

**PROMOTION OF EMBEDDED BUSINESS SERVICES
IN GHANAIAN EXPORT MARKETS
(DRAFT)**

Presented by:

**The International Labour Organisation
+ Action for Enterprise**

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1. APPLICANT INSTITUTIONS

The applicants and implementing institutions for this initiative are the International Labour Organisation (ILO) and Action for Enterprise (AFE). Both have both been actively involved in business development services (BDS) program design and facilitation for many years. The ILO has been a leader in developing and disseminating best practices through its field programs (Ghana, Uganda, etc.) and annual BDS conference held in Turin, Italy. AFE has been involved in cutting edge BDS design work in Kenya, Mali, and Bangladesh, has co-sponsored a BDS training course, and is implementing a long-term craft export program in Mali. FIT/Ghana, an ILO partner, is implementing enterprise development initiatives in Ghana, most notably the development of radio talk shows that focus on key issues and topics that concern the small business community.

II. BACKGROUND

In 2001 the ILO and FIT/Ghana began an initiative in Ghana to develop commercial services that are provided by private businesses to small-scale exporters. As part of this initiative ILO/FIT conducted a series of interviews and focus group meetings to gain a deeper appreciation of the operations of small-scale exporters as well as the constraints they face. In December 2001 Action for Enterprise joined the effort and worked with ILO/FIT to develop a program that would have substantial impact on producers and exporters (see appendix 1 for a list of those interviewed). The results of this work showed good potential and led to the development of the current proposal.

III. APPROACH

The following steps were followed in designing this program:

Step 1. Analysis of constraints and opportunities in the market for small enterprise products. This involved selecting a targeted product market, analyzing the dynamics of that market, and identifying constraints and opportunities. ILO/AFE did an in-depth analysis of the craft export market, and also collected information on the shea butter market.

Step 2. Identification of private sector business services in the targeted product market that will help overcome constraints and take advantage of opportunities

Step 3. Assessment of the market for targeted business services - determine their feasibility (and sustainability) by examining the needs of small enterprise customers, existing constraints in supplying the services, and constraints at the demand level.

Step 4. Selection of an intervention strategy to develop markets for targeted business development services (BDS). Determine how to develop the capacity of business service providers as well as how to stimulate the market for their services, and design appropriate interventions to do this.

The following sections describe how these steps were followed in designing this program. First, an overview of the craft export sector (resulting from a market analysis carried out by the design team) is presented. This is followed by a list of the principal constraints facing the craft export market in Ghana. The proposal then presents the business services that were identified as critical in addressing those market constraints. An assessment of those services is then presented, followed by proposed interventions that will develop the market for the services. The final sections of the proposal present a list of performance indicators to be used, and a description of the proposed budget.

IV. OVERVIEW OF CRAFT EXPORT SECTOR IN GHANA

The craft export sector in Ghana has evolved significantly over the past ten years. This section will review that evolution and describe the different market players and their roles.

The value of craft exports from Ghana has grown from \$195,845 in 1989 to over \$5,000,000 in 2000 (Adu-Mensah, 2001, Overview of the Ghanaian Handicraft Industry). Much of the growth over this period can be attributed to the arrival of several large buyers, and the ability of the Ghanaian producers and exporters to satisfy their demands. The history of two of these buyers, and their export agents in Ghana is described below.

In the early 1990's, the Ghana Export Promotion Council (GPEC), a government sponsored institution dedicated to the advancement of exports in Ghana, organized a market exploration visit to the U.S.. The GEPC took eight producers and made contact with approximately twenty potential buyers. Among those buyers was Pier 1 Imports (one of the largest international craft importers) who showed interest in Ghanaian products.

Two senior Pier 1 buyers visited Ghana in 1993. In preparation for this visit the GEPC organized an exhibition of producers with the potential to respond to large-scale orders. During this visit the buyers chose products from twenty-three different producers, with orders between \$25,000 and \$110,000. The total order size (the biggest in Ghana's history to that date) was \$935,000.

