a secretary. Laying off these two workers was therefore part of a strategy to make it a paying business and does not denote anything negative. However, this simple truth would not have been grasped had this indicator not been substantiated.

A Ghanaian entrepreneur with a dense network of politically important individuals, including a current minister who has worked as a financial manager and a senior consultant for his company and a former programme officer at Empretec,²⁸³ was advised to approach the Danish Embassy for support for his business idea. A couple of years prior to his PSDP application his company, which was mainly based on the work of a volunteer from the Geekcorps Ghana Programme, had developed a DOS-based rural-banking computer system. Since then, the programme had become out-dated and needed updating. Hence, the Ghanaian entrepreneur was looking for a foreign partner that could assist his company in obtaining the necessary knowledge to translate the programme into Windows. Based on information from his close network, he knew that Danida was supporting rural banks in Ghana. Thus, he trusted the embassy to pass his application, which it did.²⁸⁴

While the Ghanaian entrepreneur was waiting for the PSDP collaboration to start, he made contact with an international bank that deals mostly with rural banking in developing countries. This bank was searching for a company that could develop a contextually adapted rural banking system for its activities in Ghana. Thus, based on his expectations for the future PSDP collaboration, he employed ten people to develop the banking system for the international bank. By the start of the PSDP collaboration with a Danish educational institution,²⁸⁵ the Ghanaian company was therefore employing some forty people, but the owner/manager soon realised that the international bank had chosen an international partner to develop its banking system, and therefore he sacked the ten newly recruited workers.

²⁸³ Empretec is among the best known business-training centres in Ghana, with a certain reputation and a broad coverage. It was founded by an international network, which aims to develop entrepreneurs to become internationally competitive. In Ghana, it has received support from UNDP, the NBSSI and Barclays Bank. Until recently, Empretec had offices in all major cities in Ghana. However, the Tamale office was closed down in 2002, officially due to the outbreak of the conflict in the Northern Region, which made potential investors withdraw their assets from the area. Unofficially, however, the reason should be sought in the lack of private investment in the area. Empretec offers a range of different courses and seminars, mostly focused on enhancing the entrepreneurial competences of the candidates. The most renowned of these is the ten-day workshop, which, based on role-plays and games, seeks to change the minds of the entrepreneurs from a survivalist approach to a more growth-oriented one. Besides these workshops, Empretec Ghana offers a range of other courses, among them courses that aim to prepare Ghanaian entrepreneurs for business collaborations with foreign partners. Empretec also organises the Empretec Forum, a self-supporting membership organisation with its own secretariat, that aims to strengthen networks and links among former participants in the workshop. Also of importance is the increasing collaboration with established educational institutions, such as tertiary technical institutions and universities (Deteah, 2003; Eku, 2003; Gibson, 1999; McGrath and King, 1994).

²⁸⁴ According to a former Danish PS Coordinator, there is a tendency for Ghanaian partners that have participated in one or more of Empretec's (preparation) courses to perform better in the PSDP than non-Empretec course participants (Carlsen, 2002).

²⁸⁵ Officially the Danish partner is a public institution, but it also contains private entities.

A number of misunderstandings and differing expectations brought the collaboration to an end after the formal end of the Start-up Facility. Of major importance here is the fact that the Danish partner did not specialise in software development, but in distant learning. Initially this did not pose a major problem, as the Ghanaian owner/manager knew that the Government of Ghana had plans to develop distance learning in rural areas, and Danida, as well as other donors, supported education in Ghana. Thus, he expected that this new line of business would easily prosper – he had already established connections with Danida. During the initial meeting between the partners, the Ghanaian owner/manager was shown several other Danish companies specialising in software development. Therefore, the intention was to do distant learning with the PSDP partner, and then let the Danish partner spearhead the collaboration with other Danish companies to facilitate a transfer of the necessary knowledge to upgrade the rural banking system. To take account of both partners' wishes and capacities, the final project plan laid down the following four components for the PSDP collaboration: Windows software development, the development of financial systems for district assemblies, distant learning, and web-based design (a prerequisite for distance learning). In the end, however, the Start-up Facility focused only on the latter component, namely web design, which was new to all employees in the Ghanaian company. The training plan did not take the low initial skill level of the employees into consideration, and therefore, by the end of the collaboration, none of the Ghanaian employees were yet able to construct a web-page (cf. section 8.2.4 below).

The other component of the project of interest to the Danish partner, a distance learning centre, was never started at all. Distance learning in Ghana absolutely requires a wireless radio of some capacity. The Ghanaian partner was informed of this and made some preliminary arrangements with a Tema-based company. However, the Danish partner argued that the capacity of this company was too small and instead wanted to collaborate with the leading IT company in Ghana, which was American-owned. Since the Ghanaian owner/manager refused to collaborate with this company, this component never started. One can only guess what really happened. However, the fact that the Ghanaian partner had made a pre-agreement with another Ghanaian company for the wireless radio, as well as the fact that the Danish partner is now collaborating with the American-owned IT-company, may point to the true explanation.

As already indicated, any assessment of the merits of this collaboration based solely on the number of employees would be grossly misleading. In particular, it would include the ten employees who were employed just before the start of the collaboration and fired just after it started, although it hardly had any connection

with the PSDP collaboration as such. Such a before-and-after assessment would therefore wrongly show that the Ghanaian company had lost a quarter of its employees during the course of the Start-Up Facility; by contrast, a more careful analysis of these figures would reveal that no changes have taken place. However, several factors suggest that the stated number of employees is flawed, making any conclusion based on this indicator at best incorrect, at worst meaningless. First, only seven employees were to be seen during my interview at the company, namely a manager, a secretary, an accountant, a programmer, a technician, a driver and a teacher. Of course, some of the employees could have been ill or otherwise absent, but it is hardly likely that three quarters of the entire staff would be absent.²⁸⁶ Secondly, the Ghanaian owner/manager provided me with contradictory information during the interview. On the one hand, he maintained that the number of employees has remained unchanged since the start of the collaboration, that is, since he laid off ten employees. On the other hand, I was informed that three employees, among them the two project leaders, have been offered a better contract and therefore resigned and were not replaced. Thirdly, the company's entry in the membership directory of its trade organisation states that the company employs eighteen people (Ghana Associations of Consultants, 2005).

Obviously this latter figure is more recent than the interview data, but it points in the same direction as the two previous factors: employment data has been inflated, either because the Ghanaian owner/manager had difficulties in distinguishing between a possible donor/partner and a researcher and therefore exaggerated his company's merits (cf. section 6.3.2), or else because he was ashamed of the fact that his company was currently doing worse than he would have liked.

8.2.2 Changes in earnings

Several reasons make 'changes in earnings' an imperfect indicator for the impact of this type of intervention.²⁸⁷ First, and above all, many Ghanaian companies do not keep consistent accounts that are sufficiently detailed to single out changes in turnover, profit margins, salaries etc., to be able to calculate precise changes in earn-

²⁸⁶ One year earlier, I visited the company on two separate occasions for interviews with the owner/manager. Unfortunately, these interviews were cancelled due to unexpected meetings abroad. but on both occasions I was invited in: on both occasions, hardly any activity was taking place and hardly any people were around.

²⁸⁷ 'Changes in earnings' are preferred here to the more widely used 'profit', which may be defined as revenues less the opportunity costs of labour, capital and materials, because most small-scale entrepreneurs lack accurate accounts of the costs of all the inputs for the production: most often, the small-scale entrepreneurs know the basic costs, such as labour and inputs, but they seldom make provisions for the depreciation of capital goods or the cost of investments. In order to avoid misunderstandings and to indicate that data are based on entrepreneurs' own perceptions of the changes rather than exact figures, the vaguer concept of 'changes in earnings' has been chosen.

ings. Secondly, and closely related to the unreliability of data, exaggerations of changes find expression in either inflated statements of the success of the company or disclaimers of responsibility for the economic difficulties. Thirdly, the PSDP collaboration may be of minor importance to the possibility of increasing earnings, or to the company as such. Lastly, and like the situation regarding employment described in section 8.2.1 above, it is almost impossible to single out the impact of the PSDP vis-à-vis other concurrent events.

The changes in earnings in the 48 PSDP collaborations are summarised in Table 8.5 and Table 8.6 below.²⁸⁸ Due to the ambiguity of the data, no exact figures are provided in the tables. Instead, arrows indicate whether earnings have increased or decreased since the start of the cooperation, while ‘NP’ indicates that the Ghanaian company is currently not making any profit, that is, that no decision has been taken on whether it has gone up or down. In some cases this was also the situation at the start of the PSDP, while in other cases the data regarding the initial situation in the company is simply too vague to decide whether a change has occurred or not. Empty cells denote either no significant change or no data.

Table 8.5. Adjustments in earnings in Business Partnerships

Nº	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15	P16	P17	P18	P19	P20	P21	
S	‘96													‘99	‘98			‘99	‘99	‘98		
P	‘00	‘97	‘99	‘98	‘98	‘00	‘97	‘99	‘95/	‘99	‘95	‘97	‘97	‘99	‘01	‘98	‘01	‘01	‘96	‘02	‘02	‘01
‘02	NP	↑	↓	NP	NP		NP	NP	↑	NP	↓	↓	NP	NP	↑	NP	↑		NP			
‘03	NP												↓	↓		↓	↑		↓	NP	NP	

Table 8.6. Adjustments in earnings in Start-Up Facilities

Nº	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26	S27
S	‘99	‘99	‘01	‘00	‘99	‘00	‘95	‘01	‘99	‘95	‘95	‘00	‘01	‘01	‘00	‘98	‘00	‘99	‘00	‘01	‘01	‘99	‘98	‘99	‘01	‘01	‘01
‘02				NP			NP	↑		↑	↑		↑		↓				↑			NP	↑			↑	NP
‘03			NP						↓									↓									

Using these four markers for changes in earnings, the following picture emerges: earnings have increased in four Business Partnerships and seven Start-up Facilities;

²⁸⁸ See section 8.2.1 page 238 for an explanation of the rows and columns in the tables. The direction of the arrows represents a best possible ‘guestimate’ based on triangulation.

they have decreased in seven Business Partnerships and three Start-up Facilities; and eight Business Partnerships and five Start-up Facilities are currently making no profit.²⁸⁹

On the face of it, these results contradict the very idea of the PSDP, that is, to establish long-term binding agreements between Danish and developing country companies in order to provide a breeding ground for an expansive private sector that stimulates economic growth and poverty alleviation. Start-Up Facilities seem to be more profitable for the Ghanaian company than Business Partnerships, as only about one fifth of the latter have generated increased profits compared to approximately a quarter of the former. As many as one third of the Business Partnerships but less than one tenth of the Start-Up Facilities have experienced declining profits since the PSDP collaboration begun.

The explanation for this noticeable contradiction is neither straightforward nor complete. Injection of PSDP capital, as well as the high expectations that result from the prospect of upgrading via the PSDP, may have an immediate effect on the earnings of the company. However, the more time that has passed since the PSDP collaboration, the greater the risk of other factors influencing the economic situation in the company. On average, my interviews with owner/managers of Ghanaian companies that had been involved in Business Partnerships were conducted four years after they had been initiated (moreover, five had previous experience from the Start-up Facility). In comparison, data from the Start-up Facilities were collected less than three years after they had been started. More time had thus passed in the former compared to the latter. Moreover, as is apparent from Table 8.5 and Table 8.6 above, five of the seven Start-Up Facilities that have experienced increased earnings were of very recent origin (less than two years) – only one company (S10/S11 with two collaborations) dates back to the first phase of Danida's PSDP in Ghana. In contrast, three out of four Business Partnerships that have experienced increased earnings date back to the late 1990s; on average, data from these four Business Partnerships was collected more than four years following their launch.

The mere fact that that, by definition, the Business Partnerships are more comprehensive than the Start-Up Facilities also plays an important explanatory role. First, the Ghanaian partners often invest substantial resources in the collaboration, thus increasing the risks.²⁹⁰ Secondly, although the partners often instigate wide-

²⁸⁹ Where data exist for both 2002 and 2003, reference is made to the situation in 2003.

²⁹⁰ These investments are not limited to the local partner. In some cases, particularly the joint ventures, the Danish partner and other investors also invest generous funds in the PSDP collaboration. However, as the Danish partner is in most cases larger in terms of turnover and capital reserves

ranging reorganisations of the production process with the intention of making the company more effective, due to specific Ghanaian Business System characteristics regarding organisational culture, many changes are not fully implemented, and instead the Ghanaian PSDP companies are left with organisational restructuring that is only half-baked (cf. section 8.2.3). Thirdly, Business Partnerships often introduce new products (cf. section 8.2.4) in new and relatively unknown markets, which further increases the risks involved in the collaboration.

The following four cases demonstrate some of the problems involved in applying the indicator of ‘changes in earnings’. As revealed in section 8.2.1 above, many factors other than the PSDP may account for the observed changes in employment. This is also the case with regard to earnings. Moreover, the following cases do not necessarily limit themselves to, for instance, earnings, but rather point out the complexity of the impact of collaborations and the many interwoven factors that are at play simultaneously. However, in direct relation to this indicator, they point to the relative importance of focusing on core activities in the local company as well as company size vis-à-vis the impact of the PSDP on earnings (Case IX and Case X), the role of changing markets (Case XI) and changes in costs composition (Case XII).

Case IX. PSDP focus on non-core activities (S11)

In the mid-1990s, a producer of insulation sheets and polystyrene products responded to an advertisement for the Danish PSDP in a Ghanaian newspaper. Following some meetings between the producer and the PS coordinator, the Danish embassy introduced him to a Danish producer of polyurethane products in order to set up a Start-Up Facility. The Ghanaian partner bought a mobile polystyrene injection machine intended for cold-store insulation and the necessary raw materials from his Danish partner, after which a dozen employees were allocated to this new activity (a few Ghanaian technicians were employed specifically to operate the machine, and the rest were transferred from other lines of production). The Danish partner provided the training for these employees, which included teaching them how to operate the machine, as well as how to maintain it and carry out basic repairs on it. The new activity soon became a profitable business: the mobile insulation machine made it possible for the Ghanaian partner to enter a new booming market – energy prices were increasing rapidly and owners of cold stores, therefore, sought to reduce costs by adding insulation. However, other players in the Ghanaian market also took up this opportunity and competition became more fierce.

than the local partner, the investments, especially if they fail, have a relatively greater impact on the local partner than on the Danish one.

Meanwhile, demand for this type of insulation slowed, and when the machine eventually broke down after a couple of years, the Ghanaian partner, finding that spare parts were scarce, chose to postpone repairing it. Employees who had worked with the machine were relocated to other activities in the company, and the mobile insulation machine itself remained idle. Recently, however, it has been partly fixed and is now located in Tema harbour, operating as a permanent insulation apparatus.

Alongside these developments, the company has rapidly expanded its other activities, such as the production of polystyrene egg trays, takeaway containers and plates. Hence, even though the PSDP certainly increased both turnover and profit for the Ghanaian company in the years following the collaboration, changes in the market, combined with the breakdown of the machine, meant that the effect of the collaboration in terms of earnings decreased over time. Lately, the machine has been leased to a cold store and is thus again adding to the company's earnings. The machine's relative importance, however, is currently much lower than a decade ago, as the company's other activities have grown substantially, and the profit the machine generates is now much less than previously.

The longer-term impacts of the PSDP collaboration are therefore moderate, even though the collaboration may be regarded, by and large, as a text-book case of a Start-Up Facility. The partner discovered a profitable business idea, transferred the necessary technology and developed the necessary competences locally to operate the machine; but when the machine eventually broke down, its relative unimportance for the company was brought to light – the PSDP did not seek to upgrade the core activities in the large-scale local enterprise.

Case X. Size matters: marginal intervention relative to company size (S21)

In 2000, a Start-Up Facility was signed between one of Ghana's largest producers of veneer, plywood and mouldings, and a Danish furniture manufacturer. The two partners had traded for a long time; the relationship began when the owner of the Ghanaian company was the general manager of the second largest timber company in Ghana, and it continued after he founded his own company. The aim of the PSDP collaboration was to improve the quality of the plywood in order to increase exports to the Danish partner. However, exports to Denmark have not increased. Instead, the collaboration has come to an end, mostly due to diverging motives and wrong equipment.

Before the collaboration was really set in motion, the Danish partner ordered a batch of plywood. With the relative old machines available in the Ghanaian company, this order took a long time to produce, and thus the batch was produced with a loss. The Ghanaian partner accepted the low price (below the world market price)

so as to give the collaboration a good start. The Danish partner, for his part, was satisfied with the result and ordered another container of plywood. However, the Ghanaian manufacturer declined the offer of another batch for the same price.

The 'co-operation document' signed by the two partners and the PS coordinator stipulates that the Danish partner will equip the Ghanaian company with second-hand cutting machines, rollers and auto-stops for the production of plywood. These were precisely the machines that would have made the production profitable, but they machines never arrived. Instead, the Danish partner shipped a dowel machine that the Ghanaian partner already had and that bore no relation to the aim of the collaboration, namely the production of high-quality plywood. Due to these misunderstandings, in 2002 the Ghanaian owner wrote several letters informing his Danish partner that 'he under no circumstances will accept the [dowel] machine'. He also felt that the obvious lack of communication between the partners called for the collaboration to end.

At first, this start-up facility did not change the situation in the Ghanaian company for either better or worse: the Ghanaian partner pulled out of the collaboration before the (wrong) machines had been installed, and therefore no technical training was carried out, though a consultant had been in Ghana a couple of times to discuss the production process. Moreover, due to the fact that the production of plywood represents only a minor activity in a company that employs almost a thousand people, the collapsed PSDP hardly created any 'changes in earnings'. However, trading between the partners has come to an end, and the Ghanaian partner has become more wary of the real intention(s) of his other trading partners and of future collaborators. Thus, from an impact perspective, this brief PSDP collaboration, which was brought to an end even before the main component of the intervention had been put into effect, indeed had impacts, although these cannot be measured using this indicator.

Case XI. Changes in market preferences (P14)

In the late 1990s, one parquet strips producer had become totally run down. It had briefly benefited from a joint venture agreement with a Taiwanese importer that had provided it with some second-hand machinery to be able to manufacture and fulfil its orders, but orders only came irregularly and the Ghanaian company had only a few other customers. To make matters worse competition in Ghana was high, and most of the company's equipment dated back to the time of the SOE. The Ghanaian owner/manager was therefore enthusiastic about the possibilities of having his production equipment upgraded, his employees trained and efficiency increased through a PSDP collaboration with a Danish furniture manufacturer.

After initial problems relating to the quality and quantity of the products, the partners chose to aim less high: instead of producing and finishing the furniture components in Ghana, they agreed that only rough components should be produced in the country, more sophisticated procedures being carried out in Denmark. Thus, on the one hand, the renegotiation of the aims of the collaboration meant that a smaller share of the added values was retained by the Ghanaian company, and also that less training and upgrading would take place. On the other hand, the renegotiation implied that the collaboration would continue. Actually, the Ghanaian partner's productivity, turnover and not least earnings began to rise shortly afterwards. The amount of waste caused by the cutting and finishing of teak poles was reduced by twenty percent, efficiency was increased, mainly due to a restructuring of the factory, safety conditions were improved, and approximately twenty unskilled and a few semi-skilled labourers were employed.

However, the achievements did not last long. Due to an increasing emphasis on FSC-certified²⁹¹ timber in Denmark, sales of garden furniture made with Ghanaian teak declined dramatically. Thus by 2002, this PSDP collaboration was again facing challenges: the products from Ghana were simply not sellable either in Denmark, or in the Danish partner's export markets in northern Europe. The Ghanaian partner spent time and resources trying to obtain the certificates, but the certification process involves the FSC (or a FSC-certified institution), national institutions, logging companies, forest users etc. It is therefore an often lengthy and very bureaucratic process.²⁹² By the time of my interviews, production of furniture parts had come to a total standstill; the company was still producing parquet strips on an irregular basis for the Italian and Taiwanese markets, but because of the initial economic achievements of the PSDP collaboration at the outset, the Ghanaian partner had tended to neglect these two customers. Therefore, the economic situation of the company in mid-2002 seemed quite grave.

What in many ways for a while became a flourishing business, exactly because of the PSDP collaboration, later ended in a situation of inferior economic opportunities, precisely because the PSDP collaboration was met with external problems that the partners were not able to handle. Now the Ghanaian partner has lost its new

²⁹¹ The Forest Stewardship Council (FSC) is an international standard for responsible forest management. Its goal is to promote the environmentally responsible, socially beneficial and economically viable management of the world's forests. The process of certification is initiated voluntarily by forest owners and managers, who must request the services of a certification organisation, and it covers compliance with national and international laws, the satisfaction of tenure rights, indigenous people's rights and workers rights, acting upon environmental impact etc.

²⁹² The lengthy certification process has led to only very few certifications in SSA: in May 2005, only seven countries in SSA had managed to get parts of their forest reserves FSC-certificated. Ex-

market opportunities as well as the previous ones, because the latter were neglected throughout the period of the PSDP (cf. section 8.1.1). At the height of the Ghanaian partner's problems, in 2002, Danida instigated a project that aimed to establish a FSC regional office in Ghana and thus ease the process of certification. Thus far, however, no forest reserves have been certified in Ghana, and the Ghanaian partner's problems continue.

Case XII. Rapid increases in costs while selling price remains constant (S9)

Two farmers met at the Herning TechChange in 1999, a pig and poultry farmer from Ghana, and a pig farmer from Denmark. They decided to initiate a formal collaboration with financial support from Danida. The immediate aim of what became the project document for the Start-Up Facility was to increase the production of pigs through improved management and the elimination of diseases. The subsequent aim was to establish a small-scale slaughterhouse to facilitate the production of sausages primarily for the Ghanaian market, but hopefully also for other markets in West Africa.

At first sight, the PSDP collaboration seemed straightforward: the partners were in the same line of business, the Ghanaian partner's farm could easily be expanded to comply with the increasing demand for space, farm management software already existed and just needed to be implemented, and modules for the pigsty were easily available.

However, the collaboration did not progress smoothly. When the partners first teamed up, a detailed schedule for the implementation of the PSDP was prepared, but implementation was delayed before it had even begun: the Ghanaian partner suddenly realised that the farm manager, not himself, was the intended beneficiary of the PSDP-related training. The partner suddenly became anxious over the risk that the farm manager might leave after his qualifications had been upgraded. The Ghanaian partner therefore postponed the start of the Start-Up Facility for approximately six months in order to facilitate a change of farm management. This time, one of his close relatives was appointed as farm manager. Meanwhile, the Danish partner had lost interest in the project and only continued with it reluctantly. According to the Ghanaian partner, the Danish farmer did not understand the full implications of doing business in Ghana. It is of the utmost importance that you can trust your staff, especially the higher-level staff, and therefore Ghanaian entrepreneurs often end up employing relatives for strategically important positions. What

cluding South Africa, only eleven certifications have been granted covering a total of 265,000 ha in SSA (FSC, 2005).

is not so important is that these changes take time; also, it is absolutely necessary to engage in other income-earning activities in order to survive.

Meanwhile, the Danish partner had purchased the essential farm management software, but the Ghanaian partner could not make it run properly, and apparently the Danish partner could not solve the problem either. The farm management software, which should have been the essential building block for the expansion of production, has never, therefore, been used. As a further consequence, the pigsty modules were not purchased and the collaboration has in practice come to a standstill. The Ghanaian farmer initially expected the collaboration to result in a fivefold expansion of pig production, but during the course of the four years from the start of the PSDP to the day of my interview with him, production has only increased marginally. Furthermore, even though the Ghanaian farmer has acquired and absorbed certain experiences from his two short visits to Denmark, what growth in production there has been can hardly be ascribed to the PSDP.

In the intervening period since the start of the collaboration, the profitability of pig farming in Ghana has severely deteriorated and therefore impacted negatively on earnings. While the costs of feed, which is mainly imported, has increased by eighty percent during the three years due to the devaluation of the cedi, the selling price for pigs has only increased by twenty percent. Unfortunately, a different scenario but with similar implications is taking place in the Ghanaian poultry business: due to the preference for so-called white meat (breasts) over red meat (legs) among European and American customers, producers in these more affluent parts of the world dump red meat in developing markets at very low costs, thus forcing local produce out of the market. The result is that an increasing percentage of the chicken meat consumed in Ghana is now imported.

