**Danida’s support to Private Sector Development**

**Basic Information**

**Support at-a-glance**

***Duration of support:***

2004 – 2020 (17 years)

***Total disbursement:***

DKK 750 million (approx..)

***Key national partners:***

Government of Ghana, Ministry of Finance, Ministry of Trade and Industry, Ministry of Education – Council for Technical and Vocational Education and Training, Ministry of Business Development, Ministry of Environment, Science, Technology and Innovation (MESTI), Ministry of Employment and Social Welfare, Council for Technical and Vocational Education and Training (COTVET), Ministry of Justice.

***Geographical coverage:***

All sixteen regions

***Key Outcomes:***

SPSD/BSPS Phase I

360 grants to business groups and associations, improvement of 12 commercial courts resulting in reduced time for settling disputes, 63% increase in total value of deposits for 18 financial partner institutions, a functioning Labour Market Information System and 1200 master crafts persons trained in four key trades.

SPSD Phase II

97% of PSOs increased their advocacy capacity, 103,683 trainees in the SDF programme, improved efficiency in cultivation of rice, maize and soya beans and improved opportunities of lending funds for businesses in rural areas.

SPSD Phase III

13,409 and 183,545 direct and indirect jobs created, 16% annual increase in income, reduction in Green House Gas emissions of 24,080 tons CO2, 70,028 people provided with improved access to modern energy, increased compliance with national safety and health regulations, improvement of work environment, 15% increase in corporate tax by supported enterprises, 8.2% increase in employment tax by employees in supported enterprises, 7.6% increase in contribution to Social Security and National Insurance Trust by supported enterprises and their employees.

The first support from Danida to development of the private sector in Ghana came from the Business Sector Programme Support (SPSD/BSPS Phase I: 2004-2009). The support was orchestrated through five components that focused on 1) the legal sector and judicial environment for businesses, 2) business culture (BUSAC), 3) financial and non-financial business development for MSMEs (SPEED), 4) benefits from the multilateral trade system and globalisation and 5) balance and flexibility in the labour market. Main activities included grants to businesses for improved advocacy, advocacy training and training of trainers, provision of loans for MSMEs, development of risk sharing products and training of master craftsmen within four key trade skills.

Parts of the first phase were extended into the second phase of support for private sector development (SPSD Phase II: 2010-2014). The overall objective of Phase II was to create sustainable and decent jobs. To do this, SPSD II had two main components: 1) Business Environment and 2) Enterprise Growth and Job Creation. Under these, a pooled fund and four new or existing facilities were engaged: 1) the BUSAC fund continued from the first phase, 2) a Skills Development Fund (SDF) was set up with inspiration from the first phase, 3) a new Agricultural Value Chain Facility (AVCF) and 4) funds for Rural Finance. Important activities included support for advocacy through grants to organisations and engagement in the public dialogue, development of skills for employees and entrepreneurs in formal enterprises and MSMEs as well as development of innovative training products, improvement of access to loans for agriculture and business in rural areas through different facilities and enhancement of technical and business skills for farmers and mergers in rural areas.

The support for private sector development was extended for a third phase (SPSD Phase III: 2015-2020). In the third phase, the thematic objective was promotion of inclusive and greener economic growth through private sector development leading to increased income and better welfare of Ghanaians. The agricultural and sustainable energy sectors were prioritised. Support was given through four engagements: 1) the BUSAC fund, 2) the SDF, 3) the Rural Development Fund (RDF), which was established with funds from phase II and 4) Ghana Climate Innovation Centre (GCIC), which also received funds from phase II. Main activities in the third and last phase included provision of funds and technical assistance for advocacy initiatives, skills training in new technologies of formal enterprises and informal organisations, support to entrepreneurs and SMEs involved in developing profitable, locally appropriate solutions to climate change and walks and roadshows across cities in the country to educate Ghanaians on climate change and Ghana’s commitment to the SDGs.