Pier 1 wanted someone to coordinate the production, assembly, and shipment of the orders from the different producers. GPEC offered to do it but Pier 1 insisted on working with a private business. With support from his colleagues, one of the GPEC managers decided to resign from GPEC and coordinate the order independently. He started a company called Kraft Consult that continues to serve as the Ghana agent for Pier 1 today (approximately \$1.5 million of exports per year). Kraft Consult works with over twenty medium-sized "export producers" in Ghana, providing them with substantial business through the Pier 1, and other orders.

A few years later, another large buyer called Associated Merchandising Corp (AMC) came to Ghana and established relations with a local private trading company called GETRADE, who now serves as their agent. AMC is a worldwide sourcing and buying organization that develops exclusive private label products, and provides logistical services for clients. It serves as the buying office for companies like Proffitts, Bloomingdale Store, Stage Store, TJ Max and the Marshall Store in the UK.

AMC currently visits Ghana three times per year, bringing with them buying agents from the different stores it represents. Before each visit GETRADE organizes an exhibition with up to one hundred different export producers with the capacity to meet large-scale orders. Lately these exhibitions have been organized at the Ghana National Theater. During the exhibition AMC and the buyers negotiate and place orders with the export producers. It is then the responsibility of GETRADE to consolidate the orders, assist the producers to access loans to pre-finance production (they do this through a local development bank called Providence Bank), monitor production, provide AMC with a weekly progress report, inspect and assemble the final products from the different export producers, pack it into containers at their warehouse in Tema, and then ship to AMC. Payment is made on the basis of letters of credit. Once GETRADE receives payment they make bank transfers to all the participating export producers. Annual sales to AMC average between \$2.5 and \$3 million per year.

It is useful to note that the term "export producer" is used here to denote enterprises (micro, small, or medium) that produce for the export market, but don't necessarily export directly to

the international customer (they go through an intermediary export agent like Kraft Consult, GETRADE, or others). Some of these export producers have their own international clients to whom they export directly, but many do not. It is sometimes confusing, therefore, when one refers to all of them as “exporters”. For the purposes of this proposal, we will therefore refer to the enterprises that export directly to international customers as “export agents” and other enterprises that produce for the export market but do not sell their production directly to international clients as “export producers”. As described earlier, some enterprises carry out both of these functions.

Other useful information about the craft sector include:

- The imports from just a few large buyers (Pier 1, AMC, and a few others) represent a large percentage of total craft exports from Ghana.
- The export agents of these large buyers consolidate production from over one hundred export producers. These producers sell some or all of their production through the export agents. For many, these sales represent a significant percentage of their business.
- Some export producers are small enterprises, but others are larger in size – employing many workers and/or subcontracting production to large numbers of rural producers.
- In many cases the owners of the export agent and export producer enterprises are not artisans themselves – rather they are businesspeople that organize and/or subcontract the production with artisan producers.
- The majority of craft exports are baskets, woodcarvings, and other crafts – not textile cloth and garments. Cloth and garments are part of a different market, with much smaller quantities involved and a larger number of smaller-scale, informal exporters and importers.

This next section presents a typology of the key players in the craft export market in Ghana. It is important to understand the functions of these players in order to design a good BDS program. The nature of the craft export market is that there is a wide range of interactions between different actors. Enterprises in this market play different roles at different times - sometimes exporting, sometimes selling to other exporters, sometimes producing directly, sometimes subcontracting production, etc. It is not easy to categorize them and there is not always a clear-cut distinction between them. It is nonetheless useful to try and distinguish the different functions that they play, and how they interact with each other.

4.1 Typology of Key Actors and their Functions in the Craft Export Market in Ghana

International Importers/Wholesale Distributors – These buyers are primarily based in Europe, the U.S., and Japan. They include wholesale distributors (many of whom participate in major wholesaler trade shows), representatives of large retail chains that import directly, buyer intermediaries (like AMC), and other more informal traders (some of whom are from Ghana or other West African countries). These buyers have standing relations with export agents in Ghana and conduct most of their business with them by email, telephone, and fax. They come to Ghana periodically but they typically do not carry merchandise with them (it is shipped separately). It is estimated that there are approximately 70 of these buyers.