8.2.3 Changes in productivity

Danida places particular emphasis on the transfer of competences from the Danish to the local partner, as well as on social and economic developments in the host country (cf. Chapter two). However, improved productivity is not mentioned as a possible way of reaching this goal. Instead, Danida assesses the potential of PSDP collaborations to expand production in the recipient company (Danida, 2003a). Expansion of production certainly includes other aspects than productivity improvements, but some degree of overlap exists between the two.

The phrase ‘changes in productivity’ basically refers to changes in the amount of output created per unit of input; it may refer to labour productivity – that is, output per worker per entity of time – or capital productivity. In practice, productivity changes are hard to determine precisely since they may refer to changes in various

parts of the company: productivity increases may, for instance, refer to a more cost-effective use of raw materials, to more efficient division of labour on the floor, at management level or in the entire company, or to improved handling of orders etc. Since the exact variable is hard to determine, changes in productivity here refer to the Ghanaian owner/managers' perceptions of changes: it may therefore include all the various interpretations of the concept, but most often it is associated with cost-effectiveness and thus is closely related to the 'changes in earnings' presented in section 8.2.2 above. However, this is not always the case. In some instances, productivity growth may not result in increased earnings due to, for example, economic recession or changing customer preferences (see Case XIII page 256, for an illustration).

Improved productivity, *ceteris paribus*, benefits the target group: over time, productivity increases lower production costs and may therefore improve the ability to compete and make a profit. Improved productivity may also have a broader impact, as a company's ability to compete and ultimately make a profit may give rise to increasing incomes, improved living standards and economic growth. Based on these simple economic accounts, improved productivity is, therefore, of the utmost importance in order for Danida's PSDP to fulfil the overarching goal of Danida's development aid, namely to reduce poverty. Changes in productivity may, however, run counter to the other developmental issues being discussed here: productivity increases may come about as a result of reductions in staff or as a result of changes in employment structure.

Table 8.7. Productivity changes in Business Partnerships

Nº	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15	P16	P17	P18	P19	P20	P21
'02		↑				↑								↑	↑	↓	↑	↑			
'03						↓										↓					

Table 8.8. Productivity changes in Start-Up Facilities

Nº	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26	S27
'02	↑							↑											↑	↑		↑	↑			↑	
'03																		↓									

As shown in Table 8.7 and Table 8.8 above, productivity improvements are not widespread in the Ghanaian PSDPs: productivity has only increased in five Busi-

ness Partnerships and seven Start-Up Facilities. Moreover, it has decreased in two Business Partnerships and one Start-Up Facility. In three-fifths of these cases, the changes in productivity correspond with the change in earnings described above.

Danida's PSDP originally distinguished sharply between technical assistance and training, where the former related to the training and supervision of the management team, often through expatriates posted in the local company for shorter or longer periods of time, while the latter referred to the training of blue-collar workers actually to operate the 'new' equipment (cf. Chapter two). The distinction is maintained today, even though the boundaries between one and the other are no longer as sharp.

Both types of support may be directed at increasing the productivity of the company, either by focusing on the entire enterprise or through internal spin-off effects: that is, even though the PSDP collaboration only relates to a small part of the local enterprise, changes at the management level may affect the whole enterprise (Danida, 1995: 84), and in reality both types of support may be conducted by one and the same person (P11). In practice, however, there is tendency to maintain the original distinction: that is, technical assistance is aimed mostly at the organisational, managerial and administrative level, while training is related to the transferred technique.

Despite the ambiguity of what 'changes in productivity' actually refers to, this indicator seems to capture the essence of the PSDP better than the two indicators discussed above (cf. sections 8.2.1 and 8.2.2). However, this indicator is not without its problems either: the partners may pursue other aims, such as generation of employment and foreign currency earnings, but, faced with a deteriorating economy, these aims are not met. Nevertheless productivity has been raised (Case XIII), and the collaboration may end before training has been initiated, but the organisational changes still impact positively on the productivity of the company (Case XIV). However, the PSDP may also influence the target group in a negative direction. Case XV illustrates how the opportunity to obtain donor support has acted as a pretext for not finding other solutions to the problems of the company.

Case XIII. Original aim not met, but productivity has increased (S20)

An advertisement in a newspaper opened the eyes of a Ghanaian jeweller: he had just completed a one-year entrepreneur training course at Empretec²⁹³ and had become aware of the limitations of his company. The organisational set-up could be improved, and in order to improve the efficiency of the production process and thus

²⁹³ See note 283, page 244, for a description of Empretec Ghana.

increase his turnover and earnings, he needed a semi-automatic machine to be able to produce many similar products. The PSDP could give him exactly what he needed: technical equipment and technical training.

According to the application forms, the developmental aims of the collaboration between the Ghanaian and Danish jewellers were an expansion in the number of staff, the generation of foreign currency earnings and improvements in the working environment. Strictly speaking, none of this has been achieved. During the course of the Start-Up Facility, the staff were reduced from five to four; exports to Denmark have not been achieved, as the finishing of the products is different, being quite simply more sophisticated in Denmark – and the adaptation of the new machine is proving to be a gradual process; and the working environment has not yet been changed to any major degree.

However, this still does not make the project collaboration a failure: the Ghanaian jeweller has indeed increased the productivity of his own and his employees' work. The new machine, which is of the same type as that used by the Danish partner, is gradually being adapted to the needs of the Ghanaian partner, and the Ghanaian company is now able to produce many of the same items in a short period of time. The Ghanaian owner/manager and his staff have been trained to use the new machine, and new ideas and designs are being passed between the partners.

As a result productivity has increased sharply, but it has not resulted in developmental effects in the intended areas. The economic recession in Ghana has caused customers to watch every penny, and even though tourists pass by the shop now and then, their numbers are too small actually to influence the turnover of the company.

Case XIV. Productivity increases despite collaboration ending prematurely (P18)

During the first phase of the Ghanaian PSDP in the first half of the 1990s, a large-scale Danish company dealing with electrical and mechanical installations was preparing a tender for a contract in Ghana. In order to obtain information about the local opportunities for and obstacles to doing business, it made contact with a medium-sized Ghanaian company specialising in electrical contracting. Based on this first contact, the partners decided that they wanted to pursue a more formal collaboration. A joint venture was established managed by the owner and executive director of the Ghanaian company, with the managing director of the Danish company as chairman of the board.

The Business Partnership, which was only planned to last for one year, was divided into two phases. The first phase focused primarily on pre-contract training, that is, enhancing managerial and organisational capacities in the company so as to

increase workflow management, project-cycle management and cost management and thus enabling the company to bid for large contracts. The second phase related directly to the contracts. Thus, the partners planned to design the training according to the specific needs of the projects.

Eventually, the aim was to enhance the capacity of the Ghanaian company so that it could carry out electrical contracting at high voltages. At the start of the collaboration, the Ghanaian workforce was only able to design and construct lines of up to 34.5 kV. Based on the collaboration with the Danish partner, which was able to do lines of 220 kV, the partners hoped to be able to augment the capacity of the Ghanaian partner to 161 kV.

The joint venture was principally limited to projects that were sent for international competitive bidding with an estimated value of over US\$ 2 million. However, the partners were also free to decide to collaborate on other projects. The basic premise behind the PSDP collaboration was that at least one contract would be won. However, this never happened. According to the Ghanaian executive director, the Danish partner wanted to retain full responsibility for the bids for tender. They had no prior experience of Ghana and prepared the tender the way they were used to doing. Thus helicopters for surveying and bulldozers to prepare the ground were included in the tenders, so as to present the best possible solution. According to the manager of the Ghanaian company, the Danish company failed to realise that price is a determining factor in winning a contract in Ghana, and the inclusion of sophisticated technical machinery simply made the tender too expensive. In the meantime, the Danish company won a contract with a large-scale Swedish-based transnational company to build Kotoka International Airport in Accra. This contract was commercially more sustainable for the Danish partner than the PSDP collaboration, and therefore the Danish partner decided to withdraw from the Business Partnership.

Formally, the Business Partnership ended before the second phase of the training had been initiated and without the Ghanaian partner having an opportunity to upgrade its capacity to construct and design lines. Only just over half of the funds allocated for training had been used, mostly for a training session at Århus Technical School, but also on the premises of both the Danish and the Ghanaian partners. The training was directed entirely at the management team, mostly its upper levels.

Informally, the collaboration has continued. While the Danish company was working at the airport, it hired employees from the Ghanaian company to install and design the necessary electrical and mechanical devices for the project. In this way the Ghanaian company, or at least some of its engineers and electricians, came to work as subcontractors for the Danish company.

According to the managing director, the company's efficiency has improved during the course of the aborted Business Partnership and the subsequent informal co-operation. The working culture has changed, punctuality has improved, projects are better planned, work-flow patterns have changed and managerial responsibilities have been delegated downwards. Consequently, although the premature ending of the PSDP collaboration did mean that design and construction capacity was not upgraded as intended, both the quality of the work and its productivity has increased as a consequence of both the formal and informal collaboration with the Danish partner.

Case XV. The PSDP as a pretext for doing nothing (S18)

One of the leading printing companies in Ghana in the late 1990s employed almost ninety people; it had previously been a lucrative business, but little by little the printing machines either broke down or proved incapable of printing with the precision customers required. The owner of the company, a leading entrepreneur with a dense political network that includes very close ties to a current minister, owned several other companies and realised that competition in the printing sector was increasing, especially among and from so-called 'wayside printing companies'. As a result, he postponed investing in new machines and instead allowed the machines to inform his quest for a partner.

Previously the Ghanaian owner's connection with the minister had facilitated several contracts for security printing with, for instance, Standard Chartered Bank and Ghana Commercial Bank. Even though the quality of the printing declined, the owner's connections still provided the company with lucrative contracts: recently, for instance, the company received the contract to print the ballot papers for the 2004 presidential elections in Ghana. However, as the printing machines have become increasingly obsolete, the company fears that it will lose these contracts, especially as businesses in East Asia have gradually taken over large proportions of precision and security printing in Ghana.

The two partners met through a Danish consultant. The Ghanaian partner, as noted, wanted a foreign partner in order to obtain new machinery and related training, while the Danish partner was primarily interested in the collaboration out of altruism, and to a lesser extent he saw the PSDP collaboration as a way of promoting know-how and machines and of managing changing domestic demands.

After visits to each others' companies, a co-operation document was signed just before the turn of the millennium. However, the partners soon realised that the equipment was more expensive than initially anticipated. They therefore applied for additional funds from the PSDP and were told that instead they had to apply for a

full Business Partnership. However, the process was severely delayed, and three years after the co-operation document had been signed, only a quarter of the original budget had been spent. The partners had applied for a grant that far exceeded the limits that could be approved by the embassy and therefore had to go to the board of Danida, which necessarily postpones the process. More importantly, however, Danida had begun a new policy regarding the many private consultants who had thrived by matching PSDP partners – they were now banned. The consultant who brought these two partners together was one of them, and therefore, in order to proceed any further with the application, the partners had to get rid of him (cf. Case XVIII page 267).

More than five years had gone by since the partners first met. During all this time, the Ghanaian company had not been chasing any other business opportunities: instead it simply sat back and waited for the PSDP to reform the company so as to kick-start it again. However, none of this seems likely to happen.

Production in what was once a leading printing company has now come to a standstill, and staff numbers have decreased rapidly, from 86 in 1998, to 60 in 1999, to 36 in 2000 and to just a handful in 2003. The company has won no contracts in the last few years apart from that to print the ballot papers, which it owed to the owner's political ties. Moreover, the machines are in such a bad state that it is unlikely that they will ever work again for precision-printing purposes.

8.2.4 Changes in products (new products versus better quality products)

New or better quality products are not an aim in itself in most PSDP collaborations. Certainly this may be regarded as a means of expanding production, but it is seldom given as a separate goal in project documents. Nevertheless, a large majority of PSDP collaborations do bring about changes in products, whether by introducing new lines or a broader range of products, or improving the quality of existing ones.

New or improved quality products may indicate positive impacts at the enterprise level, the private-sector level, or even at the society level. At the enterprise level it may denote increased technological product or process capabilities (cf. section 4.5 and 8.1.1 above); at the private-sector level, the capacity of subcontractors as well as retailers may be enhanced because new, more technologically demanding production specifications call for upgrading both up- or downstream. And eventually, new enhanced products may benefit the Ghanaian population as such and thus indicate positive impacts at the society level. There is, however, no causal relationship between new or better quality products and positive impacts at any of these levels: new product lines may also increase the financial, managerial and organisational risks associated with the PSDP collaboration.

Table 8.9 and Table 8.10 show product changes in Ghanaian PSDP companies. ‘N’ represents a new product, ‘Q’ represents quality, and ‘R’ represents range. The arrows in the first column signify improvements and declines, respectively.

In almost forty percent of PSDP collaborations, the Ghanaian partner had no prior experience of the new products, which may lead to poor quality, inefficient production, delays in the collaboration, disappointments etc., if the initial skill level is not taken into consideration. Seen from this perspective, it is interesting that all seven Business Partnerships that have introduced new products as an element of their PSDP collaboration are now experiencing decreasing profits or none at all (see Table 8.5 above).²⁹⁴

Table 8.9. Product changes in Business Partnerships

No	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15	P16	P17	P18	P19	P20	P21
			N		N					N		N	N	N					N		
↑		Q/R		R		Q		R							Q/R	R	Q/R			R	
↓																Q					

Table 8.10. Product changes in Start-Up Facilities

No	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26	S27
	N	N	N	N	N		N			N	N					N								N	N		
↑	Q							Q						R		R	R		R	R		Q/R	Q/R			Q/R	R
↓																											

The distinction between new products and expanding the range of products is not clear-cut: new products here denote activities that bear no or hardly any relation to the primary activity of the company. Examples include a company that imports, distributes and retails various industrial products, engages in the production of wooden jigsaws (S4) or the establishment of a institution for caretakers (P3); a company that is established with the sole purpose of obtaining PSDP funding (Case XVIII page 267); or a sales agency specialising in fork-lift trucks and diesel generators that has started the production and assembly of solar panel support struc-

²⁹⁴ The picture is less clear concerning the Start-Up Facilities: in more than half of the cases, data are either lacking or changes have been insignificant, in almost one-third of cases the Ghanaian partner is currently not making any profit, though in the last two cases earnings have increased since the start of the collaboration a decade ago. These two cases (S10/S11) are exceptional, given that the PSDP activity only related to a tiny part of the local company and thus did not significantly affect its economic situation (cf. Case IX page 249).

tures (P5). Expansion of the range of products, conversely, denotes that the new activities brought about by the PSDP collaboration have some connection with products that are already being manufactured or services delivered. Examples include a consultancy company that expanded its product portfolio (Case I page 215), a producer of re-tread tyres that started production of technical rubber (Case XVII page 264), and one-man producer of organic waste that, through collaboration with a Danish consultancy company, started to experiment with different varieties of organic fertiliser (Case XXV page 295). In one instance (Case XVI page 262), the PSDP collaboration actually resulted in both the introduction of new products and an expansion of the range of products.

The data indicate that in only one-fifth of the collaborations have increases in product quality occurred – that is, the quality of the products have increased in five Business Partnerships and in five Start-Up Facilities. In the remaining collaborations quality has remained largely unchanged or decreased (one instance only). It should be noted, however, that not all collaborations seek to upgrade product quality. Hence, it would be misleading to interpret the relatively few successful quality upgraders too negatively. In order to obtain a more comprehensive picture of the impacts at the enterprise level, the analysis must also include an examination of the broadening of the product range: seven Business Partnerships and nine Start-up Facilities have managed to broaden their product ranges. These companies may all be better prepared for increasing competition than they were before the start of the PSDP collaboration.

Case XVI. New products have been introduced, but money is still being earned on well-known products (S16)

According to one of the directors of a Ghanaian company that formerly specialised in selling hospital beds and low-tech equipment to the health sector, everybody in Ghana knows Danida. It was thus a reasonable assumption that Danida could assist the company to upgrade its technological capabilities as well as inject working capital into it. The directors got in touch with the staff at the PS secretariat in the Danish embassy first to acquire more information about the PSDP, and subsequently to apply for a partnership with a Danish company. The Ghanaian company was facing competition and aiming to expand its product line, but it understood that, in order to expand, it desperately needed assistance from abroad. For its part the Danish company, which specialises in the design and manufacturing of medical equipment, had already established subsidiaries in Europe, Asia and the US. Even though it therefore had vast export experience, it had none of Africa. The expanding West African market was especially of interest to the Danish company, and it

was therefore attracted by the possibilities of support from a Danida PSDP collaboration.

Through its previous experience with sales of hospital beds etc., the Ghanaian company had gained considerable knowledge about the health sector, particularly in the Accra-Tema metropolis, which could easily be transferred to the new product line and thus ease access to the market. However, it was also aware that it lacked critical capabilities in dealing with high-tech equipment. Therefore, the partners agreed that the initial phase of the project should be devoted solely to technology transfer. If this was successful, the collaboration would widen into a licensing agreement. The partners decided that the first couple of years should be used to get to know each other and to obtain more thorough knowledge of the market in Ghana. During this period, the partners spent most of their time and the energy on getting acquainted with each other and with the Ghanaian and Danish business cultures. According to the Ghanaian directors, it was of the utmost importance to build up trust before the company could really take off. In this case, building trust has taken far more time than the estimated six months that a Start-Up Facility normally lasts.

In 1998, when the Start-Up Facility between the two partners took shape with the birth of a new Ghanaian company to be the exclusive distributor of the Danish company's medical equipment in Ghana, the products were new to the Ghanaian market. Moreover, competing products from Philips, Siemens, Toshiba, Aloka and Honda were already established brands. Furthermore, as part of a donor scheme, the Dutch government provides similar products produced by Philips to many government and missionary hospitals in Ghana. In order to penetrate the market, therefore, the partners had to adopt innovative marketing strategies that included price competitive products, provision of after-sales service, three years of customer credit and the training of end-users.

By 2003, the Ghanaian company had sold seven ultra-sound scanners in Ghana.²⁹⁵ Due to the level of trust that has been established between the partners, the Ghanaian company is now able to sell the scanners in Ghana on a three-year credit basis (twenty percent of the payment has to be put down in advance). The difference between the buying and selling price for the Ghanaian company is €7,000. The scanners are sold with a one-year guarantee, minor repairs and maintenance after this first year being conducted by the Ghanaian company's engineers, while the Danish producer is responsible for major repairs and spare parts. Moreover, the Ghanaian company is responsible for the installation, testing, commis-

²⁹⁵ According to the company's homepage, this had not changed by the summer of 2005.

sioning, and training of customers' staff. There is the potential to increase the turnover of the company over time, but so far economic results have been meagre.

All the seven ultrasound scanners sold so far in Ghana are small. They have generated revenues of roughly €50,000, which equals €12,500 a year. However, this is not sufficient to pay for the new premises in Nungua or the salaries of the eight employees. Therefore, the Ghanaian company still devotes much of its time to selling all kinds of low-tech accessories to the health sector.

Recently, the Danish partner has invested €300,000 in the project so as to provide the company with an easier cash flow. Bank loans are difficult to obtain, even with collateral, and interest rates are high. Therefore, it is very difficult for the Ghanaian partner to obtain sufficient working capital to be able to penetrate the market more fully.

Case XVII. Fierce competition, economic recession, and lack of focus gave rise to meagre results (P20)

Twenty years ago, in 1985, a Ghanaian businessman returned from the UK to start up his own business in Ghana. While in the UK, his fiancé had asked him to buy her tyres for her car. He went to a shop and was shown three different kinds of tyres: used, new, and re-treads. New tyres were sold at almost double the price of re-treads, but the Ghanaian, who was yet to come businessman, did not understand why – he could not see the difference between the two. For some time he kept thinking about this and gradually became more and more enthusiastic about the idea of launching the production of re-treads in Ghana. Therefore, he asked his friends and relatives in the UK and in Ghana about the specific techniques and if anyone in Ghana already was doing tyre re-treading. He received two positive answers: the technique was pretty simple and therefore could be done in Ghana; and there were no competitors.

Luckily, his fiancé, who had by then become his wife, worked in the National Investment Bank in Ghana, and therefore he was able to obtain a loan to start his business. Even though he gave the production site near the old harbour in Sekondi and the buildings on it as collateral, he assures me that it was only because his wife was working in the bank that he was able to get the loan at all. However, procedures were slow, and even though he registered the name of the company in 1985, he did not obtain the loan until 1991, the company eventually taking off in 1992.

Since his company started in 1992 a few other Ghanaian-owned competitors have entered the market, but it is still the dominant player and meets 60-70 percent of the demand. The company buys up old tyres from transportation companies, as well as from private customers in the three largest cities in Ghana (Accra-Tema,

Kumasi and Takoradi-Sekondi). The old tread is removed, and the tyres are then prepared for re-treading with imported rubber from Dunlop's factory in Nigeria. In this process, a relatively large quantity of sub-standard rubber is produced, which cannot be used for the re-treading of tyres, but can be used for less demanding rubber products. Moreover, machines are often lying idle, as the company faces shortages of the most important raw material for the production, namely used tyres, which, due to high import tariffs, are too expensive to import from neighbouring countries.

The owner of the Ghanaian company is a very active player in the Ghanaian private sector. Besides the re-treading company, he owns a travel agency in Accra managed by his wife and a retail shop in Accra. He is the regional chairman of AGI (Western and Central Regions), the chairman of the Committee and a member of the Board of the Ghana Shippers Council, and a member of the boards of Ghana Rubber Estates, and Empretec. Furthermore, and perhaps more importantly, he is the regional Chairman of the NPP (Western Region).

It was therefore no coincidence that he met up with a representative of HVR at a trade exhibition for small- and medium-sized enterprises in Sekondi. The HVR representative introduced him to the possibilities of the PSDP, which he knew of from his involvement in AGI and Empretec, and matched him with a producer of tyres in Denmark. Due to a factory fire in Denmark the collaboration was postponed, and HVR instead tried to match the Ghanaian businessman with several other Danish tyre companies. However, they were all either too big or too technically advanced compared to the Ghanaian company, and for that reason neither the Ghanaian partner nor HVR really believed that collaboration would work.

Meanwhile, however, the Ghanaian businessman had become enthusiastic about the idea of a foreign partner and the possibility of long-term cooperation largely financed by a donor. He therefore allowed the process of manufacturing re-treads guide his search for a partner. On the one hand, he needed to broaden his portfolio of products to minimise periods of inactivity due to shortages of raw material. On the other hand, he needed both machinery and knowledge to make the rubber remnants into sellable products. Eventually, HVR matched him with a Danish producer of technical rubber for the Danish medical, motor and sanitary industries.

Just before the formal start of the PSDP collaboration the Danish partner moved its production site, and in this connection wanted to change several of its machines. These machines, a boiler and other equipment for the production of technical rubber, were sold to the Ghanaian partner for approximately twice the amount covered by Danida, and production could take off.

The Start-Up Facility was formed as a joint venture between the Ghanaian partner, the Danish partner and a friend of the latter. This friend at first acted as the technical advisor for the Start-Up Facility and later became the expatriate production supervisor during the subsequent Business Partnership, which was intended to further the production of technical rubber and eventually also be able to produce tread for the tyre re-treads. Due to what he calls slow procedures at the Embassy and in Danida's PS secretariat, the Danish partner quickly lost interest in the collaboration. Thus, from the very beginning he was very keen on handing over his Ghanaian activities to his friend and technical advisor in the collaboration, and at the outset of the Business Partnership the Danish partner sold his shares to his now expatriate friend.

On the face of it, the future of the new company seemed bright. First, it is the only registered company in Ghana that produces technical rubber. Second, inputs for the production are readily available – synthetic rubber is imported from the Danish partner, and natural rubber is bought from Ghana Rubber Estates, where the Ghanaian partner is a member of the Board. Third, it largely complements the activities of the original Ghanaian company. Fourth, the staff only needed moderate training in order to be able to handle the new techniques. Finally, the Ghanaian partner already had a dense network of potential customers. However, the birth of the new company was not without its problems, and four years after the Start-Up Facility began, and just over a year after the Business Partnership began, the company only receives orders occasionally. Furthermore, used tyres are still in short supply, and the company has not been able to benefit fully from its alliances with either the Ghanaian tyre re-treading company or the Danish producer of technical rubber.

