

PRIVATE ENTERPRISE FEDERATION (PEF)

“A PUBLIC PRIVATE DIALOGUE ON GROWTH, STABILITY AND JOBS”

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DIALOGUE- A shared responsibility

- Government and private sector desire an instrument to inform a specific policy reform (temporary, both are committed, provide resources, and feel bound by results, formal recognition)
- Government and private sector want an instrument for implementation of policy (permanent establishment; powers, rights and obligations defined; legal or regulatory mandate; expensive and often compulsory funding mechanisms; mediation and conflict resolution is important)

DIALOGUE- A shared responsibility

- Government or private sector or both want an advisory body (could be permanent; rather loose mandate, not binding; low cost option)
 - Private Sector wants to unify its voice (lobbying instrument; voluntary platform; little consequence for public sector, funded by private sector)
- Whatever the motive: It has to be transparent from the outset and subscribed to by the public and the private sector. **Both must have a joint understanding of the consequences for each party.**

The private sector

- The private sector (formal and informal) is responsible for 93% of jobs created in the country
- **Public sector jobs constitute only 6.49%**
- MSMEs contribute about 70% of Ghana`s GDP
- But Most MSMEs lack technical capacities & skills set to grow their businesses
- Access to long term finance and high cost of credit has been identified as the biggest challenge to MSME businesses in Ghana
- **A thriving private sector is crucial for jobs creation, wealth, increase standard of living and poverty reduction**

The public sector authority

- **Private sector** requires a favorable or enabling conditions to operate and grow. However, this objective cannot be realized if there is the unavailability of an enabling environment
- The main driver of enabling conditions is GOV'Ts policy framework out of which emanates various statutes, laws and regulations.

STABILITY

Views of the private sector can be expressed from two angles;

➤ Economic Conditions

➤ Business conditions

- **Politically stable but economically not stable**

1. High inflation

2. Exchange rate gyrations

3. Frequent changes in tax policy and the multiplicity of nuisance taxes and levies on private sector businesses

➤ **Finance**

- High cost and access to finance-Biggest constraint to the private sector

Economic Conditions

- General movement of prices of goods and services (rate of inflation) As a result of the exchange rate pass-through effect and upward adjustment in export price of petroleum and high electricity tariffs, **lead to high inflationary rates**

Year	percentage
2012	8.8
2013	13.5
2014	17.0
2015	17.7
2016	15.4

Economic Conditions

- **Cost and access to finance.**

Biggest constraint to private sector investment is the absence of long term pool of funds for investment. **High interest cost of credit.**

Year	percentage
2013	25.56
2014	28.9
2015	27.5
2016	32.0 (Nov)

Economic Conditions

- **Public debt**

Heavy public sector borrowing crowding out the private sector from the financial market. Total public debt is currently GH¢119.9 billion representing 71.9% of GDP as at November 2016 of which the domestic debt is GH¢ 53.9 billion .

Budget Deficit

Budget deficit has consistently been higher than the targets. **As at November 2016, the budget deficit was 7.0 % of GDP against a target of 4.7%**

**2012=12%, 2013=10.2%, 2014=8.5%, 2015 =6.7%,
2016=7.0%**

Economic Conditions

- **Currency depreciation**

On foreign exchange, the market experienced increased volatility in the first half of the year. **The year on year currency depreciation was around 9.6% in 2016 against the dollar.**

- **Tax rates and levies**

Multiplicity of taxes and levies on the few formal private sector players. **(1% on agriculture etc)**

Large informal sector not paying taxes

Business facing the tax burden but not receiving in return, the required public sector services to facilitate their business operations

Economic Conditions

- **Non performing loans**

Banks non performing loan is gradually on the increase. Sustainability of private businesses depends on low cost access to finance.

Businesses are currently borrowing at a higher cost in a much unfavorable environment with high inflation and cost of power making it difficult to make profit to payback loans

- **A slow down in GPD growth**

15% in 2011

7.9% in 2012

7.4%in 2013

4% in 2014

3.5% in 2015

Business conditions

- **Bureaucratic, legal and regulatory framework**

Public sector bureaucracy in managing the legal regulatory framework. Areas experiencing delays include business registration, getting electricity, paying taxes, construction permits, settling commercial disputes and property registration.

- **Infrastructure ie ports, electricity**

Inadequate port facilities and electricity supply

- **Domestic and foreign market**

The private sector is the dominant exporter yet the government in 2016 signed on to the ratification of EPA and the ECOWAS Common External Tariff to create a more challenging business environment.