International Buyers who Come to Ghana to Buy – These buyers typically make the rounds of a select number of African countries and buy on the spot during their trips. They then return to their countries to sell either on a wholesale or retail basis. Some are Ghanaians living in foreign countries who periodically come to Ghana to supply themselves with goods that they then sell in the foreign country. It is estimated that there are approximately 50 of these buyers.

Export Agents – These are Ghanaian traders who have standing relations with international importers. They typically receive orders by telephone, email, or fax. They have a large

network of artisan producers throughout the country, and in many different areas (wood, leather, textiles, jewelry, etc.), that they work with to fulfill their orders. They also work with more formal enterprises (export producers) that supply them with products for their orders. Most of the export agents also have their own production units. It is estimated that there are 20 of these export agents in Ghana. Examples include SEMAK Ltd, Kraft Consult, and GETRADE.

Export Producers – These are enterprises that produce for the export market but do not sell their production directly to international clients. Their produce is sold to an export agent who serves as an intermediary with the importer. They frequently subcontract with artisan producers and producer groups to fulfill orders. Some export producers are also export agents.

Both export agents and export producers provide a variety services to micro and small producers including market access, quality control, training, finance, raw materials, and technical assistance.

Suitcase Exporters – These are exporters who tend to export smaller quantities, sometimes the size of suitcases. There are different kinds of suitcase exporters. Some travel to international destinations (Europe, U.S., etc.) in order to participate in retail trade fairs, festivals, and other venues where they can sell retail. They tend to buy large quantities of product before they travel and try to get them as cheaply as they can. This is because they do not know exactly what the market wants and frequently end up with significant amounts of unsold merchandise that they then need to unload at cost or less. Their relationships with artisan producers are therefore different than those between the artisans and the formal exporters (the latter being more co-dependant and mutually beneficial). It is estimated that there are approximately 50 of these exporters.

Others sell or export small quantities to traders (often Ghanaian themselves) who then sell the products in the foreign country they reside in. In many cases this trade targets the Ghanaian Diaspora and/or ethnic communities. In many cases the products sold are textiles. In some cases the importer will come to Ghana to buy the product directly from the suitcase exporters, in other cases the suitcase exporter ships the product to the importer in the foreign country.

Small-Scale Artisan Producers– These artisans produce leather goods, textiles, wood sculptures, jewelry, etc. and are located throughout the country. They typically have relationships with several exporters, though some work more or less exclusively with one exporter. They are typically small with less than five employees or apprentices. It is estimated that there are approximately 5000 of these producers.

Resource People for Design Services – most artisans, export producers, and export agents do their own design work. Some exporters provide design services to artisans in conjunction with the orders they receive from importers. The importers themselves also provide design services – either when they communicate orders to the exporters or when they visit Ghana. There are some good freelance designers in Ghana, but the producers and exporters shy away from using them, as they are afraid other Ghanaian exporters and producers will quickly copy the designs.

Financial Service Providers – The major sources of financing for the subsector are the importers and exporters, through their own funds. Importers sometimes make up to a 50% advance to exporters who then advance funds to the producers. When importers don't make such advances or when the advances are insufficient, the exporters sometimes advance their own funds to the producers. In the case of the AMC/ GETRADE orders, GETRADE

facilitates arrangements with the Prudential Bank to provide individual loans to the export producers who are producing for the order.