Explanations for this are many and possibly interwoven. First, even though no other registered company in Ghana produces technical rubber, numerous micro-scale artisan producers of rubber exist. Second, despite the Ghanaian partner's numerous relations in all areas of the Ghanaian private sector, the company has not been able to obtain a lucrative contract with, for instance, large-scale lumber companies, which use technical rubber for rollers. Third, cumbersome PSDP procedures caused both the original Ghanaian and the Danish partners to lose interest in the project. Only because the Danish technician took a personal interest in the project did it continue from Start-Up Facility to Business Partnership, and the birth of the Business Partnership was actually postponed for approximately half a year because the Ghanaian partner was uncertain as to whether we wanted to continue the PSDP collaboration or not. Finally, when the 2004 presidential elections in Ghana were approaching, the Ghanaian partner, as the regional chairman of NNP, began

devoting relatively more time to his political career and relatively less to his businesses. The daily management of the company was therefore largely left to the Danish expatriate, while the Ghanaian businessman stayed in the politically more important capital.

Although everything looked nice on paper, and preliminary investigations conducted prior to the Business Partnership indicated that the market for technical rubber is relatively large in Ghana, the Ghanaian-Danish partners have been incapable of making a sound business. All the staff are still employed, but the company lacks orders, and the capacity of both machines and personnel is only being used to a minor degree. Moreover, the economic recession in Ghana has caused small and medium-sized companies to postpone large-scale investments and instead repair the existing equipment. These companies are only approaching the joint venture in order to acquire minor spare parts, and so far no large orders have landed on the desk of the PSDP partners, partly because minor spare parts are also made by artisan producers. Large-scale companies in, for instance, the wood sector can buy cheaper and better quality rubber rollers and other basic equipment in Southeast Asia.

Danida's PSDP has enabled the Ghanaian company to broaden its portfolio of products. Theoretically, the expansion in the range of products should enable the company to become more competitive and increase the capacity utilisation of both capital and labour, but in reality this has not occurred. Instead, the production of re-treads has been left almost untouched (production has slowed down recently anyway due to the political activities of the owner/manager), and production of technical rubber is quite sluggish.

Case XVIII. 'You have to learn to crawl before you can walk' (S5)

A Danish one-man consultancy company with associated consultants in, among other countries, Ghana, South Africa and Zimbabwe approached a Danish small-scale producer of plastic cards in order to learn whether it had an interest in forming a partnership with a Ghanaian company based on support from Danida's PSDP. The Danish consultant wanted to make a feasibility study first. His associate in Ghana happened to be the consultant for an Ashanti businessman who had prior experience as the GM of one of the largest real-estate companies in Ghana, and who is currently the owner/manager of an electrical installation company and a local construction company. The Ghanaian consultant informed the Ghanaian partner about the potential of the PSDP and of obtaining almost full coverage of the expenses. Based on this information and the recent success of another PSDP company in manufacturing security ID cards (S19), the search began for a partner in this line of business and for funding.

However, the Danish consultant never carried out the feasibility study, as the PS coordinator refused to work with private consultants who were not associated with either DI or HVR (cf. section 2.2.4 and Case XV page 259). Instead, the Danish company was invited to Ghana to meet his future Ghanaian partner, who in fact did not even have a company in this line of business, though he had several high-ranking contacts in various ministries. In the words of the GM of the Danish company, 'I've never before met three ministers in order to start up a tiny ID card company' (personal communication, Copenhagen, 120302). He was impressed, and even though a bit sceptical regarding his future Ghanaian partner's business experience, he decided to join the collaboration, not least because he was supported by HVR, which did the necessary paperwork.

The Ghanaian businessman indeed has a dense network of political connections. Among the shareholders of his new company, which employs four computer-literate production assistants and a driver, is a Commander of the Ghana Armed Forces Command and Staff College. He has friends in government, in the Kumasi Municipality Assembly, in the army and in the largest hotels in Accra. However, despite the density of high-ranking connections, the company has only been able to produce a small quantity of plastic cards and has not yet been able to obtain any contracts from any public agencies.

Several factors may account for these poor achievements by the company, but there is hardly any doubt that the Ghanaian partner's lack of experience in this line of business is a main reason. Just after the Start-Up Facility began, two production assistants and the owner/manager went to Denmark for basic technical training in how to design and manufacture plastic cards. The owner/manager had never worked with a computer before and thus, according to his own account, he was there to oversee the training so as to be able to manage production in the future. Subsequently, the necessary computers, printers and software were installed in Ghana by a Danish technician. From the very beginning the lack of experience caused major problems. The essential printer for the production of plastic cards went out of order, and due to the lack of training none of the employees, let alone the owner/manager, knew how to fix it, so production stopped. As of April 2002 production had come to a total stand-still, but the Ghanaian owner/manager assured me that the company would restart as soon as the Danish technician returned to Ghana in May. He complained, though, about the capacity of the equipment: due to fact that the Ghanaian owner/manager was not familiar with the printing business, the partners decided to let the Danish partner choose the machinery. He chose a printer with a maximum capacity of 50 cards per hour, which is significantly below the capacity required to fulfil orders of over a million plastic cards from Kumasi

Metropolitan Assembly, which the Ghanaian partner was expecting to get in the near future. Moreover, he complained about the set-up of the PSDP arrangement: if the Danish partner was bearing even some of the economic risks associated with setting up the new company, he would have sent one of his employees immediately to fix the equipment.

From the other side of the table, the explanation for the poor achievements looks somewhat different. A couple of months earlier, the Danish partner assured me that the collaboration was about to end: ‘the Ghanaian partner continuously talked about fancy arrangements with the state apparatus, but up until now he has never had any orders....You have to learn to crawl before you can walk’ (personal communication, Copenhagen, 12.03.02). He basically found that his partner was unable to run a business. On top of this, the Danish partner maintained that Danida had never reimbursed his expenses. Thus, he was certain that under no circumstances would he continue the collaboration.

Case XIX. Faulty equipment and no prior experience, but positive derived impacts (S1)

A Ghanaian producer of plywood furniture for houses and offices was looking for a foreign partner so as to enhance his company’s productivity and hopefully also the quality of his products. It approached an international consulting company, which drew up a feasibility study for the company and forwarded it to an international venture fund, which passed it on to DI. The international consultancy team at DI had simultaneously received an enquiry from a Danish producer of planed wood and parquet strips who wanted a Russian partner. At that point, DI did not know of any suitable Russian partners and thus suggested that the Ghanaian producer of plywood furniture be matched with a Danish producer of planed wood and parquet strips.

The objective of the collaboration was to asset up production of semi-finished parquet strips, which could then be shipped back to Denmark for the final finishing. However, this has never happened. Four years after the Start-Up Facility began, although the collaboration is formally continuing, the partners are not speaking to each other any longer. Basically two things went wrong. First, according to the Ghanaian general manager, most of the equipment that was shipped to Ghana as part of the collaboration was not in working order. The Danish partner had bought all the equipment from a really old company, taken what his company needed, and shipped the rest to Ghana. The Ghanaian partner expected the PSDP collaboration to bring his company new capital equipment, and therefore he was very disappointed when he saw what he called a pile of junk.

Since this line of production was entirely new to the Ghanaian company, the local partner had allowed the Danish partner to decide what to purchase. Now, the company's storage area in central Accra looks more like a junkyard than a backyard: an area of more than fifty square metres is piled up with old machines and machine parts. According to the local partner, most of the pile is equipment from the Danish partner. Of the machinery that was sent to Ghana as part of the PSDP collaboration, only a four-sided planer and a cutter for massive wood are now in use. Numerous repairs and alterations have been found necessary in order to make even these machines work properly, but eventually, two years after they were shipped, they work, even though they still break down occasionally and need a lot of maintenance due to their old age.

Secondly, neither the Ghanaian owner/manager nor his approximately one hundred employees had any experience working with hardwood. Therefore, and connected with the malfunctioning machines, the Ghanaian company only progressed very slowly with the production of parquet strips. The local partner had long wished for collaboration with a foreign partner, and although he was disappointed with the state of the second-hand machinery he had been sent, he allocated his best employees to this part of the production and hence part of his regular production was set aside.

As stated above, the Danish partner never bought any products and eventually the Ghanaian partner decided to stop producing parquet strips. Although the result of the PSDP regarding its original aim is therefore close to zero, the collaboration nevertheless had some positive derived impacts. First, the increased knowledge and the new technique have enhanced the quality of the other products in the company. Secondly, the four-sided planer, which was originally intended for the production of parquet strips, is now being used to make furniture of made out of massive wood, which has a higher added value than the original plywood furniture.

8.2.5 Employment, earnings, productivity and products: intended impacts on the target group

Up to this point, this section has scrutinized the intended impacts of the PSDP at the enterprise level. Even at this level, the analysis has revealed the difficulties involved in using single quantitative indicators to measure impact. One may undoubtedly understand some output targets related to the original aim of the intervention by applying these kinds of indicators, but if one is seeking to understand what actually happened and why, these indicators seem inadequate.

First, these cases have reinforced a major conclusion of Chapter 3, namely that the very concepts of success and failure are analytically vague. They only make

sense with respect to the stated objectives of the development intervention, but as the above cases have demonstrated, many PSDP collaborations neither state the development aims unambiguously, nor continue with the same objectives unchanged throughout the course of the collaboration. Thus, an assessment based on these aims is highly misleading. Moreover, the very use of the term ‘intended’ is ambiguous: what is intended for one PSDP intervention may not be intended for another, and what is intended for the Danish partner may not be intended for the local one. Furthermore, PSDP application requirements with respect to the specificity of the intended development aims have also changed over time. Even though the guidelines are still vague on this issue, project documents illustrate an increasing awareness within especially DI and HVR of the necessity of presenting measurable development aims in order to secure the approval for Danida support from the Embassy (cf. section 2.2).

Secondly, the cases have established a high level of *impact complexity*. On the one hand, impacts are often interwoven: increases in the level of productivity may very well be associated with increases in earnings for the target group. On the other hand, no causal relationship exists between the various indicators: productivity enhancement does not necessarily lead to increases in earnings or employment generation. In addition, impacts are not limited to the planned outputs of an intervention: even though the above cases were chosen to reveal as much knowledge as possible about the chosen indicators for immediate intended impacts at the enterprise level, they demonstrate clearly the level of unintended impacts associated with all collaborations, whether these are positive or negative, short-term or long-term, or affect the intended beneficiaries or others..

Thus, even though the Ghanaian PSDP at first shows meagre results pertaining to each particular indicator – for example, employment growth in only three-eighths of cases, increased earnings in just over one-fifth, productivity rises in a quarter, and product quality improvements in one-fifth – these figures do not *in themselves* point to any conclusion regarding the impact of the programme. On the one hand, it is important to bear in mind that the data are flawed in certain respects. First, the quantitative data provide a static picture of the situation, and before-after assessments miss out changes that happen just prior or just after the chosen point in time. Secondly, the lack of reliable statistics, combined with the precarious position of the interviewer vis-à-vis the interviewee (cf. section 6.3), affect the trustworthiness of the data. Finally, apparently negative data concerning, for instance, the employment situation may actually conceal positive longer-term impacts.

On the other hand, these four indicators act as pointers to the current economic situation in a company – its capacity to make vital investments, to compete locally

as well as abroad, to create jobs and to increase incomes and thus improve living standards. They may, therefore, provide a basis for the examination of the sustainability of the firm's activities, as well as provide a marker of some of the broader impacts of the programme.

The qualitative case study material, along with the quantitative data, provides a far more comprehensive picture of the intended impacts of Danida's PSDP in Ghana, that is, its developmental effects in relation to Danida's overall aim of reducing poverty. These case studies demonstrate that the immediate output of the intervention is very much dependant on the entrepreneurs who carry the responsibility for the collaboration. Since only in a few cases are both partners economically committed to the cooperation, the developmental effect of the PSDP is dependant on whether they relate effectively on a personal level, whether the collaboration fulfils the partners' original motive(s) for involvement in the PSDP, whether they are spared major delays, and whether the feasibility study is adequately comprehensive.

Moreover, these cases also suggest that size matters. There is a tendency for intended impacts to be more significant the smaller (employment/turnover) the local partner. This is valid both for the mainly positive impacts and for the chiefly negative impacts. There is nothing deleterious here: the Danish partner's influence on production methods, production processes, organisational set-up and managerial routines is *ceteris paribus* greater the smaller the local partner. Likewise, the economic risks that the local partner faces is associated with the size of his economic activities: in some cases, the local company may only represent a minor part of the entrepreneur's economic activities, and therefore the risks should be related to the sum of activities rather than the particular PSDP enterprise. Therefore, the relative gains and losses related to Danida's PSDP are inversely proportional to the size of the local economic activities.

Similarly, the duration of time of the collaboration, and the duration of time since the collaboration was initiated, are of importance for the intended impacts of the PSDP on the intended beneficiaries. The longer the partners have collaborated, the more they can influence each other's way of doing business (although, in reality, this is mostly a one-way process). Similarly, the more time that has passed since the collaboration, the more likely it is that other factors will have influenced the current situation in the local company.

Relevance also matters. Like the conclusions presented above, there is nothing controversial about this inference – it simply suggests that there is a tendency for PSDP collaborations that are closely attached to the primary activities of the beneficiary company to fare better vis-à-vis the intended aims than activities that bear

no relation to previous activities in the company. What is more, the cases suggest that, even though internal spill-over effects are present in some cases, the impact of Danida's PSDP is augmented if training, technical assistance, supervision, restructuring etc. are closely related to the core business activities.

Besides these three factors, which interact in a multitude of ways – relevance and size may sometimes be one and the same thing, and time may have an influence on how relevance is perceived – the institutional context is of major importance in understanding how the PSDP impacts upon the intended beneficiaries, as well as for other groups in society. The cases have fully established the role of economic resources and political preferences in shaping the current situation of the Ghanaian companies. Chapter 9 will elaborate further on the role of institutional developments with respect to the role of the Ghanaian private sector. Suffice it to say here that these factors indeed play an important role in determining the room for manoeuvre of the Ghanaian PSDP companies as illustrated by the changing demands in Ghana (Case IX page 249) and abroad (Case XI page 251), the devaluation of the Cedi (Case XII page 253) and the economic recession (Case XIII page 256).

In other words, given that intended impacts are dependant on personalities, quick economic gains, size, time, relevance and especially on context, it is a reasonable assumption that these intended impacts – which to a large extent equal the stated (developmental) aims of the PSDP collaboration – are mainly fulfilled only by coincidence.

Broader impacts, on the other hand, are omnipresent: they result from an interplay of many factors, among which the intervention is only one. In order to come closer to a description of how Danida's PSDP has impacted upon the target group (as well as the Ghanaian private sector and Ghanaian society, discussed in Chapter 9), a more comprehensive consideration of the unintended impacts of the programme is essential. The following sections will deal with exactly these issues.

8.3 Impacts are not limited to an aid agency's intentions: unintended impacts of Danida's PSDP (on the target group)

Basically any impact that is not intended, but is still associated with the intervention, is unintended. Unintended impacts comprise direct as well as derived impacts, that is, effects caused directly by an aid intervention, as well as changes caused by these very effects. Unintended impacts also comprise both positive and negative effects, no matter what the time-horizon.

Following the definition of impact presented in Chapter 3, however, a distinction is maintained between the various levels of impact, namely enterprise, private sector and society. Danida nowhere presents the (causal) link between the intended immediate effects of the programme (employment generation, HIV/AIDS measures, environmental improvements etc.) on the intended beneficiaries (the PSDP companies) or the broader developmental goals (poverty reduction, economic growth, raising incomes), but only includes a sentence or two referring to the transfer of knowledge and technology through long-term binding agreements. Therefore, the concept of derived impacts is here confined to the first level, namely the enterprise level; the two other levels are perceived as being derived only.

Unintended impacts are neither exclusively positive nor negative, as the story of the restructuring of the manufacturing company demonstrates (Case XX). In this case, the PSDP partners managed to restart a company on the verge of bankruptcy and thus created a sound business, but they also had to make two-fifths of the employees redundant, as well as handing almost all the shares over to the Danish partners.

The imprecise distinction is also clearly illustrated by the account of a local airline company that is filled with racy stories of fraud, political networks and eventual bankruptcy, but which is also a story of employees who have increased their capabilities and opportunities because of the training they did receive before everything went wrong (Case XXI).

The third account is more straightforward. It tells the story of a collaboration that has faced many obstacles, mainly due to a lack of trust between the partners, and therefore it has not reached the planned goals regarding increased productivity and product quality, though, mostly by coincidence, it has been able to increase turnover drastically (Case XXII).

The collaboration portrayed in Case XXIII is by and large an account of poor matchmaking and substandard pre-investigations that resulted in a joint venture that has never come to manufacture the amount and quality of products that it set out to do. However, it is also a story of environmental problems, economic losses and the non-repayment of Danida loans.

The last account (Case XXIV) can be characterised as showing nothing but unintended impacts: at least, none of the intended impacts on the intended beneficiary lasted for very long. In contrast, the major unintended impacts seem to be lasting for some time, at least. This PSDP collaboration came to an early end due to conflicts between the partners, but while the Danish company, a leading player in the field, continued with other PSDP collaborations, the Ghanaian owner/manager ended up without a business: two cases of armed robbery brought an end to what

was left of the company. The Ghanaian owner/manager assumes that the robberies are directly linked to the fact that the collaboration involved a reduction of local purchases and thus a reduction of income for local farmers – they simply felt that the collaboration was a threat to their livelihoods.

Case XX. Restructuring, layoffs, acquisition of local shares, and increased earnings (P15)

This particular case is part of the old gang in Ghana: it is one of roughly five companies that are visited by all official Danish delegations in Ghana. At first, it is an uncomplicated choice: when this Ghanaian producer of plastic bottles and pharmaceutical packaging and a Danish producer of similar products applied for support for a PSDP collaboration, the Ghanaian company was on the verge of bankruptcy, it had huge outstanding debts, and its main production equipment was outdated: of the eight moulding and injection machines, only three were working. In the five years that have passed since then, the expensive debt from a leasing company has been redeemed, other expensive loans have been replaced with less expensive ones, and two second-hand machines provided by the Danish partner have made it possible for the local company to produce more varieties more effectively and at a better quality.

However, this case is not as simple as it may seem. According to the project document, the aim of the collaboration was indeed to broaden the range of products and improve their quality, but it was also an aim to maintain virtually all the existing jobs and even create some new ones. However, in order to stay competitive, more than fifty people, or two-fifths of the work-force, have been laid off. Some were simply made redundant by the organisational restructuring in the company, while others, especially leading administrative staff, were fired because they were unable to adapt. Moreover, the Ghanaian company – which was originally founded in the 1970s by a Dane with previous experience as the head of the export department in a large Ghanaian SOE, and which is owned by him plus a number of prominent Ghanaians – is now 96.3 percent owned by the Danish partner and IFU (69.7 and 26.6 percent, respectively). Thus, almost all profit is now repatriated to Denmark.

The two companies had collaborated for many years when they applied for a PSDP grant in 1997. The Danes on both sides of the table benefited from the collaboration: in particular, on the Ghanaian side sat a Dane who wanted to hand over his assets, since he was getting older and wanted to withdraw from his responsibilities. As a general rule, however, private companies cannot be sold in Ghana: instead they are either handed over to someone in the family or simply closed down. Thus, in order to ensure that the company in Ghana continued, he needed an exter-

nal partner to take over. On the Danish side of the table was the owner of a Danish medium-sized company approximately fifty years old. He was looking for ways to cut down his costs in an increasingly competitive market: by outsourcing simple operations and cutting his losses, he hoped that the company would again become competitive.

As part of the PSDP collaboration, Danida granted the collaboration a loan for an injection machine that was bought second-hand from the Danish partner. At the beginning of the collaboration, the Danish partner took over just over fifty percent of the shares in the local company. However, the shares were not released as cash: instead, DKK 1.2 million was spent on a second-hand moulding machine bought from the Danish company. Moreover, IFU invested approximately DKK 1 million in the collaboration, though according to the former Danish managing director of the company, this investment was more or less fully redirected from the Ghanaian company back to the Danish one to cover losses. Since then, almost all shares have been handed over to the Danish partner. Hence, less than four percent of the shares are locally owned.

The question of who is benefiting from this PSDP collaboration remains obscure. When the PSDP collaboration was started, the Danes began an organisational restructuring process that created employment for a whole new management team but led to the dismissal of numerous employees. The Danida loan and the Danish share capital were both invested in two second-hand machines. Ownership of the company is now almost entirely non-Ghanaian, but the productivity level has increased rapidly, turnover has increased threefold, and profit, which is now largely transferred back to the mother company in Denmark, has also grown. Obviously, both partners perceived the PSDP as worthwhile in order to fulfil their ambitions and, as shown above, both partners succeeded. However, so far the company has been unable to find new customers: the main customers remain the large-scale Ghanaian companies and transnational companies in Ghana. Nonetheless costs have been cut and new products introduced. Therefore, profit margins have increased, and the company is able to cover a wider spectrum of its customers' needs.

Case XXI. Fraud, corruption and eventual bankruptcy, but the pilot and stewardesses now fly in the US (P12)

A growing interest in Ghana in starting up a new airline company emerged in the mid-1990s. At the time three domestic airline companies were in operation, but it was believed that the inadequacy of their services, combined with the pressures on their routes, made a case for a new airline company, which at first should provide domestic flights in Ghana, but subsequently expand to include flights to the West

African sub-region. In Ghana, it is normally a lengthy process to obtain the necessary licenses and permits to operate an airline company. However, procedures may be effectively simplified and time shortened if political connections are used and access is available to the key decision-makers. In the case of the joint Ghanaian-Danish airline company, that was effectively what happened: A Dane, who at the time was earning his living by initiating donor-financed projects in West Africa, had a friend in the Ghana Venture Fund, who happened to be a top NDC member and who had very close relations with a former first lady, who happened to have decision-making power regarding flight licences in Ghana. Thus, the only thing that was missing was a Danish partner in order to obtain PSDP funding. By coincidence, the Dane's summer cottage in Denmark was located next to the summer cottage of the director of a Danish airline company. The Dane had vast experience of dealing with donor agencies, not least Danida, which he had collaborated with since the early 1970s, and he knew about the financial opportunities of the PSDP. Moreover, he also knew about the possibilities of obtaining extra funding from IFU. Since the Danish airline company was facing economic problems, its director was easily persuaded that the project in Ghana could be of great economic benefit for him and his company, ultimately rescuing it from economic bankruptcy.

According to the project document, the project's development objectives were rather vague: it was to 'facilitate socio-economic-cultural interactions' in Ghana and between Ghana and its West African neighbours, to 'establish an efficiently managed air transport system', and to create 26 new jobs in two years. Nonetheless, a grant of more than DKK 4 million and a loan of approximately DKK 1½ million were easily approved by Danida. The grant was used to pay the salaries of the MD – which in the initial phase turned out to be the Dane who initiated the project – the Danish flight engineer, the Danish chief stewardess and the Danish training captain. Only twelve percent of the Danida grant was allocated for the training programme of eight Ghanaians in Denmark.

The airplane was rented from the Danish airline company and thus acted as the director of the company's shares in the company. In addition, the Ghana Venture Fund, IFU and the Ghanaian partner, the top NDC member who became the chairman of the board, held shares in the newly established company.

Even though a recent market survey showed a huge demand for reliable and top quality domestic air transport between the larger cities in Ghana, the joint venture never became an economic success. In April 1998, five months after the company had been inaugurated, all its shareholding capital had already been spent. The MD and the chief pilot were dismissed, and the board members were also fired by the two partners. The board members and the MD had obviously not lived up to their

responsibilities, and the Danish chief pilot, along with the other Danes responsible for the training, had acted like lords while in Ghana, so that the relationship between the Danes and the Ghanaian quickly became very tense. Thus, the follow-up training session in Ghana, involving two Ghanaian pilots and a couple stewardesses, was a total disaster.

