

Project Brief



Implemented by:
giz Deutsche Gesellschaft
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Improving Framework Conditions to Unlock the Potential of AfCFTA for SMEs in Ghana



Background and Rationale

Ghana has been identified as one of the countries that has potentials to benefit from the African Continental Free Trade Agreement (AfCFTA). However, the ability to benefit from the agreement is not automatic. It is an undisputed fact that sustained economic growth and poverty reduction can only happen at the back of a vibrant and robust private sector operating in a business friendly and sound framework condition. For the Ghanaian private sector to benefit fully from the agreement, the local framework conditions in which they operate needs to be conducive. The framework condition is not limited to macroeconomic factors (both policy and regulations) but also industry-specific developments such as competitive energy tariffs, dispute resolution mechanism and access to finance, raw materials as well as good roads to move raw materials and other inputs from the hinterlands to the cities.

The dominant mode of private sector engagement in Ghana is through the operations of Small and Medium-Sized Enterprises (SMEs) which form over 90 percent of businesses in Ghana. SMEs are mostly found in the informal sector in Ghana and this sector according to the Ghana Statistical Service, accounts for



about 70 percent of Ghana's economy. SMEs also contribute about 70 percent to Ghana's GDP and have provided about 85 percent of manufacturing sector jobs in Ghana. This depicts how important SMEs are to Ghana's future prospect and how efforts towards their development must be policy priorities for policy makers and governments.

The private sector and more particularly, SMEs must therefore be at the forefront if AfCFTA is to be successfully implemented and beneficial to the Ghanaian populace. A vibrant and a competitive SMEs not only creates jobs but also increases domestic production thereby reducing the country's reliance on imported goods and services. Additionally, a competitive SMEs are able to compete favourably under the terms of the AfCFTA agreement. If Ghana is not able to produce for its local consumption and export competitively, the country would turn out to be importing goods from countries with strong manufacturing sector. Once a country becomes a net importer of goods, it means that jobs that could have been created locally will be lost, among others.



It does however appears that the SME sector in Ghana has not been given the needed attention it deserves. The free trade agreement appears to have gotten off with a good start but it is necessary to create sustained awareness and education about the potential benefits of the

program and how SMEs need to position themselves to fully benefit from this agreement by leveraging on the opportunities that it presents. Surveys conducted in Ghana shows that less than 13 percent of SMEs have knowledge about AfCFTA while the remaining are clueless. There is therefore a need to undertake evidence-based research to understand how framework conditions can be improved to make it more competitive for Ghanaian SMEs to export competitively under the AfCFTA agreement and also embark on a nationwide campaign and education about the awareness and potential benefits of AfCFTA. This is the premise on which this study is situated.

For SMEs to fully benefit, they need to scale up their business, sharpen their skills, be technologically-savvy and have a good business culture. This, therefore, calls for an in-depth study on how to enhance the competitiveness and participation of SMEs in the AfCFTA agreement. This study will also mobilize performance metrics and sensitize SMEs about the strategies and reforms needed to enhance their performance in preparation for AfCFTA.



It is in this context that CUTS Accra has been engaged by the German Agency for International Cooperation (GIZ) Ghana Office in implementing a 6-month project titled ***“Improving Framework Conditions to Unlock the Potential of AfCFTA for SMEs In Ghana”*** with the focus on embarking on a nationwide campaign and education about the awareness and potential benefits of AfCFTA and the level of preparedness required by SMEs to fully benefit from the agreement



Project Goal

The overall goal of this project is to conduct a nationwide assessment about the level of competitiveness and growth-readiness of the Ghanaian SMEs for enhanced participation in the AfCFTA and to come out with a diagnostics report, which would help to develop practical steps in addressing those gaps and challenges and to advocate for improving the business framework conditions for the SMEs.



Project Objectives

The Project seeks to:

1. To assess the level of competitiveness and growth-readiness of Ghanaian SMEs for enhanced participation in the AfCFTA
2. To identify how uncompetitive framework conditions can affect the competitiveness under the AfCFTA
3. To identify and develop practical steps in addressing those gaps and challenges
4. To undertake a capacity building to improve on the competitiveness of the SMEs



Project Activities

The proposed activities can be split into three. Namely; Research, Dissemination Workshop and Stakeholder Engagement, and Media Outreach.

Research

The research strategy to be adopted for this study will be a combination of both qualitative and quantitative methods and relying on both secondary (desk review) and primary (in-depth interviews). Thus, the approach to be used for the study is grounded



on three phases namely; desk review, quantitative interviews and focus group discussions span across 1,300 Ghanaian SMEs in the Greater Accra, Western, Ashanti and Northern regions.

Sensitization Workshop & Stakeholder Engagement

CUTS Accra will organize four sensitization workshops across the country. These will be held in Kumasi, Accra, Takoradi and Tamale. The priority areas and challenges identified during the research will be used as context themes for the sensitization and training. The workshops will also provide a platform to share the findings of the research, take inputs on the challenges and gaps Ghanaian SMEs face which would require government prompt interventions.



Project Outputs/Delivery

The following main outputs will be produced during the project:

- An Inception Report
- Research Survey Instruments, FGD Guide, and Template for Capturing Business Diagnosis Data
- Sensitization Workshop (concept note, event report)
- Report on Key Stakeholder Engagement
- Final Report

Project Partners



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