V. PRODUCT MARKET CONSTRAINTS

During the course of the market analysis more than fifty market actors and key informants were interviewed (some also participated in focus group meetings). During these interviews they were questioned about the constraints that are holding back sales, income and employment in their businesses as well as the craft export market as a whole. This resulted in the following list:

Inadequate Orders (market access/product design)

- Lack of linkages with international buyers / exposure at trade fairs
- Lack of information and understanding about export markets (ex. optimal quality/price ratio)
- Difficulty obtaining visas for travel / consular staff cannot distinguish businesspeople from those wishing to emigrate
- Insufficient number of products that respond to international demands and market trends
- Hesitancy to hire local designers for fear of being copied
- Need to move more to utilitarian items

Production and Quality Control

- Inconsistent quality of the final products (major problem)
- Lack of quality control techniques and methodologies at different stages of order fulfillment
- Lack of improved/efficient production techniques (especially with large volume production)
- Need for small scale machinery to improve quality
- Need for improved wood drying techniques
- Inadequate production space
- Lack of capacity (in baskets) to produce enough to respond to market demands / exporters lack knowledge of additional producers / producers lack knowledge of exporters interested in their products
- Lack of packing skills for large volume orders / certain packaging materials
- Need to reduce mold in shipping containers

Management Systems for Exporters

- Lack of management systems (inventory and financial management control systems, strategic planning, etc.) within export companies prohibits them from expanding their capacity, markets and subsequent purchases from producers
- Lack of quality web sites / ability to use digital images
- Lack of communication skills (responding to orders, taking orders, lack of good customer service, keeping buyers informed, responding quickly – some also lack email, professional brochures, etc.)
- Poor negotiation skills

Raw Materials

- Scarcity / seasonality of certain raw materials in the local market (i.e. straw, dyes, wax, brass, wood, etc.) / Need to stock straw during the harvest season
- Stringent enforcement of regulations on logging / no exceptions for craft producers

Finance

- Difficulties in financing production

- Reliance on Providence Bank (local development bank)
- High interest rates (due to high inflation)
- Small-scale exporters have not established relationships with local banks / poor banking habits
- Small-scale exporters lack collateral / have difficulty getting letters of credit

VI. BUSINESS SERVICES NEEDED TO ADDRESS CONSTRAINTS

The identification of product market constraints assisted the design team to identify the private sector business services needed to help overcome and address those constraints. These include the following:

- Market Access Services
- Product Design Services
- Quality Control and Production Training Services
- Management Development Services
- Access to Raw Materials Service
- Access to Finance

The objective of the ILO/AFE program is to develop the market for these services so that they can be provided (by private sector actors) in an efficient and sustainable manner. Before determining how to promote this, however, the design team first carried out an assessment of these services to see how prevalent they were, who was providing them, what constraints are facing the providers (supply side constraints), and what constraints are facing the consumers (demand side constraints). A summary of these assessments for the first four services is presented below (the ILO/AFE design team determined that these services were of highest priority and could most effectively be addressed by the proposed program).

VII. ASSESSMENT OF NEEDED BUSINESS SERVICES

7.1 Market Access Services

Ghanaian exporters, most of who have private trading and/or production companies, are the principle providers of access to international markets to small-scale producers. It is also provided in some cases by NGOs, though their actions are not sustainable in the long run. Currently, there are an estimated 50,000 craft producers in Ghana. Of those, approximately 5,000 are producing for the export market and benefiting from market access services from exporters. Many exporters, however, cite the lack of sufficient clients as a primary constraint and do not have the skills, or the means, to improve their market access.

The ILO/AFE design team has targeted these exporters for capacity building activities that will improve their ability to provide market access services to small producers. The design team estimates that it will work with four to six of these exporters initially. Potential exporters to target include GETRADE, Kraft Consult, SEMAK, Best of the Best, and Al Tatma. These export agents and export producers currently purchase crafts (either directly or indirectly) from several thousand producers. Improving their ability to access markets will not only sustain their ability to maintain current export levels, but will allow them to provide markets for many more producers as well. The exporters cover the costs of providing market access services through their operating revenues.