Following the economic and cultural crisis in the company, a new Danish MD was recruited to rescue some of the investors' money. Unfortunately, the problems in the company did not cease. First, the Danish airline company wanted its airplane back, and the new MD had find (and rent) a new airplane. Secondly, the company had to recruit a new chief pilot. Thirdly, based on the new MD's suspicion that the chairman of the board, the Ghanaian partner and the main shareholder, was withdrawing company money for his own personal use, an impartial audit report was commissioned. Meanwhile, the Danish partner's economic problems continued to grow, while the airline company in Ghana was going bankrupt, leading to the Danish MD selling company furniture and equipment in order to obtain his own salary.

Many unpleasant things can be said about this collaboration: it has elements fraud, corruption, and racism; it eventually went bankrupt; and the investors as well as Danida lost a great deal of money without any of the original aims being met. It did not facilitate socio-economic or cultural interactions, as the plane only was airborne for a couple of months, it did not establish an efficiently managed air transport system, and it did not create any lasting jobs. Moreover, the former Ghanaian partner is now in hiding in the UK: not only did he presumably mix private and company funds as the chairman of the board of the Ghanaian airline company, but as a member of the Board of Directors of the Social Security and National Insurance Trust in Ghana, he allegedly bought properties in Europe costing several billions of cedis. Likewise, the former financial controller is in hiding in Zimbabwe and will not return to Ghana for fear of prosecution. Finally, the head of the Kumasi sales office was fired due to fraud.

However, even this is not the full story. As part of their training, the two Ghanaian pilots obtained an American certificate. While previously they had been restricted to working in Ghana, they are now able to fly internationally. Thus, one former pilot in the Ghanaian airline company now flies internationally for a transnational freight company, while the other is working as a pilot in the US. Similarly, four stewardesses who received training as part of the PSDP collaboration now work for private airline companies in the US.²⁹⁶

²⁹⁶ Of the other employees in the former Ghanaian airline company, the head of the sales office in Tamale is now studying in the US, one driver is now working for his former company, another is unemployed and the third is employed as the former MD's private driver. No information exists as

Case XXII. 'When they see a white man, they see efficiency' (S13)

Based on a single visit to the Ghanaian enterprise and a few conversations, a one-page project document was formulated and a Start-up Facility initiated between a Danish and a Ghanaian producer of (dissimilar) dairy products. The main aim of the collaboration was to expand the production by investing in new technology, improving hygiene procedures and introducing quality-control measures. Due to the fact that the Danish partner did not have any experience in the specific line of production in which the Ghanaian partner was operating, expansion of production was initially sluggish.

The Danish partner had made contact with the main player in the field in Ghana in a search for advice regarding machines and equipment, but he failed to realise that the products in these two Ghanaian companies were basically of a very different nature and thus that the advice he was given was inappropriate. This in its turn meant that some of the machines that were purchased for the PSDP collaboration were worthless. Many mistakes were subsequently corrected, and the partners have now entered into a Business Partnership to expand their production further.

The launching of a Start-up Facility implies that the Ghanaian company's sales have increased dramatically, but not all of this change was planned indeed, some of it was quite unexpected. To produce a higher turnover, the Danish partner had been inspired by the marketing strategies of the largest player in the Ghanaian market, which uses tricycles fitted with cold-storage boxes to bring its products to its customers, and thus he purchased twenty cold-storage boxes for his Ghanaian partner. Unfortunately, these boxes were useless due to the specifications of the product, but the idea was taken up and two mobile freezers were procured and fitted on to tricycles. The Ghanaian company is now able to reach other segments of the population: while affluent customers from the outskirts of the town previously came in vehicles to buy products in large quantities, the clientele now includes less well-off customers, who buy cheap products in small quantities.

Just as important for the increased sales, however, is one particular derived impact of the PSDP collaboration. In Ghana, all major supermarkets and all petrol stations apart from Shell have signed contracts with the largest player in the field. These stipulate that the shop be provided with a freezer solely for this company's products. If the supermarkets and petrol stations sign the contract, they are therefore not allowed to sell competing products. Shell has not signed such a contract, and the Ghanaian PSDP partner has been struggling to get it petrol stations to ac-

regards the administrative team of the company. They were all sent to Denmark for training basically to learn how to run an airline company, but as the Danish company was essentially a one-man company the training was inadequate.

cept his products in its shops. Until the collaboration started these attempts had proved fruitless, but when the Ghanaian partner brought his Danish partner with him to Shell's shops in order to show him the market possibilities, the Shell shops suddenly became eager to sell his products. In the words of the Ghanaian owner/manager, 'When they see a white man, they see efficiency' (personal communication, Kumasi, 10.06.02). The visit was meant as a demonstration of future markets, but it ended with a signature on a contract that was far better than the Ghanaian partner could have obtained otherwise, if he had been able to obtain it at all.

Case XXIII. 'It has been a bad marriage' (P10)

Through his position on the board of the Association of Ghana Industries, a Ghanaian entrepreneur got to know of all the development interventions in Ghana that were aimed directly at enhancing the role of the private sector. Thus, shortly after the PSDP was launched in Ghana, he made contact with the Danish embassy in order to find himself a Danish partner for his furniture company. The embassy and the relevant agencies in Denmark were not able to find him such a partner, so when the Danish Technological Institute approached the embassy with a Danish partner interested in a formal collaboration in Ghana in a marginally related activity, the PS coordinator suggested that the Ghanaian entrepreneur should pursue this line of business instead.

During the course of 1994, when the Danish partner came to Ghana to see the future production site and inspect the market opportunities, the partners formally agreed to apply for a PSDP collaboration that would produce treated wooden poles for the Ghanaian electricity and telecommunication sectors. Formally, the collaboration began in 1995. According to the project documents, the plant was to have a capacity of approximately 7000 treated poles per year, but the current situation is worlds apart from this aim. At the moment, the company occasionally imports logs from neighbouring Togo, which are then treated in the plant and re-exported to Togo, which allows the Ghanaian owner/manager to be exempt from Ghanaian import duties. However, his company has never been able to reach its objectives, even though the project was kick-started by the mere fact that in the mid-1990s Danida had supported an electrification programme aimed at electrifying larger parts of the country.

The explanations for current as well as earlier problems are many and often contradictory. In Danida's own magazine, *Udvikling*, the problems are described as relating to the environmental effects of the collaboration: due to the Ghanaian entrepreneur's ignorance regarding the chemicals that are used to treat the poles, the

Ghanaian authorities demanded that the plant introduce several safety regulations to protect both the staff and the surrounding environment. This, of course, delayed the start of the production (Jespersen, 1997b). A review of the programme conducted by a Ghanaian consultancy company concurs with the conclusion that the PSDP collaboration had failed to implement the environmental procedure agreed upon, but it also stresses the lack of project preparation, the underfunding and the 'extremely difficult and uncooperative Danish partner' as the reasons for the delay and for the problems that the collaborations faced (Technical Systems Ltd., 1999). Danida's own list of project and programme statuses as of 2002 simply lists the delays as a reason for difficulties of collaboration between the two partners (Danida, 2002). These explanations probably all have some truth to them. However, there is more to the story.

Related to the environmental problems described above, the joint venture also lacked the necessary testing equipment in order to get the poles certified and thus obtain government contracts. For quite some time, then, the partners were formally unable to obtain lucrative contracts from government bodies. However, it seems that the lack of certification has not excluded the company totally from this market, as it has obtained contracts from, for instance, the Ministry of Energy. How this happened remains uncertain, but no doubt the Ghanaian partner has a wide-ranging network, which may have helped. Besides his membership of the board of AGI and the two companies, already mentioned, he is the owner/manager of an environmental consultancy company strategically located in Accra. His connections have so far allowed him to attract development funding in large quantities: besides the support of Danida for this joint venture, he has subsequently been able to obtain funding twice from Danida's PSDP for his furniture business (P7/P8), and once from an American development agency for the same business. Lately, he has been able to obtain testing equipment for the treated poles from a third development agency.

A desire to help a relative financially may also account for some of the problems the company has experienced: the machines for the plant were purchased from a company in Singapore that happened to be owned by the Danish partner's brother. However, this was not known to the Ghanaian partner until a few years ago, when one of the machines, a kiln dryer, broke down and he needed spare parts. At that point, the collaboration – which was formerly a joint venture between the two partners, with the Danish partner holding seventy percent and the Ghanaian partner thirty percent – had ended, and the Ghanaian partner had taken over the company's

activities.²⁹⁷ Due to internal disputes the partners were no longer communicating with each other, and therefore the Ghanaian partner contacted the producer of the dryer directly, only to be very amused to discover that it was the Danish partner's brother who owned this company. Even though he did not know the world market price for kiln dryers and hence did not know whether or not the joint venture had paid a reasonable price, he felt that the lack of transparency pertaining to his Danish partner's procurement decisions was intended to cover up irregularities.

At the time of the interview, approximately fifteen people were working in the company, some in both this plant and in his furniture manufacturing company nearby. When the Ghanaian entrepreneur first contacted the Danish embassy for support, this enterprise did not exist: therefore it can be said that the collaboration has had some positive effects. However, these effects are clearly outweighed by the negative effects of the collaboration. First, there is no indication that the Ghanaian partner has managed to solve the company's environmental problems. Even though he has erected a roof on top of part of the plant site and the area itself has been fenced off to minimise the risk from humans and animals in the surrounding area, chemicals are still easily accessible, and employees are not properly protected. More importantly, the company has still not managed to obtain the required certificates relating to the use of chemicals in the production. Secondly, the company has never made a profit. Indeed, both partners claim that project itself has caused them losses. The Danish partner never saw any returns on his investments. The Ghanaian partner raised a loan of DKK 2.65 million from the PSDP loan facility, which has never been repaid. Even when the merchant bank that is formally responsible for the loan decided a couple of years ago to re-establish the loan conditions, whereby all interest rates were subtracted, nothing happened. This is hardly surprising, as nobody has any economic stake in the loan. As the loan is repaid, Danida transfers the money it receives to the Government of Ghana as budget support. The money has already been withdrawn from its budget and counts as development assistance, while the merchant bank is simply administering the loan for Danida and hence has no interest itself in forcing the borrower to pay the loan back.²⁹⁸ Left out of this equation is the Ministry of Finance, which should eventually receive the money

²⁹⁷ According to the Ghanaian owner/manager, the Danish partner never paid his share of the joint venture, but this accusation is not supported by the project documents shown to me during the interview. On the contrary, these documents reiterate the formal agreement of a 70/30 joint venture.

²⁹⁸ The problems associated with the recovery of old loans is partly to be blamed on the organisational set-up between Danida, the merchant bank and the Government of Ghana, as already noted by the Ghanaian consultancy company prior to the second internal review of the PSDP (Technical Systems Ltd., 1999).

back, but it has no means to force the borrowers to repay the loans, so generally speaking loans are not repaid.

Case XXIV. Lack of capabilities, rudeness or greed? Diverging accounts of a prematurely ended collaboration (S15)

A Ghanaian producer of poultry and piglet feed attended a business management course at Empretec in order to enhance the productivity of his company. A couple of new tools and principles were introduced to him, but most importantly, he was informed about the possibilities of collaborating with a foreign partner through Danida's PSDP. Immediately after the course, the Ghanaian producer of feed therefore approached the Danish embassy to obtain more information about this support scheme. Following this, he was invited to the Agromex fair (TechChange) in Herning, where he met up with his future PSDP partner, one of the leading producers of animal feed and vitamin and mineral supplements in Scandinavia. The Danish partner saw an opportunity in the PSDP to acquire risk free experience of a new market and a future opportunity to enter an expanding market for high-quality feed.²⁹⁹

In Ghana in the late 1990s there was only one large-scale producer of animal feed, and local demand was largely met by numerous small-scale artisan producers. However, the quality of these products was very variable, and an inquiry among local pig farmers indicated that, even though products based on the Danish premix would be more expensive than locally produced feed, farmers would be ready to cover the extra costs. Consequently, the partners started production of the Danish company's products in the existing mills. While the previous feed was basically made of local maize, fish and wheat, the new feed required that more than 20 percent of the ingredients be imported (16 percent mix from the Danish partner and 5.8 percent meat meal).

As shown in section 2.2.1, the majority of the sum allocated for a PSDP collaboration is for technical assistance and training – only a maximum of DKK 100,000 is allocated for production equipment. As a general rule, Danida does not provide working capital. However, this rule may apparently be twisted: according to the final evaluation report signed by the Danish partner, DKK 86,496 had been used to pay for imports of the mix from the Danish partner, and only a very small amount had been used to pay for technology.

Even this relatively large sum granted by Danida did not make the business sound: after a short initial boost, sales quickly started dropping, since the farmers were no longer prepared to pay the extra price for the newly enhanced product. Mu-

²⁹⁹ Like several other Danish PSDP companies, this company has subsequently collaborated with other developing country partners through the PSDP.

tual allegations of all sorts were made between the partners. The Danish partner maintained first, that his Ghanaian counterpart lacked even the most basic managerial abilities and was incompetent in other aspects of business life, and secondly, that the Ghanaian partner had confronted him and his business partners with a rude and aggressive attitude. Therefore, the collaboration could not continue.

The Ghanaian partner agreed that he lacked managerial abilities, but that was the main reason why he approached the embassy in the first place. Furthermore, he asserted that this is only the official version of the story. According to him, the 'real' story is that a Danish production manager and managing director were too greedy: while the partners were marketing the new Danish-based feed in the region, the Ghanaian partner introduced his Danish partners to one of the biggest farms, with over 100,000 hectares of farmland. The farmer immediately saw the difference in quality between the locally produced feed and the new Danish-based feed and wanted to buy the latter instead. The Ghanaian partner perceived this as part of a marketing strategy for his company, but he soon learned that the farmer had signed a separate contract with the Danish partner to import the feed directly instead of through his company. The Ghanaian partner felt cheated and demanded a percentage of the sale, which he did not receive. This was when the problems between the partners began.

Whether it was mostly a lack of abilities, a rude attitude or greed that caused the problems does not really matter. What matters is that the collaboration came to an end and the Ghanaian partner started producing feed using the original recipes once again. He would have liked to continue producing the enhanced quality feed with mix from the Danish partner or using imports from other similar companies, but he did not have any working capital for imports. Thus, he was forced to return to what he was doing originally.

On the face of it, thus, nothing really happened: Danida matched two partners, spent roughly half a million DKK, and after an unsuccessful intervention, both partners went back to doing what they were used to doing. Something, however, might have happened: when the collaboration ended, the Ghanaian partner continued producing local feed, but on a smaller scale than before; networks and business connections had to be resumed, and he had to lay off many employees. Since the collaboration began the Ghanaian partner has experienced two cases of armed robbery at the factory site, and he has the bad feeling that these robberies are closely connected with his collaboration with foreigners. He feels that someone in the community has resented the fact that he has stopped buying inputs for production locally and instead turned to doing business with a foreign partner, and therefore

wanted to scare him out of business. They succeeded, production has now come to a total standstill, and all non-family labour has been sacked.

Moreover, his reputation as a businessman has been ruined by the statements made by his former Danish partner in the final evaluation reports. In order to revive his feed business, he subsequently applied to be a part of a European Union-financed business association scheme, but he was rejected because the Danish Embassy had passed on information to this donor organisation stating that, based on previous experience, he was not suitable for a partnership. However, the Danish embassy never visited the premises of the Ghanaian partner but based its assessment solely on what the Danish partner had said.

8.4 The inevitable impacts

Impacts of development interventions are like deaths: they are inevitable. Impacts are not predetermined, but rather reflect the combination of policy design, political will, economic resources, business culture, historical legacy, diverging motives among the various actors and different principles of selection and sidetracking. Nor is the route towards these impacts direct: similar impacts, such as employment generation, earning an income and improvements in product quality, may be attained through various processes, and there is not necessarily one proper way of reaching these ends.

This chapter has laid bare the impacts of Danida's PSDP in Ghana at the enterprise level. It has examined how the PSDP may facilitate the building of technological capabilities in small Ghanaian enterprises, but it has also revealed all the hindrances to the process of upgrading these companies through an aid intervention like the PSDP. Moreover, using four indicators, this chapter has examined how the intervention has fared in relation to Danida's overall goals, but it has also uncovered all the problems related to such an analysis. Lastly, this chapter has exposed some of the unintended impacts of the intervention.

Based on the framework for studying changes in technological capabilities developed in Chapter 4, this chapter has instigated an examination of these changes in the Ghanaian companies that have collaborated with Danish companies via the PSDP. Four conclusions should be highlighted as emerging from this analysis. First, in almost two-fifths of the collaborations, the PSDP did not lead to any improvements of technological capabilities in any form. Certainly some collaborations did not have capability building as one of their stated objectives, but since the overall objective of the programme is to transfer skills, one may assume that technological capability building is highly prioritised, even though it is not directly speci-

fied.³⁰⁰ This figure challenges the claim put forward by, for instance, Romijn (1999), that the introduction of new production equipment should lead by default to the generation of new skills and thus also to improvements in technological capabilities (cf. section 4.6.1). Secondly, improvements in production capabilities are more widespread than improvements in investment and linkage capabilities, which only confirms the significance of the focus on building up skills via inter-firm collaborations that pay attention to product and process upgrading through learning-by-doing and learning-by-interacting. Thirdly, these positive changes all belong to the lower end of the technological capability level, or what has sometimes been referred to as technology-using capabilities (unlike technology-changing capabilities). Improvements that are confined to these basic levels may be sufficient to increase productivity levels, but in general intermediate and advanced technological capabilities are needed in order to achieve longer-term dynamic changes (cf. section 4.5). Fourthly, the PSDP has resulted in the degrading of some companies' capabilities to link up to suppliers, customers, business organisations and the like, simply because the Ghanaian company has a tendency to leave these matters for the Danish company to decide.

In addition, this chapter accounted for how the PSDP facilitates the building of technological capabilities. Four cases were chosen to illustrate these processes. The first case pointed towards the shared motives for entering the collaboration: organisational restructuring, practical as well as theoretical knowledge to build upon, the detailed planning and execution of training and close supervision as determining factors for the upgrading process. In contrast, the three other cases all pointed towards the obstacles to upgrading. Among the most important aspects here were hierarchical organisational structures, staff replacement, excessive expectations, uncommitted partners, divergent motives and inter-personal problems.

Chapter 3 established the framework for studying impacts of Danida's PSDP in Ghana. This framework distinguished between impacts at the enterprise level and broader impacts. This chapter has dealt with the former. Four indicators were chosen to shed light on the Ghanaian companies' economic situation. These indicators provided a very blurred picture of the impacts, one that points to a major conclusion of these types of study, namely that the very concepts of success and failure are analytically useless. This is because the impacts of an intervention are interpreted differently by the various stakeholders. Moreover, these perceptions change over time. Hence, a success for one person at a given point in time may turn out to be less positive later or for someone else. The study also found that although im-

³⁰⁰ In two cases, however, the intention was not to build technological capabilities (cf. Table

pacts are interwoven, the relationship between the different impacts cannot be established in advance: each and every case has to be examined separately to obtain an idea of how the aid intervention has impacted on the target group, as well as on others elsewhere.

For fear of ending up by contradicting these general conclusions, I will nevertheless venture to point out some of the PSDP-related aspects that influence the intended impacts on the target group. The chapter established that size, relevance and time all matter: that is, the smaller the recipient enterprise, the more extensive the impacts tend to be; the more relevant the collaboration is for the core activities in the recipient company, the higher the propensity of the intended impacts to come about; and the longer the partners have collaborated, the higher the chances that they have influenced each other. However, this does not suggest that brief collaborations may not have a huge impact, that initiatives isolated from the core activities of a company cannot lead to positive intended impacts, or that impacts of the PSDP are by default diminutive in large Ghanaian companies. It only indicates that the tendency for considerable intended impacts depend on these variables.

This chapter also pointed out the importance of not limiting a study to the expected outcomes of an intervention. First, the fifteen cases that were chosen to reveal the problems of using simple indicators to measure impacts suggest that the PSDP impacts are definitely not restricted to what either Danida, DI/HVR or the business partners state they expected. The reason for this discrepancy relates to the only partial adoptions of interventions by the actors. Put differently, the PSDP is typically not adopted completely by all members of the target group. Instead, owner/managers pick the programme apart and select what is most appropriate for them, discarding or playing down other elements of the programme. In the words of Olivier de Sardan (2005: 144f), the target group thus ‘disarticulates’ the coherence of an intervention which ‘results in a number of “perverse effects”, which annul the effectiveness of the improvements proposed and might even induce outright negative results’. The Ghanaian owner/managers’ motives for participating in the PSDP are often at odds with Danida’s intentions. Likewise, the Danish partners’ motives are often at odds with those of both the Ghanaian owner/managers and Danida. Different groups thus select specific parts of the intervention and appropriate these, often in ways not originally anticipated. This process of selection and appropriation tends to result in a sidetracking or transformation of the programme, away from the original stated objective towards a new situation that results from this process of disarticulation (Olivier de Sardan, 1988, 2005). It is therefore important to go be-

yond the intended impacts in order to reach a fuller understanding of the intervention.

Ghanaian owner/managers, for instance, do not enter into collaboration with a Danish partner in order to create economic and social development in Ghana or to alleviate poverty. Rather, several different logics guide their choices. The most obvious of these logics is the constant search for capital. In a country characterised by a scarcity of capital (cf. section 7.3), the search for working as well as fixed capital therefore becomes very urgent for most small enterprises. This logic also applies to the Ghanaian PSDP enterprises, which perceive Danida's PSDP as a way of obtaining access to capital. The grant for production equipment plus the loan facility makes Danida's PSDP very attractive for Ghanaian small enterprises, indeed, more attractive than most other business-to-business support interventions in Ghana. Access to capital tends to overshadow other (and, regarding Danida's objective, more important) aspects of the intervention, that is, training and technical assistance to upgrade companies in the recipient country. Since Ghanaian businessmen are mostly tempted by the chance to obtain access to capital via the PSDP, in many cases they do not recognise that the PSDP is more than just a grant. They therefore select parts of the intervention and tend to disregard others. In Danida's perception, the grant is actually only a minor part of what is on offer, the important parts of the intervention being the training and technical assistance. Access to technologically advanced machinery also seems to play a major role, both when Ghanaian businessmen choose to participate in the programme, and when they appropriate parts of it.

Likewise, Danish businessmen do not participate in this programme solely out of altruism. Like the other actors in the PSDP, they act according to certain logic, especially the leveraging of resources. The Danish partners thus perceive the PSDP as a way to increase their prospects for internationalising almost risk-free, to secure the company against demand fluctuations (by planning the training sessions in periods of low demand) and to enhance the opportunity to sell otherwise unsaleable second-hand machinery via the programme. The Danish partners therefore do not only engage in inter-firm collaborations in order to start a 'long-term binding agreement' (that is, to facilitate economic and social development in Ghana), but rather to leverage resources. Needless to say, this aim influences a collaboration that is actually intended, by Danida, to bring about social and economic development in the recipient country.

Secondly, unintended impacts are not either solely positive or solely negative. The five cases chosen to highlight the unintended impacts on the target group reinforce the conclusion given above: what is positive for some may be negative for

others. In addition, these cases highlight the fact that decisions that may affect some stakeholders negatively may be necessary to minimise the overall negative impact. Likewise, these cases pointed to ‘cultural’ perceptions as determining for a collaboration: in one case, the mere fact that the business partner was ‘white’ increased the trustworthiness and credibility of the Ghanaian business, while in another collaboration with a ‘white’ businessman was seen as the main reason why his business had been robbed.