PRIORITY SECTOR

- UNDER THE GHANA SHARED GROWTH DEVELOPMENT AGENDA(GSGDA I & II) THE GOV'T IDENTIFIED AGRICULTURE AS A MAJOR DRIVER FOR ECONOMIC DEVELOPMENT, JOBS CREATION AND EMPOWERMENT—AUC CAADP REQUIRES 10% PUBLIC EXPENDITURE and 6% ANNUAL GROWTH

PRIORITY SECTOR

- VARIOUS CONSTRAINTS AND CHALLENGES IN THE SECTOR AFFECTED ACHIEVING THIS GOAL:
 - ABSENCE OF LONG TERM LOW COST FUNDING,
 - ZERO DERISKING FINANCIAL PRODUCTS
 - LOW-YIELDING SEEDS,
 - LITTLE MECHANIZATION AND IRRIGATION INFRASTRUCTURE
 - AND ALSO FEW FACILITIES TO STORE, PRESERVE OR PROCESS HARVESTED YIELDS
 - HUGE POST HARVEST LOSSES

PARTNERSHIP TO DRIVE GROWTH & JOBS

- AS A CONSEQUENCE OF FOREGOING, **POST HARVEST LOSSES ARE A COMMON OCCURRENCE LOSSES FROM 35-55% IN SOME PERISHABLE COMMODITIES ARE NOT RARE OCCURRENCE**
- **ABSOLUTE WASTE:** CONSIDERING THAT YIELDS WERE ACHIEVED ON THE BACK OF SUBSIDIES ON FERTILIZERS AND OR SEEDS

Example of Jobs Creation

- FOR OUR DISCUSSION, WE WOULD LOOK AT **Warehouse Receipt System (WRS)** AS AN INSTRUMENT NOT ONLY TO ADDRESS THE POST HARVEST LOSSES BUT AS A TOOL TO AGGREGATE SUPPLIES, CREATE ADDITIONAL MARKETS FOR COMMODITY PRODUCERS, PROTECTION AGAINST PRICE VOLITILITY & LEVERAGE FOR FINANCING

GROWTH, STABILITY & JOBS

- A **WRS** PROVIDES STORAGE FACILITIES AND PROTECTION AGAINST VAGARIES OF WEATHER
- **SOURCE OF SUSTAINABLE SUPPLIES OF COMMODITIES** FOR INDUSTRIAL USES THROUGH AGGREGATION OF SMALLER HARVESTS FROM VARIOUS CAMPS
- IN THE WAREHOUSE MANAGER, **THE COMMODITY PRODUCER CAN DISPOSE OFF PRODUCE FOR AN IMMEDIATE LIQUIDITY**—A **WARRANT THAT IS A RECEIPT** FOR THE DEPOSIT OF COMMODITY IN THE WAREHOUSE THAT MAY EITHER BE CASHED, SOLD OR HELD FOR FUTURE NEEDS, THEREBY CREATING A READY MADE MARKET WITHOUT ANY HASSLES

GROWTH, STABILITY & JOBS

- THE DEPOSITORY IN THE **WRS** CAN SERVE AS A HOLDING PEN FOR IMPROVED PRICE REGIME AND AVOID PRICE VOLITILITY BEFORE THE PRODUCER ENTERS THE MARKET
- ONE OF THE MOST IMPORTANT FEATURES OF THE SYSTEM IS TO **LEVERAGED THE STORED COMMODITIES AS COLLATERAL FOR FINANCING**

Stability & Jobs

➤ Energy

- The high cost of electricity, and the rising cost of fuel.
- 13,000 jobs lost due to the energy situation last year according to the Ghana Employers Association
- Energy production mix (thermal 56.2, hydro 43.2, renewables 0.6) (energy commission, 2016)

UTILITIES cont'd

Improve the Utilities

- Bring private sector expertise and business practices to public sector management of the utilities
- Investments in utility infrastructure through PPP
- RESOLVE ENERGY CRISIS: Constitute a team of experts to review current utility crisis and to come out with implementable short, medium and long term strategies to address the problem emphasizing on diversified energy mix- solar, other renewables

Dialogue for a sustainable development

- The government should incentivize investment in the agriculture sector
- Adopt an import substitution industrialization approach with particular focus on agriculture to ensure availability of sustainable raw material base. food security and nutrition, development of light agriculture implements & equipment

Dialogue for a sustainable development Require

- Sound and stable macroeconomic policies and good management of the economy
- Good political and economic governance-Poor governance, corruption and inefficient institutions can discourage entrepreneurship and hold back private-sector growth and development.
- Avoid the frequency of changing policies and regulations without adequate consultations with the private sector
- Efficient monetary policy to manage our financial market.
- **Prioritizing domestic mobilization of long term capital**
- Favorable international trade agreements that do not compromise infant industries and our potential to produce for ourselves in the future

PP DIALOGUE

- To address issues relating private sector business development in Ghana.
- To create awareness and patronage of made in Ghana products that will lead to jobs creation and wealth
- To create a platform that can be a tool for shaping issues relating business in Ghana.
- To influence policy decisions for private sector business development in Ghana.

Conclusion

Addressing constraints related to the economic environment that will support business competition and overall efficiency for sustainable jobs and wealth creation.

Without these, the private sector cannot continue doing business as is, **which led to almost a failed economy in 2016.**

CLOSING

- THANK YOU FOR YOUR ATTENTION