7.2 Product Design Services

Closely linked to access to markets, product design services are needed to assist producers and exporters to continually innovate in response to international market trends and demands. The principle providers of this service at this time in Ghana are the exporters themselves. Through feedback from the international clients, participation in trade fairs, and creativity

several of these exporters are able to develop and produce new product designs that are then shared with the producers. There are also a number of private designers, but the exporters or producers do not frequently use them. The principle reason given is their concern that local producers and exporters will somehow get a hold of these designs and copy them. These designers are currently used by some local NGOs (like ATAG), who also periodically bring in international design consultants to advise exporters and producers on latest market trends and to provide new ideas. Another provider of product design services are the international importers themselves. They provide design input to their export agents and/or directly to export producers when they visit Ghana.

While some of the export agents and export producers are providing this service, many are not or are providing it ineffectively. On the demand side, the producers are not always ready to invest the time and resources required to develop necessary samples. The ILO/AFE program will target the export agents and export producers in order to improve their ability to provide product design services to producers. The exporters will cover the costs of providing this service through their operating revenue. The cost of the services will therefore be embedded in the transactions they have with the producers.

7.3 Quality Control and Production Training Services

Ghanaian exporters are also the principle providers of quality control and production training services to producers. These services are embedded in their commercial transactions with the producers. They are also provided by some NGOs though their actions are not sustainable in the long run. It is estimated that of the 5000 producers producing for the export market less than 1000 are receiving quality control and/or production training services.

The exporters lack the organization and/or resource people needed to provide this kind of service in an effective manner. While some of them do provide the service, they tend to lack consistent approaches and appropriate techniques that address quality control issues at the different stages of order fulfillment. Producers do not receive the service and are also unaware of who might be providing it. The ILO/AFE assessment pointed to the Ghanaian export agents as the key potential providers of this service. They were therefore chosen to target for capacity building activities. ILO/AFE estimates that it will target four to six of these providers initially. They will cover the costs of providing quality control services through their operating revenues

7.4 Management Development Services

There are a variety of business services that can address the management constraints facing craft exporters. These include technical assistance and training in inventory and financial management, strategic planning, development of quality brochures and catalogues, efficient use of email, and communication techniques. In these cases the export agents and export producers are the ones receiving this service, rather than the small-scale producers. The providers of these services include a wide range of private companies/consultants including accounting firms, management consultants, internet service providers, and printing companies.

On the demand side, exporters sometimes do not recognize the importance of these services and are therefore reluctant to pay for them. On the supply side, many of the service providers do not have products/services that are adapted to the needs of craft export businesses. The ILO/AFE program will target a variety of these service providers, depending on the most pressing management constraints facing the exporters.

VIII. INTERVENTION STRATEGIES

The following interventions will be implemented by the ILO/AFE program as a means of developing the market for the business services described in the previous section. The objective of these interventions is to create an environment in which private sector providers are providing the services in a sustainable and effective manner to a large number of enterprises. This provision of these services will help the end users (mostly small-scale producers) to overcome the market constraints they are facing and thereby increase revenues and employment.

8.1 Targeted Service Providers

The principle business service providers to be targeted in the ILO/AFE program will be exporters (export agents, export producers and suitcase exporters). As seen in the previous section, it is the exporters who provide the majority of business services to small-scale enterprises in the craft export sector of Ghana. These services include market access, product design, quality control, and production training. In some instances they also include raw materials and finance. The exporters provide these services to the producers as part of their commercial transactions with them. They are therefore referred to as “embedded services”. Their costs are covered through the operating revenues of the exporters. This presents advantages to the producers who do not have to pay cash to receive them.

The principle objective of the ILO/AFE program will therefore be to develop/improve the capacity of the craft exporters to provide an array of business services to a large number of enterprises in a sustainable and effective manner. The ILO/AFE program will serve as a BDS facilitator – working on the supply side of the service market to develop provider capacity, and on the demand side to stimulate demand and interest among the consumers of the service.