9. DIFFUSION OF IMPACTS, ACCESS TO RESOURCES, AND THE EMBEDDED-DISEMBEDDED CONFLICT IN DANIDA'S PSDP

By now it should be clear that the PSDP forms part of Danida's large portfolio of development interventions, which target the private sector in order to fulfil the overall goal of Danish development assistance, namely to alleviate poverty. As we have seen, the PSDP seeks to assist in this process by establishing links between Danish companies and companies in Danida's partner countries. These links, it is assumed, should upgrade technological capabilities in the recipient country companies in order to make them more profitable and thus contribute towards intermediate development goals, such as the generation of employment, enhanced environmental procedures, increased foreign exchange earnings etc. in the recipient companies. On the other hand, it is assumed that the impacts on these companies will spread to other parts of the private sector in the partner countries, as well as to society at large. It is unclear exactly how Danida perceives the flow of impacts to the private sector: will impacts spread to the private sector through spill-overs from a recipient company to its suppliers or customers, through demonstration effects (sound management, good quality, labour rights etc.) among private entrepreneurs, or via increased customer expectations regarding, for instance, between delivery times or better quality, thus leading to increased demand? Likewise, it is unclear how the positive impacts of the PSDP are believed to diffuse into the surrounding society. Will the companies employ 'poor' people, raise salaries, and transfer parts of the return on investments back into local villages? Will the PSDP lead to improved trade balances or to a broader tax base?

Danida's own publications on the subject (such as Danida (1993; 2000c; 2001c; 2003a; 2005b)) do not provide any answers. As argued in section 2.2.2 on page 41, the aims of the specific PSDP collaborations to a large degree remain unspecified. The Danish embassy places its emphasis on certain 'development' aspects in the screening process, most notably if and how competences are transferred from the Danish company to the recipient country company, and whether the collaboration contributes to social and economic development in the host country, but it does not say how this may come about. The PSDP project documents also stress these two aspects, but again the connection between technology transfer and developments in the private sector or in society at large are not revealed. Notwithstanding these ambiguities, the PSDP is marketed as a development intervention that, alongside

Danida's other development interventions, should contribute to alleviating poverty by improving the competitiveness of local enterprises in recipient countries and thus contributing to economic growth.

This chapter aims to deepen our understanding of the impacts of Danida's PSDP in Ghana on the Ghanaian private sector and Ghanaian society respectively. The distinction between the Ghanaian private sector and Ghanaian society may seem arbitrary, as the latter includes the former, and since many of the conclusions related to one issue also relate to the other. For the sake of clarity, however, this chapter provides two examples of how PSDP impacts have diffused into these two spheres. The first example illustrates how the introduction of a new product has led to demands for inputs that were previously regarded as waste. The second presents the broader impact of a PSDP collaboration, namely the replication of a community development fund that was established by the PSDP partners, first by one of the partners in another logging area; but more importantly the idea was taken up by the government of Ghana and included in the recent Timber Concession Act. Thus, from now on five percent of the profits of logging in off-forest reserves will be devoted to socially responsible projects in the logging area.

Unfortunately, these two cases are rare. In by far the majority of the Ghanaian PSDP collaborations, the broader impacts on the private sector and on society at large are either hard to determine or practically non-existent. This chapter argues that a combination of specific Ghanaian institutional features described in Chapter 7 and the non-adaptation of the PSDP to the specific Ghanaian business system tends to prevent dissemination of the impacts of the programme.

Following this, two PSDP collaborations explain how some characteristics of the Ghanaian business system impede the spread of impacts. It thus builds on the analysis of the business system characteristics set out in section 7.6 page 205. Case XXVII page 297 tells the story of a powerful businessman in a relatively under-privileged region in Ghana who has been quite successful with his interaction with donor agencies, but less so with his manufacturing enterprises. In a period of approximately three years, his employees received on-the-job training in connection with two PSDP collaborations. However, the company never became profitable, and all its machines are now lying idle. Unfortunately, the Ghanaian entrepreneur's power, in combination with lack of other employment opportunities in the region, has resulted in technical capabilities not spreading: the employees simply stay with the 'big man' in hope of new contracts and a salary, instead of seeking greener pastures elsewhere. The upgrading process in the Ghanaian PSDP company portrayed in Case XXVIII page 299 brought demands for higher-quality inputs for the production. However, the partners faced difficulties in acquiring good quality raw ma-

terials within Ghana, and therefore they chose to set up a new company with the sole purpose of importing good quality inputs from Denmark. As a result, the possibilities of spin-off effects to suppliers were limited. Moreover, it used the existing network of PSDP collaborations as its main customer base. Thus, the demonstration effect to other parts of the Ghanaian private sector was reduced.

Because the impacts of Danida's PSDP in Ghana have only spread to a minor degree, it is important to analyse who the beneficiaries of the programme really are. Section 9.2 critically examines the 48 PSDP collaborations in Ghana. These Ghanaian enterprises are categorised according to their own perceptions of ranking vis-à-vis other enterprises in the sector, to whether they were formerly a SOE, whether the owner has a close political network, and whether the owner is a leading member of an important business organisation. This categorisation shows that almost three-fifth of the owners of the PSDP enterprises belong to the upper echelons of Ghanaian society. In other words, this section reiterates Olivier de Sardan's (2005: 149) conclusion regarding aid intervention to rural societies in SSA, namely that 'development is a game which favours those who have the best cards in hand at the outset'. This section describes further the implications of this insight.

Section 9.3 departs from the characterisation of Ghanaian 'growing' enterprises provided in section 7.6 and summarised in Table 7.4 page 207 and adds the design of the PSDP in an analysis of why the PSDP in Ghana has only spread to the private sector and society at large to a minor extent. This section argues that the discrepancy between the 'real' needs of the Ghanaian private sector and Danida's PSDP result in the low sustainability of the programme, limited developmental effects, the maintenance of existing local power structures etc.

9.1 Diffusion of impacts into the private sector and society at large

By definition, the diffusion of impacts is hard to determine: which impacts are important and which are less important, are impacts that are important for some stakeholders also important for other stakeholders, and when and where are these impacts important? These questions are by no means less relevant in the Ghanaian context, as methodological problems pertaining to a lack of information regarding early collaborations (which are less successful in the minds of the embassy), as well as doubts surrounding the interviewer's role vis-à-vis the interviewee (cf. sections 6.2.1 and 6.3.2), mean that some impacts are simply impossible to follow up (cf. Case II page 225).

Any assessment of the diffusion impacts on the private sector must thus relies first on an examination of the linkages between the Ghanaian PSDP company and suppliers, customers and retailers, and competitors. Thereafter, it rests on an inves-

tigation into the transfer of skills through trained employees' changes of job, as well as an enquiry into sales of machinery (cf. Henny Romijn's (1999) suggestion that the introduction of machinery can lead to mastery of new skills, section 4.6.1). Lastly, it hinges on an examination of the role of business organisation in Ghana (cf. section 7.2.4).

All these indicators point in the same direction: the (intended) impacts of Danida's PSDP do not spread to the Ghanaian private sector. Practically all linkages to suppliers are either of a short-term nature, or else inputs are standard products and therefore producers do not upgrade suppliers. The same can be said in relation to customers. Most products are sold in a spot market. Since credit is scarce, buyers purchase a couple of items, such as wheelbarrows (P13), take them to the roadside and sell them, then either returning to the manufacturer and buying some more, or buying wheelbarrows from someone else: again, no long-term linkages exist that demand upgrading. Only in cases where the Ghanaian PSDP company links up to the Danish company either as suppliers of raw materials or as sales outlets for Danish products are such linkages established – but to the Danish company, not to other Ghanaian companies. The story may well be repeated with reference to the diffusion of capabilities through competitors. The Ghanaian private sector is characterised by an abundance of small enterprises that are only registered in the most basic way, therefore Ghanaian PSDP companies only have partial knowledge about their competitors and tend to be very suspicious of their motives (cf. section 7.6).

An investigation into the diffusion of skills through job rotation showed that, in ten PSDP collaborations, trained employees have either chosen to leave the company or have been made redundant. Table 9.1 summarises these collaborations, showing that in only one of these cases were some of the staff trained through the PSDP clearly employed in another company in the same sector in Ghana (P4). In three other cases (S1/S27/P16), staff started their own businesses. In two of these cases, some of the employees may well have used the skills obtained via the PSDP in their new business, though it is questionable whether employees in a relatively capital-intensive manufacturer of fruit concentrates could use their skills in artisan production (S27). In one case the employees are making use of their skills, but not in Ghana (P12); in two cases the employees are certainly not making any use of their skills (P6/P13); and in three cases the managers maintain that they have no data about the whereabouts of their former employees (S4/S15/P17). Unfortunately, the cases that potentially could have enhanced knowledge of the diffusion of capabilities, and thus of impacts to the private sector, turned out to be a dead end in research terms: one company had changed its management team, and the manager had only a superficial knowledge regarding what had happened prior to his arrival,

while three other companies either did not want to disclose such information or did not have any.

Table 9.1. Job rotation of PSDP-trained employees

	PSDP	Who?	Where?
S1	Case XIX	10 unskilled workers made redundant	Produce handicrafts or hawks on the street
S4	-	Two employees released	No data
S15	Case XXIV	All employees dismissed	No data
S27	-	A few employees made redundant	Own businesses
P4	Case VI	Trained employees made redundant due to economic problems	Some have jobs in the pharmaceutical sector, but as the management team has changed it possesses no data about the former employees
P6	Case IV	Four female employees (tailors and textile printers) dismissed due to production stop	Wanted to start own business but failed to get hold of sufficient capital. Chose instead to 'get married and have children'
P12	Case XXI	The company went bankrupt. All employees either fled or were made redundant	The financial controller hides in Zimbabwe, one pilot flies internationally, one is employed in the US, four stewardesses work in the US, the head of sales studies in the US, one driver returned to his former company, and one is unemployed
P13	-	One accountant quit her job	She got pregnant
P16	Case III	Two desktop publishers left	Started their own businesses
P17	Case II	One desktop publisher	Undecided. Perhaps working in a bank as a secretary

The potential diffusion of skills by means of equipment was probed via the market for second-hand capital goods: it was assumed that skills could be transferred along with machinery. Thus, if machinery that came as part of Danida's PSDP was either sold or given away, this might suggest that skills had been transferred. However, only one company (P12) has sold some of its equipment, namely the computers. Diffusion of impacts via this channel has thus not taken place.

Lastly, dense business networks could indicate an exchange of ideas and knowledge on the management level. However, as shown in section 7.2.4, business organisations in Ghana are fragmented and lack membership support.

To sum up, the impacts of the PSDP do not diffuse into the Ghanaian private sector to any large degree, and even though data for broader impacts on society generally are sparse, nothing suggests that impacts spread to society to any considerable extent. This section discusses with two cases that actually illustrate how impacts are spread, the next section two cases that focus on the obstacles to the dispersal of impacts.

In 1996 USAID invited a female Ghanaian entrepreneur with a background in biology and soil management to North America to promote her organic soil conditioner on the US and Canadian markets. Although she experiences real difficulties in persuading North American retailers to buy her unknown Ghanaian product, her trip was an eye-opener for her. During it, she visited one of the world's largest producers of organic fertilisers and received a brief introduction to the process of producing fertilisers. She soon realised that an abundance of organic waste for such production was available in Ghana: it was just a matter of getting production started. She provided friends with kitchen dustbins in order to make them separate out the waste that she could use.

A couple of years later, after numerous tests on flowers, vegetables, corn etc., she decided that she was ready to enter the commercial market and therefore approached the Ghana Standard Boards to have her products certified. However, the commercial organic fertiliser could not be based on her friends' waste, and she therefore made initial contact with a large-scale cocoa-producer to procure cocoa bean husks for her production. On top of this she needed coconut husks and chicken droppings for the fertiliser. These inputs are bought directly from local farmers.

In 2001, a Start-up Facility was initiated with a Danish agri-business consultant so as to expand the production of organic fertilisers and introduce new products. The initial phase of the collaboration was aimed at enhancing production methods and developing new products. Even though the Start-up Facility is regarded more as a search for new opportunities than a long-term business partnership, the Ghanaian company has been able to increase its sales while the programme has taken place.

Thus from a start of only one employee, the company has grown to ten unskilled casual labourers, all from the surrounding area. More importantly, however, the increased production implies an increased demand for inputs, which are partly bought from the local farmers, while others were formerly regarded as waste. Hence, the production of organic fertilisers directly impacted on the livelihood of the local community.

The role of the PSDP is hard to determine. First, I visited the partners in the initial phase of the collaboration. Secondly, the aim of the collaboration was to explore new opportunities rather than to increase production. The Ghanaian entrepreneur, for instance, went to Denmark to become acquainted with the Danish market, but even though she has managed to export some samples, the market for her products is largely confined to commercial farmers in her surrounding area in Ghana.

Lastly, the machine designed to dry the waste turned out to be too expensive. Instead shovels were purchased from the PSDP funds, the remainder being reserved for a possible Business Partnership.

Notwithstanding the actual role of the Danish company in the process, this case identifies important aspects that may increase the positive effects of such a development intervention.

Case XXVI. Local power balance makes the future for the collaboration unsure, but the broader impacts remain (P9)

This case (also described in Case V page 240) clearly shows that the use of ‘changes in employment’ as a single indicator may skew the picture radically: the tremendous increase in the number of employees in the Ghanaian company could not be related to the PSDP. However, this in no way means that the programme did not have any impact. On the contrary, this is one of the only cases of impacts on society at large.

First, the PSDP collaboration has enabled the farmers in the forest to enhance their potential for a higher income by initiating a process towards a diversification of the production of farmers living in the logging area. The newly introduced crops turned out to have a significantly higher yield than cocoa, the traditional crop in the forest. Thus the basis of the farmers’ income increased. Moreover, the partners, as part of the PSDP, have established a community development fund that aims to transfer some of the profits of the logging back into the community. Thus, for every cubic metre logged in the area, US\$ 5 are deposited in a fund that may be used for projects that benefit the local community, such as the construction of schools or health centres.

Secondly, the design of the interaction between the logging companies and the local farmers in an off-forest reserve has been transferred to another PSDP collaboration. Thus the idea of tree-nursing schools to regenerate the forest, of extension services and of a community fund have all been taken up by another PSDP collaboration.

Thirdly, and most importantly with regard to the discussion of broader impacts, the idea of involving locals in reforestation and the introduction of a development fund have been taken up by the government of Ghana. The government has thus recognized the importance of involving rural people in reforestation programmes, and government representatives are currently trying to demonstrate to the population living in rural areas that it is indeed possible to grow agricultural products along with timber. Moreover, the Timber Concession Act of 1997 states that five percent of the profits from logging should be used for socially responsible projects

in the area. According to representatives of this PSDP collaboration, a paragraph in the Act guarantees that some of the profits will be shared with the local population.

However, not everything concerning this collaboration can be viewed through rose-coloured spectacles. Recently, the chief of the area was ‘destooled’ (dismissed). Internal problems between factions supporting the different chiefs in the area meant that a battle for the stool broke out. The former chief was solely responsible for the agreement between the logging companies and the local farmers. As a general rule the chief secures the tenure of land, but at the moment there is not one chief but many competing for this power. These chiefs use land tenure and land use as ways of obtaining support from the farmers. The reasoning goes like this: support for a chief may be won if that particular chief enables a farmer to cultivate more land and thus raise his income. Therefore, the competing chiefs invite new migrants from their former power base into the off-forest reserve and allocate plots to them in order to obtain their support. As a result there is currently a double tendency to cultivate an ever-greater share of each plot and to exploit the whole off-forest reserve instead of just parts of it. This goes against the whole idea of reforestation initiated by the partners.

The future of this particular collaboration is thus unclear due to internal power conflicts, but the broader impacts appear to remain.

9.1.1 Non-diffusion of impacts in the majority of PSDP collaborations

Case XXVII. Machines stand idle, but employees stay with the ‘big man’ (P7/P8)

Through his high-ranking position in one of the major business organisations in Ghana, one Ghanaian became aware of the possibilities of technical and financial support to his business through Danida’s PSDP. In his hometown he had established a company that manufactured wooden windows and doors. This company had already benefited from a development intervention aimed at the Ghanaian private sector. Indeed, most of his machines in the first half of the 1990s derived from this intervention. However, his employees were unable to make use of most of them, which he felt were too old to make quality products. He therefore approached Danida to obtain a Danish partner for him. As shown in Case XXIII page 280, Danida at first did not manage to match him with a Danish partner in this line of business. Instead, it found him a partner for the production of treated wooden poles.

The wooden poles collaboration, however, was described as a ‘bad marriage’, and according to the Ghanaian owner/manager, the PS coordinator at the embassy felt that he was indebted to the Ghanaian businessman and therefore was eager to find him a partner for the window and door frame factory. Eventually, in 1997 an

agreement was signed for a Business Partnership with a Danish furniture manufacturer. The Ghanaian businessman wanted a joint venture, but in the end the Danish partner only wanted a technical agreement: second-hand machines for solid wood products were to be shipped from Denmark to Ghana, and the Danish partner would also see to the necessary training. The future looked bright. In particular, Danida's health-sector programme included the construction of several primary health clinics throughout the country. The Ghanaian businessman obtained the contract to supply these clinics with windows and doors.

However, he soon put a spanner in the works of the collaboration. Behind the back of his Danish partner, he ordered all the machines from another Danish company that he had come to know of through a Danish 'consultant'. He obtained a huge loan from Danida to pay for the order, but when the machines eventually arrived, none of them were in working order. According to the Ghanaian businessman, the Danish company had apparently bought up an old factory, taken what was useful, and then shipped the rest in a container to Ghana. The Ghanaian businessman felt that he had been cheated. Conversely, his Danish partner accused him of having made a private agreement with the Danish company so as to obtain a fictitiously high invoice for the machines, which could then be forwarded to Danida, so that he could pocket the difference. The Danish partner therefore chose to pull out.

Whatever the truth behind the allegations, Danida decided to make a new attempt to find him a partner. The purpose was once again to make door and window frames. 'New' equipment was shipped to Ghana, and training was carried out so that the staff could handle the machines. The Ghanaian businessman maintained that, by the end of this collaboration, the company was actually producing frames for doors and windows, as well as educational desk and chairs (for the donor was paying nearby schools). However, some three years later all his machines were standing idle and no production at all was taking place. A couple of employees were sleeping in one corner of the company, but the rest were nowhere to be seen.

The Ghanaian businessman emphasised that he had a policy of keeping his employees in case he should win a contract. Meanwhile, the employees chose to stay with the 'big man' in town in preference to finding another job, because they reasoned that, if any contracts were to be won in the area, they would probably be won by their boss, who had two companies in town, another company in Accra and a political career.

The trained employees have stayed in the company, even though there are no orders, and the Ghanaian businessman keeps all the equipment in case someone should want wooden doors or window frames in the future. Consequently, none of the capabilities developed during the PSDP collaborations are operational. More-

over, no capabilities have diffused to other parts of the private sector, as both the employees and the machines are being kept in the company.

Case XXVIII. Contradictory tendencies regarding impacts on the Ghanaian private sector (S23/S25)

During the course of the Start-up Facility between a small Ghanaian marketing and design company and a Danish printing office (cf. Case VII page 243), the PSDP partners realised that one of the major obstacles for good quality printing and thus for growth was the shortage of good quality printing paper. As well as installing the offset machines and the computers for commercial printing, they searched the Ghanaian market for printing paper, but without luck. Moreover, the Ghanaian partners were financially constrained. Consequently, instead of applying for a Business Partnership in the closing stages of the Start-up Facility, the partners agreed to set up a new business (S25), basically owned by the Danish partner (92½ percent) but managed by one of the Ghanaian partners, with the sole purpose of importing good quality paper, both for in-house production and to sell to other printing companies.

Seen from one perspective, this company has forced out other small Ghanaian importers of paper, as this Danish paper is of better quality. The company has convinced a large number of the other companies that have taken part in Danida's PSDP, including the printing companies, to change their paper suppliers, and they now all buy their paper from this company. As part of its marketing strategy, the company regularly invites both current and potential customers for training sessions in how to handle paper and to choose the right paper for different purposes. This is, of course, part of the strategy to drive out competitors, but it may also be perceived as a way of broadening the impact of the PSDP: by teaching customers how to handle paper and how to tell good quality paper from bad quality, the partners also teach their customers what good quality is and how to demand it in other cases.

The scope and magnitude of this type of impact on the Ghanaian private sector is obviously not measurable: local companies are driven out by a largely Danish-owned company, but printers (and other private-sector actors) receive better quality inputs for their own production. In contrast, the company seeks to influence their customers' perception of quality.

The broader impact of this PSDP collaboration on the private sector may also be probed into from another angle. Prior to the start of the PSDP collaboration, the Ghanaian company mostly produced advertising story boards for television commercials as well as for billboards, but never did the pre-print or printing stages. The PSDP collaboration enabled the company to go into commercial printing. Even though its commercial success here has yet to materialise, the collaboration has en-

abled the company to achieve a steadier turnover, mostly because the new customers do not delay payments to the same extent as their former customers did. However, the new customers do not comprise a random sample of Ghanaian companies. On the contrary, almost half of the customers are members of the Ghana–Denmark Chamber of Commerce (formerly the Ghana–Denmark Business Club), a business forum set up by the Danish Embassy in Ghana to bring businessmen from the two countries together and thus encourage and facilitate business contacts between its members. The remainder comprise the Danish embassy itself and other Scandinavian companies based in Ghana. Thus, the effects upstream are not spread to the Ghanaian private sector as such, but only to other PSDP companies and large-scale Scandinavian companies.

9.2 Access to PSDP funding: impacts on society at large

The overall aim of the PSDP is to alleviate poverty via the stimulation of economic and social development in Danida's partner countries. However, as argued in Chapters 1 and 2, Danida, or indeed any other development agency, does not stipulate how a specific private-sector intervention, in this case the PSDP, helps alleviate poverty: it is simply assumed that the support it provides for long-term binding agreements between Danish companies and companies in developing countries will bring about this development by itself. However, this section shows that in the case of the PSDP in Ghana, the relationship first is not simple, and secondly, that special attention has to be paid to the diffusion of impacts.

The PSDP targets 'growing' enterprises in developing countries. Section 4.1 showed that on the one hand these enterprises have special needs that may best be fulfilled through access to technologies, inputs and well-educated staff. On the other hand, assistance to 'growing' enterprises to fulfil their needs does not result in large-scale positive impacts on poverty alleviation in the same straightforward manner as assistance to 'survivalist' enterprises does. Special attention must therefore be paid to this particular aspect.

The theoretical distinction between 'survivalist' and 'growing' enterprises presented in Chapter 4 is hard to operationalise in practice. Among the Ghanaian PSDP companies, a couple of enterprises could rightly have been categorised as survivalist enterprises in terms of size at the start of the PSDP collaboration. However, whether in terms of economic outlook (P17/S14), technological capabilities (S26) or specific origin (S25), these companies surely cannot be classified as 'survivalist' enterprises. This being said, the remaining PSDP enterprises are heterogeneous: some may rightly be classified as 'growing' enterprises, while others are al-

ready medium- to large-scale. However, they too face growing competition and are therefore in need of upgrading in order to stay competitive.

In order to obtain more knowledge about who benefits from the PSDP in Ghana, the Ghanaian PSDP companies will be broken down here in terms of their degree of connectedness to the upper echelons of Ghanaian society. The discussion of interviewing foreign business owners in section 6.3 called attention to the fact that elite status first is not easy to determine, and secondly, that it depends on the local context as well as on local perceptions. Belonging to the upper echelons of the Ghanaian private sector is here taken to denote that among other things the Ghanaian entrepreneur's company is among the leading companies in a particular sector³⁰¹ in Ghana or is a former SOE. Moreover, close political links to current or former ministers, as well as high-ranking positions in one of the two leading parties in Ghana, are here also interpreted as indicating that an entrepreneur belongs to the elite of Ghanaian society. Lastly, board membership of leading Ghanaian business associations is also perceived as an indicator of elite status in Ghana.

Table 9.2 and Table 9.3 summaries these categories for Business Partnerships and Start-up Facilities respectively. The tables also include a row listing the Ghanaian companies that historically have close links to Denmark, whether due to Danish leadership (P5/S6/S7) or because of business collaboration with the Danish partner prior to the PSDP (P2/P9/P15/S19). According to the classification applied here, almost three-fifths of the owner/managers of the Business Partnerships belong to the upper echelons of Ghanaian society. In contrast, only one-third of the Business Partnerships neither had significant links to Denmark at the start of the PSDP, nor were directed by a member of the Ghanaian elite. The connection between elite status and access to PSDP funds is not as noticeable with reference to Start-up Facilities, where less than half of the funded collaborations in this study are directed by a person belonging to the upper echelons of Ghanaian society. Moreover, just over half of the Start-up facilities neither had significant links to Denmark, nor was not directed by a person belonging to the Ghanaian elite.