**Results and Key Achievements**

The different components of the private sector support that have existed during the long lifespan of the programme have each contributed to the improvements of the business environment in Ghana. Some of the engagements have met all the targets envisaged while others have contributed less than anticipated. Overall, the objective of promoting inclusive green economic growth through development of MSMEs has been achieved leading to increased income and better welfare of the target groups.

SPSD/BSPS I

In the first phase, the BUSAC fund issued 360 grants to business groups and associations across the country. Impact assessments for 75 of the grants indicated that 26% continued to do advocacy research, 54% continued to do sensitisation of their members, 44% continued to use the media to spread the advocacy issues to the general public and 46% continued to use dialogue as a means to persuade mostly public officials to act on their advocacy arguments.

In the first phase of the private sector support, access to 12 commercial courts was improved. This has led to significant savings for businesses due to reduced time spent in litigating commercial disputes. At the same time understanding of CSR within the business sector and in the public debate increased after the influence of the Ghana Business Code (GHBC) which was mentioned in several discussions, media articles and publications.

During the project period of the first phase, the SPEED funding facility extended from five Participating Financial Institutions (PFIs) to 41 PFIs. The fund also developed two new risk sharing products that helped improve financial conditions for MSMEs.

The target of designing, installing and operating a Labour Market Information System (LMIS) was met in the duration of the first phase. The LMIS was set up to operate under the Ministry of Employment and in partnership with Ghana Statistical Service to provide data on employment, wages etc. to inform policy decisions.

As a forerunner to the Skills Development Fund, 1200 master crafts persons were trained in the four key trades of auto-mechanics, electricity, dressmaking and tailoring and beauty services during the first phase.

SPSD II

The BUSAC fund in phase II overall contributed to increased capacity to conduct advocacy for a large number of grantees. This was evident in the 75% of BUSAC supported activities that achieved the intended results. More than half of the advocacy funded by the fund were successful in achieving removed barriers to doing business. The Impact Assessment report (University of Cape Coast in Ghana, Jan-2014) indicated that 97% of private sector organisations (PSOs) had enhanced their advocacy capacities after the BUSAC Fund intervention. 42 functional PSO networks, alliances, coalitions and collaborations and 35 functional public-private dialogue structures were facilitated during phase II to support ongoing public-private collaborations after the termination of the BUSAC fund.

In phase II, the SDF succeeded in providing technical assistance and skills training to key institutions and individual beneficiaries in the priority economic sectors under the various components and windows. The project was able to equip the beneficiaries with demand-driven employable skills and enhanced their income generating capacities, which helped to alleviate poverty and improved upon their living conditions. In total, 103,683 trainees participated in the programme. This was more than four times the target. The total number of projects supported were 646.

The AVCF succeeded in training 27,856 farmers in Integrated Soil Fertility Management (ISFM) practices and business development services during the second phase of SPSD. This training resulted in a decrease in acreages used for cultivating maize and rice by respectively 19% and 64%. For soya beans the acreage increased by 3%. At the same time, yield of crops increased by 85% (maize), 150% (rice) and 117% (soya beans) resulting in an overall more efficient use of land.

The programme had a positive effect on the Rural and Community Banks’ (RCBs) possibilities of lending funds to farmers and other businesses in rural areas. Through the Rural Finance Wholesale Fund (RFWF) a total of 20,578,100 GHS were accessed by RCBs. This exceeded the disbursements, as the fund was able to use the returns to fund more loans.

SPSD III

BUSAC was significantly successful in enhancing private sector policies, laws and regulations that improved the enabling environment for doing business at both national and local level in phase III. BUSAC funded advocacy activities led to three times the number of new or changed policies and laws than anticipated, and several more national and local regulations were issued or revised than anticipated. Significant achievements from BUSAC, improving business environment across the various sectors of the economy and business communities, included the following: The Companies Act, National Road Safety Authority Bill, Sugar policy, MSME policy & Enterprise Ghana Agency, Tree Crop Development Authority Bill, Corporate Insolvency Bill, Real Estate Bill and National Board of Small-Scale Industries NBSSI, transformed into Ghana Enterprise Agency as an authority.