The program will be open to all exporters, provided they meet certain criteria. These criteria include:

- Should have network of at least 100 producers to which they provide embedded business services in the context of their orders
- Should be exporting at least \$10,000 worth of crafts per year
- Need to be literate (or have someone on staff who is literate) and capable of conducting written communication with international buyers
- Must be willing to cost share the capacity building activities, especially those that involve management development training and TA provided by local service providers.
- Must be willing to share financial information that will facilitate monitoring and evaluation of program impact

The ILO/AFE program will work with the Handicraft Exporters Association to identify candidates and, when appropriate, coordinate activities. The program will support capacity building of the Association, when appropriate, so that it can replicate some of the program activities but will not rely on the Association for the implementation of interventions.

The following sections present illustrative interventions that will be carried out by the ILO/AFE program.

8.2 Interventions to Promote Market Access Services

The ILO/AFE program will pursue a dual strategy here of fostering additional market linkages with international buyers, and improving the capacity of the exporters to attract such buyers once the program ends.

To foster linkages, the program will use international market development consultants to

identify importers with an interest in initiating or increasing imports from Ghana. This activity will also serve to develop the capacity of exporters to provide product development services (see description below). Consultants will contact direct importers/wholesale distributors, as well as large-scale retailers who buy from these distributors. When appropriate, the consultant will link large-scale retailers interested in Ghanaian products (many of whom do not want to import directly) with a wholesale distributor currently importing from Ghana. Once an importer shows interest and is linked with a Ghanaian exporter, the ILO/AFE program will insist the all communication pass directly between these parties (and not through the program itself). This will avoid the development of a dependency relationship on the program staff.

To develop the capacity of Ghanaian exporters to identify new buyers, the program will promote their participation in international and regional trade fairs. This includes the SIAO regional trade fair in Burkina Faso that is becoming a major attraction for international buyers. AFE promoted a Mali exporter exhibit at the SIAO in 2000 with great success and is currently working with the SIAO on an initiative to improve their exporter exhibitor hall. The program will also promote greater participation at the Frankfurt gift shows (Ambiente in February and Tendence in August). The Frankfurt show is particularly appropriate as there is a special hall devoted to foreign exporters. This is important since most buyers who attend this (and other) show are looking for a European based distributor and do not want to import from overseas. It is therefore the importers (who themselves are exhibiting at the show) who are interested in visiting the foreign exporter hall to identify new products. There are currently a few Ghanaian exporters who display in Frankfurt. The AFE/ILO program will use these exporters (to the extent feasible) as well as its own staff and consultants, to train other exporters in how to set up a stand, pricing issues, order taking, etc. Efforts will also be made to identify other trade shows (such as in South Africa) where Ghanaian exporters could participate. Participation in the shows will take place using a cost-share model and it is expected that exporters will pay their own way to subsequent fairs.

The program will also facilitate (or take to a greater level) the development of a web presence and the use of digital images for interested exporters. A few Ghanaian exporters already have good web sites but others do not. Some create and use digital images to communicate with importers while others do not. The ILO/AFE program will identify and negotiate with local service providers (ISPs, Cyber Cafés, Web consultants, etc) who can provide technical assistance to the exporters. A cost share program will be implemented to assist them to access these services. Once the cost share program is complete the exporters will continue to use the services of the providers, paying full cost.

8.3 Interventions to Promote Product Development Services

The objective of these interventions is to develop the capacity of exporters to provide product development services to small-scale producers. To do this, the ILO/AFE program will link them to international product development consultants, who will assist them in identifying new product designs/innovations that fit current market trends (the program will pay for these consultants). Using this information each participating exporter will be required to develop a series of new products, in conjunction with the producers they work with, using their own resources for sample development. The ILO/AFE program will provide them with technical support, but they will be ultimately responsible (this approach differs from past approaches in which the development project would undertake all product development activities on a unilateral basis). Once samples are complete they will be sent to the consultant who will market them with selected importers. Feedback from these importers will allow further revisions and improvements. When importers place orders it will be the exporter who sponsored the product development that will get the business. This process will result in both improved product design capacity on behalf of the exporter (allowing them to provide

product design services to small-scale enterprise), as well as new market linkages (allowing exporters to provide greater market access services).