³⁰¹ Enterprise ranking is constantly changing, especially in a highly volatile economic and political situation as that in Ghana. Moreover, ranking is at best imperfect and fragmentary, as reliable comparable information regarding Ghanaian companies' economic activities is non-existent. The classification as one of the leading enterprises in a particular sector thus rests on an entrepreneur's own perception of his or her company vis-à-vis other companies in Ghana. Moreover, it refers to the situation that prevailed when the Ghanaian PSDP company initiated its collaboration with a Danish company.

Table 9.2. Who has access to PSDP funding in Ghana? (Business Partnerships)

Nº	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12	P13	P14	P15	P16	P17	P18	P19	P20	P21
Leading ent.									X						X			X			
Former SOEs				X									X	X							
Pol connections							X	X		X		X								X	
Business ass.			X				X	X		X										X	
Links to Dk		X			X				X						X						

Table 9.3. Who has access to PSDP funding in Ghana? (Start-Up Facilities)

Nº	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S18	S19	S20	S21	S22	S23	S24	S25	S26	S27
Lead.									X	X	X						X	X			X						
SOEs																											
Pol.			X		X			X										X	X								
BAs				X											X												
Dk						X	X												X								

Based on this simple categorisation, several conclusions emerge. First, there is a tendency for influential businessmen to have easier access to Danida's PSDP funds than less influential businessmen. This is hardly surprising, as the Ghanaian business system tends blur the distinction between business and politics: in order to become a successful businessman, some degree of political connection is essential. Historically, public contracts have typically been won on the basis of political, ethnic or personal affiliations, rather than on rigid scrutiny of the bids received, and even though Ghanaian political rhetoric constantly claims that large-scale corruption is on the retreat in Ghana, most surveys still report widespread corruption in all spheres of Ghanaian society (cf. section 7.2.2). Moreover, Danida, like any other donor, needs collaborators in the private sector in order to find and screen potential beneficiaries of its PSDP. It therefore collaborates closely with the most influential private-sector organisations in Ghana. Throughout the lifetime of the programme, Danida has benefited from its collaborations with these organisations in finding suitable projects. However, this close collaboration has also contributed to a relatively high proportion of PSDP companies being led by someone belonging to the Ghanaian elite, as this elite generally has access to information regarding the programme before anyone else, and also because their chairmanships of private-sector organisations gives them credit in the eyes of both the staff at the embassy and potential Danish partners.

Secondly, the tendency for influential businessmen to have easier access to PSDP funds is more noticeable with regard to Business Partnerships than Start-up Facilities. The overall difference is rather small, but the overall picture hides some differences in the subcategories. Of interest here is the fact that only two of the 27 Start-up Facilities have owner/managers on the boards of significant business associations, while this is the case for five out of 21 Business Partnerships. This may be a coincidence, but it also suggests that entrepreneurs who are acquainted with the programme go for the 'full package', or else that board membership gives them credibility, and thus the chances of having an application approved increase (cf. section 2.2.4).

Thirdly, to a large extent Danida's PSDP maintains local hierarchies and stratifications: the PSDP allocates funds, training and technical assistance to businessmen who are already well-established and well-connected politically, while entrepreneurs who do not have this dense network or who are already among the leaders in their sector have only been able to profit from the programme to a lesser degree. This tendency not only relates to the first years of the programme's existence, it is reinforced partly through the fact that general promotion of the programme only takes place in high-ranking business forums, such as the Ashanti Economic Forum, where the Ashanti king invites Ashanti businessmen for networking, and partly because the embassy asks its closest collaborators in the private sector, namely the Association of Ghana Industries and Empretec, to find additional Ghanaian enterprises within a certain line of business when a Danish company comes to Ghana to find a potential PSDP partner.

Chapter 7 demonstrated how changing governments in Ghana, as well as its historical legacies, have to a large degree squeezed out the local private sector in the country. Historically, productive companies have been forced into more speculative activities, investments have been targeted towards fixed assets, entrepreneurial skills are scarce, and there is a general lack of private-sector role models (cf. Table 7.4 page 207). The basis upon which to build a private-sector development programme that aims to alleviate poverty through social and economic development is thus fairly small. Moreover, the PS staff at the embassy there are concerned about the limited resources they have with which to locate and screen potential Ghanaian PSDP companies. In other words, the leverage of leading business organisations in locating potential companies through their networks is expected, but it appears that the PS staff at the embassy have not realised the consequences of this choice for the overall aim of the programme: in so far as leading enterprises are the preferred mechanisms, policies have to be implemented that spread the intended effects of the programme to other parts of the private sector and to Ghanaian society.

9.3 The embedded–disembedded conflict in Danida’s PSDP in Ghana

Section 7.2–7.5 outlined central aspects of the Ghanaian business system. Moreover, Chapter 2 scrutinised Danida’s PSDP. This section focuses on the interface between the business system and the PSDP. It departs from the description of the characteristics of the Ghanaian private sector presented in section 7.6 and identifies some of the conflicts created by the interaction of a recipient embedded in a certain business system and a form of donor intervention that is disembedded from this context, as well as outlining the consequences of this interaction.³⁰² Table 9.4 lists the more obvious interactions.

The first conflict between the realities of the Ghanaian private sector and the PSDP arises because key institutions in Ghana tend to create small, family-owned enterprises characterised by direct owner control over management. Furthermore, the majority of Ghanaian businessmen do not trust non-kin business partners. In contrast, Danida’s PSDP is based on the assumption that the recipient country partner wants to form a joint venture with a foreign partner. Only approximately one-third of the business partnerships that had received funding between 1993 and 2001 were joint ventures, due to a combination of the general distrust of non-kin partners among Ghanaians and the motives of Danish partners in seeking access to new markets with limited risks. Thus, the majority of business collaborations are restricted to technical assistance, with relatively short time horizons.

The second conflict arises through the transfer of knowledge from the Danish to the Ghanaian company. The authoritarian-cum-benevolent style of leadership and the role of the family often prevent the necessary organisational changes for efficient knowledge transfer from taking place. Information is kept at the level of the owner-manager, only seldom spreading to employees. The partners in the PSDP decide how to arrange the training. Very often, the Ghanaian entrepreneur participates in the training sessions instead of the relevant technical or administrative staff because he or she is worried that the employee might then leave the company, taking valuable knowledge with him. A very large proportion of the owner-managers of the Ghanaian firms that participate in the PSDP have an academic degree, but no specific technological knowledge.³⁰³ Training therefore does not have the intended impact.

³⁰² The ‘anthropology of development’ literature would frame this as a conflict of logics, between the intervention’s logic and the entrepreneurs’ logic. However, the embedded-disembedded dichotomy is applied here instead in order to point out the importance of the literature on private-sector development that has formed part of the argument of the thesis.

³⁰³ Ghanaian owner-managers participated in over fifty per cent of the training sessions that took place in Denmark. In only 25 percent of these cases did an employee outside the management team

Table 9.4. Some embedded-disembedded conflicts in Danida's PSDP in Ghana

Ghanaian private sector	The PSDP	Conflict	Consequence
Small family-owned enterprises	Mutually binding long-term co-operation	Lack of trust of non-kin business partners	Low sustainability
Authoritarian-cum-benevolence leadership	Knowledge transfer through Danish enterprises	Knowledge is power	Only owner-managers are trained
Financial constraints	Grants limited to training	Lack of inputs for production	Interruptions of production process
Few linkages	Business-to-business focus	No spread	Limited developmental effect
Business and politics are interwoven	High requirements to participate	Only access to funds for already powerful	Upholding local power structures
Risk awareness	Risk-taking	Only parts of the 'package' are selected	Unintended impacts
Specific growth sectors	Tied aid	Lack of expertise in certain sectors	Limited effect

The third conflict takes place because almost all the available funds go into training and technical assistance, hardly anything into capital equipment, and nothing into working capital. Ghanaian entrepreneurs face numerous difficulties in obtaining capital. They are in reality excluded from the formal banking system, and the *susu* system does not cater for their needs for capital. In addition, government agencies often delay payments by up to nine months, and Ghanaian entrepreneurs also have many obligations outside the realm of the enterprise itself. Thus, firms are often short of capital and therefore cannot purchase inputs for production. This has two major consequences. First, machines are often left lying idle, employees do not receive their salaries, and the entrepreneur does not make any profit. Secondly, Ghanaian partners regularly fail to pay their Danish partners in time due to financial constraints, thus placing the future of the collaboration in jeopardy.³⁰⁴

The fourth conflict arises because the PSDP has a strict business-to-business focus. The Ghanaian business system is characterised by small units with low levels of ownership and non-ownership co-ordination: in other words, horizontal as well

join the owner-manager. Roughly half of Ghanaian owner-managers have a BA or MA, and a further 44 percent have a tertiary-level diploma.

³⁰⁴ The exact figure for the non-payment of inputs and services is hard to establish, especially because conflicting views on the matter are presented by Danish and Ghanaian partners. However, most partners told me that they had experienced delays in payment. Moreover, 85 percent of the business partnerships that have made use of the PSDP loan facility have not yet started to repay the loans.

as vertical linkages are weak. Moreover, hardly any platforms exist for collaboration between competitors. Therefore, the assistance of Danish enterprise seldom extends up- or downstream. Ghanaian companies therefore often become either sales outlets or providers of semi-processed inputs for their Danish partners. The net developmental effect of the PSDP therefore remains limited.

The fifth conflict between the Ghanaian private sector and the design of the PSDP arises because business and politics are interwoven in the Ghanaian context. The Ghanaian economy is characterised by a high level of corruption, which on the one hand creates a tendency for Ghanaian businessmen to engage in speculative activities rather than productive ones, and on the other hand means that, in order to secure contracts, credits etc., businessmen have to participate actively in politics in one form or another. In order to ensure that Ghanaian companies that receive funding through the PSDP indeed produce what they claim they produce and sell what is declared, Danida searches for suitable business partners via the leading business organisations. These organisations are governed by the Ghanaian elite, who thus in effect have direct access to the PSDP funds. Since linkages are few and benefits are kept at the managerial level, the PSDP tends to reinforce already existing stratifications in society. Moreover, the Ghanaian entrepreneurs that Danida deals with through the PSDP do not represent the interests of all entrepreneurs in Ghana, let alone those of the owner/managers of 'growing' enterprises. The PSDP entrepreneurs only represent particular interests, which may or may not converge with those of Ghanaian entrepreneurs in general.

The sixth conflict arises because Ghanaian PSDP entrepreneurs seek to minimise risks, while the PSDP, on the contrary, includes aspects of risk-taking. Economic security may be achieved by diversifying economic activities, as described in section 7.6, by investing surpluses in fixed assets, or simply by always choosing tried and proven methods. This contrasts sharply with the expansion of production, investment in new production sites, introduction of new production and management methods etc. that often form an integral part of a PSDP collaboration between a Danish and a Ghanaian company. However, although the Ghanaian partners are well aware of the potential conflict, instead of rejecting the intervention, they select parts of the intervention instead and disregard the other parts. For instance, they gladly accept the machines but postpone (for ever) investments in new premises or the (necessary) organisational changes. They only reluctantly introduce these changes, as they are constrained by cash shortages and because organisational changes tend to limit their power base. This principle of selection tends to result in a sidetracking of the intervention that causes unintended impacts, as described, for instance, in section 8.3.

The seventh conflict arises from the interplay between tied Danish aid and specific growth policies in Ghana. The Danish embassy in Ghana has to rely on DI/HVR to find suitable Danish partners. However, the Danish private sector, like the Ghanaian one, has certain strengths and weaknesses. It has a comparative advantage internationally in specific sectors, but hardly any expertise at all in others. The result is either that Ghanaian enterprises receive sub-optimal assistance, or else that only Ghanaian enterprises with sub-optimal potential receive assistance. In either case, the net effect of the PSDP is reduced.

10. CONCLUSIONS

The focus of this study is the understanding of the impacts – intended as well as unintended – of development interventions. Of specific relevance for the present research is the understanding of the impacts of Danida's Private Sector Development Programme in Ghana, that is, an understanding of the changes associated with the intervention, as well as of how these changes are accounted for. In order to further the understanding of impacts, a set of research questions has guided the development of a theoretical framework to determine which impacts to look for and how. These questions will also be dealt with in the subsequent discussion.

The study takes as its point of departure the changes observed in the target group in Ghana, that is, in Ghanaian companies that have collaborated with a Danish company, facilitated by Danida's PSDP, but it also asks what the impact has been on non-target groups in Ghana.

At a general level, the thesis has revealed that merely analysing a planned intervention's 'results' in order to understand impacts may be a risky endeavour, as it presupposes a single plan. This type of analysis therefore fails to grasp that development interventions comprise multiple plans (for multiple actors) working simultaneously: what is positive for some may be negative for others, and the perception of positive and negative results may change over time.

Directly related to the multiple plans, this research suggests that, in order to account for impacts, history matters. More specifically, the analysis suggests that institutional development matters: specific historical developments have shaped the way actors in the Ghanaian private sector act and interact, and thus the way they perceive, make use of and adopt a development intervention like the PSDP.

Political, economic and cultural developments in Ghana thus influence the actors, as a result of which certain logics tend to dominate their choices. These logics tend to cause the actors to disentangle the intervention and only select parts of it while ignoring other parts, in which case the intervention is sidetracked away from its originally stated objective towards a form shaped exactly by these historically produced logics. Therefore, many PSDP business collaborations did not meet the stated objectives, and even if they did, it was not necessarily only because of the intervention, but also due to changing business conditions.

Given the embeddedness of the Ghanaian private sector, the disembeddedness of the programme and the sidetracking of the intervention, this study suggests that is not reasonable to expect that an intervention of this type – limited to supporting individual companies – will be able to change the Ghanaian private sector fundamen-

tally. What such a programme can be expected to do is rather to act as a catalyst for processes of technological capability-building in individual companies and thus lay the foundations for performance enhancement in these enterprises; however, only in rare instances can this programme act as a catalyst for broader developments.

At a more specific level, therefore, the research revealed that the motives of important stakeholders in engaging in PSDP business collaborations seldom tally with Danida's intended objectives for its interventions. This does not mean, however, that changes are kept to a minimum. Rather, the mere fact that funds are made available through development interventions changes both the structure and the attitudes of the actors. Consequently, interventions have unintended impacts. The PSDP, for instance, did not always produce the intended enhancement of business performance, interpreted here as improvements in technological capabilities, in the target group. Instead, improvements were minor or non-existent, and in a few cases the target group experienced negative developments in technological capabilities. Moreover, the research revealed that no life histories can be defined in abstract to the building of technological capabilities: the individual collaborations all have their own story has to be studied case-by-case.

The lack of all-embracing life histories is also valid for the other indicators, such as employment generation, improvements in earnings, productivity increases and expansion of the product portfolio. Changes in these indicators were affected by the same set of processes as the building of technological capabilities, that is, developments in key institutional features and different (and often opposing) logics. Likewise, the spread of impacts from the target group to non-target groups were influenced by the way actors adopted the programme, as well as the specific Ghanaian business system characteristics that tend to impede the diffusion of impacts.

This concluding chapter first substantiates these arguments, based on the findings of the previous chapters. Then it seeks, in a critical realist sense, to inform the abstract research with the empirical findings; that is, it discusses the theoretical implications of the study. Finally, it reflects on the partial discrepancy between the theoretical framework and the empirical findings that stems from difficulties of access to data and the fact that the theories applied were developed in a context very different from the Ghanaian one.

10.1 Logics, sidetracking and embeddedness: understanding the impacts of Danida's PSDP in Ghana

Development interventions are often perceived of as plans that can be prepared in detail in order to create certain results or certain changes in a given context.

However, the idea of a plan is hardly very fruitful, especially when the aim is to understand the changes associated with a development intervention. This research has shown that changes associated with an intervention are only singled out with great difficulty, as observable changes are perceived to be triggered by numerous factors, among them the intervention itself. A clear-cut account of the impacts of an intervention, be it (apparently) simple or (apparently) complex, is thus unattainable, as it would require a framework that could single out social causalities, a venture that is at best possible in simple positivist ontology, but is not possible in, for instance, critical realism. What one may aim at instead is an understanding of the different logics informing the various actors involved in the intervention and an account of the underlying structures and mechanisms in society that also bear a responsibility for the identified changes associated with an intervention.

However, this understanding of impact is by no means the only one. The analysis of development aid pursued in Chapter 3 showed that the term ‘impact’ is now widely used but has numerous connotations. The literature on the topic of development aid in general and development interventions in particular perceives impact as anything from the quantification of the expected effects of an intervention to a study of the changes that are associated with it. This study rejected the idea of development interventions as discrete projects in time and space: impacts are not confined to the target group(s) of an intervention, nor are they limited to the intervention period or to changes which persist long after the intervention. Interventions impact from the time the idea of an intervention is launched till long after it has ceased. Who, how and what is changed depends on when changes are assessed, the type of intervention, its size, the local political economic circumstances, and the history of the area, of interventions etc. In other words, the intervention should not be perceived as part of a social engineering process in which development can be predicted and controlled. Instead, it is but one of several factors that influence development.

This understanding of impact entails that simple (quantitative) measures of impact risk becoming meaningless. This type of indicator does not, strictly speaking, measure impact, but rather the changes which may or may not have come about as a result of an intervention. More likely, the PSDP may have instigated some changes, which then have been enlarged, balanced or even reduced by other events, such as changing world-market prices, economic recession, change of management etc. Moreover, impacts are by no means limited to the intended impacts of an intervention. The cases presented in the study expose the wide range of unintended impacts of the PSDP in Ghana, which cannot be classified as either positive or negative. Rather, they are positive for some and negative for others, a sort of situation

that changes over time. These unintended impacts illustrate how the intervention is used by different stakeholders to attain personal as well as company or organisational goals: the important stakeholders' motives for engaging in a PSDP business collaboration are affected by local circumstances and shaped by historical developments. Such motives are seldom consistent with the official motives for establishing these collaborations, and therefore what were stipulated as being the intended outcomes of a collaboration may not have been intended for all parties in the first place. Thus, merely analysing of the 'results' of a planned aid intervention may be a risky endeavour: this type of analysis neglects the fact that there is not just one plan but many plans at work simultaneously.

History turned out to have great significance for impacts, especially because historical events (and interpretations of these events) laid the foundations for the actors' logics and thus the foundation for the way they selected and adopted parts of the intervention. The theoretical foundation for the understanding of history as it has been applied in this thesis was set out in Chapter 5, which argued that, in a non-linear, irreversible way, certain key institutions influence how firms act and interact in a certain national context. However, exactly how these institutions – which are perceived to guide, constrain and liberate economic activity – influence the dominant ways in which transactions take place is unclear. Moreover, how firms act and interact is depicted in terms of ideal types. This study therefore argues that specific historical developments in key institutions must be scrutinised.

History here is thus confined to the specific developments that have shaped the current situation in the Ghanaian private sector. The study demonstrated that the Ghanaian private sector is characterised by a scarcity of entrepreneurial skills, a lack of private-sector role models, mistrust and suspicion between it and the state, a lack of capacity to implement new initiatives and high levels of corruption, to name but a few. The reasons for this situation are many and include the crowding out of the Ghanaian private sector under colonial rule, liberalisation resulting in fierce competition from imported goods, high domestic borrowing, which brought about escalating rates of inflation and reduced capital availability for the local private sector, and high interest rates.

More importantly, the study suggested that institutional developments matter. Key institutions in society define the playing field for Ghanaian companies. This study has examined how developments in these institutions tended to influence the way 'growing' Ghanaian-owned enterprises operate and thus provided a picture of the most common logics among the Ghanaian entrepreneurs. The picture was clear: in addition to the brief description of the Ghanaian private sector provided above, these developments have given rise to a naïve replication of successes among Gha-

naian entrepreneurs, a tendency to invest in fixed assets, an endless search for resources, a pronounced distrust of non-kin partners, a concomitant tendency to give preferences to kin or family members, authoritative leadership styles, hardly any long-term business collaborations, and low rotations of workforces. The Ghanaian business environment is, moreover, characterised by uncertainty and unpredictability, which hinders the establishment of crystal-clear business strategies that explicitly focus on the development of one enterprise. Instead, the Ghanaian business environment tends to make Ghanaian entrepreneurs diversify their activities.

At the enterprise level, for instance, the hierarchical organisational structure and the authoritarian leadership conducted in most enterprises prevent employees, especially at floor level, from acquiring sufficient knowledge to upgrade technological capabilities. Family members are often employed in top positions in the company and are most often included in the staff who are sent abroad for training. These structures hinder the effective construction of, for instance, production capabilities that include the skills to adapt equipment to local needs and, if necessary, modify raw materials. Thus, increasing production capabilities entails organisational changes in as the sense that blue-collar staff need information about suppliers and customers in order to adapt the process or product to the required specifications. The Ghanaian business system effectively hinders this.

Ghanaian PSDP enterprises are thus embedded in a context shaped by specific historical developments that generate certain logics among the actors. In contrast, Danida's PSDP is totally disembedded from this context. This study has exposed the fact that the Danish private sector was heavily involved in the programme, which was set up after the role of the Danish private sector in development aid declined in the late 1980s. The new programme essentially resembles the original design and takes into account the interests of the Danish private sector alongside those of the recipient country's private sector. This has resulted in a programme that in theory is identical for all countries, notwithstanding the enormous differences, which pertain to the room for manoeuvre available to the local private sector. The intention was to make a programme that was easily manageable and which did not exclude any Danish enterprises anywhere. The result, however, is a programme framed in a technical discourse that focuses simply on training and technical assistance in order to facilitate transfer of skills and techniques from the Danish company to its Ghanaian partner. However, this process is disembedded from the local context, maintains local power balances, has only limited developmental effects and has low sustainability. Such an intervention, detached from the realities – historical, economic, political and cultural – of the target group, cannot be expected to fulfil its rather ambitious development aims. It can, however, be expected to act

as a catalyst for certain restricted developments, such as the building of technological capabilities in the target group.

These more general conclusions all point to the fallacy of describing *the* impact of an aid intervention. Aid interventions by definition have a variety of impacts for the target group, as well as for others. Danida's PSDP basically funds long-term binding agreements between a Danish company and a company in Danida's partner countries. The idea is to transfer skills from the Danish company to the developing country company. The overall aim is then to facilitate social and economic development in the host country and thus assist the alleviation of poverty. This aim, however, cannot be fulfilled directly. Therefore, the immediate aim is to enhance the performance of the collaborating Ghanaian enterprises.

The enhancement of business performances is directly linked to the building of technological capabilities. This study has established the following factors as particularly interesting regarding the process of building technological capabilities. First, technology transfer does not itself lead to technological capacity-building, partly because not all knowledge is equally easy to transfer, and partly because the transfer relates to the absorption capacity of the recipient. Secondly, the transfer process becomes harder the more the experience differs between the people who are transferring the knowledge. Thirdly, technological efforts are needed in order to set the process from transfer to technological capacity-building in motion. Fourthly, these technological efforts are undertaken by companies in order to make progress, but the gains are uncertain. Finally, the extent to which firms deliberately devote resources to technological efforts is the distinguishing factor if technological capacity-building through technology transfer is to be achieved. The study has also established that not only do firm-internal factors account for the building of technological capabilities, but also that the contexts in which the companies are embedded are of importance for their willingness to undertake technological efforts.

Technological capabilities were built in roughly half of the business collaborations that aimed to increase skills in one area or another. In other words, the PSDP managed to make the intended improvements for approximately half of the target group in Ghana. On closer examination, however, this figure hides many important details. First, the improvements in technological capabilities were confined to the basic level: that is, these improvements may provide a productivity gain in the short run, but they are probably not sufficient to alter a company's position in the market radically. Secondly, technological capabilities tend to come together, indicating that an improvement in one activity may stimulate improvements in others. Thirdly, not only did the PSDP affect the building of technological capabilities, but also the political and economic context in which the companies were embedded. Fourthly, the

study revealed that some companies were worse off regarding linkage capabilities after the PSDP than before. This is no coincidence, but relates directly to the fact that in Ghana the PSDP has tended to force Ghanaian companies to leave the initiative to their Danish partners, with the result that, when the collaboration ends for whatever reason, the Ghanaian company may be left high and dry and end up worse off than before. Finally, and related to the above, the PSDP may end up being a double-edged sword, as it can act as a catalyst in an upgrading process in the short run but also hamper it in the longer run, as the Ghanaian company becomes tied to only one partner.