BUSAC’s support to PSOs in strengthening their institutional, technical and financial capacity to pursue business advocacy actions did not immediately lead to more financially sustainable PSOs. PSO memberships increased from a baseline membership of 1,827,005 in 2017 to a final membership of 1,835,214 as of December 2020, which gives 8,209 additional memberships representing 0.4%. Memberships of PSOs as an indicator proxy to measure success might have been based on an inadequate assumption that there would be an immediate increase in memberships. The increase in membership may only materialise when final results of the PSOs’ effort are demonstrated. Also, dues-paying members have not increased as anticipated, however, the supported PSOs are aware of the need to increase dues-paying members.

SDF was highly effective in phase III in increasing labour productivity, turnover and product quality through demand-led skills development and overachieved compared to the set targets. The target for increase in turnover of enterprises supported by SDF in phase III was 15% and the result was 55%. This means that SDF-supported enterprises on average increased their turnover almost four times more than the anticipated target. SDF-supported capacity development and training in enterprises had extremely high effects in the formal sector, and in the agricultural sector yields increased substantially. Almost 3/4 of all customers to product and services of supported enterprises experienced increased quality.

The CO2 emissions reductions during the programme were significantly less the target anticipated by the SPSD III and amounted to 14,526 metric tonnes. However, this was a lot more than what was anticipated by the target agreed to by GCIC and the World Bank. Efficient wood fuel cookstoves were the main factors for CO2 reductions and contributed 79% of the results. Solar installations contributed 20% and 1% came from biogas digesters. The calculated CO2 avoided was equivalent to reduced carbon footprint from 40,000 people in Ghana. The GCIC’s contributions to carbon emission reductions were symbolic in nature as the level of emissions in Ghana is increasing fast. However, at the onset of the programme climate awareness among Ghanaians was primarily limited to well-educated, which made the work of GCIC difficult and part of the achievement was therefore also to increase awareness among the general public.

The RDF was early in the programme transitioned into a self-sustained fund in its own right, with the Danish Investment Fund for Developing Countries (IFU) being part of the board of directors.

**Lessons Learned**

An important lesson learned from BUSAC is that pushing for implementation of policies, laws and regulations is as important as getting the policy or law enacted/passed. Another lesson learned was that supporting a broad range of existing PSOs with funds and capacity development for their own action provides wider impact. 74% of 43 supported PSOs experienced that they have developed advocacy capacity and confidence and are stronger PSOs with increased advocacy activities and improvements in the ease of doing business.

A key lesson learned from SDF was that it is not enough to offer training without offering complementary services such as credit facilities and other support like the provision of start-up kits to project beneficiaries in order to facilitate higher adoption rate. SDF's commitment to transparency had a positive spill-over effect on other matching grant facilities operating in Ghana. This included other matching grant facilities inspired to use application formats developed by SDF, as they were more lenient and operational. Other grant fund operators reported improvements in transparency, driven by the experience from the SDF Secretariat. SDF Ghana also inspired the design of funds outside Ghana.

An important lesson learned from GCIC was that when Danish funds allocated to climate change, mitigation and/or adaptation, are delegated to another development partner – bilateral or multilateral – it is important to ensure that focus remains on the objective for the support in the final documents and during implementation, to ensure value for money. The premises for the support need to be clear and the market need to be well understood.

**Links**

Evaluation of the Danish-Ghanaian partnership 2007-2017: [evaluation\_ghana-denmark\_partnership\_2007-2017.pdf (netpublikationer.dk)](http://www.netpublikationer.dk/UM/evaluation_ghana-denmark_partnership_2007-2017/Pdf/evaluation_ghana-denmark_partnership_2007-2017.pdf).

Other links?