8.4 Interventions to Promote Quality Control and Production Training Services

The program will initially target two craft export products - baskets and woodcarvings. For each of these products, it will work with participating exporters to document the stages of order fulfillment, including accessing raw materials, fabrication, drying, finishing, testing, storage, packaging and shipment. The program will then determine the quality control (QC) and production training tasks required at each of these stages.

The program will then assess the gaps between the required tasks and the existing operations at each stage. This will result in a list of constraints that need to be addressed to ensure quality production. Once these constraints are known, the program will identify business services needed to address the QC and other skill gaps. These services might include:

- provision of regular production follow-up and spot checks
- training in large volume production techniques
- sale of particular tools that will improve quality production
- rental of needed equipment to producers

The program will then determine which of these services are provided best by exporters and will identify interventions that will build their capacity to provide them in a sustainable manner. In some cases it might also be appropriate to develop the capacity of consultants, or producer “group leaders”, who will work on behalf of (and be paid by) the exporters to carry out the service.

Illustrative examples of these interventions might include:

- Technical assistance from production and quality control specialists – the program will identify product specialists both in Ghana and internationally to participate in the identification and implementation of capacity building activities for exporters.
- Develop product specific (baskets, wood carvings, etc.) QC and production training materials - the program will document this information in the form of easy to use guides.
- Capacity building of exporters’ staff – once product specific QC and production practices are established the program will develop training materials and deliver workshops for exporters’ staff as well as production group leaders who work for the exporters. They will then be able to disseminate the improved practices to other producers. This intervention is particularly needed in the basket sector where there is unmet demand for Ghanaian baskets internationally and a need to identify and train additional producers in Ghana.
- Linkages to commercial sources of tools and equipment – if the assessments show the need for improved tools or equipment the program will help to identify appropriate commercial sources, both within and outside of Ghana (already the basket exporters have expressed interest in simple tools/machines that can split straw). Efforts will be made to link private sector distributors and retailers with these sources so that they can be sold (and repaired) on sustainable basis to producers and/or exporters.
- Links to, or establishment of, companies that can rent more expensive tools and equipment to producers and/or exporters.
- Promotion of local radio broadcasts that will disseminate best practices.
- Study tours to countries that are competing with Ghanaian products – these countries (Philippines for wood carvings, Vietnam for baskets, Indonesia for batiks, etc.) are able to produce large volume, high quality items at prices lower than in Ghana. The objective of these study tours will be to examine production processes, quality control, labor and material inputs, etc. in order to learn how (or in which situations) Ghana can emulate the practices in those countries, move to a new level of production, and compete for much

larger volume orders.

8.5 Interventions to Promote Management Development Services

These interventions will serve two purposes. First, they will address the management development constraints facing exporters. Addressing these constraints will enable the exporters to operate more efficiently, take on larger orders, and work with more international buyers. This in turn will translate into greater revenue for the small-scale enterprises that they buy from. The interventions will also develop the capacity of local service providers to provide management development training and technical assistance to craft exporter businesses.

The interventions will begin with meetings with participating exporters to prioritize the most pressing management constraints facing their export businesses. Examples include: inventory management, financial management, strategic planning, development of quality brochures and catalogues, use of email/internet, and communication/customer service techniques. Once these are prioritized the program will begin with the highest priority issue and develop a service provider scope of work. This scope, which will describe the training and/or technical assistance requested from the provider, will then be made public in the form of a tender document. Local service providers will be invited to respond to the tender with a proposal. The ILO/AFE program will review the proposals and choose the highest quality/ most cost effective one. The program will then work with the service provider to develop its training or TA for the exporters. In some cases the program may bring in an international specialist to work with the local provider. The implementation of the training/technical assistance activity will then take place on a cost share basis with the exporters. The effect of this intervention will be to develop the capacity of both the participating exporters, and the service providers who provide them the service. After the initial activity is completed (partially subsidized by the Program), the exporters will contract directly with the service provider for additional services or training and pay full market prices. Once the initial training/TA program is complete the ILO/AFE program will move to the next one until up to six are completed. Whenever possible, the program will take advantage of FIT/Ghana relationships with local radio stations to promote these activities, and support them with issue related programming.