The enhancement of business performance is perceived by Danida as being reflected in employment generation, productivity increases and increases in turnover, among other things. This thesis analysed four indicators that should be able to act as pointers for the current economic situation in Ghanaian PSDP companies. Besides the conclusions stated above regarding the importance of context, this analysis revealed that impacts are complex and interwoven: changes in one indicator are most often directly associated with changes in another. That said, however, this study shows that the intended impacts of the programme have only been fulfilled to some extent, depending on size of the Ghanaian partner, the duration of the collaboration (and duration since the collaboration) and the relevance of the intervention. Moreover, the motives for entering into a collaboration proved to be of the utmost importance. Unsurprisingly, therefore, the collaborations that resembled the logic of the intervention the most fulfilled the donor's aims to the greatest extent, while collaborations between partners driven by other logics only seldom fulfilled the stated objectives of the programme.

The partial fulfilment of intended impacts does not mean that other collaborations (or other parts of these very collaborations) were unaffected by the intervention – the intervention just impacted in ways that were not intended by Danida. The disarticulation of the intervention as prompted by its partial selection and adoption tends to cause a transformation in the intervention, which by definition produces unintended impacts. It was especially the search for capital and access to technology among the Ghanaian partners and the leveraging of resources among the Danish partners that seemed to transform the intervention.

The account of impacts presented in this thesis thus reveals the importance of understanding how local companies act and interact and why. It becomes no less important in the description of how the impacts spread into the private sector and to society at large. On the one hand, the analysis showed how in rare cases the 'intended' impacts of the PSDP have led to positive social and economic developments for other private-sector actors, as well as for whole communities. On the

other hand, it also revealed the many obstacles to these types of impact being diffused. Of special importance here were the characteristics of the Ghanaian business system, which has been formed and shaped by the country's dominant institutions since colonial times. Likewise, the design, or rather, the lack of adaptation of the design of Danida's PSDP to the specific circumstances under which Ghanaian companies operate is another reason for the obstacles to diffusion.

It proved impossible to carry out a systematic analysis of the changes for non-target groups (cf. section 10.3). What can be said, however, is that these collaborations showed no tendency to hire either more white-collar workers or more blue-collar workers due to the PSDP itself: – the overall composition and educational level of work-forces remained largely unchanged. In general, the equipment that has been acquired as part of the PSDP does not directly replace existing technologies: rather, it is intended to allow the Ghanaian company to produce types of products or undertake work that it previously could not undertake. Therefore, generally speaking it is meaningless to conclude that labour intensity has gone either up or down. In relation to the in-depth studies, however, one PSDP-company (P1) introduced labour-saving machines where all work previously was done manually. This does not appear from the employment data (cf. Table 8.3), as the people that previously performed this particular task were not formally employed by the company but worked on a contractual basis directly for the municipality.

Moreover, the study has revealed that positive changes in product quality may call for an upgrading of suppliers and retailers (given long-term collaborations between Ghanaian companies) and thus spread the impacts to the private sector level and potentially also to society at large. However, less than one-fifth of the collaborations have managed to increase product quality since the start of the PSDP. What is more, long-term business linkages do not generally exist between either producers and supplier or producers and retailers. Two small companies catered mostly for the international market and thus increased export revenues, but meanwhile the share of imported inputs going into production increased. The net effect of this change is probably close to zero. Moreover, most companies are so small that trying to measure the impacts of this on a larger scale would be ridiculous. Lastly, only one of the 48 collaborations had introduced a social security fund as part of the PSDP, and one a development fund.

10.2 Theoretical implications of the findings

In line with the presentation of the research process depicted in Figure 6.1, this study has sought to inform the concrete research with abstract findings. Moreover, the concrete research has provided inputs for the abstract research. The use of ab-

abstract findings to guide the concrete research has aptly been described in the design of the theoretical frameworks. The opposite process, however, has only been mentioned in brief. This section will therefore first provide an example of how the concrete research has informed the abstract research, and then discuss how the findings may inform theoretical discussions in the future.

The business system literature only provides very loose guidelines as to which institutions should be examined in order to arrive at a better understanding of the characteristics of a particular business system. Moreover, it has not been developed in an SSA context, but rather in a context defined by stable institutions. It was therefore necessary to adapt the framework to suit the Ghanaian setting. A central feature of the general framework, such as the 'role of unions', which is perceived to control the skills that are developed in the national educational system, has consequently been left out, due to the unions' diminutive role in small enterprises in Ghana. In contrast, the 'state-business relationship', which is seen to reflect the role of the state in relation to leading economic actors, has been interpreted very broadly to account for its enormous importance in the Ghanaian context. Here, therefore, the state-business relationship comprises the dominating development discourse, the spread of corruption plus the policies to combat corruption, official policies towards the private sector, and the private sector's response to these policies.

As shown in Chapter 5, the business system approach aims to provide a framework to study the relationship between the key institutional features in society and the coordination and control systems that are visible in different national settings. The proponents of this approach all maintain that it is precisely national historical developments that determine how companies operate, and that forces like, for instance, globalisation only influence the system to a minor degree. This may be correct for the stable business systems studied in East Asia and Europe, but as in the case of Ghana, the fragmented business system is precisely characterised by relatively recent and underdeveloped institutions and by social groupings that are not solid. Consequently, it seems unlikely that the penetration of foreign companies into the Ghanaian economy, the numerous donors that are all seeking to change the room for manoeuvre for the private sector; and the numerous foreign locals in Ghana will have no influence at all on the Ghanaian business system.

The way firms act and interact in countries characterised by fragmented business systems may therefore not only be a result of historical developments in key national institutions, as stipulated by the proponents of the business systems approach, but also of changes in the management and organisation of production as a result of subcontracting arrangements with foreign companies, mergers, joint ventures etc. One could therefore argue that the particular business system in Ghana, as

well as in other parts of SSA, may indeed resemble parts of the fragmented business system, but it is probably more accurate to argue that the business system in Ghana has yet to develop. The institutions have not yet been stabilised, and large social cleavages still exist.

This understanding of the Ghanaian business system provides some room for manoeuvre for development agencies to change the local private sector, but not all private-sector interventions have the same chance of success in this endeavour. Clearly, interventions that aim at changing the playing field for the private sector (interventions that aim at the international level or at the macro- or meso- level, cf. Table 1.1) – that is, at changing the future direction of dominant institutional features – or those that take as their point of departure the reality of the local private sector, have a greater chance of achieving their aims than interventions that focus on the micro-level on the basis of a superficial understanding of the private sectors in developing countries. Interventions that concentrate on the higher levels, however, cannot steer free of the inherent complexities of development interventions. These interventions cannot expect merely to fulfil their aims: numerous unexpected impacts will emerge, due to the partial selection and subsequent sidetracking of all development interventions.

The discrepancy between theory and empirical findings in relation to the coordination system (cf. section 7.6) suggests that it is of the utmost importance to understand the specific national context in order to understand how the particular institutional features are both guiding and constraining economic actors. Institutional features do not influence the way firms act and interact in the same way everywhere. This also suggests that the advantage of the business systems approach lies in its ability to provide guidelines as to which types of institution to examine in order to understand how companies act and interact in specific contexts, rather than in its ability to issue instructions regarding how firms act and interact given certain institutional features.

10.3 Discrepancy between theory and empirical data

This thesis has sought to avoid mono-factorial explanations by combining different approaches and different viewpoints. The business systems approach was chosen to shed light on the Ghanaian owner/managers' room for manoeuvre with respect to the PSDP; the literature on technological capabilities was chosen to provide a background for measuring changes in business performance as a result of the aid intervention; the literature on technology transfer sheds light on the processes of absorption; the anthropology of development literature reveals the importance of selection, sidetracking and unintended consequences; and the 'broad impact stud-

ies' stress the importance of context, national as well as international. However, not all of these approaches were originally designed for this type of study. In fact, none of them were: they either stem from a totally different geographical setting, focus on a different scale, or they were originally intended for studies of single entities. As a result, all the approaches needed adaptation and alteration. Moreover, in their original form, these approaches require conflicting data: while, for instance, the 'anthropology of development' literature calls for in-depth ethnographic data, the technological capability literature generally requires rigid quantitative data. This section will first take a critical stance towards the main theoretical lines of reasoning applied in this study, and then discuss problems of access to data in relation to this framework.

This study draws inspiration from both the 'anthropology of development' literature and the 'broad impact studies'. Neither of these approaches could directly be applied to this study, but in combination they were able to take account of actors' logics, while the context paved the way for the study design. However, this design does not have the in-depth quality of the former, nor the (sole) intervention focus of the latter –rather, it seeks to bring in insights from both camps while maintaining that a theoretical framework is required in order to delimit the study of impacts. This framework consists of studies of technology and upgrading on the one hand and institutional developments on the other.

The study of technology transfer, technology change, technological efforts and technological capabilities all tend to focus on a developed-country context and a high level of innovation. However, this study has argued that the basic mechanisms of building technological capabilities from technology transfer are the same, albeit on a different scale. The exact analytical framework therefore needed a thorough adaptation. Much of the literature on technological learning, for instance, deals with technological front-runners and consequently distinguishes between several different forms of learning. The empirical data from Ghana, by contrast, suggests that these enterprises are by no means technological front-runners; instead, they use technology transfer to (partially) bridge the gap from their partners. Learning, therefore, is confined to a couple of different mechanisms. Likewise the concept of technological capabilities stems from a discussion of high-end technology users. Technological capabilities are not, moreover, easily measured in either a developed country or a developing country context. In either case numerous approaches can be singled out, but none are directly transferable to this particular study: they focus chiefly on leading industries and thus rely on statistical material regarding, for instance, patents and exports. In a small company in a sub-Saharan African context, technological capabilities are of a different quality, and statistics are generally not

available. Therefore, a more detailed, firm-centred framework was required. Chapter 4 developed this framework. The aim was to single out changes in technological capabilities in concrete enterprises as part of a process of technology transfer initiated by a development agency. This framework obviously does not provide information as to where the changes originate, but it does provide an initial way in to the discussion of impacts at the enterprise level.

The advantages and disadvantages of the business systems approach have been dealt with in Chapter 5 and will not be repeated here. Instead one central feature of the approach, that is, its original design for comparative studies, will be discussed, as this study has so far set aside this aspect. The central concern of the business systems literature, especially as is portrayed in Richard Whitley's writings, is to explain differences in firm organisation and firm behaviour. It was, in other words, originally intended for comparative analyses of diverging business systems, not for the analysis of a single business system. This study has applied the business systems approach merely to understand firm behaviour in a single setting. This calls into question the applicability of the approach. On the one hand, the approach emphasises the role of institutions in framing the room for manoeuvre for national businesses. On the other hand, it misses out the role of global actors in shaping the local context in these 'fragmented' systems. Moreover, on the one hand, the vagueness of this all-encompassing approach calls for a bottom-up approach – the concrete case will determine which institutions are important, as described in section 10.2 above – in which not all institutional features are equally relevant everywhere. On the other hand, the choice of this approach risks directing attention to the institutions that coordinate and control economic activities, and away from institutional features that do not have the same national historical boundedness, such as conventions and standards, but which may have great importance for the private sector. Put differently, the study could have been enriched with insights from, for instance, the network literature, which highlights exactly this type of institution.

The study originally set out to deepen our understanding of the impacts of the PSDP, on both the target group and non-target groups (cf. sections 1.3 and 3.4). However, the limited access to data gave rise to numerous difficulties for the study of impacts on non-target groups. Thus in the event it proved impossible to conduct a systematic assessment of the changes associated with the PSDP at the society level in Ghana through an analysis of changes in the composition of the work-force, the labour intensity of the technology applied, the changes in imports and exports, product quality or social security etc., as stipulated in the theoretical framework. Inquiry into these matters for more than a couple of collaborations was not viable. First, the Danish Embassy and the PS secretariat in the Ministry of Foreign Affairs

were either unwilling or unable to provide me with anything but an incomplete list of past PSDP collaborations in Ghana.³⁰⁵ Secondly, the hierarchical organisational structure and authoritarian leadership style sometimes rendered interviews with employees impossible. Thirdly, some owner-managers were unwilling to be interviewed more than once. Fourthly, some companies did not possess the necessary information, due either to inadequate bookkeeping or to a change of management. Finally, a few owner-managers perceived me as a potential donor and thus would not disclose to me 'negative' information about their PSDP collaboration, including information on the whereabouts of former employees (cf. Table 9.1). The in-depth studies that, among other things, should probe the broader impacts through an investigation into these matters therefore turned out to be very challenging, and the data collected very ambiguous. The analysis of impacts on non-target groups therefore became less stringent and more superficial than was originally intended.

Finally, the impacts of Danida's PSDP in Ghana also depend to a large degree on the logics of the Danish partners. Thus, to obtain a more comprehensive understanding of this type of aid intervention, the thesis should have examined the Danish institutional setting and thus provided a more in-depth understanding of the way Danish firms act and interact, and thus of their logics.

³⁰⁵ See footnote 150 page 133, for the official explanation for the absence of cooperation on these matters.

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Appendix A: List of interviews in Denmark and Ghana

Informants related to Danida's PSDP collaborations in Ghana:

(‘P’ refers to a Business Partnership, ‘S’ to a Start-up Facility. An overview of the collaborations are provided in Appendix B)

- P1, Administrative Manager, Accra (29.08.03, 12.09.03, 30.09.03, 07.10.03, 03.12.03)
- P1, Production Manager, Accra (30.09.03, 28.10.03)
- P1, Project Manager, Accra (20.06.02, 29.08.03)
- P2, Resident Manager, Accra (23.05.02)
- P3, Owner-manager, Accra (26.04.02 & 30.04.02)
- P3, Owner-manager, Accra (26.04.02)
- P4, General Manager, Accra (25.04.02)
- P5, Executive chairman of the Board of Directors, Accra (11.04.02, 28.10.03)
- P6, Member of staff, Tema (25.11.03)
- P6, Owner-manager, Tema (22.04.02, 25.11.03)
- P7, Managing Director, Ho (24.05.02)
- P8, Managing Director, Ho (24.05.02)
- P9, Project Manager, Takoradi (06.06.02)
- P10, Managing Director, Ho (24.05.02)
- P11, Danish Engineer, Tema (21.05.02)
- P11, Managing Director, Tema (21.05.02)
- P11, Owner, Tema (21.05.02)
- P12, Former Managing Director, Accra (29.05.02)
- P13, General Manager, Tema (30.04.02, 01.09.03)
- P14, General Manager, Kumasi (12.06.02)
- P15, Managing Director, Accra (18.06.02)
- P16, Danish Managing Director, Accra (10.04.02, 12.04.02 & 13.04.02)
- P16, Danish technician, Accra (12.04.02 & 13.04.02)
- P16, Danish technician, Accra (12.04.02 & 13.04.02)
- P16, Geekcorp voluntary, Accra (15.04.02, 27.05.02, 28.05.02)
- P16, Owner-manager, Accra (12.04.02, 15.04.02, 17.09.03, 19.09.03, 04.12.03)
- P17, Danish technician, Accra (15.09.05)
- P17, Desktop Publisher, Accra (15.09.05)
- P17, Owner-manager, Accra (26.04.02, 03.09.03, 11.09.03, 15.09.05, 06.11.03)
- P18, Owner & Executive Director, Accra (19.04.02)
- P19, Managing Director, Accra (18.04.02, 30.04.02, 10.09.03)
- P20, Foreman, Takoradi (17.11.03 & 18.11.03)
- P20, Managing Director, Takoradi (06.06.02, 30.10.03)
- P20, Danish Technical advisor, Takoradi (17.11.03 & 18.11.03)
- P21, Owner-manager, Kumasi (22.09.03)
- S1, Owner, Accra (01.05.02)
- S2, Managing Director, Kumasi (11.06.02)
- S3, Managing Director, Accra (09.09.03)

S4, Managing Director, Accra (26.04.02 & 30.04.02)
 S4, Owner, Accra (26.04.02)
 S5, Owner-manager, Accra (18.04.02)
 S6, Chairman of the Board of Directors, Accra (21.04.02) and Copenhagen (22.09.05)
 S6, Operations Manager, Accra (21.04.02)
 S7, Executive chairman of the Board of Directors, Accra (11.04.02, 28.10.03)
 S8, Owner & Executive Director, Tema (23.04.02)
 S9, Owner-manager, Accra (29.10.03)
 S10, Managing Director, Accra (30.05.02)
 S11, Managing Director, Accra (30.05.02)
 S12, Managing Director, Accra (16.05.02)
 S13, Managing Director, Kumasi (10.06.02)
 S14, Managing Director, Takoradi (31.05.02)
 S14, Production Manager, Takoradi (08.06.02)
 S14, Shareholder, Takoradi (31.05.02)
 S15, Managing Director, Winneba (07.05.02)
 S16, General Manager, Accra (18.09.03)
 S16, Managing Director, Accra (18.09.03)
 S17, Managing Director, Kumasi (10.06.02)
 S18, General Manager, Accra (20.09.03)
 S19, Owner & Executive Director, Accra (23.04.02 & 26.04.02)
 S20, Owner-manager, Accra (25.04.02)
 S21, Managing Director, Kumasi (13.06.02)
 S22, General Manager, Accra (22.05.02)
 S22, Operation Manager, Accra (22.05.02)
 S23, Managing Director, Accra (29.05.02)
 S24, Business manager, Accra (23.05.02)
 S25, Managing Director, Accra (29.05.02)
 S26, Owner-manager, Accra (16.04.02)
 S27, Danish Area Project Manager, Accra, (30.04.02)
 S27, Managing Director, Tema (02.05.02)

Key informants in Ghana

Alhaji Saaka, Chief Director, Ministry for Private Sector Development, Accra
 (03.12.03)
 Bedman Narteh, PhD Researcher, School of Administration, University of Ghana,
 Legon (16.09.03, 26.09.03, 30.09.03, 31.10.03)
 Belinda Tandoh, Programme Officer, Royal Danish Embassy, Accra (22.04.02)
 Bernard Joe Appeah, Chief Executive Officer, Pentax Management Consultancy
 Services, Accra (27.11.03 & 02.12.03)
 Brahms Achiayao, Policy, Planning, Monitoring and Evaluation Division, Ministry of
 Trade, Industry and Special Presidential Initiatives (24.11.03)
 Carsten Bondersholdt, PDSP Programme Coordinator, Royal Danish Embassy, Accra
 (30.09.03, 20.11.03, 11.12.03)

Cletus Kosiba, Director for Policy and Communication, Association of Ghana Industries, Accra (12.11.03)

David Addo, Regional Manager, Ghana National Chamber of Commerce and Industries, Accra (14.11.03)

Dunwell Ekow Eku, Head of Training, Empretec Ghana Foundation, Accra (06.11.03)

Eric Baraifi Antwi, Ghana Denmark Business Club, Accra (10.09.03, 30.09.03)

Ernest Aryeetey, Professor, Institute of Statistical, Social and Economic Research, University of Ghana, Legon (20.11.03)

Fadi Bou Khalil, Marketing Manager, Everlast, Accra (08.10.03)

Flemming Bjørk Pedersen, Ambassador, Royal Danish Embassy, Accra (11.12.03)

Francis Aboagya-Otchere, School of Administration, University of Ghana, Legon (07.11.03)

G. K. Amoako, Director, Policy, Planning, Monitoring and Evaluation, Ministry of Trade, Industry and Special Presidential Initiatives (24.11.03)

Godfried Funkor, Research and Training Specialist, Ghana National Chamber of Commerce and Industries, Accra (01.12.03)

Hans E. Wenneberg, General Manager, Emidan Ghana Ltd. (10.09.03)

Joe Tackie, Ghana-Denmark Business Club (10.09.03)

Jørgen Carlsen, PDSP Coordinator, Royal Danish Embassy, Accra (24.04.02 & 29.04.02)

Kingsley Deteah, Regional Manager, Empretec Ghana Foundation, Takoradi (18.11.03)

Minerva Kotei, Business Development Officer, Africa Project development Facility, IFC, Accra (13.11.03)

Moses Agyeman, Senior Economist, Private Enterprise Foundation, Accra (21.11.03)

Mr. Robert Baldry, General Manager, Living Garden, Takoradi (08.06.02)

Onur Oguzhan, Senior Supervisor, Ernst & Young, Accra (03.10.03, 07.10.03 & 09.12.03)

Patricia Safo, Owner-manager, Sustainable Aqua-Culture Ltd., Accra (22.04.02)

Peter Mac Manu, Regional Chairman (Western/Central), Association of Ghana Industries, Takoradi (06.06.02)

Quame Kokroh, Programme Officer, Royal Danish Embassy, Accra (24.04.02, 29.04.02 & 30.04.02)

Sal Amegavie, Executive Director, Ghana National Chamber of Commerce and Industries, Accra (14.11.03)

Samuel Buame, Lecturer in Management and Entrepreneurship, School of Administration, University of Ghana, Legon (26.09.03, 07.11.03, 28.11.03)

Seth Buatsi, Lecturer of Marketing and International Business, School of Administration, University of Ghana, Legon (28.08.03 & 28.11.03)

Seth Evans Addo, Acting Chief Director, Ministry of Trade, Industry and Special Presidential Initiatives (24.11.03)

Stella Damoah, Programme Assistant, Royal Danish Embassy, Accra (23.05.02, 19.06.02, 26.08.03, 07.09.03)

Steven ter Haar, Branch Manager, Sikaman Savings and Loans Company Ltd., Tema (07.12.03 & 09.12.03)

Susanna Wolf, Economist, Department of Agricultural Economics, University of Ghana, Legon (26.09.03)

Theo Gadzanku, Regional Chairman (Volta), Association of Ghana Industries, Ho (24.05.02)

V. Ate Ofosu-Amaah, Technical Advisor, Public/Private Partnerships, Ministry for private sector Development, Accra (03.12.03)

Key informants in Denmark

Anders Hauch, Regional Manager, DI International Business, Copenhagen (23.07.04)

Henrik Wind-Hansen, PSD-Secretariat, Ministry of Foreign Affairs (31.01.02)

John Kuada, Associate Professor, Dept. of Business Studies, Aalborg University (27.06.03)

Olav Jull Sørensen, Professor, Dept. of Business Studies, Aalborg University (27.06.03)

Peter Blom, European Marketing Director, GMD Danmark (08.03.02)

Poul Buch-Hansen, Development Associates, Copenhagen, (24.01.02)

Svend Englyst, Scanagri, Copenhagen (03.04.02)

Thomas Bustrup, Regional Manager, DI International Business, Copenhagen (21.03.02)

№	Sector	Main objective	Current situation	BUSINESS PARTNERSHIPS		Derived & unintended effects	TC changes	AOB
				Positive changes	Negative changes			
P1	Waste collection	Mechanisation of liquid waste collection	Just started due to initial problems. Ghanaian partner out. Runs with a loss	Employment↑ Productivity↑	No profit Loans not repaid	Company is now almost entirely on European hands	+Investment cap. +Production cap. +Linkage cap.	AMA sets the prices for waste
P2	Consultancy	Capacity building especially as regards road construction	The coll. has ended but the partners still collaborate on a project-basis	Employment↑ Product quality↑ Productivity↑ Product range↑ Turnover↑ Profit margin↑	÷	Able to bid for international contracts	+Investment cap. +Production cap. +Linkage cap.	Collaborated before P began. Dk partner needed a Gh partner to bid for tenders
P3	Education	Establish Inst. for caretakers. Sales of edu. toys	Coll. has ended. No contact	Caretakers can get education	Profit↓ Employment↓		NA	New activity. Same Gh. as № S4.
P4	Pharmaceuticals	Create modern pharmaceutical factory	On the verge of bankruptcy.	Product range↑	Employment↓ No profit Loans not repaid	Spent capital reserves on Indian machines. No working capital	Machines never came to work. Staff changed	Competition is very hard on this market.
P5	Environment / energy	Assembly and sales of imported solar collectors	No activity is taking place in the company	Employment↑	No profit	(Increased imports)		Devaluations made products too expensive. New activity. Same Gh. as № S7.
P6	Textiles	Production of textiles for export	Coll. has ended due to dispute btw partners	Product quality↑	Employment↓ Customers↓	Increased imports	+ Production cap. ÷ Linkage cap.	Began as a S. Large delays
P7	Furniture	Production of doors and window frames	Coll. has ended due to accusations of fraud. No activity	÷	Loans not repaid No profit		÷	GM continuously seeks new foreign partners. Same Gh. as № P8 & P10.
P8	Furniture	Production of doors, window frames and office furniture	No activity Sporadic contact	Product range↑ Safety conditions improved	Loans not repaid No profit		÷	Same Gh. as № P7 & P10.
P9	Sustainable forest operation	Reforestation and improved forest management	Partners are still collaborating	Employment↑ Turnover↑ Profit margin↑		Positive economic development in the area	NA	Changes are not attributable to PSDP.
P10	Teak poles	Production of impregnated teak poles	Coll. has ended. No contact. No activity	Employment↑	Running with a loss No profit	Negative environmental effects	÷	Teak not certified Same Gh. as № P7&P8 (diff. comp). New activity.