8.6 Exit Strategies

The ILO/AFE program will have an exit strategy in place for all its interventions. This will ensure that the program does not take on commercial market functions, does not create market distortion, and does not create dependency relationships with exporters or importers. The program will serve as a facilitator, and not a direct provider, of services to producer and export enterprises. Interventions will have a limited life span and be designed so that business services will continue on their own once interventions are complete. The program will insist that all communication about orders take place between importers and exporters, and not through program staff.

IX. PROGRAM EXPANSION INTO ADDITIONAL PRODUCT MARKETS

The ILO/AFE program will expand its activities into additional product markets during the four-year life of the program as opportunities present themselves. One product market with good potential is the shea butter export market. Shea butter is produced from the nut of a small fruit growing on the Karité tree. These trees are found almost exclusively in West Africa. The shea oil, or butter, is extracted from the nut using a variety of traditional or industrial processes. Shea butter is used in both the cosmetics and food market. In the food market it is a substitute for cocoa butter. In the cosmetics market it is used in skin creams, shampoos, and body lotions. Shea butter is currently very popular in the cosmetics market and strong growth is foreseen.

Shea nut trees are abundant in northern Ghana and there are several thousand women producers, though most of it is produced for domestic consumption. There are currently a few shea butter exporters in Ghana, most notably GETRADE and BOSBEL. GETRADE provides 10-12 tons per month of unprocessed raw shea butter to the Body Shop in the UK. BOSBEL, with a processing facility in Tamale, exports neutralized and deodorized shea to a variety of international customers. There is also a Ghanaian importer working in Atlanta, U.S. who imports regularly from the area around his native village.

Interviews with these market players, conducted by the ILO/AFE design team, uncovered a variety of constraints and opportunities that could be addressed by embedded business services such as market access, quality control, and production training. Successful development of these services with could result in increased revenues and employment for several thousand rural women.

X. MONITORING AND EVALUATION

In line with current BDS best practices, the ILO/AFE program will monitor results at three levels:

- Enterprise Level (measuring impact on participating enterprises)
- Business Service Level (measuring the development of improved and sustainable business services)
- Program Level (measuring program performance and cost effectiveness)

Illustrative indicators in each category, along with projected program results over a four-year period are presented in the table below:

INDICATOR	EXPECTED RESULTS
<i>Enterprise Level Impacts:</i>	
Number of enterprises acquiring business services by service type	2500 businesses will be acquiring business services (market access, product development, quality control/ production training, management development, etc.)
% of enterprises (compared to total number of similar firms) acquiring business services by service type	% of enterprises acquiring business services will grow by 20%
Annual value of sales of enterprises	Sales of enterprises receiving program related services will increase by at least \$200,000 per year
Employment creation	More than 500 new jobs will be created
<i>Business Service Level Impacts</i>	
Total number of business service providers in the market by service	There will be at least 5 new service providers in the market
% of private, for profit (no donor funds/contracts) sector business service providers	At least 80% of service providers will be operating privately with no donor funds
% of profitable business service providers (or proxy)	At least 80% of service providers will be profitable
Total number of firms acquiring business service by service type	At least 2500 enterprises will be acquiring business services
Total number of enterprises acquiring business service from program supported	Number of enterprises receiving business services from program supported providers

providers by service	will increase by 30%
% of business services subsidized	Less than 20% of business services will be subsidized
Client Satisfaction (referrals and/or repeat customers)	Client satisfaction with services will be at 80%
<i>Program Level Impacts</i>	
Value of final sales in the product market (ex. craft exports)	Sales in the targeted export markets will increase by at least \$250,000 per year
Total program costs per enterprise served	Program cost will be less than \$150 per year/ per enterprise served

The ILO/AFE program will save time and resources by gathering most of its impact information from financial records/information provided by participating exporters.