BUSINESS PARTNERSHIPS								
№	Sector	Main objective	Current situation	Positive changes	Negative changes	Derived & unintended effects	TC changes	AOB
P11	Refrigeration plant	Export of fish	Money has been spend to make already installed machines work	÷	Employment↓ Profit↓		+Production cap.	Both partners ran into financial problems. Dk. partner has other partners.
P12	Airline company	Formation of a domestic airline company	Project cancelled due to fraud	÷	Profit↓ Money lost Loans not re-paid	Int. licenses have enabled pilots & stewardesses to work in US	÷	Fraud and cultural barriers. New activity.
P13	Metal industry	Assembly of wheelbarrows	Coll. has ended. No contact. Hardly any activity	Safety conditions improved	Employment↓ Profit↓	Loss of previous customers	+Production cap. ÷ Linkage cap.	Gh. owes Dk partner money. New activity. Same Gh. as № P14. (diff. comp).
P14	Furniture	Production of parquets strips and furniture parts for export	Until recently a success, but due to changing market preferences in Europe production has stopped	Employment↑ Product quality↑ Productivity↑ Salary↑	Profit↓	The employees are mostly unskilled labour from the surrounding area	+Investment cap. +Production cap.	Same Gh. as № P13. (diff. comp). Faces problems due to uncertified wood
P15	Plastic containers	To widen product range and improve quality PSDP showcase	Making a profit and expanding operations in Ghana and abroad	Environmental↑ Product quality ↑ Product range↑ Productivity↑ Turnover↑ Profit margin↑	Employment↓ Trained personnel laid off.	Ghanaian partner has sold all shares to the Danish partner Foreign management	+Investment cap. +Production cap. +Linkage cap.	Virtually bankrupt when the Danish partner took over.
P16	Graphic design	In-house print and pre-print	The coll. has encountered numerous problems but is still running.	Product range↑	Employment↓ Productivity↓ Product quality↓ Salary↓ Loans not re-paid Profit↓	All qualified personnel left due to financial problems. Not able to employ specialists.	÷Production cap. ÷Linkage cap.	Some essential machines didn't work upon arrival. No spare parts. Dk. partner lost interest
P17	Publishing	Broaden range of products and in-house pre-press	Project ongoing and successful	Employment↑ Exports↑ Product quality↑ Product range↑ Productivity↑ Turnover↑ Profit margin↑	÷	Books printed outside Ghana	+Production cap. +Linkage cap.	Has benefited from a development project to buy books from dev. Countries

№	Sector	Main objective	Current situation	BUSINESS PARTNERSHIPS		Derived & unintended effects	TC changes	AOB
				Positive changes	Negative changes			
P18	Engineering	Upgrade technical skills	Project never finished as the Dk. Partner withdrew because it won another contract	Productivity↑	÷	Some former employees now work as sub-contractors for the company	+Investment cap. +Production cap.	Partners still collaborate on a project basis
P19	Beauty solutions	Production of beauty solutions based on Dk recipes	Only periodic production. Lack of working capital. Only limited market	÷	Loss of investments Profit↓	Owner has had to set up another business to finance the PSDP	÷	Began as a S. Imported products were given away for free to penetrate market
P20	Rubber products	Production of technical rubber products	Had a successful start. But has since encountered numerous problems → low turnover. Running with a loss	Product range↑		Market has expanded due to knowledge of other PSDP partners	+Production cap. +Linkage cap.	Began as a S. Application for P delayed. Ghanaian owner lost interest - election campaign.
P21	Wood	Improve production quality and capacity	Ongoing for almost 5 years without really taking off. Economic conditions has changed		Loans not repaid Employment↓			Fraud and cultural barriers Wrong technology

№	Sector	Main objective	Current situation	START-UP FACILITIES		Derived & unintended effects	TC changes	AOB
				Positive changes	Negative changes			
S1	Wood	Production of wood block for parquet strips	The coll. has ended and the partners do not communicate.	Product quality↑ Productivity↑	Employment↓	One machine is now used for furniture production. This has increased the quality and productivity.	+Production cap.	New product. Equipment of a poor quality. Dk partner never bought the blocks
S2	Wood	Production of wood briquettes from saw mill waste	The project was cancelled due to dishonesty		Employment↓		NA	New product. Staff tried to migrate to Dk illegally. Machine never worked.
S3	IT	Distant learning and windows programming	The coll. has ended and the partners do not communicate.		Money and time spent without result No profit	The Gh. company has seen new market possibilities		New product. Disagreement re. the aim of the project
S4	Educational material	Production of wooded jigsaws	Production stopped abruptly when the coll. ended		Employment↓ No profit		No lasting changes	New product. Dk partner took the machines back. Same Gh. as № P3.
S5	Security systems	Production of ID-cards	The coll. has ended and partners do not communicate. No activity.	Employment↑		Production has stopped due to unavailability of spare parts		Company was set up to get PSD-funding. New product.
S6	Veterinary medicine	Repacking and labelling of products	The company is big. Money left for training.			Efficiency ↑ Exploration of West African Market		Labelling machine had no impact on the rest of the company
S7	Engineering	Sales of solar water heaters	The product was not saleable in Ghana and the coll. stopped		No profit	A new and more realistic project was subsequently initiated	No lasting changes	Same Gh. as № P5.
S8	Pig breeding	Improve hygienic standard and productivity	Very successful	Employment↑ Product quality↑ Productivity↑ Profit margin↑	Import ↑		+Investment cap. +Production cap.	
S9	Pig breeding	Efficient pig breeding & production of sausages	Gh. Partner delayed the process. Dk partner lost interest. Personal problems. Coll. stopped	NA	NA			Technology incomplete Ghanaian pig market deteriorated

№	Sector	Main objective	Current situation	START-UP FACILITIES			TC changes	AOB
				Positive changes	Negative changes	Derived & unintended effects		
S10	Life boats and vests	Production of life boats and vests for WA market	Production stopped after the end of coll. Did not influence the rest of the company	Employment↑ Profit margin↑ Turnover↑				New product. Products too expensive. Same Gh. as № S11.
S11	Polystyrene products	Introduction of mobile polystyrene injection machine for cold stores	Initially a great success but the machine broke down. Only a few people employed for this line of business	Employment↑ Profit margin↑ Turnover↑			No lasting changes	New product. Machine now fixed and works in Tema. Same Gh. as № S10.
S12	Traffic signs	Automatisation of production process	The factory has not yet been finished. Hence, SU not taken off	Machines are still in Denmark	NA	NA	NA	Dk. Partner not interested in continuing
S13	Dairy products	Increased quality of products	Numerous problems, but the end result is positive.	Employment↑ Turnover↑ Profit margin↑		Gh. Partner has been able to obtain better contracts w. retailers	+Production cap. +Linkage cap.	The partners specialised in different lines of production
S14	Organic fertilisers	Development of new products	Trial period to develop new products and make a market survey	Employment↑ Product range↑		Income↑ for locals as the company buys waste from them	+Production cap.	New techniques have been postponed to the P.
S15	Feed	Produce feed of a better quality	The coll. stopped before all the money was used		Employment↓ Profit↓	The Gh. is on the verge of bankruptcy	+Linkage cap.	The Dk. partner recommended the project to be stopped
S16	Medical equipment	Import and sales of ultrasound scanners + training of end users	Slow start w/difficulties penetrating market. Applied for P.	Employment↑ Product range↑ Turnover↑		Sales of other products have slowed down	+Linkage cap. +Investment cap.	Fierce competition in the market
S17	Wood	Production of laminated products	Just about to take off. The products haven't been marketed yet.	Product range↑	NA	NA	+Production cap.	Partners traded previously. Wanted to introduce a new product.
S18	Graphic design	Improve security printing	Running at a loss Aim and scope of SU has changed during the past 5 years		Employment↓ Productivity↓ Trained personnel laid off. Profit↓		+Linkage cap.	Danish 'consultant' impeded further collaboration
S19	Security systems	Production of ID-cards	Successful collaboration. Applied for P.	Employment↑ Productivity↑ Product range↑ Turnover↑ Profit margin↑			+Production cap.	Previous collaboration. Company was set up to get funding. New product.

№	Sector	Main objective	Current situation	START-UP FACILITIES		Derived & unintended effects	TC changes	AOB
				Positive changes	Negative changes			
S20	Jewellery	Increased quality and design	Successful collaboration.	Productivity↑ Product range↑	Employment↓		+Production cap.	Company has limited space. Hence it is difficult to expand production.
S21	Wood	Production of plywood	Formally ongoing, but will end soon.	NA	NA	NA	NA	Wrong equipment. Gh. partner pulls out
S22	Paving blocks	Increase product range and quality	Successful collaboration.	Productivity↑ Product quality↑ Product range↑	Employment↓ No profit	Running with a loss	+Production cap.	The partners have decided to stop due to disparities in size.
S23	Graphic design	In-house pre-press and printing	Successful collaboration.	Productivity↑ Product quality↑ Product range↑ Profit margin↑	Employment↓	Inputs are imported	+Production cap. +Linkage cap.	Gh. partner has not enough money to expand
S24	Digital maps	Production of aerial photos and digital maps	Numerous problems, but still collaboration on a project-basis.	Employment↑		Has learned to deal with int. partners	+Investment cap.	Previous collaboration. Management at Dk has changed
S25	Paper	Import of high quality paper for № S23	Basically a subsidiary to № S23	Employment↑		Market has expanded due to knowledge of other PSDP partners		Previous collaboration. Company Set up to get funding.
S26	Dairy products	Production of yoghurt	Successful collaboration. Company was virtually bankrupt when the SU started	Employment↑ Productivity↑ Product quality↑ Product range↑ Turnover↑ Profit margin↑			+Production cap. +Linkage cap.	Prepares a feasibility study for a P.
S27	Fruit juices	Production of orange concentrate	The coll. is about to stop. Dispute btw. partners. Hardly any production takes place	Product range↑	Employment↓ No profit	Buys barrels from a PSDP company instead of MNC	+Linkage cap.	World market prices↓ Difficulties finding raw material

Appendix C: Interview guide

Date:

Location:

Informant (Mr/Mrs):

Occupation:

1. BACKGROUND DATA

- Name of enterprise:
- Established (year):
- Address:
- Ownership structure:
- Type and date of Partnership / Start-up facility:

General Manager/owner:

- Name:
- Age (approx.):
- Educational background:
- Ethnic background (local, local non-African, foreign):
- Former management experience:
- Manager/owner of other enterprises:

Danish partner:

- Name of enterprise:
- How did you get in contact with the Danish partner?

➤ When:

➤ Where:

Brief description of firm activities:

	1 st year of operation		Date of partnership/Start-up		Present situation	
Products						
Capacity utilisation (%)						
Domestic market share (%)						
Salaried employees F/M	F	M	F	M	F	M
Unsalaries employees	F	M	F	M	F	M

2. THE PRODUCTS

	Description	Main market (local/ national/international (South vs. North))	Main competitors (Ghanaian/MNC small- /large-scale)	Inputs (lo- cal/ foreign)	Sub- suppliers
Product#1					
Product#2					
Product#3					
Product#4					

Changes due to collaboration w/Danish partner:

- Range (new products)
- Quantity
- Price (compared to domestic competitors/foreign competitors)
- Quality (compared to domestic competitors/foreign competitors)
- Market share

How do you perceive your products compared to competing products (now and then)?

3. TECHNOLOGY/MACHINES

A brief characterization of the technology used in the enterprise (including technology transfer)

	Description	Date of purchase	Origin (new/second hand)	As part of collaboration	Labour intensity	Subsequent alterations
Machine#1						
Machine#2						
Machine#3						
Machine#4						

Which factors have influenced the choice of new technology?

Have you had any problems with the machines (operation, complexity, inadequate training, maintenance, repair, component supply)?

Who was in charge of the implementation and adaptation of the new technologies?

- Scrutiny of needs
- Investigation of market
- Appropriateness of technology in relation to:
 - Products produced
 - Demand of the market
 - Available inputs (domestic/foreign)
 - Labour employed (qualifications)
- Labour intensity (effects on the size of the employed workforce)
- Maintenance of new machines
 - Who (in-house vs. hired technicians)
 - How often
 - Availability of spare parts
 - Costs
 - Effects on overall productivity (delays due to breakdowns)

How does the new technology/machines affect:

- The level of productivity?
- The types of products?
- The quality of the products?
- The daily routines?
- The composition of the workforce (see below)?

4. PRODUCTION PROCESS

(A description of the different step in the production process).

Please give me an overview of the changes that have occurred in the production process due to the collaboration with XX.

- Use of quality control in the different step of the work process

- Change of daily routines

- Change in the amount of goods stocked

- Altering responsibilities

5. PRODUCTIVITY

How has the collaboration influenced the level of productivity in the company?

Please describe the effects of the new machines/equipment?

...of new knowledge?

...of new organisation processes?

Which factors do you ascribe the economic changes in the company

- Product quality,
- Competition (domestic/import),
- Alternative products,
- Purchasing power,
- Marketing,
- Government policies

6. THE EMPLOYEES

Further portrayal incl.f/m		Edu. background		Subject of quali- fica.		Prev. work experie.		
Owner#1								
Owner#2								
Manager#1								
Manager#2								
Expatriate								
Administrative & operative personnel	Prior to the collaboration				Present situation			
	F	Salary	M	Salary	F	Salary	M	Salary
Total								
Family members								
Non-family								
Permanent								
Casual								
Skilled MA, BSc Technical degree Vocational								
Semi-skilled Apprenticeship Informal apprentice.								
Unskilled Secondary Primary None								

Reasons for change/difference:

7. TRAINING

How much training has your company received in connection with the collaboration with the Danish partner?

- How many employees have been sent to Denmark?
 - Who?
 - For how long?
 - What was the main focus of the training programme in Denmark?

- How many Danish employees have been here?
 - Who?
 - For how long?
 - What was the main focus of this part of the training?

How do you perceive the training in relation to the actual need of the company?

- to the new machines

- to the new administrative routines

- to the new organisational structure

Have you lost any employees following the initiation of the collaboration?

- Why?
- Who?
 - Trained or not?
 - Skilled vs. unskilled (specify)?

- What do they do now?
 - Unemployed
 - Started own business
 - Working for a rival company (Private vs. public / Ghanaian vs. foreign)

8. COSTS COMPOSITION

	Prior to the collaboration	Present situation
Salary		
Energy		
Raw materials		
Intermediate goods		
Machines		
Sales and Marketing		
Other		

9. ADMINISTRATIVE AND MANAGERIAL ROUTINES

Management

Changing responsibilities

Changing authorities

Administrative system

Changing responsibilities

Changing authorities

Description of changes within the following areas:

- Accounting
- Training & supervision
- Marketing
- Planning
- Purchasing

10. LINKAGES

Inputs for the production	Prior to the collaboration		Present situation	
	Local %	Imported (S/N)%	Local %	Imported (S/N)%
Raw material#1				
Raw material#2				
Intermediate good				
Intermediate good				

Sub-suppliers		Prior to the collaboration		Present situation	
	Description	Firm location	Size	Firm location	Size
Input#1					
Input#2					
Input#3					
Input#4					

Please elaborate on the role of suppliers/sub-contractors after the initiation of a partnership with XX.

- Changing demands on
 - Quality (ISO 9000 regulations for export to the European market)
 - Standardisation
 - Regularity
 - Price
 - Environmental procedures
 - Safety
- Effect on which suppliers are used (local vs. foreign) vs. upgrading of suppliers

Customers

Who are the customers of your products?

How has the collaboration with the Danish partner influenced the composition of the customers?

- Local, regional, national or international market
- Segment of population (income)
- Retail vs. wholesale

Effects on marketing strategies?

Membership of business organisations:

- Chambers of Commerce
- Ghana-Denmark Business Club
- Empretec
- Association of Ghana Industries
- Others

10. THE COLLABORATION WITH THE DANISH PARTNER

How and when did you get in contact with your Danish partner?

Have you had any experience with foreign partners before?

- Who/when/focus?
- Part of a donor programme?

Do you know of any other business collaborations within the PSD-programme?

- Which/how?

How do you perceive the collaboration with the Danish partner?

Besides the changes mentioned above, has the collaboration brought anything else along with it?

11. THE COLLABORATION WITH DANIDA (THE DANISH EMBASSY IN ACCRA)

Please, describe the different phases of the collaboration with Danida

- First contact
- Knowledge of the PSD-programme
- TechChange
- Support from the embassy

Agency	Programme	Main objective	Secondary purpose	Key policy instruments	Target Groups	Level (scale)
Danida	Private Sector Development Programme (PSDP)	Contribute to sustainable economic and social development	Respond to private sector demands	Business to business partnerships	Private companies	National (micro)
	Business Sector Support Programme	Do	Improve business environment and trade opportunities	Technical assistance	Public and private institutions in Ghana	International/national (macro & meso)
	Industrial Fund for Developing Countries	Promote FDI Enhance social and economic progress	Return on investments	Share capital to JVs between Danish and developing country based companies	PSDP partners	National (micro)
CIDA ¹	Ghana Regional Appropriate Technologies Industrial Services (GRATIS)	Pro-poor economic growth and improved standards of living	Promote grass-root industrialisation through access to credit, and improved profitability	Spread of suitable technologies	GRATIS	National (meso)
	Ghana Credit Union		Improve Credit Union feasibility	Training & technical support	Financial sector	National (meso)
	Enterprise Support Services		Increase number of viable companies	Business development services for SMEs	SMEs	National (micro)
	CESO Private sector Partnership		Increase number of viable companies	Volunteer advisors	MSMEs	National (meso and micro)
	Canada Youth Field			Exchange of students	Canadian and Ghanaian students	
GTZ (Private-Public Partnership)	Promotion of the Private Sector	Enhance economic growth through job creation and transfer of knowledge and technology.	Improve investment climate, promote investments and trade between Ghana and Germany, and enhance exports of non-traditional goods to Europe	Policy dialogue, advisory services, institution building and promotion of companies. Human resource development, vocational training, technology transfer, financial services, and infrastructure	German and European firms plus affiliated companies in developing countries	International/national (macro, meso and micro)
	Promotion of micro- and small enterprises		Increase number of viable MSEs	Support and establish support and advisory services for the MSEs	Executed through the Ministry of Trade and Industry and the Bank of Ghana.	National (meso and micro)

¹ CIDA's emphasis is currently changing. Hitherto, focus has been placed on developing new policy instruments to support the private sector in Ghana. However, in the future this will be phased out. Instead, private sector development will be included in CIDA's other programmes, e.g. the governance programme will also seek to promote investments in the private sector and human needs programme will aim to include the private sector in water and food security components.

Dutch Development Co-operation Agency	Programme for Co-operation with Emerging Markets ² (PSOM)	Poverty reduction by supporting sustainable economic development	Encourage trade and investment relationships between Dutch and local companies	Technical assistance, hardware supply and installation, marketing and training	Dutch companies investing in Ghana in co-operation with a Ghanaian SME.	National (micro)
	Development Related Export Transactions Programme (ORET)	Assistance to trade and industry in developing countries		Financial support for investments that are not commercially viable and that have a positive impact on employment or environment		National (micro)
USAID	Trade and Investment programme	Broad-based sustainable economic growth	Boost the non-traditional export sector Address policy change	Improvement of production and marketing practices	Agricultural producers mostly small-scale	International/national (macro and meso)
Dfid	Ghana Business Linkages Challenge Fund (G-BLCF)	To assist businesses to enhance competitiveness and thereby, generate benefits for the poor.	Encourage linkages that -improve export performance. -strengthen the competitiveness of domestic producers. -lead to improvements in the business climate.	Support formation of viable business linkages by enterprises in Ghana with each other and/or with regional and international partners	Private enterprises and associations hereof.	National (meso and micro)
JICA ³	Technical cooperation	Social and economic development	Respond to private sector demands	Technical training and dispatch of experts		National (micro)
UNDP	Private Sector Promotion Programme	Create employment and wealth to overcome poverty	Strengthen institutional and technical capacity of private sector	Capacity building, export development, and advocacy	Ministry for Private Sector Development, Business associations, vulnerable women and the youth.	National (macro and meso)

² PSOM is implemented by the Agency for International Business Cooperation (EVD) in the Netherlands.

³ JICA is currently preparing a framework for supporting the private sector in Ghana. Based on the experience from other countries we should expect the programme to focus exclusively on the micro-scale.

African Project Development Facility (Apdf)	Enterprise Support Service (ESS)	Upgrade capacities of SMEs	Assist entrepreneurs to obtain financing	Accounting and marketing assistance and product improvements	SMEs	National (micro)
	Business Advisory Services (BAS) ⁴	Enhance Ghanaian Consultancy capacity	Provide consultancy services for entrepreneurs	Educate local consultants	Consultants	National (micro)
	Micro and SME Initiative	Upgrade capacities of MSMEs	Improve business climate	Establishment of SME Solutions Centres to improve access to information and finance	MSMEs	National (meso and micro)
World Bank ⁵	Ghana Trade and Investment Project	Accelerate export-led growth	Attract export oriented investors	Reform of legislative and incentive structures	Tema harbour Private sector	National (macro)
	Private Investment	Enhance economic growth Reduce poverty	Public sector reform	Tax policy, public expenditure, administrative and civil service reform	Public sector	National (macro)
IFC With UNDP	African Training and Management Services Project	Improve the competitiveness of African companies	Train local staff for management succession	Company analysis, recruitment of managers, subsidizing part of manager's salary, and assessment of skill gaps	SMEs with growth potential	National (micro)
European Investment Bank (EIB)	Support of small- and medium-scale investments ⁶	Economic growth	Long-term finance to promote private sector development	Global loans and equity investments	Finance sector	National (meso)
	Infrastructure	Enhanced infrastructure	Private participation in public enterprises		Industrial enterprises	National (micro)
	Large projects	Increased value-added	Support of key sectors	Direct funding	Railways, water supply and power transmission	National (macro)
UNCDF ⁷	MicroStart Ghana Programme	Build institutional capacity in the micro finance sector	Enhance sustainability of financial services to the poor	Under formulation	Agro-industry, mining and tourism	National (micro)
					Micro finance institutions	National (macro and meso)

⁴ The ESS and the BAS were merged in 2001 in order to provide a more comprehensive approach to business development in Ghana.

⁵ The choice of two World Bank programmes may seem arbitrary as PSD is seen as the key strategy to eradicate poverty in the World Bank (Schulpen and Gibbon 2001).

⁶ The programme has not been very successful. Until 1995 EIB was unable to find suitable intermediaries for investments and thus, EIB chose to focus on the non-banking sector. From 1995-2000 EIB managed to award two loans and in 2000 EIB awarded the first two loans to the financial sector in Ghana.

⁷ At present, UNCDF is altering its strategies. Hitherto, the MicroStart Ghana Programme has had a double objective, i.e. to strengthen institutional capacity in micro finance institutions and provide financial services to the poor. Since the beginning of the 2nd phase of the programme in 2003, focus has changed. Now it will take a sector-wide approach instead of the individual approach pursued up till now.